



REPUBLIC OF LEBANON
MINISTRY OF ECONOMY & TRADE
Insurance Control Commission

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Guidelines on Product Approval/Review Process

The present guidelines set the initial process of ICC's approval/review of insurance products. They form an intrinsic part of ICC's efforts to streamline the product filing, compliance, transparency and pricing.

A. Scope of Approval/Review - File and Use

The Product Approval/Review Process (PRP) covers the following:

- New products that companies plan to launch after the date on which the present guidelines become effective; and
- Amendments to existing products that would take effect after the date on which the present guidelines become effective.

The approval/review process is based on a file-and-use approach; ICC will not provide any approval in writing on insurance products. The filed products are assumed to be compliant unless the review process indicates otherwise.

The process does not imply under any circumstances a guarantee or a certification that the product is profitable to the shareholders in present or in future, neither does it entail a promise to the policyholders that the insurance company would not default, or attempt to implement doubtful practices in settling insurance claims.

The ICC may, at its own discretion and at any point in time in the future, revisit products or amendments that were already reviewed and provide comments or take decisions in this respect as it sees required.

The PRP would cover the following aspects as a minimum:

- Compliance;
- Risk Management; and
- Feasibility.

B. Process for submission

Products falling within the scope of approval/review as outlined above should be filed with the ICC in hardcopies, whereby product files should include all the requirements provided for in the present guidelines.

Upon receipt of the files, ICC will deliver a stamp showing the date of reception which will be considered as formal date of submission.

In the context of the present approval/review process, companies will not be required to stop selling new business from existing products unless instructed to do so by the ICC. Companies may start the launching/selling of new products after 20 working days from the date of submission, unless otherwise instructed by ICC.

C. Product Approval Governance

Companies should file with the ICC a general description of their internal product approval process before December 31, 2015.

ICC will seek a thorough understanding of the internal product approval process utilised by the Company, including the various gateways and levels through which the approval has to proceed.

ICC would review these documents and may conduct interviews with management teams in order to gauge the level of understanding and involvement of the top management and board of directors in such a fundamental decision-making process.

This process is expected to provide the ICC with a general understanding of how different companies operate, and substance to elaborate best practices for the market in the future.

D. Product Filing

With regards to the individual approval/review of new products or amendments to existing products, whenever applicable, the following documents should be filed as a minimum with the ICC.

- Policy wording of the basic product including general and special conditions;
- Policy wording for attached riders;
- Sample policy specifications schedule;
- Sample of Application Form(s);
- Sample illustration or commercial simulation where applicable;
- Sample statement of policyholder account where applicable;
- Actuarial memorandum;
- Business plan and/or feasibility assessment for new products;
- Underwriting and claims management guidelines;
- Reinsurance treaties;

- Commercial brochures, leaflets, or other material used in advertising for the product;
- Training material for distribution channels;
- Investment strategy as per insurance law and regulations for savings plans other than Unit Linked;
- Fund prospectus notes for Unit Linked products;
- Outsourcing agreements with asset managers, third party administration companies, or other parties as needed to support the administration of the product, when applicable.

E. Approval/Review Process

1. Product Compliance

ICC will review products documentation for compliance with the prevailing insurance regulations, and more generally with applicable trade regulations.

Products are further expected to be compliant with consumer protection guidelines and practices, in terms of transparency at point of sale, and subsequently in the regular reporting on the performance of the underlying assets and the evolution of the account value or other considerations of relevance depending on the class of business.

2. Risk Management

The ICC will review insurance products from a financial, actuarial, and more generally risk management perspective. The objective of this review is to assess to which extent products are:

- Financially sound to the policyholder in terms of value;
- Adequately priced to generate reasonable profit margins for the Company;
- Adequately understood and monitored in terms of attached risks.

The actuarial memorandum, the risk register, the reinsurance strategy, the investment strategy, the underwriting guidelines and the claims management are key areas to review under this chapter. The profit and risk quantification metrics should be aligned with the descriptions provided by the Company about its own product approval process. Deviations from standard targets should be explained and documented; besides, the decision-making process to approve such deviations should be explained and documented.

3. Feasibility for new products

The Company should demonstrate through the product filing that there is a business case for the product in terms of general feasibility and market need. Besides, the Company should present a detailed business plan over a period of no less than 5 years showing how the business is expected to grow in terms of volume and profitability. The business plan should be set in the context of the larger projections that include the other insurance products sold by the Company.

F. Communication

Questions and clarifications would be sent to companies in writing. Communication received in formal letters from companies will be considered for the file or for any other action to be considered by the ICC.

Conference calls and in-person meetings can also be organised; however, information communicated during meetings and calls would not be considered as formal unless endorsed in writing by the Company. The ICC may take the initiative to put in writing a certain understanding from information communicated during meetings or calls, and consign it in writing to the Company.

The present guidelines will be reviewed by the ICC from time to time in order to improve them based on the market and supervisory experience. Insurance companies are expected to comply with the present guidelines with immediate effect.

Sincerely,

Acting Head of Insurance Control Commission

Nadine El Habbal

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