

Unofficial Translation

Attachment to Resolution No.65 (2008)
issued by Financial Regulatory Commission

**SOLVENCY REQUIREMENT FOR LONG-TERM INSURERS
AND OVERSIGHT PROCEDURES**

One.General provisions

- 1.1 The purpose of this regulation is to regulate the relations associated with Insurer (hereinafter referred to “Insurer”), who is involved in long-term insurance activities under the provision 14.2.2 “Solvency requirement for long-term insurers and procedures for oversight” of the Law on Insurance.
- 1.2 Insurer shall ensure to have sufficient solvency in order to meet the obligations to Insured under the insurance contract.
- 1.3 The solvency requirement for Insurer shall be established based upon the indicators reflected in its financial statements.

Two. Solvency criteria

- 2.1 The requirement for Insurers shall be not less than **150** percent.
- 2.2 The solvency requirement shall be determined by the ratio equals to “actual solvency indicator” over “required solvency indicator”.

$$SRR= \frac{A}{B}$$

Where:

SCR-solvency requirement ratio

A- actual solvency indicator

B- required solvency indicator

- 2.3 If the solvency requirement ratio is less than the amount set forth in provision 2.1 of this regulation then the Insurer shall be considered as insolvent.
- 2.4 The solvency requirement for Insurer shall be calculated as per reporting form approved as an attachment to this regulation.

Three. Actual solvency requirement

- 3.1 The actual solvency requirement shall be the sum of paid-in-capital and reserve fund.

$$A=SPIC+SRF$$

Where:

A- actual solvency requirement

SPIC-Sum of Paid-In-Capital

SRF-Sum of Reserve Fund

- 3.2 The sum of reserve fund shall be the sums of investments for each of the insurance forms.

Four. Required solvency requirement

- 4.1 Required solvency requirement shall be the sum of 50 percent of paid-in-capital and 5 percent of actuarial reserve fund.

$$B=PIC \times 50\% + ARF \times 5\%$$

Where:

PIC-Paid-in-capital

ARF-Actuarial reserve fund

- 4.2 Actuarial reserve fund is the fund established for total contract liabilities, which is determined by contingency theory and math.

Five. Oversight

- 5.1 The Insurer shall calculate solvency requirement ratio on a monthly basis and due course, as required and if it becomes insolvent, the Insurer shall be obliged to notify the Financial Regulatory Commission (“hereinafter referred to “Commission”) within 3 business days.
- 5.2 The Insurer shall submit its financial statements along with solvency report to be prepared as per the attachment to this regulation on a monthly basis.
- 5.3 If the Insurer becomes insolvent, the Insurance department under the Commission shall propose to Commission to take coercive actions in accordance with the Law on Insurance and applicable legislation.