

GUIDELINE ON INSURANCE ACCOUNTING

One. General provision

- 1.1 This regulation shall be complied when reflecting the transactions made in connection with insurance premium, reserve fund, reinsurance and compensating losses in the accounting records.
- 1.2 This regulation shall be followed within the scope of content and form of international accounting standard that is effective in Mongolia.

Two. Cash records and bookkeeping

- 2.1 Cash and equivalent shall be recorded at its actual value. The transactions, both income and expenditures made in foreign currency shall be recorded based on the exchange rate set on the date by the Bank of Mongolia.
- 2.2 The cash assets of insurance company shall be classified into cash available in paid-in capital and cash capital and shall be recorded separately.
- 2.3 The Financial Regulatory Commission shall be informed, when making transactions between the current accounts of paid-in-capital and cash capital.
- 2.4 In case the cash needs to be placed in foreign currency and other forms in the current account, then separate accounts identical to deposits account shall be opened and recorded separately.
- 2.5 The income of insurance premium shall be recorded as credit in “income generated from insurance premium” account and as debit in cash account of insurance.
- 2.6 Compensation related to insurance policy for the reporting period shall be recorded:
 - under debit as prepaid compensation;
 - under credit as deposit of insurance premium;
- 2.7 Compensation related to insurance policies for the previous reporting period shall be recorded:
 - under debit as claimed losses;
 - under credit as deposit;
- 2.8 In case the insurance premium collected is refunded for the reporting period, then it shall be recorded:
 - under debit as refunded insurance premium collected;
 - under credit as deposit of insurance;

- 2.9 In case the insurance premium collected is refunded for the previous reporting period, then it shall be recorded:
-under debit as insurance premium collected but not considered for income;
-under credit as deposit of insurance;
-if there is any discrepancy, then it shall be recorded under debit as profit/loss.
- 2.10 In case there is insurance premium to be transferred to reinsurance, then it shall be recorded:
-under debit as deposit of insurance;
-under credit as payable for reinsurance;
- 2.11 In case the insurance premium collected for reinsurance is transferred, then it shall be recorded as:
-under debit as insurance payable;
-under credit as insurance deposit;
- 2.12 In case the reinsurance income is transferred to reinsurer prior to collection of insurance premium, then it shall be recorded as:
-under debit as account receivable of insurance;
-under credit as deposit of insurance;
- 2.13 In case the pre-paid insurance premium for reinsurance is received, then it shall be recorded as:
-under debit as deposit of insurance;
-under credit as account receivables for insurance premium

Three. Records of insurance premium collected and bookkeeping

- 3.1 The insurance premium collected in each of the insurance form shall be recorded in accordance with “list of forms of voluntary insurance” issued by Financial Regulatory Commission.
- 3.2 Deduct the insurance premiums considered as income from the insurance premium collected for the reporting period in accordance with provision 2.7 of the “Regulation on establishment of insurance reserve fund, its expenditure and control” and it shall be recorded as follows:
- a) -under debit as insurance premium income
-under credit as insurance premium collected but not considered as income;
- b) -under debit as insurance premium collected but not considered as income;
-under credit as insurance premium collected and considered as income;
- 3.3 In case of compensation occurred in connection with insurance policies related to previous reporting period, then it shall be recorded as:
-under debit as claimed from reserve fund for losses;
-under credit as deposit of insurance;
- 3.4 In case of compensation made out of the insurance premium collected under the policy where the payments are required to be made in accordance with schedules set forth, then it shall be recorded as:
-under debit as prepaid compensation;
-under credit as insurance deposit;

- 3.5 In case the insurance premium collected for re-insurance is transferred, then it shall be recorded as:
-under debit as income generated from insurance premium collected;
-under credit as insurance deposit;
- 3.6 If there is prepaid compensation or cash received from the re-insurer, then it shall be recorded as:
-under debit as deposit of insurance;
-under credit as advance payment of re-insurer;
- 3.7 In case compensation to be paid by the re-insurer is pre-paid, then it shall be recorded as:
-under debit as account receivable of re-insurance;
-under credit as insurance deposit;
- 3.8 Income of re-insurance charges to be applied for re-insurance shall be recorded:
-under debit as income from insurance premium collected;
-under credit as income of re-insurance charges

Four. Records of reserve fund and bookkeeping

- 4.1 The insurance company shall establish the reserve fund in accordance with structure provided in “Regulation on establishment of insurance reserve fund, its expenditure and capital”, which was approved by Resolution No.23, dated 2006, issued by the Commission and reflect it in the accounting records duly.
- 4.2 Although the reserve funds are established and recorded separately, the cash of the reserve fund shall not be classified and recorded separately.
- 4.3 When establishing reserve funds from the insurance premium considered as income for the reporting period, it shall be recorded as follows:
-under debit as insurance premium considered as income;
-under credit as claimed losses;
-under credit as potential losses;
-under credit as insurance income;
- 4.4 In case the reserve fund is established from the remaining funds under the reinsurance policy, then it shall be recorded as:
-under debit as insurance premium collected;
-under credit as reserve fund for potential losses;
- 4.5 Compensation paid out of the reserve funds shall be recorded as:
- a) In case compensation needs to be paid out of the reserve fund for the reporting period, then it shall be recorded as:

-under debit as insurance premium collected and considered as income or reserve for potential losses;

- under credit as pre-paid compensation for losses;
- b) compensation paid in accordance with insurance policy related to previous reporting period shall be recorded as:
 - under debit as claimed or reserve for potential losses;
 - under credit as insurance deposit;
- 4.6 in case the investment is made out of the reserve fund for potential losses, then it shall be recorded as follows:
 - under debit as investment account
 - under credit as insurance deposit;
- 4.7 in case the income related to investment made out of reserve fund for potential losses needs to be recorded, then it shall be as follows:
 - under debit as insurance deposit;
 - under credit as reserve fund for potential losses;
- 4.8 the losses of investment made out of reserve fund shall be recorded as in profit/loss account.
- 4.9 The income generated from placement of cash assets of paid-in-capital shall be recorded as follows:
 - under debit as cash asset of paid-in-capital;
 - under credit as retained profit

Five. Records of non-insurance activities

- 5.1 The expenses incurred by the insurance company shall be classified as expenses related to insurance activities and non-operating costs.
- 5.2 Non-insurance activities shall be recorded in accounting in accordance with “Model guidelines for business entities accounting” approved by Finance and Economic minister’s resolution No.116, dated December 22nd 2000.