

APPENDIX OF FRC RESOLUTION NO. 66 OF 2008

REGULATION ON ESTIMATION OF LONG- TERM INSURANCE PREMIUM

ONE. GENERAL PROVISIONS

1.1. This regulation shall be complied within the scope of “the methodology for estimation of insurance rate and insurance premium rate” as stipulated in provision 7.2 and 14.2.5 of the Law on Insurance.

1.2. The purpose of this regulation is to regulate relations to estimate long- term insurance premium (hereinafter as “premuim”), alter the insurance premium and supervise the estimation of insurance premium rate determined by actuary and research materials.

1.3. This regulation shall have a concern with insurer engaged in long-term insurance activities (hereinafter referred to as “insurer”).

TWO. INSURANCE PREMIUM RATE

2.1. Insurance premium shall be estimated as summary of insurance net premuim and insurance additional premuim.

2.2. Insurance reserve fund for compensation payment for insured in case of insurance event occurs according to the contract shall be formed by insurance net premuim.

2.3. Any expense required for insurance activity and business profit shall consist of insurance additional premuim.

2.4. Following principles shall be exercised to estimate the insurance premium:

2.4.1. Insurance premium shall conform with the interest of insurer and insured person;

2.4.2. Insurer shall set up minimum amount of premium and comprehend maximum insured person;

2.4.3. Shall stable the insurance premium;

2.4.4. Compensate under the insurance contract and cover the expenses of activities;

2.4.5. Shall mutually relate to conditions of policy on long- term insurance product (hereinafter as “insurance product”);

2.5. Insurance premium shall be estimated by each insurance product; and insurance fee shall have once full or partially payable within the period of insurance policy.

THREE. ESTIMATION OF NET PREMIUM

3.1. Insurance net premium shall be estimated by means of the long-term actuary estimation based on the followings:

3.1.1. Life expectancy table;

3.1.2. Level of mortality;

3.1.3. Level of interest of insurance premium.

3.2. Life expectancy table and level of mortality shall be set based upon the classification of population age, life span, research on mortality statistics issued by the National Statistics Committee and report on statistics of morbidity and mortality studied by the Health development institute. In case of lack of information to form the life expectancy table of Mongolia, it can apply the table adjusting to the circumstances of Mongolia.

3.3. Life expectancy table shall be developed in compliance with principle to be followed permanently during 5 year period after conclusion of the insurance policy.

3.4. Estimation of insurance net premium shall be issued reflecting the changes on mortality by sex and other types of classification.

3.5. Interest of insurance premium shall be set based upon the estimation on guaranteed interest of insurance premium offered by insurer to insured and interest to invest in capital of an insurer.

3.6. Required research materials may be used to estimate insurance net premium.

FOUR. ESTIMATION OF INSURANCE ADDITIONAL PREMIUM

4.1. Followings shall be estimated as insurance additional premium:

4.1.1. operational expenses of an insurer;

4.1.2. non-operational expenses of an insurer;

4.1.3. expenses of reinsurance;

4.1.4. commission of insurance agent;

4.1.5. compensation to be paid under the insurance policy;

4.1.6. expenses related to investment;

4.1.7. profits of insurer (loss);

4.1.8. other expenses.

4.2. In order to estimate the insurance additional premium, detailed estimation shall be made by each expenses specified in provision 4.1 of this regulation.

FIVE. CONFIRMATION OF INSURANCE PREMIUM

5.1. Insurer shall submit the following estimations of insurance premium conformed by authorized actuary to the Commission:

5.1.1. Actuarial estimation stated in provision 3.1 of this regulation;

5.1.2. Estimation of insurance additional premium stated in provision 4.2 of this rule;

5.1.3. Research on the insurance product's market drawing;

5.1.4. 5 year investment plan;

5.1.5. Estimation and research on changes related to other premium rates as stipulated in insurance policy.

5.2. The actuary of the Commission shall revise premium delivered by an insurer within 15 working days and draw a conclusion.

5.3. If the actuary of the Commission esteems that the estimation of insurance premium submitted by insurer satisfies the requirements, it shall be introduced to extraordinary meeting of the Commission and will be discussed for granting permit of insurance product.

5.4. If the actuary of the Commission esteems that the estimation of insurance premium submitted by insurer does not satisfy the requirement, it shall deliver its grounds in written form.

5.5. Commission shall receive grounds and explanation in written form if methodology selected by insurer does not satisfy the requirements.

SIX. SUPERVISION

6.1. Insurer shall conduct its activity on basis of premium of insurance product granted permission by Committee.

6.2. In case of compulsion, Commission can request additional research, estimation and ground by insurer and take explanation from insurer under the provision 5.1 of this regulation.

6.3. In case the insurer changes the amount of insurance premium, insurer shall notify in written form to the Commission and deliver newly estimated ground of insurance premium according to this regulation.

6.4. Previous premium amount shall be in effect till the revised decision of Committee on insurer request to change the insurance premium.

6.5. Commission shall oversee the implementation of this regulation and impose liability under the Law on Insurance and other applicable laws.