

REGULATION ON SOLVENCY REQUIREMENT FOR INSURERS AND ITS SUPERVISION

ONE. GENERAL PROVISIONS

- 1.1 This regulation shall be followed when provision 14.2.2 of the Law on Insurance is implemented.
- 1.2 The Insurer shall have sufficient funds to secure the performance obligations to Insured.
- 1.3 The solvency requirement shall be set at a minimum capital requirement for an Insurer.
- 1.4 In order to set solvency ratio, financial statements and balance sheet indicators certified by an auditor shall be used.

TWO. SOLVENCY REQUIREMENT

- 2.1 The minimum asset requirement or solvency requirement for Insurer shall be not less than 150 percent of earned premium income.
- 2.2 If solvency ratio is less than minimum requirement set forth in provision 2.1 of this regulation, the Insurer shall be considered as insolvent.
- 2.3 The minimum asset requirement for an Insurer shall be estimated as follows:
A=B-C-D
Where:
A-Minimum assets requirement for an insurer
B-total assets
C- non-admitted assets
D-adjustment amount
- 2.4 The solvency requirement shall be set as per reporting form attached to this regulation.

THREE. NON-ADMITTED ASSETS

- 3.1 The non-admitted assets shall include the followings:
 - 3.1.1 Intangible assets
 - 3.1.2 Goods and materials
 - 3.1.3 Prepaid expenses (estimation)
 - 3.1.4 Outstanding receivable over 180 days

FOUR. ADJUSTED ASSETS

- 4.1 The adjusted assets shall be the assets, where value is written down at a percent as specified below:
 - 4.1.1 Cash, deposits in the current account of a bank, government debt instrument, Central bank bills-0%
 - 4.1.2 Savings in a bank, certificate of deposit-2%

- 4.1.3 Financial and operating leases-5%
- 4.1.4 Immovable assets-5%
- 4.1.5 Mortgage-backed securities-8%
- 4.1.6 Local Bond-10%
- 4.1.7 Company Bond-10%
- 4.1.8 Receivables under term of 180 days-20%
- 4.1.9 Inventory, equipment-20%, and
- 4.1.10 Loan-20%

FIVE. SUPERVISION

- 5.1 The Insurer shall estimate its solvency requirement in due course when it enters into a large contract and when it becomes insolvent; the Insurer shall notify the Financial Regulatory Commission (hereinafter referred to “Commission”) within 3 working days.
- 5.2 The Insurer shall submit solvency report as per attachment to this regulation along with its financial statement to the unit, in charge of implementation of insurance supervision (Monitoring and research department) under the Commission on a quarterly basis.
- 5.3 In case the Insurer becomes insolvent, the inspection unit and the unit (Monitoring and research department) in charge of implementation of insurance under the Commission shall propose to Commission to take sanctions in accordance with applicable provisions of Article 14 of the Law on Insurance.

Financial Regulatory Commission

Attachment to “Regulation on solvency requirement and its supervision”

SOLVENCY REPORT

NAME OF INSURER:
REPORTING PERIOD:

(in thousand togrogs)

1	Earned premium income	
2	Solvency requirement (2)= (1)x150%	

(in thousand togrogs)

	Item	Total
3	Total assets	
4	Non-admitted assets	
5	Adjustment amount	
6	Minimum asset requirement (6)=(3)-(4)-(5)	
7	Actual Solvency indicator (7)=(6)-(2)/ >0	
8	Solvency requirement (8)=(6)/(2) ratio: over 100%	

(in thousand togrogs)

	Item	Total
	Intangible assets	
	Goods and materials	
	Outstanding receivables over 180 days	
	Prepaid expense, estimation	
	TOTAL	

ADJUSTED CAPITAL

(in thousand togrogs)

Item	Total	Written down at	Adjustment amount
Cash, deposits in the current account of a bank, government debt instrument, Central bank bills		0%	
Savings in a bank, certificate of deposit		2%	
Financial and operating leases		5%	
Immovable asset		5%	
Mortgage-backed securities		8%	
Local Bonds		10%	
Company Bonds		10%	
Receivables under term of 180 days-20%		20%	
Inventory, equipment		20%	
TOTAL			

Director _____ (_____)

(Signature)

Accountant _____ (_____)

(Signature)

