Pursuant to Article 158-j, Point 1) and Article 74, Point 8) of the Law on Insurance Supervision (Official Gazette of the Republic of Macedonia" No. 27/02, 84/02, 98/02, 33/04, 88/05, 79/07, 08/08, 88/08, 56/09, 67/10, 44/11, 188/13, 43/14, 112/14, 153/15, 192/15 and 23/16), the Council of Experts of the Insurance Supervision Agency adopted the following

RULEBOOK
on the Calculation Method for the Liquidity Ratio and the Minimum Liquidity

I. General Provisions

Article 1

This Rulebook prescribes more closely:

1. The methodology for calculation of the liquidity ratio and the minimum liquidity that insurance and/or reinsurance undertakings (hereinafter: insurance undertakings) shall be required to apply in the liquidity management referred to in Article 103 of the Law on Insurance Supervision (hereinafter: the Law);
2. The planning of expected cash inflows and outflows, regular control of liquidity and adoption of measures for prevention or elimination of the causes for illiquidity pursuant to the provisions of Article 103, Paragraphs (2) and (3) of the Law; and
3. The contents, manner and deadlines for notification to the Insurance Supervision Agency (hereinafter: the Agency).

Article 2

(1) The managing body of the insurance undertaking shall be required to adopt an internal act that will prescribe in detail the way liquidity is managed, and will define the insurance undertaking's strategy and policy for liquidity management under normal and emergency circumstances.

(2) The managing body of the insurance undertaking shall be required to establish an organisational structure, internal control system, and an information management system that will be applied to liquidity measuring, monitoring, controlling and reporting.

(3) The managing body of the insurance undertaking shall be required to adopt a plan of measures for the prevention or elimination of the causes for illiquidity.

Article 3

(1) The insurance undertaking shall be required to plan, on regular basis, the expected (certain and uncertain) cash inflows and outflows. To this end, the undertaking shall be required

to prepare monthly plans of expected cash inflows and outflows.

(2) The insurance undertaking shall prepare the plans referred to in Paragraph (1) of this Article based on the data available in its business records.

II. Calculation Method for the Liquidity Ratio

Article 4

(1) Liquidity ratio is an indicator expressing the relation between the liquid assets and the matured or maturing liabilities.

(2) Liquid assets shall include the following assets available to the insurance undertaking:

- cash held in bank and in treasury;
- sight deposits;
- time deposits that mature within the next seven days or can be recalled within the next seven days; and
- securities that mature within the next seven days.

(3) Matured liabilities of the insurance undertaking shall be liabilities from the immediate insurance operations, liabilities arising from coinsurance and reinsurance operations (passive coinsurance/reinsurance), liabilities arising from participation in compensation of damages from coinsurance and reinsurance operations, liabilities for commission arising from insurance agency and brokering operations and other liabilities from immediate insurance operations, liabilities arising from investments, liabilities to employees and other liabilities that mature on the day that the liquidity ratio is calculated for.

(4) Maturing liabilities of the insurance undertaking shall be liabilities from the immediate insurance operations, liabilities arising from coinsurance and reinsurance operations (passive coinsurance/reinsurance), liabilities arising from participation in compensation of damages from coinsurance and reinsurance operations, liabilities for commission arising from insurance agency and brokering operations and other liabilities from immediate insurance operations, liabilities arising from investments, liabilities to employees and other liabilities that mature within the next seven days.

(5) Liquid assets in terms of the provisions of Paragraph (2) of this Article shall not include the securities that are not traded in regulated financial markets and that are hard to determine the market value of.

(6) Liquid assets in terms of the provisions of Paragraph (2) of this Article shall not include the securities that have been classified as securities held to maturity, unless these have matured or will mature within the next seven days. For the purposes of calculating the liquidity ratio, the insurance undertaking shall value and recognise these assets by their fair value.

(7) Liabilities in terms of the provisions of Paragraphs (3) and (4) of this Article shall also include balance and off-balance liabilities that cannot be deferred, and are related to particular costs for the period or liabilities from forward contracts.

(8) Liabilities in terms of the provisions of Paragraphs (3) and (4) of this Article shall also include all the other expected costs that have not been recognised as liabilities in the balance sheet, but which are certain to incur within a single day from the day the liquidity ratio is calculated for.

(9) The valuation of the individual items used in the liquidity ratio calculation shall be carried

out in the way prescribed by the Rulebook on the Method of Valuation of Items within a Balance Sheet and Preparation of Business Balance Sheets for insurance undertakings.

Article 5

(1) An insurance undertaking shall be deemed liquid if the liquidity ratio referred to in Article 4 of this Rulebook is greater than or equal to 1.

(2) An insurance undertaking shall be deemed illiquid if the liquidity ratio referred to in Article 4 of this Rulebook is less than 1.

Article 6

(1) An insurance undertaking shall be required to calculate on a daily basis:

- The amount of liquid assets referred to in Article 4, Paragraph (2) of this Rulebook;
- The amount of matured liabilities referred to in Article 4, Paragraphs (3), (4), (7) and (8) of this Rulebook;
- The liquidity ratio referred to in Article 4, Paragraph 1 of this Rulebook.

(2) The insurance undertaking shall calculate the amount of liquid assets, matured liabilities and liquidity ratio referred to in Paragraph (1) of this Article in the form "KL" – Calculation of the Daily Liquidity Ratio, which is herewith attached as Annex to this Rulebook and constitutes an integral part thereof (hereinafter: KL Form).

(3) The insurance undertaking shall support its liquidity ratio calculation with corresponding documentation that can verify the credibility of the calculation.

III. Plan of Measures and Insurance Undertaking's Actions in case of Illiquidity

Article 7

(1) In case the managing body of the insurance undertaking finds that the insurance undertaking has become illiquid pursuant to Article 5, Paragraph (2) of this Rulebook, it shall notify the Agency of this by the end of the first coming work day the latest.

(2) The notification of the previous Paragraph of this Article shall contain data about the total amount and structure of the liquid assets and the matured unsettled liabilities of the insurance undertaking, as well as the reasons for the inability to pay and the planned and undertaken activities for elimination of the temporary inability to pay, or for elimination of the causes for illiquidity. Thereby, the insurance undertaking shall list in detail the sources of funds it has used or intends to use so as to overcome its illiquidity, as well as an inflow and outflows plan for the next thirty-day period.

(3) The insurance undertaking shall be required to enclose with the notification a calculation of the daily liquidity ratio in the KL Form on the day that the insurance undertaking recognised its illiquidity.

Article 8

The managing body of the insurance undertaking shall be required to prepare and adopt a plan of measures and to act accordingly in case of illiquidity of the insurance undertaking. This plan shall be deemed to constitute an integral part of the insurance undertaking's acts dealing with liquidity management referred to in Article 2 of this Rulebook.

IV. Notification Contents, Manner and Deadlines

Article 9

(1) The insurance undertaking shall be required to notify the Agency of the daily liquidity ratio on a monthly basis, within ten work days from the last day of the month, in the KL Form.

(2) The insurance undertaking shall submit the duly completed KL Form in electronic form in manner prescribed by the Agency.

Transitional and Final Provisions

Article 10

This Rulebook shall enter into force on the day of its promulgation in the Official Gazette of the Republic of Macedonia, and shall start to apply as of 1 October 2011.

No. 0101-1281/6
21.03.2011,
Skopje
No 02-298/9
22.03.2016
Skopje

President of the Council of Experts of the Agency
Dr. Klime Poposki

(group)
(name of the company)

(current year)

KL: Liquidity Ratio Calculation

		Amount on the day: (*)
		1
LIQUID ASSETS (I1+I2+I3+I4+I5)	**I**	**0**
Cash held in bank and in treasury in the national currency	I1	
Cash held in bank and in treasury in a foreign currency	I2	
Sight deposits	I3	
Time deposits that mature within the next seven days or can be recalled within the next seven days	I4	
Securities that mature within the next seven days. (I5.1+I5.2+I5.3.)	I5	0
Classified as Securities held to maturity	I5.1	
Classified as Securities available for sale	I5.2	
Classified as Securities held for trading (by fair value in the balance sheet)	I5.3	
LIABILITIES (II1+II2)	**II**	**#REF!**
MATURED LIABILITIES (II1.1+II1.2+II1.3+II1.4)	**II1**	**#REF!**
Matured liabilities arising from immediate insurance, coinsurance and reinsurance operations (II1.1.1+II1.1.2+II1.1.3)	II1.1	0
Matured liabilities arising from immediate insurance, coinsurance and reinsurance operations	II1.1.1	
Matured liabilities for commission	II1.1.2	
Other matured liabilities from immediate insurance operations	II1.1.3	
Matured liabilities arising from investments	II1.2	

Matured liabilities to employees	II1.3	
Other matured liabilities	II1.4	
MATURING LIABILITIES (II2.1+II2.2+II2.3+II2.4)	**II2**	**#REF!**
Maturing liabilities arising from immediate insurance, coinsurance and reinsurance operations (II2.1.1+II2.1.2+II2.1.3)	II2.1	0
Maturing liabilities arising from immediate insurance, coinsurance and reinsurance operations	II2.1.1	
Maturing liabilities for commission	II2.1.2	
Other maturing liabilities from immediate insurance operations	II2.1.3	
Maturing liabilities arising from investments	II2.2	
Maturing liabilities to employees	II2.3	
Other maturing liabilities	II2.4	
Liquidity Ratio (I/II)		**#REF!**

(*) Enter the day and the month that the calculation is done for. For example, 01.03. if the ratio refers to the first day of March.