Pursuant to Article 122, Paragraph (1), Point 4) of the Law on Insurance Supervision (("Official Gazette of the Republic of Macedonia" Nos. 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 Method of Valuation of Items within a Balance Sheet and Preparation of Business Balance Sheets

I. GENERAL PROVISIONS

Article 1

This Rulebook prescribes the method of valuation of items within a Balance Sheet (Statement of Financial Position) of insurance and reinsurance undertakings (hereinafter: Insurance Undertakings).

Article 2

(1) Insurance undertakings shall be required regularly to carry out valuation of items within a Balance Sheet (Statement of Financial Position) in compliance with the Law on Trade Companies, Rulebook on Accounting, International Financial Reporting Standards (IFRS) as translated and published in the Republic of Macedonia and the provisions of this Rulebook.

(2) Insurance undertakings shall be required to submit Rulebook Enforcement Report on the position and valuation of items within a Balance Sheet (Statement of Financial Position) as per the accounting positions on 31 March, 30 June 30 September and 31 December of the current business year. (hereinafter: the Agency).

(3) Insurance undertakings shall be required to submit the Report referred to in Paragraph 2 of this Article to the Agency in an electronic copy in manner prescribed by the agency within the following deadlines:

- For the first three-month period (quarter) of the current business year – not later than 30 April in the current business year;
- For the second three-month period (quarter) of the current business year – not later than 31 July in the current business year;
- For the third three-month period (quarter) of the current business year – not later than 31 October in the current business year;
- For the fourth three-month period (quarter) of the current business year – not later than 31 January in the next business year.

(4) Upon a special request by the Agency, insurance undertakings shall be required to submit

the Report referred to in Paragraph 2 of this Article to the Agency on another day and within another deadline than the position and the deadline referred to in Paragraph 3 of this Article.

Article 3

(1) Insurance undertakings shall be required to fully disclose in their Notes to the Financial Statements the applied method of valuation of items within a Balance Sheet (Statement of Financial Position).

(2) If an insurance undertaking fails to apply any of the valuation methods while preparing a Balance Sheet (Statement of Financial Position), it shall be required to disclose and explain this in its Notes to the Financial Statements along with an impact assessment of the non-application of the valuation methods on the financial performance and the financial position of the undertaking.

II. METHOD OF VALUATION OF ITEMS
WITHIN BUSINESS BALANCE SHEETS (FINANCIAL STATEMENTS)

Article 4

(1) Insurance undertakings shall be required to adopt an internal act defining the detailed rules and criteria for valuation of items within a Balance Sheet (Statement of Financial Position) which, as a minimum, shall include all the valuation methods and criteria set forth in this Rulebook. Insurance undertakings shall be required to submit to the Agency the Rulebook along with all its amendments and supplements.

(2) Based on field controls and off-field monitoring of insurance undertaking's operations, the Agency shall be able to order the undertaking to reclassify a receivable from one category to another, to modify the determined amount of adjustment to a particular receivable's value, and to amend the internal act adopted pursuant to this Rulebook.

Valuation of Financial Investments

Article 5

(1) Insurance undertakings shall be required, at least on a quarterly basis, to carry out value reconciliation of financial investments to their fair value or impairment and to record this accordingly.

(2) By way of derogation from Paragraph 1 of this Article, insurance undertakings shall be required, on a daily basis, to carry out value reconciliation of investments that cover mathematical provisions for life insurance contracts.

Valuation of Investments in Unlisted Securities

Article 6

(1) Insurance undertakings shall be required to value the investments in securities not listed in organised markets and having an insignificant maturity, by way of individual assessment of the financial position of the issuer of securities.

(2) The securities issuer's financial position shall be determined on grounds of the following criteria, the importance of which declines successively:

2.1 Solvency of the securities issuer;

2.2 Liquidity of the securities issuer;

2.3 Cash flows in the previous period and expected future cash flows of the securities issuer;

2.4 Profitability of the securities issuer;

2.5 General market conditions and future perspectives of the securities issuer, as well as its position on the market;

2.6 Adequacy and timeliness in meeting its liabilities; and

2.7 Quality and expertise of its management.

Valuation of Receivables Arising from Insurance Premium and Receivables Arising from Recourse and Determination of the Value Adjustment – Special Provisions

Article 7

(1) Insurance undertakings shall be required to make classification of their receivables into following categories depending on the time period the debtor is late in meeting their liabilities, counting from the maturity date of the receivable:

1) **Category A** – Receivables from debtors who have failed to meet their liabilities to the undertaking on the maturity date of the receivable and have continued to be in default for a period of **up to 30 days from the maturity date of the receivable**;

2) **Category B –** Receivables from debtors who have failed to meet their liabilities to the undertaking for a period of **31 to 60 days from the maturity date of the receivable**;

3) **Category C –** Receivables from debtors who have failed to meet their liabilities to the undertaking for a period of **61 to 120 days from the maturity date of the receivable**;

4) **Category D –** Receivables from debtors who have failed to meet their liabilities to the undertaking for a period of **121 to 270 days from the maturity date of the receivable**;

5) **Category E –** Receivables from debtors who have failed to meet their liabilities to the undertaking for a period of **271 to 365 days from the maturity date of the receivable**;

6) **Category F –** Receivables from debtors who have failed to meet their liabilities to the undertaking for a period **longer than 365 days from the maturity date of the receivable**.

(2) Insurance undertakings shall be required to determine a corresponding value adjustment – special provisions for receivables classified pursuant to Paragraph 1 of this Article, as

follows:

Group of receivables	Time period that the debtor is late in meeting their liability	Value adjustment (as % of the total value of an individual receivable)
A	up to 30 days	0%
B	from 31 to 60 days	10%-30%

Group of receivables	Time period that the debtor is late in meeting their liability	Value adjustment (as % of the total value of an individual receivable)
C	from 61 to 120 days	31%-50%
D	from 121 to 270 days	51%-70%
E	from 271 to 365 days	71%-90%
F	longer than 365 days	100%

(3) Insurance undertakings shall be required to determine a corresponding percentage of value adjustment – special provisions for receivables classified pursuant to Paragraph 1 of this Article within the minimum and maximum percentages of value adjustment shown in the table of Paragraph 2 of this Article by way of applying at least one of the following criteria:

- time period that the debtor is late in meeting their liability and/or
- individual assessment of the financial position of each debtor classified in a corresponding category having in mind the criteria set forth in Article 6, Paragraph 2 of this Rulebook.

(4) Value adjustment – special provisions for receivables from legal entities that have a bankruptcy procedure imposed on them shall be carried out in the amount of 100% of the amount of such receivables, regardless of the time period that the debtor is late in meeting their liability.

(5) With regards to receivables arising from insurance premium where the **contractual maturity date** set forth in the insurance contract (policy) or the annex thereto **has been set to a date after the insurance contract expiry date**, the undertaking shall carry out value adjustment in the amount of 100% of the amount of such receivables starting from the first day of the insurance contract expiry date, regardless of the time period that the debtor is late in meeting their liability.

(6) With regards to receivables arising from recourse **where the contractual maturity date** set forth in the recourse debt payment agreement concluded with the recourse debtor **has**

been set to a date 365 days after the date of conclusion of the agreement, the undertaking shall carry out value adjustment in the amount of 100% of the amount of such receivables starting from the 366th day from the date when the contract was concluded, regardless of the time period that the recourse debtor is late in meeting their liability.

(7) With regards to receivables referred to in Paragraphs (5) and (6) of this Article, up until the insurance contract expiry date and the 365th day from the date of conclusion of the recourse debt payment agreement, the undertaking shall apply the percentages of value adjustment set forth in Paragraph (2) of this Article.

(8) Receivables that have been reprogrammed in agreement with the debtor shall be reclassified according to their original maturity date.

III. TRANSITIONAL AND FINAL PROVISIONS

Article 8

(1) Insurance undertakings shall be required to comply with the provisions of Article 7 of this Rulebook in the following manner:

- At least 30% of the total value of receivables having a maturity date within the time period ending on 31 December 2010 – the latest by 31 December 2011;
- The remaining 70% of the total value of receivables having a maturity date within the time period ending on 31 December 2010 – the latest by 31 December 2012.

(2) Within the Report referred to in Article 2, Paragraph 2 of this Rulebook, the insurance undertakings shall be required to show separately the receivables set forth in Paragraph 1 of this Article and the corresponding value adjustment.

Article 9

This Rulebook shall enter into force on the day of its promulgation in the "Official Gazette of the Republic of Macedonia" and shall become effective as of 1 January 2011.

No. 0101-2776/2 of 17.12.2010
and No. 02-1026/4 of 10.10.2013
Skopje

President of the Council of Experts
Dr. Klime Poposki