

Pursuant to Article 158-j, item 1), Article 74, items 4) and 9), and Article 104, paragraph (1), item 2) 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 calculating the required solvency margin of insurance and/or reinsurance undertakings

General provisions

Article 1

(1) This Rulebook describes in details the rules for calculating the required solvency margin of insurance and/or reinsurance undertakings (hereinafter: insurance undertakings) in Articles 75 and 76 of the Law on Insurance Supervision (hereinafter: the Law), and the manner and deadlines for reporting.

Non-life insurance

Article 2

(1) The insurance undertakings performing insurance activities within the non-life insurance segment are required to calculate the required solvency margin under Article 75 of the Law on the forms MS_1 (n.o.) and MS_2 (n.o.) contained in the Appendix to this Rulebook and are its integral part, in the manner prescribed in the Guidelines for calculating the required solvency margin, which is an integral part of this Rulebook.

Life insurance

Article 3

(1) The insurance undertakings performing insurance activities within the life insurance segment are required to calculate the required solvency margin under Article 76 of the Law on the forms MS_1 (z.o.), MS_2 (z.o.) and MS_3 (z.o.) contained in the Appendix to this Rulebook and are its integral part, in the manner prescribed in the Guidelines for calculating the required solvency margin, which is an integral part of this Rulebook.

Manner of and deadlines for reporting

Article 4

(1) The insurance undertakings shall calculate the required solvency margin on the prescribed forms on the last day of the following periods:

- Between January 1st and March 31st of the current year (first quarter);
- Between January 1st and June 30th of the current year (second quarter);
- Between January 1st and September 30th of the current year (third quarter);
- Between January 1st and December 31st of the current year (fourth quarter).

and shall submit them to the Agency within 30 days from the end of the quarter for which the Report is submitted.

(2) By way of derogation from the preceding paragraph, the forms for the fourth quarter shall

be submitted by the insurance undertaking additionally with the annual financial statements.

(3) The insurance undertakings shall be obliged to notify the Agency on the forms prescribed in this Rulebook in electronic form on the way prescribed by the Insurance Supervision Agency.

Quarterly reports

Article 5

(1) When calculating and reporting the required solvency margin on a quarterly basis, the insurance undertakings shall be obliged to use the data for the reference period of one year (or three years, or seven years) as follows:

- for the first quarter, data referring to the period between April 1st of last year (or three years earlier, or seven years earlier) and March 31st of the current year shall be taken into account;
- for the second quarter, data referring to the period between July 1st of last year (or three years earlier, or seven years earlier) and June 30th of the current year shall be taken into account;
- for the third quarter, data referring to the period between October 1st of last year (or three years earlier, or seven years earlier) and September 30th of the current year shall be taken into account;
- for the fourth quarter, data referring to the period between January 1st of current year (or two years earlier, or six years earlier) and December 31st of the current year shall be taken into account.

Final provisions

Article 6

(Article 6 from the Rulebook on calculating the required solvency margin of solvency of insurance and/or reinsurance undertakings published in "Official Gazette of the Republic of Macedonia" Nos. 5/11)

(1) This Rulebook shall enter into force eight days after its publication in the "Official Gazette of the Republic of Macedonia".

(2) The insurance undertakings shall be required to enforce this Rulebook beginning with the preparation of the quarterly reports for the first quarter of 2011.

Article 7

(Article 3 from the Rulebook on amendments on Rulebook on calculating the required solvency margin of solvency of insurance and/or reinsurance undertakings published in "Official Gazette of the Republic of Macedonia" Nos. 41/11)

(1) This Rulebook shall enter into force eight days after its publication in the "Official Gazette of the Republic of Macedonia".

Article 8

(Article 2 from the Rulebook on amendments on Rulebook on calculating the required solvency margin of solvency of insurance and/or reinsurance undertakings published in "Official Gazette of the Republic of Macedonia" Nos. 61/16)

(1) This Rulebook shall enter into force after its publication in the "Official Gazette of the Republic of Macedonia" and shall apply from 1st of April 2016.

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(2) The insurance undertakings shall be required to enforce this Rulebook beginning with the preparation of the quarterly reports for the second quarter of 2016.

President of Council of Experts,
Dr. Klime Poposki

APPENDIX
to the Rulebook on calculating the required solvency margin

MS_1 (n.o.) Required solvency margin for non-life insurance

(name of the Undertaking)
(period)
(year)

		Non-life insurance other than voluntary health insurance for which provisions from article 75 paragraph 6 of the ISL shall apply		Voluntary health insurance for which provisions from article 75 paragraph 6 of the ISL shall apply		Non-life insurance other than voluntary health insurance for which provisions from article 75 paragraph 6 of the ISL shall apply	
		Current year	Previous year	Current year	Previous year	Current year	Previous year
		100	101	200	201	300	301
Gross written premium	1						
Gross written premium < 10 millions euro x 0.18	2	0	0				
Gross written premium > 10 millions euro x 0.16	3	0	0				
Gross written premium < 10 millions euro x 18/300	4			0	0		
Gross written premium > 10 millions euro x 16/300	5			0	0		
Total amount of gross written premium ([6]=[2] + [3] or [6]=[4] + [5])	6	0	0	0	0		
Gross claims paid	7						
Net claims paid	8						
Ratio ([9]=[8]/[7] or 0.50, if it is lower)	9	0,00	0,00	0,00	0,00	0,00	0,00
Required solvency margin-the premium rate method ([10]=[6]*[9])	10	0	0	0	0		
Reference period (years)	11						
Gross claims paid in the reference period	12						
Gross claims provisions at the end of the reference period	13						
Gross claims provisions at the beginning of the reference period	14						
Gross incurred claims ([15]=[12] + [13] - [14])/[11])	15	0	0	0	0	0	0
Gross incurred claims < 7 millions euro x 0,26	16	0	0			0	0

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Gross incurred claims > 7 millions euro x 0,23	17	0	0			0	0
Gross incurred claims < 7 millions euro x 26/300	18			0	0		
Gross incurred claims > 7 millions euro x 23/300	19			0	0		
Total amount of gross incurred claims ([20]=[16] + [17] или [20]=[18] + [19])	20	0	0	0	0	0	0
Required solvency margin-claims rate method ([21]= [20]*[9])	21	0	0	0	0	0	0
Required level solvency margin ([22]=max([10],[21]))	22	0	0	0	0	0	0

MS_2 (n.o.): Ultimate calculation of the required solvency margin

		current year	previous year
		400	401
Ultimate calculation of the required solvency margin	1	0	0

MS_1 (z.o.): Required solvency margin for life assurance

(name of the Undertaking)
(period)
(year)

		Class 19	Class 20	Class 21				Class 22	Class 23
		19	20	(1)	(2)	(3)	Total	22	23
		19	20	20-1	21-2	21-3	21-4	22	23
Gross mathematical provision	1						0		
Net mathematical provision	2						0		
Ratio 1([3]=[2]/[1] or 0,85 if it is lower	3	0,00	0,00	0,00	0,00		0,00		0,00
Relevant factor	4	4%	4%	4%	1%				4%
The first result ([5]=[1]*[3]*[4])	5	0	0	0	0		0		0
Gross capital at risk (if it is not a negative number)	temporary assurance on death of a maximum term of 3 years	6					0		
	temporary assurance on death of a term > 3 years and < 5 years	7					0		
	assurance on death (other than [6] и [7])	8					0		

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	Total ([6]*0,1% + [7]*0,15% + [8]*0,3%)	9	0	0			0	0		
	Net capital at risk (if it is not a negative number)	10						0		
	Ratio 2 ([11]=[10]/([6]+[7]+[8]) or 0,50, if it is lower	11	0,00	0,00			0,00	0,00		
	Second result([12]=[9]*[11])	12	0	0			0	0		
	Assets of the tontines	13								
	Required solvency margin for life assurance	14	0	0	0	0	0	0	0	0

MS_2 (z.o.): Required solvency margin for the supplementary insurance

		Supplementary insurance	
		Current year	Previous year
		100	101
	Gross written premiums	1	
	Gross written premiums < 10 millions euro x 0.18	2	0
	Gross written premiums > 10 millions euro x 0.16	3	0
	Total amount of gross written premiums ([4]=[2] + [3])	4	0
	Gross claims paid	5	
	Net claims paid	6	
	Ratio ([7]=[6]/[5] or 0.50 if it is lower	7	0
	Required solvency margin for supplementary insurance ([8]=[4]*[7])	8	0

MS_3 (z.o.): Ultimate calculation of the required solvency margin

		Current year	Previous year
		200	201
Ultimate calculation of the required solvency margin	1	0	

GUIDELINE

on completing the forms for calculation of the required solvency margin

For the purposes of these Guideline, the following terms shall be used:

1) **Gross written premium in non-life insurance** - includes all premium amounts contracted (written) in the current accrual period, related to contracts of its own portfolio, received coinsurance and active reinsurance. **Gross written premium for life insurance, i.e. gross written premium for supplemental insurance to life insurance** includes all amounts of insurance premiums that are due (based on the provisions of the insurance contract) in the current accrual period related to all active contracts insurance. The gross written premiums for life insurance, i.e. the gross written premium for the supplemental insurance to life insurance includes: the single payment premium for insurance contracts that have entered into force during the accrual period or the premium instalments that have become due for payment during the accrual period in cases where the insurance contract stipulates premium payment in instalments.

Financial discounts given by the Company, are not deductible items from the gross written premium.

2) **Gross claims paid** - including the compensation for losses, sums insured and other agreed upon amounts that the Undertaking has paid or has to pay in regards to claims liquidated during the accrual period to insureds or insurance beneficiaries, including the direct claim handling costs.

1. Form MS_1 (n.o.)

Insurance undertakings performing non-life insurance activities are required to use the form MS_1 (n.o.). when calculating the required solvency margin.

1.1. Gross written premium - the total amount of gross written premiums for the reference period (one year), less the amount of cancelled or written off premium amounts in the current accrual period is entered.

1.2. Gross written premium < EUR 10 million x 0.18 - the amount calculated as the product of the amount in line "Gross written premium" and 0.18, if the amount of line "Gross written premium" does not exceed EUR 10 million, expressed in MKD equivalent value calculated at the middle exchange rate of the National Bank of Republic Macedonia on the last day of the current accrual period is entered. Otherwise, the amount calculated as the product between EUR 10 million, expressed in MKD equivalent value calculated at the middle exchange rate of the National Bank of Republic Macedonia on the last day of the period, and 0.18 is entered.

1.3. Gross written premium > EUR 10 million x 0.16, the following amount, if positive number, is entered: amount in line "Gross written premium" reduced by EUR 10 million, in MKD equivalent value at the middle exchange rate of the National Bank of Republic of Macedonia on the last day of the current accrual period, and the result obtained thereby is multiplied by 0.16.

1.4. Gross written premium < EUR 10 million x 18/300 and gross written premium > EUR 10 million x 16/300 - these amounts are entered only if the insurance undertakings are performing the insurance activities referred to in Article 75, paragraph (6) of the Law. The calculation method of the amounts in these lines is the same as the method for calculating the amounts in the lines, "Gross written premium < EUR 10 million x 0.18", and "Gross written premium > EUR 10 million x 0.16" respectively, where these amounts are multiplied by 1/3.

1.5. Total amount of gross written premium - the sum of lines "Gross written premium < EUR 10 million x 0.18" and "Gross written premium > EUR 10 million x 0.16", that is to say, lines "Gross

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written premium < EUR 10 million x 18/300 and "Gross written premium > EUR 10 million x 16/300" respectively.

1.6. Gross claims paid - the total amount of gross claims paid in the reference period (of one year) is entered.

1.7. Net claims paid - the total amount of gross claims paid in the reference period, excluding the paid claims covered by reinsurance (of one year) is entered.

1.8. Ratio - the ratio calculated as the quotient of the amount in line "Net claims paid" and the amount in line "Gross claims paid", if greater than 0,5 is entered. Otherwise 0,5 is entered.

1.9. Solvency margin - premium rate method - the amount obtained as product of the amount in line "Total amount of gross written premium" and the amount in line "Ratio" is entered.

1.10. Reference period - the reference period for calculating the required solvency margin rate using the claims rate method is entered, as per Article 75, paragraphs (3) and (4) of the Law.

1.11. Gross claims paid in the reference period - the amount of gross claims paid for insurance and reinsurance in the reference period.

1.12. Gross claims provisions at the end of the reference period - the amount of gross claims provisions as at the last day of the reference period is entered.

1.13. Gross claims provisions at the beginning of the reference period - the amount of gross claims provisions as at the last day of the reference period is entered.

1.14. Gross claims incurred - the amount calculated as sum of the lines "Gross claims paid in the reference period" and "Gross claims provisions at the end of the reference period", less the amount of line "Gross claims provisions at the beginning of the reference period", divided by the number of years in line "Reference period" is entered.

1.15. Gross claims incurred < EUR 7 million x 0.26 - the amount calculated as the product of the amount in line "Gross claims incurred" and 0,26, if the amount of line "Gross claims incurred" does not exceed EUR 7 million, expressed in MKD equivalent value calculated at the middle exchange rate of the National Bank of Republic Macedonia on the last day of the current accrual period is entered, is entered. Otherwise, the amount calculated as the product between EUR 7 million, expressed in MKD equivalent value calculated at the middle exchange rate of the National Bank of Republic Macedonia on the last day of the period, and 0,26 is entered.

1.16. Gross claims incurred > EUR 7 million x 0,23 - the following amount, if positive number, is entered: amount in line "Gross claims incurred" less EUR 7 million, expressed in MKD equivalent value at the middle exchange rate of the National Bank of Republic of Macedonia on the last day of the current accrual period, and this amount is then multiplied by 0,23.

1.17. Gross claims incurred < EUR 7 million x 26/300 and Gross claims incurred > EUR 7 million x 23/300 - the amounts are entered only if the insurance undertakings are performing the insurance activities referred to in Article 75, paragraph (6) of the Law. The calculation method of the amounts in these lines is the same as the method for calculating the amounts in the lines, "Gross claims incurred < EUR 7 million x 0.26", and "Gross claims incurred > EUR 7 million x 0.23" respectively, where these amounts are multiplied by 1/3.

1.18. Total amount of gross claims incurred - the sum of lines "Gross claims incurred < EUR 7 million x 0.26" and "Gross claims incurred > EUR 7 million x 0.23", that is to say, lines "Gross claims

incurred < EUR 7 million 26/300" and "Gross claims incurred > EUR 7 million x 23/300, respectively, is entered.

1.19. Solvency margin - claims rate method - the amount obtained as product of the amount in line "Total amount of gross claims incurred" and the amount in line "Ratio" is entered.

1.20. Required solvency margin - the higher amount of lines "Solvency margin - premium rate method" and "Solvency margin - claims ratio method" is entered.

2. Form MS_2 (n.o.)

Insurance undertakings performing non-life insurance activities are required to use the form MS_2 (n.o.) when calculating the required solvency margin.

2.1. Final calculation of the required solvency margin - the amount obtained as sum of the amounts in lines "Required solvency margin" in the appropriate columns for the current year or the previous year is entered.

3. Form MS_1 (z.o.)

Insurance undertakings performing life insurance activities are required to use the template MS_1 (z.o.) when calculating the required solvency margin, for each line of business insurance separately where present with life insurance activities.

3.1. Gross mathematical provision - the total amount of the mathematical provision on the last day of the current accrual period, for lines of business insurance referred to in Article 5, items 19), 20), and 23) of the Law, and line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76, paragraph (8) of the Law.

3.2. Net mathematical provision - the total amount of the mathematical provision on the last day of the current accrual period, less the mathematical provisions for insurance covered by reinsurance is entered; for lines of business referred to in Article 5, items 19), 20), and 23) of the Law, and line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76, paragraph (8) of the Law.

3.3. Ratio 1 - the ratio calculated as quotient of the amount in line "Net mathematical provision" and the amount in line "Gross mathematical provision", if greater than 0.85, is entered. Otherwise, 0.85 is entered.

3.4. Relevant factor - the amount (as percentage) for each line of business insurance, pursuant to Article 76, paragraph (2), paragraph (7) and paragraph (8), for lines of business insurance referred to Article 5, items 19), 20) and 23) of the Law, and line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76, paragraph (8) of the Law, is entered.

3.5. First result - the amount calculated as product of the amount in line "Gross mathematical provision", the amount in line "Ratio 1", and the amount in line "Relevant factor" is entered; for lines of business insurance referred to in Article 5, items 19), 20), and 23) of the Law, and line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76, paragraph (8) of the Law.

3.6. Gross capital at risk - the gross amount of capital at risk on the last day of the current accrual period is entered, for life insurance contracts in case of death entered into for: a period of up to 3 years, period greater than 3 and less than 5 years, and all other not covered in previous cases, respectively.

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The last line of this parameter is the sum of: the product of capital at risk for life insurance contract in case of death occurrence entered for a period of 3 years and 0.1%, the product of capital at risk for life insurance contracts in case of death occurrence entered into for a period of 3 to 5 years and 0.15%, and the product of capital at risk in all other cases and 0.3%.

These amounts are entered for the lines of business insurance referred to in Article 5, items 19), 20) of the Law, and the line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76 paragraph (8) of the Law.

3.7. Net capital at risk - the amount of capital at risk on the last day of the period, excluding the amount of capital at risk based on insurance covered by reinsurance is entered.

These amounts are entered for the lines of business insurance referred to in Article 5, items 19), 20) of the Law, and the line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76 paragraph (8) of the Law.

3.8. Ratio 2 - the ratio calculated as quotient of the amount in line "Net capital at risk" and the amount in line "Gross capital at risk", if greater than 0.5, is entered. Otherwise 0.5 is entered; for lines of business insurance referred to in Article 5, items 19), 20) of the Law, and for line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76 paragraph (8) of the Law.

3.9. Second result - the amount calculated as product of the amount in line "Gross capital at risk (Total)", and the ratio in line "Ratio 2" is entered; for lines of business insurance referred to in Article 5, items 19), 20), and 23) of the Law, and line of business insurance referred to in Article 5, item 21) of the Law, in accordance with Article 76, paragraph (8) of the Law.

3.10. Capitalized assets - the amount of capitalized assets from the line of business referred to in Article 5, item 22) of the Law is entered.

3.11. Calculated solvency margin for life insurance - the following is entered:

- 1) for lines of business insurance referred to in Article 5, items 19) and 20) of the Law, and for line of business insurance referred to in Article 5, item 21) of the Law (marked by columns with Total), the sum of the amounts in lines "First result" and "Second result" is entered.
- 2) for line of business insurance referred to in Article 5, item 21) of the Law (in columns marked (1) and (2)), and for line of business insurance referred to in Article 5, item 23) of the Law, the amount in line "First result" is entered.
- 3) for line of business insurance referred to in Article 5, item 21) of the Law (in columns marked (3)), the amount in line "Second result" is entered.
- 4) for line of business insurance referred to in Article 5, item 22) of the Law, the amount in line "Capitalized assets" multiplied by 0.01 is entered.

4. Form MS_2 (z.o.)

Form MS_2 (z.o.) is used if the insurance undertakings performing life insurance activities, perform also supplemental insurance activities in addition to the life insurance for lines of business insurance referred to in Article 5, items 1) and 2) of the Law.

4.1. Gross written premium - the total amount of gross written premiums for supplemental insurance to the life insurance in the reference period (one year), less the amount of cancelled or written off premium amounts in said period is entered.

4.2. Gross written premium < EUR 10 million x 0.18 - the amount calculated as the product of the amount in line "Gross written premium" and 0.18, if the amount of line "Gross written premium"

does not exceed EUR 10 million, expressed in MKD equivalent value calculated at the mid exchange rate of the National Bank of Republic Macedonia on the last day of the current accrual period is entered. Otherwise, the amount calculated as the product between EUR 10 million, expressed in MKD equivalent value calculated at the middle exchange rate of the National Bank of Republic Macedonia on the last day of the period, and 0.18 is entered.

4.3. Gross written premium > EUR 10 million x 0.16, the following amount, if positive number, is entered: amount in line "Gross claims incurred" less EUR 10 million, expressed in MKD equivalent value at the middle exchange rate of the National Bank of Republic of Macedonia on the last day of the current accrual period, and this amount is then multiplied by 0.16.

4.4. Total gross written premium - the sum of lines "Gross written premium < EUR 10 million x 0.18" and "Gross written premium > EUR 10 million x 0.16" is entered.

4.5. Gross claims paid - the total amount of gross claims paid for supplemental insurance to the life insurance in the reference period (of one year) is entered.

4.6. Net claims paid - the total amount of gross claims paid for supplemental insurance to the life insurance in the reference period, excluding the paid claims covered by reinsurance (of one year) is entered.

4.7. Ratio - the amount calculated as quotient of the line "Net claims paid" and the line "Gross claims paid", if greater than 0,5, is entered. Otherwise 0,5 is entered.

4.8. Calculated solvency margin for supplemental insurance - the amount obtained as product of the amount in line "Total gross written premium" and the amount in line "Ratio" is entered.

5. Form MS_3 (z.o.)

Form MS_3 (z.o.) is used if the insurance undertakings performing life insurance activities, perform also supplemental insurance activities in addition to the life insurance for lines of business insurance referred to in Article 5, items 1) and 2) of the Law.

5.1. Final calculation of the required solvency margin - the amount obtained as sum of the amounts in line "Calculated solvency margin for life insurance" in form MS_1 (z.o.) for all lines of business life insurance and the parameter "Calculated solvency margin for supplemental insurance" in form MS_2 (z.o.) for the current year is entered. The amount of this parameter for the previous year is entered in accordance with the calculations of the relevant accrual period.