

Pursuant to Article 158-j item 1), Article 102 paragraph (2), Article 74 item 9) and Article 104 paragraph (1) item 8) of the Law on Insurance Supervision (Official Gazette of the Republic of Macedonia No. 27/2002, 79/2007, 88/2008, 67/2010, 44/2011, 188/2013, 112/2014, 153/2015 and 192/2015), the Council of Experts of the Insurance Supervision Agency adopted the following:

## **RULEBOOK**

### **on the adequacy of the reinsurance coverage, the method for calculating the amount of maximum coverage of the insurance company in the maximum coverage table and the method for calculating the maximum possible damage**

#### **General Provisions**

##### **Article 1**

(1) This Rulebook regulates special conditions for the adequacy of the reinsurance coverage and special reinsurance conditions that relate to the suitability of the amounts of maximum self-preservation and maximum coverage in the maximum coverage in the table of insurance and/or reinsurance companies (hereinafter: Company), as well as general directions for estimating the maximum possible damage and preparation of the program for the planned reinsurance of the companies.

(2) This Rulebook prescribes the manner of reporting to the Insurance Supervision Agency (hereinafter: the Agency) regarding the reinsurance coverage of the Company.

#### **Obligation for reinsurance of risks**

##### **Article 2**

(1) The Company should provide adequate risk reinsurance, in accordance with the rules for risk management. The Company should re-insure the portion of the risks assumed that exceeds its maximum self-maintenance, according to the maximum coverage table.

(2) The rules and principles for the provision of reinsurance protection must be an integral part of the Company's general risk management rules and be approved by the Board of Directors, that is, the Management Board of the Company.

(3) The risk transferred in reinsurance must correspond to the risk taken in the respective policy, i.e. the respective insurance policies and/or active reinsurance (hereinafter: insurance policy).

(4) Reinsurance protection with optional, i.e. treaty reinsurance contracts which cover risks to policies concluded in a given period (for the risks that exceed its own maximum self-support according to the maximum coverage table) must be provided before the conclusion of the original insurance policies. The company, as an attachment to any reinsurance agreement, should have evidence of the date on which the insured risks under the reinsurance agreement are accepted by the reinsurer (s).

(5) The insurance company may enter into a reinsurance agreement only with insurance/reinsurance companies that have a license to perform reinsurance business and are subject to supervision.

(6) Reinsurance contracts must not involve a significant transfer of financial risk, rather than an insurance risk, and must not contain undercover loans.

(7) The company should adopt a planned program for each business year for the reinsurance planned in the previous business year.

(8) As an exception to paragraph (7) of this Article, the Company should revise the planned reinsurance program during the business year, if the circumstances in which the Company operates or if the strategy for taking risks is changed.

(9) For risks exceeding the amount of maximum coverage determined in accordance with the Maximum Coverage Table, the Company provides optional reinsurance contracts.

### **Additional provisions for reinsurance of a green card**

#### **Article 3**

(1) The company that concludes policies of liability for the use of motor vehicles for damages arising outside the territory of the Republic of Macedonia - a green card, should conclude an appropriate reinsurance contract with unlimited liability of the reinsurers for each risk or event.

(2) To cover the unlimited obligation it is not appropriate to conclude only proportional reinsurance agreement. Consequently, the Company should also enter into an agreement for reinsurance of surplus damages (XL contract) in order to provide full coverage of unlimited obligations.

(3) In cases where the XL contract reinsures the Company's self-reinsurance after applying a proportional reinsurance contract, the Company should be aware of the following:

- 1) not to apply aggregated limits in the proportional agreement;
- 2) As an exception to the preceding paragraph, if the proportional agreement includes aggregated limits, the coverage in the XL agreement should be arranged in such a way that it covers all obligations that exceed those limits.

### **Amount of maximum self-coverage and amount of maximum coverage**

#### **Article 4**

(1) The amount of maximum self-refund shall be the maximum net amount on which the Company is willing to undertake to reimburse from its own funds in the event of occurrence of potential damage that may arise as a result of:

- 1) occurrence of damage from an individual risk;
- 2) accumulation of damages in a given portfolio; or

3) the total amount of damages in a given portfolio.

(2) The amount of maximum coverage shall be the maximum gross amount at which the Company is willing to undertake to reimburse in the event of occurrence of potential damage that may arise as a result of:

- 1) occurrence of damage from an individual risk;
- 2) accumulation of damages in a given portfolio; or
- 3) the total amount of damages in a given portfolio.

(3) The Company determines the amount of maximum self-maintenance and amount of maximum coverage by certain classes of insurance, that is, certain risks within the classes of insurance, in accordance with this Rulebook, as well as in accordance with the rules and standards of the actuarial profession.

(4) In determining the amounts of the maximum self-support referred to in paragraph (1), the Company shall take into account the following items:

- 1) the criteria on the basis of which the maximum self-support is determined;
- 2) the capital;
- 3) the Company's policy regarding risk taking, i.e. the degree of risk aversion;
- 4) the profit margin calculated in the calculation of the premium;
- 5) the imbalance in the portfolio expressed through the variance of the total amount of claims;
- 6) the structure of the portfolio.

(5) Companies that provide cover for collective insurance contracts shall compulsorily determine the amount of the maximum self-maintenance and the amount of maximum coverage for the corresponding risks in accordance with paragraph (1) item 2) and paragraph (2) item 2) of this Article respectively.

(6) Companies that provide cover from catastrophic risks shall compulsory determine the amount of the maximum self-maintenance and the amount of maximum coverage for the corresponding risks in accordance with paragraph (1) item 2) and paragraph (2) item 2) of this Article respectively.

#### **Maximum coverage table** **Article 5**

The Company shall compile a maximum coverage table containing the amounts of maximum self-maintenance and the amounts of maximum coverage referred to in Article 4 by individual classes of insurance, or certain risks within the classes of insurance.

#### **Maximum possible damage** **Article 6**

(1) The Company determines the amount of maximum possible damage based on a detailed analysis of the nature of the risk. The amount of maximum possible damage is determined as a percentage of the insured amount or the limit of the coverage, and should be expressed in absolute amounts.

(2) The company should prepare procedures, bases and criteria for assessing the maximum possible damage by the individual risks it undertakes.

(3) The basis for determining the amount of maximum possible damage, in general, should be 100% of the amount insured - full damage. A smaller percentage can be applied in exceptional cases, but only if it is accompanied by sufficient argumentation.

### **Program for planned reinsurance**

#### **Article 7**

(1) The planned reinsurance program for each business year must be made before the beginning of the business year for which it is being prepared and should at least contain the following elements:

1) The amount of the maximum self-maintenance and the maximum coverage in the table for maximum coverage for the main classes of insurance, or certain risks within the classes of insurance.

2) The procedures, bases and criteria used in assessing the maximum possible claims by individual classes of insurance, or certain risks within the classes of insurance. If there are risks for which the Company lays down maximum possible damage, the relevant relative amounts should be included in the procedures.

3) Description of treaty and/or optional contracts by individual classes of insurance, that is, individual risks within the classes of insurance, as well as the principles for the selection of the reinsurance portfolio.

4) Internal procedures for concluding reinsurance contracts that include a way of selecting a reinsurance company, assessing the reliability of the reinsurance company, the manner of monitoring reinsurance contracts, reporting, and a system of internal controls.

### **Notification to the Agency**

#### **Article 8**

(1) The Company, shall submit to the Agency in an electronic version by electronic mail no later than 31.12 of the current business year for the next business year:

1. Program for planned reinsurance in accordance with Article 7 of this Rulebook, approved by the Board of Directors, that is, the Management Board of the Company.

2. Description of statistical bases used to monitor the adequacy of reinsurance coverage, including the presentation of statistical methods used by the Company for proper risk assessment. The company shall also provide a description of the system of internal controls that allows avoiding aggregation of risks. The statistical methods used should only be described in submitting the first report, and subsequently only if there is a change in the methodology.

3. Analysis of the authorized actuary for the amount of maximum self-maintenance in the maximum coverage table, taking into account the criteria in Article 4 of this Rulebook, as well as the procedures, bases and criteria of the Company in determining the maximum possible damage in taking risks.

4. Maximum coverage table according to TMP (n.o.) forms and TMP (zh.o.) which are contained in the Appendix to this Rulebook and are an integral part thereof. In addition, the Company is obliged to fill in the forms TMP (n.o.) forms and TMP (zh.o.) and submit them to the Agency in electronic form in a manner determined by the Agency.

(2) If the Company revises the planned reinsurance program in accordance with Article 2 paragraph (8) of this Rulebook, the revised program for planned reinsurance shall be submitted within 7 days from the day of its adoption.

(3) The companies have an obligation to fill the reinsurance forms Reo-01, Reo-02, Reo-03, Reo-04 and Reo-05, which are contained in the Appendix to this Rulebook and are an integral part thereof, and submit them to the Agency in electronic form in a manner determined by the Agency.

(4) The company fills in the forms Reo-01 and Reo-02 for the following periods:

from 1 January to 31 March of the current year;  
from 1 April to 30 June of the current year;  
from 1 July to 30 September of the current year;  
from 1 October to 31 December of the current year

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

(5) The company fills in the forms Reo-03 and Reo-04 for the following periods:

from 1 January to 31 March of the current year;  
from 1 April to 30 June of the current year;  
from 1 July to 30 September of the current year;  
from 1 October to 31 December of the current year

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

(6) The Company fills in the Reo-05 form for the period from January 1 to December 31 of the current year and submits it to the Agency within 30 days from the end of this period.

(7) In addition, the Company completes the forms Reo-01, Reo-02, Reo-03, Reo-04 and Reo-05 for the period from 1 January to 31 December of the current year and submits them with the Annual Financial Reports.

### **Final Provisions**

### **Article 9**

**(Article 9 of the Rulebook on the adequacy of the reinsurance coverage, the method for calculating the amount of maximum coverage of the insurance company in the maximum coverage table and the method for calculating the maximum possible damage published in the "Official Gazette of the Republic of Macedonia" No. 189/2013)**

This Rulebook shall enter into force on the day of its publication in the "Official Gazette of the Republic of Macedonia", and it shall be applied from 1 January 2014.

### **Article 10**

**(Article 9 of the Rulebook on the adequacy of the reinsurance coverage, the method for calculating the amount of maximum coverage of the insurance company in the maximum coverage table and the method for calculating the maximum possible damage published in the "Official Gazette of the Republic of Macedonia" No. 90/2016)**

(1) This Rulebook shall enter into force on the day of its publication in the "Official Gazette of the Republic of Macedonia", and it shall be applied from 1.1. 2014.

(2) This Rulebook shall enter into force on the day of its publication in the "Official Gazette of the Republic of Macedonia", and it shall be applied from 1.1.2016.

**No. 02-1273/5  
from 26.12.2013**

**President of the Council of Experts  
Klime Poposki, Ph.D.**

Annexes are not translated in English