

Pursuant to Articles 89 and 177 paragraph 4 of the Law on Insurance (Official Gazette of the Republic of Montenegro, No 78/06 and 19/07, Official Gazette of Montenegro, No 45/12), at the session held on 29 April 2014, the Council of the Insurance Supervision Agency hereby adopts the

RULEBOOK ON THE MANNER OF DETERMINING AND MONITORING OF THE INSURANCE COMPANY OR REINSURANCE COMPANY LIQUIDITY

(Official Gazette of Montenegro, No 22/14 of 16 May 2014)

Article 1

This Rulebook governs the manner of determining and monitoring of the insurance company or reinsurance company liquidity (hereinafter referred to as the Company), as well as the content, manner and deadlines for reporting to the Insurance Supervision Agency.

Article 2

The Company shall be obliged to manage sources of funds and with assets in such manner to be able at all times to meet its due liabilities or to be liquid.

The Company shall be liquid if the liquidity indicator is at least one (1).

The liquidity indicator shall be a ratio of liquid assets and liabilities.

Article 3

The liquid assets, within the meaning of this Rulebook, shall mean:

- Cash on accounts;
- Cash-on-hand and highly liquid monetary values;
- Demand (*a vista*) deposits and deposits with 14-day maturity;
- Securities issued by Montenegro, Central Bank, governments and central banks of foreign countries which could be cashed within 14 days;
- Securities traded in an organised market and which could be cashed within 14 days;
- Interests in business entities that could be cashed within 14 days;
- Receivables on clearing accounts, which are due within 14 days;
- Unused portion of framework bank loans approved to the Company which could be disposed with within 14 days;
- Inflows realistically expected in the next 14 days from insurance premiums, taking into account the average daily inflow in the previous one year; and
- Inflows realistically expected from re-insurers and co-insurers in the next 14 days.

Article 4

The liabilities, within the meaning of this Rulebook, shall mean due liabilities and liabilities becoming due within 14 days from the day of determining the liquidity ratio, and so as follows:

- Short-term liabilities from direct insurance activities;
- Short-term liabilities for premiums from co-insurance and reinsurance;
- Short-term liabilities for shares in claims amounts;
- Short-term liabilities from financing;
- Short-term liabilities towards employees;
- Other short-term liabilities from insurance activities and other short-term liabilities;
- Other liabilities; and
- Liabilities and other deferred expenses not reported as liabilities in the balance sheet, but which are certainly occurring within 14 days from the day for which the liquidity ratio is calculated.

Article 5

Values of liquid assets and liabilities of the Company shall be valued in accordance with the decision governing the manner of valuation of the balance sheet items of the Company.

Article 6

In order to monitor liquidity, the Company shall be obliged to plan possible inflows and outflows of liquid assets and liabilities every first business day in the month for such month.

In order to control validity of planning, the Company shall be obliged to calculate inflows and outflows on every first business day in the month for the previous month.

Article 7

The Company shall be obliged to report on the liquidity indicator, liquid assets and liabilities with a status on the last day of each month to the Insurance Supervision Agency.

The Company shall submit the report referred to in the previous paragraph of this Article to the Insurance Supervision Agency by the 20th in the month for the previous month, in writing and in electronic format, in the Form 1 that makes an integral part of this Rulebook.

Article 8

The Company shall report to the Agency on deferred payments of due liabilities resulting from illiquidity, within 24 hours from the occurrence of deferred payment, or illiquidity of that Company.

The notification referred to in the previous paragraph of this Article shall contain data on the total amount and breakdown of liquid assets, due liabilities and liabilities becoming due within 14 days as of the day the liquidity ratio is determined, as well as of undertaken and planned activities to remove causes of temporary illiquidity.

Article 9

As of the day of application of this Rulebook, the Rulebook on the Manner of Determining and Monitoring the Insurance Company Liquidity (Official Gazette of Montenegro, No 70/08 of 19 November 2008, 87/09 of 30 December 2009, 21/10 of 23 April 2010) shall cease to have effect

Article 10

This Rulebook shall enter into force on the eighth day following the day of its publishing in the Official Gazette of Montenegro, and shall apply from the first business day in the following month.

Number: 01-503/5-14
Podgorica, 29 April 2014

President of the Council of the Agency
Branko Vujović, m.p.

FORM 1		
Number	Description	Amount
1.	Cash on accounts	
2.	Cash-on-hand and highly liquid monetary values	
3.	Demand (a vista) deposits and deposits with 14-day maturity	
4.	Securities issued by Montenegro, Central Bank, governments and central banks of foreign countries which could be cashed within 14 days	
5.	Securities traded in an organised market and which could be cashed within 14 days	
6.	Interests in business entities that could be cashed within 14 days	
7.	Receivables on clearing accounts, which are due within 14 days	
8.	Unused portion of framework bank loans approved to the Company which could be disposed with within 14 days	
9.	Inflows realistically expected in the next 14 days from insurance premiums, taking into account the average daily inflow in the previous one year	
10.	Inflows realistically expected from re-insurers and co-insurers in the next 14 days	
11.	Liquid assets (1+2+3+4+5+6+7+8+9+10)	0
12.	Short-term liabilities from direct insurance activities	
13.	Short-term liabilities for premiums from co-insurance and reinsurance	
14.	Short-term liabilities for shares in claims amounts	
15.	Short-term liabilities from financing	
16.	Short-term liabilities towards employees	
17.	Other short-term liabilities from insurance activities and other short-term liabilities	
18.	Other liabilities	
19.	Liabilities and other deferred expenses not reported as liabilities in the balance sheet, but which are certainly occurring within 14 days from the day for which the liquidity ratio is calculated	
20.	Liabilities (12+13+14+15+16+17+18+19)	0
21.	Liquidity indicator (11/20)	#DIV/0!