

Pursuant to Article 155 paragraph 3 and 177 item 4 of the Law on Insurance (Official Gazette of the Republic of Montenegro 78/06 and 19/07 and 45/12), at the session held on 2 April 2013, the Council of the Insurance Supervision Agency adopted the

## **RULEBOOK ON THE CONTENTS OF THE AUTHORISED ACTUARY'S OPINION**

### **I BASIC PROVISION**

#### **Article 1**

This Rulebook regulates the contents of the authorised actuary's report regarding:

1. proposals for acts of business policies of insurance companies (hereinafter referred to as company) and proposals for amendments of such acts;
2. detailed studies regarding anticipated underwriting results of a company, referred to in Article 31 of the Law on Insurance (hereinafter referred to as the Law);
3. annual financial reports and annual reports on performance of companies;
4. annual reports on implementation of co-insurance and reinsurance policy of the company;
5. data included in quarterly reports of the company that is the subject of the authorised actuary's opinion;
6. report on financial performance of the ceding company and reinsurer;
7. ceding of an insurance portfolio.

### **II CONTENTS OF THE AUTHORISED ACTUARY'S OPINION**

#### **1. Opinion regarding proposals for acts of business policy of a company and proposals for amendments to such acts**

##### **Article 2**

Authorised actuary shall provide an opinion regarding the proposals for acts of business policy of the company referred to in Article 39 paragraph 2 items 1 to 7 and 9 to 12 of the Law, as well as the proposal for amendments to such acts, including opinion regarding the reasons for such amendments.

#### **Opinion regarding general and specific terms and conditions of insurance and premium tariffs**

##### **Article 3**

As regards the proposals for general and special conditions of insurance, the authorised actuary shall give an opinion whether they comply with the Law and regulations adopted based on the Law and other regulations governing the insurance business; provide a review of the scope of insurance and risks covered by the insurance, as well as an explanation of the manner in which the insurance is carried out and other procedures in the process of insurance carrying out.

The provision of paragraph 1 of this Article shall also apply to amendments to the terms and conditions referred to in such paragraph.

As regards the proposals for insurance premium tariffs, the authorised actuary shall give an opinion whether they comply with the Law, the rules of actuarial profession and insurance profession; provide information regarding statistical data based on which the technical premiums (premium rates) are calculated and information on technical bases and methods, i.e. rules for calculation of premium rates and insurance premiums classified by groups that may be defined and marked by the same risk factors (actuarial and analytical methods).

As regards proposals for amendments to the tariffs referred to in paragraph 3 of this Article, the authorised actuary shall give an opinion whether the relevant body of the company has adopted them in line with the Law, the rules of actuarial profession and insurance profession, as well as an opinion on achieved loss ratio for the last three years of application of such tariffs.

### **Opinion regarding the decision on technical bases of insurance**

#### **Article 4**

As regards the proposal for the decision on technical bases of insurance, the authorised actuary shall give an opinion whether it complies with the Law, the rules of actuarial profession and insurance profession, whether technical bases of insurance have been provided for each group of insurance business, and whether the bases and methods for calculation of premiums (premium rates), technical provisions, self-retention and other have been established.

As regards the proposals for amendments of the decision referred to in paragraph 1 of this Article, the authorised actuary shall give an opinion whether they comply with the Law, the rules of actuarial profession and insurance profession and whether they improve business operations and ensure more qualitative calculation of the tariff, technical provisions, self-retention and other.

### **Opinion regarding the decision on the criteria, manner of establishing and table of maximum retention and the total amount of retention**

#### **Article 5**

As regards the proposal for the decision on the criteria, manner of establishing and maximum retention table and the total amount of retention, the authorised actuary shall give an opinion whether it complies with the Law, the rules of actuarial profession and insurance profession, an opinion on the elements and criteria for establishing the maximum and total amount of retention of a company and the manner of their establishing, by classes of insurance in line with the rulebook of the Insurance Supervision Agency (hereinafter referred to as the Agency) regulating classes of insurance, and whether the maximum amount of retention ensures security and stability of business operations of the company, as well as an opinion regarding adequacy of the level of retention in the table of maximum coverage, regarding the ratio of the amount of

premiums and claims of the companies operating in the country, by classes of insurance that the company is to carry out, as well as anticipated insurance portfolio and reinsurance policy.

As regards the amendments to the decision referred to in paragraph 1 of this Article, the authorised actuary shall give an opinion whether they comply with the Law, the rules of actuarial profession and insurance profession, as well as the amount of assumed risks – by classes of insurance and on aggregate level, as of the day of issuing the opinion.

### **Opinion regarding the rulebook on terms and conditions and manner of depositing and investing company's assets**

#### **Article 6**

As regards the proposal for the rulebook on terms and conditions and manner of depositing and investing company's assets, the authorised actuary shall give an opinion whether its application ensures security for investing, whether it threatens the value of insurance funds or liquidity of the company and whether it complies with the Law and the rulebook of the Agency.

As regards the proposal for the amendments to the rulebook referred to in paragraph 1 of this Article, the authorised actuary shall give an opinion whether they have been made in line with the Law (particularly in case of funds covering technical provisions and capital) and what is their impact on maintenance of the value of funds of insurance and liquidity of the company.

### **Opinion regarding the rulebook on maximum rates of loading expenses**

#### **Article 7**

As regards the proposal for the rulebook on maximum rates of the loading expenses, the authorised actuary shall give an opinion on justifiability of distribution of the insurance premium to protect pure premiums funds for the purpose of timely payment of claims, by insurance classes, in accordance with the Law; and in terms of the automobile liability insurance, also an opinion whether they are in accordance with the regulation governing premium rates in automobile liability insurance.

As regards the proposal for the amendments to the rulebook referred to in paragraph 1 of this Article, the authorised actuary shall give an opinion on proposed maximum rates of the loading expenses by insurance classes, applied to the generated premium income, opinion on incurred expenses for carrying out the insurance activities (during the current business year), opinion on justifiability of distribution of insurance premium for the purpose of protecting funds of the pure premium, as well as the opinion whether the amendments comply with the Law; and in terms of the automobile liability insurance, an opinion whether they are in accordance with the regulation governing premium rates in automobile liability insurance.

### **Opinion regarding the Rulebook on establishing and calculating unearned premiums and level thereof**

## **Article 8**

As regards the proposal for the rulebook on forming and calculating unearned premiums and level thereof, the authorized actuary shall issue an opinion on whether the basis and the manner of calculation of unearned premiums comply with the Law and the rulebook of the Agency governing the detailed criteria and the manner of calculation of unearned premiums.

The provision of paragraph 1 of this Article shall also apply to amendments to the rulebook referred to in that paragraph.

## **Opinion regarding the rulebook on establishing and calculating mathematical provisions**

### **Article 9**

As regards the proposal for the rulebook on establishing and calculating mathematical provisions, the authorised actuary shall give an opinion whether the mathematical provisions and special life insurance provisions where the insured bears the investment risk comply with the Law, the rulebook of the Agency governing detailed criteria and the manner of calculating mathematical provisions and the rules of actuarial profession and insurance profession; give the review of insurance classes for which mathematical provisions shall be calculated, and a statement on the existence of technical bases for calculation of mathematical provisions for classes anticipated to be in the insurance portfolio and assessment of their application in calculation of such provisions, including data on used probability tables (life tables, morbidity tables and other); as well as an opinion on proposed interest rates and their effects on the funds of mathematical provisions.

The provision of paragraph 1 of this Article shall also apply to amendments to the rulebook referred to in that paragraph.

## **Opinion on the rulebook on the manner of determining the part of the pure premium for disbursement of incurred outstanding liabilities (outstanding claims)**

### **Article 10**

As regards the proposal for the rulebook on the manner of determining the part of the pure premium for disbursement of incurred outstanding liabilities (claims outstanding), the authorised actuary shall give an opinion whether it complies with the Law and the rulebook of the Agency regulating detailed criteria and the manner of calculating outstanding claims, whether it governs the procedure of manner of provisioning for incurred reported but not settled claims and for incurred but not reported claims, as well as their classification by insurance classes, and an opinion whether the manner of provisioning for annuity claims is regulated in case of auto liability insurance.

As regards the proposal for the amendments to the rulebook referred to in paragraph 1 of this Article, authorised actuary shall give an opinion whether they comply with the Law and whether they enable more precise assessment of claims outstanding according to the rules of actuarial profession, or whether the proposed method of provisioning for claims provides a realistic assessment of future payments for both reported and not reported claims.

### **Opinion on the rulebook on establishing and using risk equalization reserves**

#### **Article 11**

As regards the proposal for the rulebook on establishing and using risk equalization reserves, the authorised actuary shall give an opinion whether it complies with the Law and the rulebook of the Agency regulating the detailed criteria and the manner of calculating the risk equalization reserves; opinion on the manner of forming the risk equalization reserves and the proposed manner of their use, as well as an opinion whether the rules of insurance profession have been applied in the rulebook based on long-term (statistical) data on premiums, claims and loss ratio.

As regards the proposal for the amendments to the rulebook referred to in paragraph 1 of this Article, authorised actuary shall give an opinion whether they comply with the Law and the rulebook of the Agency regulating detailed criteria and manner of calculating risk equalisation reserve, and whether they are proposed based on the experience with claims or due to the changes occurred in insurers' portfolio.

### **Opinion on the rulebook on the conditions related to co-insurance and reinsurance**

#### **Article 12**

As regards the proposal for the rulebook on the conditions and manner of co-insurance and reinsurance, the authorised actuary shall give an opinion whether it complies with the Law, the rules of actuarial profession and insurance profession, and whether the conditions and the manner of co-insurance and reinsurance of not covered excess risk provide for security and stability of the operations of the company.

As regards the proposal for the amendments to the rulebook referred to in paragraph 1 of this Article, the authorised actuary shall give an opinion whether they comply with the Law, the rules of actuarial profession and insurance profession.

### **Opinion regarding the rulebook on the conditions and the manner of exercising the recourse**

#### **Article 13**

As regards the proposal for the rulebook on the conditions and the manner of exercising the recourse, authorised actuary shall give an opinion whether it complies with the Law,

the rules of actuarial profession and insurance profession and whether it regulates the procedure and establishes the criteria for exercising the recourse.

As regards the proposal for the amendments to the rulebook referred to in paragraph 1 of this Article, the authorised actuary shall give an opinion whether they comply with the Law, the rules of actuarial profession and insurance profession.

## **2. Opinion on the detailed study on expected underwriting results of the company**

### **Article 14**

As regards the detailed study on expected underwriting results of the company, the authorized actuary shall issue an opinion on expected income from premiums and expected expenses based on claims, an opinion on technical provisions and reserves determined in accordance with the Law, an opinion on expected values of funds and their sources, as well as an opinion on the preliminary expense report on carrying out the insurance activities with the assessment of economic viability of incorporation in relation to the size and the structure of the market.

## **3. Opinion regarding annual financial reports and annual performance report of the company**

### **Article 15**

As regards financial reports and annual performance reports of a company, the authorized actuary shall issue an opinion containing a general part, a special part and a final assessment.

**The general part** of the opinion referred to in this Article shall contain the name and registered office of the company and organizational form, reference number of the decision under which the license has been issued to the company and the reference number of the decision on registration with the competent register of business organizations, unique identification number (FIN) of the company, insurance class for which the company has obtained the license or for which is registered, data on the person responsible for legality of the operations of the company, as well as the data based on which this opinion is provided.

**Within the special part** of the opinion referred to in this Article, the authorised actuary shall:

1. present the amount of gross written premium, by insurance classes in line with the rulebook of the Agency regulating insurance classes;
2. present the amount of earned premium and earned premium in retention by insurance classes;
3. report on claims by insurance classes, as follows:
  - 3.1 the number of reported claims according to the year of claim occurrence;

- 3.2 the number and amount of processed claims (ordinary and disputed), except for annuity claims, according to the year of occurrence and year of reporting the claim;
- 3.3 the number and amount of annuity claims;
- 3.4 evaluate the extent of promptness of processing and payment of claims based on data on claims outstanding from the previous year and on reported, processed and paid claims in the current year;
- 3.5 indicate the average timeframe for processing claims (from the reporting date to the date of claim processing) and payment of claims (from the reporting date to the payment date and from the reporting date to the date of claim processing), by insurance classes (for ordinary claims, for disputed claims and on aggregate level, except for annuity claims);
- 3.6 evaluate outstanding liabilities based on processed but not paid claims by insurance classes;
4. establish and present gross and net claims ratio of the company, by insurance classes;
5. calculate and assess solvency margin of the company in the manner prescribed by the rulebook of the Agency governing the manner of the calculation of the solvency margin;
6. present the calculation of capital referred to in Article 92 and guarantee capital referred to in Article 98a of the Law and issue an opinion if the company meets the requirements of capital adequacy referred to in Article 98 and 98a of the Law, and an opinion on the amount and adequacy of capital from the aspect of ensuring security and stability of business operations of the company;
7. give an opinion whether the company has applied the rulebook on the restrictions related to depositing and investing of technical provisions and capital of the company when depositing and investing capital, provide a detailed overview of the forms of assets that serve to cover the capital with application of overall and individual restrictions envisaged by the rulebook of the Agency, provide an overview of investments of the overall capital of the company, as well as an opinion if the level of risk and structure of deposits and investments of capital comply with the Law and the rulebook of the Agency;
8. give an opinion regarding the liquidity of the company as of the day of compiling the financial report in the manner prescribed in the rulebook of the Agency regulating the manner of establishing and monitoring company's liquidity, and state whether the company has been illiquid in some part of the period for which the opinion is issued (if yes, specify the reasons);
9. give an opinion whether unearned premium has been calculated in accordance with the **rulebook on detailed criteria and manner of calculating unearned premiums**, whether the rules of actuarial profession and insurance profession have been followed in its application and whether the amount of unearned premiums has been calculated out of the total premium; give an opinion whether the demarcation of the premium is carried out, by insurance classes, proportionally to duration of insurance – for coverage of insurance liabilities to be incurred in the following calculation period, and present also, by insurance classes, the amounts of unearned premiums and the share of this premium in the overall premium;
10. give an opinion whether mathematical provisions have been formed and calculated in line with the **rulebook on detailed criteria and the manner of calculating mathematical provisions and special life insurance reserve where the insured bears the investment risk**, the rules of actuarial profession and insurance profession, and if it is sufficient for settling future obligations in respect of the insurance contracts, as well as:

- 10.1 an overview of assumptions and methods for calculation of mathematical provisions by insurance classes;
- 10.2 an overview of the bases used in calculation of mathematical provisions – amount of interest rate and probability table that has been used;
- 10.3 an overview of estimate of average return that the company has generated through investments of mathematical provisions in the previous three years;
- 10.4 an overview of assumptions and methods of distribution of income based on which future bonuses of any type have been calculated;
- 10.5 an overview of assumptions and methods for calculation of additional reserve for general risks that have not been individualised;
- 10.6 an overview of assumptions and methods for calculation of additional reserves for contracts where envisaged future expenses are higher than expenses implicitly included in the calculation of mathematical provisions, as well as methods and assumptions for estimate of future expenses;
- 10.7 an opinion if special life insurance reserves where the insured bears the investment risk have been calculated in line with the rulebook;
- 10.8 an overview of the calculation method for special life insurance reserves where the insured bears the investment risk;
- 10.9 an overview of the number of units awarded to insurance contracts;
- 10.10 an overview of the value of units or other measures of linking to the contract, in case when units are not determined;
11. give an opinion whether outstanding claims have been established in line with the **rulebook on detailed criteria and the manner of calculating technical provisions for outstanding claims**, as well as:
  - 11.1 an overview of the number and amount outstanding incurred reported but not settled claims, by insurance classes, separately for ordinary, and separately for disputed claims;
  - 11.2 an overview of the number and amount of outstanding incurred reported but not settled claims according to the years of reporting and incurring, by insurance classes (without annuity claims and separately for annuity claims);
  - 11.3 an opinion if average outstanding incurred reported but not settled claims at the end of the year in relation to average settled claims during the year are realistic, by insurance classes (for ordinary claims and disputed claims);
  - 11.4 the amount of outstanding incurred reported but not settled claims with reserve included for expenses related to processing and payment of claims, by insurance classes;
  - 11.5 the amount of provisions for incurred not reported claims (with and without reserves for costs related to processing and payment of claims), by insurance classes;
  - 11.6 an opinion if the calculation of incurred not reported claims is in line with the rulebook of the Agency regulating detailed criteria and manner of calculating technical provisions for outstanding claims;
  - 11.7 a rationale of the actuarial method that has been used for calculation of the reserves for incurred not reported claims, and if the method has been changed in relation to the previous calculation period the rationale of the reasons that resulted in the mentioned change;
  - 11.8 an opinion if outstanding claims are sufficient for settlement of liabilities for incurred reported but not processed claims and for incurred but not reported losses;
12. give an opinion whether risk equalisation reserves have been established and used in accordance with the **rulebook on detailed criteria and manner of calculation of risk equalisation reserves**, and present the aggregate amount of formed risk



- equalisation reserves and the ceiling of such reserves calculated in the manner prescribed by the rulebook of the Agency regulating detailed criteria and manner of risk equalisations reserves;
13. give an opinion whether the reserves for bonuses and discounts and other technical provisions referred to in Article 83 and 88a of the Law have been formed in line with the actuarial profession and insurance profession, as well as the overview of the calculation method and the aggregate amount of such reserves;
  14. give a structure of gross and net technical provisions referred to in Article 83 of the Law, by insurance classes;
  15. give an opinion whether the company has applied the **rulebook on the restrictions related to depositing and investing of the technical provisions and capital funds of the company** when depositing and investing technical provisions; provide a detailed overview of the forms of assets that serve to cover gross technical provisions with application of overall and individual restrictions envisaged by the rulebook of the Agency, as well as an opinion if the risk and structure of deposits and investments of technical provisions comply with the Law and the rulebook of the Agency;
  16. if the company allocates the contribution to loss prevention fund – give an overview of such contribution by insurance classes and state whether it has been calculated in accordance with the rulebook of the company governing the loss prevention, and whether the funds of such contribution and the loss prevention fund are used in accordance with the rules of the insurance profession;
  17. give an opinion whether the company has applied the **rulebook on maximum rates of the loading expenses**; whether the expenses of conducting insurance activities are in accordance with the loading expenses i.e. such rulebook, taking into account the premium structure; an opinion whether the funds of pure premium for payment of claims and contracted amounts based on insurance are preserved taking into account the amount of expenses for conducting the insurance activities; opinion on applied loading expenses rates, by insurance classes; opinion whether the expenses for conducting automobile liability insurance, the contribution to loss prevention fund and commission for conducting the insurance brokerage and agency activities are in accordance with the rulebook and regulation governing the premium rates in automobile liability insurance, taking into account the premium structure;
  18. establish and present gross and net costs ratio of the company, by insurance classes;
  19. give an opinion whether the company has applied **general and special insurance conditions and premium tariffs**, and whether the company has changed them during the business year; give an overview and opinion on relevant loss ratio of the company – by insurance classes and on aggregate level (if relevant loss ratio is higher than one, the reasons are given for that), and whether the tariff system is sufficient to cover future liabilities arising from claims;
  20. give an opinion whether the company has applied the **decision on the criteria, manner of determining and table of maximum retention and the total amount of retention**; state the amount of assumed risks, by insurance classes and on aggregate level, and issue an opinion on that; state the coverage of the total amount of assumed risks by the amount of own funds and issue an opinion on that; state the amount of excess risks not covered by own funds, as well as an opinion whether they have been co-insured and reinsured;
  21. give an opinion whether co-insurance and reinsurance of not covered excess risks have been carried out under the conditions and in the manner envisaged by **the rulebook on conditions and manner of co-insurance and reinsurance**; give an overview of reinsurance contracts, by types of reinsurance coverage for each insurance class;

22. give data on the number and the amount of exercised and collected recourses, by insurance classes, as well as an opinion whether the company has exercised recourses under the conditions and in the manner prescribed by the **rulebook on conditions and manner on exercising recourse**.

**The final assessment** of the opinion referred to in this Article shall contain the opinion of the authorized actuary, which may be:

- 1) **positive opinion** - if the actuarial positions and other parameters for which the authorized actuary issues an opinion are in accordance with the Law, subordinate legislation adopted under the Law and other regulations governing the insurance industry, if they are in accordance with the company's documents, economic principles, rules of actuary profession and insurance profession, if they ensure the preservation of the value of the assets and guarantee for permanent stability and solvency in operations, and if they provide liquidity for meeting obligations of the company;
- 2) **qualified opinion** - if there is even a slightest doubt that particular actuarial positions and other parameters for which the authorized actuary issues an opinion are not in accordance with the Law, subordinate legislation adopted under the Law and other regulations governing the insurance industry, if they are not in accordance with the company's documents, economic principles, rules of actuary profession and insurance profession, if they do not ensure the preservation of the value of the assets and guarantee for permanent stability and solvency in operations, and if they do not provide liquidity for meeting the obligations of the company;
- 3) **negative opinion** - if actuarial positions and other parameters for which the authorized actuary issues an opinion are not in accordance with the Law, subordinate legislation adopted under the Law and other regulations governing the insurance industry, if they are contrary to the company's documents, economic principles, rules of actuarial profession and insurance profession, if they do not ensure the preservation of the value of assets and do not guarantee for permanent stability and solvency in operations, and if they do not provide liquidity for meeting the obligations of the company.

The final assessment of the opinion referred to in this Article shall also contain the rationale based on which the assessment is given.

#### **4. Opinion on carrying out co-insurance and reinsurance policy of the company**

##### **Article 16**

As regards the **annual report on implementation of co-insurance and reinsurance policy**, the authorised actuary shall issue an opinion that includes the following:

1. data on concluded co-insurance and reinsurance contracts (duration of the contract, contract type, amount of maximum coverage per risk and validity period of the contract, name of direct or name of lead reinsurer or reinsurer retaining the largest portion of risk);

2. an opinion on adequacy of the amount of retention by insurance classes taking into account actuarial principles, insurance profession, security and stability of operations of the company, as well as the valid co-insurance and reinsurance policy;
3. an overview of the amount of insurance premiums, premiums transferred to reinsurance, premiums accepted from co-insurance and premiums transferred to co-insurance, by insurance classes and on aggregate level;
4. an overview of the amount of unearned insurance premiums, unearned premiums transferred to reinsurance, unearned premiums accepted from co-insurance and unearned premiums transferred to co-insurance, by insurance classes and on aggregate level;
5. an overview of the amount of processed and outstanding claims, amount of processed and outstanding claims transferred to reinsurance, processed and outstanding claims accepted from co-insurance and amount of processed and outstanding claims transferred to co-insurance, by insurance classes and on aggregate level;
6. an overview of the amount of insurance sums and maximum possible claims for risks assumed in insurance, with allocated part in retention of the company, a part accepted from co-insurance, allocated share of reinsurance and allocated share of co-insurance, by insurance classes and on aggregate level;
7. an overview of gross and net relevant loss ratio (with and without reinsurance effects) – by non-life insurance classes and on aggregate level;
8. a statement on existence and application of the detailed study on assessment of maximum possible claims in respect of risks according to the rules of insurance profession;
9. an opinion on adequacy of transfer of risk to co-insurance and reinsurance;
10. an opinion on justification of co-insurance and reinsurance policy.

## **5. Opinion regarding the data from quarterly reports of the company**

### **Article 17**

As regards quarterly financial reports, the authorised actuary shall issue an opinion that includes the following:

1. the amount of gross written premium, by insurance classes in line with the rulebook of the Agency regulating insurance classes;
2. the amount of earned premium and earned premium in retention by insurance classes;
3. report on claims by insurance classes, as follows:
  - 3.1 the number of reported claims in the accounting period;
  - 3.2 data on the total number and amount of claims to be processed in the accounting period;
  - 3.3 data on the number and amount of processed claims (ordinary and disputed) for the accounting period, as well as the number and amount of settled claims and number of rejected claims;
  - 3.4 evaluation of the level of promptness in processing and payment of claims;
  - 3.5 indication of average timeframe for processing claims (from the reporting date to the date of claim processing) and payment of claims (from the reporting date to the payment date and from the processing date to the date of claim payment), by insurance classes (for ordinary claims, for disputed claims and on aggregate level, except for annuity claims);

4. calculation and assessment of solvency margin of the company in the manner prescribed by the rulebook of the Agency governing the manner of the calculation of the solvency margin;
5. calculation of capital referred to in Article 92 and guarantee capital referred to in Article 98a of the Law and an opinion about the amount and adequacy of capital from the aspect of ensuring security and stability of business operations of the company;
6. an opinion whether the company has applied the rulebook related to restrictions on depositing and investing of the technical provisions and capital funds of the company when depositing and investing capital, a detailed overview of the forms of assets that serve to cover the capital funds with application of overall and individual restrictions envisaged by the rulebook of the Agency, an overview of investments of the overall capital of the company, as well as an opinion if the level of risk and structure of deposits and investments of capital comply with the Law and the rulebook of the Agency;
7. an opinion regarding the liquidity of the company, while its liquidity as of the day of compiling the quarterly report is specifically determined in the manner prescribed in the rulebook of the Agency regulating the manner of establishing and monitoring company's liquidity, and a statement if the company has been illiquid in some part of the period for which the opinion is issued (if yes, specify the reasons);
8. an opinion if the manner of calculation of all types of technical provisions referred to in Article 83 of the Law complies with the rulebooks of the company regulating the manner of their calculation by types of technical provisions, as well as an opinion regarding the change of the method of calculation of individual types of technical provisions (if there has been a change in the calculation method); an overview of the amount and structure of gross and net technical provisions, by insurance classes;
9. a detailed overview of the forms of assets that serve to cover gross technical provisions with application of overall and individual restrictions prescribed by the Rulebook of the Agency; an opinion whether the risk and structure of depositing technical provisions comply with the Law and rulebook of the Agency;
10. a report on co-insurance and reinsurance of excess risk exceeding maximum retention; as follows:
  - 10.1 an opinion if co-insurance and reinsurance of uncovered excess risk has been carried out by the company under the conditions and in the manner envisaged by the rulebook on the conditions and manner of co-insurance and reinsurance of such company;
  - 10.2 an overview of newly concluded co-insurance and reinsurance contracts (duration of the contract, contract type, amount of maximum coverage per risk and validity period of the contract, name of direct or name of lead reinsurer or reinsurer retaining the largest portion of risk);
  - 10.3 an opinion regarding adequacy of the amount of retention by insurance classes taking into account the rules of actuarial profession and insurance profession, security and stability of operations of the company;
  - 10.4 an overview of the amount of insurance premiums, premiums transferred to reinsurance, premiums accepted from co-insurance and premiums transferred to co-insurance, by insurance classes and on aggregate level;
  - 10.5 an overview of the amount of unearned insurance premiums, unearned premiums transferred to reinsurance, unearned premiums accepted from co-insurance and unearned premiums transferred to co-insurance, by insurance classes and on aggregate level;
  - 10.6 an overview of the amount of processed and outstanding claims, amount of processed and outstanding claims transferred to reinsurance, processed and outstanding claims accepted from co-insurance and amount of processed and

- outstanding claims transferred to co-insurance, by insurance classes and on aggregate level;
- 10.7 an overview of the amount of insurance sums and maximum possible claims, by insurance classes and on aggregate level, for the risks:
- accepted to insurance,
  - in retention of the company,
  - accepted to co-insurance,
  - transferred to co-insurance and
  - transferred to reinsurance.
- 10.8 an overview of gross and net relevant loss ratio (with and without reinsurance effects) – by non-life insurance classes and on aggregate level;
- 10.9 a statement on existence and application of the detailed study on assessment of maximum possible claims in respect of risks according to the standards of insurance profession;
- 10.10 an opinion on adequacy of transfer of risk to co-insurance and reinsurance;
- 10.11 an opinion on justification of co-insurance and reinsurance policy.

## **6. Opinion regarding the report on financial performance of the ceding company and reinsurer**

### **Article 18**

**As regards the report on financial performance of the ceding company and reinsurer**, the authorised actuary shall issue an opinion on liquidity as of the day of compilation of the report and whether the portfolio transfer would jeopardize the liquidity of the ceding company and reinsurer; calculate the solvency margin as of the day of the compilation of report and its projection in case the portfolio transfer would take place – for both the ceding company and reinsurer; issue an opinion on the sufficiency of technical provisions and capital (showing their total amount) as of the day of compilation of the report, as well as their projection in case the portfolio transfer would take place - for both the ceding company and reinsurer; give an opinion whether the level of risks and the structure of depositing and investing funds of technical provisions and capital are in accordance with the Law, as well as their projection in case the portfolio transfer would take place – for both the ceding company and reinsurer; give data on equity share, long term provisions, long term and short term obligations in total liabilities and capital as of the day of the report compilation as well as their projection in case the portfolio transfer would take place – for both the ceding company and reinsurer; give data on the share of fixed and working assets in total assets as of the day of the report compilation as well as their projection in case the portfolio transfer would take place – for both the ceding company and reinsurer.

## **7. Opinion on the transfer of insurance portfolio**

### **Article 19**

In respect of the **insurance portfolio transfer**, the authorized actuary shall issue an opinion whether the manner of calculation of technical provisions is in accordance with the rulebooks of the company by which are governed (specifically in calculation of

mathematical provisions), give an overview of the number of insurance contracts by insurance classes, that are to be transferred, as well as an overview of types and amount of the technical provisions that are ceded together with the portfolio to the company that takes over the portfolio, and an opinion on their adequacy to cover future liabilities arising from claims, and shall also issue the opinion on the manner and the structure of depositing and investing the technical provisions for the portfolio that is transferred, as of the day of the submission of the transfer request to the Agency for the portfolio being transferred.

### **III FINAL PROVISION**

#### **Article 20**

As of the date this Rulebook enters into force the Rulebook on the Contents of the Authorised Actuary's Opinion (Official Gazette of Montenegro 70/08) shall be rescinded.

#### **Article 21**

This Rulebook shall enter into force on the eighth day after its publication in the Official Gazette of Montenegro and shall be applied as of the opinion that is to be submitted for the first quarter of the current year.

Number: 01-  
Podgorica, 2 April 2013

PRESIDENT OF THE COUNCIL  
Branko Vujović