

**ORDINANCE No. 30**  
**from 19 July 2006**  
**on the Requirements for the Accounting, Form and Contents of the Financial Statements, Statistics, Reports and Supplements of Insurers, Reinsurers and Health Insurance Companies (Title – suppl. – SG, iss. 49 in 2010)**

*Adopted with Decision No. 61-N of the Financial Supervision Commission dated 19 June 2006, promulgated, State Gazette, No. 78 from 26 September 2006, amended and supplemented, No. 55 from 6 July 2007; No. 51 from 3 June, 2008; No. 49 from 29 June, 2010; No. 89 from 12 November, 2010; No. 5 from 14 January, 2011.*

**Chapter One**

**GENERAL PROVISIONS**

**Article 1.** (1) (Suppl. – SG, iss. 51 in 2008) This Ordinance sets out the minimum requirements for the accounting, the form and contents of the annual and periodic financial statements, reports, statistics and supplements submitted by insurers and reinsurers for supervision purposes to the Financial Supervision Commission, hereinafter referred to as the “Commission”.

(2) This Ordinance also sets out the form and contents of the annual financial statements of health insurance companies.

(3) (Suppl. – SG, iss. 51 in 2008) The Ordinance aims at achieving a higher degree of comparability among the financial statements of different insurers, reinsurers and health insurance companies, as well as at ensuring the information needed for carrying out supervision of the insurance activities and of the activities related to voluntary health insurance.

**Article 2.** (Suppl. – SG, iss. 51 in 2008) Insurers, reinsurers and health insurance companies shall keep their accounts and prepare their financial statements in compliance with the Accountancy Act and this Ordinance.

**Article 3.** (Am. – SG, iss. 51 in 2008) This Ordinance stipulates the requirements for the reporting of the insurers, reinsurers and health insurance companies with headquarters in the territory of the Republic of Bulgaria and the insurers and reinsurers from third countries which perform activities in the Republic of Bulgaria through branches.

**Article 4.** The following shall be subject to reporting under this Ordinance:

1. (Suppl. – SG, iss. 51 in 2008) the overall activity performed in Bulgaria by insurers, reinsurers and health insurance companies with headquarters in the territory of the Republic of Bulgaria;

2. (Effective as of 01.01.2007, suppl. – SG, iss. 51 in 2008) the operations in the territories of other Member States, performed by insurers and reinsurers with headquarters in the territory of the Republic of Bulgaria under the conditions of the right of establishment or the freedom to provide services;

3. (Suppl. – SG, iss. 51 in 2008) the overall activity, performed in the Republic of Bulgaria by insurers and reinsurers from third countries, who have obtained licences under the Commerce Act to operate through branches;

4. (Effective as of 01.01.2007) the operations in the territory of the Republic of Bulgaria and in the territories of other Member States, performed by insurers from third countries, which have obtained licences under the Commerce Act to operate through branches and which enjoy the privileges referred to in Article 47, paragraph 1 of the Insurance Code and under the conditions of Article 47, paragraph 3 of the Insurance Code, when the Commission is

selected as the competent supervisory authority.

## Chapter Two

### CONTENTS OF THE REPORTS AND STATISTICS SUBMITTED TO THE COMMISSION BY INSURERS

**Article 5.** (1) The annual financial statement of the insurers referred to in Article 99, paragraph 1, sub-paragraph 1 of the Insurance Code, which shall be certified by two registered auditors, shall include:

1. an annual financial statement in accordance with Chapter Five of the Accountancy Act;
2. reports for the purposes of financial supervision.

(2) The components and the structure of the reports of the insurers referred to in paragraph 1, sub-paragraph 2 shall comply with Chapter Six and Appendix No. 1.

**Article 6.** (1) The annual statistics, reports and supplements referred to in Article 99, paragraph 1, sub-paragraph 2 of the Insurance Code shall include:

1. the statistics according to Appendix No. 2.1;
2. the statistics according to Appendix No. 2.2;
3. the statistics according to Appendix No. 2.3;
4. up-to-date certificates of registration in the Commercial Register, issued not earlier than 3 months before the date of submission to the Commission:
  - a) (cancelled, prev. letter "b" – SG, iss. 49 in 2010) of the shareholders holding 10 or over 10 percent of the capital of the insurance joint-stock company;
  - b) (prev. letter "c" – SG, iss. 49 in 2010) of the existing branches and/or other forms of establishments of the insurer.

(2) The statistics referred to in paragraph 1, sub-paragraph 1 shall be submitted only by insurers performing operations in accordance with Section I of Annex No. 1 to the Insurance Code, and the statistics referred to in paragraph 1, sub-paragraph 2 shall be submitted only by insurers performing operations in accordance with Section II of Annex No. 1 to the Insurance Code.

**Article 7.** (1) The quarterly statements and statistics referred to in Article 99, paragraph 1, sub-paragraph 3 of the Insurance Code shall include:

1. quarterly financial statement containing the components set out in Article 5 and structured in accordance with Appendix No. 1;
2. quarterly statistics, as follows:
  - a) statistics according to Appendix No. 3.1;
  - b) statistics according to Appendix No. 3.2;
  - c) statistics according to Appendix No. 3.3.

(2) The statistics referred to in paragraph 1, sub-paragraph 2, letter "a" shall be submitted only by insurers performing operations in accordance with Section I of Annex No. 1 to the Insurance Code, and the statistics referred to in paragraph 1, sub-paragraph 2, letter "b" shall be submitted only by insurers performing operations in accordance with Section II of Annex No. 1 to the Insurance Code.

**Article 8.** The monthly statistics referred to in Article 99, paragraph 1, sub-paragraph 4 of the Insurance Code shall include:

1. statistics according to Appendix No. 4.1 – for insurers performing operations in accordance with Section I of Annex No. 1 to the Insurance Code;
2. statistics according to Appendix No. 4.2 – for insurers performing operations in accordance with Section II of Annex No. 1 to the Insurance Code.

**Article 8a.** (New – SG, iss. 51 in 2008) (1) The statistics according to Article 51, paragraph 1 of the Insurance Code shall include:

1. statistics according to Appendix No. 5.1 – for insurers performing operations in accordance with Section I of Annex No. 1 to the Insurance Code;
2. statistics according to Appendix No. 5.2 – for insurers performing operations in accordance with Section II of Annex No. 1 to the Insurance Code.

(2) The statistics referred to in paragraph 1 shall be submitted separately for the activities performed under the conditions of right of establishment, and for the activities performed under the conditions of freedom to provide services.

### Chapter Three

## SPECIAL REQUIREMENTS CONCERNING SOME ITEMS OF THE REPORTS REFERRED TO IN ARTICLE 5, PARAGRAPH 1, SUB-PARAGRAPH 2

### Section I

#### Special requirements concerning some items of the balance sheet

**Article 9.** (1) Item B.III.2. “Debt securities and other fixed-income securities” in the asset section of the balance sheet shall include transferable debt securities and other fixed-income securities, issued by governments, commercial companies and other organisations, as far as they are not included in items B.II.2 or B.II.4.

(2) Interest-bearing securities where the interest varies in accordance with specific factors such as the interest rate at the inter-bank market or another factor, shall be treated as debt securities and other fixed-income securities.

**Article 10.** Item B.III.6. “Bank deposits” in the asset section of the balance sheet shall include amounts deposited in banks the disposal of which is subject to time-limits. Amounts deposited without time-limits shall be reported in item E.II in the asset section of the balance sheet also in the event where they are interest-bearing.

**Article 11.** (1) Item B.IV. “Deposits with assignors” in the asset section of the balance sheet of reinsurers shall include amounts owed by assignors corresponding to the guarantees held by or deposited with these assignors or third parties. These amounts cannot be increased or decreased with other amounts owed to the reinsurer or offset against amounts owed by the reinsurer to the assignor.

(2) Securities deposited with the assignor or third parties but remaining in the ownership of the reinsurer shall be entered in the corresponding item of the reinsurer's report as investment.

**Article 12.** Item C. “Investment in favour of Unit-linked Life insurance policies” in the asset section of the balance sheet shall include:

1. investments the value of which is used to determine the value of the Unit-linked Life insurance policies, or the income from them;
2. investments serving as a cover of liabilities under Unit-linked Life insurance policies, which are determined by comparison with an index.

**Article 13.** Item F.I. “Accrued interest and rent” in the asset section of the balance sheet shall include the interest and rent earned as at the date of the balance sheet, the maturity of

which has still not materialised.

**Article 14.** (1) Item E. "Deposits received from reinsurers" in the liabilities section of assignors shall include amounts deposited by or withheld from reinsurers under reinsurance contracts. These amounts cannot be increased or decreased with other amounts owed to or by reinsurers

(2) When the assignor has received as deposit securities the ownership of which has been transferred to him, this item shall include the amount owned by the assignor in connection with the deposit.

## **Section II**

### **Special requirements concerning some items of the income statement**

**Article 15.** (1) All revenue from investments and expenditure related to them, connected with the general insurance operations, shall be reported in items III.3 and III.5 of the non-technical statement.

(2) All revenue from investments and expenditure related to them, connected with the life insurance operations, shall be reported in items II.2 and II.8 of the life-insurance technical statement.

**Article 16.** (1) Where some of the revenue from investments has been transferred to the general insurance technical statement, the amount transferred from the non-technical statement shall be deducted from item III. 6 and shall be added to item I.2.

(2) Where some of the revenue from investments, reported in the life-insurance technical statement, has been transferred to the non-technical statement, the amount transferred shall be deducted from item II.10 and shall be added to item III.4.

## **Chapter Four**

### **CONTENTS OF SOME ITEMS IN THE ANNUAL FINANCIAL STATEMENT RELATED TO THE REPORTING OF TRANSACTIONS SPECIFIC FOR THE INSURANCE ACTIVITY**

**Article 17.** (1) (Am. – SG, iss. 49 in 2010) The gross premiums accrued (written) shall include the premiums that have been recognised as income under insurance contracts of direct insurance and inward reinsurance, reduced with the returned premiums and the written-off receivables under early terminated contracts, concluded in the reporting period, stated in item "incl. returned premiums and written-off receivables under early terminated contract, concluded in the reporting period". Adjustments occurring in the reporting period, connected with receivables from direct insurance or inward reinsurance, of premiums in relation to contracts concluded in previous reporting periods shall be included in "Other technical expenses, net of reinsurance" in item "incl. returned premiums and written-off receivables under early terminated contract, concluded in preceding reporting periods".

(2) Premiums under insurance contracts for general insurance shall be recognised as income on the basis of the amount owed by the insured (insuring) person during the whole covered period; this is the amount which the insurer is entitled to receive on the grounds of insurance contracts executed during the reporting period, including in the event where the period covered includes fully or partially a subsequent reporting period.

(3) Premiums under insurance contracts for life insurance shall be recognised as income as follows:

1. on the basis of the amount owed by the insured (insuring) person during the reporting period; this amount shall include the one-off premiums under contracts entering into force during the reporting period, the annual premiums for premium periods which have started during the reporting period; the prepaid premiums that have been collected during the reporting period, shall be recognised as income depending on the terms and conditions of

the contract;

2. in the event where it is agreed under insurance contracts with a term of 3 and more than 3 years that the premium shall be paid by instalments related to periods shorter than one year, the whole annual premium or only the premium that has matured during the reporting period shall be entered depending on the nature of the products and the accounting policy of the insurer;

3. in the event of Unit-linked Life insurance the premium shall be split into two parts – a deposit part and an insurance part (for risks, acquisition and administrative costs, fund management fees, etc.) if the two parts can be assessed separately; in this case the deposit part shall be reported directly as a liability in accordance with Article 20, paragraph 2, and the IAS 39 “Financial Instruments: Recognition and Measurement” shall be applied, and the insurance part shall be reported as premium income.

(4) In the event of inward reinsurance the reinsurance premiums shall be recognised as income on the basis of the premiums from assignors owed during the reporting period under reinsurance contracts.

(5) In the event of coinsurance only the share of the insurer in the total amount of the premiums shall be recognised as income.

(6) (Am. – SG, iss. 49 in 2010; am. – SG, iss. 5 in 2011) The amounts referred to in paragraphs 1 - 5 shall include instalments to funds, fees or equivalent to them, collected together with the premium.

(7) Where, in accordance with the insurance contract, the premiums are owed in instalments, each amount to be received as of the date of the balance sheet and recognised as income shall be reported as an amount receivable.

**Article 18.** (1) (Am. – SG, iss. 49 in 2010) The accounting treatment of premiums ceded to reinsurers shall be in line with the accounting treatment of the premium income from direct insurance and inward reinsurance and in compliance with the corresponding reinsurance contracts.

(2) The premiums ceded to reinsurers under life insurance shall include the premiums owed during the reporting period to reinsurers under reinsurance contracts in connection with:

1. reinsurance of risks under contracts for direct insurance and inward reinsurance executed during the reporting period – in the case of contracts with one-off premiums;

2. reinsurance of risks, related to premium periods that have started during the reporting period, under contracts for direct insurance and inward reinsurance executed during the reporting period – in the case of contracts with annual premiums.

**Article 19.** (1) The premium under the insurance contracts recognised as income during the reporting period shall form the basis for determining the gross amount of the unearned premium provision; part of this shall be carried forward to the following reporting period related to the time between:

1. the end of the reporting period and the end of the term for which the insurance contract has been concluded – for general insurance;

2. the end of the reporting period and the end of the term for which the insurance contract has been concluded, or the next maturity of the annual premium – for life insurance.

(2) When acquisition costs are reported in accordance with Article 24, paragraph 2, subparagraphs 1 and 2, the provisions of Article 11, paragraphs 2 and 3 of Regulation No. 27 of 2006 on the procedure and methodology for forming technical provisions by insurers and health-insurance provisions (State Gazette, No. 36 of 2006) shall be applied.

(3) The share of the reinsurer in the unearned premium provision shall be reported as a negative value in the liabilities section of the balance sheet.

**Article 20.** (1) The basis for determining the mathematical provision and the capitalised value of the pensions shall correspond to the basis for recognition of the premium income of the company, and the methods specified in Regulation No. 27 of 2006 on the procedure and methodology for forming technical provisions by insurers and health-insurance provisions shall be applied.

(2) The basis for determining the Unit-linked life insurance provision shall be the deposit part of the premium which shall be reported directly in the provisions item if it can be assessed separately.

(3) The share of the reinsurer in the mathematical provision and the capitalised value of the pensions shall be reported as a negative value in the liabilities section of the balance sheet.

**Article 21.** (Am. – SG, iss. 49 in 2010) The amount of the claims settled shall include the claims and amounts actually paid, including the costs related to the settlement of claims. The amounts received from recourse claims and claims abandoned shall be deducted from the amount referred to in the first sentence.

**Article 22.** (1) The amounts that are subject to reimbursement by reinsurers in connection with claims settled by the insurer during the same period shall also be reported as a share of reinsurers where the settlement with reinsurers is to be made during a following reporting period.

(2) The amounts not received as at the reporting date, reported as a share of reinsurers in the claims settled, shall be reported as receivables in the asset section of the balance sheet.

**Article 23.** (1) The gross amount of the outstanding claims provision shall include the amounts related to all claims which have arisen before the end of the reporting period, whether submitted to the insurer or not, which have not been paid at the reporting date, as well as the expenditure which will be incurred in connection with the settlement of these claims.

(2) (Am. – SG, iss. 49 in 2010) The receivables related to recourse claims and claims abandoned shall not be deducted from the outstanding claims provision and shall be reported as receivables in the asset section of the balance sheet.

(3) The share of the reinsurer in the outstanding claims provision shall be reported as a negative value in the liabilities section of the balance sheet.

**Article 24.** (1) The following main categories shall be classified in the income statement:

1. (Am. – SG, iss. 49 in 2010) operating expenditure:

a) acquisition costs are the costs which arise from conclusion or renewal of insurance or health insurance contracts; to them are referred both the direct costs – acquisition commissions (cash commissions in the payment of periodic premiums are not included), costs for preparation of the insurance or health insurance contract and for their inclusion in the portfolio as well as the indirect acquisition costs – for advertisement and administrative expenses, related to preparation of offers, conclusion of contracts and renewal of already concluded contracts;

b) administrative expenses are the expenses for collection of premiums; servicing of the insurance or health insurance contract and the reinsurance, handling of bonuses and discounts, management of the insurance, health insurance or reinsurance portfolio, as well as expenses for personnel and amortisation which cannot be referred to the acquisition costs, to the claims settlement costs, or to the investment costs;

2. (Am. – SG, iss. 49 in 2010) costs related to the settlement of claims are the costs which are included in the incurred claims; to them shall refer these for settlement of claims for payment of insurance, reinsurance or health insurance compensations, amounts or other liabilities on the ground of insurance, reinsurance or health insurance contracts, regardless of whether made by the employed payroll personnel, or being expenses for external services;

3. investment costs;
4. other costs.

(2) Acquisition costs shall be recognised as expenditure of the insurer over the term of the respective insurance contracts using one of the following two methods:

1. method 1: acquisition costs shall be recognised in their full amount as expenditure incurred during the reporting period in which they have arisen; the acquisition costs calculated shall be deducted from the premiums when the unearned premium provision and where mathematical provision for Life insurance is determined, the acquisition costs shall be deducted using "Zilmer quotas";

2. method 2:

a) in the event of general insurance – the acquisition costs that have arisen shall be carried forward (deferred) to following reporting periods proportionately to the unearned premium provision; the deferred acquisition costs shall be reported as a separate item in the asset section of the balance sheet; the first sentence shall be correspondingly applied to the related reinsurance commissions; the related reinsurance commissions shall be reported in the liabilities section of the balance sheet;

b) in the event of life insurance – the acquisition costs that have arisen during the reported period and have not been paid shall be carried forward (deferred) to following reporting periods in which they are expected to be paid from the acquisition supplements calculated in the agreed future premiums; the deferred acquisition costs shall be reported as a separate item in the asset section of the balance sheet and shall be depreciated at the proportion in which the acquisition supplements are allocated among the future premiums; the first sentence shall be correspondingly applied to the related reinsurance commissions; the related reinsurance commissions shall be reported in the liabilities section of the balance sheet.

(3) The acquisition costs that have arisen during the reporting period shall not be deferred if some of the following circumstances exist:

1. the premium agreed allows for the acquisition costs to be paid off during the period in which they have arisen;
2. the supplements for acquisition costs planned in the future premiums are insufficient to cover the acquisition costs deferred;
3. the receipt of the future premiums is not certain with a view to the expectations related to the policies which will be terminated or on the basis of other assumptions.

(4) The accounting treatment of the commissions of insurance intermediaries shall be in line with the accounting treatment of the premium income. The reconciliation of the revenue and expenditure shall be ensured by applying the methods set out in paragraph 2.

(5) (New – SG, iss. 49 in 2010) The bonuses, discounts and the participation in the positive financial result, which have not been deducted from the premium income charged shall include the amounts which are designated for insuring, insured, secured persons and third party beneficiaries. The bonuses and the participation in the positive financial result shall include all relevant for the financial year amounts, paid off or due to insuring, insured, secured persons and third party beneficiaries, or allocated in their favour, including also amounts used for increasing the technical provisions or reduction of the future premiums, so far as these amounts represent allocated surplus or profit from the activity. The discounts are sums to the amount to which they represent partial return of premiums, relating to the current reporting period, except for the cases when the reduction is made at the beginning of the contract's period, of validity, upon payment of the premium.

## Chapter Five

### MINIMUM REQUIREMENTS FOR THE RECOGNITION AND VALUATION OF ASSETS

#### Section I

##### Manner and procedure for valuation of the insurers' assets

**Article 25.** The financial assets of insurers shall be valued in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" depending on the manner in which they have been classified in the following four groups:

1. financial assets classified as "held-to-maturity" and "loans and receivables" shall be valued at amortised cost using the "effective interest" method;
2. financial assets classified as "held for trade" and "available-for-sale" shall be valued at their fair value which is their market price, and if they do not have a market price – by using the appropriate applicable methods.

**Article 26.** The financial assets referred to in Article 25, sub-paragraph 2 owned by an insurer shall be valued initially (at the time of their acquisition) and subsequently (on a monthly basis) (hereinafter referred to as "subsequent valuation") as follows:

1. at the time of the initial recognition – at their fair value at the time of acquisition (acquisition cost plus direct transaction costs);
2. at the time of subsequent valuation – on the basis of their market price as at the end of the previous month or using other applicable methods for each financial instrument in the manner and according to the procedure set out in this Ordinance.

**Article 27.** (1) The subsequent valuation of government securities issued in Bulgaria shall be carried out at the average price of each issue in the secondary inter-bank market for the last business day of the corresponding month. The average price of an issue shall be determined as the mean of the "sell" and "buy" prices quoted by not less than three primary dealers in government securities determined in the manner set out in the Rules under Article 36.

(2) The subsequent valuation of bonds issued by the Bulgarian government abroad shall be carried out on the basis of the "buy" price at closing time on the last business day of the corresponding month, quoted in the electronic system for information on the prices of securities, or in accordance with paragraph 1.

(3) If it is impossible to apply the methods of valuation referred to in paragraphs 1 and 2, the method of comparable prices of securities with similar payment conditions and maturity, or other generally adopted methods shall be applied, as set out in the Rules under Article 36.

**Article 28.** (1) The subsequent valuation of shares and rights accepted for trading on a regulated securities market in the Republic of Bulgaria shall be carried out at the weighted average price of the transactions involving these shares and rights closed in regulated markets in the meaning of § 1, sub-paragraph 45 of the Additional Provisions to the Corporate Income Taxation Act, on the last business day of the corresponding month, quoted in the stock exchange bulletin, if the volume of the transactions closed with them during the day is not less than 1 percent of the volume of the corresponding issue.

(2) If no price can be determined under the procedure of paragraph 1, the price of the shares, respectively the rights, shall be determined as the average price of the highest "buy" price based on the orders active as at the end of the trading session of the stock exchange on the last business day of the corresponding month and the weighted average price of the transactions involving these securities closed on the same day. The price shall be determined following this procedure only where transactions have been concluded and orders with "buy" prices have been given.

(3) If it is impossible to apply the methods of valuation referred to in paragraphs 1 and 2, the subsequent measurement of shares shall be carried out using one of the following methods –



discounted net cash flows method, net book value of assets method, price – profit ratio of comparable companies method. The method selected shall be recorded in the Rules under Article 36 and shall be applied consistently.

(4) If it is impossible to apply paragraphs 1 and 2, the subsequent valuation of rights shall be carried out using an appropriate model for valuation of rights, as set out in the Rules under Article 36.

(5) The subsequent valuation of shares or units issued by collective investment schemes under the Law on Public Offering of Securities shall be carried out at the last defined and quoted redemption price.

(6) In the event where the statutory required minimum amount of the net value of the assets of a contractual fund has not been reached, the subsequent valuation of the units issued by it shall be carried out at the last defined and quoted issue value of one unit, decreased by the amount of the issuing costs and redemption costs for one unit envisaged in the Statute of the contractual fund.

(7) In the event of temporary suspension of the buyback of the securities referred to in paragraph 5, their subsequent measurement shall be carried out either at the last defined and quoted buyback price or at the fair value of one security, determined using the method of the net book value of assets according to the most recent balance sheet of the collective scheme entered in the public register of the Commission, whichever is calculated on the basis of the most recent information on the net assets of the scheme.

**Article 29.** (1) The subsequent valuation of bonds accepted for trading on a regulated securities market in the Republic of Bulgaria shall be carried out at the weighted average price of the transactions involving these bonds closed on the last business day of the corresponding month, quoted in the stock exchange bulletin, if the volume of the transactions closed during the day is not less than 3 percent of the volume of the corresponding issue.

(2) If no price can be determined under the procedure of paragraph 1, the subsequent valuation of bonds shall be carried out at the highest “buy” price based on the orders for securities in the same issue active as at the end of the trading session of the stock exchange on the last business day of the corresponding month, provided that the total value of the orders with the highest “buy” price is not lower than BGN 30,000.

(3) In the event that a subsequent valuation is carried out of bonds under which payment of interest is due, and the price of transactions closed involving these bonds or the “buy” price published in the stock exchange is a net price, the subsequent valuation is formed by adding the interest coupon owed as at the valuation date to the price quoted in the bulletin.

(4) If no price can be determined under the procedure of paragraphs 1 and 2, the subsequent valuation of bonds shall be carried out using the discounted cash flow method.

(5) The revaluation of municipal bonds and secured corporate bonds which are not traded in regulated securities markets shall be carried out using the discounted cash flow method.

**Article 30.** (1) The subsequent valuation of debt securities issued or guaranteed by other countries, their central banks or international organisations, shall be carried out at the last price of a transaction involving them on the last business day of the corresponding month, quoted in the electronic system for information on the prices of securities. When a net price of bonds is quoted at the corresponding market, the subsequent valuation of the bonds shall be carried out by adding the interest coupon owed as at the valuation date to the price quoted.

(2) If no price can be determined under the procedure of paragraph 1, the subsequent valuation of securities shall be carried out at the last “buy” price on the last business day of the corresponding month, quoted in the electronic system for information on the prices of securities. When a net price of bonds is quoted at the corresponding market, the subsequent valuation of the bonds shall be carried out by adding the interest coupon owed as at the

valuation date to the price quoted.

(3) If it is impossible to apply the methods of measurement referred to in paragraphs 1 and 2, the method of comparable prices of securities with similar payment conditions and maturity, or other generally adopted methods shall be applied, as set out in the Rules under Article 36.

(4) The subsequent valuation of shares, bonds and other securities accepted for trading on regulated securities markets in other countries shall be carried out at the last price of a transaction involving them closed on the last business day of the corresponding month at the closing of the regulated market in which they are traded. When a net price of bonds is quoted on the corresponding market, the subsequent valuation of the bonds shall be carried out by adding the interest coupon owed as at the measurement date to the price quoted.

(5) If no price can be determined under the procedure of paragraph 4, the subsequent measurement shall be carried out at the highest "buy" price quoted on the last business day of the corresponding month at the closing of the regulated market in which they are traded. When a net price of bonds is quoted at the corresponding market, the subsequent measurement of the bonds shall be carried out by adding the interest coupon owed as at the measurement date to the price quoted. In the event that this procedure cannot be used either, the subsequent measurement of the specific type of securities shall be carried out by applying respectively Article 28, paragraphs 3 and 4 or Article 29, paragraph 4.

(6) The subsequent valuation of shares or units issued by investment companies and contractual funds shall be carried out at the last defined and quoted redemption price.

(7) In the event of temporary suspension of the redemption of the securities referred to in paragraph 6, their subsequent valuation shall be carried out either at the last defined and redemption price or at the fair value of one security, determined using the method of the net book value of assets according to the most recent published balance sheet of the collective investment scheme, whichever is calculated on the basis of the most recent information on the net assets of the scheme. In addition to these cases, where the rules of the collective investment scheme envisage certain conditions under which no redemption of shares or units is made, the subsequent valuation of these securities shall be carried out at the last defined and quoted net value of assets per share or per unit, respectively.

**Article 31.** Bank deposits, cash in hand and cash in current accounts shall be valued as at the end of the last business day of the corresponding month as follows:

1. bank deposits – at their par value and the interest accumulated and owed according to the contract;
2. cash in hand – at its par value;
3. cash in current accounts – at its par value.

**Article 32.** (1) Financial assets in the categories "held-to-maturity" and "loans and receivables" shall be subject to checks for impairment; in the event that their book value is higher than the expected replacement value as at the time of the check, the insurer shall measure them at their replacement value and shall recognise impairment loss. The book value of the asset shall be reduced to the replacement value determined either directly or via an adjustment account.

(2) The amount of the loss referred to in paragraph 1 shall be the difference between the book value of the asset and the estimated future cash flows.

(3) The estimated future cash flows shall be calculated by decreasing the agreed cash flows at least as follows:

1. for receivables from insured (insuring) persons in connection with which payments overdue have been accumulated:
  - a) from 90 to 180 days – 25 percent;

- b) from 181 to 365 days – 75 percent;
- c) in excess of 365 days – 100 percent;
- d) after the expiry of the term or the premature termination of the insurance contract – 100 percent.

2. for all other receivables in connection with which overdue payments have been accumulated:

- a) from 31 to 60 days – 10 percent;
- b) from 61 to 90 days – 50 percent;
- c) in excess of 90 days – 100 percent.

(4) If during a following reporting period the impairment of a receivable decreases, the receivable can be revalued again provided that the conditions referred to in paragraph 3, on the basis of which the impairment has been made, cease to exist for not less than 6 months.

**Article 33.** Investment properties of insurers shall be measured in accordance with IAS 40 “Investment Property” as follows:

- 1. at the time of initial recognition – at acquisition cost including transaction costs;
- 2. at the time of subsequent valuation insurance and health insurance companies shall apply the fair value method or the acquisition cost method.

**Article 34.** (1) The valuation of an investment property at its fair value using this method shall be carried out at least once a year. In the event where after the last valuation carried out the index reflecting the changes in real estate prices and referred to in the Rules under Article 36 changes by more than 10 percent, a new fair market valuation shall be carried out until the end of the first reporting period by the twentieth business day after the official publication of the index.

(2) If there is an active property market, the valuation referred to in Article 33, sub-paragraph 2 shall be carried out on the basis of the current market price of comparable properties with a comparable location and comparable condition.

(3) Where market prices are not available, the valuation shall be carried out independently by at least two independent valuers with appropriate professional qualifications and experience and the lowest valuation shall be accepted.

(4) The valuation referred to in paragraph 3 cannot be assigned to a person who

- 1. holds shares with the insurer directly or through related persons;
- 2. is a member of a managing or control body of the insurer;
- 3. is a person related to a member of the managing or control body of the insurer or to a person who holds more than 10 percent of the shares of the company directly or through related persons;
- 4. is a real estate agent, a member of a managing or control body of the seller, or is a person related to the seller, to a member of the seller’s managing or control body, or to a partner or shareholder of the seller;
- 5. could be influenced by another form of dependence or conflict of interests.

(5) The circumstances referred to in paragraph 4 shall be confirmed by the valuers with a declaration.

**Article 35.** (1) Financial assets denominated in foreign currency shall be translated into their BGN equivalent determined using the central exchange rates of the Bulgarian National Bank valid for the date of the valuation.

(2) Investment properties which are accounted for at their fair value denominated in foreign currency shall be translated into their BGN equivalent determined using the central exchange rates of the Bulgarian National Bank which was valid when the value was determined.

## **Section II**

### **Obligations of insurers in connection with the valuation of their assets**

**Article 36.** (1) The management body of the insurer shall adopt and submit to the Deputy Chairperson of the Commission in charge of the Insurance Supervision Division, hereinafter referred to as “the Deputy Chairperson”, rules of asset valuation.

(2) The rules referred to in paragraph 1 must include:

1. the selected sources and systems for collecting price information on the financial instruments and investment properties;
2. description of the procedure for determining the average price under Article 27, paragraph 1;
3. description of the selected methods for asset valuation in compliance with the requirements set out in the Ordinance;
4. description of the methods for determining the discount rate for each of the methods of valuation where such rate is used;
5. description of the methods and criteria for identifying comparable companies where the relevant method is applied;
6. the name of the index referred to in Article 34, paragraph 1 and the organisation which determines it;
7. the organisation of the activities related to asset valuation, including the procedure and methods for making adjustments to the valuation made, the functions of the units responsible for these activities, and the responsibilities of the relevant officials;
8. the system for safeguarding the documents related to asset valuation.

(3) Any changes in the rules of the insurer for asset valuation shall be submitted to the Deputy Chairperson within 7 days of their adoption by the management body of the insurer.

(4) Asset valuation shall be carried out in accordance with the adopted rules referred to in paragraph 1.

## **Chapter Six**

### **CONTENTS OF THE EXPLANATORY NOTES TO THE REPORTS BY INSURERS REFERRED TO IN ARTICLE 5, PARAGRAPH 1, SUB-PARAGRAPH 2**

**Article 37.** (Am. - SG, iss. 55 of 2007) The explanatory notes to the reports by insurers referred to in Article 5, paragraph 1, sub-paragraph 2 shall contain the following disclosures:

1. book value of land and buildings for own use;
2. book value of the loans granted against Life insurance policies;
3. par value of the own shares, stated in the asset section of the balance sheet;
4. depreciations of depreciable assets accumulated until the time of preparing of the report, by categories;
5. amounts reported in the “Provisional assets” and “Provisional liabilities” items;
6. amount of the acquisition costs deducted in the calculation of the unearned premium

provisions and the mathematical provisions (when acquisition costs are reported in accordance with Article 24, paragraph 2); the amounts deducted in the calculation of the unearned premium provisions and the amounts deducted in the calculation of the mathematical provisions shall be stated separately;

7. (Suppl. – SG, iss. 49 in 2010, iss. 89 in 2010) amounts received in connection with recourse claims and claims abandoned, deducted from item I.4.aa and amount of the impaired receivables from accrued recourse claims;

8. amount of the outstanding claims provision;

9. grounds for transferring part of the income from investments from the non-technical report to the general insurance technical report;

10. grounds for transferring part of the income from investments from the life insurance technical report to the non-technical report;

11. expenditure classified depending on their nature as follows:

a) expenditure on remuneration:

aa) commissions (including costs for participation in the result of the reinsurer);

bb) salary costs and other remuneration to staff;

cc) social and health insurance contributions;

b) operating expenses:

aa) costs for upkeep of offices;

bb) rental costs;

cc) depreciation;

dd) advertisement;

ee) hired services;

12. all items in the balance sheet and income statement, classified as “others”, when their value is considerable.

## Chapter Seven

### ANNUAL FINANCIAL STATEMENTS OF HEALTH INSURANCE COMPANIES. ACCOUNTING FOR HEALTH INSURANCE TRANSACTIONS

**Article 38.** (1) The annual financial statement of health insurance companies shall include:

1. annual financial statements, certified by two certified auditors and having the contents set out in Article 26, paragraph 1 of the Accountancy Act;

2. reports for the purposes of financial supervision.

(2) The structure of the components of the reports of health insurance companies referred to in paragraph 1, sub-paragraph 2 shall comply with Appendix No. 2.

(3) Article 37 shall be applied correspondingly to the explanatory notes to the reports of health insurance companies referred to in paragraph 1, sub-paragraph 2.

**Article 39.** (1) With regard to health insurance companies, Articles 9, 10, 13, 15 and 16 and Chapters Four and Five shall be correspondingly applied except for the provisions related to the transactions for inward and outward reinsurance.

(2) In the event where health insurance contracts satisfy the conditions of Article 11, paragraph 8 of Regulation No. 27 of 2006 on the procedure and methodology for forming technical provisions by insurers and health-insurance provisions, the provisions of the life insurance section of Chapter Three shall be applied correspondingly, and in all other cases

the provisions in the general insurance section shall be applied.

## **Chapter Eight**

### **REQUIREMENTS FOR THE ACCOUNTING, FORM AND CONTENTS OF THE FINANCIAL STATEMENTS, STATISTICS, REPORTS AND SUPPLEMENTS OF REINSURERS (NEW – SG, ISS. 51 IN 2008)**

**Art. 40.** (New – SG, iss. 51 in 2008) (1) With regard to the annual financial statements of reinsurers under Art. 90, paragraph 1, sub-paragraph 1, in relation to Art. 98, para 4 of the Insurance Code, Article 5 shall be applied.

(2) The annual statistics, reports and supplements of reinsurers according to Art. 99, para 1, sub-paragraph 2, in relation to Art. 98, para 4 of the Insurance Code shall include:

1. Statistics DA.1.3 according to Appendix No. 2.1 to Art. 6, para 1, sub-paragraph 1;
2. Statistics DB.1.3 according to Appendix No. 2.2 to Art. 6, para 1, sub-paragraph 2;
3. Statistics DC.1 – DC.6 according to Appendix No. 2.3 to Art. 6, paragraph 1, sub-paragraph 3;
4. the certificates according to Art. 6, paragraph 1, sub-paragraph 4.

(3) The statistics referred to in paragraph 2, sub-paragraph 1 shall be submitted only for the reinsurance according to Section I, Item 3 and 5 of Annex No. 1 to the Insurance Code.

(4) The quarterly statements and statistics of reinsurers referred to in Article 99, paragraph 1, sub-paragraph 3 in relation to Art. 98, paragraph 4 of the Insurance Code shall include:

1. quarterly financial statement in accordance with Art. 7, para 1, sub-paragraph 1;
2. statistics TB 1 – TB 4 according to Appendix No. 3.3 to Art. 7, sub-paragraph 2, letter “c”:

(5) Together with the statistics referred to in paragraph 2 and 4 shall also be submitted the following statistics:

1. the statistics according to Appendix No. 6.1 – by reinsurers licensed for life reinsurance;
2. the statistics according to Appendix No. 6.2 – by reinsurers licensed for general reinsurance;
3. the statistics according to Appendix No. 6.1 and No. 6.2 – by reinsurers licensed for life reinsurance and for general reinsurance;

(6) The statistics referred to in paragraph 5 shall be submitted by every assignor having a head office in the Republic of Bulgaria, as well as generally for all assignors.

**Art. 40.** (New – SG, iss. 51 in 2008) With regard to the reinsurers, Chapter Three, Four, Five and Six shall be also applied.

### **ADDITIONAL PROVISION**

**§ 1.** In the meaning of this Ordinance:

1. “Life Insurance” shall be the insurance by types of insurance under Section I of Annex No. 1 of the Insurance Code.
2. “General Insurance” shall be the insurance by types of insurance under Section II, letter “A” of Annex No. 1 of the Insurance Code.
3. “Outward Reinsurance” shall be the activities related to the transferring by an insurer (assignor) or reinsurer (retro-assignor) by the virtue of an executed reinsurance contract of some of the reinsurer's risks assumed by him.
4. “Inward Reinsurance” shall be the activities related to the assuming by a reinsurer by

virtue of an executed reinsurance contract of some of the insurance risks, assumed by the insurer (assignor) or reinsurer (retro-assignor).

5. "Coinsurance" shall be the activities related to the allocation of the risks covered under an insurance contract among two or more insurers, where the following additional circumstances are present:

a) The risk – subject of the insurance – is covered by virtue of one contract and upon one premium for one and the same period by two or more insurers (coinsurers), each one directly liable before the insured for a certain part of the insurance indemnity in consideration of a share of the insurance premium paid;

b) One of the coinsurers is a leading coinsurer and sets the terms and conditions of the insurance contract (insurance), as well as the amount of the premium rates.

6. "Premium period" for life insurance shall be the period between two consecutive maturity dates of the annual premium under an executed contract, and in the event of one-year contracts – the term of the contract itself.

7. "Costs related to the settlement of claims" shall be the costs for settling claims for payment of insurance and health insurance indemnities, amounts or other liabilities of the insurer or health insurance company on the grounds of insurance or health insurance contracts, regardless of whether these costs have been incurred by the full-time employees of the insurer or the health insurance company or are costs on hired services.

8. "Recourse claim" shall be the right of the insurer to recover the insurance or health insurance payment made by him from the insured person or from a third party which is fully or partially responsible for the damage.

9. "Claim abandoned" shall be the right of the insurer over an insured object which has been fully or partially damaged during an insurance event for which the insurer has made an insurance payment.

10. "Net price" shall be the price obtained by deducting the interest accumulated from the gross price.

11. "Gross price" shall be the price which includes the interest accumulated.

## **TRANSITIONAL AND FINAL PROVISIONS**

**§ 2.** Insurers and health insurance companies shall bring their operations in line with the requirements stipulated in Chapter Five by 30 September 2006.

**§ 3.** Ordinance No. 20 from 2005 on the Form and Contents of the Annual Financial Statements of Insurers and Health Insurance Companies (State Gazette, No. 15 of 2005) is repealed.

**§ 4.** The provisions of Article 4, sub-paragraphs 2 and 4 shall be effective as of the date of entry into force of the Treaty of Accession of the Republic of Bulgaria to the European Union.

**§ 5.** This Ordinance was issued on the basis of § 12, paragraph 2 in connection with Article 99, paragraph 3 and Article 101, paragraph 1, sub-paragraph 3 of the Insurance Code and Article 99m, paragraph 3 of the Health Insurance Act and was adopted with Decision No. 61-N of the Financial Supervision Commission dated 19 June 2006.

**§ 6.** The Financial Supervision Commission shall give guidance on the implementation of the Regulation.

**TRANSITIONAL AND FINAL PROVISIONS**  
**TO ORDINANCE ON AMENDMENT AND SUPPLEMENT OF ORDINANCE No. 24 OF**  
**2006 ON THE COMPULSORY INSURANCE PURSUANT TO ITEMS 1 AND 2 OF ARTICLE**  
**249 OF THE INSURANCE CODE AND ON THE PROCEDURE OF SETTLEMENT OF**  
**CLAIMS FOR COMPENSATION OF DAMAGES CAUSED TO MOTOR VEHICLES**

(PROM. SG., ISS. 55 IN 2007)

**§ 6.** This Ordinance comes into effect on 1 August, 2007, with the exception of:

1. Paragraph 2 of Art. 18d which comes into effect from the date set in the decision of the European Commission pursuant to Art. 2 para 2 of Directive 72/166/EEC on the approximation of the laws of Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability.

2. Paragraph 1 and 3 of Art. 18d, which come into effect from the date of promulgation of the Ordinance in State Gazette.

**TRANSITIONAL AND FINAL PROVISIONS**  
**TO ORDINANCE ON AMENDMENT AND SUPPLEMENT OF ORDINANCE No. 30 of 2006**  
**ON THE REQUIREMENTS FOR THE ACCOUNTING, FORM AND CONTENTS OF THE**  
**FINANCIAL STATEMENTS, STATISTICS, REPORTS AND SUPPLEMENTS OF**  
**INSURERS AND HEALTH INSURANCE COMPANIES**

(PROM. SG., ISS. 51 IN 2007)

**§ 16.** The Ordinance comes into effect three days after the date of its promulgation in State Gazette, save for § 8 and 9, which come into effect from 1 June, 2008.

**TRANSITIONAL AND FINAL PROVISIONS**  
**TO ORDINANCE ON AMENDMENT AND SUPPLEMENT OF ORDINANCE No. 30 of 2006**  
**ON THE REQUIREMENTS FOR THE ACCOUNTING, FORM AND CONTENTS OF THE**  
**FINANCIAL STATEMENTS, STATISTICS, REPORTS AND SUPPLEMENTS OF**  
**INSURERS, REINSURERS AND HEALTH INSURANCE COMPANIES**

(PROM. SG., ISS. 49 IN 2010)

**§ 15.** The Ordinance comes into effect from 31 August, 2010. The information under Art. 7, conformed to the provisions of the Ordinance, shall be submitted at the Commission by 31 October, 2010.

**TRANSITIONAL AND FINAL PROVISIONS**  
**TO ORDINANCE ON AMENDMENT AND SUPPLEMENT OF ORDINANCE No. 27 OF**  
**2006 ON THE PROCEDURE AND METHODOLOGY OF FORMATION OF THE**  
**TECHNICAL RESERVES BY INSURERS AND REINSURERS, AND OF THE HEALTH**  
**INSURANCE RESERVES**

(PROM. SG., ISS. 89 IN 2010)

**§ 12.** The Ordinance comes into effect from the date of its promulgation in State Gazette.