

ORDINANCE No 31 of 2 August 2006 on the terms and conditions to hold an exam and recognise the qualifications of an actuary in charge, to recognise qualifications acquired outside the Republic of Bulgaria, as well as the form of actuarial certificate, the form and content of the actuarial report and the schedules under the Insurance Code and the Law on Health Assurance which the actuary shall certify

Passed by virtue of Decision No 62-N of 2 August 2006 of the Financial Supervision Commission, promulgated, SG, issue 71 of 1 September 2006, amended and supplemented, issue 51 of 3 June 2008

Chapter One

GENERAL PROVISIONS

Art. 1. (1) This Ordinance shall regulate the terms and conditions to hold an exam and for the recognition of the qualifications of an actuary in charge by the Financial Supervision Commission, hereunder referred to as the "Commission".

(2) This Ordinance shall set the requirements for the number of school hours of studies in calculus.

(3) The qualifications of an actuary in charge in the field of insurance and health assurance, acquired outside the Republic of Bulgaria, as well as the qualifications of an actuary in charge in the area of additional pension insurance acquired in an EU member state shall be recognised as provided for in this Ordinance.

(4) This Ordinance shall set the form of actuarial certification and the form and content of the actuarial report and the schedules which the actuary in charge shall certify in accordance with the requirements of the Insurance Code (IC) and the Law on Health Assurance (LHA).

Art. 2. The qualifications of the actuary in charge may be:

1. full – when it shall cover qualifications in the area of insurance, health assurance and additional pension insurance simultaneously;

2. partial – when it shall cover qualifications in one or several of the areas general insurance, life insurance, health assurance and additional pension insurance.

Art. 3. (1) (Amended and supplemented - SG, issue 51 of 2008) The people who would like to have their qualifications as actuary in charge recognised shall pass an exam before an examination commission or before a professional organisation of actuaries.

(2) (Supplemented - SG, issue 51 of 2008) The requirement for a successfully passed exam under para 1 for the purpose of recognition of the qualifications of an actuary in charge in the area of insurance and health assurance shall not apply when the person shall hold qualifications as actuary in charge, acquired outside the Republic of Bulgaria and recognised by the commission as provided for in chapter three.

(3) (Supplemented - SG, issue 51 of 2008) The requirement for a successfully passed exam under para 1 for the purpose of recognition of the qualifications of an actuary in charge in the field of additional pension insurance shall not apply when the person shall hold qualifications as an actuary in charge acquired in an EU member state and recognised by the commission as

provided for in chapter three.

Chapter Two

HOLDING OF THE EXAM AND RECOGNITION OF THE QUALIFICATIONS OF AN ACTUARY IN CHARGE

Section I

Admission to an exam before the commission

(Heading supplemented - SG, issue 51 of 2008)

Art. 4. (1) (Amended – SG, issue 51 of 2008) An application in a standard form approved by the Commission shall be filed for the purpose of admission to an exam before the commission. The application shall state which is the area in which the person would like to sit exam in for recognition of the qualifications as an actuary in charge.

(2) The following documents shall be attached to the application under para 1:

1. certificate of criminal record;
2. declaration that during the last three years before the start date of insolvency set out by court the person has not been member of a management or control body or unlimited liable person in a company against which bankruptcy proceedings have been initiated, or in a company terminated due to bankruptcy, if there have been unsatisfied creditors;
3. declaration that the person has not been announced in bankruptcy and is not in bankruptcy proceedings;
4. declaration that the person has not been deprived of the right to hold substantive liable positions;
5. notarised transcript of the higher education diploma with the awarded educational – qualification degree master or educational and scientific degree doctor with school hours in calculus studied in accordance with the requirements of para 3;
6. evidence that the person has at least three years of experience as an actuary to an insurer, reinsurer, health assurance company, pension insurance company, bodies supervising the activities of these entities, or a lecturer in insurance or actuarial science with an academic rank or as an actuary in a national social security institution.

(3) The required school hours in calculus studied are as follows:

1. not less than 120 academic hours of lectures in calculus; or
2. not less than 60 academic hours of lectures in statistics or insurance mathematics, jointly or severally, and not less than 60 academic hours of lectures in calculus.

Art. 5. The Commission may require other data and documents, if these shall be necessary for the making of the decision for admission to an exam.

Art. 6. The Commission shall refuse to admit the person to an exam, if:

1. the applicant has been sentenced for premeditated crime of general nature;
2. the applicant has not graduated higher education as required in art. 4, para 2, item 5 or has not covered the requirement for the school hours of calculus studied under. 4, para 3;
3. the declarations presented by the applicant do not certify the respective circumstances under art. 4, para 2, item 2 - 4, required under the law for recognition of the qualifications of an actuary in charge;
4. the evidence under art. 4, para 2, item 6 do not certify the professional experience required by the law for the purpose of recognition of the qualifications of an actuary in charge;
5. it is established that the applicant has provided untrue data or documents with untrue content.

Art. 7. (1) (Amended - SG, issue 51 of 2008) The Commission shall pronounced on the application for admission to an exam within 14 days as of its filing, and when additional data and documents have been requested – within 7 days as of their receipt.

(2) (Revoked - SG, issue 51 of 2008).

(3) Within 7 days as of receipt of the decision under para 1 the persons who shall be admitted to an exam for recognition of the qualifications as an actuary in charge shall pay the respective fee in accordance with the tariff – appendix to art. 27, para 2 of the Law on the Financial Supervision Commission (LFSC).

Section II

Exam before the commission

(Heading supplemented – SG, issue 51 of 2008)

Art. 8. (1) The holding of an exam for recognition of the qualifications of an actuary in charge shall be organised by the commission at least once per year.

(2) The exam may be held in parts during two or more consecutive days.

(3) The right to sit an exam shall have the people who have been admitted to the exam as provided for in Section I and who have paid the respective fee in accordance with the tariff – appendix to art. 27, para 2 of the LFSC.

Art. 9. The Commission shall publish the requirements regarding the topics to be covered by the exam, the order for its holding, as well as the evaluation rules in its official bulletin not later than 2 months before the date of the exam, respectively before the first date of the exam – in the cases when the exam is held in parts. These circumstances shall also be announced on the website of the Commission, as well as in any other appropriate manner.

Art. 10. (1) The Commission shall set a date, respectively dates, for the holding of the exam.

(2) The Commission shall announce the date, respectively the dates, for the holding of the

exam in its official bulletin, as well as posting an announcement at an explicitly chosen place for this purpose within the building of the Commission. The latter circumstance shall be certified by virtue of protocol drawn up by officials appointed by virtue of an order of the chairperson of the Commission. The announcement of the date, respectively the dates, for the holding of the exam shall also be made on the website of the Commission or in any other appropriate manner.

Art. 11. (1) The exam shall be held by an exam commission comprising at least three members. The work order and the composition of the exam commission shall be set out by virtue of decision of the Commission.

(2) The exam shall be written and anonymous.

Art. 12. (1) The results from the exam shall be drawn up in a protocol with a mark compliant with the evaluation rules. The protocol shall be signed by all members of the examination commission. The marks shall be final and shall not be subject to revision.

(2) The exam results shall be announced as provided for in art. 10, para 2 within 14 days as of the date of the exam, respectively as of the last date of the exam – when the exam shall be held in parts.

(3) Within 5 working days as of the announcement of the results under para 1, the people who have not passed successfully the exam for the recognition of qualifications as an actuary in charge, may file a request with the Commission to get acquainted with the results from the review of their written work.

(4) Acquaintance with the results from the review of their written work shall be done personally in the presence of a member of the examination commission and an officer from the administration of the Commission, appointed by virtue of order of the chairperson of the Commission.

Section III

Recognition of qualifications of an actuary in charge who has passed successfully the exam before the Commission

(Heading supplemented – SG, issue 51 of 2008)

Art. 13. (1) The Commission shall recognise the qualifications of an actuary in charge to people who have passed successfully the exam under Section II within 14 days as of the announcement of the results under art. 12, para 1.

(2) The Commission shall enter ex-officio in the register under art. 30, para 1, item 12 of the LFSC the persons with recognised qualifications as an actuary in charge within 3 days as of the decision under 1.

Section IIIa

(New - SG, issue 51 of 2008)

Recognition of the qualifications of an actuary in charge who has passed successfully an exam before a professional organisation of actuaries

Art. 13a. (New - SG, issue 51 of 2008) (1) An exam for obtaining qualifications as an actuary in charge in the Republic of Bulgaria in accordance with art. 95, para 2, item 7 of the

Insurance Code, art. 97a, para 2, item 7 of the Law on Health Assurance and art. 122i, para 2, item 7 of the Social Security Code may be organised also by a professional organisation of the actuaries, which shall be a legal non-profit entity registered in the Republic of Bulgaria and full-fledged member of the International Actuary Organisation established in 1895, having its seat in Canada.

(2) During the holding of an exam under para 1 the professional organisation of actuaries shall notify the Commission as to the terms and conditions under which the exam shall be carried out, including the topics covered by the exam, the order for its holding, as well as the evaluation rules.

(3) The announcement under para 2 shall be made not later than four months prior to the date of the start of the exam programme. Within two months as of the announcement the Commission may give mandatory guidelines for changes in the presented documents and the terms and conditions for the holding of the exam, if it shall be deemed that they do not comply with those stated under art. 9, in respect of:

1. the topics covered by the exam;
2. the guarantees for the proper holding of the exam;
3. the evaluation criteria and the minimum pass mark for a successfully passed exam.

(4) In the cases under para 1 the Commission shall appoint one or more representatives who shall be present during the exam organised by the professional organisation of actuaries, and shall draw up detailed report to the Commission as to the compliance of the exam with the documents under para 2 and 3. The representatives of the Commission shall have right to access to all documents related to the applicants, the exam and its holding.

(5) The professional organisation of actuaries shall notify the Commission:

1. each year about scheduled exam sessions in the following year;
2. about the place and date of each exam and shall announce them on its website within a deadline of not less than two weeks prior to the date of the exam.

(6) The professional organisation of actuaries shall provide to the Commission a list of the people who have passed successfully an exam for obtaining qualifications as actuary in charge, twice a year as at 30 June and as at 31 December of the respective year.

Art. 13b. (New - SG, issue 51 of 2008) (1) For the recognition of the qualifications as actuary in charge the persons who have passed successfully the exam as provided for in art. 13a, shall file with the Commission an application in a standard format approved by the Commission and they shall enclose thereto:

1. the documents required under art. 4, para 2;
2. a document certifying a successfully passed exam before the professional organisation of

actuaries under art. 13a.

(2) The Commission may request other data and documents, if they shall be necessary to make a decision for recognition of the qualifications as actuary in charge.

Art. 13c. (New - SG, issue 51 of 2008) The Commission shall refuse recognition of qualifications if:

1. grounds in accordance with art. 6 shall exist;
2. no document under art. 13b, para 1, item 2 has been presented;
3. it shall be established that the professional organisation of the actuaries issuing the document under art. 13b, para 1, item 2 does not meet the requirements of this Ordinance;
4. the exam before the professional organisation of actuaries has not been held in accordance with the requirements of art. 13a.

Art. 13d. (New - SG, issue 51 of 2008) (1) The Commission shall pronounce on the application for recognition of qualifications of an actuary in charge within one month as of its filing, a when additional data and documents have been required – within 7 days as of their receipt.

(2) The Commission shall enter ex-officio the persons with recognised qualifications as actuary in charge in the register under art. 30, para 1, item 12 of the LFSC within 3 days as of the decision under art. 1.

Section IV Certificate

Art. 14. (1) The persons with qualifications as actuary in charge recognised by the Commission shall receive a certificate issued by the Commission.

(2) The certificate shall be issued as a hard copy in a standard format approved by the Commission.

(3) A duplicate of the certificate shall be issued by the chairperson at the request of the interested person if the certificate shall be stolen, lost, damaged or destroyed. Upon receipt of the duplicate the person shall return the original certificate, if it is still available.

(4) The certificate shall be received following presentation of a document certifying the payment of the respective fee in accordance with the tariff – appendix to art. 27, para 2 of the LFSC.

Chapter three RECOGNITION OF QUALIFICATIONS ACTUIRED OUTSIDE THE REPUBLIC OF BULGARIA

Art. 15. (1) The persons who have qualifications as actuary in charge in the area of general

insurance, life insurance and / or health assurance acquired outside the Republic of Bulgaria, or qualifications as actuary in charge in the area of additional pension insurance acquired in a member state, and certified by qualifications document, diploma or another certificate issued by a competent authority or another organisation outside the Republic of Bulgaria, a member state respectively, shall file an application to the Commission for the recognition of this qualification in a standard format approved by the Commission. The application shall also state the scope for which the person shall request recognition of the qualifications as actuary in charge.

(2) In addition to the documents under art. 4, para 2 the following shall also be enclosed to the application:

1. notarised transcript of a document for recognised qualifications, diploma or another certificate, evidencing the recognised qualifications as actuary in charge;

2. information on the competent authority or organisation in the country outside the Republic of Bulgaria, respectively the member state, issuing the document, certifying the recognised qualifications;

3. information regarding the order in which the person has been recognised qualifications as actuary in charge in a country outside the Republic of Bulgaria, respectively a member state;

4. information on other data, conditions or limitations related to the recognised qualifications not included in the document under item 1;

5. declaration as to the truthfulness of the data stated by the persons and that they are aware of the penal liability for provision of untrue data, which they shall be subject to under the Penal Code of the Republic of Bulgaria.

Art. 16. The Commission may also require other data and documents, if necessary, to make a decision to recognise the qualifications of an actuary in charge

Art. 17. The Commission shall refuse recognition of qualifications if:

1. there are grounds under art. 6;

2. a significant discrepancy shall be established between the scope of qualifications which shall be subject to the request for recognition and the requirements regarding the scope of topics covered by the exam for recognition of qualifications of an actuary in charge;

3. it shall be established that the body or organisation issuing the document for recognition of qualifications do not have the required competency to recognise these qualifications;

4. another condition or limitation shall exist due to which the acquired qualifications may not be recognised.

Art. 18. (1) (Amended - SG, issue 51 of 2008) The Commission shall pronounce on the application of qualifications acquired within one month as of its filing, and when additional data and documents have been requested – within 7 days as of their receipt.

(2) (Revoked - SG, issue 51 of 2008).

(3) The Commission shall enter ex-officio the persons with recognised qualifications as actuary in charge in the register under art. 30, para 1, item 12 of the LFSC within 3 days as of the decision under art. 1

Art. 19. The persons whose qualifications acquired outside the Republic of Bulgaria, respectively a member state shall be recognised, shall receive a certificate issued by the chairperson of the Commission. Accordingly, the provisions of art. 14 shall apply.

Art. 20. The persons who shall receive a refusal for recognition of qualifications under the provisions of this chapter, may not reapply for recognition of qualifications within the same scope, unless they shall provide new documents under art. 15.

Chapter Four

FORM AND CONTENT OF THE ACTUARIAL REPORT AND THE SCHEDULES UNDER THE INSURANCE CODE (IC) AND THE HEALTH ASSURANCE ACT (HAA), WHICH THE ACTUARY IN CHARGE SHALL CERTIFY. FORM OF THE ACTUARIAL CERTIFICATION

Art. 21. (1) The actuarial report under art. 97, para 2, item 2 of the IC shall have the form and content as per appendix No 1.

(2) The actuarial report under art. 97c, para 2, item 2 of the HAA shall have the form and content as per appendix No 2.

Art. 22. (1) The life insurer's actuary in charge shall prepare and certify the following schedules:

1. Annual schedule No GA. 1.1: Technical reserves as at 31 December of the respective year (part I);

2. Annual schedule No GA. 1.2: Technical reserves as at 31 December of the respective year (part II);

3. Annual schedule No GA 1.3: Solvency threshold as at 31 December of the respective year;

4. Quarterly schedule No TA 1.1: Technical reserves as at the end of each quarter of the respective year (part I);

5. Quarterly schedule No TA 1.2: Technical reserves as at the end of each quarter of the respective year (part II).

(2) The general insurance insurer's actuary in charge shall prepare and certify the following schedules:

1. Annual schedule No GB 1.1: Outstanding payments reserve as at 31 December of the respective year;

2. Annual schedule No GB 1.2: Technical reserves as at 31 December of the respective year;

3. Annual schedule No GB 1.3: Solvency threshold as at 31 December of the respective year;

4. Quarterly schedule No TB 1: Technical reserves as of 1 January by the end of each quarter of the respective year.

(3) The actuary in charge of a health assurance company shall prepare and certify the following schedules:

1. Health assurance (technical) reserves schedule – to be drawn up as at the end of the quarter and as at 31 December of the respective year;

2. Solvency threshold annual schedule as at 31 December of the respective year.

(4) The schedules under art. 1 and 2 shall be drawn up and filed with the Commission in accordance with the requirements of Ordinance No 30 of 2006 on the requirements to the accounting, the form and content of financial statements, schedules, reports and notes of the insurance companies and health assurance companies. The schedules under para 3 shall have the form and content in accordance with appendix No 3.

Art. 23. (1) The actuarial certification shall be laid at the bottom end of the page containing the respective schedule, in the form of explicit written and personally signed statement of the actuary in charge, which shall state that the technical reserves set aside are sufficient, respectively that the solvency threshold is properly calculated.

(2) When in accordance with the requirements for specific use of actuarial methods in practice the actuary in charge shall believe that the technical reserves set aside are not sufficient or that the solvency threshold is not properly calculated, the actuary shall be obliged to certify the respective schedule with a qualification, providing justification for the statement provided and stating the exact amount of technical reserves, solvency threshold respectively.

ADDITIONAL PROVISIONS

§ 1. In accordance with this Ordinance:

1. "A competent authority of a country outside the Republic of Bulgaria, respectively a member state" shall be a state body or organisation recognised under the legislation of the respective state or by government authorities explicitly authorised for that purpose by virtue of a regulation. Such authorities may not be insurers, reinsurers, health assurance or pension insurance companies.

2. "An organisation in a country outside the Republic of Bulgaria, respectively a member state" shall be a legal entity authorised by virtue of a regulation or international treaty to issue diplomas, certificates or other documents certifying qualifications as actuary in charge.

3. "General insurance" shall cover the types of insurances under section II or appendix No 1 to the IC.

4. "Life insurance" shall cover the types of insurances under section I of appendix No 1 of

the IC.

§ 2. (1) The applications for admission to an exam under art. 4, para 1 and for recognition of qualifications acquired outside the Republic of Bulgaria, under art. 15, para 1 shall be filled-in in Bulgarian.

(2) The documents which shall be required as provided for in this Ordinance and which shall be issued in a language other than Bulgarian, should be translated to Bulgarian and legalised in accordance with the requirements of the effective legislation. In case of discrepancies between the texts the data included in the translation to Bulgarian shall be considered true.

§ 3. A deputy chairperson of the Commission, head of Insurance Supervision Division and a deputy chairperson of the Commission, head of Social Security Supervision Division may draw up standard forms of declarations and other standardised documents in relation to the implementation of the Ordinance.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 4. The first exam for recognition of qualifications as actuary in charge shall be held 6 months after the entering into force of this Ordinance.

§ 5. Ordinance No 14 of 2004 on the order and manner of licensing of actuaries of pension insurance companies and the additional pension insurance funds managed by them (SG, issue 46 of 2004) shall be revoked.

§ 6. This Ordinance is passed on the grounds of art. 95, para 2, item 5 and para 3 and art. 97, para 6 of the Insurance Code, art. 97a, para 2, item 5 and para 3 and art. 97c, para 6 of the Health Assurance Act and art. 122i, para 2, item 5 and para 3 of the Social Security Code and is passed by virtue of Decision No 62-N of 2 August 2006 of the Financial Supervision Commission.

§ 7. The Financial Supervision Commission shall provide guidelines on the application of this Ordinance.

TRANSITIONAL AND CONCLUDING PROVISIONS to the Ordinance on amendment and supplementation of Ordinance No 31 of 2006 on the terms and conditions to hold an exam and recognise the qualifications of an actuary in charge, to recognise qualifications acquired outside the Republic of Bulgaria, as well as the form of actuarial certificate, the form and content of the actuarial report and the schedules under the Insurance Code and the Law on Health Assurance which the actuary shall certify

(SG, issue 51 of 2008)

§ 12. The diplomas, issued by Bulgarian Actuarial Company Association following the accession of the Association as a full-fledged member of the International Actuarial Organisation and prior to the entering into force of this Ordinance, shall be recognised as a document certifying the successful passing of an exam held regularly in accordance with the provisions of art. 13a.

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Appendix No 1

to art. 21, para 1
(Supplemented - SG, issue 51 of 2008)
Form and content of the actuarial report
under art. 97, para 2, item 2 of the IC
ANNUAL ACTUARIAL REPORT

Section I

Analysis and structure of the insurance portfolio as at the end of the reporting year

1. An analytical breakdown (in graphic or tabular format) shall state the key features of the insurance portfolio by types of insurances and the movements during the last three reporting years.

2. The structure of the insurance portfolio shall be presented in graphic format based on the premium income by types of insurances, for which the insurer shall hold a permit in accordance with appendix No 1 to the IC.

3. The operational software used to derive the data shall also be disclosed.

Section II

Analysis and structure of the premiums by types of insurances

The amount of the premium income for the last three years shall be analysed by types of insurances, by studying the trends in respect of:

- the value of cash collection coefficient (the due / received premiums ratio) and the period of arrears of the premium payment by the insured persons;

- receivables from insurance brokers and agents and the period of their arrears;

- the individual and group contracts ratio;

- premium income via sales channels;

- number of insurance contracts and insured sites;

- term of the contracts;

- early terminated contracts and repaid premiums.

Section III

Analysis and structure of costs on claims paid by types of insurance

1. The amount and structure of claims reported and claims paid and their amounts shall be analysed by types of insurances.

2. The development of damages over time shall be reviewed (date of occurrence of the insured event, the reporting of the claim and its payment) shall be reviewed as well as the number and amount of claims.

3. The payments shall be analysed by types of risks, considering the frequency and severity of the claims.

4. The payments in relation to underwritten limits of liability shall be reviewed, by analysing the risks transferred to reinsurers and claims recovered by reinsurers in view of the type of reinsurance contracts.

5. Payments shall be compared to calculated costs to cover the risk in insurance technical plans. The risk development results shall be reported.

6. An assessment shall be made of the measures taken and required for forecasting and avoidance of unfavourable development of the risks.

Section IV

Analysis and structure of acquisition and administrative costs

1. The amount and manner of allocation of costs by types of insurances shall be stated.

2. The amount of accrued, actually paid and deferred commissions shall be analysed. The amount of acquisition and cash collection costs by types of insurances shall be compared to the forecast one in the insurance technical plan, and in case of differences an analysis of the reasons shall be made. The relative share of commissions paid in the premium income by types of

insurances shall be stated in view of the structure of premium income by sales channels. In case of long-term life insurances the first and second year and the one-off commissions, the weight of each type of commission in the total amount and the relative share of each type of commission in the premium income shall be analysed.

Section V

Technical reserves

1. Analysis of the technical reserves as at the end of the reporting year. Gross reserves amount and reinsurers share therein in view of the type and conditions of the reinsurance contracts.

2. (Supplemented - SG, issue 51 of 2008) Detailed description of the methods used for setting aside the various types of technical reserves in accordance with chapter six, section II of the IC and Ordinance No 27 of 2006 on the order and methodology for setting aside technical reserves by the insurers and health assurance reserves (SG, issue 36 of 2006) (Ordinance No 27). The description of the methods shall contain:

- specifics and modifications;
- basic parameters and formulas used;
- information based on which calculations have been made;
- justification of expert assumptions and assessments made;
- sufficiency of the reserves - assessment of the possible unfavourable deviations from the technical reserves set aside.

3. Movements in the amount of gross technical reserves and the share of reinsurers therein in view of the changes in the volume of operations of the insurer, premiums ceded to reinsurers, the development of payments.

4. Comparative analysis of the technical reserves by each individual method, set out in Ordinance No 27, in the cases when a possibility for use of more than one method shall be envisaged and well-grounded justification for the choice of the method applied.

5. Detailed description of the trends in the development of claims and their reporting over time, in view of the choice of statistical methods to set aside the incurred but not reported claims reserve. Well-grounded justification of the methods used to set aside the incurred but not reported claims reserve by types of insurances in view of the development of claims by types of insurances over a sufficiently long period of time

6. Description of the currency in which the technical reserves have been set aside in view of the currency in which liabilities under insurance and reinsurance contracts are denominated, the currency in which the premium is agreed and the country where the risk is located.

7. Data on the amount of income and expenses in investing the technical reserves and the yield generated. The asset investment income allocation scheme used in life insurance for allocation between the insurer and the insured persons. Data on the technical interest rate used and distributions to the batches of policy holders made during the reporting year.

8. Amount of the technical result by types of insurances and the portion thereof set aside to reserves fund. Provision of justification if no reserves fund shall be set aside for a certain type of insurance in accordance with art. 6, para 3 of Ordinance 27 Analysis of the use of the reserve fund.

9. Comments on the security of data and the possibility for errors and the need for a change of the insurance statistics data collection system.

10. Need for a change in the methods to set aside the technical reserves.

Section VI

Analysis and demonstration of the risks

1. The risks by types of insurances and their reflection on payments and insurance reserves shall be analysed.

2. Reinsurance risks and their impact on the portfolio shall be taken

into account.

3. The total effect of the impact of the risks (profit or loss) by types of insurances shall be determined by analysing the gross result, the reinsurer's result and the insurer's participation therein.

4. Analysis of the trends in the development of the claims coefficient, the cost coefficient and the combined coefficient (the sum of the previous two) by types of insurances.

5. The measures undertaken for protection from technical risks shall be reported.

6. Reasons for the change of the methods for assessment of the risks, the general terms and conditions, tariffs and insurance technical plans, as well as the reinsurance policy shall be stated.

Section VII

Solvency analysis

The composition elements of actual solvency shall be described (own funds, less intangible assets reported on the balance sheet) and the required solvency calculated using the methods set out in Ordinance No 21 of 2005 on own funds and solvency threshold of insurance and health assurance companies (promulgated, SG, issue 29 of 2005; amended and supplemented, issue 22 and 36 of 2006) shall be stated, by analysing the result derived using the different methods.

Section VIII

Independent valuation of assets and liabilities and the financial position of the insurer

Review and actuarial assessment of the insurer's balance sheet items shall be made and their effect on the financial position and its movements during the reporting year shall be made.

Appendix No 2

to art. 21, para 2

(amended - SG, issue 51 of 2008)

Form and content of the actuarial report under art. 97c, para 2,
item 2 of the HAA

ANNUAL ACTUARIAL REPORT

Section I

Analysis and structure of health assurance portfolio as at the end of the reporting year

1. Analytical breakdown (in graphic or tabular form) shall state the key features of the health assurance portfolio by types of health assurance packages and the movements during the last three reporting years.

2. The structure of the health assurance portfolio shall be provided in graphic form based on premium income by types of effective health assurance packages for which the health assurance company shall hold a permit (license). When health services and goods shall be offered as a combination of several packages the data shall be stated and the analysis shall be broken down by types of packages.

3. The operational software used to derive the data shall be disclosed.

4. The portfolio position shall be analysed and forecast for the following year shall be prepared.

Section II

Analysis and structure of premiums by types of health assurance packages

The amount of premium income over the last three years shall be analysed by types of health assurance packages, studying the trends in respect of:

- cash collection coefficient (due and received premiums ratio) and the period in arrears of premiums by health assured people;

- receivables from health assurance intermediaries and the period in

arrears;

- individual and group contracts ratio;
- premium income by sales channels;
- number of health assurance contracts and health assured people;
- term of the contracts;
- early terminated contracts and premiums repaid.

Section III

Analysis and structure of costs on claims paid by types of health assurance packages

1. The amount and structure of claims reported and claims paid shall be analysed by types of health assurance packages.

2. The development of claims over time (date of occurrence of the health assured event, reporting of the claim and payment) shall be reviewed, as well as the trends in the number and amount of claims.

3. The underwritten liability limits shall be analysed and payments by types of risks, taking into account the frequency and severity of the claims.

4. The payments shall be compared to the calculated costs to cover the risks in the technical plans. The risk development results shall be reported.

5. Assessment shall be made of the measures undertaken and required to forecast and avoid unfavourable development of risks.

Section IV

Analysis and structure of acquisition and administrative costs

1. The amount and allocation of costs by types of health assurance packages shall be stated.

2. The amount of accrued, actually paid and deferred commissions shall be analysed. The amount of paid acquisition and cash collection commissions by types of health assurance packages shall be compared to that envisaged in the insurance technical plan, while in case of differences the reasons shall be analysed. The relative share of commissions paid compared to the premium income by types of health assurance packages shall be stated, having in mind the structure of the premium income by sales channels. For long-term health assurance contracts the amount of the first and second year commissions and the one off commissions, the weight of each type of commission within the total amount and the relative share of each type of commission compared to the collected premium income shall be analysed.

Section V

Technical reserves

1. Analysis of the health assurance reserves set aside as at the end of the reporting year.

2. Detailed description of the methods used to set aside the different types of health assurance reserves in accordance with art. 90c of the HAA and Ordinance No 27. The description of the methods shall include:

- specifics and modifications;
- basic parameters and formulas used;
- information based on which calculations have been made;
- justification of expert assumptions and assessments made;
- sufficiency of the reserves

- assessment of the possible unfavourable deviations from the technical reserves set aside.

3. Movements in the amount of health assurance reserves in view of changes in the volume of operations of the health assurance company, the development of payments and risks.

4. Comparative analysis of the health assurance reserves by each individual method, set out in Ordinance No 27, and well-grounded justification for the choice of the method applied.

5. Detailed description of the trends in the development of claims and their reporting over time, in view of the choice of statistical methods to set aside the incurred but not reported claims reserve. Well-grounded justification of the methods used to set aside the incurred but not reported claims reserve by types of health assurance packages in view of the development of claims over a sufficiently long period of time

6. Well-grounded justification of the decision not to set aside incurred but not reported claims reserve on a certain package, if the company shall not set aside a reserve on the respective package.

7. Analysis of the result for the setting aside of the incurred but not reported claims reserve determined in accordance with Ordinance No 27, of the need to set aside reserves and the sufficiency of the premiums.

8. Technical reserves by types of health assurance packages and the portion thereof set aside to form a reserves fund. Presentation of well-grounded justification in case no reserve fund shall be set aside for a certain health assurance package, in accordance with art. 6, para 3 of Ordinance No 27 Analysis of the use of the reserve fund.

9. Description of the currency in which the health assurance reserves are set aside in view of the currency in which the liabilities under the health assurance contracts have been determined and the currency in which the premium has been agreed.

10. Comments on the security of data and the possibility of errors and the need for change in the system for collection of health assurance statistic data.

11. Need for change in the methods for the setting aside of health assurance reserves.

Section VI

Analysis and demonstration of the risks

1. The risks by types of health assurance packages and their reflection on payments and health assurance reserves shall be analysed.

2. The total effect of the impact of the risks (profit or loss) by types of health assurance packages shall be determined.

3. Analysis of the trends in the development of the claims coefficient, the cost coefficient and the combined coefficient (the sum of the previous two) by types of health assurance packages.

4. The measures undertaken for protection from technical risks shall be reported.

5. Reasons for the change of the methods for assessment of the risks, the general terms and conditions, tariffs and technical plans shall be stated.

Section VII

Solvency analysis

The composition elements of actual solvency shall be described (own funds, less intangible assets reported on the balance sheet) and the required solvency calculated using the methods set out in Ordinance No 21 of 2005 on own funds and solvency threshold of insurance and health assurance companies (promulgated, SG, issue 29 of 2005) shall be stated, by analysing the result derived using the different methods.

Section VIII

Independent valuation of assets and liabilities and the financial position of the health assurance company

Review and actuarial assessment of the balance sheet items of the health assurance company shall be made and the financial position and its movements during the reporting year shall be made.

Section IX

Forecast of the principle need for change in the general terms and conditions and tariffs, health assurance technical plans and health assurance reserves

Forecast shall be made on the above mentioned indicators at the discretion of the actuary in charge, if the respective changes shall be required as a result of the analyses under the previous sections.

Appendix No 3
to art. 22, para 4
(Amended - SG, issue 51 of 2008)

Types of packages when health services and goods are offered, which are a combination of several packages, the data is stated by types of health assurance packages	Unearned premium reserve				Unexpired risks reserve	Outstanding payments reserve			Reserve fund	Bonuses and discounts reserve	Other reserves approved by the FSC	Total reserves	
	total amount	including amount of unearned premium reserve formed on the basis of premiums not received	including deferred acquisition costs – when the reporting of such costs is according to art. 24, para 2, item 2 of Ordinance No 30	acquisition costs deducted in the calculation of the unearned premium reserve — when the reporting of these costs is in accordance with art. 24, para 2, item 1 Ordinance No 30	6	total amount	including share of reserves for incurred but not reported claims	including costs to settle claims	10	11	total amount	including reserve	14
1	2	3	4	5	6	7	8	9	10	11	12	13	14

1. Improvement of

health and protection
from diseases

a) individual
contracts, including
family contracts

b) subscription
service

c) contracts with a
term exceeding one year

2. Out of hospital
medical assistance

a) individual
contracts, including
family contracts

b) subscription
service

c) contracts with a
term exceeding one year

3. Hospital medical
assistance

a) individual
contracts, including
family contracts

b) subscription

service

c) contracts with a term exceeding one year

4. Dental services

a) individual contracts, including family contracts

b) subscription service

c) contracts with a term exceeding one year

5. Services related to household and other additional conditions upon provision of medical assistance

a) individual contracts, including family contracts

b) subscription service

c) contracts with a term exceeding one year

6. Reimbursement

of costs

a) individual contracts, including family contracts

b) subscription service

c) contracts with a term exceeding one year

7. Other health assurance packages

a) individual contracts, including family contracts

b) subscription service

c) contracts with a term exceeding one year

TOTAL:

Item 7 "Other packages" includes the following packages which are not within the scope of those listed in item 1 to item 6:

1.

a) individual contracts, including family contracts

b) subscription service

c) contracts with a term exceeding one year

2.

a) individual contracts, including family contracts

b) subscription service

c) contracts with a term exceeding one year

3.

a) individual contracts, including family contracts

b) subscription service

c) contracts with a

term exceeding one year

BGN

Own funds less intangible assets:

Subscribed share capital

Reserves and funds under art. 90c, para 2 of HAA

Retained earnings from prior years less expected dividend payments and other deductions

Revaluation reserves formed as provided for in the Accountancy Act

Subordinated liabilities (subordinated debt and amounts attracted through hybrid instruments)

Capital subscribed, but not paid in

Nominal amount of redeemed treasury shares

Loss in the current year and uncovered losses from prior years

Participations under art. 5, para 2, item 4 of Ordinance No 21

Intangible assets

Solvency threshold

Solvency threshold under art. 21, para 3 of Ordinance No 21 (excluding health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21)

Solvency threshold under art. 21, para 2 of Ordinance No 21 (for health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21)

I method (calculations on premiums)

Premium income during the last financial year

First result

Unearned premium reserve at the beginning of the last financial year

Unearned premium reserve at the end of the last financial year

Second result

The higher of result one and two

Premiums reimbursed and outstanding premiums due on terminated contracts

Result

Coefficient K1

Solvency threshold I method

II method (average annual amount of claims)

Payments made on health assurance contracts during the first year (two years before the last one)

Payments made on health assurance contracts during the second year (the one before the last one)

Payments made on health assurance contracts during the third year (the last one)

Total

Outstanding payments reserve as at the end of the last financial year

Outstanding payments reserve as at the beginning of the first financial year

Coefficient K1

Coefficient K2

Solvency threshold II method

For health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Solvency threshold under art. 21, para 2 of Ordinance No 21

Solvency threshold under art. 16, para 1, item 1 of Ordinance No 21

Unearned premium reserve under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Solvency threshold under art. 16, para 2 of Ordinance No 21

I method (calculations on premiums)

Premium income during the last financial year under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

First result

Unearned premium reserve at the beginning of the last financial year under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Unearned premium reserve at the end of the last financial year under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Second result

The higher of result one and two

Reimbursed premiums and outstanding premiums due on terminated contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Result

Coefficient K1

Solvency threshold I method

II method (average annual amount of claims

Payments made under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21, during the first year (two years before the last one)

Payments made under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21, during the second year (the year before the last one)

Payments made under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21, during the third year (the last one)

Total

Outstanding payments reserve as at the end of the last financial year under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Outstanding payments reserve as at the beginning of the first financial year under health assurance contracts meeting the requirements of art. 16, para 2 of Ordinance No 21

Coefficient K1

Coefficient K2

Solvency threshold II method