Reserve Bank of Fiji
Insurance Supervision Policy Statement No: 3B

NOTICE TO INSURANCE COMPANIES LICENSED UNDER THE INSURANCE ACT 1998

SOLVENCY REQUIREMENTS FOR INSURERS LICENSED TO CONDUCT GENERAL INSURANCE BUSINESS IN FIJI

1. Introduction

1.1 This notice is issued under Section 3(2)[a] of the Insurance Act 1998 as part of the Reserve Bank of Fiji's standards governing the conduct of insurance business in the Fiji Islands. The purpose of this statement is to outline and clarify the minimum solvency requirements relating to insurers licensed to conduct general insurance business in Fiji.

1.2 In preparing this notice, reference has been made to recommendations of the International Association of Insurance Supervisors (IAIS), Fiji Accounting Standards, and powers under the Insurance Act and other relevant legislation, including the Companies Act.

1.3 Comments sought from the industry in the first and the second drafts have been included where appropriate. The policy incorporates suggestions made by the IMF Technical Assistant on Insurance Supervision during the technical assistance mission in August 2002.

1.4 It is important to note that the requirements of this policy notice are only for the purpose of submitting prescribed returns to the Reserve Bank of Fiji. General insurers may however, disclose their normal financial results derived from traditional accounting standards and generally accepted accounting practices, to other interested parties.

2. Background and Outline of the Approach

2.1 An insurer's core activity is the assumption of risks. The majority of insurer liabilities comprises obligations to policyholders. An adequate solvency margin should be maintained by an insurer to ensure that it is able to meet claims as they fall due.

2.2 The activities of insurance companies throughout the world are subject to supervision in the interests of consumer protection. Solvency requirements are designed to meet an insurer's obligations as they fall due. In Fiji, the insurance industry is supervised by the Reserve Bank of Fiji. Should an insurer fail to meet the requirements on capital strength, the Reserve Bank of Fiji as the supervisory authority is determined to intervene as early as possible to avoid excessive indebtedness of the insurer at the expense of policyholders. Regulatory intervention cannot prevent insolvencies, however, it should greatly reduce the likelihood of losses to policyholders.

2.3 The solvency margin of an insurance company is the surplus of assets over liabilities, both evaluated in accordance with accounting and supervisory standards. In general, an insurer's solvency relies on the prudent investment of assets corresponding to its policy liabilities. A company's solvency is not fully determined by its solvency margin alone. Solvency requirements should reflect the size, complexity and business risks of insurance companies.

2.4 To reduce the risk of failure for insurers, the Reserve Bank of Fiji ensures that they maintain sufficient assets to meet obligations under a wide range of circumstances. The minimum solvency requirement therefore has the following purposes:

- reduces the likelihood that an insurer will not be able to meet claims as and when they fall due;

- provides a buffer so that losses to policyholders can be limited in the event of the failure of the insurer;

- provides an early warning mechanism for supervisory intervention and corrective action; and

- promotes public confidence in the financial stability, capacity and claims paying ability of the insurance industry.

3. The General (Non-life) Insurance Business

3.1 General insurance business includes both personal (domestic) and commercial policies, and health insurance. Personal lines include:

- automobile;
- house contents;
- home building;
- pleasure craft;
- travel;
- valuables; and
- consumer credit.

Commercial lines include:

- rural (house, contents, farm, loss of stock);
- fire (building, tools and equipment, inventory);
- business interruption;
- customers' assets;
- commercial vehicles
- public liability; and
- marine.

Health insurance include:

- accident;
- sickness; and
- permanent health insurance.

3.2 Assets and Liabilities of General Insurers

3.2.1 The Reserve Bank of Fiji recognises that the commitments of general insurers are generally within 12 months. When assessing the value of an asset to be included for solvency purposes, the nature of the asset should be considered as well as and the valuation method used. These should have regard to how liquid the asset is in order to meet policyholder liabilities in a timely manner.

3.2.2 Typically, liabilities to policyholders, through outstanding claims and unearned premiums, constitute a major part of any general insurer's liabilities. In the valuation of unearned premium provisions, the Reserve Bank of Fiji requires that insurers use the 24ths method as the basis for valuation, or the more refined 365ths method.

3.2.3 An insurer's outstanding claims are required to include an acceptable estimate of claims administration expenses relating to outstanding claims. Supplementary notes are provided as Appendix 1 to this statement, detailing how assets and liabilities are to be valued in the calculation of solvency of insurers licensed to conduct general insurance business in Fiji.

4. Requirements under the Insurance Act 1998

4.1 Calculation of Solvency

4.1.1 Insurers licensed to conduct business in Fiji are required to maintain minimum solvency requirements at all times. These are set out under section 31 of the Insurance Act. The requirements for life insurers are different from the requirements for general insurers.

4.1.2 All licensed general insurers incorporated outside Fiji are required to maintain at all times a surplus of assets in Fiji over liabilities in Fiji of not less than-

(i) $1,000,000; or
(ii) 20% of the amount of net premium income derived in Fiji during the last 12 months; or
(iii) 15% of net claims outstanding provision in respect of policies in Fiji,

whichever is the greatest.

4.1.3 In addition, general insurers incorporated in Fiji, must maintain at all times a surplus of total assets over total liabilities of-

(i) $1,000,000;
(ii) 20% of net premium income derived during the last 12 months; or

(iii) 15% of net claims outstanding provision,

whichever is the greatest.

In addition to this, a general insurer incorporated in Fiji is required to maintain at all times paid up capital of not less than $1,000,000.

4.1.4 The Act also sets out the classification of assets for the purposes of calculating solvency positions of insurers. Section 33 allows the Reserve Bank to treat assets held outside Fiji as assets in Fiji for the purposes of the Act. Basically, assets held outside Fiji may be treated as assets in Fiji for the purpose of calculating solvency if the assets are kept in the name of the insurer and are beneficially owned by the insurer.

4.1.5 Section 34 also states that the Reserve Bank of Fiji must treat amounts owed to an insurer by a person outside the Fiji Islands under a contract of reinsurance as assets of the insurer in the Fiji Islands for the purpose of solvency.

4.2 Recognition of Assets in the Calculation of Solvency

4.2.1 In accordance with section 32(1) of the Insurance Act 1998, the following assets will not be included for solvency calculation:

a) a loan to a person who is, or when the loan was made, was-

(i) a director, principal officer, manager, actuary or auditor of the insurer – *section 32(1)(a)(i)*;

(ii) a director or principal officer of a body corporate related to the insurer – *section 32(1)(a)(ii);*

(iii) the spouse or other immediate family member of a person referred to in (i) or (ii) above – *section 32(1)(a)(iii);*

b) a loan to, amount due from, debenture of, prepayment with, or share in a body corporate which is related to the insurer, except to the extent of the Reserve Bank of Fiji's approval under paragraph 4.2.2(ii) – *section 32(1)(b);*

c) an unsecured loan to a person who is, or when the loan was made was, an employee of the insurer – *section 32(1)(c)*;

d) an asset that is mortgaged or charged for the benefit of a person other than the insurer to the extent of the value of the mortgage or charge – *section 32(1)(d);*

e) an unpaid premium, other than an unpaid premium secured against a life policy, that became due to the insurer more than 3 months previously, unless approved as an asset under paragraph 4.2.2(iii) – *section 32(1)(e);*

f) an amount due from a reinsurer that became due more than 3 months previously unless approved as an asset under paragraph 4.2.2(iii) – *section 32(1)(f);*

g) a guarantee given to or in relation to the insurer, except to the extent of the Reserve Bank of Fiji's approval under paragraph 4.2.2(iv) – *section 32(1)(g);* and

h) any other intangible asset – *section 32(1)(h).*

4.2.2 The Reserve Bank of Fiji may after application from an insurer, approve as an asset to be included for solvency calculations, the following:

(i) if the Reserve Bank is satisfied that a loan described in 4.2.1(a) above is sufficiently secured and the terms and conditions upon which the loan is offered are of a commercial arms length nature and not unduly favourable to the borrower.

(ii) if the Reserve Bank of Fiji for paragraph 4.2.1(b) above is satisfied after having regard to the following matters may approve such asset for solvency calculations:

a) the proportion that the value of the loan, amount, debenture, prepayment or share, together with the aggregate value of all other loans to, amounts due from, debentures of, prepayments with and shares in, the body corporate made by the insurer, bears the total value of the assets of the insurer;

b) the proportion that the value of the loan, amount, debenture, prepayment or share, together with the aggregate value of all other loans to, amounts due from, debentures of, prepayments with and shares in, a body corporate which is related to the insurer, bears the total value of the assets of the insurer;

c) the proportion that the value of the loan, amount, debenture, prepayment or share bears the total value of the assets of the body corporate;

d) the nature, and the degree of diversity, of the assets of the insurer;

e) the nature, and the degree of diversity, of the assets of the body corporate related to the insurer; and

f) the nature of the business carried on by the body corporate related to the insurer.

(iii) if the unpaid premium and amount due from reinsurers in 4.2.1 (e) & (f), became due to the insurer more than 3 months but not more than 6 months previously, and the Reserve Bank of Fiji is satisfied that the premiums and the amounts due will be paid;

(iv) if the Reserve Bank of Fiji is satisfied that the guarantee described in 4.2.1(g) above:

a) has a guarantor or guarantors which is, or are, banks licensed under the Banking Act 1995;
b) is in a form satisfactory to the Reserve Bank of Fiji and includes provision to the effect that, in the event of the winding-up of the insurer, amounts due under the guarantee are available to meet the liabilities of the insurer; and

c) is not revocable without the approval of the Reserve Bank of Fiji.

4.2.3 Approval provided by the Reserve Bank of Fiji under paragraph 4.2.2 above is subject to revocation or variation, as the Reserve Bank of Fiji may deem necessary. Any revocation or variation will be served in writing to the insurer.

4.2.4 Section 2(3) of the Insurance Act 1998 defines that a person is related to an insurer if-

a) that person directly or indirectly controls, by any means whatsoever, the management of the insurer;

b) that person owns directly or indirectly 20% or more in nominal value of the equity share capital, as defined under in section 156 of the Companies Act, of the insurer;

c) the insurer directly or indirectly controls, by any means whatsoever that person; or

d) the insurer owns directly or indirectly 20% or more of the equity share capital, as defined in section 156 of the Companies Act, of that person.

4.3 Valuation of Assets

4.3.1 Section 35(1) of the Act requires the value of an asset of an insurer as at a particular time to be the market value of the asset at that time. *(Refer to Appendix 1 for the definition of market value and Appendix 2 for valuation of assets)*

4.3.2 Property valuation techniques used by insurers should be consistent with the procedures adopted by The Fiji Institute of Valuers and Land Management. A valuer acceptable to the Reserve Bank for the purpose of valuing land and buildings is a property valuer registered with the Fiji Institute of Valuers and Land Management.

4.3.3 If the Reserve Bank of Fiji is not satisfied that an asset of an insurer is valued in accordance with paragraph 4.3.1 above, the Reserve Bank of Fiji may direct that the value of the asset to be the value specified by the Reserve Bank of Fiji in its notice. The Reserve Bank of Fiji may revoke or vary this directive if it appears that it is no longer necessary or it should be varied or if the Reserve Bank of Fiji is satisfied after an application by the insurer that the direction is no longer necessary or it should be varied.

4.3.3 If the insurer served with a notice under paragraph 4.3.3 above commences to be wound up, the directive ceases to have effect.

4.4 Valuation of Liabilities

4.4.1 In computing the amount of the liabilities of an insurer, all contingent and prospective liabilities (other than liability in respect of share capital) must be taken into account. Contingent liabilities are those liabilities, which may not actually eventuate ie. contingent on something happening, but they nevertheless have the potential to adversely impact on policyholders' funds. *(Refer to Appendices 1 & 2 for details on the valuation of liabilities.)*

4.4.2 The Deferred Acquisition Cost asset is for prudential solvency purposes and is largely an intangible asset. A component of this asset may however, be recoverable, if necessary, in relation to the unearned proportion of commission paid to intermediaries. For solvency purposes, this asset will be permitted up to 75% of the commission component of the deferred acquisition cost.

4.4.3 As noted under paragraph 3.2.2, insurers are required to record unearned premium provision using the 24ths method as basis of valuation, or the more refined 365ths method.

4.4.4 The Reserve Bank of Fiji may direct an insurer in writing to make in its accounts a provision, a further provision of a specified amount or of an amount it determines in a particular manner *[section 38(2)].*

4.4.5 If the Reserve Bank is satisfied that the directive issued in paragraph 4.4.4 above is no longer necessary or should be varied, it must by notice in writing to the insurer, revoke or vary the directive. The notice must also be revoked or varied if the Reserve Bank deems it necessary after an application by the insurer to which the directive was issued *[section 38(4)].*

4.4.5 The Reserve Bank will, as it deems necessary, require general insurers licensed under the Insurance Act 1998 to submit actuarial assessments of liabilities to support its role in assessing solvency of general insurers.

5. Implementation Arrangements

5.1 This Notice applies to all general insurance companies licensed under the Insurance Act 1998, for financial years ending 31 December 2002.

5.2 General insurers must note that at some stage, the Reserve Bank of Fiji may decide to consider refinements to the basis of solvency depending on individual insurer's asset and liability risks.

Reserve Bank of Fiji

December 2002

<u>Attachments:</u>

Appendix 1	-	Supplementary Notes (To be read in conjunction with the Asset and Liability Values for Solvency Purposes in General Insurance Businesses)
Appendix 2	-	Proposed Asset Values for Solvency Calculations
Appendix 3	-	Proposed Liability Values for Solvency Calculations
Appendix 4	-	Worksheet for Calculating Solvency

APPENDIX 1

SUPPLEMENTARY NOTES

(To be read in conjunction with the attached Asset and Liability Values to Use for Solvency purposes in **General Insurance** Business)

A. Background

1. The values to use for assets and liabilities in calculating the solvency margin (adjusted net assets) required to be maintained by insurers under the Insurance Act 1998 are defined broadly in that Act and it's Regulations.

B. Asset Values

2. A general insurer's assets are presumed available to meet insurer commitments, especially policyholder liabilities, thus encumbered assets are excluded from solvency calculations to the extent of the encumbrance. Intangible assets are also excluded for the same reason.

3. The Insurance Act 1998 specifies under section 35 that the value of an asset is its market value at a particular point in time. Despite the absence of a definition, it is presumed that this value is the best proxy to the "value of insurer investments at a point in time, that is available to meet insurer obligations."[1] Market values of assets are therefore deemed to be the "net realisable value" or (gross market values less costs of realisation) of those assets.

4. All property valuations provided for solvency purposes are to be done by an independent valuer acceptable to the Reserve Bank. The valuer must be a property valuer registered with the Fiji Institute of Valuers and Land Management.

C. Directing an asset to be valued at market value

5. Under section 35(2), the Reserve Bank of Fiji has powers to direct that an asset, not valued in accordance with prescribed market values under section 35, be assigned a value specified in the written notice. Consequently, the recommended value that the Reserve Bank of Fiji specifies to be the value of those assets not appropriately valued, will be an estimate of the net realisable value of the asset in question.

6. The Reserve Bank of Fiji recognises that the commitments of general insurers are generally within 12 months. When assessing the value of an asset to be included for solvency purposes, the nature of the asset should be looked considered as well as the valuation method used. These should have regard to how liquid the asset is, in order to meet policyholder liabilities in a timely manner.

7. An insurer may apply in writing to the Reserve Bank, under section 32(5) to approve as an asset for the purposes of this Act, unpaid premiums or amounts due from reinsurers that became due to the insurer more than 3 months, but not more than 6 months previously and the Reserve Bank may, in writing approve, those premiums or amounts due where it is satisfied that the premiums or amounts due will be paid. The Reserve Bank will exercise discretion in approving assets and will have regard to the demonstrated recoverability of these debtor assets.

[1] Recently, the focus is more on 'policyholder obligations.'

8. Section 34 of the Insurance Act 1998 states that the Reserve Bank must treat amounts owed to an insurer by a person outside the Fiji Islands under a contract of reinsurance as assets of the insurer in the Fiji Islands for the purpose of solvency.

D. Amounts due from reinsurers over six months

9. Apart from the availability of a general insurer's assets to meet its obligations, it would be prudent to also apply a time limit when considering the amounts that would be realised from the trade debtor and represented by reinsurance recoveries. The Insurance Act 1998 prescribes that amounts due for over 3 months from reinsurers are to be excluded in the calculation of assets for the purpose of computing the insurer's solvency.

10. However, subsection 32(5) allows for an insurer to apply in writing to the Reserve Bank of Fiji to approve as an asset amounts due from reinsurers that became due to the insurer more than 3 months but not more than 6 months previously. The Reserve Bank of Fiji may approve those amounts due where it is satisfied that they will be paid. It must be therefore noted that under the provisions of the Insurance Act 1998, amounts due from reinsurers more than 6 months previously are to be excluded for the purpose of computing solvency of insurers.

E. Unsecured Loans

11. Loans to directors and other persons prescribed in section 31(1)(a) are to be excluded in the calculation of assets unless approval is granted under section 31(2). Loans to related persons may be approved under section 31(3).

F. Land & Buildings

12. For the values of land and buildings, the Reserve Bank of Fiji will for the purpose of calculating solvency include 90% of the valuation provided by an independent valuer acceptable to the Reserve Bank.

G. Valuation of Shares

13. (i) <u>Quoted</u>

Valuation will be based on the latest stock market price. Appropriate discounts should be considered if the shares are thinly traded and/or comprise a large block of shares. Premiums may only be considered where there is a valid offer at a higher price evidenced by a firm commitment, such as purchase contracts or undertaking letters provided by solicitors or brokers.

(ii) <u>Unquoted</u>

An appropriate value may be considered provided the test of marketability is met. The condition of marketability would be considered based on the merit of each case. If it can be demonstrated that the shares are marketable, the basis of valuation applied should be the net tangible asset per share. A higher valuation may be considered if there is sufficient evidence to purchase at a higher value than net tangible asset per share. However, a value verified and confirmed by the external auditors is also acceptable.

H. Fixed Assets other than Land and Buildings

14. For the purpose of calculating solvency, the book value of motor vehicles only will be included if the rate of depreciation applied is not less than 20%. For furniture and fittings, and computer hardware, book values will be included for solvency purposes if their depreciation rates are 40% in the first year and 20% in the years after.

I. Liability Values

15. Section 38(1) of the Insurance Act 1998 requires that in computing total liabilities of an insurer, all contingent and prospective liabilities (other than liabilities in respect of share capital) must be taken into account. The Reserve Bank of Fiji may direct insurer to make in their accounts further provisions if it is not satisfied with the values presented.[2]

J. Underwriting provisions

16. Form 6C (Balance Sheet) of the Insurance Regulations 1998 requires that underwriting provisions be disclosed by general insurers. These provisions include the "unearned premium provision" on insurance premiums received in advance by general insurers. "Outstanding claims" is also required to be disclosed and includes all claims that have been reported and for which insurers have outstanding liabilities.

K. Incurred but not reported (IBNR) claims

17. The process of quantifying the level of IBNR reserve in usually a statistical or actuarial function. However, all those in related fields of insurance company operations should appreciate the complexity and importance of the task.

18. General insurers must understand the importance of IBNR and how by entering known claims into the data processing system as quickly as possible, claims reserving can be made more accurate. In addition, the claims department should appreciate the importance of promptly notifying reinsurers of claims in which they will be involved.

19. Management must have prudent IBNR provisions to recognise this incurred cost. For the purpose of calculating solvency for general insurers, the adequacy of the IBNR provisions will be determined dependent on an insurer's subjective claims experience in accordance with Form 6F(Parts A & B) of the Insurance Regulations 1998.

L. Claims Administration Expense (CAE) provision

20. This refers to the claims outstanding including estimated claims administration expenses for claims incurred but not reported. The CAE is a very important liability for companies that conduct a lot of business in what are called the 'long tail' classes such as workers compensation, compulsory third party (CTP) and other liability insurance classes.

21. General insurers must note that claims for long tail classes take many years to finalise, and the eventual total expenses of servicing such claims may be significant. It is expected that, for most insurers, 5% of reported claims are related to CAE.

M. Conclusion

23. The valuation of assets and liabilities for solvency purposes will be subject to ongoing review by the Reserve Bank of Fiji.

Reserve Bank of Fiji
December 2002

[2] Required under section 38(2) of the Insurance Act 1998.

<u>ASSET VALUES FOR SOLVENCY CALCULATIONS</u> **<u>APPENDIX 2</u>**

GENERAL INSURANCE BUSINESS

<u>INSURANCE ACT 1998</u>

PARTICULARS	**Row No.**	**FACTOR %**	***COMMENTS***
ASSETS			
Cash on hand	1	100	
Outstanding premiums			
- 3 months and under	2	100	s32(1)(e), s32(5)
- over 3 months but 6 months and under	3	0 unless approved	s32(1)(e), s32(5) (Approval on merit)
- over 6 months	4	0	s32(1)(e), s32(5)
Amounts due from reinsurers on outstanding claims	5	100	
Amounts due from reinsurers on claims paid:			
- 3 months and under	6	100	
- over 3 months but 6 months and under	7	0 unless approved	s32(1)(f), s32(5) (Approval on merit)
- over 6 months	8	0	s32(1)(f), s32(5)
Deferred reinsurance expense	9	100	Approved if cancellation clause of reinsurance arrangements permits pro-rata refund of expenses.
Deferred acquisition expense	10	75	Reported value not to exceed 75% of commission component
Prepayments:			
- related persons	11	0 unless approved	Approved if RBF is satisfied as to realisable value.
- non related persons	12	100	
Sundry debtors:			
- related persons	13	0 unless approved	Approved if RBF is satisfied as to realisable value.
- non-related persons	14	100	s32(2)
Other (attach details)	15	0 unless approved	
<u>Sub-total</u> [sum1:15]	16		
LOANS * **(attach supporting schedules)**			
Loans to directors and other persons prescribed in section 32 (1)(a):			
- secured	17	0 unless approved	s32(1)(a), s32(2).
- unsecured	18	0	Excluded under s32(2).
Loans to related persons:			
- secured:	19	0 unless approved	S32(1)(b), S32(3)
- unsecured	20	0	Excluded under S32(2)
Unsecured employee loan	21	0	Excluded under S32(1)c
Other loans:			
- secured	22	100	} These assets may be subject to review by the RBF to
- unsecured	23	0 unless approved	} confirm realisability of the values.
Other (attach details)	24	0 unless approved	
<u>Sub-total (loans)</u> [sum 17:24	25		

PARTICULARS	Row No.	FACTOR %	*COMMENTS*
INVESTMENTS * (attach supporting details) Land and buildings Government securities Bank deposits Debentures with: - related persons - non-related persons Shares in: - related persons - non-related persons Other (attach details) <u>Sub-total (investments)</u> [sum26:33]	26 27 28 29 30 31 32 33 34	90% of value 100 100 0 unless approved 0 unless approved 0 unless approved Last sale value on Stock Exchange 100	Valuation to be done by an independent valuer acceptable to the Reserve Bank. This may be subject to review by the RBF to confirm realisability of the values. s32(1)(b), s32(3) Approved if RBF is satisfied as to realisable value. Refer to Part G of Supplementary Notes for unquoted shares. This asset may be subject to review by the RBF to confirm realisability of the value.
FIXED ASSETS Motor Vehicles Furniture and fittings Computer hardware Computer software Other (attach details) <u>Sub-total (fixed assets)</u> [sum 35:39]	35 36 37 38 39 40	Book value or '0' Book value Book value 0 0 unless approved	Book value if depreciation rate is not less than 20% Accelerated depreciation of 40% for first year and then 20% for years after.
INTANGIBLE ASSETS Future income tax benefit Goodwill Establishment costs Other (attach details) <u>Sub-total (intangible</u> (sum 41:44]	41 42 43 44 45	0 0 0	S32(1)(h)
OTHER ASSETS Other amounts due: - related persons - non related persons Other (attach details) <u>Sub-total (other assets)</u> [sum 46:48]	46 47 48 49 50	0 unless approved 100	S32(1)(b), S32(3)
TOTAL ASSETS [sum 16+25+34+40+45+49]			

Notes:
"0" means that no value is recognised at all under the Insurance Act
"0 unless approved' means asset will be evaluated according to Reserve Bank requirements.
"100" means that full value will be taken as presented, subject to prudential valuation.

LIABILITY VALUES TO USE FOR SOLVENCY CALCULATIONS OF GENERAL INSURERS APPENDIX 3

PARTICULARS	Row No.	FACTOR %	COMMENTS
LIABILITIES			
UNDERWRITING PROVISIONS			
Unearned premium provision	51	100	Based on 24ths method and adjusted if deemed appropriate, or 365ths method.
Outstanding claims provisions:			
- reported claims	52	100	
- Incurred But Not Reported (IBNR) claims	53	100	Dependent upon the subjective merits of the portfolio.
Claims Administration Expense (CAE) provision	54	5	5% of reported claims outstanding including IBNR
Other (attach details)	55	100	In accordance with accepted accounting principles
Sub-total (U/W provisions) [sum 51:55]	56		
OTHER PROVISIONS			
Taxation	57	100	
Dividends	58	100	
Stamp duty	59	100	
Fire service levy	60	100	
Employee entitlements	61	100	
Doubtful debts	62	100	
Other (attach details)	63	100	
Sub-total (provisions) [sum 57:63]	64		
BORROWINGS			
Borrowings from related persons	65	100	
Other borrowings	66	100	
Sub-total (borrowings) [sum 65:66]	67		
OTHER LIABILITIES			
Amounts due			
- to insurers	68	100	
- to reinsurers	69	100	
- to related persons	70	100	
- to agents and brokers	71	100	
Sundry creditors	72	100	
Other (attach details)	73	100	
Sub-total (other liabilities) [sum 68:73]	74		
TOTAL LIABILTIES [sum 56+64+67+74]	75		
NET ASSETS	76		
CONTINGENT LIABILITIES	77	100	
OWNERS' FUNDS			
Authorised capital	78	100	
Paid-up capital	79	100	
Retained profits (loss)	80	100	
Balance of head office account	81	100	
Asset revaluation reserve	82	100	
General reserve	83	100	
Other (attach details)	84	100	
TOTAL OWNERS' FUNDS [sum 78:84]	85		

Note:
The Reserve Bank has the discretion under the Insurance Act 1998 to direct any insurer to make further provisions if a particular liability is not satisfactory.

APPENDIX 4

Insurance Act 1998 – Minimum Solvency Requirements for General Insurers

Name of Body Corporate:……………………………………………….

Balance Date:…………………………….

Particulars	$
Total Assets	
Less Total Liabilities	
Net Assets	
Less adjustments (Statutory Exclusions) [1]	
(refer to the solvency guideline for adjustments to assets not admissible for solvency purposes) e.g.	
1. Premiums outstanding for more than 3 month	
2. Future income tax benefits	
3. Intangible assets	
4. Loans to directors	
5. Unsecured employee loans	
6. Non approved related body assets	
7. etc.	
Total adjustments	
Adjusted net assets *(net assets less total adjustments)*	
Minimum solvency requirement	
Calculated as: (a) $1,000,000 or (b). 20% of net premium income derived in last 12 months or (c) 15% of Net outstanding claims provision in respect to policies in Fiji Whichever is the greater	
Solvency surplus *(Adjusted net assets less minimum solvency margin)*	

<u>Note 1.</u>
For solvency purposes, all assets that are explicitly stated in the solvency policy as inadmissible are to be adjusted unless otherwise approved by the Reserve Bank of Fiji.