Pursuant to the authority given under Section 17.b of UNMIK Regulation No. 2001/24 date of October 1, 2001 on Amending UNMIK Regulation No. 1999/20, on Banking and Payments Authority of Kosovo and Section 3.3 of UNMIK Regulation No. 2001/25 date of October 5, 2001 on Licensing, Supervision and Regulation of Insurance Companies and Insurance intermediaries,

For the purpose of execution Section 26 of UNMIK Regulation Nr. 2001/25

Governing Board of the Banking and Payment Authority of Kosovo, at the meeting held on March 28, 2002 adopt the following:

Rule 7 on Amending Rule on Accounting Standards and Record-keeping Requirements for Insurance Companies and Insurance Intermediaries dated as October 18, 2001

Section 1

1. Scope of Rule

This rule applies to all insurance companies and insurance intermediaries licensed by the BPK.

2. Legal Background

Kosovo’s insurance regulation specifies that insurance companies and insurance intermediaries need to prepare their financial statements in accordance with International Accounting Standards.

International Accounting Standards specifically include a requirement for accrual accounting.

3. Accounting Standards for Insurance Companies

One of the most particular features of insurance accounting for insurance companies is the need to set-up technical provisions. Technical provisions notably include a provision for unearned premiums and a provision for claims: unpaid claims and claims incurred but not reported.
Insurance companies must establish a provision for unearned premiums to take account of the fact that policyholders often pay premiums in advance. Under accrual accounting principles, amounts paid in advance of the rendering of a service must be reported as a provision for unearned premiums at the end of an accounting period when the policyholder is still to enjoy the benefit of that coverage.

Insurance companies must also establish a provision for claims. This represents the company’s best estimate for the amount of claims that it will need to pay. Claims are usually divided into those that have been reported but not yet paid and those that have been incurred but not yet reported (INBR claims). All claim estimates should be fully justifiable and based on statistical evidence as prepared and reviewed by an actuary or by a provision for claims expert, as approved by the BPK.

The experience of Kosovo is limited and in a development stage. The BPK will establish a permanent ratio of Incurred Losses and a permanent percentage for incurred but not reported losses. The financial statements will record these established amounts or the actual amounts which ever is greater.

4. Record Requirements for Insurance Companies and Insurance Intermediaries

All insurance companies and insurance intermediaries licensed by the BPK must keep complete and accurate records on their premises to facilitate efficient BPK examinations. This requirement applies to all current records and those extending back for the previous five financial years. Certain records will be classified as permanent records and deemed to be available for inspection at any time.

The requirement to maintain complete and accurate records includes, but is not limited to, the company’s charter and by-laws or equivalent documentation, a premiums register and monthly premium reports, a claims register and monthly claims reports, a general ledger, premiums ledger, claims ledger, reinsurance treaties (insurance companies only), minutes of Board of Director meetings, an up-to-date list of authorized agents (insurance companies only), all financial statements and subsidiary statements and schedules, a list of all directors and their contact details, and a list of all shareholders of record and the number of shares held by each shareholder as well as their contact details. References to shareholders and directors do not apply to unincorporated insurance intermediaries.

Internal and external auditors as well as BPK examiners must be readily able to trace and reconcile the financial statement figures produced by licensed insurance companies and insurance intermediaries with all of this supporting information.
Failure to comply with the provisions of this rule may subject a company or an intermediary and its directors and managers to sanctions prescribed under Kosovo’s insurance regulation. References to directors do not apply to unincorporated insurance intermediaries.

5. Premiums Register

All insurance companies and insurance intermediaries must maintain a premiums register in which all premiums written, earned, receivable and collected are captured. The premiums register must show, for each individual policy, the type of insurance policy issued, maximum amount of coverage offered, due date and actual payment date of premiums, the policyholder’s and beneficiary’s (if applicable) name and the insurance intermediary involved (if applicable).

6. Premiums Report

All insurance companies and insurance intermediaries must compile a monthly premiums report. The report will provide details on the number of new policies issued, the total of premiums written, earned, receivable and collected. Premiums receivable and premiums past due must be transferred to the next monthly premiums register.

7. Claims Register

All insurance companies and insurance intermediaries must also produce a claims register in which all claims is reported. The claims register must record, for each individual claim, the type of claim, the anticipated amount of claim, a claim number, date of reception of the claim, the policyholder’s and beneficiary’s (if applicable) name and the insurance intermediary involved (if applicable).

8. Claims Report

All insurance companies and insurance intermediaries must also maintain a monthly claims report. The report will provide details on the total number of claims received, claims paid, claims rejected and claims pending by claim type. Pending claims at each month-end must be transferred to the next monthly claims register.

9. Accounting Ledgers

All insurance companies and insurance intermediaries must also produce a premiums ledger, claims ledger as well as the usual general ledger.

These ledger reports must be readily reconcilable to the monthly premiums and claims report as well as the underlying premiums and claims registers.
10. **General Guidance and Requirements**

Insurance companies and insurance intermediaries will maintain all their records in electronic form as long as these are easily accessible for internal and external auditors and BPK examiners. Electronic records must be backed up daily. Copies of all electronic records must be maintained in a secure, off-site location.

Both on-site and off-site records, whether in hard copy or electronic form, must be kept safe from fire, theft, water damage, sabotage and other potential destructive risks.

Insurance companies will submit an electronic file to BPK every month that includes Balance Sheet, Income Statement, Investment Report, Premium Register and Claim Register in a format prescribed by BPK.

**Section 2**

**Entry into Force**

This present rule shall enter into force on April 1, 2002.

David Weatherman
Acting Managing Director