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Regulations concerning technical provisions and risk statistics in non-life insurance

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Eventuelle bemerkninger:
REGULATIONS CONCERNING TECHNICAL PROVISIONS AND RISK STATISTICS IN NON-LIFE INSURANCE

Laid down by the Ministry of Finance on 10 May 1991 pursuant to Section 8-6 of Act no 39 of 10 June 1988 on Insurance Activity and Section 4, subsection 4, of Act no 1 of 7 December 1956 concerning the Banking, Insurance and Securities Commission.

Section 1   Area of application

These regulations apply to all non-life insurance companies including credit insurance companies. The regulations also apply to life insurance companies which pursuant to Section 1-2 of the Act on Insurance Activity have received authorisation to contract personal insurance which is not life insurance.

The regulations do not apply to foreign non-life insurance companies which carry on activity in Norway through a branch. Rules governing capital adequacy requirements for such activity are laid down in regulations to Section 12-4 of the Act.

Sections 3, 5, and 6 do not apply to provisions providing coverage against natural hazards, cf. Act no 70 of 16 June 1989 on Insurance against Natural Hazards.

Section 2   Definitions

In these regulations "company" means non-life insurance company subject to the delimitation ensuing from Section 1.

In these regulations, "insurance class" means class of insurance (main category) in non-life insurance as laid down in regulations to Section 2-1 of the Act on Insurance Activity, or part of such insurance class as - according to regulations laid down by the Banking, Insurance and Securities Commission in pursuance of the present regulations - is to be regarded as a class.

In these regulations, "technical liability" means the amount which at a particular point in time and with a stipulated degree of probability covers a company’s overall future contractual claims payments for own account. Similarly, "gross technical liability" means the amount which at a particular point in time and with a stipulated degree of probability covers the company’s overall future contractual gross claims payments.

In these regulations, "premium liability" means a company’s expected future payments for own account in respect of claims which are covered but have not occurred, under insurance contracts which are running at a particular point in time. Similarly, "gross premium liability" is defined with a basis in future gross claims payments.

In these regulations, "loss liability" means a company’s expected future payments for own account in respect of claims which at a particular point in time have occurred but are not yet settled. Similarly, "gross loss liability" is defined with a basis in future claims payments.

In these regulations, "contingency liability" means a company’s "technical liability" less the company’s overall premium liability and loss liability. Similarly, "gross contingency liability" is defined as the difference between "gross technical liability" and the combined sum of gross premium liability and gross loss liability.

In these regulations, "premium provisions", "loss provisions" and "contingency provisions" mean provisions to cover, respectively, premium liability, loss liability and contingency liability.
In these regulations, "reinsurance provisions" means provisions to cover costs which accrue if one or more of the company's reinsurers fail to cover their shares of the overall compensation commitments.

In these regulations, "administrative provisions" means provisions to cover administrative costs accruing in connection with statements of claim in the event of the company being wound up.

Section 3 Calculation of premium liability, loss liability and contingency liability

The company shall calculate premium liability, loss liability and contingency liability at the end of each four-month period of the year. Premium liability and loss liability shall be calculated separately for each insurance class that is encompassed by the company's authorisation.

For the purpose of calculation the company shall as far as possible use or take as a basis risk-theoretical methods. The company shall notify the Banking, Insurance and Securities Commission of the methods used and also give an account of the mode of calculation.

The Banking, Insurance and Securities Commission may order changes in the mode of calculation. The Commission may also adopt a decision to the effect that the company shall employ particular risk-theoretical methods when calculating premium liability, loss liability or contingency liability for the individual insurance classes.

The first to third paragraphs apply correspondingly for calculation of gross premium liability, gross loss liability and gross contingency liability.

Section 4 General requirements as to provisions

A company shall at all times have technical provisions which provide full coverage against its technical liabilities and other risks deriving from its insurance activity.

The company shall in all cases and at all times satisfy the minimum requirements as to provisions ensuing from these regulations or from decisions and rules issued in pursuance of these regulations.

The company's provisions shall encompass premium provisions, loss provisions, contingency provisions and reinsurance provisions as well as other provisions to cover risks deriving from its insurance activity.

The company shall moreover have separate administrative provisions.

Section 5 Minimum requirements as to provisions in non-life insurance companies, except credit insurance companies

a) Minimum requirements as to premium provisions

The company's overall premium provisions shall at all times constitute at least the overall unearned premium for own account. The rule in the first sentence similarly applies for each insurance class that is encompassed by the company's authorisation.

If the level of premium in one or more insurance classes is presumed to be inadequate, the Banking, Insurance and Securities Commission may require the company to make
supplementary provisions.

The Banking, Insurance and Securities Commission will lay down further rules concerning the calculation of unearned premium, including such adjustments as must be made in respect of insurance classes in which premium earnings, claims payments etc are related to the underwriting year.

b) Minimum requirements as to loss provisions

The company’s overall loss provisions shall at all times at least cover the overall loss liability calculated according to Section 3 and decisions and rules laid down pursuant to Sections 3 and 8. The rule in the first sentence similarly applies for each insurance class that is encompassed by the company’s authorisation.

c) Minimum requirements as to contingency provisions

The contingency provisions shall together with the premium provisions and loss provisions at all times at least cover the company’s technical liabilities.

If the company has used risk-theoretical methods approved or laid down by the Banking, Insurance and Securities Commission for the purpose of calculating contingency liability in respect of one or more groups of insurance classes the contingency provisions in respect of each such group of insurance classes must at least cover the calculated contingency liability.

In insurance classes or groups of insurance classes where risk-theoretical methods are not used for the purpose of calculating contingency liability, the contingency provisions shall constitute at least 15 per cent of the company’s earned premium for own account for the latest accounting year, or - if higher - 15 per cent of the combined total of minimum requirements as to premium provisions and loss provisions calculated in accordance with litra a and b. In insurance classes where premium earnings, claims payments etc are related to the underwriting year, the percentage rate in the first sentence shall be applied to that part of the premium which in accordance with generally accepted actuarial methods of calculation may be assigned to the latest underwriting year. The Banking, Insurance and Securities Commission may set a higher percentage rate for the individual insurance class than that set out in the first sentence.

d) Minimum requirements as to reinsurance provisions

The company’s reinsurance provisions shall at all times constitute at least 10 per cent of a basis of calculation consisting of the combined total of gross unearned premium, gross loss liability and gross contingency liability less the combined total of minimum requirements as to premium provisions, loss provisions and contingency provisions. The Banking, Insurance and Securities Commission may set a different percentage rate from that set out in the first sentence.

e) Minimum requirements as to administrative provisions

The administrative provisions shall at all times constitute at least 5 per cent of the combined total of the minimum requirements as to premium provisions, loss provisions and contingency provisions.
Section 6  Minimum requirements as to provisions in credit insurance companies

Section 5, litra a, b, c and e apply correspondingly, but such that credit insurance companies shall in all cases have contingency provisions which constitute at least five times the earned premium for own account for the latest accounting year.

Section 7  Risk statistics

The companies shall prepare risk statistics according to rules established by the Banking, Insurance and Securities Commission.

Section 8  Supplementary rules

The Banking, Insurance and Securities Commission will lay down supplementary rules to these regulations, including rules governing

- guidelines for the use of risk-theoretical methods for calculation of premium liability, loss liability and contingency liability, including calculation of minimum requirements as to premium provisions, loss provisions and contingency provisions,

- categorization of non-life insurance into classes for use in connection with calculation of premium liability, loss liability and contingency liability and minimum requirements as to provisions,

- what adjustment are to be made in connection with the calculation of the minimum requirements for those insurance classes or groups of insurance classes in which premium earnings, claims payments etc are related to the underwriting year,

- the point in time at which the calculations are to be carried out,

- control of the adequacy of the technical provisions,

- the reporting of calculations, compilation of risk statistics etc.

Section 9  Entry into force. Transitional rules

These regulations enter into force immediately.

The minimum requirements set out in Section 5, litra a, b and c, cf. also Section 6, shall be fulfilled by 30 June 1992 at the latest. The minimum requirements set out in Section 5, litra d and e, cf also Section 6, shall be fulfilled by 31 December 1992 at the latest.

Up to 31 December 1992, capital as referred to in Section 7-3 of the Act on Insurance Activity with appurtenant regulations may be included in the provisions to cover contingency liability to the extent that such capital exceeds the minimum capital adequacy requirement by more than one percentage point.