

Autoridade Bancária e de Pagamentos de Timor-Leste
Banking and Payments Authority of Timor-Leste

GOVERNING BOARD RESOLUTION

.06/2007

**Concerning the Approval of the
Instruction .01/2007**

On the Licensing of General Insurance Companies

THE GOVERNING BOARD

Pursuant to:

1. Article 17. b of the UNTAET Regulation N.º 2001/30 given BPA the BPA the authority to adopt Rules, Instructions and Guidelines;
2. Article 3 of the Insurance Law .06/2005 of 6th July, on the regime for licensing, supervision and regulation of insurance companies and insurance intermediaries, in respect on the responsibility of BPA for the licensing, supervision and regulation of insurance companies and insurance intermediaries;
3. Article 9 of the Insurance Law .06/2005 of 6th July, on the regime for licensing, supervision and regulation of insurance companies and insurance intermediaries, in respect on the Licensing ;
4. Article 10 of the Insurance Law .06/2005 of 6th July, on the regime for licensing, supervision and regulation of insurance companies and insurance intermediaries, in respect on the Establishment of Insurance Companies;
5. Article 12 of the Insurance Law .06/2005 of 6th July, on the regime for licensing, supervision and regulation of insurance companies and insurance intermediaries, in respect on the Licensing of Insurance Companies;
6. Article 39 of the Insurance Law .06/2005 of 6th July, on the regime for licensing,

1. Insurance companies wishing to operate business in Timor-Leste shall obtain prior written authorization from BPA pursuant to the Insurance Law .06/2005 of 6th July, on the regime for licensing, supervision and regulation of insurance companies and insurance intermediaries and the relevant instructions issued by BPA;
2. The principal shareholders, directors and senior officers proposed by insurance company shall meet fitness and propriety requirements and shall be subject to good corporate governance;
3. The business plans projections proposed by insurance companies shall be based on economic and finance sound analysis and grounded in reasonable assumptions and subject to prudential requirements.

For the purpose of:

1. Ensuring that the business activity conducted by insurance companies takes account of protection of the interest of policyholders' and is consistent with the viable, sustainable, and competitive advance of Timor-Leste insurance industry;
2. Fostering and strengthening the economy of Timor-Leste by promoting reputable and trustworthy services by the insurance industry;
3. Ensuring that information's delivery by insurance companies meets all the legal and prudential requirements as prescribed in the Insurance Law .06/2005 of 6th July, on the regime for licensing, supervision and regulation of insurance companies and insurance intermediaries and the relevant instructions issues by BPA.

HEREBY RESOLVES TO APP instructions issues by BPA.anies and

and the Insurance Law.

(c) A prescribed format for the financial forecast statements will be used by the applicant, comprising a description of the main assumptions that include details on:

- (i) Calculation of unearned premiums;
- (ii) Calculation of deferred acquisition costs (DAC);
- (iii) Valuation of investments;
- (iv) Number of policies per year;
- (v) Average premium of policies per year;
- (vi) Average claims costs for claims paid;
- (vii) Commission rates paid each year to insurance intermediaries;
- (viii) Average return on investments;

(d). Minimum Solvency Margin Calculations: the applicant shall provide a realistic calculation of the applicant's minimum solvency margin for each of the three years of the operations is necessary. The formula for the calculation of the Solvency Margin is described in other applicable instructions issued by BPA;

(c). Distribution: proposed method of distribution for each insurance class, e.g. direct selling, through banks or any other financial institution, or through an agent or a broker.

(d). Reinsurance Program: the program should address issues such as the net retention levels proposed; details of the reinsurance company, and the type of reinsurance program proposed, e.g. excess of loss, pro-rata.

(e). Marketing Plan: a marketing plan identifying the proposed insurance company's prospective customers. comD / TJO.0003 Tc 0.3672 Tw 1611ce ers.

- (h). Actuary/Claims expertise: a description of the actuarial or provision for claims expertise that the proposed insurance company will employ in: (1) setting appropriate premium levels; and (2) establishing appropriate technical provisions levels, including the provision for claims and the provision for unearned premiums for a general insurance company; and, for a life insurance company, a description of the valuation actuarial expertise that the applicant will employ for the same considerations as for a general insurance company and, additionally in establishing mathematical provisions and setting provisions for adverse deviations. The BPA will expect that both general insurance and life insurance actuaries and provision for claims experts will dispose a recognised professional qualification.
- (i). Banking Arrangements: an outline of the proposed banking arrangements in Timor-Leste with which the proposed insurance company will be dealing. The applicant must identify who will have signing power over large cash transactions in and out of the applicant's bank accounts (USD \$5,000 and above).
- (j). Investment policy: an outline of the proposed insurance company's suggested investment policy. Describe how the proposed insurance company will ensure that there are sufficient funds available to pay claims as they come due;
- (k). Sample Documentation: the Applicant shall provide sample policy and claim documents and premium rates;
- (l). Internal control: internal control mechanisms (e.g. double signature requirements, Board of Director approvals etc.) to be employed. Copies of policies, procedures (specially authorization controls on disbursements) and practices developed in this respect must be submitted for approval by the BPA;
- (m). Information technology: a description of the computer and telecommunications systems the proposed insurance company will be using.
- (n). Disaster Recovery Plan: a copy of its business resumption/disaster recovery plan will be submitted for approval to BPA.

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Abraão de Vasconcelos
Chairman