

Instructions No. (3) of 2002
Solvency Margin Instructions *
Issued by the Board of Directors of the Insurance Commission
pursuant to paragraph (A) of Article (23) of the
Insurance Regulatory Act No. (33) of 1999

Article (1):

These Instructions shall be known as the (Solvency Margin Instructions of 2002) and shall come into force as of the date of its publication in the Official Gazette.

Article (2):

The words and phrases, wherever mentioned in these Instructions shall have the meanings ascribed thereto under Article (2) of the Insurance Regulatory Act No. (33) of 1999, unless otherwise indicated by context.

Article (3):

In implementation of the provisions of paragraph (A) of Article (35) of the Act, the Company shall maintain a Solvency Margin pursuant to the provisions of these Instructions.

Article (4):

- A- For purposes of the Act (the excess of the actual value of the assets of the Company against the liabilities) stated in the definition of the Solvency Margin shall represent the Capital Available.
- B- The Solvency Margin shall be the ratio of the Capital Available to the Capital Required provided that such ratio shall not be less than (150%) pursuant to the total of the items stated in Annex No. (1) attached to these Instructions.
- C- In implementation of the provisions of paragraph (B) of this Article, a timetable to comply with the Solvency Margin shall be determined pursuant to a Decision issued by the Board for this purpose.

Article (5):

The Capital Available shall consist of the Core Capital and the Supplementary Capital according to the total of the items stated in Annex No. (2) attached to these Instructions, provided that the Supplementary Capital shall not exceed (50%) of the total Core Capital.

Article (6):

The Capital Required shall consist of the total of the items stated in the attached Annexes to these Instructions as follows:-

- A- Capital Required for Assets Risks according to Annex No. (3).
- B- Capital Required for Policy Liabilities according to Annex No. (4).
- C- Capital Required for Reinsurance Ceded Risks according to Annex No. (5).
- D- Capital Required for Life Assurance Risks according to Annex No. (6).

* These instructions were published in the Official Gazette volume (4576) dated 16/12/2002 page (6051)

Article (7):

- A- The Company shall provide the Commission, every three months, with the data and information stated in the attached Annexes, provided that the data and information submitted annually and semi annually are certified by the Auditor, for each of the following:-
- 1- The business of the Company in the Kingdom.
 - 2- The business of the Company in the Kingdom and the outside branches, if applicable.
 - 3- The business of the Company in the Kingdom, the outside branches, and the subsidiaries thereof, if applicable.
- B- Notwithstanding what is stated in paragraph (A) of this Article, the Company shall for a period of three months as of the date these Instructions came into force, provide the Commission on a monthly basis with the data and information stated in the attached Annexes.
- C- In case of default in any of the information or data submitted pursuant to the provisions of paragraphs (A) and (B) of this Article, the Director General shall request from the Company to correct this information or data within the period determined for this purpose.

Article (8):

The Annexes attached to these Instructions shall be considered an integral part thereof and shall be read together with these Instructions.

Article (9):

The Director General shall issue the necessary Decisions to implement the provisions of these Instructions.

Board of Directors of the Insurance Commission

Annex (1) Solvency Margin

Insurance Commission

Technical & Financial Supervision Department

Name of Company: _____

Solvency Margine as in / /

		Year End	Year End
First: Capital Available (Annex 2)	1		
Seco Capital Required			
A Assets Risks (Annex 3)	2		
B Policy Liabilities (Annex 4)	3		
C Reinsurance Ceded Risks (Annex 5)	4		
D Life Assurance Risks (Annex 6)	5		
Total Capital Required	6		
Third Solvency Ratio = Capital Available/ Capital required			

Annex (2) Capital Available

Statement		Balance
Core Capital		
Paid up Capital		
Equity Reserves		
	Statutory Reserves	
	Voluntary Reserves	
	Others Reserves	
Premiums on Issued Share & Premiums on Treasury Stock		
Retained Earnings		
Minority Interest		
Deduct		
	Accumulated Losses	
	Discount on Issued Share	
	Treasury Stock	
	Deficit in Provisions & Technical Provisions	
Total Core Capital		
Supplementary Capital		
Increase in Real Estate Value		
Changes in Fair Value (Available for Sale F.A.)		
Foreign Currency Translation		
Subordinated Loans: Installments are weighted according to the remaining periods as follows:		
	Year or less	0%
	More than 1 year - 2 years	20%
	More than 2 years - 3 years	40%
	More than 3 years - 4 years	60%
	More than 4 years - 5 years	80%
	More than 5 years	100%
Total Supplementary Capital (not more than 50% of Total Core Capital)		
Deduct : Investments in Financial Subsidiaries and Financial Associates		
Total Capital Available		

Annex (3) Capital Required for Assets Risks

		Book Value	Factor	Capital Required
Cash in Hand and at Bank, Monthly Deposits, and Certificate of Deposits			0%	
Accrued Revenues			2%	
Prepaid Expenses			0%	
Account Receivables (Policyholders, Agents, Brokers, Subsidiaries & Associates, Impaired Loans, Shareholders, and Employees)	Not yet due		10%	
	Over due less than 90 days		20%	
	Over due 90 to 180 days		50%	
	Over due 180 to 360 days		75%	
	Over due more than 360 days		100%	
Insurers and Reinsurers Receivables				
	Local insurers		5%	
	Foreign reinsurers (Within Group One)		5%	
Recoverable from Reinsurers				
	Local insurers and foreign reinsurers (Within Group One)	UPP	0.5%	
		OCP	2%	
Other Recoverables on Unpaid Claims			15%	
Receivable Notes and Post-Dated Cheques				
	Due in 6 Months		10%	
	Due after 6 Months		25%	
Investments				
Banks Deposits				
	More than 1 month - 1 year			
	With Banks Rated within Group One		0.5%	
	With Banks Rated within Group Two		4%	
	More than 1 year			
	With Banks Rated within Group One		2%	
	With Banks Rated within Group Two		8%	
Trading Securities				
	Shares		15%	
	Governmental Bonds/ Bonds Issued or Guaranteed by Jordanian Governments		0%	
	Governmental Bonds/ Bonds Issued or Guaranteed by AAA Governments		0%	
	Bonds and Depentures Rated within Group One*		0.5%	
	Bonds and Depentures Rated within Group Two		4%	
Available for Sale Securities				
	Shares		15%	
	Governmental Bonds/ Bonds Issued and Guaranteed by Jordanian Governments		0%	
	Governmental Bonds/ Bonds Issued and Guaranteed by AAA Governments		0%	
	Bonds due in one year			
	Bonds Rated within Group One*		0.5%	
	Bonds Rated within Group Two		4%	
	Bonds due after one year			
	Bonds Rated within Group One*		2%	
	Bonds Rated within Group Two		8%	
Held to Maturity Bonds				
	Governmental Bonds Issued and Guaranteed by Jordanian Governments		0%	
	Governmental Bonds Issued and Guaranteed by AAA Governments		0%	
	Bonds due in one year			
	Bonds Rated within Group One*		0.5%	
	Bonds Rated within Group Two		4%	
	Bonds due after one year			
	Bonds Rated within Group One*		2%	
	Bonds Rated within Group Two		8%	
Investment in Real Estate			15%	
Investment in Non-financial Subsidiaries, and Non-financial Associates			100%	
Loans				
	Life Policy Loans (not exceeding the surrender value)		0%	
	Life Policy Loans (exceeding the surrender value)		8%	
	Real Estate Collateralised Loans		8%	
	Other Collateralised Loans		12%	
	Other Loans		25%	
	Loans for subsidiaries, associates, and related parties		25%	
Other Investments			20%	
Fixed Assets & Other Assets				
Real Estate			8%	
Other Assets			100%	
	Tangible, Intangible Assets, and			
	Other Assets			
Total				

* Excluded from Group One, Bonds Issued or Guaranteed by AAA Governments

Notes:-

Annex (4) Capital Required for Policy Liabilities

General Insurance Licenses	50% of Net Written Premiums	Net UPP	Factor	Capital Required	Net OCP	Factor	Capital Required	Total Capital Required
Motor			8%			20%		
Marine & Transport			8%			10%		
Aviation			8%			20%		
Fire & Other Property Damages			8%			10%		
Liability			8%			25%		
Credit and Suretyship			8%			25%		
Medical			8%			20%		
Other General Ins. Clases			8%			15%		
Total Capital Required								

Annex (5) Capital Required for Reinsurance Ceded Risks

Reinsurer	Reinsurers share (UPP)	Reinsurers share (OCP)	10% Plus UPP & OCP	Reinsurer Receivable	Reinsurer Payable	Non-Owned Deposits Held as Security	Total (2+3+4+5-6-7)	Factor 8	Capital Required 9
Reinsurer within Group Two								30%	
								30%	
								30%	
Reinsurer within Group Three								50%	
								50%	
								50%	
Reinsurer within Group Four								100%	
								100%	
								100%	
Total Capital Required									

Annex (6) Capital Required for Life Insurance Risks

Statement		JD	Capital Required
Part One			
Gross Mathematical Reserve	1		
Reinsurers Share of Mathematical Reserve (up to 15% of Item 1)	2		
Life Policies Loans	3		
Net (1-2-3)	4		
Capital Required (4* Ratio)	3%		
Part Two			
First - Individual Policies			
Sum Insured	6		
Reinsurers Share of Sum Insured (up to 50% of Item 6)	7		
Net (6-7-1+2)	8		
Capital Required (8* Ratio)	0.15%		
Second - Group Policies			
Sum Insured	10		
Reinsurers Share of Sum Insured (up to 50% of Item 10)	11		
Net (10-11)	12		
Capital Required (12* Ratio)	0.15%		
Capital Required [5+9+13]	14		