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Priorities in insurance sector supervision for 2024

The National Bank of Moldova, which took over the mandate of supervisory authority of the insurance sector on 1 July 2023, continues to strengthen its capacities of prudential supervision of the professional participants in the insurance market. In this process, the National Bank of Moldova oversees the compliance with the legal requirements in order to prevent and mitigate the risks specific to the sector, to ensure stability and safeguard the collective rights and interests of policyholders, insured persons, reinsured persons, insured beneficiaries, injured third parties, and other individuals whose rights may be affected.

The priority areas for supervision in 2024 have been established following an assessment of the main endogenous and exogenous risks associated with insurance activity, considering the latest economic developments and the changes made in the field of regulation and supervision of the insurance sector.

In particular, the following areas will receive special attention in the supervision of the insurance sector, particularly in relation to insurance undertakings:

1. Internal Governance

Sound corporate governance is the key factor in ensuring the proper and prudent management of the activity of insurance undertakings. Therefore, during 2024 the National Bank of Moldova will assess whether insurers have a sound and reliable governance system, including a clear organisational structure with well-defined, transparent, and consistent lines of responsibility, as well as effective processes for identifying, managing, monitoring, and reporting the risks to which the insurer is or may be exposed. The NBM shall also monitor the existence of an own risk and solvency assessment process within insurance undertakings, and adequate internal control mechanisms, including sound administrative and accounting procedures.

In addition, as part of its ongoing supervision, the National Bank shall ensure that the governance system of insurance undertakings, including the internal control mechanisms in place, is appropriate to the nature, scale, and complexity of their activity.

2. Underwriting risk

The assessment of underwriting risk holds particular importance within the supervision process, as it determines the actual level of risk to which the insurance sector is exposed. Given the direct impact of this risk on the activity and financial situation of the insurers, the supervisory authority shall pay increased attention to the methods of identifying, measuring, and monitoring underwriting risk of the insurers, to ensure that it is robust and in line with applicable regulation and the risk profile.

To manage underwriting risk effectively, it is essential that insurance undertakings establish and maintain sufficient technical provisions commensurate with the activity they carry out to meet all insurance obligations arising under insurance contracts. In this regard, the National Bank of Moldova shall ensure

that insurers calculate technical provisions in a prudent, reliable, and objective manner, considering information provided by financial markets and generally available data on underwriting risks. In this context, will be examined the compliance of insurance companies with the Regulation on Insurance Technical Provisions, in particular regarding the newly introduced rules on the quality of data to be used for the calculation of technical provisions and the adequacy of internal rules on the establishment and maintenance of technical provisions.

At the same time, the National Bank of Moldova will draw attention, in the supervisory process, to the requirement for insurance undertakings to set the level of premiums for insurance products on the basis of reasonable actuarial assumptions, so that these premiums are sufficient to cover liabilities and build up technical provisions, especially in the context of the partial liberalization of insurance premiums for compulsory motor third party liability insurance.

3. Assets coverage of technical provisions and minimum capital requirement

As part of the supervisory process, the NBM shall ensure that insurance undertakings hold sufficient assets to cover technical provisions and meet the minimum capital requirement necessary to cover future obligations of insurance undertakings arising from underwritten policies, as well as potential losses resulting from insurance risks. In this respect, the National Bank of Moldova shall ensure that assets covering technical provisions and the minimum capital requirement are invested in a such a way as to ensure the safety, profitability, and liquidity of the investments. This is necessary to comply with the regulatory requirements regarding the assets eligible for covering technical provisions and meeting the minimum capital requirement, including from the point of view of maturity, diversity, and diversification of these investments.

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