

NATIONAL DECREE, CONTAINING GENERAL PROVISIONS,

of the 9th of May, 1992 in execution of Article 12, second Paragraph of the Insurance Supervision Act (Nat. Gaz. 1990, No. 77).

(Plan of Operations Insurance Business Decree)

IN THE NAME OF THE QUEEN !

THE GOVERNOR of the Netherlands Antilles,

Having considered:

that for the execution of Article 12, second Paragraph, of the Insurance Supervision Act (Nat. Gaz. 1990, No. 77) further regulations must be established with regard to the plan of operations which must be submitted on application for a license to conduct the insurance business;

After hearing the Privy Council, has decided:

Article 1

In this National Decree the following terms shall be understood as follows:

- a. national ordinance: the Insurance Supervision Act (Nat. Gaz. 1990, No. 77);
- b. plan of operations: the plan of operations, as referred to in Article 12, first Paragraph, of the national ordinance.

Article 2

With regard to the intended conduct of the life insurance business the plan of operations shall contain:

- a. a statement of the nature of the insurance contracts that the insurer intends to enter into;
- b. the policy conditions that the insurer intends to employ;
- c. the rates that the insurer intends to apply;

- d. the technical bases that the insurer intends to implement, to wit the data that are necessary for the calculation of the rates and the technical provisions;
- e. an explanation regarding the guiding principles in the field of reinsurance;
- f. 1. In case the insurer has his registered office in the Netherlands Antilles:
supporting documents proving that the insurer has at his disposal the minimum amount of the solvency margin which applies under Article 36, third Paragraph of the national ordinance;
2. In case the insurer has his registered office outside the Netherlands Antilles:
supporting documents proving that the solvency margin for his insurance business is at least in accordance with the solvency margin required under Article 36, first and third Paragraphs, of the national ordinance;
- g. a calculation of the cost of installing the administration and the production network, as well as supporting documents proving that the insurer has at his disposal the financial means to cover same;

and furthermore, for the first three financial years:

- h. a calculation of the liquidity position;
- i. a calculation of the probable receipts and expenditures, both as regards the direct insurances and accepted reinsurances and the outgoing reinsurances;
- j. a calculation of the financial means to cover the insurance obligations;
- k. in case the insurer has his registered office in the Netherlands Antilles:
a calculation of the financial means to cover the solvency margin.

Article 3

- 1. The plan of operations with regard to the intended conduct of the indemnity insurance business should contain:
 - a. a statement of the nature of the risks that the insurer intends to cover;
 - b. the policy conditions that the insurer intends to employ;
 - c. the rates that the insurer intends to apply;

- d. an explanation regarding the guiding principles in the field of reinsurance;
 - e. 1. In case the insurer has his registered office in the Netherlands Antilles:
supporting documents proving that he has at his disposal the minimum amount of the solvency margin which applies under Article 36, third Paragraph, of the national ordinance, or the solvency margin which under Article 36, second Paragraph of the national ordinance is required on the basis of the indemnity insurance already conducted by him in case the solvency margin is higher than the minimum amount;
 - 2. In case the insurer has his registered office outside the Netherlands Antilles:
supporting documents proving that the solvency margin for his whole insurance business is at least in accordance with the solvency margin required under Article 36, second and third Paragraphs, of the national ordinance;
 - f. a calculation of the cost of installing the administration and the production network, as well as supporting documents proving that the insurer has at his disposal the financial means to cover same;
- and furthermore, for the first three financial years:
- g. a calculation of the cost of management other than that referred to in sub f, to wit the general expenses and commissions;
 - h. a calculation of the premiums and of the damages, both as regards the direct insurances and accepted reinsurances and the outgoing reinsurances;
 - i. a calculation of the liquidity position;
 - j. a calculation of the financial means to cover the insurance obligations;
 - k. in case the insurer has his registered office in the Netherlands Antilles:
a calculation of the financial means to cover the solvency margin.

Article 4

The insurer with registered office outside the Netherlands Antilles adds to his plan of operations his annual account of each of the last 3 financial years.

Article 5

1. This national decree can be referred to as: National Decree Plan of Operations Insurance Business.

Article 6

It shall become effective on the day after publication of the National Gazette in which it has been inserted and is retroactive up to and including December 1st, 1991.

Given at Curaçao, the 9th of May, 1992.
J.M. SALEH

The Minister of Finance,
G. DE PAULA

Issued on the 11th of May, 1992
The Minister of General Affairs,
M.PH. LIBERIA-PETERS

EXPLANATORY NOTE

On application for a license to conduct the insurance business in the Netherlands Antilles, pursuant to Article 12, first Paragraph of the Insurance Supervision Act, the applicant should submit to the Bank van de Nederlandse Antillen a plan of operations. The object of this plan is to provide the Bank with information, on the basis of which it can judge whether a solid conduct of the insurance business is reasonably guaranteed during the initial period.

With the national decree in hand execution is given to the provision of Article 12, second Paragraph, of the national ordinance, that by decree containing general measures, further regulations shall be established with regard to the plan of operations.

Article 2 indicates what information a life insurer's plan must contain, while Article 3 contains the regulations for the plan of operations that an indemnity insurer must submit. The plan must not contain only the insurance-wise and financial information, which is important for the evaluation of the situation at the beginning of the operations, but it must also contain prognoses for the next three years with regard to the operating results to be expected and the necessary financial means.

With regard to the required submission of the policy conditions and rates to be employed, the following observations are in order. The data referred to are of special importance when evaluating the life insurance activities. Life insurance contracts usually have a long term, so that the conditions and premiums on the basis of which the contracts are entered upon will influence the operating results during a long period. Therefore in Article 32, third Paragraph of the national ordinance, the obligation was imposed on life insurers to inform the Bank of any change in their conditions and rates within a fortnight of their realization. This obligation does not apply for the indemnity insurers because they are generally only bound by contract to employed conditions and rates for short terms. Accordingly the effect of these conditions and rates in the operating results is limited in time.

Of essential importance for conducting the life insurance business are the technical bases which are applied for the calculation of the rates and the technical provisions (Article 2, sub d). Each of the three bases - interest, mortality and cost - should be chosen in such a manner that it may be reasonably expected that reality shall not unfavourably deviate from the bases employed.

The plan of operations should also contain an explanation of the reinsurance policy to be carried out. In the insurance business the way in which an insurer reinsures his obligations is of great importance. This applies to a higher degree for the reinsurance arrangements on which an insurer must often rely during the period of building his business because his portfolio does not yet offer sufficient capacity to bear large damages.

The stipulation in Article 4 that a foreign insurer must add to the plan of operations for the business that he is going to conduct in the Netherlands Antilles, the annual account concerning the last three financial years is in accordance with Article 21, sub b of the Insurance Supervision Act in which it has been stipulated that a foreign insurer, should he wish to be eligible for a license, should have conducted the insurance business during at least five years.

The Minister of Finance,