BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

REGULATION ON LIFE INSURANCE

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TABLE OF CONTENTS

TITLE I
DEFINITIONS AND GENERAL PROVISIONS ON AUTHORISATION PROCESSES

Article 1 – Definitions.

1. For the purposes of this Regulation:

a) "**Central Bank**": means the Central Bank of the Republic of San Marino, in its role as supervisory authority of the banking, financial and insurance system;

b) "**related activity**": means a non-financial activity carried out to a limited extent and directed to the public for the purpose of promoting itself and its services to already acquired or potential clients;

c) "**contributory activity**": means a non-financial activity carried out to a limited extent to service one's own production process or the production process of any subsidiaries or parent companies provided, in any case, that it is not intended for the public;

d) "**demographic bases**": means every statistics on the mortality/longevity of the insured, used to calculate the premium or the technical reserves;

e) "**financial bases**": means the technical interest rate used to calculate the premium and any other financial assumption used to calculate the premium or the technical reserves;

f) "**technical bases**": means all statistical, demographic, financial elements, as well as any other assumption used to calculate the premium or the technical reserves;

g) "**capital at risk**": means the capital equal to the amount that must be paid to the beneficiaries in the event of death of the insured, less the mathematical reserve of the main risk;

h) "**applicable charges**": means the percentage of the management fees (acquisition, collection and administrative expenses) and any other charge taken into account by the insurance undertaking in determining the tariff as well as the margin applied by the industry for remunerating the risk of the underlying business;

i) "**professional clients**": means any person belonging to one of the following categories:

1) persons authorised to exercise one or more of the activities reserved pursuant to the provisions of Title II of the LISF;
2) foreign persons who carry out, under the regulations in force in their own country of origin, the activities performed by the persons referred to in point 1) above;
3) issuers of financial instruments listed on regulated markets;
4) companies satisfying at least two of the following requirements:
   I) total balance sheet assets in excess of Euro twenty million;
   II) sales in excess of Euro forty million;
   III) net equity in excess of Euro two million;
5) States, central banks, international and supranational institutions;

6) natural persons who expressly request to be considered as professional clients, specifically accepting the lower level of protection connected to such qualification, provided that they are able to prove at least one of the following circumstances:
   I) to own freely available cash and financial instruments for an aggregate amount in excess of Euro five hundred thousand;
   II) have a specific expertise on financial markets and instruments achieved through professional, educational and operating activities for a period of at least one year;
7) legal persons that expressly request to be considered as professional clients, provided that their legal representative falls within the category referred to under point 6) above;

j) "**contractual (or policy) terms and conditions**": means the aggregate of all clauses that govern the insurance contract;

k) "**contract with specific provision of assets**": means a contract which is not a basic life insurance for which the insurance undertaking have a specific provision of assets available to cover the obligations assumed;

l) "**dedicated contract**": means an insurance contract in which:
   1) the contracting party is a professional client;
   2) the underwriting premium is for no less than one hundred thousand Euro;
   3) the services to be provided by the insurance company are linked to the value of an internal dedicated fund;

m) "**index linked contract**": means a life insurance contract where the services are linked directly to an index or to another reference value;

n) "**unit linked contract**": <<means a life insurance contract where the services are linked directly to the value of the assets included in an internal fund held by the insurance undertaking, or to the value of the units of a CIU;

o) "**pure risk contract**": means an insurance contract where the services are linked only to the occurrence of events such as the death, invalidity, inability of the insured;

p) "**control**": means the relationship defined in article 2 of the LISF;

q) "**corporate officers**": means the natural persons who perform administrative, management or control functions within the insurance undertaking;

r) "**UCITS III funds**": means the open-end mutual investment funds established under the laws of San Marino the management regulation of which governs the investment activities in compliance with the provisions of the Community directive 85/611/EEC, regarding the coordination of the legislative, regulatory and administrative provisions on collective investment undertakings of Transferable Securities – UCITS, as subsequently modified and implemented;

s) "**open-end funds not of the UCITS III type**": means the open-end mutual investment funds established under the laws of San Marino which do not present the features required to qualify as UCITS III;

t) "**internal fund**": means an investment portfolio, managed separately from the other assets held by the company, and expressed in units;

u) "**dedicated internal fund**": means an internal fund with no financial guarantee released by the company, used as asset to cover one specific contract;

v) "**internal segregated fund**": means a portfolio of investments managed separately from the other assets held by the company, based on the performance of which the services of the contracts related thereto are revalued;

w) "**group of the insurance undertaking**": means the persons that:

1) participate in the capital of the insurance undertaking to an extent at least equal to 20 percent of the capital with voting rights;
2) are owned by the insurance undertaking to an extent at least equal to 20 percent of the capital with voting rights;
3) have control over the insurance undertaking;
4) are controlled by the insurance undertaking;
5) are controlled by the same person controlling the insurance undertaking;

for the purpose of verifying whether such conditions are satisfied, any indirect equity interests or the equity interest held through subsidiaries, fiduciary companies or intermediaries, are also taken into account;

x) "**insurance undertaking**": means the company authorised pursuant to this regulation to exercise the activities referred to in letter G;

y) "**Corporations Act**": means Law no. 47 dated 23 February 2006 as subsequently amended and supplemented;

z) "'**LISF**": means Law no. 165 dated 17 November 2005 as subsequently amended and supplemented;

aa) "**UCITS type CIUs**": means any UCITS III funds and the foreign CIUs which fall within the scope of application of the UCITS directive of the E.U.;

bb) "**Non UCITS type CIUs**": means any CIU other than UCITS type CIUs;

cc) "**collective investment undertakings**" **or** "**CIU**": means the investment funds established under the laws of San Marino and the collective investment products established under the laws of foreign countries, having features equivalent to the investment funds established under the laws of San Marino;

dd) "**profit sharing**": means those contractual mechanisms that, by means of different forms, provide for the allocation to the contracts of part of the positive economic results achieved by the undertaking or by a certain portfolio of assets of the undertaking;

ee) "**substantial participations**": means the holding, for whatever reason, of shares with voting rights that, taking also into account those already owned, would determine the exceeding of the thresholds of 5, 10, 20, 33 and 50 percent of the capital of the insurance undertaking represented

by shares with voting rights, or that would allow, regardless of the percentage of capital held, to assume the control over the insurance undertaking;

ff) "**pure premium**": means the basic insurance cost that the contracting party is required to pay as consideration for the technical risk assumed by insurance undertakings;

gg) "**premium rate**": means the pure premium increased by the applicable charges;

hh) "**promoters**": means the natural persons or legal persons that intend to subscribe the share capital of the insurance undertaking under formation;

ii) "**listed financial instruments**": means any financial instruments that:

1) are listed on regulated markets;
2) have been recently issued and for which the application for the admission to the trading on a regulated market has been filed, or where the decision to issue provides for a commitment to file such application. After one year from their issue, if the financial instruments have not been admitted to the trading, they will be considered as financial instruments traded outside of regulated markets;

Are not considered as listed financial instruments those financial instruments:

1) that have been individually suspended from trading for more than six months;
2) for which the reduced trading volumes and frequency do not allow the formation of any significant prices;

jj) "**technical interest rate**": means the minimum return rate that is already paid by the insurance undertakings upon conclusion of a contract when determining the premiums.

2. Except as otherwise specified, for the purposes of these provisions the definitions included in the LISF shall apply.

3. In the following articles of this Regulation, the words that correspond to these definitions are in bold characters.

Article 2 – Scope of application.

1. This regulation governs the professional exercise of the insurance business only as regards to the life insurance activities referred to in article 5 below, and applies to the INSURANCE UNDERTAKINGS having their registered office in the territory of the Republic of San Marino. The exercise of any insurance business not related to the life insurance activities referred to above, as well as the exercise of the reinsurance business, are subject to the issue of further specific regulations by the CENTRAL BANK.

Article 3 – General provisions concerning the authorisation processes of the CENTRAL BANK.

1. Except as otherwise provided, the authorisation procedures governed in this regulation will be subject to the provisions of this article.

2. The applications for authorisation must be prepared in Italian. Should any documents or certifications in any other languages be attached thereto, a sworn translation into Italian must be provided.

3. The application for authorisation must be addressed to the Coordinamento della Vigilanza (Supervision Committee)– of the Central Bank of the Republic of San Marino. It is necessary to specify:

a) the name, registered office and administrative office (if any) of the company, if already incorporated, or the information expected, where the company is still to be incorporated;
b) the list of the life insurance branches and relevant sub-branches for which the authorisation is applied for;
c) complete personal data and official role of the persons subscribing it;
d) list of attached documents;
e) the name of a person who may be contacted by the CENTRAL BANK as regards to any communications concerning the application for authorisation.

4. All applications for authorisation filed by an INSURANCE UNDERTAKING must be accompanied by a certified copy of the resolution with which the Board of Directors reviewed the matter and approved the filing of the application. None of the documents which are already in the hands of the CENTRAL BANK need to be attached, not even for different reasons, provided they are still valid; these documents and the reason for the CENTRAL BANK to be in their possession must, in any case, be specified in the applications.

5. The applications are deemed to have been received on the date in which they were handed over, as evidenced by the acknowledgement of receipt released by the CENTRAL BANK, or on the date in which they were received by the CENTRAL BANK by means of registered mail with acknowledgement of receipt.

6. The CENTRAL BANK reserves the right to request any further information deemed necessary to supplement the documentation provided.

7. The terms for the reply of the CENTRAL BANK to the applications for authorisation are specifically established in this regulation for each type of authorisation. Where no term is specified for the adoption of a decision by the CENTRAL BANK, such term is deemed to be set at thirty days.

8. Such periods of time are suspended if the required documentation is incomplete or if the applicant sends, on his/her own initiative, new documents to supplement or amend those previously transmitted. The CENTRAL BANK notifies the interested party of the suspension of such period. A new term for a period equal to that interrupted starts as from the date of receipt of the missing documents, supplements or amendments. If, within ninety days, the CENTRAL BANK should not receive the requested

supplementary information and/or documentation, the application is understood, for all intents and purposes, as lapsed

9. Such terms are suspended when the CENTRAL BANK:

a) requests additional information to be added to the documentation provided. This information must be received by the CENTRAL BANK within the term set by the latter; otherwise the applications is deemed to have been withdrawn;
b) involves any foreign supervisory authorities in order to acquire any information or documentation. In such cases, the term is suspended until the required information is obtained;
c) requests an expert opinion or an inspection for the purpose of verifying the overall corporate structure, the correctness of the data supplied or of the information received, as well as the existence and amount of the escrow deposit or of the assets of the applicant. In such cases, the term will be calculated again as from the date of the expert opinion or from the date of the conclusion of the audits by the inspectors of the CENTRAL BANK.

The CENTRAL BANK shall notify the company involved of the beginning of the period of suspension of the term, and of the moment when its calculation will be resumed.

10. All the decisions of a specific nature assumed by the CENTRAL BANK may be appealed in Court in the form and under the procedures provided for by the Law no. 68 dated 28 June 1989, as subsequently amended.

TITLE II
ACTIVITIES THAT MAY BE EXERCISED BY THE INSURANCE UNDERTAKING

Article 4 – Activities reserved to the INSURANCE UNDERTAKING.

1. The exercise of the insurance business (referred to in letter G of Attachment 1 to the LISF) is reserved to the INSURANCE UNDERTAKINGS, subject to the prior authorisation of the CENTRAL BANK. The exercise of each of the branches and sub-branches of insurance business referred to in article 5 below is subject to the specific authorisation of the CENTRAL BANK.

Article 5 – Classification by branches of insurance business.

1. In the life insurance business, the classification by branches is the following:

I) insurances on the duration of human life;
II) marriage and birth insurances;
III) insurances, referred to in points I and II, the main benefits of which are directly linked to the value of units of COLLECTIVE INVESTMENT UNDERTAKINGS or of INTERNAL FUNDS or of DEDICATED INTERNAL FUNDS or to indices or other benchmarks;

IV) health insurances and insurances against the risk of loss of self-sufficiency, which are guaranteed by means of long term contracts, non-cancellable, that cover the risk of serious invalidity due to illness or accident or longevity;

V) capitalisation activities;

VI) management of collective funds created for the delivery of benefits in case of death, in case of life or in case of discontinuance or reduction of work.

2. Branch III referred to in paragraph 1 is divided in the following sub-branches:

III-a) when the INSURANCE UNDERTAKING provides a financial guarantee of return or of capital pay back;

III-b) when the INSURANCE UNDERTAKING does not provide a financial guarantee of return or of capital pay back.

3. Branch V referred to in paragraph 1 is divided in the following sub-branches:

V-a) which includes the capital redemption transactions that provide for benefits linked to the value of the units of an COLLECTIVE INVESTMENT UNDERTAKINGS, to the value of assets included in an INTERNAL FUND, to an index or other benchmark, when the CONTRACTUAL TERMS AND CONDITIONS may actually render the amount and actual delivery of the individual benefits in case of survival and/or in case of death, independent from the duration of human life;

V-b) which includes all other capital redemption operations other than those provided for in the sub-branch V-a).

In the capital redemption agreements the INSURANCE UNDERTAKING provides, in any case, a financial guarantee of return or of capital pay back.

4. The INSURANCE UNDERTAKING that has obtained the authorisation to exercise the insurance business referred to in branches I, II or III, or in branch V only if authorised also to exercise another life insurance business with the assumption of a demographic risk, may insure, on an ancillary basis compared to the relevant contracts, the risks of bodily injuries, including any incapacity to work, death following and accident, invalidity following an accident or illness provided that the relevant coverage connected to such risks is provided for within the context of the same contract that covers the main guarantee of the life insurance business and also provided it refers to the same insured person.

5. IT IS classified under the life insurance branch IV the insurance against serious illness, non-cancellable by the INSURANCE UNDERTAKING, which provides for the payment of a capital amount or of an annuity for a previously set amount upon the occurrence of one of the serious illnesses envisaged in the policy, regardless of the existence of any invalidity. IT IS, on the contrary, classified under life insurance branch I when the contract provides that, upon the occurrence of the serious illness, the benefit envisaged in case

of death is advanced in full or in part.

6. IT IS classified under the life insurance branch IV the insurance, non-cancellable by the INSURANCE UNDERTAKING, which covers the risk of losing self-sufficiency related to the impossibility to autonomously carry out the actions of everyday life due to accident, illness or senescence, when the benefit consists in an annuity, perpetual or temporary, provided the insured is alive, which envisages the coverage of the risk for the entire life of the insured.

Article 6 – Other activities that may be exercised.

1. The INSURANCE UNDERTAKING that intends to exercise the life insurance business is required to restrict its corporate purpose to the performance of the activities specified in article 5, with the exclusion of any other activity whatsoever, except for the possibility to carry out RELATED OR CONTRIBUTORY ACTIVITIES within the limits prescribed in this article.

2. The INSURANCE UNDERTAKING may carry out the following RELATED ACTIVITIES:

a) insurance mediation activities carries out at its own offices and focused on its own insurance products, without prejudice to the requirements for transparency and correctness towards the clients provided for by this Regulation and by Regulation no. 2007-02. As regards to the cold-calling activities, the INSURANCE UNDERTAKING is required to avail itself of insurance or reinsurance intermediaries registered in the register provided for in art. 27 of the LISF;
b) study, research, analyses of an economic and financial nature;
c) consultancy on investments on financial instruments.

3. The INSURANCE UNDERTAKING may carry out the following CONTRIBUTORY ACTIVITIES:

a) preparation and management of IT or data processing services;
b) administration of real estate properties intended for the company's functional purposes.

4. The performance of other activities not included amongst the reserved activities according to the LISF, may be authorised by the CENTRAL BANK upon request from the involved persons who must explain the related or contributory nature of such activities within the context of the insurance business.

TITLE III
AUTHORISATION OF THE INSURANCE UNDERTAKING

Article 7 – Application for authorisation.

1. The application for authorisation must be filed by the PROMOTERS of the incorporation of the INSURANCE UNDERTAKING.

Article 8 – Documents to be attached to the application.

1. The application must be accompanied by the following documents:
   a) draft of the memorandum of association, including the articles of association, in compliance with the criteria specified in article 9;
   b) receipt evidencing the payment of the escrow deposit referred to in article 10;
   c) a business plan prepared in compliance with the provisions of article 11;
   d) list of persons who are direct or indirect shareholders in the INSURANCE UNDERTAKING under formation, specifying the respective shareholdings; it is also necessary to specify the personal details of the beneficial owners; the term "beneficial owners" means the natural persons who exercise the CONTROL over companies which hold, directly or indirectly, an equity investment in the INSURANCE COMPANY under formation;
   e) list of the names, including full personal details, of those performing the duties of CORPORATE OFFICERS;
   f) documents and certificates, as specified in Titles IV and V below, required to verify the qualification of the PROMOTERS and of the CORPORATE OFFICERS, dated not more than six months from the date in which the application for authorisation was received;
   g) documentation related to the structure of the GROUP OF THE INSURANCE UNDERTAKING.

Article 9 – Criteria for the preparation of the memorandum of association and of the articles of association.

1. The draft of the memorandum of association must specify:
   a) the personal details of the shareholders;
   b) the fact that the share capital has been subscribed in its entirety;
   c) the aggregate nominal value of the shareholding subscribed by each shareholder and its percentage on the entire share capital;
   d) full personal details of those performing the duties of CORPORATE OFFICER.

2. The articles of association must mandatorily establish that:
   a) the name of the company must explicitly contain the wording "life insurance undertaking incorporated under the laws of San Marino";
   b) the legal status is that of a joint-stock company;
   c) the share capital is comprised exclusively of registered shares;
   d) the corporate purpose provides for the exercise of the insurance business on an exclusive basis, specifying the relevant branches of activity, and reflects the RELATED OR CONTRIBUTORY ACTIVITIES that would be exercised;
   e) the registered office and, if different, the administrative office, are located in the territory of the Republic of San Marino, specifying the exact address;

f) the contributions of the shareholders to the initial share capital must be made only in cash. On the contrary, contributions in kind are allowed for the subsequent increases or reconstructions of the share capital, in compliance with the provisions of the CORPORATIONS ACT, and subject to the prior verification, by the CENTRAL BANK, of the instrumentality of the assets to be contributed compared to the economic activity resulting from the corporate purpose of the receiving company;
g) the management of the company is entrusted to a board of directors comprised of no less than three members, one of whom shall be appointed as chairman responsible for the legal representation of the company;
h) the supervision on the lawfulness of the operations of the company is entrusted to a board of statutory auditors comprised of three or five members, one of whom is appointed as chairman;
i) the accounting auditing and certification of the annual financial statements must be assigned to an auditing company.

Any issue not covered by the special provisions referred to in this regulation, may be freely regulated by the articles of association, in compliance with the general rules of the LISF and of the CORPORATIONS ACT.

Article 10 – Minimum Share Capital.

1. The share capital of the INSURANCE UNDERTAKING must be paid in full and for not less than the lower of:

a) five million Euro when the activities exercised include the insurance activities specified for branches or sub-branches of insurance business I), II), IV), V-b) and VI);
b) three million Euro when the activities exercised include the insurance activities specified for sub-branches III-a) and V-a);
c) one and half million Euro when the activities exercised include the insurance activities specified for sub-branch III-b).

2. The PROMOTERS must create, pursuant to article 13, letter e) of the LISF, on a specific account open with a bank in San Marino which shall not be one of the PROMOTERS, an escrow deposit for an amount of no less than the amount referred to in paragraph 1. The escrow deposit shall be released by the CENTRAL BANK in favour of the newly incorporated INSURANCE UNDERTAKING within fifteen days from the receipt of the memorandum of association pursuant to article 14 of the LISF, subject to the prior indication, by the newly incorporated INSURANCE UNDERTAKING, of the identification details of the account open in its name with a bank in San Marino, on which any amounts previously deposited by the PROMOTERS shall be transferred by means of a bank wire transfer as payment for the share capital. The CENTRAL BANK, within the time limits specified above, shall provide a specific written notice for the release and transfer to the custodian bank.

Article 11 – Business Plan.

1. The PROMOTERS of the INSURANCE UNDERTAKING must prepare a programme which outlines the business of the company, its lines of development, the objectives pursued, the entrepreneurial strategies which will be followed to achieve them, together with any other element which might allow proper assessment of the initiative.

2. The business plan must outline, with reference to the first three-year period:

a) activities and services that the INSURANCE UNDERTAKING intends to carry out;
b) for each branch or sub-branch for which the authorisation is requested, the obligations and risks that the INSURANCE UNDERTAKING intends to assume;
c) the type of clients for which services and products are intended;
d) the procedures for the issuance of the policies and the collection of the premiums (distribution strategies);
e) the relationships with the other persons involved in the organisation of the services delivered;
f) the organisational and technical structure, specifying the organisation chart/function flow chart of the company, the professional profiles of the human resources that will be used, the architecture of the internal audit systems, the relationships with the outsourcers (if any), the distribution channels;
g) the main investments and organisational activities to be implemented together with the forecasts on the formation expenses of technical and administration services and those related to the organisation of agencies and production;
h) the criteria that will be followed by the INSURANCE UNDERTAKING for the reinsurance of the risks assumed, and the reinsurance plan, which must be accompanied by the drafts of the reinsurance treaties and the letters of undertakings of the reinsurers regarding the subscription thereof;
i) the forecasts regarding the growth of the business and the elements related to the ability to maintain the economic equilibrium and to comply with prudential regulations; specifically, the budget must be prepared for the first three financial years, so as to provide every element useful for the assessment of the initiative. The forecasts are represented with the use of the financial statements (balance sheet, profit and loss account, statement of the assets used to cover technical reserves, statement of solvency margin) governed by subsequent provisions of the CENTRAL BANK; pending the implementation of such provisions, the INSURANCE UNDERTAKING may use the financial statements in force in one of the member states of the European Union.
j) the forecasts related to management expenses, other than formation expenses and, in particular, those related to current overhead expenses and the amount of the fees paid to the sale networks.

3. The business plan must be accompanied by a technical report outlining the basic criteria underlying the business plan and according to which the forecasts on revenues, costs and cash flows were prepared. The technical report is signed by an actuary. Pending the implementation of the register of actuaries provided for in article 145 of the LISF, the report may be signed by an actuary qualified to perform similar duties for insurance undertakings with registered office in a State of the European Union.

Article 12 – General criteria for the release of the authorisation.

1. In considering the application for authorisation, the CENTRAL BANK, based on the documentation provided and of any other information in its possession, assesses whether:

a) the draft of the memorandum of association is prepared in compliance with the criteria envisaged in this regulation.
b) the CORPORATE OFFICERS and the holders of SUBSTANTIAL PARTICIPATIONS satisfy the necessary integrity, professional and independence requirements;
c) the business relationship and the links of the shareholders and the structure of the group do not jeopardise the sound and prudent management of the company and the effective exercise of supervision activities;
d) the business plan accounts for the corporate strategies and their consistency with the organisational structure of the INSURANCE UNDERTAKING;
e) the additional requirements provided for by the law and by this regulation are satisfied.

2. The CENTRAL BANK denies the authorisation where the specified requirements are not satisfied or when from the assessments carried out it appears that the sound and prudent management of the INSURANCE UNDERTAKING and the effective exercise of the supervisions activities are not guaranteed.

Article 13 – Deadlines for the measure of the CENTRAL BANK.

1. Within ninety days from the date of receipt of the application, the CENTRAL BANK shall issue the authorisation measure or reject it.

Article 14 – Declaration of Non-impediment from the State Congress.

1. Pursuant to article 12 of the LISF, the authorisation measure issued by the CENTRAL BANK becomes effective with the issuance of the declaration of non-impediment of the State Congress to which the CENTRAL BANK shall transmit the appropriate request.

Article 15 – Registration in the Register of Authorised Parties.

1. After the release of the declaration of non-impediment referred to in the previous article, the CENTRAL BANK notifies such declaration to the applicants, registers the INSURANCE UNDERTAKING in the register of authorised parties based on the data that may be inferred from the draft of the memorandum of

association and from the documents filed for the purposes of the authorisation, and specifies the subsequent requirements to be satisfied in order to obtain the license to commence operations.

2. Once the registration in the companies register is completed and the trading license or permit is received pursuant to article 153 of the LISF, the INSURANCE UNDERTAKING shall notify in writing the CENTRAL BANK for the purposes of the integration of the data and applies for the license to commence operations pursuant to article 9 of the LISF. The application must be accompanied by the following documents:

a) a certified copy of the memorandum of association, together with the articles of association;
b) updated certificate of good standing.

3. Any amendments or supplements to the business plan referred to in article 11 must be reported in the application for authorisation, which shall also contain a report on the progress of the implementation of the business plan itself with reference to the date in which the application is filed.

4. After sixty days from the date of filing of the application, absent any communication from the CENTRAL BANK, the INSURANCE UNDERTAKING may start the operations.

Article 16 – Amendments to the Articles of Association.

1. All amendments to the articles of association are subject to the prior approval of the CENTRAL BANK. The application for authorisation, which must specify the reasons for such amendments, must be accompanied by a statement evidencing both the previous version of the articles of association and the amended one.

2. Within thirty days from the date of receipt of the application, the CENTRAL BANK, after assessing the consistency of the amendments with the provisions of the LISF and the relevant implementing measures, as well as with the sound and prudent management of the INSURANCE UNDERTAKING and with the effective exercise of the supervision activities, issues an authorisation or a rejection order.

3. The term referred to above is interrupted and suspended in the cases provided for in art. 3, paragraphs 8 and 9.

Article 17 – Extension of the authorisation to other branches of insurance business.

1. The INSURANCE UNDERTAKING authorised to exercise one or more of the branches or sub-branches of insurance business specified in article 5, which intends to extend its activities to other branches or sub-branches specified in such article, must apply for an express authorisation to the CENTRAL BANK.

2. In order to obtain the authorisation, the INSURANCE UNDERTAKING is required to prove that it has full availability of the share capital referred to in article 10 and that it complies with the provisions on the solvency margin and the guarantee amount, and to meet the requirements on technical reserves. If, for the purposes of the exercise of new branches of insurance business, a higher guarantee amount is required than that already owned, the UNDERTAKING must also prove that it has such minimum amount available.

3. The application for an extension of the authorisation must be accompanied by a business plan prepared according to the provisions of article 11.

Article 18 – Revocation of the Authorisation.

1. The CENTRAL BANK may revoke the authorisation to exercise the insurance business in the cases provided for in article 10 of the LISF. This measure entails the revocation of the authorisation to carry out any RELATED OR CONTRIBUTORY ACTIVITIES.

Article 19 – Renunciation.

1. The INSURANCE UNDERTAKING that, prior to the start of its activities, intends to decline the authorisation must notify the CENTRAL BANK of such intention.

2. This renunciation is effective as from the date of cancellation from the register of authorised parties, which is ordered by the CENTRAL BANK through a specific measure.

TITLE IV
SHAREHOLDERS OF THE INSURANCE UNDERTAKING

Chapter I
General principles

Article 20 – Authorisation to the assumption of SUBSTANTIAL PARTICIPATIONS in the capital of the INSURANCE UNDERTAKING.

1. After the release of the authorisation to the incorporation of an INSURANCE UNDERTAKING, any person intending to acquire, directly or indirectly, a SUBSTANTIAL PARTICIPATIONS in the capital of an INSURANCE UNDERTAKING must file a prior application for authorisation with the CENTRAL BANK.

2. For the purpose of calculating the participation thresholds, any arrangement concerning the exercise of voting rights is also taken into account. All written agreements concerning, or which result in, the concerted exercise of voting rights in an INSURANCE UNDERTAKING or in a company that controls an INSURANCE UNDERTAKING must be notified to the CENTRAL BANK by those involved in such

arrangements or, should they be aware of them, by the legal representatives of the INSURANCE UNDERTAKING, within five days from the execution thereof.

3. As regards to any transaction that entails the separation between the ownership of the shares and the exercise of voting rights, the owner of the shares and the person entitled to exercise the voting right on such shares are both required to apply for prior authorisation.

4. In the event that the application is filed by a legal persons, the legal representative of such entity must transmit, even separately from the application for authorisation, a written declaration where the personal details of the beneficial owners are specified. The term "Beneficial owners" means any natural person who exercises the CONTROL over the applicant natural person. Persons located in a Member State of the European Union or of the OECD, authorised to carry out banking, financial or insurance activities, for which the supervisory regulations of the country of origin provide the shareholders to possess integrity requirements similar to those envisaged in this regulation, are exempted from such obligation.

5. The application for prior authorisation must be filed also by the fiduciary companies holding shares on behalf of third parties, and by the management companies of collective investment undertakings, whether incorporated in San Marino or abroad, with reference to the voting rights held on behalf of the collective investment undertakings under management. The fiduciary company holding shares on behalf of third parties (mandators) is required to file the application for authorisation referred to in this Title in the event that one or more mandators are related to any SUBSTANTIAL PARTICIPATIONS; the fiduciary company is also required to apply for the prior authorisation in the event that, although none of the mandators holds e significant interest, the aggregate number of shares held in the name of the company exceeds the thresholds provided for the SUBSTANTIAL PARTICIPATIONS.

Article 21 – Requirements for the shareholders of the INSURANCE UNDERTAKING.

1. The application for the authorisation to acquire a SUBSTANTIAL PARTICIPATION or the CONTROL over an INSURANCE UNDERTAKING, must be accompanied by the documents – specified in the articles below – evidencing the possession of the integrity requirements and the existence of the conditions aimed at ensuring the sound and prudent management of the INSURANCE UNDERTAKING and to allow the effective exercise of supervisory activities. Any entity included in the register of authorised parties held by the CENTRAL BANK is exempted from the obligation to provide evidence of such requirements.

2. Each and every time a meeting is convened, the chairman of such meeting shall be required to verify. for the purposes of the admission to the vote, the possession of the integrity requirements of the shareholders.

3. The insurance companies, pursuant to article 23 of the LISF, must notify to the CENTRAL BANK, on an annual basis and within sixty days from the approval of the financial statement, the list of the shareholders with voting rights as evidenced in the Shareholder Register as at the specified date. The communication regarding the shareholders' base must specify, with reference to each shareholder, the number of shares owned, their aggregate face value and the percentage of share capital they represent, using, for such purpose, the specific form available in the reserved area of the internet web site of the CENTRAL BANK.

Article 22 – Deadlines for the measure of the CENTRAL BANK.

1. Pursuant to article 17 of the LISF the CENTRAL BANK shall, within ninety days from the date of receipt of the application, issue an authorisation or rejection order to the acquisition of the equity interest. After ninety days, if no communication by the CENTRAL BANK is received, the authorisation shall be considered as granted. For the purposes of such order, the CENTRAL BANK must assess, besides the requirements specified in this Title, also whether any change in the shareholders' base of the INSURANCE UNDERTAKING or of the structure of the GROUP OF THE INSURANCE UNDERTAKING might hinder the supervisory controls and the achievement of the purposes provided for in article 37 of the LISF.

2. In cases where the CENTRAL BANK, within the term referred to in the previous paragraph, notifies the applicant, pursuant to and under the provisions referred to in Article 17, paragraph 2 of LISF, of the need to integrate the request for authorisation with further information and/or documentation other than those already supplied, deeming it as lacking or insufficiently clear, the request is to be understood, for all intents and purposes, as lapsed if the above information and/or documentation should not be received by the CENTRAL BANK within ninety days of receipt of the relevant notification.

Article 23 – Notification requirements.

1. The authorised party must notify the CENTRAL BANK of the completion of the transactions for which the authorisation referred to in the article above has been issued, no later than ten days after the completion of the transaction.
At this time, the shareholder is required to notify to the CENTRAL BANK his/her address for service on the territory of San Marino for the purposes referred to in Article 23, paragraph 5, of the Decree on sanctions for those parties subject to the sanctioning power of the CENTRAL BANK who are non-residents in San Marino and who do not intend to have their address for service, for the afore-mentioned purposes, with the registered office of the subsidiary or controlled INSURANCE UNDERTAKING. The same notification requirement applies also in cases where the residence was transferred abroad by the parties themselves

2. Those who, for whatever reason, transfer shares with voting rights in an INSURANCE UNDERTAKING to such an extent that would cause the amount of shares held to go below one of the qualifying thresholds

for SUBSTANTIAL PARTICIPATIONS or the loss of the CONTROL over the INSURANCE UNDERTAKING, must transmit to the CENTRAL BANK, within five days from the transfer, a notice specifying the number of shares transferred, the personal details of the transferee and the quantity of shares still held by the transferor.

Chapter II
Requirements for natural person

Article 24 – Integrity requirements for the natural persons who are shareholders of the INSURANCE UNDERTAKING.

1. The natural persons who intend to acquire, even indirectly, a SUBSTANTIAL PARTECIPATION in an INSURANCE UNDERTAKING, must possess, as well as the suitability requirements referred to in Article 1, paragraph 1, point 9, of the CORPORATION ACT, the following honourability requirements:

a) except in the event of rehabilitation, never have been definitively convicted for serious offences entailing detention for crimes against property and against the public economy, except for those subject to sanctions, and the special offences envisaged in LISF and in the legislation currently in force governing the prevention of and fight against money-laundering and terrorism financing, as well as the cross-border transport of cash and similar instruments;

b) except in the event of rehabilitation, never have been definitively convicted for offences considered to be offences against law and order, against public faith or of private persons against the public administration, for which a sentence of imprisonment for no less than one year has been issued and not suspended;

c) except in the event of rehabilitation, never have been definitively convicted for offences of any other nature for which a sentence of imprisonment for no less than two years has been issued and not suspended;

d) never have been appointed as a CORPORATE OFFICER in authorised parties subject, in the past five years, to any of the extraordinary proceedings referred to in Part II, Title II, Chapters I and II of LISF.

2. The honourability requirements referred to in the preceding paragraph must be possessed also with reference to the absence of any equivalent final convictions (letters a, b and c) or to the absence of any impediments (letter d) applied in any jurisdictions other than in San Marino.

3. The requirement referred to in paragraph 1 letter d) is deemed to be lacking when the office of CORPORATE OFFICER has been covered for at least 18 months in the period of 24 months before the adoption of the decree, and the CORPORATE OFFICER has been subject to administrative sanctions, with reference to the same prerequisites of the decree.

4. The possession of the requirements referred to in article 1 is evidenced through:
a) submission of the general certificate of criminal records, certificate of pending proceedings, civil certificate or certificate of non-bankruptcy, issued by the competent authorities of the place where the person resided for the greatest part of the last five years, in compliance with the criteria of "substantial equivalence" referred to in article 1, paragraph 2 of the CORPORATIONS ACT;
b) the submission, as regards all of the remaining jurisdictions, of the self-certification of the concerned party given before a Public Notary of San Marino, using the first of the two forms under annex A to this Regulation.

5. With a view to verifying the territorial jurisdiction of the public authorities having issued the certificates referred to in the fourth paragraph, said certificates shall be accompanied by a copy of a valid identity document.

6. The certificates referred to in the fourth paragraph, letter a), may also result from a single cumulative document and must:
a) be submitted in original or copy certified by a Notary public in San Marino;
b) be dated no more than six months prior to the date of filing;
c) be prepared in Italian or, if prepared in a foreign language, be accompanied by a sworn translation into Italian.

7. The possible absence of one or more certifications that are "substantially equivalent" in the foreign legal system where one's residence is based, for the purposes referred to in the previous paragraph 4, letter a), shall be:
- certified by a "legal opinion" compliant with the requirements referred to in Article 3 below, paragraph 2;
- supplied by means of an appropriate authenticated self-certification, with the content requested by the CENTRAL BANK.

Article 25 – Capability of the natural persons to ensure a sound and prudent management.

1. The CENTRAL BANK assesses the capability of the potential shareholders to ensure the sound and prudent management of the INSURANCE UNDERTAKING. In this perspective, of particular importance are:

a) fairness in the business relationships and the financial situation; the indebtedness of the person with banks or other intermediaries of the GROUP OF THE INSURANCE UNDERTAKING;
b) THE EQUITY INTEREST OR FINANCIAL RELATIONSHIPS THAT THE PERSON HAS WITH THE INSURANCE UNDERTAKING in which it intends to acquire an equity interest, or with persons of the group of the latter;

c) any connections of any nature whatsoever, – including family or association connections– between the applicant and the other persons capable of affecting the situations specified in the letters above.

2. In order to allow the CENTRAL BANK to assess the capability as provided for in this article, the natural persons are required to supply the following documentation:

a) in the event that they carry on a business directly, the information concerning the economic-capital and financial situation of the undertaking;
b) the *curriculum vitae*;
c) references to the family relation, marital status, affinity situations and associations with shareholders or with the CORPORATE OFFICERS of the INSURANCE UNDERTAKING or with the shareholders or CORPORATE OFFICERS of companies of the same group of the INSURANCE UNDERTAKING;
d) references to the business relations (e.g.: services rendered and received) and other relationships that the person involved has with the INSURANCE UNDERTAKING to which the equity interest refers and with the shareholders of such INSURANCE UNDERTAKING, as well as the indebtedness with banks and other intermediaries of the GROUP OF THE INSURANCE UNDERTAKING;
e) indication of the sources of financing that the person intends to use, in case, for the purpose of realising the acquisition of the equity interest, specifying the lenders.

Chapter III
Requirements for legal persons

Article 26 – Integrity requirements for legal persons.

1. If the person intending to acquire a SUBSTANTIAL PARTICIPATIONS in an INSURANCE UNDERTAKING is a legal person, the integrity requirement must be possessed by all members of the board of directors and by the director general or by the persons with similar positions.

2. The assessment of the requirements is carried out by the board of directors of the legal person that intends to acquire the equity interest. In case of a sole director, the assessment of the requirements is carried out by the board of statutory auditors or by the corporate body with equivalent functions. The assessment must be evidenced in a report of the body that performed it; such report must expressly indicate that the person involved abstained from voting. A copy of the report and the original certification evidencing the possession of the requirements must be attached to the application for the authorisation to acquire the equity interest.

3. Should a member of the board of directors or the general director or any of the persons with equivalent position be replaced, the assessment of the replacement must be carried out within thirty days from the appointment. The assessment of the possession of the requirements must be carried out for all persons involved upon each renewal of the corporate bodies.

Article 27 – Capability of the legal persons to ensure the sound and prudent management.

1. In order to allow the CENTRAL BANK to assess the capability envisaged in this article, the legal persons intending to acquire a SUBSTANTIAL PARTICIPATION in an INSURANCE UNDERTAKING are required to enclose the following documentation to the application for authorisation:

a) copy of the articles of association;
b) financial statements of the last financial year together with the report of the directors and of the board of statutory auditors and, if available. the report of the audit company;
c) the *curriculum vitae* of the members of the administrative bodies, of the director general or of the legal representative;
d) references to the business relations (e.g.: services rendered and received) and other relationships that the person involved has with the INSURANCE UNDERTAKING to which the equity interest refers and with the shareholders of such INSURANCE UNDERTAKING, as well as the indebtedness with banks and other intermediaries of the GROUP OF THE INSURANCE UNDERTAKING;
e) indication of the sources of financing that the person intends to use, in case, for the purpose of realising the acquisition of the equity interest, specifying the lenders (if any);
f) list of the shareholders who hold an equity interest in excess of 10 percent of the voting share capital in the person applying for the authorisation.

2. If the notifying legal person is part of a group, the following must also be enclosed:

a) the map of the group, specifying the territory of its components;
b) the consolidated financial statements of the group for the most recent financial year, if prepared;
c) information on the financial and operational relationships existing between:
    1) the INSURANCE UNDERTAKING an equity interest in which is to be acquired, and any persons belonging to the group of the applicant;
    2) any financial entities of the group and the other companies included in such group.

3. If the applicant legal person is a foreign company subject to prudential supervision, the following must also be enclosed:

a) a certificate issued by the supervisory authorities of the country of origin, stating that such company is subject to supervision and that there is no impediment to the acquisition of the equity interest;

b) a declaration of the company certifying that no impediment exists to the supply of information to the CENTRAL BANK within the context of the exercise of its supervisory duties.

TITLE V
CORPORATE OFFICERS OF THE INSURANCE UNDERTAKING

Article 28 – Requirements for the CORPORATE OFFICERS of the INSURANCE UNDERTAKING.

1. The CORPORATE OFFICERS of an INSURANCE UNDERTAKING must possess the honourability requirements specified in this Article 24 above and the additional professional and independence requirements specified in this Title, and, if they reside abroad, they are required to notify to the Board of Directors, at the time of acceptance of the appointment, the address for service in San Marino, also pursuant to Article 23, paragraph 5, of Decree no. 76/2006 as subsequently amended, if this is different from the registered office of the INSURANCE UNDERTAKING. The same notification requirement applies also in cases where the residence of the CORPORATE OFFICERS was transferred abroad during his/her appointment.

2. Within thirty days from the appointment or confirmation in office of the CORPORATE OFFICER, the board of directors must verify whether the requirements are met. The positions must be reviewed separately for each person involved, and with their respective abstention, which must result from the minutes of the meeting of the board. The relevant resolution must be of the analytical type and, therefore, it must acknowledge the assumptions underlying the assessments made. The documentation acquired for this purpose must be kept with the company. As regards to the assessment of the professionalism requirement, the minutes of the resolutions passed must specify the activities deemed as appropriate for the purposes of the assessment and the relevant periods when such activities were carried out. Specifically, the minutes must reflect the assessment of the consistency of the experience achieved by the person interested in the specific office within the INSURANCE UNDERTAKING. The independence requirements are verified, to the extent possible, through official and objective documentation and, in any other case, through specific statements signed by the interested person, using the form enclosed under Attachment A hereto as a model.

3. A certified copy of the final resolutions taken by the Board of Directors for each of the CORPORATE OFFICERS, together with the up-to-date certificate of good standing, a copy of the CVs, and any notice referred to in the previous paragraph 1, must be sent to the CENTRAL BANK within thirty days from the date of registration of the appointments in the Register of Companies, in the manner provided for in Article 3

4. Any official who is involved in situations that entail the removal or suspension from office, shall promptly notify such circumstances to the board of directors so that the measures envisaged in this Title may be adopted by the latter.

Article 29 – Professionalism requirements for the members of the board of directors.

1. The members of the board of directors of an INSURANCE UNDERTAKING must have an overall experience, achieved during the last ten years, of no less than three years in one of the following activities:

a) administration, management or control activities in an INSURANCE UNDERTAKING, banks, management companies of CIUS, or foreign companies carrying out similar activities;
b) professional activities related to the insurance, banking, financial industry or, in any case to an industry which is functional to the activities of an INSURANCE UNDERTAKING;
c) university teaching of legal or economic subjects.

2. The chairman of the board of directors must have an overall working experience of at least five years, achieved through the exercise of one or more of the activities or functions specified in paragraph 1 above.

3. Even absent the requirements referred to in the previous paragraphs, it is still possible to appoint as member or chairman of the board of directors of an INSURANCE UNDERTAKING persons who have held a similar office for a period of no less than three years with a foreign insurance company with registered office in one of the member states of the European Union or of the OECD.

Article 30 – Professionalism requirements for the CEO or the director general.

1. The chief executive officer and the director general of the INSURANCE UNDERTAKING must possess a specific expertise and experience, achieved in at least five years of professional activity as an executive of insurance undertakings, banks or financial companies, whether of San Marino or foreign, of similar size.

Article 31 – Professionalism requirements for the statutory auditors.

1. The composition of the board of statutory auditors, without prejudice to the provisions of article 61, paragraph 4 of the CORPORATIONS ACT, must satisfy the following requirements:

a) at least one of the statutory auditors must be registered in the Professional Register of Accountants or Commercial Accountants of the Republic of San Marino;
b) at least one of the statutory auditors must be registered in the Professional Register of Lawyers and Notaries of the Republic of San Marino;
c) at least one of the statutory auditors must be registered in the Register of Independent Auditors referred to in Law no. 146 dated 27 October 2004. This requirement may also be satisfied by the members who already meet the requirement provided for in letter a) or b) above;

d) the remaining statutory auditors may be selected from the persons belonging to one of the following categories:
    1) persons who possess the requirements referred to in article 29;
    2) members of the Association of Certified Accountants or of the Board of Commercial Accountants of the Republic of San Marino;
    3) persons registered in the Professional Register of Lawyers and Notaries of the Republic of San Marino;
    4) persons registered in the Register of Independent Auditors referred to in Law no. 146 dated 27 October 2004;
    5) persons registered in the Register of Actuaries referred to in article 145 of the LISF;
    6) foreign persons authorised in their country of residence to exercise the professions referred to in this article.

Article 32 – Other professionalism requirements subject to the assessment of the board of directors.

1. The board of directors must verify that the CORPORATE OFFICERS have not been sanctioned for breaches or deficiencies in the performance of previous offices as CORPORATE OFFICER with banks, management companies of mutual investment funds, investment undertakings, insurance undertakings or other financial undertakings, including foreign ones, or that they have not held any office in financial undertakings, including foreign undertakings, subject to any insolvency proceedings. Should any of such circumstances occur, the resolution of the board of directors recognising the professional qualification of the involved parties must justify the assessments made, having regard to the seriousness of the breaches or deficiencies or to the degree of involvement in the management of the companies subject to insolvency proceedings.

Article 33 – Independence requirements for the directors.

1. At least one of the members of the board of directors must be independent. Any person who satisfies all of the following requirements is deemed to be independent:

a) not to have pending, nor to have had during the year prior to the appointment, any significant business, professional or employment relationship with the INSURANCE UNDERTAKING, with any parent company of the INSURANCE UNDERTAKING or any companies controlled by the latter, with companies related to the INSURANCE UNDERTAKING or subject to joint CONTROL, with the other directors;
b) not to be a spouse nor an in-law within the fourth degree of any of the directors and CONTROLLING shareholders of the INSURANCE UNDERTAKING;

c) not to be the direct or indirect owner of any equity interest in excess of 2 percent of the voting share capital of the INSURANCE UNDERTAKING nor to have subscribed to any shareholders' agreements concerning, or which result in, the CONTROL of the INSURANCE UNDERTAKING.

2. The resolution granting the appointment must expressly specify whom of the directors qualifies as independent director.

Article 34 – Independence requirements for the statutory auditors.

1. The members of the board of statutory auditors must be independent. Any person who satisfies all of the following requirements is deemed to be independent:

a) not to have pending, nor to have had during the year prior to the appointment, any significant business, professional or employment relationship with the INSURANCE UNDERTAKING, with any parent company of the INSURANCE UNDERTAKING or any companies controlled by the latter, with companies related to the INSURANCE UNDERTAKING or subject to joint CONTROL, with the directors of the INSURANCE UNDERTAKING; the performance of the function of statutory auditors with any other authorised party under the LISF is not considered as a case of incompatibility;
b) not to be a spouse nor an in-law within the fourth degree of any of the directors and CONTROLLING shareholders of the INSURANCE UNDERTAKING;
c) not to be the direct or indirect owner of any equity interest in excess of 2 percent of the voting share capital of the INSURANCE UNDERTAKING nor to have subscribed to any shareholders' agreements concerning, or which result in, the CONTROL of the INSURANCE UNDERTAKING.

Article 35 – Suspension.

1. Not later than thirty days from the moment when it became aware of the initiation of a criminal proceeding against a CORPORATE OFFICER, the board of directors must decide whether it is appropriate to suspend the involved person or not, providing reasons in support of such decision.

Article 36 – Removal from the appointment.

1. Other than in the case outlined in the preceding article, the lack of the requirements provided for in this Title shall determine the removal from the appointment. The lack of the independence requirements is relevant only for those directors expressly identified as independent directors. The board of directors shall, not later than thirty days from the moment when it became aware of the lack of the requirements, declare the removal from the appointment and notify the CENTRAL BANK of such removal. If no action is taken, the removal from appointment may be declared by the CENTRAL BANK.

Article 37 – Subsequent actions.

1. Following the declaration of removal or suspension, the appropriate actions must be initiated to fill the vacant seats of the corporate body or to ensure the continuity of its activities.

TITLE VI
ELIGIBLE EQUITY INTERESTS

Article 38 – Limits to the equity interests that may be held.

1. The INSURANCE UNDERTAKING may acquire equity interests in banks, management companies of mutual investment funds, investment undertakings, other companies exercising financial activities, insurance undertakings and companies exercising contributory, related or ancillary activities, with registered office in the Republic of San Marino or abroad. For the purposes of this Title, equity interest means the acquisition of rights in the capital of other companies with the aim of realising a lasting link with the subsidiary, intended to develop the business of the shareholder. In any case, there is a shareholding when the INSURANCE UNDERTAKING is the owner of at least one tenth of the voting rights exercisable at the ordinary meeting of the subsidiary.

Article 39 – Application for authorisation.

1. The INSURANCE UNDERTAKING that intends to acquire, directly or indirectly, an equity interest, or to participate to a shareholders' agreement providing for voting arrangements in the companies specified in the preceding article, must file an application for authorisation to the CENTRAL BANK.

2. The application must be accompanied by the articles of association and by the last three financial statements approved of the company in which the shareholding should be assumed, as well as by any other information which may be useful to contextualise the transaction within the scope of the overall corporate strategy. Additionally, information must be provided concerning the impact of the transaction on the current and forecast financial situation of the investing INSURANCE UNDERTAKING and concerning the compliance with capital adequacy provisions by the investing INSURANCE UNDERTAKING.

3. Not later than thirty days from the receipt of the application, the CENTRAL BANK, having assessed the aspects related to the sound and prudent management of the INSURANCE UNDERTAKING, issues an order for the authorisation or rejection of the acquisition of the shareholding.

Article 40 – Notification requirements.

1. The INSURANCE UNDERTAKING must notify the CENTRAL BANK, within ten days from the date of the purchase, any shareholding acquired. Any subsequent increase or decrease in the shareholding must be

previously authorised only in the event that it would determine the acquisition or loss of the CONTROL over the subsidiary.

TITLE VII
FINANCIAL STATEMENTS, MANDATORY REGISTERS OF THE INSURANCE UNDERTAKING, AUDITING

Article 41 – General provisions.

1. The financial year starts on 1st January and ends on 31st December. The INSURANCE UNDERTAKING must prepare the financial statements in compliance with the general terms and principles contained in the LISF, the criteria envisaged in this Regulation and the provisions that will be issued by the CENTRAL BANK with a separate order.

Article 42 – Composition of the financial statements.

1. The financial statements of an INSURANCE UNDERTAKING must be comprised of the following documents:

a) the balance sheet, that reflects the composition of the corporate assets as of the reference date in both qualitative and quantitative terms;
b) the profit and loss account, which provides evidence of the economic result generated during the period as a consequence of the management activities, through the comparison of positive and negative components that determined such result;
c) the explanatory notes that complete the information provided in the summary tables of the balance sheet and of the profit and loss account, specifying the criteria adopted in their assessment and preparation, as well as the analytical description of certain balance sheet items.

2. The financial statements must be accompanied by the directors' report on overall operations, which must give evidence of at least the information regarding:

a) the evolution of the insurance portfolio;
b) the trend in claims in the main branches of the insurance business exercised;
c) the most important reinsurance forms adopted in the main branches of insurance business;
d) the research and development activities and the new products released on the market;
e) the essential guidelines followed in the investment policy;
f) information concerning any litigation, if significant;
g) the number and par value of own shares, of the shares of the parent company held in the portfolio, of those purchased, of those sold during the financial year, the corresponding shares of capital subscribed, the considerations and the reasons underlying the purchases and sales;

h) the relationships with the companies of the group, divided by parent companies, subsidiaries and affiliates, and the relationships with related companies;
i) the business outlook, particularly as regards to the development of the insurance portfolio, the loss experience and changes in the reinsurance forms adopted (if any);
j) any relevant facts occurred after the closure of the financial year.

3. The financial statements of the INSURANCE UNDERTAKING must be accompanied by the technical report of the actuary, if appointed pursuant to article 51, containing the information referred to in article 78, and by the statement evidencing the solvency margin as referred to in article 102.

4. The CENTRAL BANK, with a specific measure, defines the content of the balance sheet and profit and loss account formats, of the explanatory notes and of the attachments to the financial statements, and sets the criteria for the assessment and preparation of the financial statement as well as the procedure for keeping the accounting entries.

Article 43 – Mandatory Registers.

1. The INSURANCE UNDERTAKING must keep the following registers:
a) register of assets used to cover technical reserves;
b) register of contracts;
c) register of accident claims;
d) register of complaints.

2. The procedures for keeping the mandatory registers referred to in paragraph 1, and the contents thereof are outlined in Attachment B.

Article 44 – Auditing requirements.

1. Pursuant to article 33 of the LISF, the INSURANCE UNDERTAKING must:
a) entrust the auditing function to an auditing company;
b) submit its financial statements for the certification by the appointed auditing company in charge of the accounting control.

Article 45 – Specific provisions on auditing.

1. The auditing of the INSURANCE UNDERTAKING that exercises its activities in the life insurance business, must be accompanied by the report of an actuary where the latter expresses his/her opinion on the adequacy of the technical reserves of the UNDERTAKING, taking due account of the proper actuarial techniques.

2. The actuary referred to in the preceding paragraph must be registered in the register of actuaries established by article 145 of the LISF. Pending the implementation of such register, the task may be assigned to an actuary qualified to perform similar duties for insurance undertakings with registered office in a State of the European Union.

3. The actuary referred to in paragraph 1, is appointed by the auditing company that performs the accounting control of the INSURANCE UNDERTAKING. The appointment is for a three year term and may be renewed no more than twice. No later than 15 days after the appointment, the auditing company must notify to the CENTRAL BANK the personal details of the actuary, enclosing a documentation evidencing the possession of the requirements referred to in paragraph 2 and a declaration of the actuary evidencing that none of the incompatibility situations referred to in paragraph 4 apply. If, prior to the expiry of the period, the auditing company revokes the appointment of the actuary, it must immediately notify the CENTRAL BANK of such revocation. The revocation of the actuary is effective as from the moment when the appointment of a new actuary becomes effective.

4. No actuary found in one of the following situations may be appointed:

a) be a relative or in-law within the fourth degree of the actuary in charge referred to in article 51 below or of the directors, statutory auditors of directors general of the INSURANCE UNDERTAKING on which the auditing is carried out, or of other companies or entities that control it;
b) be linked to the actuary referred to in article 51 below or to the INSURANCE UNDERTAKING on which the auditing is carried out or to other companies or entities that control it, through self-employment or employment relationships, or having been so linked in the three year period prior to the appointment;
c) be a CORPORATE OFFICER of the INSURANCE UNDERTAKING on which the auditing is carried out or of other companies or entities that control it, through self-employment or employment relationships, or having been so linked in the three year period prior to the appointment;
d) finding himself in a situation that would compromise, in any case, the independence from the company.

TITLE VIII
ORGANISATIONAL RULES, INTERNAL AUDITING AND APPOINTED ACTUARY

Article 46 – General principles.

1. THE INSURANCE UNDERTAKING authorised to exercise the life insurance business, carries out its activities through a suitable administrative and accounting organisation and with an adequate internal auditing system. The organisation of the INSURANCE UNDERTAKING must be based on effectiveness and efficiency criteria and must capable of ensuring compliance with the principle of sound and prudent management. Tasks and responsibilities, both within the corporate bodies and in the operational structure, must be clearly allocated, avoiding any overlapping and favouring appropriate debates for the purpose of achieving the targets of the company and the development of a control culture. The INSURANCE UNDERTAKING complies with the provisions of this Title consistently with its size and with the operational complexity of the activities carried out.

2. The work of the administrative and control bodies must be documented, so that it would be possible to reconstruct
and verify the function of the decision making processes.

3. The internal auditing system is comprised of procedures capable of properly integrating the risk monitoring systems in the organisation of the company, and of ensuring that all measures are taken necessary to guarantee the consistency of the implemented systems for the purpose of allowing the quantification and control of risks.

Article 47 – Duties of the board of directors, of the executives and of the board of statutory auditors.

1. With its resolutions, the board of directors:

a) defines the organisational structure of the INSURANCE UNDERTAKING and the assignment of tasks and responsibilities to the operational units, monitoring their adequacy from time to time;
b) defines the system for the delegation of powers and responsibilities, ensuring that no excessive concentration of powers falls onto a single person and monitoring the exercise of the delegated powers;
c) issues directives as regards to the internal auditing systems, ensuring that they are updated in line with the evolution of the operations of the company as well as with external conditions;
d) establishes, at least once a year, strategies and policies for assuming, assessing and managing the most significant risks, consistently with the level of capital adequacy of the INSURANCE

UNDERTAKING; sets the risk tolerance levels based on the results of the risk identification and assessment processes;

e) defines the procedures and timing according to which the risk management function must report to the top management and to the board of directors about the activities carried out and the outcome thereof.

2. The top management is responsible for the implementation, maintenance and monitoring of the internal auditing and risk management system, including those resulting from the non-compliance with the rules, consistently with the directives of the administrative body. Specifically, the top management:

a) consistently with the directives of the administrative body, defines in detail the organisational structure of the INSURANCE UNDERTAKING, the duties and responsibilities of the operational units and the relevant staff, as well as the decision-making processes;
b) implements the policies for the assumption, assessment and management of risks, set by the administrative body, ensuring the definition of the operational limits and that such limits are promptly verified, as well as the monitoring of the risk exposures and the compliance with the tolerance levels;
c) is responsible for the maintenance of the functionality and overall adequacy of the organisational structure, of the internal auditing and risk management system;
d) verifies that the administrative body is regularly informed of the efficiency and adequacy of the internal auditing and risk management system and of the compliance function and, in any event, promptly upon the occurrence of any significant critical situation;
e) implements the directions of the administrative body as regards to the measures to be adopted in order to correct any anomalies encountered;
f) submits to the administrative body initiatives aimed at the updating and strengthening of the internal auditing and risk management system.

3. The board of statutory auditors, without prejudice to any of the tasks assigned to it by the operation of law, must verify the regularity
and lawfulness of the management, the compliance with the provisions of the CENTRAL BANK, the correct functioning of the main operational areas and the efficiency and adequacy of the internal auditing system and of the IT system. In the performance of such internal auditing tasks, the board of statutory auditors may avail itself of
all operational units in charge of auditing functions. The board of statutory auditors and the auditing company must exchange data and information necessary for the performance of their respective tasks.

Article 48 – Internal auditing system.

1. The INSURANCE UNDERTAKING must avail itself of professional profiles, instruments and procedures capable of measuring, managing and checking all risks, including those of an actuarial nature. The

INSURANCE UNDERTAKING assesses whether to create, internally, specific units – separated from the operational units – in charge of the risk management function or to use external structures (possibly of the same group), in compliance with the criteria set for the outsourcing of corporate functions. These units or structures avail themselves of the cooperation of the appointed actuary referred to in article 51 for the correct measurement of the data, particularly as regards to those related to the costs of the INSURANCE UNDERTAKING and their expected trend, that are used in the assessment to be carried out by such actuary.

2. The INSURANCE UNDERTAKING must avail itself of an internal auditing structure independent, also in hierarchical terms, from the operational units; the manager must be appointed by the board of directors and possess the expertise and instruments necessary to perform the auditing activities, also in light of the complexity of the corporate processes typical of the INSURANCE UNDERTAKING. As an alternative, the INSURANCE UNDERTAKING assesses whether to use an external structure (also at a group level) in compliance with the criteria set for the outsourcing of corporate functions.

In any case, the persons responsible must have, – for the performance of the auditing activities they are responsible for, – access to all corporate structures as well as to any information useful for the control of the correct performance of the corporate functions outsourced.

The internal auditing unit also takes on, inter alia, auditing duties related to:

a) the periodical assessment of the completeness, functionality and adequacy of the auditing system;
b) compliance with the rules of conduct and transparency in the performance of the activities;
c) keeping the accounting evidences;
d) exchange of the flows of information amongst the sectors of the company and between the INSURANCE UNDERTAKING and the other persons involved in the provision of the services;
e) adequacy of the technological equipment and of the professional capabilities of the staff in charge of the IT systems of the company, even if such systems are outsourced;
f) compliance of the actions of the outsourcers with the standards set with the appointment agreement;
g) compliance with the regulations concerning the fight against financial crimes as regards to money laundering, terrorism financing and other financial crimes.

The outcome of the periodic checks and any proposal of organisational or procedural enhancement by the internal auditing unit are reported to the board of directors that will review them within the context of specific meetings held with the participation of the board of statutory auditors.

3. Not later than on 31 January of each year, the manager of the internal auditing function must prepare:

a) an annual report outlining the check and control activities carried out, the outcome of such activities, and any possible proposals and suggestions;
b) a plan for the audits scheduled for the current year.

The aforementioned documents are submitted to the review of the board of directors, together with the comments of the board of statutory auditors.

Article 49 – Accounting information systems.

1. The INSURANCE UNDERTAKING must be equipped with accounting information systems capable of providing complete information, in a prompt and reliable manner, characterised by high security levels, measures for the protection of confidentiality and integrity of the information, and by back-up and recovery procedures for the purpose of being able to restore the conditions as they were prior to an accident.

2. The INSURANCE UNDERTAKING must adopt internal procedures and processes in order to ensure the relevance, completeness and correctness of accounting and statistical data used for the purpose of calculating tariffs and technical reserves.

Article 50 – Outsourcing of corporate functions.

1. The INSURANCE UNDERTAKING, in order to achieve greater efficiency in the production processes and in the operational procedures, or to have the availability of specific expertise, may avail itself of entities external to the company for the purpose of performing certain activities. The management of the assets used to cover technical reserves may also be outsourced, provided that the outsourcer selected is a person authorised to provide collective or individual management services and subject to adequate forms of prudential supervision. The INSURANCE UNDERTAKING must carefully assess the management and organisational capabilities of the outsourcer and avoid any situations of conflict of interests between the delegated party and the insureds. The responsibilities of the INSURANCE UNDERTAKING for the correct performance of the outsourced activities, remain unprejudiced.

2. The INSURANCE UNDERTAKING must maintain an adequate capability of controlling the activities outsourced and the possibility to promptly intervene if the services offered by the appointed entity appear to be inadequate or are suspended for whatever reason. For this purpose, a reference person must be designated within the INSURANCE UNDERTAKING, with the responsibility of verifying the fulfilment by the outsourcer of the commitments assumed and the quality of the service delivered. If the INSURANCE UNDERTAKING has implemented its own internal auditing structure, this function is carried out by the relevant manager.

3. For the purposes of the supervisory controls, the outsourcing agreements must be documented in writing and must envisage at least:

a) that the delegation conferred does not imply any exemption or restriction of the liabilities of the delegating INSURANCE UNDERTAKING and that it may be revoked with immediate effect by the INSURANCE UNDERTAKING;
b) that the control bodies of the INSURANCE UNDERTAKING have unconditioned access to the offices of the delegated party in order to verify all the technical-administrative procedures – as well as the relevant results – as regards to the functions performed on behalf of the INSURANCE UNDERTAKING;
c) that all accounting documents and related supporting papers concerning the outsourced activities are fully available to the INSURANCE UNDERTAKING;
d) that the outsourcer acknowledges that the powers conferred by article 42, paragraph 2 of the LISF to the CENTRAL BANK may also be exercised vis-à-vis the outsourcer itself;
e) that the INSURANCE UNDERTAKING may in any moment provide additional instructions for the performance of the appointment;
f) the organisational procedures and the resources dedicated to the activity by the person providing the service;
g) contractual mechanisms (such as, but not limited to, express termination clauses, periods of notice) linked to events of the corporate life of the outsourcer, to the inadequacy of the services offered, or to relevant changes in the organisational or operational structure of the INSURANCE UNDERTAKING, that would allow the latter to adjust the agreement or to search for valid alternatives to the service offered;
h) that the confidentiality of the information related to the delegated activity must be appropriately protected, in particular by ensuring the respect of the banking secret pursuant to article 36 of the LISF.

The INSURANCE UNDERTAKING must send to the CENTRAL BANK a draft of the outsourcing agreements prior to their execution. The agreement may be executed if the CENTRAL BANK, within thirty days from the receipt, has not forbidden them on ground of the absence of the aforementioned requirements or because they conflict with the principle of sound and prudent management of the INSURANCE UNDERTAKING.

Article 51 – Appointed actuary.

1. An actuary must be appointed for the performance, on an ongoing basis, of the functions specified in Chapters IV and VIII of Title IX by the INSURANCE UNDERTAKING that:

a) exercises one of the activities branches I, II, IV. V-b) and VI of life insurance business; or
b) exercises the activities branches III-a) and III-b) of life insurance business and it expects to issue contracts representing a CAPITAL AT RISK in excess of 3 percent compared with the corresponding mathematical reserve of the main guarantee.

2. The appointed actuary referred to in paragraph 1 must be registered in the register of actuaries established by article 145 of the LISF. Pending the creation of such register, the task may be assigned to an actuary qualified to perform similar duties for insurance undertakings with registered office in a State of the European Union. Notwithstanding such requirements, the appointed actuary may be an employee of the INSURANCE UNDERTAKING.

3. The actuary must be appointed by the Board of Directors of the INSURANCE UNDERTAKING. Not later than 15 days after the appointment, the INSURANCE UNDERTAKING notifies to the CENTRAL BANK the personal details of the actuary, enclosing documentation evidencing the possession of the requirements referred to in paragraph 2.

Article 52 – Independence of the actuary and accounting auditing.

1. The CENTRAL BANK may require from the INSURANCE UNDERTAKING that the appointed actuary provides the information and data necessary for the fulfilment of its supervisory assessments; whenever deemed appropriate, it may summon the INSURANCE UNDERTAKING together with the actuary.

2. The INSURANCE UNDERTAKING must ensure the conditions necessary to allow the actuary to perform his/her functions in complete autonomy. If the INSURANCE UNDERTAKING does not ensure free access to the corporate information deemed necessary to the performance of his/her functions, the appointed actuary, subject to the prior written warning to the INSURANCE UNDERTAKING to comply within the short term specified therein, must promptly notify the CENTRAL BANK of the persistence of the impediments encountered.

Article 53 – Termination of the appointment.

1. In case of serious breaches of the rules of the LISF, of this Regulation or of the subsequent provisions, the appointment of the actuary is revoked by the INSURANCE UNDERTAKING, directly or following the request from the CENTRAL BANK.

2. Should the appointment of the actuary be terminated for any reasons whatsoever, the INSURANCE UNDERTAKING shall, within forty-five days, appoint a new actuary and notify the CENTRAL BANK of the reasons for the replacement. The INSURANCE UNDERTAKING must provide to the CENTRAL BANK and to the new actuary, at the same terms, the detailed report that the leaving actuary is required to prepare, which must contain a summary of all findings and observations made in the last twenty-four months. Should it prove to be impossible for the actuary to prepare the report, the INSURANCE UNDERTAKING must take care of it.

TITLE IX
PRUDENTIAL SUPERVISION

Chapter I
General principles and technical bases of the tariffs

Article 54 – General principles for the determination of the tariffs.

1. The premiums applied for the insurances and for the transactions of the life insurance branches must be calculated, for each new tariff, on the basis of adequate actuarial assumptions that would allow the INSURANCE UNDERTAKING, through the use of such premiums and the relevant proceeds, to cover its costs and the obligations assumed vis-à-vis the insured and, specifically, to create the necessary technical reserves for the individual contracts. For this purpose, the financial situation of the INSURANCE UNDERTAKING may be taken into account, provided that no resources not resulting from the payment of the premiums are used on a systematic and permanent basis.

2. The INSURANCE UNDERTAKING assesses and selects the TECHNICAL BASES for the calculation of the premiums, by defining, in line with the benefits to be insured and the contractual type, the TECHNICAL RATE, the DEMOGRAPHIC BASES, if any, and any other TECHNICAL BASIS necessary for the calculation of the PURE PREMIUMS. The INSURANCE UNDERTAKING also defines the relevant rule to calculate the APPLICABLE CHARGES, for the purpose of determining the TARIFF PREMIUMS.

3. In selecting the TECHNICAL BASES for the determination of the tariff, the INSURANCE UNDERTAKING takes into account the benefits contractually guaranteed, the guaranteed interest rate (if any), the PROFIT SHARING procedures, in financial and demographic terms, that will be recognised in the contracts and any possible charges withheld on the returns realised on the investments made.

4. The TECHNICAL BASES may be modified during the contractual term, where in the POLICY TERMS AND CONDITIONS it is expressly provided that they may be changed according to previously defined rules.

5. In the event of a systematic and permanent use of resources not deriving from the TARIFF PREMIUMS and the related proceeds, the CENTRAL BANK may forbid any further execution of contracts of the same kind of those that led to such situation.

6. During the first year of business, the INSURANCE UNDERTAKING notifies the CENTRAL BANK, within 30 days from the date in which the marketing of the tariff is to begin, the description of the key elements

of the TECHNICAL BASES used in the calculation of the premiums and reserves of each tariff according to the schedule provided in Attachment C.

Article 55 – FINANCIAL BASIS for the calculation of the tariffs.

1. The INSURANCE UNDERTAKING identifies the TECHNICAL RATE for the determination of each tariff. For the contracts that provide for a financial guarantee, the TECHNICAL RATE may not exceed the corresponding interest rate guaranteed in the contract, set within the limits specified in Chapters II and III of this Title.

2. For the contracts with annual premiums and only for the purpose of determining the annual amortisation of the APPLICABLE CHARGES of the acquisition, the INSURANCE UNDERTAKING may use a TECHNICAL RATE higher than the interest rate guaranteed.

Article 56 – TECHNICAL BASIS other than the financial basis used for the calculation of the tariffs.

1. The INSURANCE UNDERTAKING adopts some DEMOGRAPHIC BASES and other TECHNICAL BASES, regardless of whether they are inferred from market measurements or from its own experience, with reference to prudential criteria. In insurances on the duration of human life, the INSURANCE UNDERTAKING also takes into account the mortality/longevity trend for the population in general as well as the actual mortality/longevity rate registered in its own portfolio.

2. For annuity contracts and for capital contracts that provide for any annuity options, the INSURANCE UNDERTAKING adopts, whenever possible based on the available data, a DEMOGRAPHIC TECHNICAL BASIS derived from an analysis broken down by generations, and taking into account the effects of the counter-selection of the recipients of the annuity compared to the population in general.

3. If the INSURANCE UNDERTAKING, when using TECHNICAL BASES other than financial bases, avails itself of analyses inferred by international experiences, it should verify the sustainability of such experiences within the context of the risks to be assumed, making the necessary adjustments (if any) in order to adapt the basis of the reference data to the situation underlying the risks.

4. The INSURANCE UNDERTAKING submits the DEMOGRAPHIC BASES and the other TECHNICAL BASES used in the determination of the tariffs, to regular monitoring in order to verify whether they are maintained. If the results of such analyses evidences that the TECHNICAL BASES used are no longer adequate, the INSURANCE UNDERTAKING shall promptly adjust the tariff table updating the DEMOGRAPHIC BASES and the other TECHNICAL BASES so as to ensure at all times the correct technical equilibrium of the tariff.

5. The DEMOGRAPHIC BASES and the other non-financial TECHNICAL BASES to be used within the scope of the collective tariffs are selected so as to satisfy the criteria of uniformity of risks within the group insured.

Chapter II

Maximum annual interest rate that may be guaranteed

Article 57 – Maximum annual interest rate that may be guaranteed.

1. The maximum interest rate that may be guaranteed, or TMG, is defined based on the provisions of this article and is calculated by the CENTRAL BANK, depending on the 10 years swap interest rate, defined according to the criteria specified in paragraphs 5 and 6.

2. The INSURANCE UNDERTAKINGS, for all contracts to be entered into, expressed in Euro, that provide for the recognition of a minimum financial return, defines the guaranteed interest rate so that the equivalent annual deferred value would not exceed the TMG currently in force. For contracts to be entered into, expressed in any currency other than Euro, that provide for the recognition of a minimum financial return, the INSURANCE UNDERTAKING shall previously request to the CENTRAL BANK the relevant TMG applicable. Not later than thirty days after the receipt of the request, the CENTRAL BANK, shall, if it determines that the execution of the type of contracts requested is not to be prohibited on grounds of the sound and prudent management, notify the applicable TMG and the procedures for its periodical update.

3. As regards to the contracts with single recurring premiums, that provide for guaranteed interest rates that vary according to mechanisms pre-set in compliance with the limits of the TMG, the amendments of the interest rates apply only to the premiums maturing after the date of the amendment.

4. The INSURANCE UNDERTAKINGS, in granting financial guarantees, shall always comply with the prudential criteria, taking into account the actual performance of the assets used to hedge the commitments assumed, the conditions in the financial market, actual and expected, as well as the period for which the guarantees are granted.

5. The CENTRAL BANK calculates the TMG every six months, usually on the 15th day of January for the first six month period, and on the 15th of July for the second six month period of the calendar year, except where, due to exceptional market conditions, it deems it appropriate to recalculate the TMG also on other additional dates. For the purposes of the calculation of the TMG, the CENTRAL BANK takes, as the historical reference series, the data available at the main financial information providers and related to the daily measurements of the Euro swap rates with a maturity of ten years.

6. For each six month period, the TMG is equal to 60 percent of the simple average of the daily 10 years Euro swap rates related to the last month of observation, i.e. December of the previous year, for the first six month period, and June, for the second six month period. This value is rounded up to the fourth nearest decimal point. Its maximum amount may in no event exceed 4 percent.

7. The CENTRAL BANK publishes the value of the TMG on its web site at the beginning of each six month period.

8. The INSURANCE UNDERTAKING applies the changes in the level of the TMG within a month from the end of the month in which it is published.

9. The TMG does not apply to the UNIT LINKED, INDEX LINKED Contracts, nor to DEDICATED CONTRACTS, to the PURE RISK CONTRACTS referred to in article 58 and to the CONTRACTS COVERED BY SPECIFIC ASSET PROVISIONS referred to in article 59, for which the commitments are covered by the corresponding assets. In no event may the interest rate used be higher than the return on the assets used as coverage, calculated taking into consideration the accounting principles in force, subject to the prior appropriate deduction.

Chapter III

Derogations to the maximum annual interest rate that may be guaranteed

Article 58 – Pure Risk INSURANCES.

1. The maximum interest rate that may be guaranteed by the INSURANCE UNDERTAKING on PURE RISK insurance contracts with no PROFIT SHARING may not exceed the value of 4 percent.

Article 59 – CONTRACTS COVERED BY A SPECIFIC ASSET PROVISION.

1. In the CONTRACTS COVERED BY A SPECIFIC ASSET PROVISION, the maximum annual rate that may be guaranteed is equal to the expected return of the specific assets used as cover referred to in paragraphs 5 and 6, less the portion that will be withheld by the INSURANCE UNDERTAKING on such return.

2. The maximum interest rate referred to in paragraph 1 may be guaranteed for a period that may not exceed the maturity of the assets used as cover. For the subsequent period, the TMG is defined based on the provisions of article 57.

3. The INSURANCE UNDERTAKING holds the specific assets together with its own assets until their natural maturity as they are necessary to cover for the commitments assumed, notwithstanding their replacement with other assets capable of providing guarantees of similar return in the time period required.

4. The INSURANCE COMPANY manages the portfolio of the specific assets used to cover the commitments assumed on the contracts according to prudential criteria, and verifies that the composition of such assets is consistent with the nature, average duration and level of the commitments assumed vis-à-vis the insured.

5. For the purposes of the calculation referred to in paragraph 1, for the single premium insurance contracts other than PURE RISK and capitalisation contracts, the expected return on the specific assets used as cover must be:

a) for securities of the zero coupon bond type, equal to the actual rate of return;
b) for securities that provide a fixed income or a minimum income guaranteed, not higher than the return that would be obtained considering the reinvestment of the relevant gross proceeds at an interest rate equal to the TMG referred to in article 57, taking into account the effects of the settlement of benefits advanced during the life of the contract.

6. For the purposes of the calculation referred to in paragraph 1, for the immediate annuity insurances with no right of redemption, the expected rate of return of the specific assets used as cover takes into account the performance of the mathematical reserves of the contracts and may not be higher than that obtainable by the reinvestment of the gross proceeds of the assets, or, in case, of part of such assets, at an interest rate equal to the TMG referred to in article 57, taking into account the effects resulting from a possible time-lag existing between the period when such proceeds are accrued and the period when the relevant instalments of the annuity are delivered to the insured. The INSURANCE UNDERTAKING shall carry out an appropriate staggering of the duration of the specific assets used as cover, in order to reflect the liquidity needs that will arise during the period when the annuities are paid.

7. For the single premium contracts, in determining the redemption value to be paid to the insured, the INSURANCE UNDERTAKING identifies conservative calculation mechanisms that would allow to take prudentially into account any capital losses that might result, at the moment of the redemption, from the sale of the corresponding assets used as cover.

Chapter IV

Fulfilments of the appointed actuary as regards to the tariffs

Article 60 – Assessment of the tariff.

1. The actuary, if appointed pursuant to article 51, ascertains that, in selecting the TECHNICAL BASES used for the calculation of the premiums of each tariff, the INSURANCE UNDERTAKING has complied with the provisions of this Regulation, verifies the methods adopted by the INSURANCE UNDERTAKING in calculating the premiums, and the consistency of such premiums with the TECHNICAL BASES used.

2. In assessing the tariff, the appointed actuary considers the presence of any contractual guarantees, also with reference to the event of early redemption, reduction and options in benefits other than the main benefits contractually provided for.

3. The appointed actuary performs a prospective profitability analysis of the tariff, aimed at verifying whether the TECHNICAL BASES used by the INSURANCE UNDERTAKING and the relevant premiums are adequate to cover all insurance benefits and all costs of the INSURANCE UNDERTAKING taking also into account the expected profitability of the assets and of the financial guarantees granted.

4. The outcome of the assessments referred to in paragraphs 1 and 2 is the subject matter of the technical report on the tariff, prepared by the appointed actuary pursuant to article 62, the format of which is provided in Attachment D.

Article 61 – Monitoring of the financial guarantees.

1. The appointed actuary monitors that the interest rates guaranteed on the new contracts do not exceed the maximum annual interest rates that may be guaranteed as specified in Chapters II and III of this Title. If the appointed actuary, in the performance of such function, detects a violation of the rules by the INSURANCE UNDERTAKING, he/she will promptly inform the CENTRAL BANK providing a detailed note of the breach detected.

2. The appointed actuary, taking into account the provisions of article 57, paragraph 4, may recommend to the INSURANCE COMPANY to adopt contractually guaranteed interest rates that are lower than the maximum annual interest rates that may be guaranteed, envisaged in this Regulation for the different types of contract.

3. The appointed actuary, whenever he/she has reasons to believe that the maximum annual interest rates that may be guaranteed might drop to a level that would require the need to lower the levels of the

guaranteed rates on the new contracts, will promptly inform the administrative body of the INSURANCE UNDERTAKING.

Article 62 – Technical report on the tariff.

1. With the determination of each new tariff, the appointed actuary prepares the technical report on the tariff, in which he/she outlines:

a) the TECHNICAL BASES and the methods used by the INSURANCE UNDERTAKING for the determination of the tariff, and specifies the type of data used, regardless of whether it is inferred from the experience of the company or from some data external to the INSURANCE UNDERTAKING;
b) its assessment on the consistency of the TARIFF PREMIUMS with the commitments assumed vis-a-vis the insured and the costs applicable to the contract;
c) his/her opinion on the tariff.

If the appointed actuary expresses a negative opinion on the assumptions adopted by the INSURANCE UNDERTAKING for the determination of a tariff, he/she promptly informs the CENTRAL BANK transmitting a copy of the technical report.

2. The technical report on the tariff is prepared and submitted by the appointed actuary, in compliance with the format referred to in Attachment D to this Regulation and reports, as an attachment, any other detailed information necessary for the determination of the tariff.

3. The INSURANCE UNDERTAKING must keep the technical reports on the tariffs.

Chapter V
Technical reserves

Article 63 – General principles of the technical reserves of the branches of life insurance business.

1. The INSURANCE UNDERTAKING must create technical reserves, including mathematical reserves and the reserves for future expenses referred to in article 66, sufficient to guarantee the obligations assumed and future expenses.

2. For the contracts implying a PROFIT SHARING, other than those considered in article 64, paragraph 1, letter a), the INSURANCE UNDERTAKING creates technical reserves for profit sharing taking into account, implicitly or explicitly, any future PROFIT SHARING consistently with the other assumptions on future developments and according to the PROFIT SHARING criterion known at the time of the assessment.

3. In addition to the reserves referred to in paragraphs 1 and 2, the INSURANCE UNDERTAKING creates a technical reserves for payable amounts required to cover for the payment of annuities and capital accrued, and a technical reserve for supplementary insurances.

4. The INSURANCE UNDERTAKING creates the technical reserves, gross of reinsurance cessions.

5. The technical reserve related to each contract must in no event be for less than the corresponding redemption amount.

6. The INSURANCE UNDERTAKING is not allowed to create negative technical reserves for any of the components of the reserves referred to in paragraphs 1, 2 and 3.

7. As regards to the obligations assumed by the secondary offices located abroad, the INSURANCE UNDERTAKING creates the technical reserves provided for in the laws and regulations of such countries. The CENTRAL BANK verifies that the financial statements of the INSURANCE UNDERTAKING include sufficient assets to cover such reserves.

Article 64 – Principles for calculating the technical reserves.

1. The INSURANCE UNDERTAKING calculates the technical reserves with a prospective actuarial method sufficiently prudent that, in compliance with the conditions set for each existing contract, takes into account all futures obligations, including:

a) all guaranteed benefits, including the guaranteed redemption values and any future PROFIT SHARING of any kind whatsoever contractually guaranteed;
b) the PROFIT SHARING to which the insured is individually or collectively entitled;
c) all options the insured is entitled to pursuant to the terms of the contract;
d) the future expenses of the INSURANCE UNDERTAKING, including commissions.

In the event that the INSURANCE UNDERTAKING, as regards to multi-year contracts that provide for the payment of periodic premiums, pays in advance any acquisition commission at the moment of the execution of the contract, in the determination of the mathematical reserves it is possible to take into account the cost incurred for the acquisition of the contract by increasing future PURE PREMIUMS to be considered for the purposes of the calculation of the mathematical reserves of the rate related to the acquisition costs (the so called "zillmerising"). The maximum value of such rate is set at 70 percent of the first TARIFF RATE for the periods of the premium payment equal to, or in excess of, 10 years. For periods of less than 10 years such rate shall be proportionally reduced. In the event that the INSURANCE UNDERTAKING uses such method for the calculation of the mathematical reserves, the contractual calculation procedures for the redemption value must be consistent with the provisions of article 63, paragraph 5.

2. The INSURANCE UNDERTAKING creates the technical reserves separately for each contract. In any case, it is possible to use reasonable estimates or generalisations, when the INSURANCE UNDERTAKING has reasons to believe that they will obtain substantially the same results as the calculation made for every individual contract. The principle of the individual calculation does not prevent the creation of additional reserves for general risks.

3. The INSURANCE UNDERTAKING may adopt a retrospective method if such method determines reserves for no less than those resulting from the adoption of a prospective method sufficiently prudent according to the provisions of paragraph 1, or if it is not possible to apply a prospective method because of the type of contract to which the reserve is related.

4. The INSURANCE UNDERTAKING may adopt, for the calculation of the overall reserve of the contract, a method that uses implied assessments for one or more of the components, provided the method adopted does not lead to the creation of an overall reserve lower than the one that would be obtained by calculating the reserves of the individual components separately.

5. The method adopted by the INSURANCE UNDERTAKING should not change in an irregular or discretional manner during the individual years, since it should be able to generate the PROFIT SHARING in an adequate manner during the entire life time of the contract.

6. The assessment method selected by the INSURANCE COMPANY must be conservative also in consideration of the assessment criteria of the assets intended to be used as cover. Conservative assessment does not mean an assessment made based on assumptions deemed as more likely, but an assessment that takes also into account a reasonable margin for adverse changes in the elements considered.

Article 65 – TECHNICAL BASES for the calculation of the technical reserves.

1. The INSURANCE UNDERTAKING identifies the TECHNICAL BASES for a conservative assessment of the reserves based on the assumptions considered more likely and on a reasonable margin for adverse changes in the elements taken into account.

2. The CENTRAL BANK may impose to the INSURANCE UNDERTAKING the implementation of the technical reserves, also by means of the adoption of more conservative TECHNICAL BASES, if there are grounds supporting such strengthening in light of the comparison referred to in paragraph 6, or of other elements.

3. The INSURANCE UNDERTAKING defines the interest rate to be adopted in the assessment of the technical reserves of the existing contracts based on prudential criteria. The relevant value shall in no event exceed the value of the corresponding TMG in force established pursuant to the provisions referred to in Chapters II and III of this Title.

4. As a derogation to the principle outlined in paragraph 3, without prejudice to the provisions of article 63, paragraph 5, the CENTRAL BANK may allow, in exceptional circumstances and for a period of time that will be set by the latter, which shall in no event exceed twenty four months, the INSURANCE UNDERTAKING to adopt, in calculating the technical reserves, an interest rate higher than the one previously applied, in the event where an increase in the interest rate curve would generate significant capital losses in the financial assets, and provided that the subsequent decrease in the technical reserves does not exceed the amount of the capital losses recognised during the year for the assets representative of such reserves.

5. The INSURANCE UNDERTAKING selects the statistical elements related to the insured events, and in particular the mortality, invalidity and morbidity tables, according to prudential criteria and based on sufficiently wide measurements referred to its own experience as well as to external data.

6. The INSURANCE UNDERTAKING periodically compares the TECHNICAL BASES, other than the interest rate, used in calculating the technical reserves, to the results of the direct experience on its own portfolio. The results of such analysis must be filed, upon specific request, with the CENTRAL BANK.

Article 66 – Mathematical reserve and reserve for future expenses.

1. The INSURANCE UNDERTAKING calculates the mathematical reserves by taking into account the obligations assumed vis-à-vis the insured as well as the TARIFF PREMIUMS net of the APPLICABLE CHARGES. However, if the INSURANCE UNDERTAKING takes the cost incurred for the acquisition of the contract into account, it is possible to increase the future PURE PREMIUMS to be considered for the purposes of calculating the mathematical reserves of the rate related to the acquisition costs, according to the limits specified in paragraph 1 of article 64.

2. Within the mathematical reserves referred to in paragraph 1, the INSURANCE UNDERTAKING also creates the reserve for health and professional additional premiums that may in no event be less than the amount of the additional premiums of the financial year.

3. The INSURANCE UNDERTAKING, based on conservative assessments, calculates the reserve for the future expenses referred to in article 64, paragraph 1, letter d), as the current value of the positive balances between administrative expenses increased by the commissions that are expected to be incurred, and the APPLICABLE CHARGES included in future premiums to be collected (if any).

4. For the contracts with periodic premiums, the INSURANCE UNDERTAKING in calculating the reserves for future expenses referred to in paragraph 3, takes into account also the portion of the APPLICABLE CHARGES, pertinence of the following financial year, related to the last premium recognised prior to the assessment date.

5. The INSURANCE UNDERTAKING may create the reserve for future expenses in an implicit manner, by calculating the overall reserve as the difference between the current value of the obligations assumed vis-à-vis the insureds and the current value of future premiums net of the expenses that it expects will be incurred. In any case, the overall reserve must satisfy the requirement provided for in article 63, paragraph 5.

6. For the assessment of future expenses, the INSURANCE UNDERTAKING forecasts realistic and prudential scenarios and applies appropriate methods for the allocation of the expenses to the different contracts.

Chapter VI
Regulation on the technical reserves of the contracts the assets of which are valued at the acquisition price

Article 67 – General principles on the technical reserves of the contracts the assets of which are valued at the acquisition price.

1. Notwithstanding the actuarial principles and the application rules provided for in Chapter V, in the event that the INSURANCE UNDERTAKING assesses the assets representing the reserves according to the criterion of the acquisition price, for the purposes of the provisions of article 64, paragraph 6, it is considered to be a sufficiently prudent assessment the assessment of the technical reserves made according to the prospective actuarial method which, in considering the benefits specified in article 64, paragraph 1, uses the same TECHNICAL BASES that have been adopted, in compliance with the provisions in force, to calculate the premium, and, thus, does not take into account any future PROFIT SHARING.

2. The methodology referred to in paragraph 1 is not applicable in the event that, in determining the prices, the economic and financial situation of the INSURANCE UNDERTAKING is taken into account.

Article 68 – Reserves for future expenses of the contracts the assets of which are valued at the acquisition price.

1. The INSURANCE UNDERTAKING, which assesses the technical reserves according to the procedures defined in article 67, paragraph 1, determines the reserve for future expenses according to the criteria

referred to in article 66, in the event that the administrative expenses and the commissions to be paid correspond to the APPLICABLE CHARGES envisaged in the tariff, also taking into account the provisions of article 70.

Article 69 – Additional reserves for financial risk.

1. The INSURANCE UNDERTAKING assesses the need to create an additional reserve for financial risk for the contracts with re-evaluated benefits linked to INTERNAL SEGREGATED FUNDS, for the CONTRACTS COVERED BY A SPECIFIC ASSET PROVISION and for the contracts the benefits of which, although not being linked to the results of an INTERNAL SEGREGATED FUND, provide for a guaranteed return payable by the INSURANCE UNDERTAKING itself.

2. The INSURANCE UNDERTAKING is required to assess the need to supplement the technical reserves determined pursuant to article 67, paragraph 1, through the creation of an additional reserve for guaranteed interest rate risk, in the event that the TMG in force, established pursuant to article 57, is lower than the commitments assumed in the contracts in term of interest rate and the actual or expected return on the assets representing the relevant reserves is lower than such commitment.

3. The creation of the additional reserve for guaranteed interest rate risk is equally required in the event that the actual or expected return on the assets representing the mathematical reserves is lower than the commitment assumed on the contracts.

4. The INSURANCE UNDERTAKING, for the CONTRACTS COVERED BY A SPECIFIC ASSET PROVISION, creates the additional reserve for the guaranteed interest rate risk upon occurrence of the condition envisaged in paragraph 3. Within the context of the assessment, the INSURANCE UNDERTAKING verifies whether the assets originally used to cover the technical reserves are still held in the portfolio and the issuers are still solvents, that the rating assigned to the assets is not deteriorated and that, in any case, it is not below a level considered as prudent by the financial market, that any coupons due are reinvested at an interest rate of no less than the TMG referred to in article 57, as determined at the time when the contracts were issued.

5. For the purpose of determining the additional reserve for the guaranteed interest rate risk, the INSURANCE UNDERTAKING determines the actual and expected return in compliance with the provisions referred to in Chapter I of Attachment E, and applies the calculation principles and methods referred to in Chapter II of Attachment E.

Article 70 – Additional reserves other than reserves for financial risk.

1. Upon the occurrence of an unfavourable deviation of the TECHNICAL BASES based on the comparison provided for in article 65, paragraph 6, the INSURANCE UNDERTAKING creates an additional reserve different from those for the financial risk referred to in article 69, in the event that the overall level of the reserve, taking also into account the FINANCIAL BASIS adopted, no longer satisfies the prudential criteria.

2. The INSURANCE UNDERTAKING, in the event that it created an additional reserve for expenses, keeps the results of the analysis performed on the administrative expenses and the commissions that it expects will incur and that originated the reserve itself.

Article 71 – Additional reserves for demographic risk.

1. For the annuity insurance contracts and for the capital contracts with a contractually defined ratio for the conversion in annuity, the INSURANCE UNDERTAKING, in compliance with the provisions of article 70, supplements the mathematical reserves through the creation of an additional reserve for demographic risk, if an unfavourable deviation occurs in the DEMOGRAPHIC BASES used for the calculation of the mathematical reserves compared with results of the direct experience on the portfolio.

2. The INSURANCE UNDERTAKING is required to assess the need to create an additional reserve for demographic risk also with reference to the possible general evolution of life expectations, taking into account how such phenomenon affects its portfolio.

Chapter VII

Specific regulation on technical reserves of unit and index linked contracts, of dedicated contracts and of the contracts included in branch VI of insurance business

Article 72 – Principles for calculating the technical reserves of the UNIT LINKED CONTRACTS and of the contracts included in branch VI of the insurance business.

1. For the UNIT LINKED CONTRACTS and for the contracts included in branch VI of the insurance business referred to in article 5, the INSURANCE UNDERTAKING complies with the actuarial principles and with the application rules envisaged in Chapter V, except for the provisions concerning the limits on the interest rate, referred to in article 65, paragraph 3. For these contracts, the provisions related to the mathematical reserves set forth in Chapter V apply with reference to the technical reserves.

2. The technical reserves of the UNIT LINKED CONTRACTS and of the contracts of branch VI referred to in article 5 are represented, with the best possible approximation, by the value of the units of CIUS or by the value of the assets included in an INTERNAL FUND.

Article 73 – Principle for calculating the technical reserves of INDEX LINKED CONTRACTS.

1. For the INDEX LINKED CONTRACTS the INSURANCE UNDERTAKING complies with the actuarial principles and the application rules envisaged in Chapter V, except for the provisions concerning the limits on the interest rate, referred to in article 65, paragraph 3. For these contracts, the provisions related to the mathematical reserves set forth in Chapter V apply with reference to the technical reserves.

2. The technical reserves of the INDEX LINKED CONTRACTS are represented, with the best possible approximation, by the benchmark or by assets characterised by an adequate security and negotiability that correspond as much as possible to those on which the specific benchmark is based.

Article 74 – Principles for calculating the technical reserves of DEDICATED CONTRACTS.

1. For the DEDICATED CONTRACTS the INSURANCE UNDERTAKING complies with the actuarial principles and with the application rules envisaged in Chapter V of this Title, except for the provisions concerning the limits on the interest rate, referred to in article 65, paragraph 3. For these contracts, the provisions related to the mathematical reserves set forth in Chapter V of this Title are applicable with reference to the technical reserves.

2. The technical reserves of the DEDICATED CONTRACTS are represented, with the best possible approximation, by the value of the assets contained in a DEDICATED INTERNAL FUND.

Article 75 – Additional reserve of the UNIT and INDEX LINKED CONTRACTS, of DEDICATED CONTRACTS and of contracts included in branch VI of insurance business.

1. As regards to the contracts referred to in articles 72 and 73, the INSURANCE UNDERTAKING assesses the need to create an additional reserve in the event that the benefits contractually envisaged include a guarantee for the result of the investment or any other benefit guaranteed directly by the INSURANCE UNDERTAKING.

2. For the contracts referred to in articles 72, 73 and 74, the INSURANCE UNDERTAKING creates additional reserves to hedge mortality risk, expenses or other risks, such as the benefits guaranteed at maturity, the guaranteed redemption values and the risk factors connected to the nature of the financial instrument used.

3. For the purposes of the assessment of the risks referred to in paragraphs 1 and 2, the INSURANCE UNDERTAKING adopts appropriate estimation models suitable for the types of guarantees offered, taking also into account the funding methods envisaged when determining the tariffs.

Chapter VIII

Fulfilments of the appointed actuary as regards to the technical reserves

Article 76 – Assessment of the technical reserves.

1. The assessment of the sufficiency of the technical reserves is the responsibility of the actuary, if appointed pursuant to article 51, who exercises his/her control function on an ongoing basis in order to promptly allow the INSURANCE UNDERTAKING to take the necessary actions. For this purpose, the actuary is required to immediately inform the administrative bodies of the INSURANCE UNDERTAKING whenever he/she detects the existence of conditions that would prevent, in that moment, the expression of an opinion of complete sufficiency of the technical reserves based on the principles applicable for the technical report referred to in article 78 below. The INSURANCE UNDERTAKING, if it is not able to remove the causes behind the objection, or if it does not agree with such objection, must notify the CENTRAL BANK not later than thirty days after the objection is reported.

Article 77 – Functions of the appointed actuary as regards to the technical reserves.

1. The appointed actuary verifies that the technical reserves are assessed in compliance with the provisions of this Regulation.

2. The appointed actuary performs, on permanent basis, the functions related to the monitoring of the technical reserves. For this purpose, the appointed actuary repeats during the year the checks on the technical reserves, also through synthetic assessment methods. If the appointed actuary, in the performance of his/her control functions, detects any violation of the rules by the INSURANCE UNDERTAKING, he/she will promptly inform the CENTRAL BANK providing a detailed note of the breach detected.

3. For the contracts referred to in articles 72, 73 and 74, the appointed actuary verifies that the type and composition of the assets used as cover for the technical reserves are based on prudential criteria and that they are consistent with the nature, average duration and level of the commitments assumed by the INSURANCE UNDERTAKING.

4. The appointed actuary periodically reviews the results of the comparison referred to in article 65, paragraph 6. Such review is also extended to the APPLICABLE CHARGES of the premiums and to the actual amounts of administration expenses and commissions to be paid by the INSURANCE UNDERTAKING.

Article 78 – Technical report for the financial statements.

1. In the technical report to be attached to the financial statements of the INSURANCE UNDERTAKING the appointed actuary:

a) analytically describes the procedures followed and the assessments made, with reference to the TECHNICAL BASES adopted. for the calculation of the technical reserves, specifically evidencing any implicit assessments and the relevant reasons thereof;
b) certifies the correctness of the procedures followed;
c) reports on the controls made on the procedures used for the calculation of the reserves and for the correct accounting of the portfolio;
d) expresses an opinion on the adequacy of all technical reserves, including the additional reserves (if any), recognised in the financial statements.

If the appointed actuary believes that he/she should not issue any certification of adequacy for the technical reserves, he/she will promptly inform the CENTRAL BANK transmitting a copy of the technical report together with the specific reasons.

2. The appointed actuary prepares the report for the financial statements referred to in paragraph 1, with reference to the technical reserves of the portfolio of existing contracts, according to the formats supplied with a specific measure of the CENTRAL BANK.

Article 79 – Technical report on current and expected return.

1. The appointed actuary signs the report referred to in article 9 of the Attachment E, in which he/she reports any observation, as regards to the method and the merit, on the estimate of actual and expected returns referred to in Chapter I of Attachment E and specifies any prudential margins deemed necessary, in the use of such estimates, for the purposes of the determination of the additional reserve for guaranteed interest rate risk.

Article 80 – Checks on current and expected return.

1. The appointed actuary verifies that the INSURANCE UNDERTAKING has adopted adequate procedures for the calculation of actual and expected rates of return referred to in article 69, paragraph 5 and that the INSURANCE UNDERTAKING has correctly taken into account all of the elements referred to in article 7, paragraph 2 of Attachment E, as well as any other aspect deemed significant in connection with the peculiarities of the portfolio of the INSURANCE UNDERTAKING, that might affect the determination of the flows of the liabilities.

2. The appointed actuary verifies that the interest structures used in calculating actual and expected returns are consistent with the portfolio of liabilities.

Article 81 – Checks on solvency margin.

1. The appointed actuary verifies whether the items of a technical nature, necessary for the calculation of the solvency margin are determined according to the rules contained in this Regulation and signs the statement evidencing the solvency margin referred to in article 102.

Chapter IX
Assets used to cover technical reserves

Article 82 – Coverage of technical reserves.

1. The technical reserves of the branches of the life insurance business are covered with assets property of the INSURANCE UNDERTAKING. In selecting the assets, the INSURANCE UNDERTAKING takes into account the type of risks and the obligations assumed and the need that the security, profitability and liquidity of the investments be guaranteed, through an adequate diversification of such assets.

2. The INSURANCE UNDERTAKING may cover the technical reserves only with the categories of assets identified in articles 84 and 87, in compliance with the limits provided for in the regulations. Without prejudice to the principles referred to in paragraph 1, in exceptional circumstances and upon grounded request from the INSURANCE UNDERTAKING, the CENTRAL BANK may authorise, on a temporary basis, the investment in categories of assets to be used to cover the technical reserves different from those generally provided.

3. The CENTRAL BANK, if it detects that for one or more assets the rules outlined in paragraph 2 have not been complied with, notifies the INSURANCE UNDERTAKING of the fact that such assets are not qualified to be used, in whole or in part, as coverage for the technical reserves.

4. In the case of assets used as coverage and that represent an investment in a subsidiary that, on behalf of the INSURANCE COMPANY, manages, in whole or in part, the investments thereof, the CENTRAL BANK, in verifying the correct application of the regulations and principles outlined in this article, takes into account the assets held by the subsidiary.

5. The INSURANCE UNDERTAKING must keep the register referred to in article 43, paragraph 1, letter a) which gives evidence of the assets used to cover the technical reserves of the branches of the life insurance business. In any moment, the amount of the assets registered must be, taking into account the records of the movements, at least equal to the amount of technical reserves.

6. The assets used to cover the technical reserves and included in the register are exclusively dedicated to the fulfilment of the obligations assumed by the INSURANCE UNDERTAKING with the contracts to which

such reserves refer. The assets referred to in this paragraph represent a capital separated from the other assets held by the INSURANCE UNDERTAKING and not recorded in the register.

7. The INSURANCE UNDERTAKING notifies the CENTRAL BANK, according to the procedures that will be defined through a separate measure, the situation of the assets as resulting from the register. The procedures for keeping such register and the contents thereof are outlined in Attachment B.

8. The INSURANCE UNDERTAKINGS must attach to the financial statements for the period a specific statement containing the indication of the assets allocated, at the end of the financial year, to cover the technical reserves.

Article 83 – Localisation of the assets used to cover technical reserves.

1. Financial instruments and liquidity included amongst the assets used to cover technical reserves must be deposited with one or more banks qualified under the LISF and the Regulation of the CENTRAL BANK no. 2007-07, or, subject to the prior authorisation of the CENTRAL BANK, with foreign banks or other entities qualified to carry out the activity of deposit of financial instruments for the account of third parties and subject to adequate forms of prudential supervision. The INSURANCE UNDERTAKING must place the other assets used to cover the technical reserves within the territory of the Republic of San Marino or, subject to the prior authorisation from the CENTRAL BANK, in one or more foreign countries. In releasing the authorisations provided for in this article, the CENTRAL BANK assesses whether any restrictions or prejudices exist to the prompt availability of the assets for the INSURANCE UNDERTAKING.

2. As a derogation to the provisions of paragraph 1, the localisation of the receivables from reinsurers, used to cover the technical reserves, is unrestricted, without prejudice to the provisions of article 103.

3. The financial instruments and the liquidity related to each DEDICATED FUND must be entrusted to one single bank, as provided for in paragraph 1, which must use one single account open in the name of the INSURANCE UNDERTAKING with the indication of the DEDICATED CONTRACT to which it refers.

Article 84 – Category of assets eligible to be used to cover technical reserves.

1. The INSURANCE UNDERTAKINGS may cover the technical reserves only with the following assets:

a) LISTED FINANCIAL INSTRUMENTS referred to in Attachment 2, letters a), b) and d), of the LISF;
b) unlisted financial instruments referred to in Attachment 2, letters a), b) and d) of the LISF within an aggregate limit of 10 percent of the total gross amount of the assets used as cover considered in their entirety;
c) units of CIUS UCITS;

d) bank deposits with banks in San Marino or with their registered office on one of the Member States of the European Union or belonging to the "Group of ten" (G-10), within the limit of 20 percent of the total gross amount of the assets used as cover, considered in their entirety, provide that such deposits:
    1) do not have a maturity of more than twelve months;
    2) may be repaid on demand or with a prior notice of less than fifteen days.
e) repurchase agreements, with mandatory buy-back and obligation to deposit the securities with a bank, within the aggregate limit of 20 percent of the total gross amount of the assets used as cover considered in their entirety;
f) land and buildings, for the unencumbered portion, within the aggregate limit of 30 percent of the total gross amount of the assets used as cover considered in their entirety;
g) receivables, subject to the prior deduction of any amount payable to the debtor:
    1) from reinsurers, including the portions of technical reserves to be borne by them, duly documented, up to 90 percent of their amount;
    2) from insureds and intermediaries, provided they actually became due and payable less than three months before;
    3) from insureds, resulting from loans backed by the policy;
    4) from the State (tax credits), where definitively assessed;
h) other assets:
    1) tangible fixed assets, instrumental to the business of the INSURANCE UNDERTAKING, other than land and buildings, within the limit of 30 percent of their book value adjusted for the relevant sinking fund;
    2) tangible fixed assets, non-instrumental to the business of the INSURANCE UNDERTAKING, other than land and buildings, duly documented, within the limit of 10 percent of their book value;
    3) acquisition commissions to be amortised, within the limit of 90 percent of their amount and if the INSURANCE UNDERTAKING has not availed itself of the zillmerising referred to in article 64, paragraph 1 for the determination of technical reserves.
    4) accrued revenues for interest on securities eligible to be used to cover technical reserves; accrued revenues for rents within the limit of 30 percent of their amount.

2. The derivative instruments referred to in the Attachment 2, letters f), g), h), i) and j) of the LISF related to assets used to cover technical reserves may be used to the extent that they contribute to the reduction of the investment risk of the portfolio. The use of derivative instruments must meet the following essential requirements:

a) the setting of a strategy, through a specific resolution of the board of statutory auditors, related to the use of such instruments within the context of the overall management of the portfolio of

financial instruments. The resolution must in any case specify: the purposes pursued with the use of the derivative instruments, the operational procedures and the utilisation limits. The aforementioned resolution must also identify the tolerance level for the risks to which the positions in derivatives instruments and the overall portfolio are exposed, taking into account any existing correlations between such instruments and the assets/liabilities held, as well as the general economic, capital and financial situation, both current and expected, of the INSURANCE UNDERTAKING. The guidelines set in the resolution must be written and notified to anyone who operates in the derivative instruments area;

b) the clear delimitation of competences and responsibilities as regards to the management of transactions in derivative financial instruments and the related risks;

c) the existence of an adequate system for the measurement and management of the risks to which the portfolio is exposed, taking into account the liabilities held. Specifically, periodic sensitivity analyses must be carried out for the purpose of verifying the sensitivity of the portfolio in case of changes to the key market variables and reliability of the hedging techniques. additionally, the competent administrative body must be informed, at regular intervals set based on the complexity of the management of the portfolio, about the overall exposure to derivative instruments and the individual exposures for a considerable amount, taking into account any correlation with the other financial instruments in the portfolio;

d) the adoption of an adequate system of daily registrations that would allow the ongoing measurement of the positions;

e) the existence of an adequate internal auditing system that would allow to verify the consistency between the transactions made and the pre-set strategy. For this purpose, it is essential that an accurate, exhaustive and prompt flow of information be implemented towards the top management;

f) the independence of the persons responsible for controlling the use of the derivative instruments from the persons in charge of the financial function.

These instruments must be assessed in a conservative way and may be taken into account in assessing the underlying assets.

3. The debt securities referred to in paragraph 1 and the counterparties of the transactions in derivative financial instruments must have a rating at least equal to "BB" or equivalent, assigned by at least one primary rating agency, provided that no other agency has assigned a lower rating. Investments in assets with a rating lower than "BB", or not rated are allowed within the aggregate limit of 5 percent of the total gross amount of the assets used as cover considered in their entirety. This limit does not include the unlisted and not rated debt securities - issued by authorised parties in the Republic of San Marino within the scope of the exercise of the activity referred to in Letter A of Attachment 1 of the LISF - which are subject to a limit of 20 percent of the aggregate gross amount of the assets used as cover taken into

account in their entirety. The limits provided for in art. 87, paragraph 1, letter b), and the provisions of the 4th paragraph, letter a) below, remain unprejudiced.

4. In any case, for the coverage of the technical reserves, the following rules must be satisfied:

a) the financial instruments referred to in paragraph 1, letter b) are eligible as cover for the technical reserves only where they may be realised in the short term or if they are comprised of shareholdings in banks, insurance undertakings, Management Companies and investment undertakings with registered office in the Republic of San Marino or in a Member State of the European Union;
b) the receivables referred to in paragraph 1, letter g) are eligible as cover for the technical reserved for an amount that must be calculated in a conservative manner, taking into account the risk of non-realisation.

Article 85 – Valuation of capital assets.

1. The assets used as cover for the technical reserves are valued net of the debts assumed for the acquisition thereof and of any relevant adjustment.

2. The valuation of the assets used as cover for the technical reserves is made in a conservative manner, taking into account the risk of non-realisation.

3. The CENTRAL BANK may determine, by means of specific instructions, the provisions related to the valuation criteria of capital assets, also with reference to the peculiarities of the individual contractual types.

Article 86 – Rules on consistency.

1. When the insurance guarantee is expressed in a specified currency, the liability of the INSURANCE UNDERTAKING is considered as payable in such currency.

2. When the insurance guarantee is not expressed in a specified currency, the liability of the INSURANCE UNDERTAKING is considered as payable in Euro.

3. The INSURANCE UNDERTAKING takes care of the coverage of the technical reserves in compliance with the consistency principle. IT IS possible, however, to disregard this principle:

a) if, by applying it, it appears that the INSURANCE UNDERTAKING should have assets expressed in a specified currency for an amount not exceeding 7 percent of the assets expressed in other currencies;

b) in case of use of derivative instruments eligible for hedging foreign exchange risk, in compliance with the limits and conditions set forth in paragraph 2 of article 84.

Article 87 – Concentration limits.

1. Each INSURANCE UNDERTAKING must invest in the eligible assets referred to in article 84 according to the following concentration limits determined with reference to the total gross amount of the assets used as cover taken into account in their entirety:

a) 10 percent in a single land or building or in several lands or buildings referred to in article 84, paragraph 1, letter f), even if held through real estate companies, when, due to the features of their location, they may be considered as a single investment;;

b) 10 percent of the assets considered in aggregate referred to in article 84, paragraph 1, letters a), b), c) of the same issuers, provided that, in case of shares, the nominal value of the investment does not exceed 20 percent of the share capital of the issuer. These limits are not applicable to the debt securities issued or guaranteed by the Republic of San Marino or by the States of the Zone A, as specified in the Community Directive no. 89/647/EEC as subsequently amended and supplemented, or issued by local entities or public entities of Member States of the European Union or by international organisations of which one or more of such States are members.

2. Without prejudice to the provisions of paragraph 1, the CENTRAL BANK may establish, by means of specific instructions, more detailed provisions on the maximum investment limits for individual classes of assets, as well as on the criteria for investing in such assets.

Chapter X
Regulation on the contracts with benefits subject to revaluation of branches I or V-b) of the insurance business, linked to an internal segregated fund

Article 88 – Contracts with benefits subject to revaluation linked to INTERNAL SEGREGATED FUNDS.

1. For the creation of an INTERNAL SEGREGATED FUND a regulation must be prepared containing at least the following minimum information:

a) a description of the objectives of the INTERNAL SEGREGATED FUND;

b) the types of assets in which the resources intended for the INTERNAL SEGREGATED FUND are to be invested;

c) the methods to calculate the return of the INTERNAL SEGREGATED FUND which must comply with the provisions of article 89 below.

2. The regulation forms an integral part of the POLICY TERMS AND CONDITIONS; a copy of such regulation must be delivered to the contracting party together with the pre-contractual information and

the CONTRACTUAL TERMS AND CONDITIONS at the moment of the execution of the proposal.

3. The regulations of the INTERNAL SEGREGATED FUNDS are subject to the prior approval of the CENTRAL BANK. Within 30 days from the date of receipt of the application, the CENTRAL BANK, having assessed the compliance of the text of the regulation with the provisions of this article, issues a decision for the acceptance or rejection thereof.

4. The INSURANCE UNDERTAKING that enters into insurance contracts linked to INTERNAL SEGREGATED FUNDS must comply with the following requirements for each INTERNAL SEGREGATED FUND:

a) keeping a register of the SEGREGATED FUND that may be formed also by using electronic media in which the daily transactions of entry and exit of the assets from the fund must be recorded, together with the relevant income and expenses and, at the end of each quarter, a summary of the assets comprising such fund, the aggregate amount of which must not be less than the amount of corresponding technical reserves, which may also be determined on a lump sum basis;
b) within thirty days from the end of each quarter, preparation of a statement of the composition of the INTERNAL SEGREGATED FUND, compared with that of the previous month;
c) preparation of the annual report on the INTERNAL SEGREGATED FUND specifying the average rate of return used and the rate of retrocession set for that financial year. For the funds that have multiple diversified maturities during the year, the report is that of the last month of the calendar year. This report shall be prepared, dated and signed by the representative of the company within sixty days from the end of the financial year and kept with the INSURANCE UNDERTAKING.

5. The annual report must be certified by an auditing company. The auditing company shall express, by means of a specific report, an opinion on the correct valuation of the assets allocated to the fund at the beginning and at the end of the financial year, the correct determination of the returns according to the procedures provided for in the regulation of the SEGREGATED FUND, the adequacy of the assets compared with the commitments assumed based on the mathematical reserves. Such report on operations, together with the opinion expressed by the auditing company, must be transmitted to theCENTRAL BANK.

6. A summary of the annual report must be published on at least one newspaper.

Article 89 – Valuation of the assets and calculation of the return on the INTERNAL SEGREGATED FUND.

1. In the event that the assets are comprised of newly acquired items, the value at which they are credited to the INTERNAL SEGREGATED FUNDS is represented by the purchase price. If the INTERNAL SEGREGATED FUND is also comprised of existing assets property of the INSURANCE UNDERTAKING, the

value to be assigned to such assets corresponds to the market value as at the moment in which it is credited to the INTERNAL SEGREGATED FUND.

2. Capital gains must be taken into consideration for the purpose of determining the return on the INTERNAL SEGREGATED FUND only if realised, and any capital losses must be taken into consideration if actually suffered. The recognition in the financial statements of capital gains and losses has no impact on the calculation of the return, since they are adjustment in the value evidenced in the financial statements but not realised yet. This different valuation shall, instead, be taken into account for the determination of the minimum amount of the assets that must comprise the INTERNAL SEGREGATED FUND, notwithstanding that their withdrawal may be made only for realisation purposes.

3. The calculation of the return on the assets comprising the INTERNAL SEGREGATED FUND shall be made with reference to the market values as at the moment of the entry, that for such purpose remain unchanged until the realisation (if any). The return shall be calculated net of any actual expenses incurred for the purchase and sale of the items and for the certification activity.

Chapter XI

Specific regulation on unit and index linked contracts, of dedicated contracts and of the contracts included in branch VI of insurance business

Article 90 – Contracts directly linked to indices, units of CIUs or to DEDICATED FUNDS.

1. May be included only in the branches III-a), III-b) and V-a) of insurance business referred to in article 5, the contracts the benefits of which are directly linked:

a) to the value of the units of a CIU or to the value of assets included in an INTERNAL FUND held by the INSURANCE UNDERTAKING (UNIT LINKED contracts);
b) to an index or to another benchmark other than those referred to in paragraph 1 (INDEX LINKED CONTRACTS);
c) to the value of assets included in a DEDICATED INTERNAL FUND (DEDICATED CONTRACTS).

2. The technical reserves of the contracts referred to in paragraph 1 are subject to the rules provided for in Chapter VII above.

3. Article 82, paragraph 1, second sentence, the provisions concerning the eligible assets referred to in article 84 and the provisions on the concentration limits referred to in article 87 do not apply to the assets held for the purpose of covering any liabilities which are strictly linked to the benefits outlined in paragraph 1. Any reference to the technical reserves referred to in article 84 is actually intended as a reference to the technical reserves except for such liabilities. The provisions related to the consistency

rules referred to in article 86 do not apply to the liabilities resulting from the contracts outlined in this article.

4. If the benefits provided for in the contracts referred to in paragraph 1 include a guarantee for the result of an investment or any other guaranteed benefit, the corresponding assets used as cover of the additional technical reserves are subject to the provisions of articles 82, 84 and 87.

5. As a derogation to the provisions of paragraph 4, upon specific request from the INSURANCE UNDERTAKING, the CENTRAL BANK may authorise the use of derivative financial instruments to cover the additional reserves for specific categories of UNIT LINKED CONTRACTS that provide for the release of guarantees on the result of the investment or on any other benefit provided by third parties. The authorisation of the CENTRAL BANK is, in any case, subject to the condition that the derivatives must be issued or guaranteed only by entities belonging to Countries of Zone A as identified in the Community Directive no. 89/647/EEC or by the Republic of San Marino, to which a rating equal to "A-" or equivalent must have been assigned by at least one primary rating agency, based on the rating classes assigned to medium-long term investments.

Article 91 – Contracts directly linked to indices or other benchmarks (*index linked*).

1. Sub-branch III-a) of insurance business includes the contracts the insurance benefits of which are directly linked to the value of one or more specific assets held by the INSURANCE UNDERTAKING and where there is an investment risk to which the INSURANCE UNDERTAKING is exposed, intended, in general, as the risk that the assets would not generate a sufficient return or would not maintain a value that would allow the INSURANCE UNDERTAKING to satisfy the contractual liability assumed vis-à-vis the contracting party. The investment profile may be structured, for the contracts directly linked to indexes or other benchmarks, in three profiles:

a) "performance" risk, resulting from the release to the contracting party of a minimum guarantee of preservation of capital or interest: it is the risk that the value of the assets intended to cover the technical reserves might not be sufficient to allow the preservation or the appreciation of the capital up to the minimum amount guaranteed;
b) "basic" risk, resulting from the release to the contracting party of a guarantee of capital adjustment based on the performance of an index or of another benchmark: it is the risk that the assets intended to be used as cover do not allow to replicate the performance of the index or other benchmark and, thus, to cover the variable insurance benefits based on such performance;
c) "counterparty" risk, connected to the quality of the issuer or of the counterparty of the financial instruments, including derivative instruments, intended to cover the technical reserves of the contracts in question: it is the risk that the issuer or the counterparty might not fulfil their contractual obligations.

2. The sub-branch III-b) of insurance business includes the insurance benefits that are directly linked to the value of one or more specific assets held by the INSURANCE UNDERTAKING (such as a share or a bond or a structured asset that represents the "benchmark") and where the three risk profiles do not apply to the INSURANCE UNDERTAKING. This circumstance occurs when, based on the CONTRACTUAL TERMS AND CONDITIONS, the INSURANCE UNDERTAKING does not offer any minimum guarantee (absence of any "performance risk"), any depreciation of the value of the reference asset directly determines a corresponding reduction of the insurance benefits (absence of any "basic risk"), the loss of value of the reference asset resulting from the insolvency of the issuer directly affects the insured (absence of any "counterparty risk").

3. The benefits may be linked to indices or other assets structured on LISTED FINANCIAL INSTRUMENTS referred to in Attachment 2 of the LISF. A "benchmark" for the benefits provided for in the contract may also be a structured security, comprised of the combination of a bond and a derivative. IT IS possible to take as benchmarks any indices based on the performance of CIUS, as well as derivative financial instruments, whether embedded or not in structured instruments, the underlying assets of which are CIUS and the related indices, provided that the CIUS of reference comply with the discipline referred to in the articles below. However, the benefits may not be linked to indices or other benchmarks that are constructed or linked, directly or indirectly, to securities resulting from securitisation activities, even if carried out in a synthetic manner, or to credit derivatives.

4. The indexes or other benchmarks to which the benefits are linked must be calculated by third parties, independent from the INSURANCE UNDERTAKING and from the issuers of the financial instruments on which they are based, and must be published on newspapers with a frequency that must be consistent with the valorisation provided for in the policy.

5. The structured assets intended to cover the technical reserves must be issued or guaranteed only by entities belonging to Countries of Zone A as identified in the Community Directive no. 89/647/EEC or by the Republic of San Marino, to which a rating equal to "A-" or equivalent must have been assigned by at least one primary rating agency, based on the rating classes assigned to medium-long term investments.

6. If the system that regulates the quotation of the structured securities does not entail, as a matter of fact, a reliable updating of the values being quoted, the terms and conditions of issue of the structured asset or any additional arrangements with the issuer must provide for the issuer to determine, on fixed dates in line with the benefits provided for in the relevant policies and, in any case, at the end of each financial year and upon every request from the INSURANCE UNDERTAKING, the current value of the asset. The documentation related to the valuations must be kept by the INSURANCE UNDERTAKING at its registered

office.

7. Given that the structured assets must have maturities or characteristics of liquidity that would allow the INSURANCE UNDERTAKING to meet the commitments assumed vis-à-vis the insureds both upon maturity as well as during the life of the contract, the INSURANCE UNDERTAKING itself must enter into agreements with the issuer, or with another party in possession of the same requirements provided for the latter, such as to secure the right to sell the structured asset according to procedures that would allow to have the cash necessary to meet the aforementioned commitments, also during the life of the contract, with no need to use its own equity.

8. The CONTRACTUAL TERMS AND CONDITIONS must regulate the event that an amendment is required for one or more indices or benchmarks, or in case they are terminated. Similarly, the CONTRACTUAL TERMS AND CONDITIONS must regulate any event of suspension or non-measurement of the quotation of the indices or benchmarks as at the reference dates envisaged in the policy.

Article 92 – Contracts directly linked to the value of the units of an CIU or to the value of assets included in an INTERNAL FUND held by the INSURANCE UNDERTAKING (UNIT LINKED CONTRACTS).

1. The sub-branch III-a) includes the contracts for which the INSURANCE UNDERTAKING is exposed to an investment risk: these include the policies linked to INTERNAL FUNDS that provide for a financial guarantee of return or of preservation of the capital invested.

2. The sub-branch III-b) of the insurance business includes contracts for which the INSURANCE UNDERTAKING is not exposed to an investment risk: these include the policies linked to other INTERNAL FUNDS not belonging to the type referred to in paragraph 1, including the funds linked to contracts that, even though they offer a minimum guarantee in case of death, recognise to the insured, upon maturity or redemption, a benefit linked to the value of the units acquired.

3. The sub-branch III-b) of insurance business includes the policies directly linked to units of UCIS, the units of which must be held by the INSURANCE UNDERTAKING. This policies must contain a provision requiring that the CIUS be only of the open-end type, as defined in the Regulation of the CENTRAL BANK no. 2006-03, and that the rules for the diversification of the basket of CIUS be complied with:

a) the investment in units of one and the same CIU referred to in article 94, paragraph 2. letter d), may not exceed 30 percent of the aggregate value of the basket;
b) the investment in units of one and the same CIU referred to in article 94, paragraph 2. letter

g), may not exceed 20 percent of the aggregate value of the basket.

Additionally, the CONTRACTUAL TERMS AND CONDITIONS must specify:

a) the composition of the basket of CIUs and the method used for the determination of its value, that represents the benchmark for the insurance benefit;
b) the type of risk to which the basket may be exposed, the informations necessary for the identification of the benchmarks and the procedures to periodically notify the value reached by the basket.

4. For the creation of an INTERNAL FUND it is mandatory to prepare a regulation based on the provisions of article 93 below.

5. The regulation forms an integral part of the POLICY TERMS AND CONDITIONS; a copy of such regulation must be delivered to the contracting party together with the pre-contractual information and the CONTRACTUAL TERMS AND CONDITIONS at the moment of the execution of the proposal.

Article 93 – Regulation and mandatory documents of the insurance INTERNAL FUND.

1. The regulations of the insurance INTERNAL FUND are subject to the prior approval of the CENTRAL BANK. Within 30 days from the date of receipt of the application, the CENTRAL BANK, having assessed the compliance of the text of the regulation with the provisions currently in force, issues a decision for the acceptance or rejection thereof.

2. The regulation is comprised of the following four parts:

a) Part A (General Aspects);
b) Part B (Objectives and risk profile);
c) Part C (Investment characteristics and policy);
d) Part D (Management Expenses and Charges).

Each part of the regulation is divided in articles, progressively numbered, and contains, as a minimum, the issues specified in the paragraphs below.

3. Part A of the regulation contains, as a minimum, the elements specified below:

a) name of the INTERNAL FUND;
b) possibility to merge with other INTERNAL FUNDS of the INSURANCE UNDERTAKING, causes that may trigger the merger, operating procedures and effects for the insured. The merger may occur between INTERNAL FUNDS with similar features.

4. Part B of the regulation specifies:

a) the objectives of the INTERNAL FUND, clearly specifying the risk profiles to which the

INTERNAL FUND is exposed.

b) a benchmark that synthetically and consistently represents the risk-return profile of the INTERNAL FUND, to which the return on such fund must be compared. The benchmark must be created:
   1) with reference to market indices prepared by third parties and commonly used;
   2) consistently with the risks related to the investment policy of the INTERNAL FUND and with the types of assets eligible as cover for the technical reserves;
   3) in a clear and transparent manner as regards to the calculation formula, the composition of the basket and the allocation of weights.

If these market indices, however, are not suitable to represent the investment policy or the management style of the INTERNAL FUND, it will be possible to refer to a return target (expressed, for instance, as the risk-free return increased by a spread) together with a consistent risk indicator (e.g.: VaR or average expected annual volatility), determined with reference to the same interval of time. If a benchmark consistently representative of the risk-return profile of the INTERNAL FUND or of its investment policy could not be identified, the INSURANCE UNDERTAKING will provide the relevant reasons.

5. Part C of the Regulation specifies the types of assets in which the resources intended for the INTERNAL FUND are to be invested. Specifically, the criteria for the selection of the investments and their allocation must be clearly defined; these criteria represent the reference point for the identification and selection of the assets that may be acquired by the INTERNAL FUND.
Within this context, the following must be specified:

a) the possibility to entrust the investment selection to third parties, provided they are authorised to provide collective or individual management services and are subject to adequate forms of prudential supervision, within the framework of the criteria for the allocation of the assets as set by the INSURANCE UNDERTAKING. In such case, the regulation of the INTERNAL FUND must explicitly provide for the exclusive liability of the INSURANCE UNDERTAKING vis-à-vis the insured for the management of the INTERNAL FUND;
b) the intention to use derivative financial instruments and the purposes pursued with their use;
c) the valuation of the assets of the INTERNAL FUND and the calculation of the value of the unit;
d) the criteria used for the valuation of the assets included in the INTERNAL FUND; specifically, the criteria for the valuation of the assets, whether listed or not, for which a trading price may not be determined with a frequency in line with the valuation of the unit, must be described in detail;
e) the methods and frequency to calculate the unit of the INTERNAL FUND. The valuation of the unit must be carried out at least once a month. The value of each individual unit is equal to the aggregate net value of the INTERNAL FUND, divided by the number of units outstanding, both

with reference to the valuation date. For the determination of the net aggregate value of the INTERNAL FUND the criteria set in Attachment A to the Regulation no. 2006-03 are applied. The value of the individual unit must be published on newspapers with a frequency consistent with the valuation frequency provided for in the policy.

6. Part D of the regulation specifies the direct and indirect expenses to be borne by the INTERNAL FUND according to the categories listed below:

a) management fees applied by the INSURANCE UNDERTAKING;
b) overperformance fees applied by the INSURANCE UNDERTAKING;
c) charges related to the acquisition and divestment of the assets of the INTERNAL FUND and additional charges directly connected thereto;
d) administration and custody fees for the assets of the INTERNAL FUND, expenses for the publication of the value of the units, and fees payable for the activities carried out by the auditing company with reference to the opinion on the report of the INTERNAL FUND;
e) management fees applied on the underlying CIUS through the specification of the maximum cost.

The procedures for determining the management fees must be clearly indicated, specifying the elements of the relevant calculation. IT is possible to apply different management fees within the same INTERNAL FUND for instance, according to the classes of investors or to different categories of sale channels, based on parameters objectively identified in the regulation. In this case, the regulation shall clearly identify the classes of units and the corresponding levels of fees, define a method to calculate the value of the unit so as to ensure the same performance to all classes, gross of the aforementioned fees, and provide for the separate publication of the different classes.

The management fees referred to in item e) must be specified only in the event that the INTERNAL FUND is authorised to purchase only, or mainly, units of CIUS. If market conditions change significantly, the INSURANCE UNDERTAKING may modify the maximum charge envisaged in the regulation, subject to the prior notice to the insured and to the condition that a right of withdrawal is granted to the insured.

7. The regulation must indicate the possibility to make changes as a result of the adjustment of the regulation to existing laws, or due to a change in the management criteria, except for those changes which are less favourable for the insured. These changes must be promptly transmitted to the CENTRAL BANK, together with the evidence of the effects on the insured, and notified to the contracting parties.

8. The INSURANCE UNDERTAKING must comply with the following prescriptions for each one of the insurance INTERNAL FUNDS:

a) maintenance of a register of the INTERNAL FUND, which may be created also through the use of IT media; such register must contain the chronological evidence of the transactions related to the financial and administrative management of the fund, and the entries must be updated according to the frequency of the valuation of the units;

b) preparation of a statement containing the individual value of the units comprising the INTERNAL FUND, meaning the result of the ratio between the overall net value of the INTERNAL FUND and the number of units outstanding at the moment of the valuation; this statement shall be prepared with the same frequency of the valuation of the units;
c) preparation of the annual report on the operations of the INTERNAL FUND, inclusive of the statements prepared according to the formats provided for mutual investment funds in the Regulation of the CENTRAL BANK no. 2007-06. This report shall be prepared, dated and signed by the representative of the company within sixty days from the end of the financial year and kept with the INSURANCE UNDERTAKING. Additionally, the INSURANCE UNDERTAKING shall prepare the register referred to in point a) above also with reference to the products with benefits linked to the units of CIUS, registering the movements of the units and the number thereof as outstanding as at the valuation date.

9. The report on the operations of the INTERNAL FUND must be submitted to the opinion of an auditing company. The auditing company must express, through a specific report, an opinion about the consistency of the management of the assets with the investment criteria set in the regulation, the compliance of the information contained in the report with the results of the accounting entries, the correct valuation of the assets of the INTERNAL FUND as well as the correct determination and valuation of the units of the INTERNAL FUND at the end of each financial year. Such report on operations, together with the opinion expressed by the auditing company, must be transmitted to the CENTRAL BANK.

10. In the event that the management of the assets of the INTERNAL FUND is entrusted to third parties, the INSURANCE UNDERTAKING shall adopt adequate internal auditing procedures aimed at verifying the compliance with the investment and risk exposure criteria provided for in the regulation of the INTERNAL FUND.

11. If the INSURANCE UNDERTAKING intends to create INTERNAL FUNDS in which a guarantee of minimum benefit is offered, covering it directly through the dynamic management of the assets, the CENTRAL BANK must receive, together with the regulation of the INTERNAL FUND to be approved, a note describing the type of internal model that the INSURANCE UNDERTAKING intends to adopt, for the purpose of tracking the guarantee granted, specifying the cases and parameters underlying such model.

Article 94 – Assets used to cover the technical reserves of the INTERNAL FUND.

1. The assets used to cover the technical reserves of each INTERNAL FUND must be allocated and managed consistently with the investment objectives of the fund as specified in the regulation and with an adequate level of diversification.

2. The INSURANCE UNDERTAKING may include the following categories of asset in the INTERNAL FUND:

a) LISTED FINANCIAL INSTRUMENTS referred to in Attachment 2, letters a), b) and d) of the LISF;

b) financial instruments referred to in Attachment 2, letters a), b) and d) of the LISF within an aggregate limit of 10 percent of the total assets of the INTERNAL FUND;

c) units of CIUs UCITS;

d) units of CIUs NON open-end UCITS, other than those referred to in letter g) below, within the aggregate limit of 30 percent of the total assets of the INTERNAL FUND:

   1) the capital of which is invested in assets referred to in this article;
   2) for which the preparation of an annual report and of a semi-annual report on the net worth and profitability is required;
   3) the management regulations of which do not provide for any derogation to the general prohibitions of paragraph 3;

e) units of closed-end CIUS , including the CIUS referred to in letter g) below, within the aggregate limit of 20 percent of the total assets of the INTERNAL FUND;

f) units of unlisted closed-end CIUS , including the CIUS referred to in letter g) below, within the aggregate limit of 5 percent of the total assets of the INTERNAL FUND;

g) investment funds established under the laws of San Marino or units of foreign CIUS with equivalent features (such as, but not limited to, Italian speculative funds, hedge funds), within the aggregate limit of 10 percent of the total assets of the INTERNAL FUND, without prejudice to the limits referred to in letters e) and f) above. Furthermore, the following conditions must be met:

   1) the value of the units must be published at least once a month;
   2) the management regulation of the CIU acquired must provide for investment limits capable of ensuring a sufficient diversification and a risk profile and investment policy compatible with those of the INTERNAL FUND;
   3) in the case of foreign CIUS, the custodian must be subject to forms of prudential supervisions by a public authority;

h) bank deposits with banks in San Marino or with their registered office in one of the Member States of the European Union or belonging to the "Group of ten" (G-10), provide that:

   1) such deposits do not have a maturity of more than twelve months;
   2) may be repaid on demand or with a prior notice of less than fifteen days;

i) repurchase agreements, with mandatory buy-back and obligation to deposit the securities with a bank, within the aggregate limit of 20 percent of the total gross amount of the assets used as cover considered in their entirety;

j) cash for treasury needs;

k) listed derivative financial instruments, in compliance with the conditions set forth in letters from a) to f) of paragraph 2 of article 84, focused on assets in which the Internal FUND may invest, financial indices, interest rates, foreign exchange rates or currencies;

l) unlisted derivative financial instruments ("OTC derivative instruments"), in compliance with the conditions set forth in letters from a) to f) of paragraph 2 of article 84, and provided that:
   1) they are focused on assets in which the FUND may invest, financial indices, interest rates, foreign exchange rates and currencies;
   2) the counterparties of such contracts are intermediaries of high repute subject to prudential supervision by a Member State of the European Union or a country of the "Group of 10" (G10);
   3) are valued on a daily basis in a reliable and verifiable manner;
   4) the relevant positions may be closed in any moment on the initiative of the INSURANCE UNDERTAKING.

3. In managing the INTERNAL FUND it is prohibited to:
   a) sell short any financial instrument;
   b) grant loans;
   c) invest in financial instruments issued by the INSURANCE UNDERTAKING;
   d) purchase, either directly or indirectly, unlisted financial instruments from a shareholder, director, director general or statutory auditor of the INSURANCE UNDERTAKING, or from a company of the group to which it belongs;
   e) transfer, either directly or indirectly, unlisted financial instruments to the persons specified in the preceding letter;
   f) invest in financial instruments representing securitisation transactions made on receivables transferred by shareholders of the INSURANCE COMPANY, or to any person belonging to their group, for an amount of more than 3 percent of the aggregate net value of the INTERNAL FUND.

4. The debt securities referred to in paragraph 2 and the counterparties of the transactions in derivative financial instruments must have a rating at least equal to "BB" or equivalent, assigned by at least one primary rating agency, provided that no other agency has assigned a lower rating. Investments in assets with a rating lower than "BB" or not rated are allowed within the limit of 5 percent of the total assets of the internal fund. This limit does not include the unlisted and "not rated" debt securities - issued by persons individually subject to prudential supervision for stability purposes in the Republic of San Marino - which are subject to the limit of 20 percent of the aggregate of the assets of the internal fund, except as provided for in art. 95, paragraph 1 below.

5. In managing the INTERNAL FUND the INSURANCE UNDERTAKING may - within the maximum limit of 5 percent of the aggregate net value of the INTERNAL FUND - borrow funds intended to cover, with reference to the needs to invest or divest the assets of the INTERNAL FUND, any time-lags in the

management of the treasury accounts. The term of the loans received must be linked to the purposes of the indebtedness and, in any case, may not exceed a period of six months.

6. The overall exposure to derivative financial instruments may not exceed 50 percent of the aggregate net value of the INTERNAL FUND. The overall exposure to derivative financial instruments is equal to the sum of:

a) the commitments assumed by the INTERNAL FUND with reference to any transactions in derivative financial instruments, determined according to the provisions of Attachment F to the Regulation no. 2006-03;
b) the counterparty risk related to OTC derivative financial instruments, determined according to the provisions of Attachment F to the Regulation no. 2006-03.

Article 95 – Rules for the splitting of the assets used to cover the technical reserves of the INTERNAL FUND.

1. The investment in the financial instruments specified in letters a), b) of paragraph 2 of article 94 issued by the same entity is allowed within the limit of 5 percent of the total assets of the INTERNAL FUND. Such limit is increased:

a) to 10 percent, provided that the financial instruments are of the type specified in letter a) of paragraph 2 of article 94 and the aggregate of the financial instruments of the issuers in which the INTERNAL FUND invests more than 5 percent of the total assets does not exceed 40 percent of the total of such assets. The investments in excess of 5 percent referred to in letters b) and c) below are not taken into account;
b) to 35 percent, when the financial instruments are issued or guaranteed by the Republic of San Marino of by a State of the European Union, by a State member of the OECD or by international public organisations of which one or more Member States of the European Union are part;
c) to 100 percent, in case of financial instruments referred to in letter b) above, provided that:
    1) the INTERNAL FUND holds financial instruments of at least six different issues;
    2) the value of each issue does not exceed 30 percent of the total assets of the INTERNAL FUND;
    3) this investment discretion is envisaged in the regulation.

2. The investment in units of a single CIU OICVM may not exceed 25 percent of the total assets of the INTERNAL FUND.

3. The investment in units of a single open- or closed-end CIU NON OICVM may not exceed 10 percent of the total assets of the INTERNAL FUND.

4. In any case, the composition of the portfolio of the CIUS acquired as defined by the respective management regulations must be compatible with the investment policy and with the risk profile of the INTERNAL FUND.

5. The investment in deposits with one single bank, except for cash held for treasury purposes, is allowed only within the limit of 20 percent of the total assets of the INTERNAL FUND.

6. The exposure determined by the transactions in OTC derivative financial instruments towards one single counterparty – calculated based on the criteria specified in Attachment F of the Regulation no. 2006-03 must be lower than:

a) 10 percent of the total assets of the INTERNAL FUND, where the counterparty is a bank;
b) 5 percent of the total assets of the INTERNAL FUND, in any other case.

7. Where the INSURANCE UNDERTAKING provides a financial guarantee, the percentage limits outlined in the preceding paragraphs may be exceeded, as regards to the investment in a financial instrument suitable to replicate the financial guarantee, subject to the prior specific notice to the CENTRAL BANK and for a value which in no event may exceed the corresponding mathematical reserve for the minimum benefit.

Article 96 – Separation of the assets linked to the individual INTERNAL FUNDS or to external CIUS.

1. In the event that the INSURANCE UNDERTAKING holds one or more INTERNAL FUNDS, or units of external CIUS, the assets linked to each one of them represent a separate asset under the accounting profile as well as for the purposes of the inclusion of such assets in the register of the assets intended to be used as cover for the technical reserves. The benefits of the INSURANCE UNDERTAKING with reference to the contracts connected with the individual INTERNAL FUND, or CIU, shall be provided using the assets related to the INTERNAL FUND or to the CIUS; any other assets may be used only in exceptional cases. To this regard, this provision includes the cases where, in the event of increases of the capital provided for in case of death or other incidental covers, or minimum guarantees offered directly by the INSURANCE UNDERTAKING, the company does not hold sufficient units to deliver the total benefit due based on the CONTRACTUAL TERMS AND CONDITIONS.

Article 97 – Contracts linked to DEDICATED FUNDS.

1. A DEDICATED FUND represents the assets used to cover one single DEDICATED CONTRACT and may not be used to cover other contracts. The INSURANCE UNDERTAKING may not release any guarantee of minimum return or of capital protection on the DEDICATED FUND. The CONTRACTUAL TERMS AND CONDITIONS must explicitly specify the fact that the investment risk is borne completely by the insured.

2. The INSURANCE UNDERTAKING may include in the DEDICATED FUND the categories of assets referred to in paragraph 2 of Article 94, disregarding the limits indicated in such paragraph, in paragraph 4 of Article 94 and in Article 95. The rules set forth in art. 94, paragraphs 3, 5 and 6 remain unprejudiced. The prohibitions referred to in paragraph 3, letters d) and e) of the afore-mentioned Article 94, do not apply if the unlisted financial instruments are issued by companies within the GROUP, provided that the professional Client has signed a preliminary document containing a statement in which it declares of awareness of the existing conflict of interest, also containing the relevant pricing rule. The underlying assets must have the same liquidity features, in line with the duration of the contact and with the contractual options granted to the contracting party.

3. The CONTRACTUAL TERMS AND CONDITIONS must describe:

a) the objectives of the DEDICATED FUND and the relevant investment policy;
b) the limits to the investments in each asset class referred to in paragraph 2 of article 94;
c) the procedures for calculating the insured guaranteed benefits.

Additionally, the CONTRACTUAL TERMS AND CONDITIONS must establish the frequency and contents of the report to the contracting party on the composition and countervalue of the DEDICATED FUND.

4. The INSURANCE COMPANY manages the DEDICATED FUND used to cover the commitments assumed on the contract, and verifies that the composition of the DEDICATED FUND is consistent with the nature, duration and level of the commitments assumed vis-à-vis the insured.

5. The CONTRACTUAL TERMS AND CONDITIONS may regulate the cases where the contracting party is entitled to modify the initial investment policy or to indicate specific financial instruments to be included in the DEDICATED FUND.

6. The DEDICATED CONTRACTS may provide, besides the payment of the premium in cash, also for the contribution of an existing portfolio of assets referred to in paragraph 2 of article 94. In such case, the CONTRACTUAL TERMS AND CONDITIONS must clearly state that the assets being contributed remain the propriety of the INSURANCE UNDERTAKING. The benefits of a DEDICATED CONTRACT are, in any case, paid for by the INSURANCE UNDERTAKING in cash.

Chapter XII
Capital adequacy requirements

Article 98 – Solvency margin.

1. The INSURANCE UNDERTAKING is required to have at all times a sufficient solvency margin for the whole business exercised in the territory of the Republic of San Marino and abroad.

2. The available solvency margin is represented by the net capital of the INSURANCE UNDERTAKING net of all intangible elements except as provided for in letter e) below, free from any foreseeable commitment, and includes:

a) paid up share capital;
b) legal reserves and statutory and free reserves, not intended to cover specific commitments or to adjust items of the assets account;
c) profits for the period and for previous financial years carried forward, net of any dividend to be paid;
d) with the negative sign, the losses of the period and of the previous financial years carried forward;
e) 60% of the acquisition commissions to be amortised if the INSURANCE UNDERTAKING has not availed itself of the zillmerising referred to in article 64, paragraph 1 for the determination of technical reserves.

3. Subject to prior approval from the CENTRAL BANK, at the conditions specified in Attachment F, amongst the components of the solvency margin available it is possible to include, for the maximum amount of the sums actually received by the issuing INSURANCE UNDERTAKING still available to it and up to fifty percent of the solvency margin available as determined based on paragraph 2 above or, if lower, of the solvency margin required, the following elements:

a) the hybrid capitalisation instruments, such as irredeemable liabilities and other instruments repayable upon request from the issuer with the prior consent of the CENTRAL BANK;
b) subordinated liabilities.

In both cases, the liabilities may be issued by the INSURANCE UNDERTAKING also in the form of bonds, convertible or non-convertible, and other similar securities.

4. On grounded request from the INSURANCE UNDERTAKING, accompanied by appropriate documentation, the CENTRAL BANK may authorise the inclusion of the additional capital elements in the solvency margin available, for individual periods not exceeding twelve months.

5. The value of own shares and of the shares of the parent company, as resulting from the last financial statements, and the amount of profit distributed or to be distributed to the shareholders is always deducted from the available margin.

6. Any shareholding held in banks, Management Companies, investment undertakings, other companies exercising financial activities, insurance undertakings ad subordinated activities and the hybrid capitalisation instruments held vis-à-vis such entities, must be deducted from the overall amount of margin available.

Article 99 – Determination and calculation of the minimum solvency margin required.

1. The minimum solvency margin required is calculated as regards to the activities of each insurance branch exercised and based to the provisions specified below.

2. For the insurance contracts referred to in branches I and II of article 5, the solvency margin required is equal to the sum of the following two components:

a) the value corresponding to a rate of 4 percent of the mathematical reserves related to direct transactions, without deducting the reinsurance cessions, multiplied by the existing ratio of the last financial year between the amount of mathematical reserves, subject to the prior deduction of the reinsurance cessions, and the gross amount of the mathematical reserves; this ratio may in no event be lower than 85 percent;

b) the value corresponding to a rate of 0.3 percent of the CAPITALS AT RISK, to the extent they are not negative, taken by the INSURANCE UNDERTAKING, multiplied by the existing ratio, in the last financial year, between the amount of the CAPITALS AT RISK that remain in the accounts of the INSURANCE UNDERTAKING, after having deducted any reinsurance cessions and retrosurance, and the amount of the CAPITALS AT RISK, without deducting any reinsurance; such amount may in no event be lower than 50 percent. For temporary insurance forms in case of death, with a maximum term of three years, the rate is equal to 0.1 percent; for those with a term in excess of three years but of less than or equal to five years, this rate is equal to 0.15 percent.

3. For the insurance contracts referred to in branch IV of the insurance business, the solvency margin is equal to the sum of the following two components:

a) the value corresponding to a rate of 4 percent of the mathematical reserves, calculated in compliance with paragraph 2, letter a), of this article;

b) the value determined pursuant to article 100.

4. For the insurance contracts referred to in branches V-a) and V-b) of article 5, the solvency margin required is equal to the value corresponding to a rate of 4 percent of the mathematical reserves, calculated pursuant to paragraph 2, letter a) of this article.

5. For the insurance contracts referred to in branches III-a) and VI) of insurance business, if the INSURANCE UNDERTAKING assumes an investment risk, the solvency margin required is equal to the sum of the following items:

a) the value corresponding to a rate of 4 percent of the technical reserves, calculated in compliance with the provisions of paragraph 2, letter a), of this article;

b) the value corresponding to a rate of 0.3 percent of the CAPITALS AT RISK, calculated in compliance with the provisions of paragraph 2, letter b), of this article.

6. For the insurance contracts referred to in branches III-b) and VI) of insurance business, if the INSURANCE UNDERTAKING does not assume any investment risk, the solvency margin required is equal to the sum of the following items:

a) the value corresponding to a rate of 1 percent of the technical reserves, calculated in compliance with the provisions of paragraph 2, letter a), of this article, to the extent that the INSURANCE UNDERTAKING does not assume any investment risk, but the appropriation indented to be used as cover for management expenses is set for a period of more than five years;
b) the value corresponding to 25 percent of the sum of the net value of "other administrative costs" and of "collection fees" of the last financial year if the contract determines the amount of the management expenses for a period of no more than five years.
c) the value corresponding to a rate of 0.3 percent of the CAPITALS AT RISK, calculated in compliance with the provisions of paragraph 2, letter b), of this article;

7. For the supplementary insurances referred to in article 5, paragraph 4, the solvency margin is calculated based on the provisions of article 100.

Article 100 – Minimum solvency margin required for the insurance contracts referred to in branch IV of insurance business and for the supplementary insurances referred to in article 5, paragraph 4.

1. The minimum solvency margin required is calculated on the basis of the annual amount of the premiums or contributions or of the average burden of claims for the past three financial years. Except as provided for in paragraph 4 below as regards to health insurances, the amount of the solvency margin required shall be at least equal to the higher of the two results obtained according to the determination criteria set out in paragraphs 2 and 3 below.

2. The solvency margin based on the annual amount of premiums or contributions is calculated as follows:

a) the amounts of the gross premiums recognised in the last financial years are added up;
b) the result so obtained is divided into two units, the first one for a maximum amount of Euro fifty-three million and one hundred thousand, and the second for the portion in excess of such amount;
c) the margin is calculated by applying a percentage of 18 percent on the first portion, a percentage of 16 percent on the second portion, and by adding up the two amounts so obtained. The sum so obtained shall be multiplied by the ratio existing in respect of the sum of the last three financial years, between the amount of claims remaining to be borne by the INSURANCE UNDERTAKING after deduction of amounts payable to reinsurers and the gross amount of claims. If this ratio is lower than fifty percent, it is taken into account, for the purposes of the calculation, as being equal to 50 percent.

3. The solvency margin based on the average burden of claims is calculated as follows:
   a) the amounts of claims paid for direct insurances during the last three financial years are added up, gross of any portion to be borne by the reinsurers, then the amount of claims paid in the same financial years for risks accepted for reinsurance gross of the portions to be borne by the retrocessionaires is added, together with the amount of gross claims reserves created at the end of the last financial year, for direct insurances and for the risks accepted for reinsurance;
   b) from that sum there shall be deducted the amount of recoveries effected during the last three financial years and the amount of claims reserves created at the beginning of the second financial year prior to the last financial year taken into account both for direct insurances and for the amounts accepted for reinsurance;
   c) one third of the amount obtained pursuant to the provisions of letters a) and b) is divided into two portions, the first one for a maximum amount of Euro thirty-seven million and two hundred thousand, and the second for the portion in excess of such amount;
   d) the solvency margin is calculated by applying a percentage of 26 percent on the first portion, a percentage of 23 percent on the second portion, and by adding up the amounts so obtained. The resulting amount is multiplied by the ratio existing, for the sum of the last three financial years, between the amount of claims gross of the portions to be borne by the reinsurers and the overall amount of claims gross of reinsurance. If this ratio is lower than fifty percent, it is taken into account, for the purposes of the calculation, as being equal to 50 percent.

4. The percentages to be applied, pursuant to the provisions of paragraph 2 and 3, for the calculation of the solvency margin compared to the annual amount of premiums and to the average burden of claims, are reduced to one third for the health insurance practised on a similar technical basis to that of life assurance, when:
   a) the tariffs of the premiums are calculated on the basis of illness tables according to the mathematical method applied in insurance;
   b) it is a group insurance;
   c) payment of an additional premium is required in order to set up a safety margin of an appropriate amount;
   d) the right of the INSURANCE UNDERTAKING to cancel the contract after the end of the third year of insurance is excluded;
   e) it is provided for the possibility of increasing premiums or reducing benefits even for current contracts.

Article 101 – Contribution to the Guarantee fund.

1. One third of the minimum solvency margin required represents the contribution to the guarantee fund.

2. The contribution to the guarantee fund of the INSURANCE UNDERTAKING exercising the life insurance business, without prejudice to the minimum limits set for the value of the share capital, shall in no event be less than Euro 1 million.

3 If the authorisation covers more than one branch of insurance business, only the branch for the exercise of which the highest amount is requested will be taken into account.

4. The contribution to the guarantee fund is covered only with the capital items identified in article 98, paragraph 2, net of any intangible assets, including letter e) of the aforementioned article.

Article 102 – Statement evidencing the situation of the solvency margin.

1. The financial statements for the period must be accompanied by a statement evidencing the situation of the solvency margin as at the closing date of the financial year to which such financial statements refer, evidencing the bases for calculation and the elements comprising such margin. The procedures for the preparation of the statement will be specified by the CENTRAL BANK in the measure mentioned in article 42. The statement evidencing the situation of the solvency margin must be signed also by the actuary, if appointed pursuant to article 51.

Article 103 – Transfer of risks for reinsurance purposes.

1. The INSURANCE UNDERTAKING may take into account, for the purposes of the coverage of technical reserves and of the calculation of the solvency margin, the transfer of the risks for reinsurance purposes to first rate enterprises subject to prudential supervision. The CENTRAL BANK reserves the right to request the reinsurance agreements executed and to assess the eligibility thereof pursuant to the provisions of this article.

Chapter XIII
Safeguard measures

Article 104 – Infringement of the rules governing technical reserves or the assets used as coverage.

1. If the INSURANCE UNDERTAKING does not comply with the provisions regulating the technical reserves and the assets used as cover thereof, the CENTRAL BANK claims the breach thereof and orders that the violated rules be complied with, and assigns an adequate period of time to fulfil as required, which shall not prejudice the interest of the insureds and of the beneficial owners of the insurance benefits.

2. The CENTRAL BANK, in the situations envisaged in paragraph 1, may prohibit the INSURANCE UNDERTAKING from selling or transferring in any way the existing assets in the territory of the Republic

of San Marino and, subsequently, it may allow a limited availability thereof, subject to prior specific authorisation.

3. If the INSURANCE UNDERTAKING does not comply, within the specified period, with the order referred to in paragraph 1, the CENTRAL BANK may:

a) prohibit the performance of any new business, for a period of up to six months, for the purpose of protecting the interests of the insureds and of any other beneficiary of the insurance benefits;

b) restraint, taking into account the seriousness of the infringement, the individual assets included in the register of assets used to cover technical reserves, according to the procedures provided for in article 107.

4. This order is revoked prior to the deadline, where the INSURANCE UNDERTAKING has removed or remedied the violation.

Article 105 – Infringement of the rules governing the solvency margin or the contribution to the guarantee fund.

1. If the INSURANCE UNDERTAKING does not have the solvency margin available as required, the CENTRAL BANK demands, for the purposes of its subsequent approval, the presentation of a restoration plan within an adequate period of time, without prejudice to the protection of the interests of the insureds and other beneficiaries of the insurance benefits.

2. If the solvency margin is reduced below the level of the guarantee fund or if the guarantee fund itself no longer complies with the provisions referred to in article 101, the CENTRAL BANK demands, for the purposes of its subsequent approval, the presentation, within an adequate period of time, of a funding plan which must specify the measures that the INSURANCE UNDERTAKING intends to adopt in order to restore its financial situation.

3. In the cases provided for under paragraphs 1 and 2, the CENTRAL BANK may, pursuant to article 44 of the LISF and without prejudice to the initiation of the extraordinary proceedings referred to in the LISF, order that the INSURANCE UNDERTAKING refrain from selling or transferring in any way the existing assets in the territory of the Republic of San Marino.

4. In the cases referred to in paragraph 2, the CENTRAL BANK may also order that the individual assets included in the register of assets used to cover technical reserves, be restrained according to the procedures envisaged in article 107.

Article 106 – Measures to protect the expected solvency of the INSURANCE UNDERTAKING.

1. Other than in the cases referred to in article 104, if the rights of the insureds and of the other beneficiaries of the insurance benefits are at risk due to the deterioration of the financial situation of the INSURANCE UNDERTAKING, the CENTRAL BANK may impose, in order to ensure that the INSURANCE UNDERTAKING is able to meet the solvency requirements in the short term, the creation of a higher solvency margin compared to that resulting from the last financial statements approved, taking into account the financial reorganisation arranged by the INSURANCE UNDERTAKING and referred to the three subsequent financial years.

2. The CENTRAL BANK may provide specific instructions referred to, specifically, the data and information to be supplied in the financial reorganisation plan, which must include, in any case, a balance sheet and a profit and loss account for each financial year taken into account, the forecasts related to the premium collected, the charges for liquidated and reserved claims and management expenses, the expected treasury situation, a statement concerning the financial resources intended to cover the solvency margin and the technical reserves, and a statement concerning the reinsurance policy as a whole and the more important forms of reinsurance.

3. The CENTRAL BANK, having assessed the situation of the INSURANCE UNDERTAKING, may reduce the value of all elements that comprise the solvency margin available, also in the event that they suffered a significant depreciation in the market value in the period following the end of the previous financial year.

4. In case of significant changes in the contents or quality of the reinsurance contracts compared to the previous financial year, or if the reinsurance contracts do not provide for any transfer of the risk or only provide for the transfer of a minimum risk, the CENTRAL BANK may lower the reduction ratio set for the purposes of the calculation of the solvency margin required.

5. The CENTRAL BANK does not release any certification of the solvency of the INSURANCE UNDERTAKING, to which it requested the financial reorganisation plan, for so long as it believes that the rights of the insureds and of any other beneficiary of the insurance benefits are at risk.

Article 107 – Procedure for applying restrictions to the assets.

1. When the restriction refers to real estate assets, the CENTRAL BANK files with the competent authorities an application for the registration of a charge, in favour of insurance receivables, on the real estate assets and real estate beneficial interests of the INSURANCE UNDERTAKING that are located in the territory of the Republic of San Marino.

2. The CENTRAL BANK may request that a restriction be applied on any other asset, other than those referred to in paragraph 1, in the forms provided for by law for each type of assets or rights. The authorities and persons responsible for the execution of the measure are required to perform the actions and activities necessary to make the restriction ordered by the CENTRAL BANK effective and enforceable.

TITLE X
SUPERVISION ON DISCLOSURE AND INSPECTIONS

Chapter I
Supervision on disclosure

Article 108 – Changes of CORPORATE OFFICERS.

1. The INSURANCE UNDERTAKING must notify the CENTRAL BANK, not later than thirty days from the acceptance of the appointment, any changes in the persons who perform administration, management or control functions.

Article 109 – Report on the auditing activities carried out by the internal auditing function.

1. Not later than on 30 April each year, the INSURANCE UNDERTAKING must transmit to the CENTRAL BANK the annual report on the auditing activities carried out and the annual schedule of the audits envisaged, prepared by the head of the internal auditing function according to the provisions of article 48, together with the minutes of the meeting of the board of directors where such documents were reviewed.

Article 110 – Communications of the board of statutory auditors.

1. The board of statutory auditors must promptly inform the CENTRAL BANK of all actions or facts of which it becomes aware in the exercise of its duties, that might represent an anomaly in the management activities or an infringement of the rules governing the activities of the INSURANCE UNDERTAKINGS. The same provision applies to any persons performing the same duties at the parent companies of the INSURANCE UNDERTAKINGS or of the subsidiaries of the latter.

2. The minutes of the meetings and of the assessments of the board of statutory auditors of the INSURANCE UNDERTAKING which evidence any infringement of the provisions in force must be transmitted to the CENTRAL BANK within ten days from the date of the document. Such transmission is the responsibility of the chairman of the board of statutory auditors or, if the chairman is not able to do so, by the independent auditor with the longest service.

Article 111 – Duties of the auditing company.

1. The companies appointed with the auditing of the INSURANCE UNDERTAKING must promptly notify the CENTRAL BANK of any actions or facts relevant in the performance of the appointment that might represent a serious infringement of the rules governing the activities of the companies being audited or that might jeopardise the continuity of the INSURANCE UNDERTAKING or lead to a negative audit opinion, a qualified audit opinion, or a declaration that the audit opinion may not be qualified as regards to the financial statements or periodic statements.

Article 112 – Financial statements for the financial year.

1. A copy of the official financial statements for the period must be transmitted to the Central Bank within thirty days from its approval by the meeting.

Article 113 – Supervisory reports.

1. The procedures for the preparation and transmission of the periodic supervisory reports must be notified separately.

Article 114 – Other notices.

1. Notwithstanding the provisions of the preceding articles, the CENTRAL BANK reserves the right to request, pursuant to article 41 of the LISF, the transmission of any other notices or documents deemed necessary, according to the procedures from time to time established.

Chapter II
Supervisory inspections

Article 115 – Inspections.

1. The CENTRAL BANK exercises the inspection powers referred to in article 42 of the LISF by availing itself of its own inspectors or independent auditors specifically appointed based on article 42, paragraph 3 of the LISF.

2. Inspections aim at ascertaining whether the activities of the INSURANCE UNDERTAKING satisfy the criteria of a sound and prudent management and are carried out in compliance with the provisions governing the exercise of such activities. Within this context, the inspection assesses the overall technical and organisational situation of the INSURANCE UNDERTAKING and verifies the reliability of the information provided to the CENTRAL BANK.
The investigations may relate to the overall corporate situation ("spread-spectrum"), specific operating sectors and/or compliance with industry regulations ("targeted") as well as the responsiveness of any corrective actions taken by the INSURANCE UNDERTAKING ("follow up")..

3. Anyone who, in the name of the CENTRAL BANK calls at the offices of an INSURANCE UNDERTAKING for the purpose of carrying out any investigation, must show:

a) a letter of appointment addressed to the INSURANCE UNDERTAKING being inspected, signed by the Director General of the Central Bank of the Republic of San Marino containing the personal details of the appointed persons;
b) a valid proof of identity.

4. During the investigations the CENTRAL BANK may get access to the entire wealth of information of the INSURANCE UNDERTAKING, with no exception whatsoever and under a regime where the secrecy requirement is not applicable, in compliance with the provisions of article 36, paragraph 5, letter b) of the LISF.

5. The exercise of the power of investigation provided for by article 42, paragraph 2 of the LISF against any persons to which the INSURANCE UNDERTAKING has outsourced any corporate functions, requires the initiation of investigations against the INSURANCE UNDERTAKING and is carried out by virtue of the same letter of appointment referred to above.

6. The CORPORATE OFFICERS and the personnel of the INSURANCE UNDERTAKING being inspected, are required to give maximum cooperation in the performance of the investigations and, specifically, they must promptly provide complete information and documentation that the persons in charge of the investigation intend to acquire. The INSURANCE UNDERTAKING must also ensure that the information and documents required by the persons in charge of the investigation and possessed by any other entity involved are promptly made available.

Article 116 – Inspection report.

1. At the end of the investigation an "inspection report" is prepared, containing the detailed description of the facts and corporate activities identified that are not in line with the criteria of a correct management or with the regulations governing the exercise of the business.

2. The CENTRAL BANK notifies the inspection report to the INSURANCE UNDERTAKING within ninety days following the end of the investigation. This period may be suspended if it is necessary to acquire any new information.

3. Not later than thirty days from the notification of the inspection report, the company involved must inform the CENTRAL BANK of its considerations regarding the outcome of the inspection, and of any measure already adopted and of those being studied for the purpose of eliminating any anomalies and breaches ascertained.

4. The discipline regulating the procedure for the imposition of administrative sanctions in case of breaches detected within the context of the inspection remains unprejudiced.

TITLE XI
MINIMUM CONTENT OF THE CONTRACTS, TRANSPARENCY OF THE INFORMATION AND PROTECTION OF THE INSURED

Chapter I
Minimum content of the contract

Article 117 – Minimum content of the insurance contracts of the life insurance business.

1. Without prejudice to the provisions of the LISF and to the enactment provisions contained in this Regulation, the contracts entered into by an INSURANCE UNDERTAKING qualified to exercise one or more of the branches of the insurance business envisaged in article 5, must contain at least the provisions specified in this Chapter.

Article 118 – Possibility to withdraw the proposal.

1. The proposal related to a life insurance contract may be withdrawn. The amounts (if any) paid by the contracting party must be returned by the INSURANCE UNDERTAKING within thirty days from the moment in which it received notice of the withdrawal.

Article 119 – Right of withdrawal.

1. The contracting party may withdraw from the life insurance contract within thirty days from the moment in which he/she received notice that the contract has been executed.

2. The INSURANCE UNDERTAKING must inform the contracting party of the right of withdrawal referred to in paragraph 1. The terms and procedures to exercise such right must be explicitly evidenced in the proposal and in the insurance contract.

3. The INSURANCE UNDERTAKING, not later than thirty days after the receipt of the declaration of withdrawal, shall refund to the contracting party any premium possibly paid, net of the portion related to the period in which the contract was in force. The INSURANCE UNDERTAKING is entitled to be refunded for any costs actually incurred in issuing the contract.

Article 120 – Right of redemption and reduction.

1. Life insurance contracts must regulate the rights of redemption and reduction of the amount insured, so as to allow the insured to know, in any moment, what the redemption or reduction value of the insurance would be.

Article 121 – Insurance on behalf of third parties.

1. If the contracting party takes out an insurance on behalf of a third party without having the right to do so, the affected party may ratify the contract even after its maturity or the occurrence of the claim.

2. The contracting party is personally required to comply with the obligations resulting from the contract until the moment in which the INSURANCE UNDERTAKING has become aware that the contract has been ratified or rejected. He/she is required to pay to the INSURANCE UNDERTAKING the premiums for the period in force when the INSURANCE UNDERTAKING has become aware that the contract has not been ratified.

Article 122 – Insurance for the account of third parties or for the account the entitled party.

1. If the insurance is taken out for the account of third parties or for the account of the entitled party, the contracting party must comply with the obligations resulting from the contract, except for those that, due to their nature, may be fulfilled only by the insured.

2. The insured is entitled to the rights resulting from the contract and the contracting party, even if in possession of the policy, may not enforce them without the express consent of the insured.

3. The same objections that may be enforced against the insured may be enforced against the contracting party as a consequence of the provisions of the contract.

4. As regards to the refund of the premiums paid to the INSURANCE UNDERTAKING and of the expenses of the contract, the contracting party is entitled to the amounts due by the INSURANCE UNDERTAKING to the same level of the receivables for conservation costs.

Article 123 – Misrepresentations and omissions with fraud or gross negligence.

1. Misrepresentations and omissions by the contracting party, related to facts for which, had the INSURANCE UNDERTAKING been aware of the actual situation, the latter would not have given its consent, or would have not given the consent at the same conditions, are ground for the cancellation of the contract, if the contracting party has acted with fraud or gross negligence.

2. The INSURANCE UNDERTAKING loses the right to challenge the contract if, within three months from the day in which it has become aware of the misrepresentation or of the omissions, does not notify the contracting party of its intentions to challenge the contract.
3. The INSURANCE UNDERTAKING is entitled to the premiums related to the insurance period in force when it demanded the cancellation and, in case of contracts which provide for the payment of annual premiums, to the premium agreed for the first year. If the claim occurs prior to the lapse of the period specified in the previous paragraph, it is not required to pay the insured amount.

4. If the insurance concerns to more than one person, the contract is valid for those persons who are not involved in the misrepresentation or omission.

Article 124 – Misrepresentations and omissions without fraud or gross negligence.
1. If the contracting party acted without fraud or gross negligence, the misrepresentations or omissions are not considered to be ground for the cancellation of the contract, but the INSURANCE UNDERTAKING may withdraw from such contract, by means of a declaration to be released to the insured within three months from the day in which it became aware of the misrepresentation or omission.

2. If the claim occurs prior to the INSURANCE UNDERTAKING becoming aware of the misrepresentation or omission, or before the latter has declared its intention to withdraw from the contract, the amount due is reduced proportionally to the difference between the agreed premium and the premium that would have been applied had the real situation been known.

Article 125 – Failure to pay the premiums.
1. In case of contracts that provide for the payment of annual premiums, if the contracting party does not pay the premium related to the first year, the INSURANCE UNDERTAKING may act to enforce the contract within a period of six months from the date in which the premium became due and payable.

2. If the contracting party does not pay the subsequent premiums within the tolerance period provided for in the policy, the contract is automatically terminated and the premiums paid are acquired by the INSURANCE COMPANY, without prejudice to the exercise of the right of redemption or reduction of the insured amount.

Article 126 – Changes in the profession of the insured.
1. No change in the profession or business of the insured may cause the termination of the effects of the insurance, except where they increase the risk to such an extent that, had the new situation been applicable at the time the contract was executed, the INSURANCE UNDERTAKING would not have authorised the insurance coverage.

2. If the changes are of such a nature that, had the new situation existed at the time of the contract, the INSURANCE UNDERTAKING would have authorised the insurance coverage for a higher amount, the payment of the insured amount is reduced proportionally to the lower premium agreed compared to the premium that would have been applied.
3. If the insured reports such changes to the INSURANCE UNDERTAKING, the latter shall, within fifteen days, declare whether it intends to terminate the effects of the contract or reduce the insured amount or to increase the premium.

4. If the INSURANCE UNDERTAKING declares that it intends to modify the contract in one or more of the ways specified above, the insured must, within the following fifteen days, declare whether he/she intends to accept the proposal.

5. If the insured declares that he/she does not intend to accept, the contract is terminated, without prejudice to the right of the INSURANCE UNDERTAKING to the premium related to the insurance period in force, and without prejudice to the right of redemption of the insured. The failure of the insured to reply is considered as an acceptance of the proposal of the INSURANCE UNDERTAKING.

Article 127 – Suicide of the insured.

1. In the event that the insured commits suicide prior to the lapse of two years from the execution of the contract, the INSURANCE UNDERTAKING is not obliged to pay the insured amounts, except as agreed otherwise.

2. The INSURANCE UNDERTAKING is also not obliged to pay if, in the event that the contract has been suspended due to the failure to pay the premiums, two years have not passed from the end of such suspension.

Chapter II
Publicity and transparency

Article 128 – Publicity of the insurance contracts.

1. The publicity used for the contracts of the INSURANCE UNDERTAKING takes into account the correctness of the information and the compliance with the content of the information sheet referred to in article 131 below and the CONTRACTUAL TERMS AND CONDITIONS to which such products refer, even when the publicity is made independently from the insurance intermediaries.

2. The CENTRAL BANK shall precautionarily suspend, for a period of no more than ninety days, any publicity in the event of a grounded suspicion that a breach to the provisions on transparency and fairness might have occurred.

3. The CENTRAL BANK may prohibit any publicity in the event that a breach of the provisions on transparency and fairness is ascertained.

Article 129 – Rules of conduct.

1. Within the context of the offer and performance of the contracts, the INSURANCE UNDERTAKING must:

a) behave with diligence, fairness and transparency vis-à-vis the contracting parties and insureds;
b) acquire from the contracting parties the information necessary to assess the insurance or pension needs, and act in a way that would allow them to be always informed;
c) organise itself so as to be able to identify and avoid any conflict of interests to the extent reasonably possible and, in case of conflict, act so as to ensure the necessary transparency to the insureds as regards to the possible negative effects and, in any case, manage the conflicts of interests so as to make sure that they do not cause any harm to the insureds;
d) realise a sound and prudent financial management and adopt measures capable of protecting the rights of the contracting parties and of the insureds.

Article 130 – Precautionary measures and prohibitions.

1. Having considered the objective of protecting the insureds, the CENTRAL BANK shall precautionarily suspend, for a period of no more than ninety days, the marketing of the product in the event of a grounded suspicion that a breach to the provisions of this Regulation or of the relevant enactment rules might have occurred.

2. The CENTRAL BANK prohibits the marketing in case of an ascertained infringement of the provisions of paragraph 1, and orders that, under the responsibility and at the expenses of the INSURANCE UNDERTAKING or of the insurance intermediary involved, the measures adopted be publicised to the public in the forms most adequate for the purpose of their general disclosure.

Article 131 – Information sheet.

1. The INSURANCE UNDERTAKING delivers to the contracting party, prior to the execution of the contract and together with the CONTRACTUAL TERMS AND CONDITIONS, an information sheet prepared in compliance with the provisions of this article. A simplified plan of the development of the insurance benefits and of the premiums during the term of the contract must be delivered together with the information sheet.

2. The information sheet contains the information necessary, depending on the features of the products and of the INSURANCE UNDERTAKING, for the contracting party and the insured to achieve a grounded opinion on the contractual rights and obligations and on the financial position of the INSURANCE UNDERTAKING. The minimum content of the information sheet is set forth in point A) of Attachment G.

3. The CENTRAL BANK may determine the additional information required for the full understanding of the essential features of the contract, specifically as regards to the costs and risks of the contract and any transactions which are in a situation of conflict of interests. The contracting party of a life insurance policy is also notified, for the entire term of the contract, the minimum information contained in point B) of Attachment G.

4. The information referred to in paragraphs 2 and 3 must be clearly and precisely expressed in writing, and must be in Italian language, except where the contracting party requires a copy in another language.

Article 132 – Prior transmission of the information sheet.

1. The INSURANCE UNDERTAKING previously transmits to the CENTRAL BANK the information sheet– together with the simplified plan of the development of the insurance benefits and premiums during the term of the contract –and the CONTRACTUAL TERMS AND CONDITIONS related to the products being offered. If the CENTRAL BANK does not require any changes or supplements within thirty days from the receipt, the INSURANCE UNDERTAKING may implement the offer. Such prior transmission is not required where the contract expressly provides that the contracting party may only be a PROFESSIONAL CLIENT.

TITLE XII
CROSSBORDER ACTIVITIES

Article 133 – Establishment of branches or delivery of services without an establishment abroad.

1. The INSURANCE UNDERTAKING that intends to establish branches in foreign countries or to deliver services abroad without an establishment, in compliance with the provisions currently in force in the host country, must file with the CENTRAL BANK an application for authorisation containing the following information:

a) the foreign State where the INSURANCE UNDERTAKING intends to establish a BRANCH or to operate under a free provision of services regime;
b) the position of the initiative in the overall strategy of expansion of the INSURANCE UNDERTAKING;
c) the activities that the INSURANCE UNDERTAKING intends to carry out in the host State, particularly with reference to the risks and obligations that it intends to assume and to the procedures for the marketing thereof;

d) the organisational structure of the branch, the expected address, the name of the general representative who must receive an appointment that expressly provides for the powers to represent the INSURANCE UNDERTAKING in legal proceedings and before all authorities of the foreign State.

2. Within ninety days from the receipt of the application, the CENTRAL BANK, having assessed the effects on the sound and
prudent management of the INSURANCE UNDERTAKING and the possibility to fully carry out its supervisory controls, issues an order for the authorisation or rejection of the application for the opening of the branch abroad or for the provision of services without an establishment.

3. After the release of the authorisation, the INSURANCE UNDERTAKING may transmit the application to the Supervisory Authority of the foreign State and must inform the CENTRAL BANK about the outcome of such application and, in case of positive outcome, it promptly notifies the CENTRAL BANK of the actual start of the activities of the branch or of the provision of services without establishment.

TITLE XIII
FINAL PROVISIONS

Article 134 – Entry into force.

This Regulation shall enter into force on 5 May 2008.

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

ATTACHMENTS TO THE REGULATION ON LIFE INSURANCE

year 2008 / number 01

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TABLE OF CONTENTS

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Annex A

ATTACHMENT

A

Forms for the self-certification of compliance with the integrity and independence requirements

Annex A

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Annex A

PERSONAL CERTIFICATION OF REQUIREMENTS OF GOOD REPUTE

I the undersigned _____, born on _____ in _____ and residing in _____ in _____, ISS/tax code _____, citizen of _____, in full cognizance of the civil and criminal liability I face with reference to the truthfulness of the statements listed below

I HEREBY DECLARE

Under Law 165 of 17 November 2005 and implementing provisions issued by the Central Bank of the Republic of San Marino:

1) my address of record for the longest period in the last five years was as follows:
_____;

2) the attached certificate, issue by public authorities territorially competent based on the address of record declared in point 1 above, does not show any prejudicial elements on my behalf in terms of possession of the requirements of good repute envisaged by the current supervisory provisions in force;

3) I am currently unaware of prejudicial proceedings/procedures/acts against me, already concluded or still pending before any other jurisdiction other than that under point 2 above, which could compromise my possession of the requirements of good repute envisaged by the current supervisory provisions in force;

4) I do not fall under any of the impediments provided for by Article 24, paragraph 1, letter d).

I HEREBY AUTHORIZE

In the final analysis, the Central Bank of the Republic of San Marino to conduct on the premises of the appropriate offices such verification procedures as the Central Bank deems appropriate for ascertaining the truthfulness of the declarations which I have made herein.

In witness whereof.

_____

Republic of San Marino, [date] _____

NOTARIAL AUTHENTICATION OF THE SIGNATURE

Attachment A

Republic of San Marino, _____

SELF-CERTIFICATION OF THE INDEPENDENCE REQUIREMENTS FOR THE ACCEPTANCE OF THE APPOINTMENT OF DIRECTOR OR INTERNAL AUDITOR OF AN INSURANCE UNDERTAKING

I, the undersigned _____ born on _____ in _____ and resident _____ in _____, _____ citizen, fully aware of the civil and criminal responsibility I undertake for the veracity of the statements hereunder, for the purpose of the accepting the appointment as _____[1] of the company _____ _____ [2]

HEREBY DECLARE

pursuant to Law no. 165 of 17 November 2005 and the implementing measures issued by the Central Bank of the Republic of San Marino, that:

1) during the previous year I have had the following professional businesses or employment relationships with the aforementioned company, or with parent companies or subsidiaries thereof, or with companies related to it or subject to common control, or with its directors:

_____

_____[3];

2) I am not a spouse nor an in-law within the fourth degree of any of the directors or controlling shareholders of the company for which I intend to take up the appointment;

3) I am not the direct or indirect owner of any shareholding in excess of 2 percent of the voting share capital of the company for which I intend to take up the appointment, nor do I have subscribed to any shareholders' agreements concerning, or which result in, the control of such company.

I HEREBY AUTHORISE

the Central Bank of the Republic of San Marino to carry out any relevant and necessary verification with the competent Offices to prove the veracity of my statements in this document.

In witness thereof.

_____

Republic of San Marino, _____

NOTARISATION OF THE SIGNATURE

_____

[1] Specify if DIRECTOR or INTERNAL AUDITOR
[2] Please specify full name of the insurance undertaking authorised by the Central Bank of the Republic of San Marino
[3] Please specify the nature of such relationships and the fee or remuneration received. If no such relationship exists, please enter: NONE.

ATTACHMENT

B

Model for the preparation and maintenance of the mandatory registers

Attachment B

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Attachment B

CONTENT OF THE MANDATORY REGISTERS AND PROCEDURES FOR THE COMPILATION AND MAINTENANCE THEREOF

All registers must be kept, also in electronic form if necessary, so as to ensure the continuity and integration of the records, the impossibility of making amendments to, or cancelling, any records without registering the interventions, the possibility to reconstruct the time series and chronology of the records.

Article 1 - Register of the assets used to cover life insurance technical reserves.

1. In the register of the assets used to cover life insurance technical reserves, the insurance undertaking must include the analytical list and the summary of the assets allocated to cover the technical reserves at the end of each month.

2. The register is comprised of two sections:

a) the first section outlines the assets used to cover the technical reserves other than those related to contracts directly linked to indices, units of CIUs, dedicated funds resulting from the management of pension funds;

b) the second section outlines the assets used to cover the technical reserves related to contracts directly linked to indices, units of CIUs, dedicated funds resulting from the management of pension funds.

3. Any entry or exit of the individual assets must be reported in each section of the register not later than at the end of the month following that in which such transactions were carried out.

4. The recorded movements must also include any increases or decreases in the assets and the registration of new assets, recording the entire previous amount as an exit and the entire new amount of such assets as an entry. The registration date, description of the asset, relevant code and amount are registered for each movement. As regards to bank deposits, receivables and other assets, reference shall be made to the overall changes thereof as resulting from the monthly balances.

5. The assets used to cover the technical reserves referred to in the first section are recorded in the register based on the values resulting from the last financial statements approved and at cost for the acquisitions made during the financial year.

6. Within the month following the approval of the financial statements, any changes in the value of the

assets intended to cover the technical reserves referred to in the first section must be entered in the register.

7. The assets used to cover the reserves related to any contracts linked to internal funds, indices, dedicated funds and resulting from the management of pension funds are registered based on their current value.

8. At the end of each month, the insurance undertaking records in each section of the register the analytical list of the assets used to cover the technical reserves. The analytic list of receivables and other assets may be omitted.

9. At the end of each month, the insurance undertaking records in each section of the register the aggregate amount of the technical reserves to be covered and the aggregate amount of the assets used to cover the technical reserves, broken down by code.

10. For each section the insurance undertaking determines, at the end of each calendar quarter, the aggregate amount of the technical reserves related to the contracts in force as at the date of reference. Within the month following the month of reference, the insurance undertaking enters in the register the updated amount of technical reserves.

Article 2 - Register of contracts.

1. The register of contracts is divided into:

a) register of issued contracts, regulated by article 3 below;
b) register of cancelled contracts, regulated by article 4 below;
c) register of expired contracts, regulated by article 5 below;
d) register of redeemed contracts, regulated by article 6 below;
e) register of transformed contracts, regulated by article 7 below.

Article 3 - Register of issued contracts.

1. The insurance undertaking is required to analytically list in the register of issued contracts, in chronological order, the contracts issued, including any contracts acquired by means of portfolio transferred from other undertakings and the contracts resulting from the transformation of previous contracts.

2. The register is comprised of two sections:

a) the first section, containing the data related to newly issued contracts;
b) the second section, containing the data related to already issued contracts.

Attachment B

3. In the first section of the register of issued contracts, the insurance undertaking includes:

a) the issue date of the contract;
b) the number of the contract;
c) the tariff code assigned by the undertaking;
d) the date of receipt of the proposal;
e) the number of the proposal;
f) the personal details of the contracting party;
g) the frequency of the payments;
h) number of instalments in which the annual premium is payable;
i) effective date of the contract;
j) maturity date of the contract;
k) duration of the contract;
l) the single premium or first annual premium, or the first instalment of the premium in case of payment of the premium by instalments;
m) the branch or sub-branch of insurance business involved;
n) the personal details of the intermediary.

4. At the end of each financial year, the insurance undertaking enters in the first section of the register the overall number of contracts and the aggregate amount of the related premiums, broken down by branch and sub-branch of insurance business, separately for newly issued contracts and for those acquired through transfers of portfolio and those resulting from transformation.

5. In the second section of the register, the insurance undertaking includes:

a) the date of issue of the premium receipt;
b) the number of the contract;
c) frequency of the payment;
d) number of instalments in which the annual premium is payable;
e) serial number of the annual premium, of the recurring single premium, of the additional payments or of the instalment in case of payment by instalments;
f) the due date in case of annual premiums or recurring single premiums or the date of collection in case of additional payments;
g) the premium for the subsequent yearly payments, the additional payment or the instalment of the premium after the first, as resulting from the receipt;
h) the branch or sub-branch of insurance business involved.

6. In the second section of the register, the insurance undertaking also includes the receipts cancelled and, in particular, the receipts recorded in the aforementioned section and not paid, or related to contracts

subject matter of a transfer of portfolio.

7. At the end of each financial year, the insurance undertaking enters into the second section of the register the aggregate amount of the premiums, broken down by branches and sub-branches of insurance business and year of maturity, and the aggregate amount of the premiums related to premium receipts not paid or transferred, broken down by branch of insurance business and by year in which they are effective.

Article 4 - Register of cancelled contracts.

1. The insurance undertaking is required to analytically list in the register of cancelled contracts, in chronological order of cancellation, the contracts cancelled following termination, due to the failure to execute them or due to the exercise of the right of withdrawal, together with the contracts transferred through the transfer of the portfolio.

2. In the register, the insurance undertaking includes:

a) the effective date of the cancellation;
b) the number of the contract;
c) effective date of the contract;
d) the personal details of the contracting party;
e) the single premium or first annual payment, or the first instalment of the premium in case of payment of the premium by instalments, related to any newly issued contracts being cancelled;
f) the branch or sub-branch of insurance business involved;
g) an identification code for the reason for the cancellation of the contract.

3. At the end of each financial year, the insurance undertaking enters into the register the overall number of contracts and the aggregate amount of premiums cancelled, broken down by branch and sub-branch of insurance business.

Article 5 - Register of expired contracts.

1. The insurance undertaking must analytically list into the register of expired contracts, in chronological order of maturity, the contracts expired.

2. In the register, the insurance undertaking includes:

a) the date in which the contract expired;
b) the number of the contract;
c) effective date of the contract;
d) the personal details of the contracting party;
e) the amount to be paid or actually paid;

f) an identification code for the insurance benefit;

g) the branch of insurance business involved.

3. At the end of each financial year, the insurance undertaking enters into the register the overall number of expired contracts and the aggregate amount of the sums, broken down by branch and sub-branch of the insurance business.

Article 6 - Register of redeemed contracts.

1. The insurance undertaking must analytically list into the register of redeemed contracts, in chronological order of the relevant application, the contracts for which the right of withdrawal has been exercised.

2. In the register, the insurance undertaking includes:

a) the date of receipt of the request for redemption of the contracts;

b) the number of the contract;

c) effective date of the contract;

d) the personal details of the contracting party;

e) the amount to be paid;

f) the branch or sub-branch of insurance business involved;

g) a code that identifies the applications for the partial or total redemption of the contract.

3. At the end of each financial year, the insurance undertaking enters into the register, separately for partial and total redemptions, the overall number of redeemed contracts and the aggregate amount of the sums to be paid, broken down by branch and sub-branch of insurance business.

Article 7 - Register of transformed contracts.

1. The insurance undertaking is required to analytically list in the register of transformed contracts, in chronological order of receipt of the instrument with which the contracting party expresses his/her intention, the contracts issued that have been transformed in other forms of contract.

2. In the register, the insurance undertaking includes:

a) the date of receipt of the instrument with which the contracting party expresses his/her intention to transform the contract;

b) the number of the transformed contract;

c) effective date of the transformed contract;

d) the personal details of the contracting party;

e) a code that identifies the transformations realised through the redemption of the previous contract;
f) the mathematical reserve accrued or the redemption value of the transformed contract;
g) the branch or sub-branch of insurance business involved for the transformed contract;
h) the number of the new contract;
i) the branch of insurance business involved for the new contract.

3. At the end of each financial year, the insurance undertaking enters into the register the overall number of transformed contracts, broken down by original branch and sub-branch of insurance business, separately recording the number of transformations realised through the redemption of the contract.

Article 8 - Register of claims.

The register of claims is divided into:

a) register of reported claims, as regulated by article 9;
b) register of claims paid, as regulated by article 10.

Article 9 - Register of reported claims.

1. The insurance undertaking must analytically list the claims into the register of reported claims, in the chronological order in which such claims are received.

2. In the register, the insurance undertaking includes:

a) the date of receipt of the claim;
b) the number of the contract;
c) effective date of the contract;
d) the date of occurrence of the claim;
e) the personal details of the insured;
f) the branch or sub-branch of insurance business involved.

3. At the end of each financial year, the insurance undertaking enters into the register the overall number of claims reported, broken down by branch and sub-branch of insurance business.

Article 10 - Register of claims paid.

1. The insurance undertaking must analytically list into the register of claims paid, in chronological order of the relevant payments, the amounts paid as capital and annuities accrued, redemptions and claims.

2. In the register, the insurance undertaking includes:

a) the payment date of such amounts;

b) the number of the contract;
c) effective date of the contract;
d) the personal details of the beneficiary as resulting from the means of payment used;
e) amount paid;
f) the branch or sub-branch of insurance business involved;
g) purpose of the payment.

3. At the end of each financial year, the insurance undertaking enters into the register the overall number and the aggregate amount of the claims paid, broken down by branch and sub-branch of insurance business and by purpose of payment.

Article 11 - Register of claims and information to the Supervisory Authority.

1. The insurance undertaking enters the claims received into a register which contains:
a) the personal details of the claimant;
b) the date of receipt of the claim;
c) the policy to which the claim refers;
d) a summary description of the content of the claim;
e) a summary description of the outcome of the claim and of any measures adopted by the insurance undertaking.

Attachment B

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Attachment C

ATTACHMENT
C

Model for the communication of the essential elements of the technical bases used for the calculation of the premiums and reserves of each tariff

Attachment C

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Attachment C

INFORMATION DESCRIBING THE INSURANCE CONTRACTS AND THE RELEVANT TARIFFS

1. Name of the insurance undertaking and name of the tariff.

2. Detailed description of the insurance benefits resulting from the contracts.

3. Description of the structure of the applicable charges on the contracts.

4. Specification of the underlying assets.

5. Description of the structure of the costs chargeable on the assets.

6. Description of the structure of the guarantees and specification of the procedures through which they operate.

7. Description of the profit sharing procedures.

8. Opinion of the appointed actuary on the tariffs provided for in the contract as resulting from the technical relation on the tariff.

Attachment C

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Attachment D

ATTACHMENT

D

Model of the technical report on the tariff

Attachment D

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Attachment D

MODEL OF THE TECHNICAL REPORT ON THE TARIFF

The technical report on the tariffs of the insurance undertaking exercising the life insurance business, which contains the assessment of the appointed actuary as regards to the assumptions on which the calculation of the premium is based, is preceded by the following heading:

"TECHNICAL REPORT PURSUANT TO THE REGULATION NO. 2008-01, ARTICLE 62, PARAGRAPH 1, FOR THE TARIFF (TARIFF CODE ASSIGNED BY THE INSURANCE UNDERTAKING) **OF THE BRANCH OF INSURANCE BUSINESS** (SPECIFICATION OF THE BRANCH OR SUB-BRANCH) **OF THE COMPANY** (NAME OF THE UNDERTAKING)".

1. GENERAL INFORMATION

The appointed actuary indicates the period for the marketing, the trade name of the product and provides evidence of whether it is an amended tariff or a new tariff.

If the tariff subject matter of the report is part of an insurance contract resulting from the combination of several tariffs, the appointed actuary summarises the main elements that characterise the contract in its entirety and that would allow the identification of the related tariffs.

2. TYPE OF THE TARIFF

This paragraph briefly describes the essential elements that characterise the tariff, such as the form of the tariff, the insurance category, the description of the insurance benefit with the indication of the ancillary guarantees (if any), the type of premium. The appointed actuary also indicates the scope of application of the tariff with reference to possible restrictions to the duration of the insurance coverage, to the levels of the premium, as well as to any element related to the risk profile of the insureds.

3. DESCRIPTION OF THE TECHNICAL BASES USED

The appointed actuary describes the technical bases adopted by the insurance undertaking for the purposes of the determination of the tariff and provides directions as regards to the type and source of the data used, specifying if they were inferred from experiences internal to the insurance undertaking or from external cases (processing and statistical sources of the market, statistics of other undertakings, international studies. etc.).

The information is provided in the following sub-paragraphs:

3.1. Financial bases;

3.2. Demographic bases;

Attachment D

3.3. Other technical bases (including applicable charges).

4. MONITORING OF THE TECHNICAL BASES USED

The appointed actuary outlines the controls made to verify the adequacy of the technical bases adopted by the insurance undertaking, also taking into account the prudential criteria set forth in this Regulation, which must be satisfied by the company for the purposes of the determination of the tariff. In the event that the insurance undertaking used any technical bases, other than the financial technical bases, inferred from international experiences, the appointed actuary reports on the results of the auditing activities carried out by the company and related to the sustainability of such activities with regard to the risks that the company intends to assume. The appointed actuary shall, if any critical or anomalous situation is detected, illustrate in details the elements identified.

5. METHODS ADOPTED TO CALCULATE THE TARIFF PREMIUM

The appointed actuary describes the methods adopted by the insurance undertaking for the purpose of determining the tariff, providing the calculation formulae related to the individual elements that lead to the determination of the premium rate. The appointed actuary certifies that he/she has verified, also by means of a sample analysis, whether the premium rate applied by the insurance undertaking are correctly determined. If the appointed actuary detects any anomalies or inconsistencies in the application of the methods adopted by the insurance undertaking, he/she will clearly report this in this paragraph.

5.1 Pure premium

This paragraph contains the formula for the calculation of the pure premium rates.

5.2 Regulation on applicable charges

This paragraph reports the regulation on applicable charges, evidencing all elements of cost charged on the premium, whether fixed and/or variable.

5.3 Premium rate

This paragraph contains the formula for the calculation of the premium rate.

6. TECHNICAL RESERVES

The appointed actuary reports the calculation formulae related to the individual elements of the technical reserves (mathematical, expenses, etc.) initially expected.

7. PROFIT SHARING PROCEDURE.

This paragraph describes the guarantees offered directly by the insurance undertaking, the procedures for the recognition of the demographic and financial profits, reports the existence of minimum amounts

withheld and of minimum and/or maximum retrocession rates of the contracts subject to revaluation as well as any commission on the underlying assets.

8. REDUCTION AND REDEMPTION

This paragraph contains the description of the reduction and redemption procedures and the related calculation formulae, together with the cost application rules (if any) in case of switch between internal funds and or segregated funds.

9. OBSERVATIONS

The appointed actuary reports any observations emerged in the context of his/her checks. If the insurance undertaking intends to resort to its own equity pursuant to article 54 of this Regulation, the appointed actuary outlines the effects of such decision in quantitative terms and specifies the outcome of the sustainability check on the tariff in light of the net worth and financial situation of the insurance undertaking.

10. OPINION ON THE TARIFF

The appointed actuary releases a certificate containing his/her opinion on the tariff. In case of a negative opinion, the appointed actuary shall report in detail the reasons why he/she believes that the tariff is not in compliance with the rules and regulations in force.

The date of the technical report and the signature of the appointed actuary must be included.

Attachment D

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Attachment E

ATTACHMENT

E

Principles and methods for calculating the additional reserves for the guaranteed interest rate risk

Attachment E

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Attachment E

CHAPTER I
ACTUAL AND EXPECTED RETURN

Article 1 - Principles for the calculation of actual and expected return for the contracts linked to internal segregated funds.

1. For the contracts linked to internal segregated funds, the insurance undertaking calculates the actual and expected return on the assets representing the mathematical reserves, as a ratio between income and average balances expected on the aggregate of assets. The expected return is defined for each of the financial years of the segregated fund included in the period referred to in article 4 below.

2. The actual return is represented by the return which is accruing at the moment of the assessment.

3. The insurance undertaking may limit the assessments referred to in paragraphs 1 and 2 to only the internal segregated funds deemed to be significant in size or for the risk level of the financial guarantees offered. In any case, the assessment must be extended to at least eighty percent of the aggregate of the mathematical reserves related to the contracts linked to internal segregated funds and must refer to entire segregate funds.

4. For the contracts the benefits of which are linked to internal segregated funds deemed to be irrelevant, and with the exclusion of the assessments referred to in paragraph 3, the insurance undertaking calculates the actual and expected return as the weighed arithmetic mean of the returns referred to in paragraphs 1 and 2, referred to the individual internal segregated funds, with weights equal to the relevant expected average balance.

5. The insurance undertaking carries out the assessment of the actual and expected return with reference to the situation of the portfolio of assets and liabilities on the internal segregated fund referred to one and the same date, taking into account the elements specified in articles 6 and 7 below.

Article 2 - Principles for the calculation of actual and expected return for the contracts not linked to internal segregated funds.

1. For the contracts the benefits of which are not linked to the results obtained on internal segregated funds but which provide for a minimum return guarantee, except for contract with specific asset provision, the insurance undertaking determines, within the period of time specified in article 4, the actual and expected return according to the criterion outlined in article 1, paragraph 4.

Attachment E

2. If the insurance undertaking has not created any internal segregated fund, for the contracts that provide for a minimum return guarantee, the actual and expected return are calculated based on a method defined on the same principles of prudence contained in this Chapter.

Article 3 - Principles for the calculation of actual and expected return for the contracts covered by a specific asset provision.

1. For the contracts covered by a specific asset provision, the insurance undertaking determines the actual and expected return as a value equal to the gross expected rate of return of the assets representing the mathematical reserves, as measured at the moment of the valuations according to the criteria set in article 59 of this Regulation.

Article 4 - Period of time.

1. The insurance undertaking determines the expected return of the internal segregated funds over a period of time of at least four years immediately following the closure of the financial year of the internal segregated fund effective as at the moment of the assessments.

2. If equal to less than four years, the period of time referred to in paragraph 1 will be equal to the residual duration of the portfolio of policies.

3. With reference to the possible economic and financial scenarios and taking into account the actual residual average duration of the portfolio, the insurance undertaking assesses whether it would be necessary to extend the analysis of the expected return to a period longer than the minimum period of time.

Article 5 - Organisational and data analysis criteria.

1. For the purposes of the assessment of the actual and expected return referred to in article 1, the insurance undertaking must avail itself of procedures that allow it to perform a joint analysis of the portfolio of assets and liabilities for each individual internal segregated fund. The undertaking sets the organisational and data analysis criteria most appropriate for its corporate structure and for the technical and size features of the portfolio, taking into account the minimum levels of investigation and information required by this Regulation.

2. The insurance undertaking adopts information procedures that would allow the measurement and analysis of the characteristic elements of the assets and liabilities, capable of identifying the expected flows and assessing their sensitivity to the changes in the economic and financial environment.

Attachment E

Article 6 - Portfolio of assets.

1. For the purpose of assessing the current and expected return referred to in article 1, as regards to the portfolio of assets, the insurance undertaking, for each internal segregated fund considered as significant, must take into account at least the following elements:

a) the maturity dates and amounts of coupons, periodic collections, redemptions, dividends and other income of each category of assets, including derivative instruments;
b) the possibility to exit the portfolio for securities with no definite maturity, equity securities, CIUs and other assets;
c) the indicators related to the credit risk;
d) volatility and correlation indicators;
e) the options provided for in the individual assets and their impact on the expected cash flows;
f) the structures of the yield curves of interest rates and foreign exchange rates of the assets involved;
g) the actual return of the individual fixed income securities with reference to the book values registered in the segregated fund;
h) the book values registered in the segregated fund and the current values of the assets;
i) assets for long term and non-long term use.

Article 7 - Portfolio of liabilities.

1. For the purpose of assessing the current and expected return referred to in article 1, as regards to the portfolio of liabilities, the insurance undertaking performs the analysis on the contracts in force at the time of the assessment, aimed at monitoring the commitments assumed.

2. The insurance undertaking takes into account the levels of the financial guarantees and of the adjustment dynamics of the benefits contractually provide for, and considers at least the following elements:

a) the structure of the financial commitment;
b) the extent of the financial guarantee;
c) the value of the technical rate of the tariff;
d) the contractual form;
e) the type of tariff;
f) the type of premium;
g) the frequency of the premium;
h) the amount of the premium and of the sums insured;
i) the technical bases, other than the financial bases, used in the tariff;
j) contractual options;

k) the residual term of the contractual commitments and of the financial guarantees;

l) the acquisition channel;

m) frequency of cancellations for each individual reason;

n) the effects of the outward reinsurance agreements on the contractual commitments.

Article 8 - Expected income.

1. The insurance undertaking calculates the expected income referred to in article 1, paragraph 1. net of the expenses directly ascribable to the internal segregated fund.

2. As regards to the assets in the portfolio, the insurance undertaking considers the income comprised of:

a) the income for the period, known or estimated on the basis of the structure of the forward rates derived from the swap rates, connected to the reference currency of the asset considered, measured at the moment of the assessment;

b) share dividends and income on the other assets included in the funds. The profitability level must be estimated in a prudent manner, taking into account also expectations consistent with the market situation at the moment of the assessment;

c) the positive or negative differences on the expiring securities or of the financial instruments that will be considered appropriate to dispose of due to liquidity needs determined on the forecasts of the flows of liabilities or due to market needs. These differences, compared to the book value registered in the segregated funds, are valued, for bonds, according to the forward price determined on the basis of the reference spot curves as at the valuation date and, for the other financial instruments, within the aggregate limit of the net implicit capital gains existing at the moment of the valuation.

3. For the assets to be acquired, the insurance undertaking takes into account only the ordinary income referred to in paragraph 2, letters a) and b), estimated according to the procedure provided for therein. The assets to be acquired shall:

a) result from the reinvestment of coupons or of assets expired or sold and from the use of the premiums to be collected on the portfolio of contracts in force at the moment of the valuation;

b) be included in the calculation referred to in paragraph 1, taking into consideration types of assets consistent with the overall forecast flows from the assets and liabilities and, in any case, selected based on prudential criteria.

4. In assessing the income expected, for the purpose of appropriately considering the credit risk, the insurance undertaking adopts adequate estimate models.

5. If the insurance undertaking, consistently with the principles referred to in the preceding paragraphs, intends to avail itself of elements capable of ensuring that the estimate will be more in line with the features of its own internal segregated funds, it shall previously transmit to the Central Bank a note detailing the reasons that suggest the use thereof as well as the criteria adopted for the valuations.

Article 9 - Report on current and expected return.

1. The insurance undertaking prepares, at the moment of the drafting of the financial statements for the period, a report on the actual and expected return, signed by a manager on behalf of the undertaking and by the appointed actuary.

2. In the report referred to in paragraph 1, the insurance undertaking must outline the valuation elements and the assumptions which form the basis of the quantification of the actual and expected return, particularly with reference to the criteria taken into consideration for the assets to be acquired and for the sale of the financial instruments, resulting from market needs, as well as the models used to estimate the credit risk referred to in article 8, paragraph 4.

3. The report includes the vectors of rates resulting from the estimates of actual and expected returns related to the internal segregated funds monitored, as well as the weighed average of such rates as used for the contracts linked to internal segregated funds which are irrelevant, or not linked to any internal segregated funds, and the gross rates of return expected on the specific assets.

4. The insurance undertaking keeps the report referred to in paragraph 1 for two years, together with the analytical flows, on an electronic mean, which are necessary for the purpose of determining the vectors referred to in paragraph 2.

CHAPTER II
PRINCIPLES AND METHODS FOR CALCULATING THE ADDITIONAL RESERVES FOR THE GUARANTEED INTEREST RATE RISK

Article 10 - General principles for the determination of the additional reserve for interest rate risk.

1. The insurance undertaking, based on the comparisons between the interest rates envisaged in article 69 of this Regulation, performs the assessment of the additional reserve for guaranteed interest rate risk for each individual internal segregated fund, and, within them, for each level of financial guarantee provided on the contracts.

2. The same criterion referred to in paragraph 1 must be applied to the contracts linked to internal segregated funds considered as irrelevant pursuant to article 1, paragraph 4.

3. The insurance undertaking assesses the additional reserve for guaranteed interest rate risk for each one of the levels of guarantee provided, also for the contracts referred to in article 2.

4. The insurance undertaking assesses the additional reserve for guaranteed interest rate risk in line with the period of time considered for the purposes of the calculation of the vector of the expected returns and in compliance with the minimum limits for the period specified in article 4.

Article 11 - Methods for the calculation of the additional reserve for interest rate risk.

1. The insurance undertaking determines the additional reserve for guaranteed interest are risk based on the differences between the reserve required to cover the commitments assumed towards the insureds, including all guarantees of return contractually provided for, and the reserve available calculated on the basis of the actual and expected returns, having considered any possible additional prudential margins deemed necessary.

2. In selecting the method to calculate the additional reserves for guaranteed interest rate risk, the insurance undertaking must satisfy the principles of prudence and take into account its own financial situation.

ATTACHMENT

F

Eligibility of hybrid capitalisation instruments and subordinated liabilities in the calculation of the margin available

Attachment F

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Attachment F

ELIGIBILITY OF HYBRID CAPITALISATION INSTRUMENTS AND SUBORDINATED LIABILITIES IN THE CALCULATION OF THE MARGIN AVAILABLE OF AN INSURANCE UNDERTAKING

1. Hybrid capitalisation instruments.

Hybrid capitalisation instruments (instruments that combine the features typical of own funds with other that are typical of indebtedness), are included in the calculation of the margin available when the relevant contract provides that:

a) in the event of losses in the financial statements that determine a reduction in the paid-in capital and reserves below the minimum level of capital required for the authorisation to exercise the business, the amounts resulting from such liabilities and from the interest accrued may be used to cover the losses, for the purpose of allowing the issuer to continue its activities;

b) in case of a negative performance of the fund, the right to remuneration may be suspended to the extent necessary to avoid or limit as much as possible any losses;

c) in case of liquidation of the issuer, the debt must be repaid only after the satisfaction of all other creditors not equally subordinated.

The contracts that combine a very long original maturity with the right, exercisable by the issuer, to roll over the debt for an unspecified period of time are similar to irredeemable liabilities. In such cases, the contract expressly provides that the redemption at maturity may be carried out with the prior consent of the Central Bank.

As regards to the securities representing hybrid capitalisation instruments, reference should be made to the content of the clause specified in point a) above as well as to the condition (if any) that the repayment be subject to the prior consent of the Central Bank.

2. Subordinated liabilities.

The subordinated liabilities issued by the insurance undertaking concur to the formation of the available margin, provided that the contracts that regulate the issue thereof expressly provide that:

a) in case of liquidation of the issuer, the debt must be repaid only after the satisfaction of all other creditors not equally subordinated;

b) the term of the relationship is equal to or higher than 5 years and, if the maturity is not specified, a prior notice of at least 5 years is required;

c) the early redemption of the liabilities may occur only upon initiative of the issuer and with the authorisation of the Central Bank.

Additionally, the amount of these sums admitted in the calculation is reduced by a fifth each year during the 5 years prior to the maturity date of the relationship, absent any sinking plan that would produce similar results.

Attachment F

3. Application for the authorisation of the Central Bank.

The application for the authorisation to the inclusion of hybrid capitalisation instruments and subordinated liabilities in the calculation of the available margin must be accompanied by the relevant contractual documentation that governs the issues and by all information useful to allow the Central Bank to carry out an assessment of the actual impact of the liabilities assumed by the insurance undertaking.

Furthermore, it is necessary produce all contracts and disclose the agreements related to transactions not connected with that under review.

For the purpose of reducing the time necessary to verify the requirements for the admission of the hybrid capitalisation instruments or of the subordinated liabilities, the insurance undertaking may submit to the review of the Central Bank also projects of contracts, provided that the definite contract must be transmitted once the transaction is implemented.

The Central Bank may exclude or restrict the eligibility of the hybrid capitalisation instrument and of the subordinated liabilities for the calculation of the available margin, on the basis of assessments, also on a case by case basis, made in compliance with the regulation of the contract.

Within 60 days from the date of receipt of the application for the authorisation, the Central Bank must disclose its decisions on the matter.

4. Repurchase by the insurance undertaking issuing units in hybrid capitalisation instruments or subordinated liabilities.

There are two different types of repurchase by the issuer of units in the subordinated liabilities issued:

a) where the purpose of the repurchase is the cancellation of the certificates. This case must be treated in the same way of a formal early redemption of a unit of the debt, and thus it must be subject to the authorisation by the Central Bank;

b) where the cancellation of the certificates is not the purpose of the repurchase. In this case, the repurchase may be freely carried out, notwithstanding the obligation to deduct the units, included in the portfolio even if on a temporary basis, from the calculation of the subordinated liabilities available to the insurance undertaking. The issuers, however, are prohibited from holding any security representing their own subordinated liabilities for an amount in excess of 10 percent of each issue.

It is admitted to include any clause such as the "illegality clause", according to which the creditor or the issuer has the right to demand the early repayment of the subordinated credit/debit if a rule of law or regulation prohibits the possession of assets or liabilities in such form or, more in general, prevents the satisfaction of the commitments assumed pursuant to the issue agreement. Even though, strictly speaking, this clause represents a case of early redemption which does not depend on the will of the issuer, it is eligible when it is clear that the repayment depends on a *"factum principis"* which must be necessarily

Attachment F

complied with by the debtor (creditor). In this case, it is not necessary to apply for the prior consent from the Central Bank to anticipate the redemption of the contract.

Attachment F

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Attachment G

ATTACHMENT

G

Minimum content of the information to customers

Attachment G

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Attachment G

A. MINIMUM CONTENT OF THE INFORMATION SHEET

A) Information concerning the insurance undertaking.

A1) Name of the company, legal form, registration number in the Register of Authorised Parties held by the Central Bank of the Republic of San Marino;

A2) List of corporate officers;

A3) address of the registered office and of any other offices of the undertaking.

B) Information on the contract.

B1) Definition of each guarantee and option.

A clear and brief description of the main benefit and of possible incidental and/or supplementary benefits offered. More specifically, the insurance undertaking shall clearly evidence the insurance benefits related:

a) to the risks relevant for human life;

b) to the financial risk, clearly describing the risk profiles to which the contracting party is exposed by taking out the policy and specifying the possible absence of any minimum return guarantee offered by the insurance undertaking;

c) to the advantages resulting from the profit sharing, specifying also the possible guarantees of minimum return offered by the insurance undertaking. May not be considered as such the guarantees of minimum return offered to the undertaking by third parties;

d) to the existence of any period of suspension or restriction of risk hedging (e.g. deficiency);

The insurance undertaking shall also outline all of the options that may be exercised pursuant to the contractual terms and conditions.

B2) Duration of the contract.

The minimum and maximum limits of duration within which the contracting party may take his/her decision, or the fixed duration possibly provided for in the contract must be specified.

B3) Procedures and period for the payment of the premiums.

The different procedures for the payment of the premiums with reference to one and the same insurance form must be specified (annual premiums, premiums payable by semi-annual instalments, single premium, annual premium paid for a period of less than the term of the contract, etc.). Where the annual premium is payable by instalments, any additional charges to be borne by the insured must be outlined. The procedures for the payment of the premiums in compliance with anti-money laundering regulations must be specified.

B4) Information on the premiums related to each guarantee, whether main or supplementary guarantee, if such information is appropriate.

The insurance undertaking shall specify that the premium is determined with reference to the guarantees provided, to their duration and amount, to the age of the insured and, as regards to the hedging of the risk, to his/her health and professional activities carried out. In case of policies with premium subject to revaluation, it will be necessary to outline the mechanism for adjustment and to point out the right for the contracting party to limit or reject the increase of the premium, as well as the economic consequences of such decision. The policies in which the premium related to the main, supplementary or incidental guarantee is not "guaranteed" for the entire term of the contract, the rules for the determination of such premium must be specified.

B5) Extent and procedures related to possible discounts.

B6) Procedures for calculating and allocating the sharing of the profits.

The different types of insurance products with profit sharing that may be marketed make it necessary to clearly and precisely represent the profit sharing mechanism in whichever form this is implemented (revaluation of the insured benefit depending on the return on an internal segregated fund, valuation, adjustment, allocation of a sharing to an internal fund, etc.). The insurance undertaking must, therefore, specify the procedures and times for the allocation of the benefits and whether the guarantee for the consolidation of the profit shares allocated is applicable or not.

B7) Procedures for the termination of the contract.

B8) Information on the redemption value and on the reduction value as well as on the nature of the related guarantees.

The insurance undertaking shall preliminarily specify whether the redemption value and the reduction value are contractually guaranteed, specifically evidencing the case where such guarantee does not exist. Where the redemption value may be lower than the premiums paid, this possibility must be emphasised with more prominent characters. Additionally, the attention of the policy holder must be driven on the negative economic effects of the redemption and of the reduction, highlighting the fact that the recovery by the contracting party of the premiums paid will occur only after the payment of a certain number of annual premiums.

B9) List of the benchmarks used in the contracts with variable capital.

In addition to all other information, it is necessary to specify:

a) the definition of the average net value of the individual unit of the internal fund or of the CIUs to which the contract is linked;
b) the procedures for converting the premiums in units and the units in amounts to be liquidated upon occurrence of the events envisaged in the policy, highlighting the possible existence of any costs to be borne by the insured;
c) the advantage of a possible postponement of the liquidation of the benefit due by the insurance undertaking;
d) any conditions for the switch to another internal fund to which the contract is to be linked.

Attachment G

B10) Information on the nature of the assets used to cover the obligations in contracts with variable capital.

It is necessary to specify the name of the internal fund or of the CIUs in which the assets are invested, together, for each one of them, with the type of investments expected and the relevant minimum and maximum limits (if any).

B11) Information regarding the applicable charges, costs and expenses of the contract.

All costs applied on the premiums paid must be indicated in a specific table, whether they are expressed as a percentage value and/or as an absolute value, specifying their nature and evidencing the expenses for issuing the contract. Additionally, it will be necessary to specify the management fees applied by the insurance undertaking on the internal fund, the percentage withheld by the insurance undertaking on the return achieved by the internal segregated fund, with the minimum amount of return withheld and any further debit made for any reasons whatsoever, as well as the costs in case of redemption.

B12) Procedures for exercising the right of withdrawal from the proposal.

It must be specified, pursuant to article 119 of this Regulation, that the contracting party has the right to withdraw within 30 days from the moment in which he/she is informed of the conclusion of the contract. For this purpose, it is necessary that this moment is clearly identified by the insurance undertaking with reference to its own underwriting procedures. Similarly, it must be pointed out that, based on article 118 of this Regulation, the proposal related to a contract that provides for the right of withdrawal may be immediately withdrawn. The procedures for notifying the withdrawal or revocation of the proposal to the insurance undertaking must also be specified.

B13) Procedures for paying the benefits.

It is also required that, in compliance with the anti-money laundering regulations, the procedures be outlined for paying the benefits, specifying the documents necessary and the terms for such payment.

B14) Information related to the tax regime applicable to the policy.

B15) Rules on the review of the complaints of the contracting parties, insureds or beneficiaries of the contract, as regards to the contract itself.

Explicit reference to the possibility to transmit to the Central Bank of the Republic of San Marino reports related to the conduct of the insurance undertaking in order to give evidence of alleged infringements of laws or regulations (article 68 of the LISF), without prejudice to the possibility to promote a legal proceeding.

B16) Indication of the Single Court of the Republic of San Marino as applicable jurisdiction and of the law of San Marino as applicable law.

B. INFORMATION TO BE TRANSMITTED DURING THE LIFE OF THE CONTRACT

Attachment G

The information sheet must give evidence of the commitment of the insurance undertaking to promptly notify in writing to the contracting party all changes in the information given that might occur during the life of the contract. The insurance undertaking shall also express, within the information sheet, the commitment to notify to the contracting party, each year, the value reached by the insured benefits, in case of products with profit sharing clause, regardless of the form of its implementation. This information must be provided with the transmission of the receipt of the premium related to the annual payment. For the single premium contracts, it will be included in a specific annual notification.

Attachment G

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