

Terms of Reference (ToR) for a Short-Term assignment

Technical assistance requested:	1 (one) Senior Non-Key Expert in the area of Negotiating Ch. 9, Financial Services - Insurance Accounting
Project Title:	Policy and Legal Advice Centre (PLAC III), Serbia
Ref:	EuropeAid/139295/DH/SER/RS
Service Contract No.:	(CRIS) 2018/404-529
Main beneficiary:	The Ministry of European Integration of the Republic of Serbia
Target Beneficiaries:	Negotiation group Ch. 9; National Bank of Serbia
Budget Line /Expert Category:	1 (one) Senior Non-Key Experts
Duration of the assignment:	30 working days (WD) from May until December 2023

1. Relevant background information

Background information in relation to PLAC III project:

The scope of PLAC III project is to provide support to relevant national institutions in charge of alignment of national legal acts with the Union *acquis* and to contribute to further building of capacities of relevant national structures for successful carrying out of accession negotiations.

The PLAC III project should achieve two results:

RESULT 1 - Enhanced compatibility of national legislation with EU legislation and its effective implementation

RESULT 2 - Enhanced capacities of the relevant national structures for successful carrying out of accession negotiations

In general, the Project aims at foster the process of accession negotiations of the Republic of Serbia by supporting the effective alignment of national legislation with the Union *acquis* and its implementation and by further building the capacities of involved carriers of the EU integration process in the Republic of Serbia. Upon completion of screening process in 2015, the Serbian public administration has entered into much more demanding and obliging exercise of accession negotiations, whereby each step and every decision should result in approaching actual membership in the EU. For this scenario to happen in accordance with planned dynamics, preparedness, adequate institutional capacity of public administration with highly competent staff is of crucial importance. In the core period of the negotiations, PLAC III Project shall support domestic line institutions and the negotiating structures both in the performance of quality operational work in relation to harmonisation process and in the effective coordination during various stages and phases in the process for different negotiation chapters.

2. Background information in relation to Chapter 9 – Financial Services – Insurance

During negotiation process Chapter 9 – Financial Services was opened in June 2019. As per EC Screening Report for Chapter 9 – Financial Services, the Republic of Serbia has in general reached a good level of alignment in the insurance sector and partly applies the *acquis* in this area. One of the key EU Directives in the insurance area is **the Council Directive 91/674/EEC** of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings.

In the National Programme for the Adoption of the *Acquis* (NPAA) - Third Revision (from 2018.) it is stated that the domestic legal framework in regards to financial statements and consolidated financial statements of insurance undertakings (*The Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings* ("Official Gazette of the RS", No. 135/2014 and 102/2015) and *the Decision on the Content and Layout of Financial Statement Forms for Insurance Undertakings* ("Official Gazette of the RS", No. 135/2014, 141/2014 and 102/2015), is harmonised with the Council Directive 91/674/EEC, and that the solutions in regards to which full harmonisation has not yet been achieved relate to individual positions within the balance sheet and profit and loss account, which will be solved by the adoption of new regulations.

The latest Fourth revision of the NPAA sets the new deadline for adoption of harmonised domestic regulation in the area of insurance accounting (the new *Decision on the Content and Layout of Financial Statement Forms for Insurance Undertakings*) as the 4th Quarter of 2025.

In the EU Common Position for Chapter 9 (from 2019) it is stated that the EU observed that in order to fully comply with the *acquis* on annual and consolidated accounts Serbia needs to upgrade implementing legislation on notes and on the accounts.

In May 2017 the International Accounting Standards Board (IASB) published *International Financial Reporting Standards 17* (IFRS 17) with the aim of enabling consistent, principle-based accounting for insurance contracts and providing a more uniform measurement and presentation approach for all insurance contracts.

IFRS 17 supersedes IFRS 4 Insurance Contracts and related interpretations and is effective for periods beginning on or after 1st January 2023. The EU endorsed IFRS 17 through Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17. The Regulation adopted IFRS 17 Insurance Contracts and the June 2020 amendments to IFRS 17 with the same effective date as the IASB (1 January 2023).

The beginning of application of IFRS 17 in the Republic of Serbia is yet to be assessed, especially taking into account its complex requirements and possible interaction with insurance prudential regulation, which is currently based on Solvency I rules.

The assistance from PLAC III will contribute to transposition and implementation of the Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (as last time amended by Directive 2006/46/EC) and to meeting the closing benchmarks set for Chapter 9 in particular regarding alignment in the field of insurance accounting. This issue is important because insurance accounting in the EU is, besides being subject to the Council Directive 91/674/EEC, also subject to Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of

undertakings, the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council). With the endorsement of the IFRS 17 in the EU accounting regulation (Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council) the implementation of the Council Directive 91/674/EEC becomes significantly more complex for EU candidate countries such as Serbia.

Having in mind that complexity of the implementation of the IFRS 17 in the accounting regulation, besides actuarial knowledge about measurement of assets and liabilities arising from insurance contracts also requires knowledge of accounting and financial reporting, the National Bank of Serbia has also requested, through the IPA REG project, technical assistance in drafting of by-laws in regards to financial statements and chart of accounts of insurance undertakings that would implement the requirements of the International Financial Reporting Standard (IFRS) 17 - Insurance Contracts in parts that would not be covered by this project.

At present, there are no ongoing or planned assistance projects for the activities covered by this ToR.

3. Description of the assignment:

3.1 Specific objectives

The specific objective of this assignment is to assist the National Bank of Serbia as insurance supervisory authority and authority in charge for the content and layout of financial statement forms for insurance undertakings, as well as for setting up the chart of accounts and content of accounts, in the process of transition towards requirements of EU insurance accounting and financial reporting legislation.

In the scope of this objective, following activities are foreseen:

- Preparation of legal gap analysis of requirements of EU insurance accounting and financial reporting legislation related to the measurement of assets and liabilities arising from insurance contracts;
- Drafting parts of new Decision on the Content and Layout of Financial Statement Forms for Insurance Undertakings in compliance with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17 related to the measurement of assets and liabilities arising from insurance contracts;
- Drafting parts of new Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings in line with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17 related to the measurement of assets and liabilities arising from insurance contracts;

- Holding trainings to present the requirements and implementation issues of proposed Drafts concerning Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17 related to the measurement of assets and liabilities arising from insurance contracts.

3.2 Requested services

The Senior NKE in the field of actuarial science is expected to provide the following services:

- a) To prepare a legal gap analysis of requirements of EU insurance accounting and financial reporting legislation and to identify and present gaps and proposals for harmonisation of national legislation in the field of measurement of assets and liabilities arising from insurance contracts;
- b) To draft parts of the Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings in line with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17 in the field of measurement of assets and liabilities arising from insurance contracts;
- c) To draft parts of the Decision on the Content and Layout of Financial Statement Forms for Insurance Undertakings in line with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17 in the field of measurement of assets and liabilities arising from insurance contracts;;
- d) To prepare and hold trainings on the implementation of the drafted decisions concerning in line with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council regarding measurement of assets and liabilities arising from insurance contracts, i.e:
 - General Measurement Model, both at initial recognition and subsequent measurement, particularly in the areas such as estimates and adjustment of fulfilment cash flows and determination of contractual service margin as well as loss component of the liability for remaining coverage,
 - Premium Allocation Approach, both at initial recognition and subsequent measurement, especially measurement the liability for remaining coverage including a loss component of the liability for remaining coverage,
 - Variable Fee Approach, both at initial recognition and subsequent measurement, particularly in the areas such as estimates and adjustment of fulfilment cash flows and determination of contractual service margin,
 - Methods for determining discount rates prescribed by IFRS 17.
- e) Prepare and hold a Workshop and present the outputs of the assignment.

3.3 Outputs

Senior NKE in the field of actuarial science is expected to deliver the following outputs:

- Legal gap analysis with proposals for harmonisation of national legislation with requirements of EU insurance accounting and financial reporting legislation regarding measurement of assets and liabilities arising from insurance contracts, drafted;
- Draft of parts of the Decision on the Content and Layout of Financial Statement Forms for Insurance Undertakings in line with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, regarding measurement of assets and liabilities arising from insurance contracts, drafted;
- Draft of parts of the Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings in line with the Council Directive 91/674/EEC and Commission Regulation (EU) 2021/2036 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, regarding measurement of assets and liabilities arising from insurance contracts, drafted;
- Trainings, held.
- Workshop, held.

3.4 Reporting

The Senior NKE shall provide the following reports by using the templates of the Project:

- A Final Mission Report, no later than 1 week after the completion of tasks under this assignment. This report will include a description of all activities and outputs provided by the SNKE in the context of this assignment;
- A brief Interim Report - only upon request of the PLAC III team: TL and/or KE2.

Submission of reports:

- A draft Mission Report shall be submitted to the Team Leader of the Project for review and comments at the end of the mission;
- A final version of the Mission Report prepared in the agreed quality shall be submitted to the Team Leader of the Project for review, comments and final approval;
- The reports shall be signed by the SNKE and the Team Leader, responsible for endorsing the reports;
- The reports and all prepared documents shall be submitted in a hard copy and electronic version to the Team Leader of the Project.

3.5 Specifics

The SNKE shall work under the guidance and follow the instructions of the Team Leader. The SNKE shall collaborate with the Project team, other experts involved and representatives of the relevant beneficiary institutions.

For each of the short-term missions, the timing and duration shall be agreed upon with the Beneficiary and the PLAC III team prior to each planned mission.

3.6 Expert input

3.6.1 Total working days

30 working days (WDs) in total have been planned for both Senior Non-Key Experts.

3.6.2 Period of the assignment and Starting day

It is expected that the work will be performed during several missions in the period from May until December 2023. Starting date will be confirmed at the later stage.

3.6.3 Location/Place of assignment

The SNKE must deliver 100% of the input in Serbia, unless otherwise agreed due to extraordinary circumstances (i.e., COVID-19). All home-based days are subject to prior approval by the EU Delegation Project Manager responsible for the PLAC III project.

3.6.4 Working language

English.

4. Experts' Profile – Senior NKE in the field of actuarial science (30 working days):

4.1 Qualifications and skills (25 points)

- A level of education, which corresponds to completed university studies of at least 3 years attested by a diploma in actuarial science or other related field (insurance, mathematics, finance, accounting, statistics etc.) relevant to the assignment
- Computer literacy
- Be proficient in report drafting
- Excellent communication and analytical skills
- Proficiency in English language
- Independence and freedom from conflicts of interest in the undertaken responsibilities

4.2 General professional experience (25 points)

- At least 8 (eight) years of general postgraduate professional experience related to insurance and actuarial science gained in an EU Member State.

4.3 Specific professional experience (50 points)

- Knowledge of the requirements of the Council Directive 91/674/EEC and requirements of the International Financial Reporting Standard 17 Insurance contracts in relation to initial recognition and subsequent measurement of insurance contracts.

5. Applications

Applications (EU format CV and application letter in English) need to be submitted by e-mail to mbayard@dmiassociates.com and akhani@dmiassociates.com no later than 15 May 2023, 17:00 hrs, titled:

“Application for the position – Senior NKE in the area of Ch. 9, Insurance accounting”.

References must be available on request. Only short-listed candidates will be contacted.

Pre-selected experts will be requested to sign Statement of Availability (SoA) in which they acknowledge and confirm the availability to accomplish this assignment within the indicated period, at the indicated starting date and within the number of working days requested.

The Project is an equal opportunity employer. All applications will be considered strictly confidential.

Advertised posts are not available to civil servants or other officials of the public administration in the beneficiary country, Serbia.

For more information, please contact Project Manager at DMI Associates Marion Bayard: mail to mbayard@dmiassociates.com or Arianne Khani mail to akhani@dmiassociates.com.