



TWINNING FICHE

Project title: Capacity Building of Insurance State Supervision Service of Georgia

Beneficiary administration: LEPL Insurance State Supervision Service of Georgia (ISSSG)

Twinning Reference: GE 17 ENI FI 01 19

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EU funded project

TWINNING TOOL

List of Abbreviations:

AA – Association Agreement
BA - Beneficiary Administration
CIC - Compulsory Insurance Centre
DCFTA - Deep and Comprehensive Free Trade Area
EAP – Eastern Partnership
FIRST – Financial Sector Reform and Strengthening Initiative
ISSSG - Insurance State Supervision Service of Georgia
LA – Legal Approximation
LEPL - Legal Entity of Public Law
MOJ - Ministry of Justice
MOF – Ministry of Finance
MOESD - Ministry of Economy and Sustainable development
MS – Member State
MTPL- Motor Third Party Liability
NBG - National Bank of Georgia
PL – Project Leader
PSC - Project steering Committee
RIA - Regulatory Impact Assessment
RTA Resident Twinning Adviser
SPA – State Procurement Agency
WB – World Bank

1. Basic Information

1.1 Programme: Economic and Business Development in Georgia ENI/2017/040-318 / direct management

For applicants from the United Kingdom: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that applicants from the United Kingdom continue to be eligible, the beneficiaries from the United Kingdom will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions^[1] to the grant agreement.

1.2 Twinning Sector: Finance, Internal market and economic criteria (FI)

1.3 EU funded budget: 1 200 000 EUR

2. Objectives

2.1 Overall Objective(s):

The overall objective of the project is to support fulfillment of the commitments of Georgia in the context of EU-Georgia Association Agreement (AA) which will lead to further improvement of efficiency, accountability and safety of the financial sector.

2.2 Specific objective:

The specific objective of the project is to strengthen the institutional and human resource capacity of the Insurance State Supervision Service of Georgia (ISSSG) by aligning the relevant legal framework together with the ISSSG's functions and operations with the EU regulations in terms of Solvency II standards.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

The proposed Twinning project reflects obligations and priorities both at national and international level. It is fully in line with the **Association Agreement (AA)** including a **Deep and Comprehensive Free Trade Area (DCFTA)**.

Moving to Solvency II standards requirements in insurance is one of the main obligations for Georgia under the AA and its implementation is among main priorities for the ISSSG. The project idea meets the requirements set in the AA, particularly: Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Association Agreement; Article 323; Annex XV-A; Rules Applicable to Financial Services, B. Insurance).

According to the AA Georgia shall make its best endeavours to ensure that internationally agreed standards for regulation and supervision in the sector of insurance services, such as 'Insurance Core Principles' (Association Agreement; Paragraph 3; Article 116) adopted by International Association of Insurance Supervisors is applied in proper manner.

Association Agenda between the European Union and Georgia 2017-2020 mentions insurance as one of the key factors for development of business environment and underlines importance of reforms in different directions of financial sector including insurance.

^[1] Twinning manual Annex A2

In the **Joint Staff Working Document** of Eastern Partnership 20 deliverables for 2020 insurance is among other targets: to set up and develop alternative sources of financing for S MEs. This should include: instruments to facilitate investments (i.e. leasing, factoring) and instruments to increase export (i.e. export guarantee mechanisms, insurance schemes).

The above mentioned documents contain binding rule-based provisions with regards to insurance field, strengthening financial sector, its sustainability and solvency.

The **Georgian Socioeconomic Development Strategy "Georgia 2020"** emphasises the importance of economic growth and development of financial resources. The Government intends to work to develop a viable deposit insurance mechanism, also to facilitate improvement of private insurance operations, Both the **Government Platform 2016-2020 "Freedom, Rapid Development and Prosperity"** and the new Government **Program 2018-2020 "Freedom, Rapid Development and Welfare"** adopted in July 2018 declare Government's vision and classify priorities for the future actions. The government commits itself to continue the effective implementation of the EU Association Agreement (AA) with Deep and Comprehensive Free Trade Area (DCFTA); make specific steps towards sectoral integration with the EU, thus positioning the country closer to the sectoral norms and policies of the EU. Insurance is considered as a mechanism for increasing country's export potential.

The implementation of the project would contribute to the realization of the priorities and obligations stated above.

3. Description

3.1 Background and justification:

On March 20, 2013, changes and amendments to the Georgian law "On insurance" were made, based on which it was determined that the Insurance State Supervision Service of Georgia (ISSSG) is independent in its activities and accountable to the Government of Georgia. ISSSG was turned from the subdivision (department) of National Bank of Georgia to Legal Entity of Public Law (LEPL) and was formed as an independent regulatory body. The ISSSG has completely assumed the duties and the responsibilities of supervision from the National Bank of Georgia in insurance and non-state pension scheme issues. The aim of the ISSSG is to implement the state policy and to create a competitive environment in the insurance sector, the main targets are: to ensure financial stability and solvency of the insurance market, compliance with the EU standards and protection of the insurance market, consumers' rights, create regulatory and methodological base, ensure its monitoring.

The ISSSG is authorized to:

- a) Issue and cancel (withdraw) insurance licenses; register and deregister insurance brokers;
- b) Monitor the performance of the regulatory requirements, also revise accounting documents, request and receive any information.
- c) Apply sanctions;
- d) Keep a register of insurers and insurance brokers;
- e) Determine the types of capital of an insurer, the minimum amounts of capital (equity requirements) at each stage of insurance activity and the procedures for its calculation;
- f) establish procedures for determining and creating types of insurance reserves, as well as procedures for determining types and structure of assets covering technical provisions ;
- g) define internal accounting requirements for insurance organisations;
- h) determine marginal ratio of an insurer's assets to its undertaken liabilities;
- i) determine marginal ratio of an insurer's equity to its liabilities;
- j) determine procedure for calculating a solvency margin of an insurer;
- m) Request and receive information on both direct and beneficial owners of an insurer;
- n) Request and receive information on the origin of an insurer's initial capital;
- o) Define forms of and filing procedures for financial and statistical reports of an insurer;
- q) Publish insurance market statistical and financial information;
- s) Establish procedures for liquidation and bankruptcy proceedings of an insurer.

Taking into consideration the above mentioned, the ISSSG intends to work intensively in order to:

- Enhance transparency in insurance business;
- Assist the integration of Georgia into the European and global economies;
- Align the normative and legal framework in the area of insurance sector, especially in company's solvency standards;
- Strengthen the stability and competitiveness of insurance sector and mitigate the risk of crisis due to insolvency;
- Transfer financial stability of companies to modern standards through capital adequacy, assessment criteria, asset and liability criteria, technical provisions and investments.

The objective of the ISSSG is to modernize supervision that will ensure a uniform and enhanced level of policyholder protection. The primary objective of insurance supervision is to promote the maintenance of a fair, safe and stable insurance sector for the benefit and protection of policyholders. Main components of Solvency II standards, as: regulatory requirements for insurers, supervisory reporting, public disclosure and risk assessment and management, as well as solvency and reserving. Solvency refers to the ability of an insurer to meet its obligations to the policyholder when they fall due. It covers not only capital adequacy, but also other aspects such as technical provisions, enterprise risk management, supervisory review and supervisory reporting.

Capital adequacy refers to the extent to which an insurer has sufficient capital resources to meet its regulatory capital requirements. Technical provision represents the amounts that an insurer estimates will be needed to cover obligations to policyholders as and when they come due. The determination of technical provisions is fundamental to insurers' financial results.

Taking a total balance sheet approach means that all risks are taken into account in assessing the wellbeing of an insurer. Sufficient assets need to be available to cover the insurer's obligations to policyholders, as well as other liabilities, with those assets and liabilities being valued in a consistent manner.

Regulatory solvency regimes serve several purposes relating to: standards benchmarking, failure reduction, early warning, and prompt intervention, loss buffering, providing risk management incentives and promoting confidence in the insurance sector.

Capital adequacy requirements should be set based on a total balance sheet approach so that insurers can absorb significant unforeseen losses. Regulatory capital requirements should be calibrated based on explicit target criteria to address all relevant material risks. They can be based on standardized or more tailored approaches.

Following progress of the Twinning project and consolidation of the ISSSG's operational and institutional capacities in the field of prudential regulation and supervision under the Solvency II requirements, the ISSSG shall achieve good results in the development and promotion of an appropriate and effective regulatory and supervisory framework and best practices in accordance with EU legislation.

The amendments made to the insurance legislation over the last 4 years aimed at strengthening the financial stability of insurers, at establishing more clear criteria of transparency for shareholders of insurance (reinsurance) undertakings. Transparent and complete regulation procedures were applied for the improvement of the financial position of insurers, proper sanctions system was developed against violations and deficiencies and for the consolidation of ISSSG supervisory capacity. ISSSG has created consumer right protection criteria as well as enhanced licensing conditions.

During the project implementation specific attention will be paid to ensure that legal approximation process supported under this Twinning project will be done according to the national framework on policy and legislative development and to the better regulation approach supported also at the EU level¹. A better regulation approach requires that policies and legislation are prepared on the basis of the best available evidence (impact assessments) and according to an inclusive approach involving both internal and external stakeholders.

¹ http://ec.europa.eu/info/strategy/better-regulation-why-and-how_en

Furthermore, building on the lessons learnt and the Better Regulation agenda promoted at the EU level², this Twinning project will contribute to the overall public administration reform in Georgia by ensuring the introduction of an inclusive and evidence-based approach to policy-making and legal drafting in the respective sector. It will also pay specific attention to accountability and reporting lines between concerned institutions (Ministry of Finance (MOF) and Ministry of Economy and Sustainable development). The ISSSG will ensure participation of the representatives of stakeholders (insurance companies, insurance field representatives) in the activities that will be undertaken within the project.

3.2 Ongoing reforms:

Following the commitments assumed by Georgia from the Association Agreement, important reforms have been undertaken in 2014-2017 and amendments to the insurance legislation have been introduced in the direction of transparency, introduction of supervision system on insurance mediator, establishment of professional directions towards the actuarial system, introduction of group supervision process under the auspices of the National Bank of Georgia (NBG), oversight on full enforcement of Solvency I standards.

Currently, the provisions of Solvency II Directive and related regulations shall be implemented in the national insurance legislation.

There was considerable scope of reforms initiated with the support of World Bank: the development of the reinsurance Regulation on the insurer's net retention and credit quality of reinsurers; the respective draft law has been developed and submitted to the Government in December 2018.

On MTPL, the Border MTPL Insurance Law was adopted by the Parliament in December 2017 and became effective in March 2018. Border MTPL is administered by the Compulsory Insurance Centre (CIC), a non-profit (non-commercial) legal entity established in January 2018;

The new draft law on insurance MTPL (Motor Third Party Liability) for domestic vehicles has passed intergovernmental procedures and submitted to the Parliament in December 2018. In parallel, ISSSG is currently working on developing of on-site inspection manual of reserving; a supervision manual on reinsurance; a reporting template on reserving and reinsurance for the purposes of collecting reserving and reinsurance information from insurance undertakings during off-site and on-site inspections.

The ISSSG has also, prepared the changes (draft) in the Georgian law "On Insurance", in terms of intermediary supervision and registration process and submitted it to the Georgian Government for further discussion and approval in December 2018.

3.3 Linked activities:

In the recent years, a number of projects and missions, financed by different donor have been contributing to improving efficiency, accountability and safety of the insurance sector:

Under **Georgia - Private Sector Competitiveness Development Policy Operation**, 2014-2018 by World Bank (USD 60 million loans) assisted the GoG in designing and introducing important financial sector reforms to promote access to finance and further improve the resilience of the financial system.

Under World Bank **FIRST Initiative - Financial Sector Deepening and Inclusion in Georgia**, 2016-2019, ISSSG has been receiving support with the development and implementation of legislation and regulations in line with EU Solvency I Directive, including capital adequacy regulations on reserving, insurance companies' liabilities, reinsurance and reporting. Further, ISSSG received support in building its on-site and off-site supervisory capacity and in market development through preparation of the market development road map and supporting it insurance regulations for new product classes. Notable progress was made in advancing insurance market reforms, namely, all insurance companies are compliant with minimum capital and Solvency I requirements and Border Motor Third Party Liability (MTPL) insurance was introduced in March 2018. Additional support is foreseen to assess progress of insurance market development reforms; review and discuss the draft law on Motor

² http://ec.europa.eu/info/files/better-regulation-better-results-eu-agenda-0_en

Third Party Liability (MTPL) insurance for domestic vehicles and the draft reinsurance Regulation on the insurer's net retention and credit quality of reinsurers.

Under World Bank **FIRST Initiative - Georgia - Financial Sector Infrastructure and Innovations**, 2018-2022, advisory support to ISSSG will be delivered on: supervisory manuals, reporting templates during the on-site and off-site inspections and trainings concerning these topics will be organized.

TAIEX Expert Mission on Harmonization with the EU insurance Legislation (event ID 62959) took place in March 2017. The topic of the mission was to present insurance classes according to the EU Directive (2009/138/EC Directive - "Solvency II Directive") and their impact in the licensing process. The knowledge transferred during this activity enabled the beneficiary institution to create the basis for a differentiated approach towards insurance licensing by switching over to the EU Directive model, therefore enhancing the insurance industry and the reliability of the insurance.

The Sector Reform Support Contract also foresees complementary measures to be implemented in indirect management with the World Bank Group under the Umbrella of the Programmatic Trust Fund "EC-World Bank Partnership on Europe and Central Asia (EEPP)". Currently a draft project proposal is being discussed between the WB team and ISSSG entailing support to the reforms aimed at introducing a mandatory MTPL Law and strengthening the legal and supervision capacities of ISSSG. At the same time, more focus will be placed on the feasibility studies with regards to development of mandatory insurance products.

The EU Sector Reform Performance Contract Economic and Business Development in Georgia (period of implementation 2018-2022 budget: 48 650 000 M in total). This Twinning project is a part of the complementary measures component of the programme. The **specific objectives** of the programme are to: Make faster and fairer the litigations in commercial matters, Modernise the financial infrastructure, Promote market-oriented and innovative business models for job creation. The objectives will be addressed through different thematic components among which enhancement of insurance system is one of the key element, through the budget support component creation of functional insurance supervision system as well as introduction of compulsory insurance products is expected. The Twinning project will be in good coordination and synergy with other actions envisage under the entire programme. The Sector Reform Support Contract also foresees complementary measures to be implemented in indirect management with the World Bank Group under the Umbrella of the Programmatic Trust Fund "EC-World Bank Partnership on Europe and Central Asia (EEPP)". Currently a draft project proposal is being discussed between the WB team and ISSSG entailing support to the reforms aimed at introducing a mandatory MTPL Law and strengthening the legal and supervision capacities of ISSSG. At the same time, more focus will be placed on the feasibility studies with regards to development of mandatory insurance products.

Related Programmes and Projects

The reform of Public Administration (PAR) is of utmost importance for the country and the process is supported through donor community. The EU total contribution to the "Support to the Public Administration Reform in Georgia" 2016-2019, is EUR 30 000 000 Euro. Out of which EUR 20 000 000 is budget support share and EUR 10 000 000 for complementary support. The objective of the programme is to improve the efficiency, accountability and transparency of the public administration of Georgia, in line with the key Principles of Public Administration that have been developed by OECD/SIGMA in close cooperation with the European Commission. It will have a particular focus on the improvement of the policy planning and coordination capacities and processes in the central public administration. The professionalization of the civil service (including the reform of the civil service training system) will also be supported through the programme.

Project Title: Facility for the implementation of the Association Agreement in Georgia; EU funded; Period of implementation: 2015- February 2019; Description: The project provides policy advice and capacity building support to the Georgian Government in coordinating the implementation of the Association, strengthening the institutional capacities of the line ministries and other public institutions to carry out the required reforms, including on policy development and legal approximation processes.

Project Title: Legislative Impact Assessment, Drafting and Representation; EU funded; Period of implementation: 2015-2018; Description: The project aimed to improve the legal drafting process at the central level of government (through promoting better coordination among relevant entities, and introduction of the regulatory impact assessment of draft legislation) as well as the Government's international representation and reporting functions with special emphasis on the Ministry of Justice.

Two other projects, EU funded – implemented by GIZ, and USAID-funded ("G4G") also support LA and Regulatory Impact Assessment (RIA) but with focus on economic sphere.

Policy and legislative process

The national Policy planning system reform strategy, adopted by the Government of Georgia in August 2015 recognises the current weak link between the policy planning process and legislation drafting, the absence of practice of legislative impact assessment and the weak institutional capacity of ministries in legal drafting. The OECD/SIGMA 2018 assessment in the policy development and coordination area highlights a number of weaknesses in the current (policy-making) and legislative process³. The assessment specifically notes the reoccurring problem with implementation of laws, which can be attributed to the low quality of laws due to weaknesses in the law-making process. There is a pressure to complete numerous legal reforms in the shortest possible time: "This situation inevitably places enormous pressure on the combined law-making resources of the Government and the Parliament and leaves little time for essential elements of a well-ordered law-making process, such as regulatory impact assessments or proper consultation with civil society." Improvement of the legislative drafting process and quality of legislation is now a priority area of action for the Administration of Government under the Prime Minister (steering the policy-making process) and all line ministries. This primarily involves the Administration of Government, Ministry of Justice, and Ministry of Economy and Sustainable Development. In order to meet the targets and obligations in law making process the Government introduced changes in Law on Normative acts (amended on June 13, 2018) and Regulation of the Government (amended on August 24, 2018).

It should be underlined that the Government with international support developed a uniform methodology for regulatory impact assessments, to be used by all legal drafters. Similar efforts were made with regards to developing a uniform approach to legal approximation.

To sustain the legal approximation, process the Ministry of Justice (MoJ) with the support of the EU assistance (under above mentioned projects Association Agreement Facility and Legal Drafting projects) elaborated Legal Approximation Guidelines and Manual. These documents provide key principles and techniques of approximation that will guide and orient legal drafters throughout the approximation process.

The documents are under finalization and after official adoption by the Government should be used consistently, not only by MoJ, but also by all line ministries, and institutions tasked with the approximation exercise. Such proceedings will help to ensure the achievement of a steady and sustainable approximation path.

3.4 List of applicable *Union acquis*/standards/norms:

In the Annex XV B of the EU-Georgia Association Agreement there are 5 directives and 1 recommendation in the field of Insurance subject to approximation:

- Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);
- Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings;
- Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation;
- Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability;

³ <http://www.sigmaweb.org/publications/Baseline-Measurement-Report-2018-Georgia.pdf>

- Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision;
- Commission Recommendation of 18 December 1991 on insurance intermediaries (92/48/EEC).

The Twinning project will work on approximation of the relevant Georgian legal framework with the requirements of the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

3.5 Results per component

The Twinning project will provide advisory support to the ISSSG in the following directions:

Component 1. (Mandatory Result 1): New legal framework on supervision of insurance sector under the Solvency II standards adopted by the Parliament of Georgia and ISSSG.

The general insurance legal framework is in compliance with the EU Solvency I standards, including regulatory capital, minimum capital and solvency margin; however, the given project aims to set up the process of transition to supervisory Solvency II standards. The transition process will be implemented in a sequential manner, giving priority to pillar 2 and pillar 3 of Solvency II. Further, market based valuations will be conducted, before the implementation of pillar 1.

The transition process could be supported by elaborating the legislative framework, including development of by-laws and introducing new initiatives to target groups, together with other relevant documents (e.g. risk matrixes, instruction, rules, guidelines, plan) required for smooth changeover to new standards; When appropriate organisation of thematic events will be quite helpful.

In the context of already mentioned result the following benchmarks will be achieved:

Sub - result 1.1: 1.1 Amendments to the relevant primary legislation in compliance with Solvency II Directive developed together with the relevant secondary legal framework

Indicators of Achievements:

- Degree of compliance of Georgian primary and secondary legislation with the Solvency II requirements including the following topics :
 - Amendments to the law “On Insurance”;
 - the calculation of technical provisions;
 - methodology of valuation of assets and liabilities;
 - Solvency Capital, Minimum Capital and Own Funds requirements for Insurers;
 - Risk-based supervision approaches;
 - Requirements in terms of actuaries (reports, risk management, internal control, internal and external audit etc.);
 - Requirements for prudential reporting;
 - Requirements for reinsurance (covering both outward and inward reinsurance);
 - Investing directions, market research in these directions;
 - creation of early warning system;
 - Documents/regulations as per requirements.

Sub - result 1.2: Basis for the risk based supervision drafted and approved

Indicator of Achievements:

- Number of risk matrixes per insurance company and sector, as a whole.

Sub - result 1.3: Transition process to Solvency II standards accompanied by set of supporting documents like: guidelines, instructions, rules, operational plans etc.

Indicator of Achievements:

- Number of supporting documents drafted by the end of the project.

Component 2. (Mandatory Result 2) - Capacity of ISSSG and relevant stakeholders for the purpose of proper introduction of the Solvency II standards increased

Through the component capacity building activities (seminars, training, on-job training, study visits) is highly required to be performed to the ISSSG staff in line with the training plan and training materials to ensure that the staff is appropriately qualified and has sufficient knowledge, experience to perform their responsibilities under the new Solvency II framework. Training of trainers to conduct further trainings for different stakeholders in insurance sector would be also required. In terms of outcomes, the assistance under this Component should lead to an improved governance and financial stability of the insurance companies as well as to an adequate financial capacity of insurers.

Given the specifics of the issue, the insurance companies/persons interested in an insurance field will be involved in different activities (trainings, workshops, discussions, round tables and etc.) organised by the project in order to perform their responsibilities under the new Solvency II framework in due manner, acquire relevant knowledge for the effective implementation of liabilities.

Sub - result 2.1: Knowledge and practical experience of ISSSG staff in regards to Solvency II procedures enhanced

Indicators of Achievements:

- Share of ISSSG staff trained and capable to work in accordance to Solvency II procedures, including in the risk management, actuarial, compliance and internal audit control functions;
- Share of ISSSG staff trained as trainers in Solvency II procedures.

Sub - result 2.2: Awareness on new features of Solvency II legal package increased among relevant stakeholders

Indicators of Achievements:

- Number of Information sessions on new features of Solvency II legal package are delivered

Sub-result 2.3: Inter institutional cooperation and accountability in insurance sector improved

Indicators of Achievements:

- Level of Inter institutional cooperation

3.6 Means/input from the EU Member State Partner Administration(s)*:

Member State(s) is/are kindly requested to develop activities in the submitted proposal, which are needed in order to achieve the results stipulated in the fiche.

The Member State Project Leader (PL) is expected to be an official or assimilated agent with a sufficient rank to ensure an operational dialogue at political level. The MS PL will be expected to devote a minimum of 3 days per month to the project in his/her home administration. In addition, he/she will coordinate from the Member state side the work of the Project steering Committee (PSC).

MS Project Leader may participate in the project also as short-term expert (STE). In this case the MS Project Leader should satisfy requirements stipulated in the fiche for both the Project Leader and the relevant STE profile.

The RTA will be located in the premises of the ISSSG in the beneficiary country on a full-time basis and will be responsible for the direct implementation of the project under the overall supervision of the MS Project Leader.

The RTA will maintain day-to-day cooperation with the beneficiary administration and coordinate the work performed by the STEs. The RTA will have a key role in the coordination of the inputs required for the successful implementation of all the project activities.

Minimum two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.

The required MS experts must either be civil/public servants of the relevant MS administration or be permanent staff of authorised mandated institutions. All experts must comply with the requirements set in the Twinning Manual 2017.

The RTA should be supported by a permanent RTA Assistant. The RTA assistant should be in close collaboration with the BA. The RTA assistant will perform general project duties and providing translation and interpretation services as necessary, practical arrangements for the project, such as organizational issues of expert missions, conferences, training, seminars, maintaining project records and etc. Until the RTA can select and hire an assistant, the Beneficiary administration makes a member of its staff available to support the RTA in his/her daily tasks.

A full-time language assistant should also be recruited. She/he should perform most of the required interpretation/translation services. She/he will provide day-to-day interpretation/translation to the RTA and project experts during missions.

Whenever required and needed for simultaneous interpretation during seminars and workshops, translation of large volume of documents additional interpretation may be procured and funded by the project.

Proposals shall include only the CVs of the proposed PL, of the RTA and of the Component Leaders

3.6.1 Profile and tasks of the PL:

Profile:

- Proven contractual relation to a public administration or mandated body;
- University degree in a relevant field (economics, finance, business administration, accounting / auditing, law or similar) or equivalent professional experience of 8 years related to the project;
- Minimum 3 years of professional experience as a high-ranking official in insurance sector (such as supervisory authority or equivalent);
- Deep understanding of the EU standards/requirement in insurance sector;
- Good communication skills in written and spoken English;
- Previous experience in project management will be an asset;

Tasks:

- Overall coordination, guidance and monitoring of the project in cooperation with BC Project Leader;
- Ability to mobilise the necessary expertise in support of the efficient implementation of the project;
- Timely achievement of the project results;

- Monitoring and evaluating the needs and priorities in the respective sector, project risks, progress against the project budget, benchmarks and outputs, and taking any necessary remedial actions if needed;
- Co-chairing of project Steering Committees;
- In cooperation with the Beneficiary PL signing and submission to the concerned authorities the interim quarterly and final project reports prepared with the support of the RTA; Advice and analysis whenever needed.

3.6.2 Profile and tasks of the RTA:

The Resident Twinning Advisor (RTA) will be based in Georgia to provide full-time input and advice to the project for its entire duration. This expert will bear the responsibility to coordinate in the field and on a day-to-day basis all the activities planned in the Twinning.

Profile:

- Proven contractual relation to a public administration or mandated body;
- University degree in a relevant field (economics, finance, business administration, accounting / auditing, law or similar) or equivalent professional experience of 8 years;
- Minimum 3 years of professional experience in insurance sector (such as supervisory authority or equivalent);
- Proven training and advisory skills, experience of working with the various levels of public administrations;
- Comparative knowledge of relevant EU legislative and institutional requirements related to the project components;
- Experience in transposing and harmonizing the European legislation and Directives into the national one;
- Experience in project management in the financial sector, preferably in insurance shall be considered as an asset
- Excellent communication skills;
- Fluency in written and spoken English.

Tasks:

- Overall coordination project implementation and of all activities;
- Coordination of the activities of the team members in line with the agreed work plan to enable timely completion of project outputs;
- Provide technical input to the project whenever needed and provision of advice in his field of expertise;
- Liaise with MS and BC PLs and daily contacts with BC RTA counterpart;
- Preparation of the initial and subsequent work plan(s) and project progress reports, together with PL, to be submitted to the Steering Committees;
- Organize all project activities, such as, workshops, study visits, trainings and internships, etc.;
- Liaison with EUD Project Manager and Programme Administration Office (PAO);
- Liaison with other relevant projects and relevant Georgian institutions;
- Strengthening and further development of Insurance System in the country, by promoting cooperation within main counterparts and producers of Administrative data.

He/she will be introduced to the BC stakeholders of the project, counterparts and staff. He/she will also hire a Project Assistant as well as a Language Assistant through an appropriate selection procedure.

3.6.3 Profile and tasks of Component Leaders:

The main task of the Component Leaders is to coordinate the activities under the area of responsibility in liaison with the partner institutions.

Component 1 (mandatory result 1): New legal framework on supervision of insurance sector under the Solvency II standards introduced

Profile:

- University degree in a field relevant to the assignment or equivalent professional experience of 8 years;
- Minimum 3 years of experience in the regulatory and supervisory body in the field of legal framework for supervision of insurance sector;
- Proven experience working on legal approximation issues and coordination process relevant to the project scope;
- Solid knowledge of Solvency II standards and good practices in the EU MSs;
- Be a civil servant or a staff member in a Member State public administration or mandated body responsible for the insurance sector;
- Good communication skills in written and spoken English;
- Previous experience in similar projects would be an asset.

Tasks:

- Component coordination, guidance and monitoring;
- Conducting analysis of the area relevant to the component;
- Timely proposals for any corrective measures;
- Liaise with MS and BC PLs and daily contacts with RTA and BC counterpart;
- Drafting thematic / technical contributions and documents relevant for the results of the component, in close cooperation with the BC counterparts and other project experts.

Component 2 (Mandatory result 2): Capacity of ISSSG and relevant stakeholders for the purpose of proper introduction of the Solvency II standards increased

Profile:

- University degree in a field relevant to the assignment or equivalent professional experience of 8 years;
- Minimum 3 years of experience in the regulatory and supervisory body in the field of capacity building of insurance sector;
- Be a civil servant or a staff member in a Member State public administration or mandated body responsible for the insurance sector;
- Experience in knowledge transfer and/or training of employees of supervisory and/or regulatory bodies in the EU Member States;
- Good understanding of human resource management and professional development of personnel;
- Good communication skills in written and spoken English;
- Previous experience in similar projects would be an asset.

Tasks:

- Component coordination, guidance and monitoring;
- Conducting analysis of the area relevant to the component;
- Preparing and conducting training programs;
- Timely proposals for any corrective measures;
- Liaise with MS and BC PLs and daily contacts with RTA and BC counterpart.

3.6.4 Profile and tasks of other short-term experts:

Specialist civil servants/staff of approved mandated bodies will be made available by the Twinning Partner (MS) to support the implementation of the activities and agreed with the beneficiary administration. Specific and technical matters relevant to this Twinning project will be taken over by a pool of STEs. The detailed expert input shall be established when drawing up the Twinning work plan.

Below some indicative qualifications and tasks: (STEs CV should not be included in the MS proposal).

STE profiles:

- University degree in a field relevant to this assignment or equivalent professional experience of 8 years;
- Minimum 3 years of experience in the regulatory and supervisory body in the insurance sector;
- Proven experience working on legal approximation and/or capacity building issues;
- Expertise in the independent control functions, such as risk management or compliance or actuarial or internal audit and/or supervisory reporting and analysis;
- Experience in preparing regulatory framework, including impact assessments, public consultations and inter-institutional coordination;
- Good understanding of training and professional development of the relevant target group;
- Experience in working with insurance companies;
- Good communication skills in written and spoken English;
- Previous experience in similar projects will be considered as an asset.

Tasks:

- Contributing to the sustainability of the project by ensuring that aspects of the project related to their field of expertise are implemented timely and properly;
- Supervision and on-site coordination of all activities related to their field of expertise and performed under this project;
- Timely proposals for any corrective measures;
- Assistance with drafting of strategic documents and preparation of trainings, study visits/internships, workshops, seminars, etc.
- To provide technical inputs in specific areas of project implementation in order to achieve mandatory results listed in the twinning fiche, including organisation of workshops, training, coaching, drafting of methodological and relevant hand out materials, as per the terms of reference provided by the RTA prior to each mission;
- Advance preparation and familiarisation with all relevant documentation;
- Liaise with RTA and BC counterparts;
- Provision of advice and analysis whenever needed.

4. Budget

Maximum Budget available for the Twinning is 1, 200,000 €

5. Implementation Arrangements

- 5.1** The European Union Delegation in Tbilisi, Georgia, will be responsible for the tendering, contracting, payments and financial reporting, and will work in close co-operation with the Beneficiary. The person in charge of this project at the Delegation of the European Union to Georgia is:

Ms. Sirje Poder

Attache Programme Officer, Private Sector Development, Trade Facilitation

Delegation of the European Union to Georgia

38 Nino Chkheidze St, 0102 Tbilisi, Georgia

Tel: +995 32 2943 763

E-mail: Sirje.PODER@eeas.europa.eu

5.2 Institutional framework

The direct beneficiary of the project will be LEPL Insurance State Supervision Service of Georgia. As already mentioned above according to the Georgian Government Decree N102 of May 02, 2013⁴, there has been approved the regulation of the service, which determined that the Service, in charge of insurance sector and the non-state pension scheme, is independent in its activity and is accountable to the Government of Georgia. (see the organisational chart of ISSSG in **Annex 2**). The basic rights and obligations of the Service are: to implement state policy in the area of insurance; promote financial stability; protect rights of customers; ensure efficiency and solvency; create a competitive environment; create normative and methodological base; ensure its monitoring.

The main counterparts for the project will be the Supervision Department and Insurance Regulations and International Relations Division, together with the Legal Department.

The indirect beneficiaries of the project also will be the insurance companies operating in Georgia. Currently there are 17 licensed insurance companies and 25 registered insurance brokers.

All other stakeholder representatives will be evolved in the project implementation, according to their mandate and responsibilities; involved parties include: National Bank of Georgia, Ministry of Finance (MoF), Ministry of Economy and Sustainable Development (MoESD).

5.3 Counterparts in the Beneficiary administration:

The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

5.3.1 Contact person:

Ms. Natia Qvachakhia,
Senior Specialist Insurance Regulations and International Relations Division
34 Tengiz Abuladze St,
Tbilisi 0162

5.3.2 PL counterpart

Mr. Irakli Tutarashvili,
First Deputy Head of the Service
34 Tengiz Abuladze St.
Tbilisi 0162

5.3.3 RTA counterpart

Ms. Ekaterine Tsereteli,
Deputy Head of the Service
34 Tengiz Abuladze St,
Tbilisi 0162

6. Duration of the project

Duration of the implementation period of the project is 21 months. The execution period of the project will end 3 months after the implementation period of the project.

7. Management and reporting

7.1 Language

⁴ http://insurance.gov.ge/getattachment/Legislation/Normative-Acts/07_2013_05_02_N_102-ENG.pdf.aspx

The official language of the project is English. All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

The project Steering Committee (PSC) will be established at the beginning of the project comprising of senior representatives of the beneficiary and Member State institutions, the EU Delegation and Programme Administration Office/PAO under Ministry of Foreign Affairs. The PSC meetings could be attended in observer status by stakeholder and/or other donor representatives active in the sector.

The PSC shall oversee the planning and implementation of the project. The main duties of the PSC include verification of the initial and rolling-up work plans and progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors.

The Steering Committee will meet at regular quarterly intervals; it will be co-chaired by the Project Leaders (EU Member State and Beneficiary Country). Official minutes of the PSC meetings on issues discussed and decisions taken will be kept in English and disseminated to committee members. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs and inform about progress of the results. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements *via-à-vis* the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

With this twinning fiche we would like to ensure the delivery of the long-term benefits from the adequate investment in acquiring additional expert knowledge and skills which would result in strengthening administrative capacities, improving regulatory framework and harmonising legislation.

This Project will foster a sustainable base for institutional integration in EU-related process. It will also help the trained staff in sharing its experiences with colleagues and especially with new employees. Therefore, activities resulting from this Project will give contribution in terms of being able to operate and solve problems more easily having in mind newly acquired skills.

The project approach will focus on supporting beneficiary by providing them with tools and approach to analysis and by facilitating the development of policy options. The project will focus on developing the capacities of beneficiary.

The project will ensure that any guidelines and internal procedures developed with its support will not contradict other relevant horizontal regulation applying horizontally to public institutions; in addition, guidelines and internal procedures shall be simple enough to be regularly revised and updated by the beneficiary without further external assistance.

Acquired expertise and skills of the staff and increased capability will be continued to be used for further alignment with European standards and best international practice after the Project is finished. The development and practical use of these skills during the Project will also ensure sustainability in the future operations of the beneficiary.

Finally, it is anticipated that the Project will serve as a significant opportunity to further develop existing partnerships with EU institutions having in mind that Project aiming at harmonisation of the legislation with the Union acquis.

9. Crosscutting issues (*equal opportunity, environment, climate etc...*)

Each Twinning partner is required to comply with the equal opportunities requirements of the European Union. The principle of equal opportunity shall apply both to the ISSSG staff involved in the project and project members participating from different stakeholder institutions. The principle of equal opportunity will be integrated into all stages of the project implementation.

The activities envisaged under the present Project should not negatively affect the environment. During the implementation of the Project, the production of printed material will be kept to the strictest minimum and therefore have positive influence on the environment.

10. Conditionality and sequencing

There is no special precondition for the start and implementation of the project. The beneficiary commits itself to provide the contributions stated in the Fiche. They include the following:

- Strong commitment and support of ISSSG management to the Project implementation phase;
- Strong involvement and commitment of ISSSG staff at all levels;
- Assigning dedicated staff to activities connected with the Project;
- Ensuring coordination between departments and institutions connected with the Project;
- Ensuring access to necessary premises, office equipment and information and documents especially in regards with the national regulatory framework;
- In time and strong coordination and acknowledgement with the beneficiary country's EU-Georgia AA action plan.

The Twinning project components do not depend on each other. The project activities will be prioritized in close coordination between the MS and BA counterparts and will work according to the Logical Framework. The most important tasks will be to timely conduct gap analysis of the relevant legal framework, make ordered timetable for alignment of legislation and prepare respective amendments. The capacity building activities will be gradually introduced to comply with all the amendments.

11. Indicators for performance measurement

The indicators for performance are described in Chapter 3.5 together with project results. They are also listed in the Logical Framework Matrix included in the annex 1.

The project MS and BC partners will ensure the smooth implementation of project activities and assess performance measurement in line with the logical framework. Through the project operation phase the project counterparts will meet regularly to ensure consistency of project implementation and achievement of the results.

The Quarterly Project Steering Committee meetings will also facilitate the coordination and monitoring of project development to assess project implementation against performance measurement and address any emerged issue.

Strong coordination with other stakeholder organizations, donors or interested parties related to the ISSSG field of operation will also safeguard successful performance of the Twinning project.

12. Facilities available

The BC commits itself to deliver the following facilities:

- Adequately equipped office space for the RTA and the RTA assistant(s) for the entire duration of their secondment.
- Supply of office room including access to computer, telephone, internet, printer.
- Adequate conditions for the STEs to perform their work while on mission to the BC.
- Provide suitable venues for the training sessions and meetings that will be held under the Project.
- Security related issues will be assured according to the standards and practices applicable for all Georgian public institutions.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. ISSSG Organisational Chart
3. List of insurance companies in Georgia
4. Action Document for Economic and Business Development in Georgia
5. 2018 annual reports of the insurance companies

Annex 1: Simplified Logical Framework

Project Title: Capacity building of Insurance State Supervision Service of Georgia				Programme name and number: Economic and Business Development in Georgia ENI/2017/040-318 / direct management	
Beneficiary Institution: LEPL Insurance State Supervision Service of Georgia (ISSSG)				Total budget: 1, 200,000 €	EU ENI financing (100%)
	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	Fulfillment of the commitments of Georgia in the context of EU-Georgia Association Agreement (AA) which lead to further improvement of efficiency, accountability and safety of the financial sector	Increase credit to the private sector: Credit to private sector/GDP Baseline: 2015 – 48% Target: 2022 – 60%	EBRD Transition Report; IMF reports; NBG statistics; Official Statistics-GEOSTAT.		
Specific (Project) Objective(s)	The specific objective of the project is to strengthen the institutional and human resource	Share of insurance sector increased in Georgian GDP: Baseline: 2017 - 1.2% Target: 1.8% (After project completion)	IMF reports; Official Statistics-GEOSTAT; ISSSG reports;	<ul style="list-style-type: none"> • Change in political situation in Georgia; • Stability and safety environment in Georgia during implementation of the action; 	<ul style="list-style-type: none"> • Government commitment on the fulfillment of AA/DCFTA requirements continued;

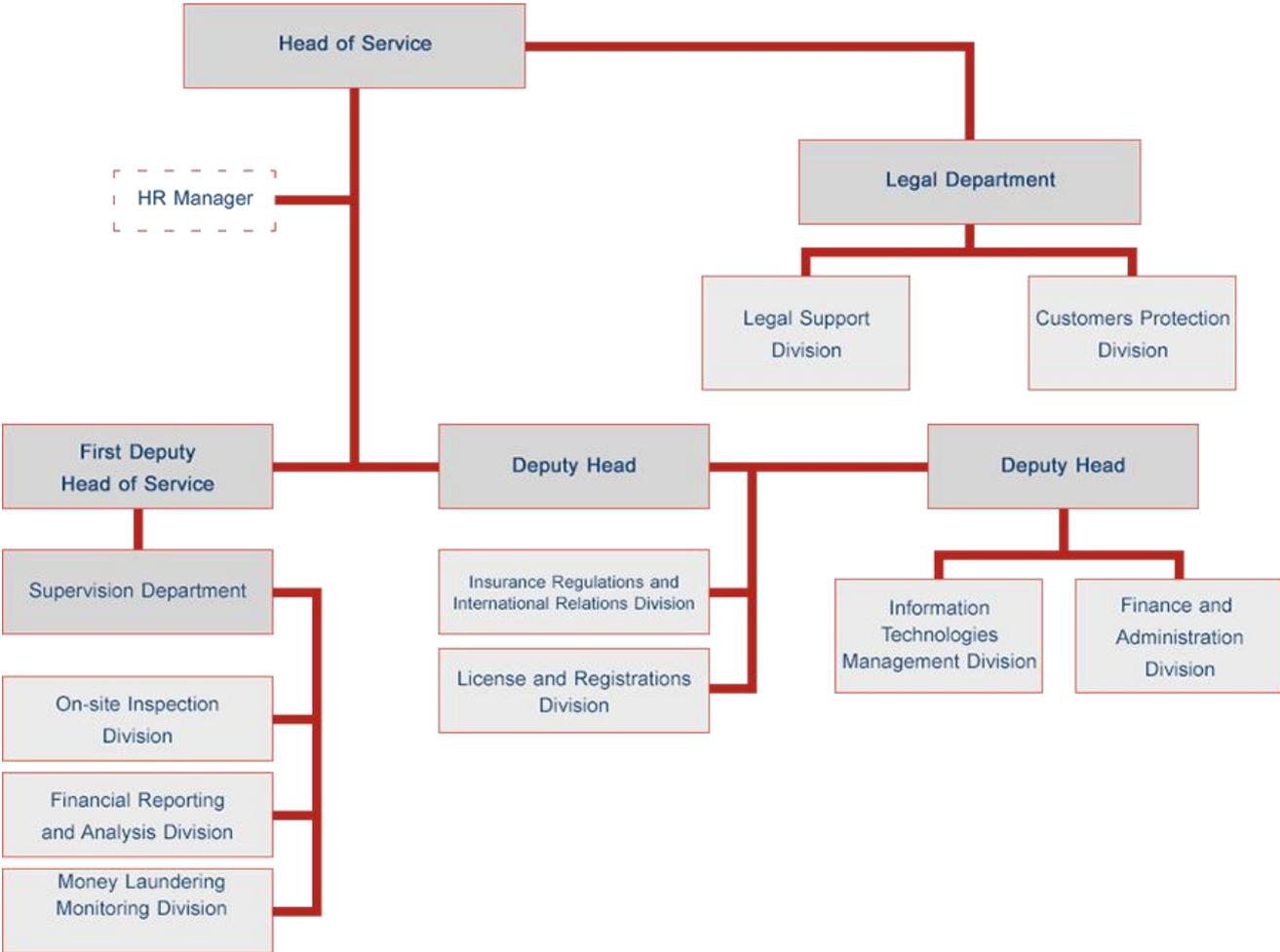
	capacity of the Insurance State Supervision Service of Georgia (ISSSG) by aligning the relevant legal framework together with the ISSSG's functions and operations with the EU regulations in terms of Solvency II standards.	Level of solvency of insurance companies based on application of Solvency II standards: Baseline: 2018 - 40% Target: 80% (After project completion)	Draft Law; Legislative Herald of Georgia – MATSNE AA implementation report; Monitoring/assessment reports.	<ul style="list-style-type: none"> • Lack of commitment from different authorities at governmental level; • Delays in adopting new and /or amended regulations. 	<ul style="list-style-type: none"> • Strong support and proactive cooperation of Twinning partner(s); • Involvement and availability of different responsible/relevant institutions and stakeholders.
Mandatory results/outputs by Components	Mandatory result 1: New legal framework on supervision of insurance sector under the Solvency II standards adopted by the Parliament of Georgia and ISSSG.	Legal bases for transition from Solvency I to Solvency II in place Baseline: Solvency I Target: Solvency II	<ul style="list-style-type: none"> • Analysis reports of the relevant Georgian legislation (including by-laws, administrative regulations); • Legislative amendments • Twinning documentation (list of participants from various meetings, training materials, lists of training participants, recommendations, etc.); • Operational plans and procedures, manuals and guidelines; • Promotional 	<ul style="list-style-type: none"> • Lack of sufficient support and/or means of relevant institutions • Delays in project implementation process. 	<ul style="list-style-type: none"> • Government commitment on the fulfilment of AA/DCFTA requirements continued; • Strong support and commitment from the senior management of the ISSSG; • Availability of relevant staff from beneficiary and stakeholder side; • Good cooperation between project partners; • Efficient coordination between ISSSG and relevant stakeholders; • Twinning MS partner(s)
	Mandatory result 2: Capacity of ISSSG and relevant stakeholders for the purpose of proper introduction of the Solvency II standards increased	Number of insurance companies operating in compliance with Solvency II requirements Baseline: 0 Target: 17			

			<p>materials, links to public information tools;</p> <ul style="list-style-type: none"> • STE Mission reports; • Analysis/assessment reports, • Project quarterly and final reports; • ISSSG reports. 		<p>commitment;</p> <ul style="list-style-type: none"> • Availability of all necessary materials and documentation.
<p>Sub-results per component (optional and indicative)</p>	<p>1.1 Amendments to the relevant primary legislation in compliance with Solvency II Directive developed together with the relevant secondary legal framework;</p>	<p>Degree of compliance of Georgian primary and secondary legislation with the Solvency II requirements including the following topics :</p> <ul style="list-style-type: none"> • Amendments to the law “On Insurance”; • the calculation of technical provisions; • methodology of valuation of assets and liabilities; • Solvency Capital, Minimum Capital and Own Funds requirements for Insurers; • Risk-based supervision approaches; • Requirements in terms of actuaries (reports, risk management, internal control, internal and external audit etc.); • Requirements for prudential reporting; • Requirements for reinsurance (covering 	<ul style="list-style-type: none"> • Tables of concordance; • Consultation conclusions of technical working groups; • Legislative amendments in insurance law and all relevant regulations; • Risk matrixes per insurance company; • Training materials, list of training participants, • Supporting documents: guidelines, instructions, rules, operational plans etc. • Operational plans and procedures, manuals and guidelines (in English and 	<ul style="list-style-type: none"> • Delays in project implementation process; • Insufficient human resources. 	<ul style="list-style-type: none"> • Government commitment on the fulfilment of AA/DCFTA requirements continued; • Strong support and commitment from the senior management of the ISSSG; • Availability of relevant staff from beneficiary and stakeholder side; • Good cooperation between project partners; • Efficient coordination between ISSSG and relevant stakeholders; • Twinning MS partner(s) commitment; <p>Availability of all necessary materials and documentation</p>

		<ul style="list-style-type: none"> • both outward and inward reinsurance); • Investing directions, market research in these directions; • creation of early warning system; • documents/regulations as per requirements. <p>Baseline: 0 Target: 70%</p>	<p>Georgian);</p> <ul style="list-style-type: none"> • Analysis reports on the training needs of the BA as well as other relevant stakeholders; • Short and long-term training plans, training programs and materials; • Project documentation (list of meeting/trainings' participants, recommendations, assessment reports); • Promotional materials, links to public information campaigns; • Study visit reports; • STE mission reports; • ISSSG reports; • Project quarterly and final reports. 		
	1.2 Basis for the risk based supervision drafted and approved	<p>Number of risk matrixes per insurance company and sector, as a whole:</p> <p>Baseline: 0 Target: 17 insurance company assessment reports</p>			
	1.3 Transition process to Solvency II standards accompanied by set of supporting documents like: guidelines, instructions, rules, operational plans etc.	<p>Number of supporting documents drafted by the end of the project:</p> <p>Baseline: n/a Target: to be defined later</p>			
	2.1 Knowledge and practical experience of ISSSG staff in regards to Solvency II procedures enhanced	<p>Share of ISSSG staff trained and capable to work in accordance to Solvency II procedures, including in risk management or actuarial or compliance or internal audit control functions and/or</p>		<ul style="list-style-type: none"> • Delays in project implementation process; • Insufficient human resources. 	<ul style="list-style-type: none"> • Government commitment on the fulfilment of AA/DCFTA requirements continued;

		<p>supervisory reporting and analysis Baseline: 0 Target: 50%</p> <p>Share of ISSSG staff trained as trainers in Solvency II procedures</p> <p>Baseline: n/a Target: 10%</p>			<ul style="list-style-type: none"> • Strong support and commitment from the senior management of the ISSSG; • Availability of relevant staff from beneficiary and stakeholder side; • Good cooperation between project partners; • Efficient coordination between ISSSG and relevant stakeholders; • Twinning MS partner(s) commitment; <p>Availability of all necessary materials and documentation.</p>
	2.2 Awareness on new features of Solvency II legal package increased among relevant stakeholders	<p>Number of information sessions on new features of Solvency II legal package delivered</p> <p>Baseline: n/a Target: 20</p>			
	2.3 Inter institutional cooperation and accountability in insurance sector improved	<p>Level of Inter institutional cooperation</p> <p>Baseline: modest cooperation Target: Inter institutional cooperation forum is organised in a regular and sustainable manner</p>			

Annex 2: ISSSG Organisational Chart



Annex 3: List of insurance companies in Georgia

1. JSC “Insurance Company GPI Holding”
2. JSC Insurance Company "Euroins Georgia"
3. JSC “Insurance Company Imedi L”
4. JSC "Insurance Company Aldagi"
5. JSC International Insurance Company “IRAO”
6. JSC Insurance Company “Alpha”
7. JSC Insurance Company “Unison”
8. JSC “Insurance Company Cartu”
9. JSC Insurance Company "Prime"
10. JSC International Insurance Company “KAMARA”
11. JSC Insurance Company "TBC Insurance"
12. JSC Insurance Group of Georgia-“IGG”
13. JSC “Hualing Insurance“
14. JSC Insurance Company “Ardi Group”
15. JSC Insurance Company “Tao”
16. JSC Risk Management & Insurance Company “Global Benefits Georgia”
17. JSC “PSP Insurance”