



Insurance State
Supervision Service of Georgia

2022

Annual Report





Dear Readers,

We are pleased to present to you the annual report of the Insurance State Supervision Service of Georgia for the year 2022.

It is important that the insurance sector continues to grow steadily. In 2022, the total insurance premium from insurance activity amounted to GEL 910 million, which is 18% higher than the same data for the previous year. The increase in the premium has been observed in all leading types of insurance. By 2022 results, the gross amount of losses from direct insurance activities reimbursed by insurers amounted to GEL495.1 million, which is 14% higher than the similar data for the previous year. According to 2022, the insurance profit of companies amounted GEL210.3 million, which is 22% higher than the similar data for the previous year, and the net profit amounted to GEL 39.2 million, i.e. decreased by 2%. The decrease in net profit, against the background of the increase in insurance profit, is mainly due to the loss from the difference between the foreign exchange rates and the increase in administrative expenses.

The year 2022 was quite active, including in terms of cooperation with international/donor organizations which is vital for the development of the insurance sector and serves to facilitate the introduction of international standards.

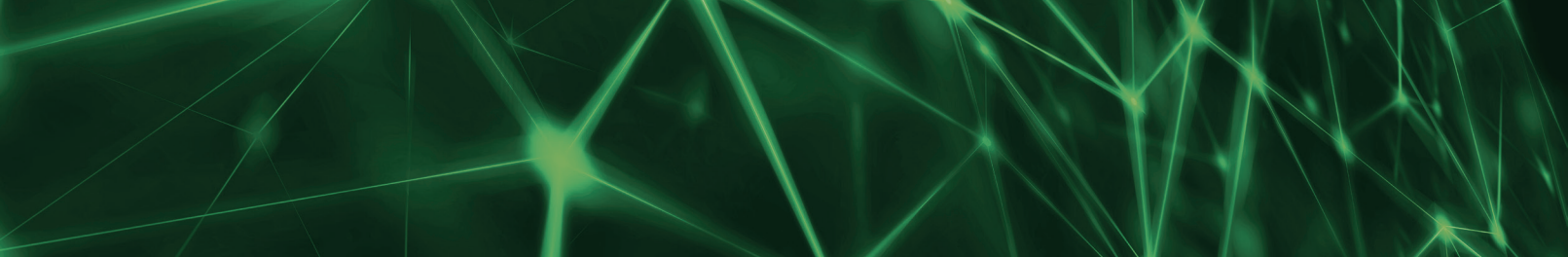
The EU-funded Public Service Twinning project (TWINNING), launched in 2019 has come to an end. It was implemented with the active participation of experts of the Directorate-General for Insurance and Pension Funds (DGSFP) of the Ministry of Economic Affairs and Digital Transformation of the Kingdom of Spain. The project aimed to bring the insurance industry closer to European standards, as provided for in the As-



sociation Agreement between Georgia and the EU, which includes introduction of SOLVENCY II standards.

Cooperation with the World Bank continued within the EU-funded project “Economic governance and fiscal accountability” (2019-2022), which provides technical assistance to the ISSSG and contributes to the development/implementation of new insurance products on the Georgian market. At the meetings, with project experts presented and discussed with the ISSSG the reports about the opportunities for the development of life insurance market, medical malpractice liability insurance and compulsory professional indemnity insurance for builders and architects.

Cooperation continued between the ISSSG and media agency XPRIMM (Promoting the Reinsurance & Insurance Market by Media), which specializes in insurance/reinsurance, insurance intermediation, and private pension insurance. During the reporting period, for the first time, the Media Agency published a separate profile journal on Georgia, with an overview of the statistics



of the Georgian insurance market covering fully 2021 and first half of 2022.

Please, find more about our activities in this and other areas in 2022 in the annual report.

Chairman of Insurance State Supervision Service of Georgia

David Onoprishvili

სატრეზო

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1 About us

LEPL Insurance State Supervision Service of Georgia was established based on the amendments to the Law of Georgia “On Insurance” adopted in March 20, 2013, and represents a legal successor of the National Bank of Georgia in the supervision of insurance (including insurance intermediation) and pension schemes.

The ISSSG is independent in its activities and is accountable to the Government of Georgia. Its competencies are stipulated in the Law of Georgia “On Insurance” and the statute approved by the Ordinance #102 of the Government of Georgia as of May 2, 2013. The functions of the ISSSG include:

- ✓ Pursuing the state policy in the insurance sector;
- ✓ Promoting financial stability of the insurance market;
- ✓ Protecting consumers’ rights within the scope of its competencies;
- ✓ Securing financial solvency of insurance companies;
- ✓ Creating a competitive environment, and for this purpose unifying insurance activities;
- ✓ Elaborating draft laws and by-laws, as well as methodological framework, and ensuring control over their performance;
- ✓ Supervising non-state pension schemes within the scope of its competencies;
- ✓ Coordinating state, municipal, and industry insurance programs initiated by state and/or local authorities.

2 Licensing-registration

According to the data for 2022, there were 18 licensed insurance companies operating in Georgia, holding both non-life and life insurance licenses. These companies are:

1. JSC Insurance Company IMEDI L
2. JSC Insurance Company GPI Holding
3. JSC Insurance Company CARTU
4. JSC International Insurance Company IRAO
5. JSC ARDI INSURANCE
6. JSC Insurance Company ALPHA
7. JSC Insurance Company EUROINS GEORGIA
8. JSC PSP Insurance
9. JSC Insurance Company UNISON
10. JSC Insurance Company PRIME
11. JSC Insurance Company TAO
12. JSC Green Insurance Georgia
13. JSC TBC Insurance
14. JSC Insurance Company ALDAGI
15. JSC Risk Management and Insurance Company Global Benefits Georgia
16. JSC Insurance Group of Georgia
17. JSC BB Insurance
18. JSC New Vision Insurance

Pursuant to the law of Georgia “On Insurance”, the candidacies of the Insurer’s Administrator (Supervisory Board member, Director) and Internal Auditor are subject to a preliminary review by the ISSSG in order to determine the candidate’s compliance with the eligibility criteria established by the law. During the reporting period, the ISSSG reviewed the documents/information confirming the eligibility of 18 candidates for the Insurer’s Administrator’s position and issued 17 approvals (9 members of the Supervisory Board and 8 Directors). The ISSSG also reviewed the cases of 6 candidates for the Internal Auditor’s position and all of them were approved.

In the reporting period (as in the previous years), there were 4 non-state pension schemes registered 3 of which were founded by insurance companies, and one - by a non-insurance legal entity for its own employees. These are:

- ✓ JSC Insurance Company ALDAGI
- ✓ JSC Insurance Company GPI Holding
- ✓ JSC International Insurance Company IRAO
- ✓ SakaeronavigatsiaLLC.

At the beginning of 2022, there were 17 registered insurance brokers operating in the insurance market.

In June, 2022, due to the termination of activities and on the basis of a written application, the registration of one Insurance Broker - Schutz Reinsurance Broker LTD was cancelled.

In December, 2022, the relevant changes were made to the registration documents of the Insurance Broker MAI Georgia, due to the altered brand name. The Company continued insurance activity under the name of Insurance and Reinsurance Broker Greco LTD.

During the reporting period, the ISSSG reviewed and studied the applications of three entities on registration as an insurance broker. Three insurance brokers were registered. They are:

- ✓ Insurance Broker Company TRG Group LLC
- ✓ Insurance and Reinsurance Broker PrioGe LLC
- ✓ Insurance Broker Frani LLC

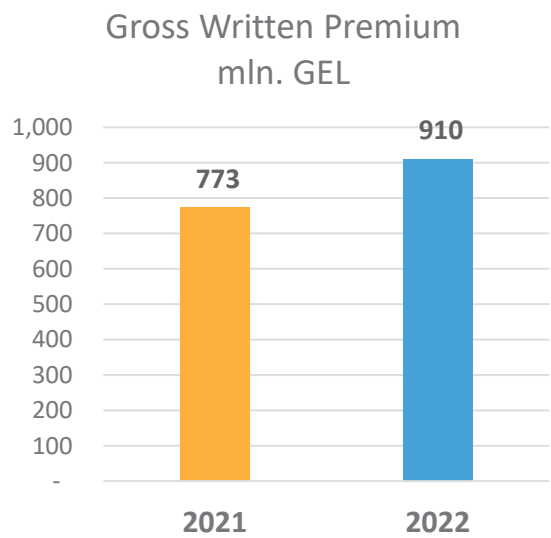
By December, 2022, 19 insurance brokers were operating on the market:

1. Insurance and Reinsurance Broker Greco LLC
2. Resolution Insurance Brokers Georgia LLC
3. Insurance Broker GS LLC
4. GEORGIAN REINSURANCE BROKERS LLC
5. Insurance Broker Respect LLC
6. Insurance Broker SIB Georgia LLC
7. Insurance Broker Nikoloz Group LLC
8. Magnus Insurance Broker LLC
9. Insurance Broker IBC Georgia LLC
10. Insurance Brokerage Company Kalma LLC
11. Insurance and Reinsurance Broker Arriba LLC
12. Insurance and Reinsurance Broker Brokers House Georgia LLC
13. Insurance Broker IG LLC
14. Insurance Broker Brokers Hub LLC
15. Georgian Insurance Brokers GIB LLC
16. Branch of Foreign Enterprise Zaman insurance & Reinsurance broker branch
17. Insurance Broker Company TRG Group LLC
18. Insurance and Reinsurance Broker PrioGe LLC
19. Insurance Broker Frani

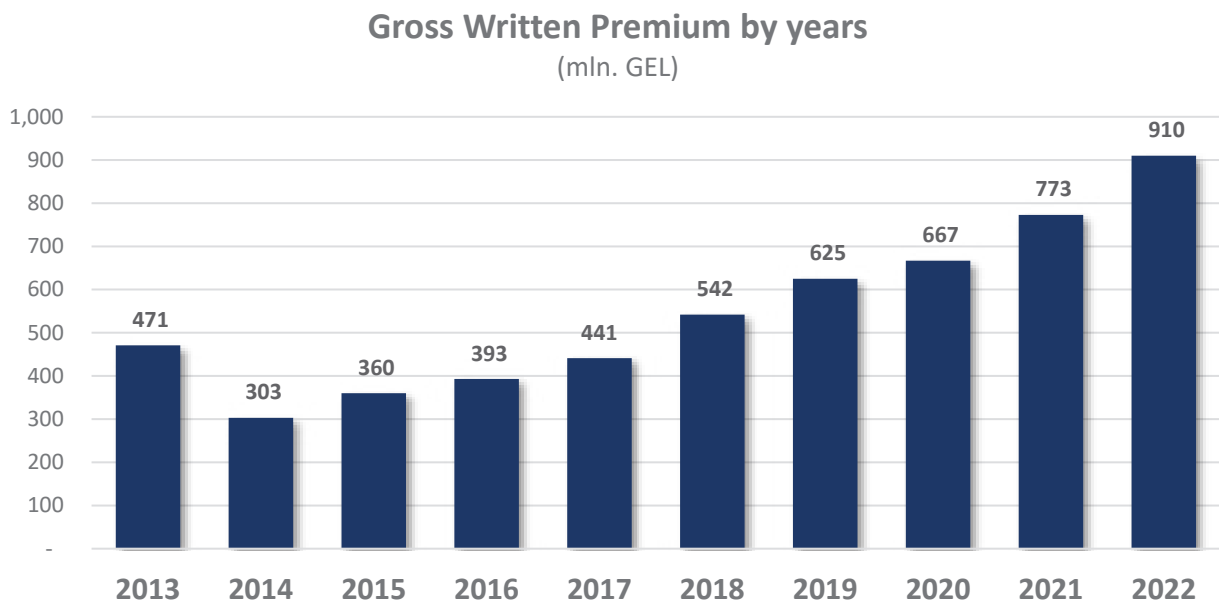
3 Georgian insurance market and supervisory process

3.1 Insurance market overview

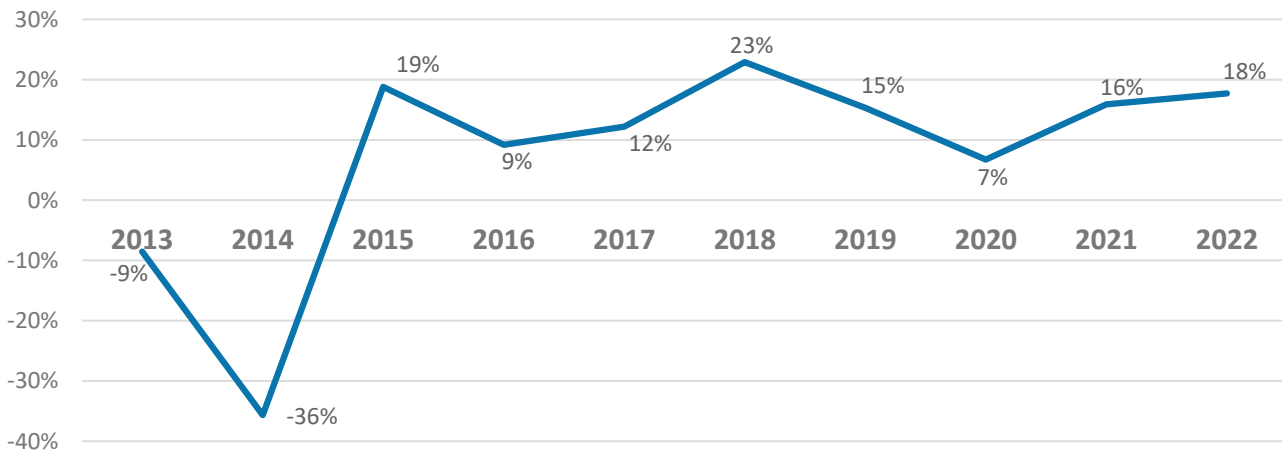
According to the 2022 annual reports submitted by insurance undertakings, Gross Written Premium from direct insurance business amounted to GEL 910 million, which is 18% higher than in the same period for the previous year.



Below is presented the dynamics of insurance market during the past 10 years:



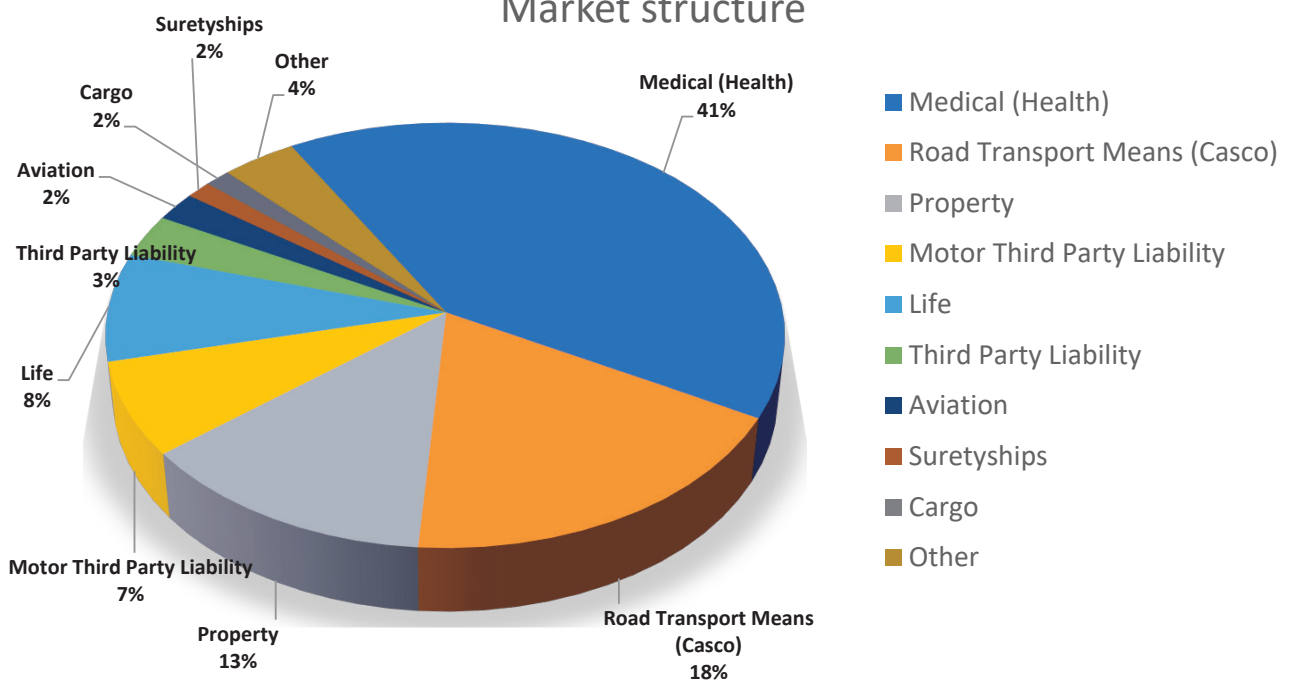
Market growth dynamics



The diagram above shows the past 10 years performance of the insurance market development. In 2013, due to the highly social importance, the management authority of health social programs was transferred to a specialized state body (to the Social Service Agency and later to the National

Health Agency). Since 2014, the market has been developing more stably and independently. Corporate health insurance programs became more and more popular. Currently health insurance sector holds the largest share of the Georgian insurance market (41%).

Market structure

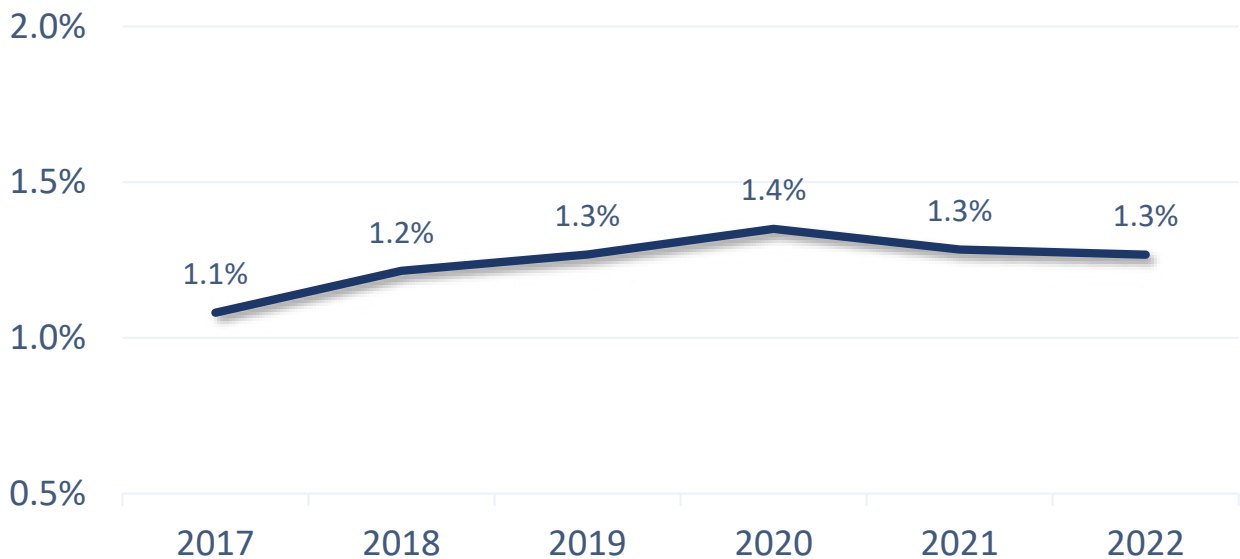


During 2022, the premium written in medical (health) insurance business amounted to GEL 375.4 million, which is 41% of the total written premium, and motor casco – GEL 166 million, which is 18% of the total written premium. Premium in property insurance amounted to GEL 118.5 million (13%), life – GEL 75 million (8%), motor TPL and civil liability – GEL 64.7 million and GEL 30 mil-

lion accordingly (7% and 3%). Other lines in total amounted GEL 80.2 million (9%).

Life insurance is mainly related to banking products, however it is also often combined with health insurance and realized life insurance. Motor third party liability insurance mainly includes compulsory and voluntary insurance products for road transport owners and road carriers.

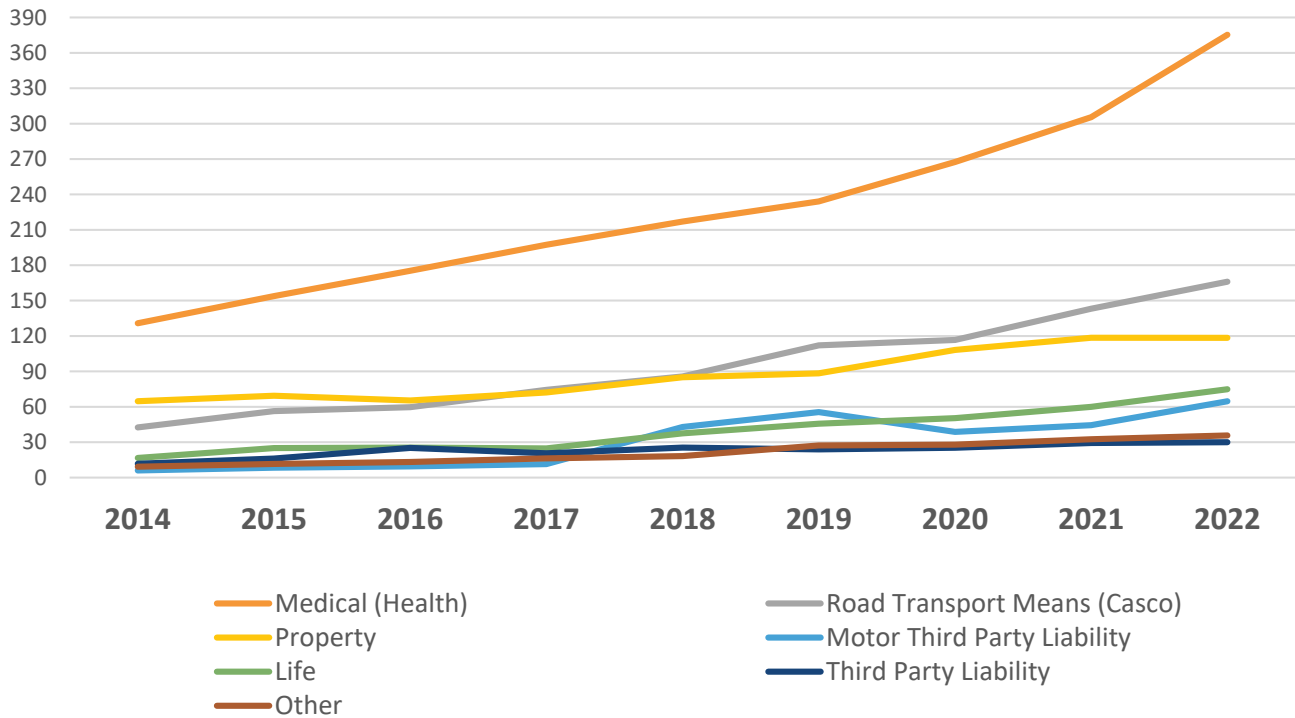
Share of Insurance Sector in GDP



The development pace of the insurance sector (18%) has been steadily following the overall development pace of the GDP (19%) in the country, however, there are still many areas on the market that define the interest of the sec-

tor in terms of potential investments, particularly, these areas are: saving/long-term life insurance, mandatory liability insurance of road transport owners and others.

Dynamics of written premiums per lines of business (Million GEL)



NOTE 1:

„Third Party Liability” includes professional indemnity, employer’s liability and general third party liability, not related to the road or other transport.

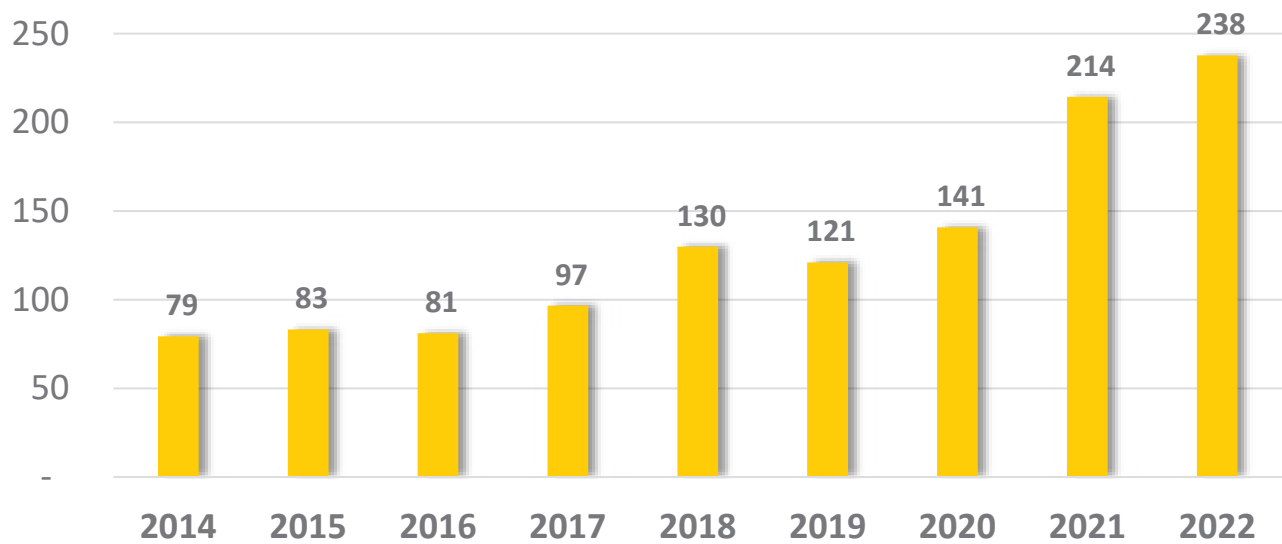
NOTE 2:

“Other” includes cargo, travel, marine, aviation, suretyships and miscellaneous financial loss insurance.

It can be said that even though the COVID-19 pandemic slowed down the market development, later the referral rate increased, the sales rate resumed from 2022 and the whole process took

place without significant fluctuations in terms of market stability. Below are the dynamics of financial strength indicators of insurers.

Reinsurance premium by years (million GEL)



NOTE:

The above figures do not include life and health insurance/reinsurance data, as life is most commonly a simple one-year product either combined with health insurance products or issued within a bank loan, which is why these products do not require reinsurance as often as property or liability products.

Reinsurance is one of the most important parts of the Insurer's daily activities and an important tool for ensuring its financial stability.

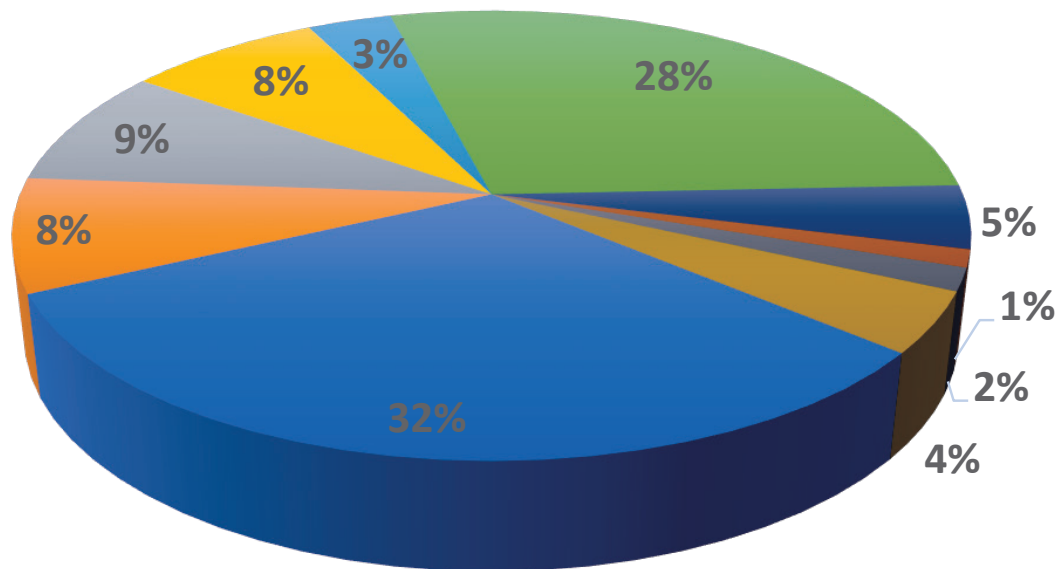
Statistical data shows that reinsurance naturally follows the development of the Insurers' activities. Participation of reinsurers remains stable in

most lines, especially in property and liability insurance lines of business.

In 2019 property and motor reinsurance premium decreased, which in the case of motor insurance is since per risk exposure is relatively small, while in the case of property insurance, the decrease in reinsurance premium was caused by the completion of one of the major international investment projects.

It should be noted that the practice of concluding high volume and complex reinsurance treaties is becoming increasingly popular and insurers are trying to minimize the number of facultative reinsurance contracts. Treaty reinsurance automatically covers a certain part of the insurance portfolio and significantly reduces operational risks and processes related to the facultative business.

Reinsurance premium per lines of business



- Property
- Third Party Liability
- Suretyships
- Life

- Road Transport Means (Casco)
- Aviation
- Medical (Health)
- Motor Third Party Liability

The percentages indicated in this chart mainly refer to per risk exposures. In particular, the higher the sum insured (exposure) is, the greater is the need for reinsurance. That is why property insur-

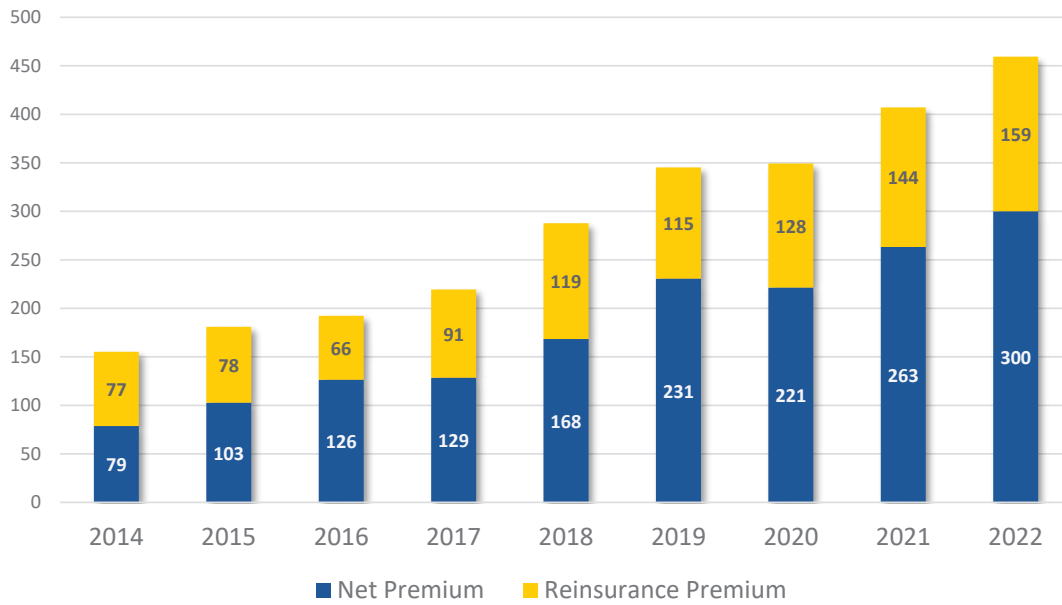
ance is the leader in terms of reinsurance, while in other lines, despite relatively less total reinsurance premiums, per risk exposure can be quite high.

| Insurance classes | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------|------|------|------|------|------|------|------|------|------|
| Medical | 0% | 0% | 6% | 0% | 3% | 0% | 2% | 20% | 18% |
| Road transport | 4% | 6% | 3% | 17% | 26% | 15% | 10% | 8% | 12% |
| Property | 80% | 71% | 60% | 63% | 66% | 58% | 63% | 64% | 64% |
| Motor third party liability | 8% | 12% | 7% | 16% | 10% | 8% | 3% | 4% | 5% |
| Life | 16% | 19% | 17% | 20% | 13% | 12% | 13% | 13% | 14% |
| Other liability insurance | 62% | 60% | 42% | 61% | 53% | 53% | 62% | 63% | 68% |
| Aviation | 96% | 90% | 75% | 87% | 90% | 88% | 98% | 93% | 92% |
| Suretyships | 58% | 60% | 54% | 60% | 62% | 52% | 61% | 61% | 67% |
| Cargo | 54% | 29% | 28% | 29% | 33% | 34% | 33% | 30% | 31% |
| Other | 11% | 16% | 21% | 16% | 17% | 21% | 32% | 35% | 29% |
| Total | 26% | 23% | 21% | 22% | 24% | 19% | 21% | 28% | 26% |

The share of reinsurance premiums by lines in the total amount of premiums practically does not change significantly from year to year. Reinsurance is usually most needed in aviation, property, liability, suretyships and cargo. Those lines of business cover the larg-

est risks and the risk is diversified through reinsurance. It is obvious from the above Table that reinsurance plays a minimal role in health insurance with smaller amounts of losses but much higher frequency.

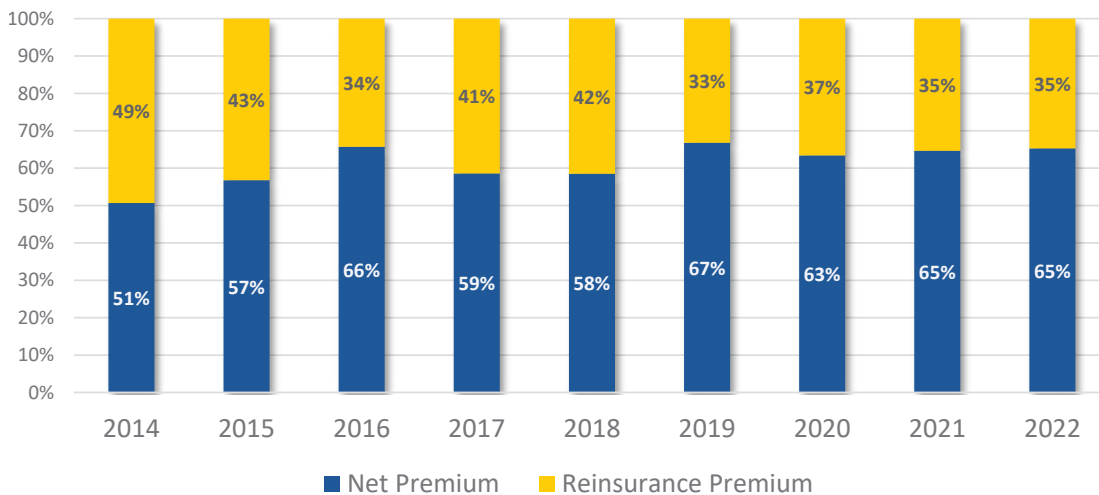
Reinsurance premium as part of GWP
(million GEL)



NOTE:

Life and health insurance data is not included.

Reinsurance premium as part of GWP
(%)

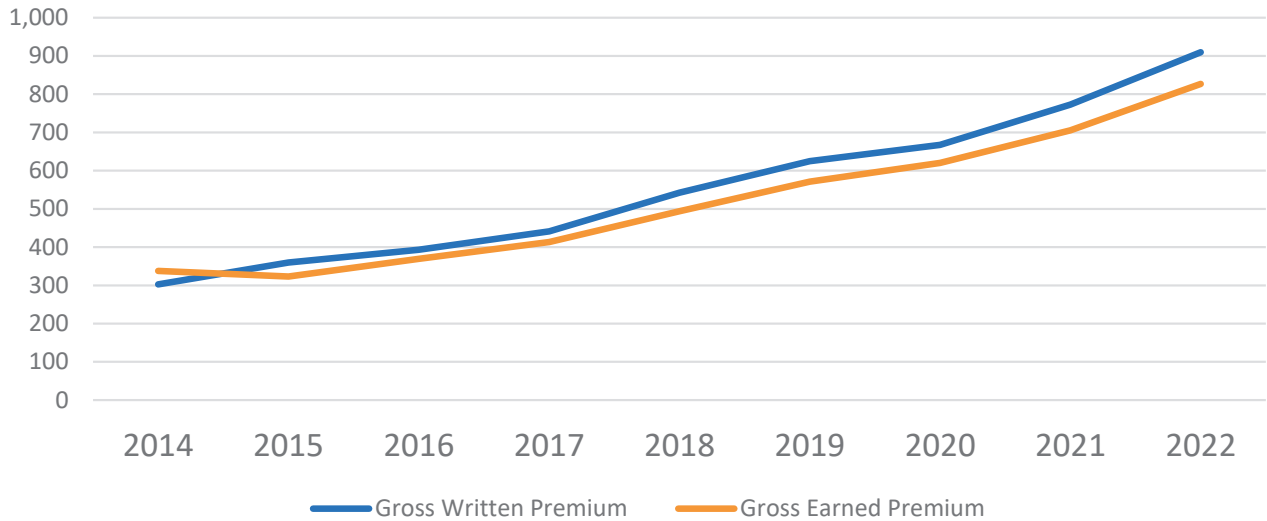


NOTE:

Life and health insurance data is not included.

საქმიანობის დინამიკა

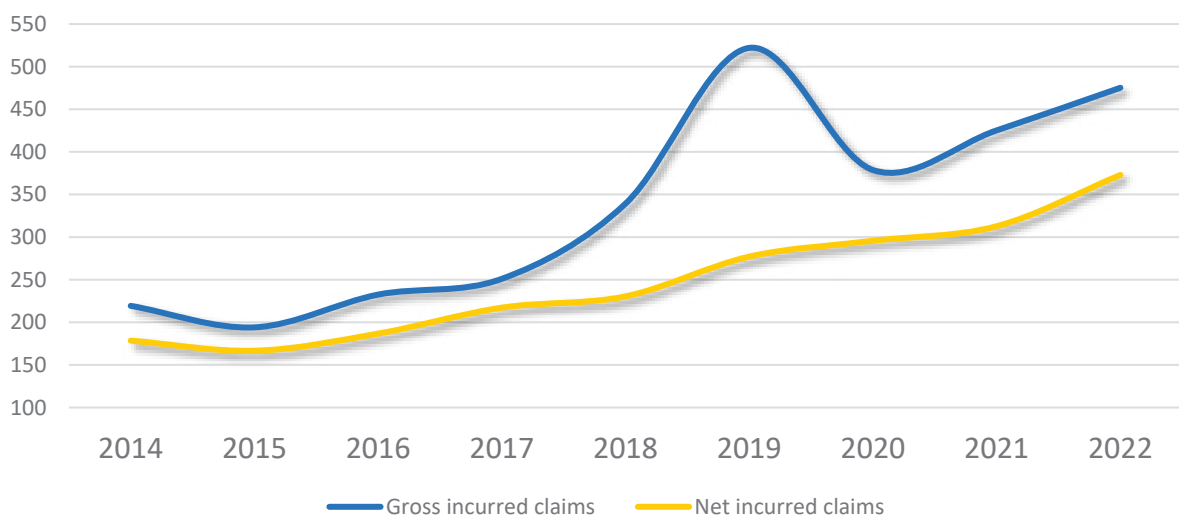
Earned premium growth dynamics



In 2014, following the transfer of state insurance programs to the Social Services Agency, the earned premium in health insurance decreased, but at the same time, this caused the decline in losses, and since 2015 both writ-

ten and earned premiums have been growing steadily and almost in parallel, which indicates a stable development of the market (no major policy cancellation trends).

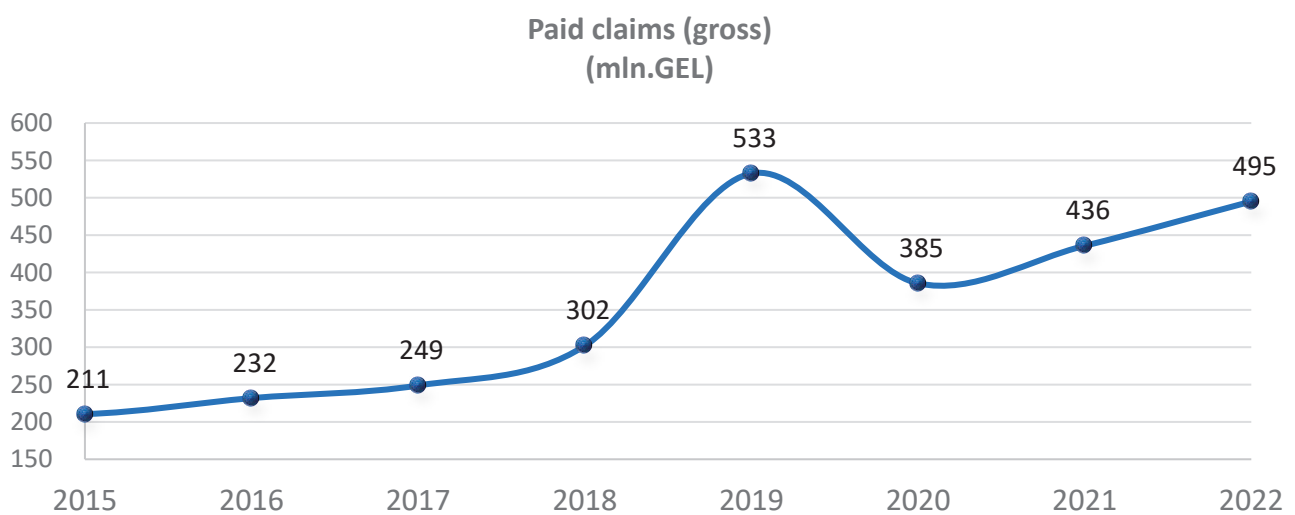
Incurred claims (gross vs net amounts)



| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------------|------|------|------|------|------|------|------|------|------|
| Incurring claims (gross) | 219 | 194 | 233 | 251 | 339 | 522 | 379 | 425 | 475 |
| Incurring claims (net) | 179 | 167 | 187 | 217 | 230 | 277 | 296 | 313 | 373 |

Reinsurers' share in claims is the difference between gross and net figures. The table above shows the importance of reinsurance

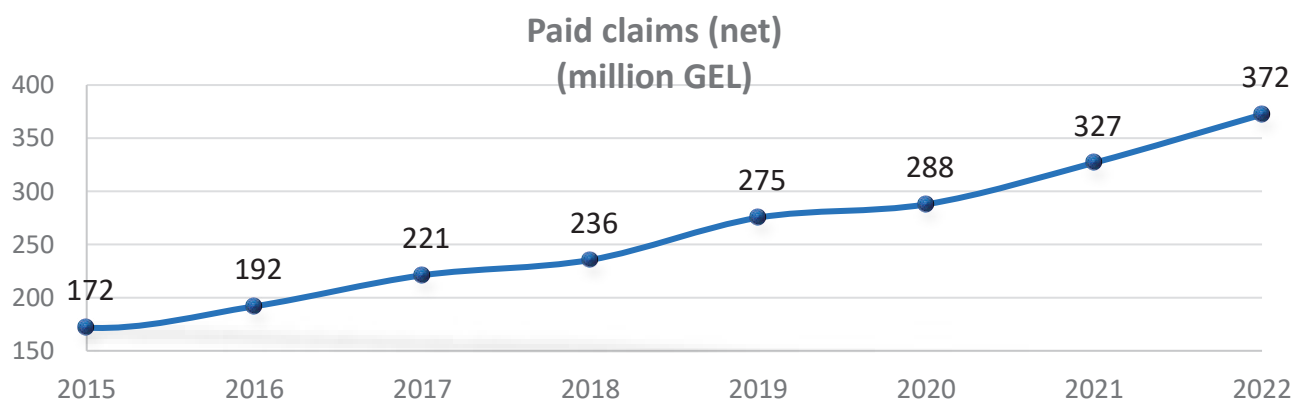
for insurance business and financial stability of insurance companies.



| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------|------|------|------|------|------|------|------|------|------|
| Paid losses (gross) | 219 | 211 | 232 | 249 | 302 | 533 | 385 | 436 | 495 |

Gross paid claims in direct insurance business amounted GEL 495.1 million,

resulting in 14% increase in comparison with 2021.



| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------|------|------|------|------|------|------|------|------|------|
| Paid losses (net) | 208 | 172 | 192 | 221 | 236 | 275 | 288 | 327 | 372 |

Net paid claims amounted GEL 372.2 million, resulting in 14% increase in comparison with the previous year.

Through the use of complex reinsurance treaties, despite the increase in volume, the net loss ratio (i.e. the Insurer's share in the losses) remains stable. It should be noted that, for example, in 2019 a high loss ratio of 91% was due to major claims in the portfolios of

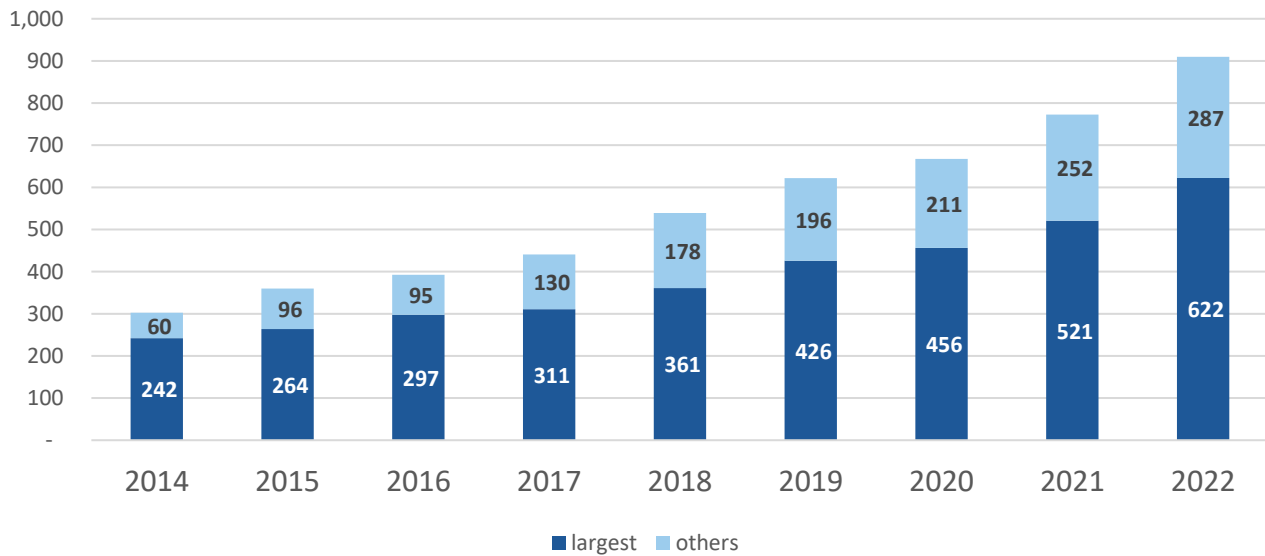
two insurance companies. Those claims were so big that in the absence of proper reinsurance it would be impossible for the insurers to cover it, which would lead to the insolvency of the Insurers. For the aim of mitigating such risks, the ISSSG has issued a by-law regulating per risk net exposure, setting certain requirements for reinsurers and the quality of reinsurance

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------|------|------|------|------|------|------|------|------|------|
| Loss ratio (gross) | 65% | 60% | 63% | 61% | 69% | 91% | 61% | 60% | 57% |

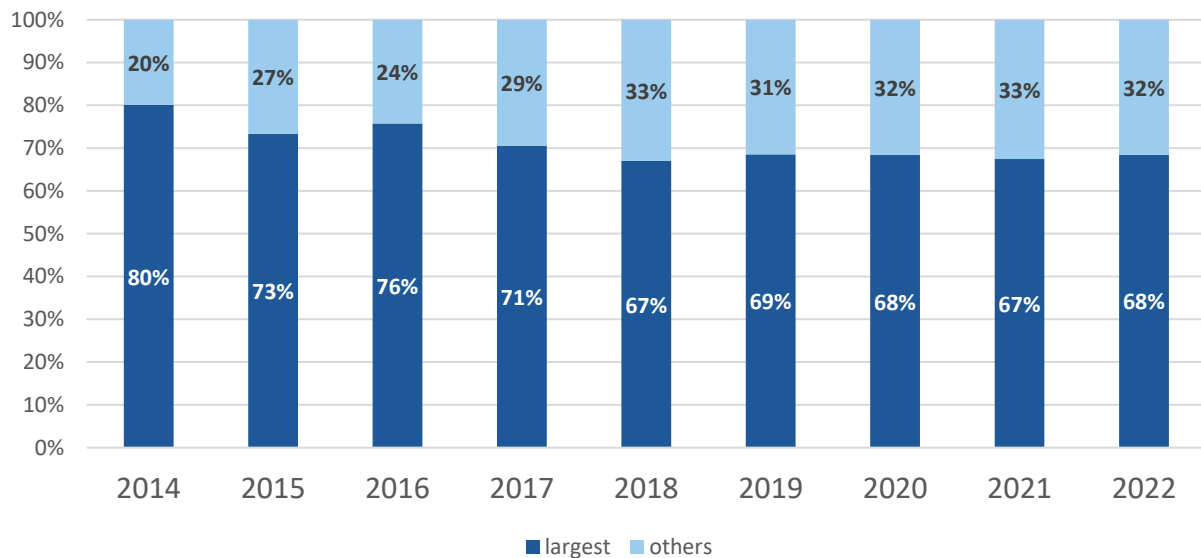
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|------|------|------|------|------|------|------|------|------|
| Loss ratio (net) | 65% | 68% | 66% | 67% | 60% | 62% | 60% | 62% | 62% |

ბაზრის კონცენტრაცია

Market share of five largest insurers by years
(mln. GEL)



Market share of five largest insurers by years
(%)

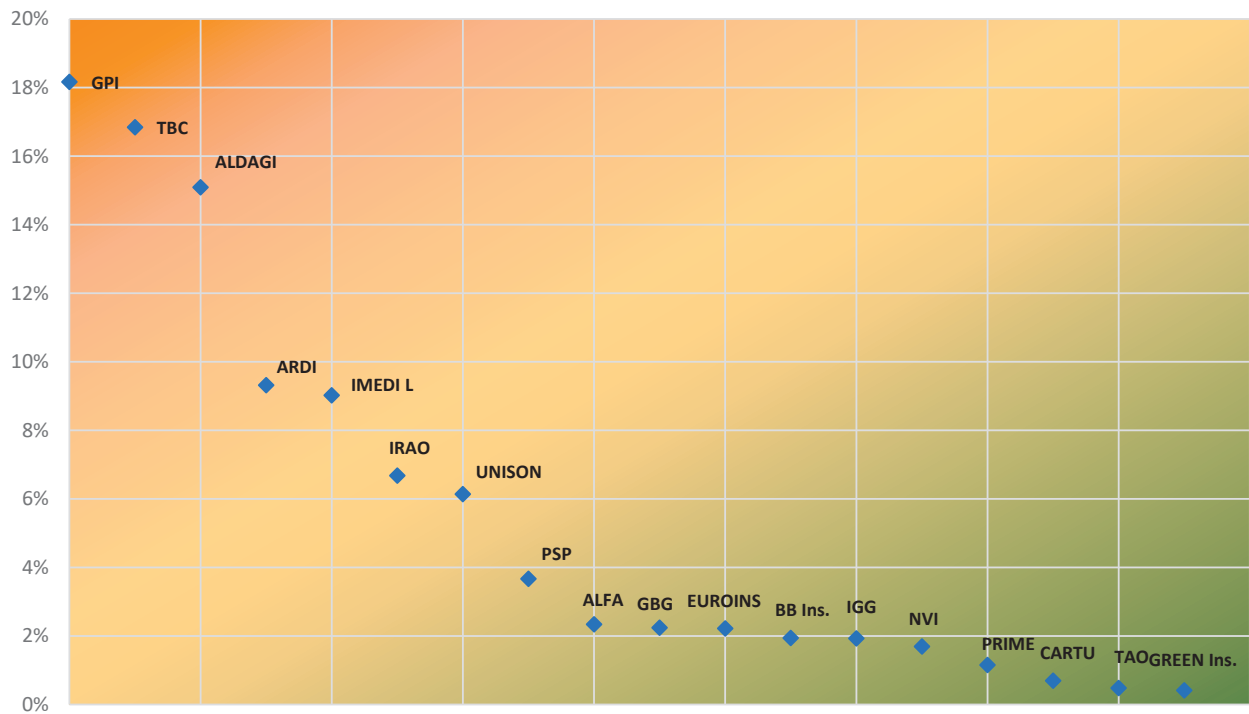


As shown in the chart above, the market share of 5 largest Insurers, and hence, market con-

centration tends to decline from year to year.

The chart below shows the distribution of individual shares of Insurers in the market.

MARKET CONCENTRATION BY GROSS WRITTEN PREMIUMS



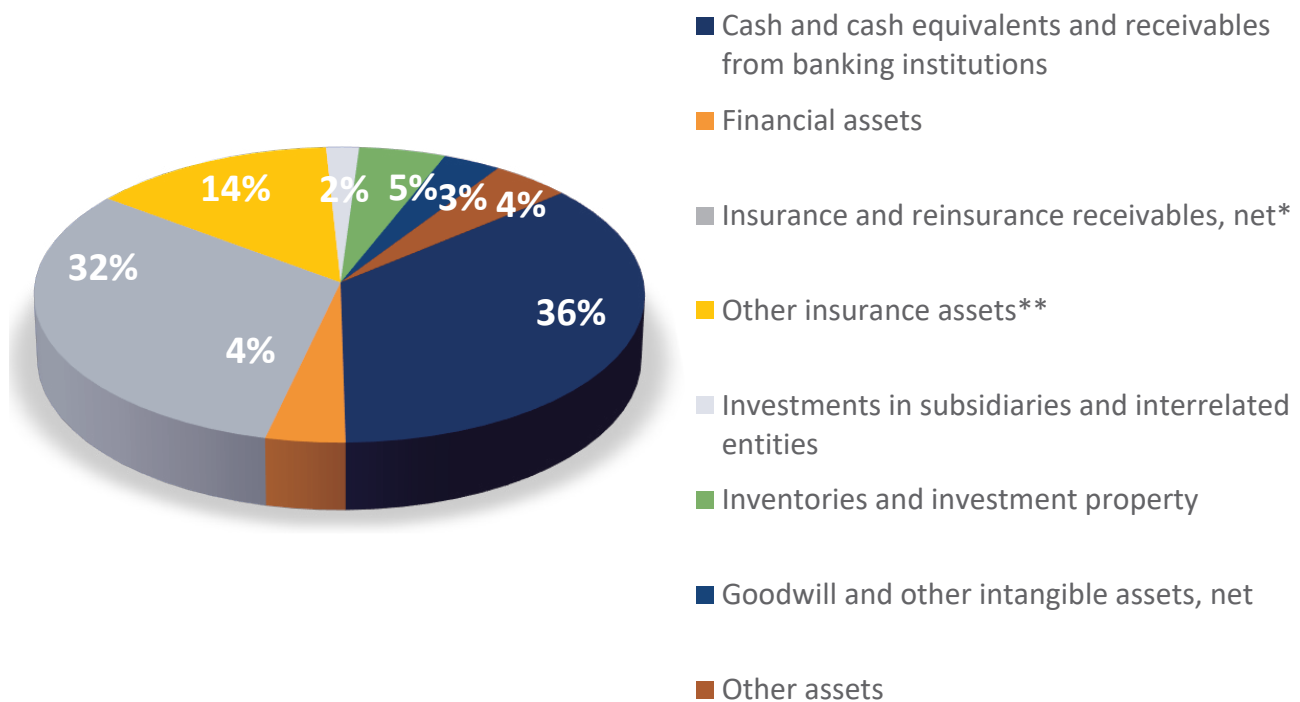
Structure of Insurers' Assets and Liabilities

| Asset | Amount (million GEL) |
|---|----------------------|
| Cash and cash equivalents and receivables from banking institutions | 397 |
| Financial assets | 43 |
| Insurance and reinsurance receivables, net* | 349 |
| Other insurance assets** | 154 |
| Investments in subsidiaries and interrelated entities | 21 |
| Inventories and investment property | 55 |
| Goodwill and other intangible assets, net | 36 |
| Other assets | 51 |
| Total | 1,106 |

As of December 31, 2022 the assets of insurance companies amounted to GEL 1 105.6 million, which is 12% higher in comparison with the pre-

vious year. The equity has increased by 6% and amounts to GEL 343.2 million.

Structure of Assets of Insurers



*** NOTE 1:**

Insurance and reinsurance receivables are reduced by the impairment reserve as provided by the law;

**** NOTE 2:**

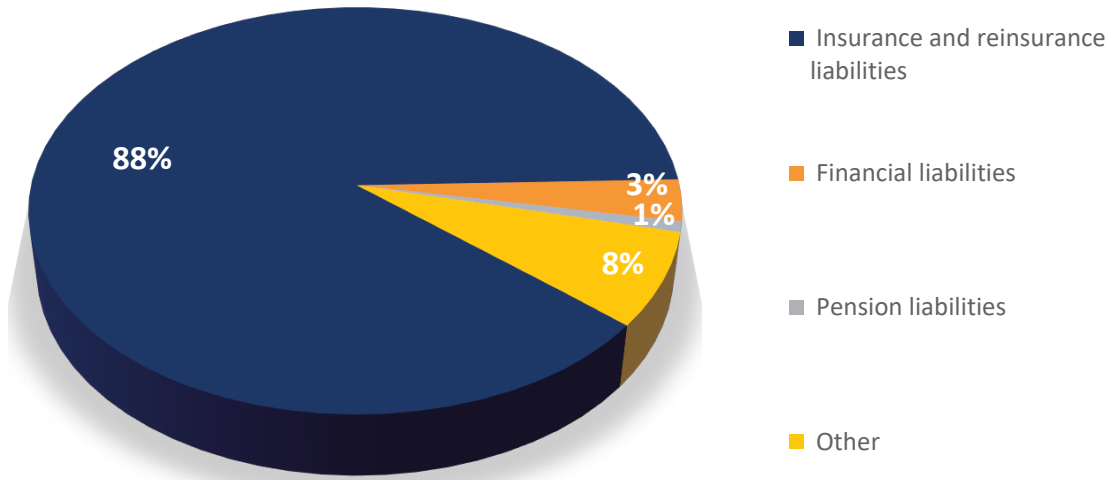
Other insurance assets mainly comprise of the Reinsurers' share in reserves.

Major part of the assets is represented by cash and insurance related assets. Cash and cash

equivalents account for 1/3 of liquid assets.

Structure of Insurers' Liabilities

Structure of Balance Sheet Liabilities of Insurers

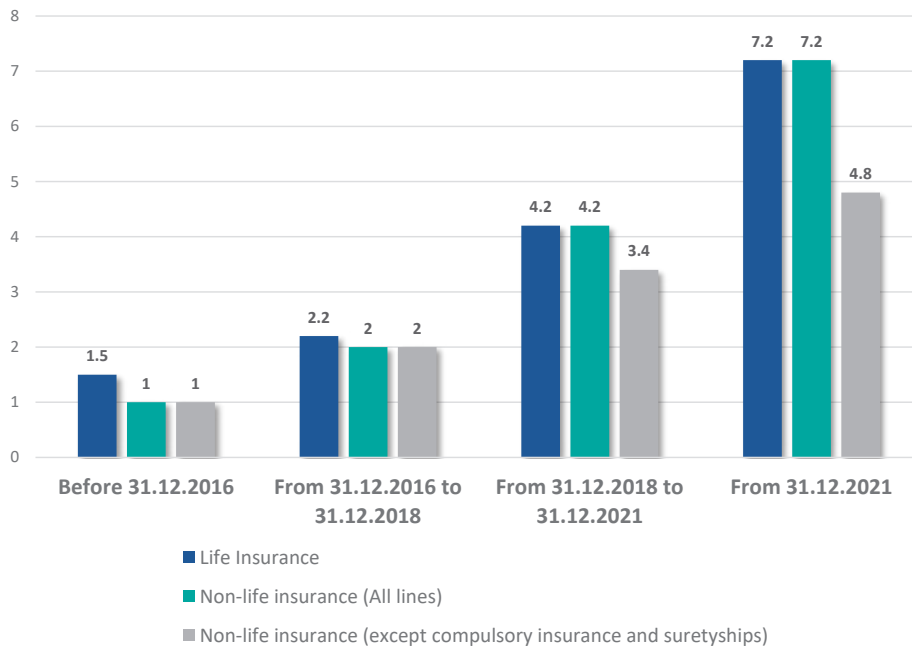


88% of insurers' liabilities are directly related to insurance and pension operations. Insurance reserves are covered mainly by monetary assets. Only a small part of tech-

nical provisions is covered by real estate or other financial assets. However, it should be noted that the quality of assets is closely monitored by the ISSSG.

Financial stability of the sector

Minimum Capital Requirement (in mln. GEL)



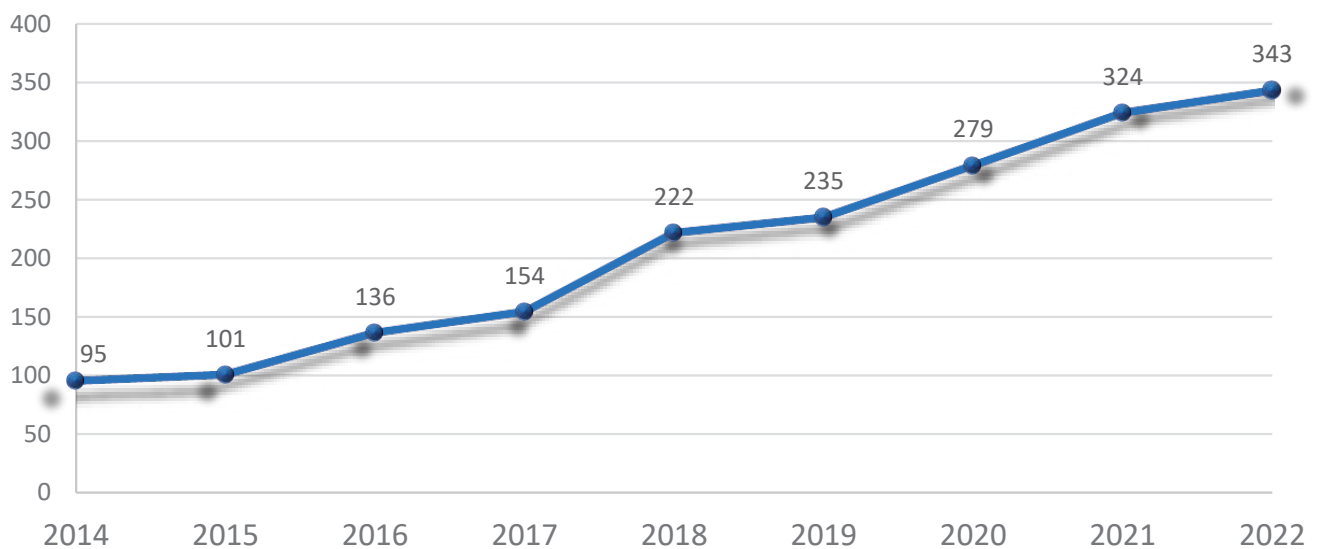
Through gradual increase in the minimum capital requirement, from 31.12.2021 the requirements for the minimum capital have increased to GEL 7.2 million in monetary form, if the Insurer operates in the following areas:

- ✓ Life insurance;
- ✓ Non-life insurance;

- ✓ Reinsurance;
- ✓ Compulsory lines of business;
- ✓ Suretyships.

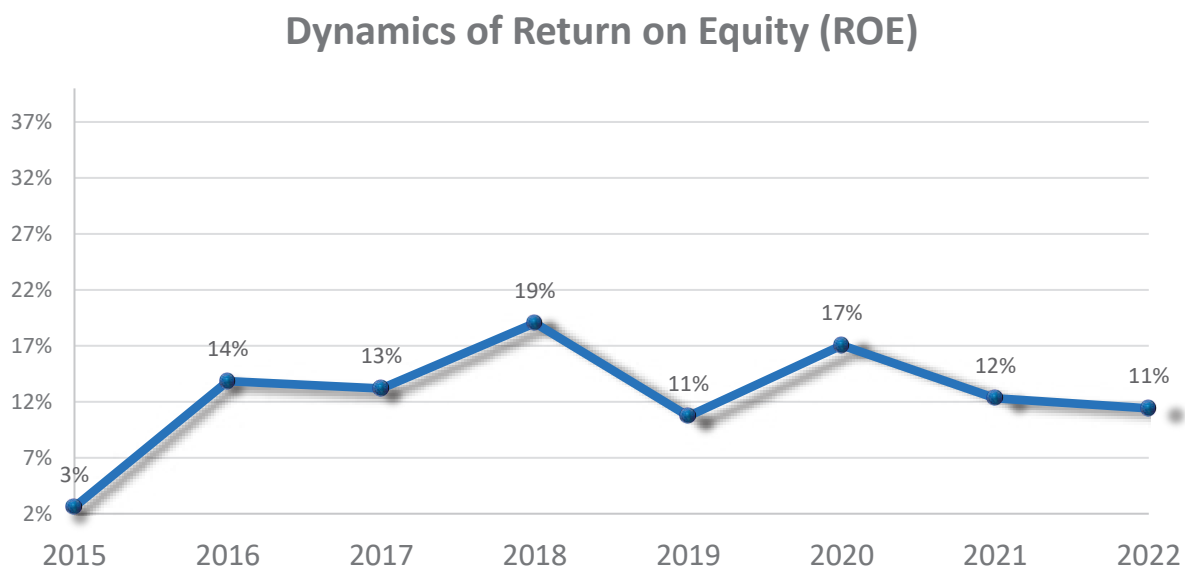
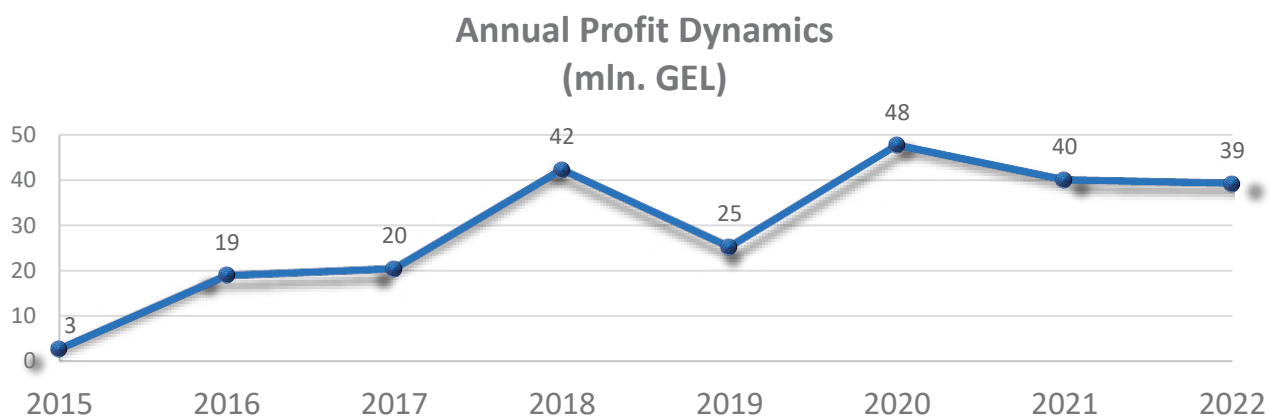
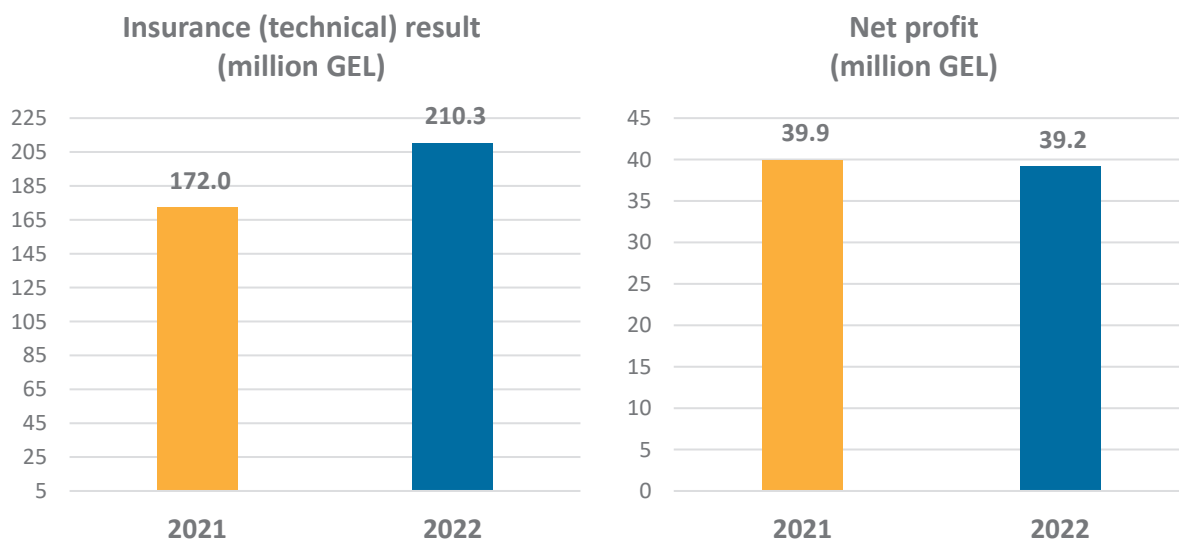
If the insurer operates only in non-life business, except for compulsory insurance and suretyships, from December 31, 2021, the minimum capital requirement has increased to GEL 4.8 million.

Total equity of insurers by years
(mln. GEL)



In 2022, total technical result amounted GEL 210,3 million, i.e. 22% more than the data of the same period of the previous year. Net profit amounted to GEL 39.2 million showing a 2% reduction. The

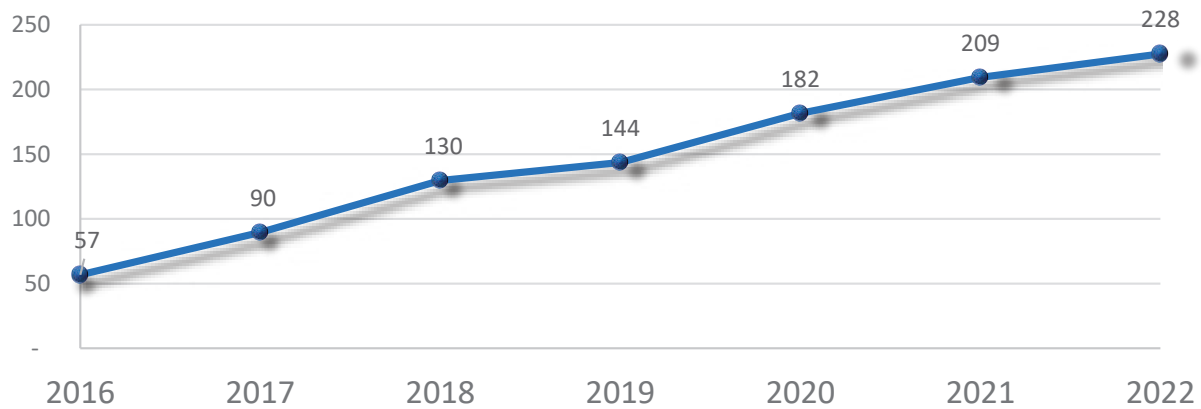
decrease in net profit, with the unchanged level of insurance profit, is mainly caused by losses due to the difference in foreign currency exchange rates and increase of administrative costs.



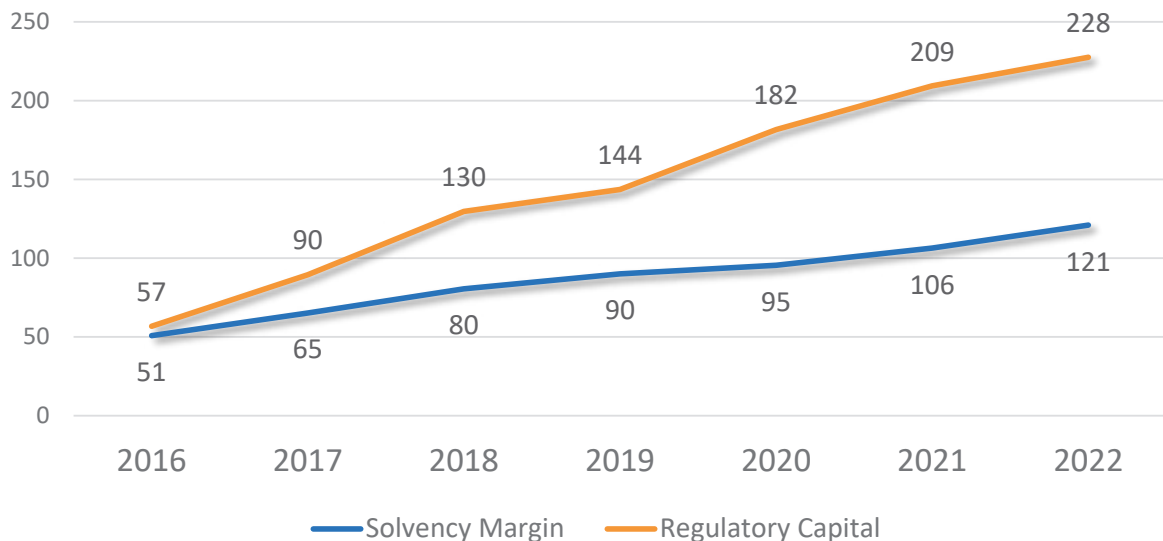
As already mentioned, changes in profitability were due to the pandemic and other related economic processes. However, the market maintained profitability, and the ISSSG set

the requirements in a timely and consistent manner, which in turn ensured the stable growth of the regulatory capital

Regulatory Capital (mln. GEL)



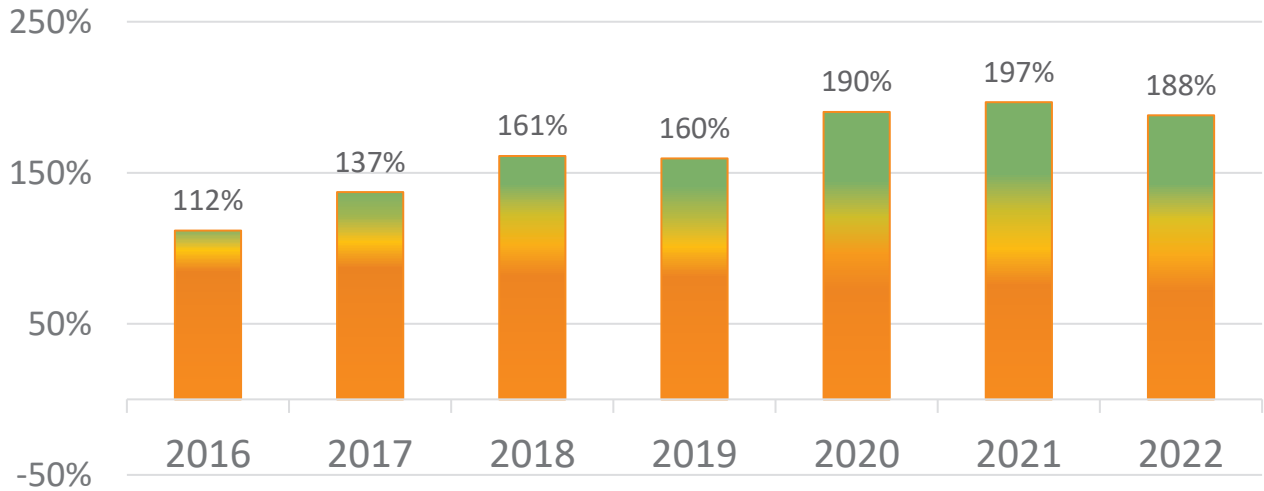
Solvency and regulatory capital dynamics (million GEL)



Total amount of the regulatory capital vs. solvency capital is 188% which indicates on high solvency of the market. However, it must be noted that at the background of market growth, only a few

insurers invested additional investments in the capital due to strict requirements. The ISSSG provides intensive monitoring on this process.

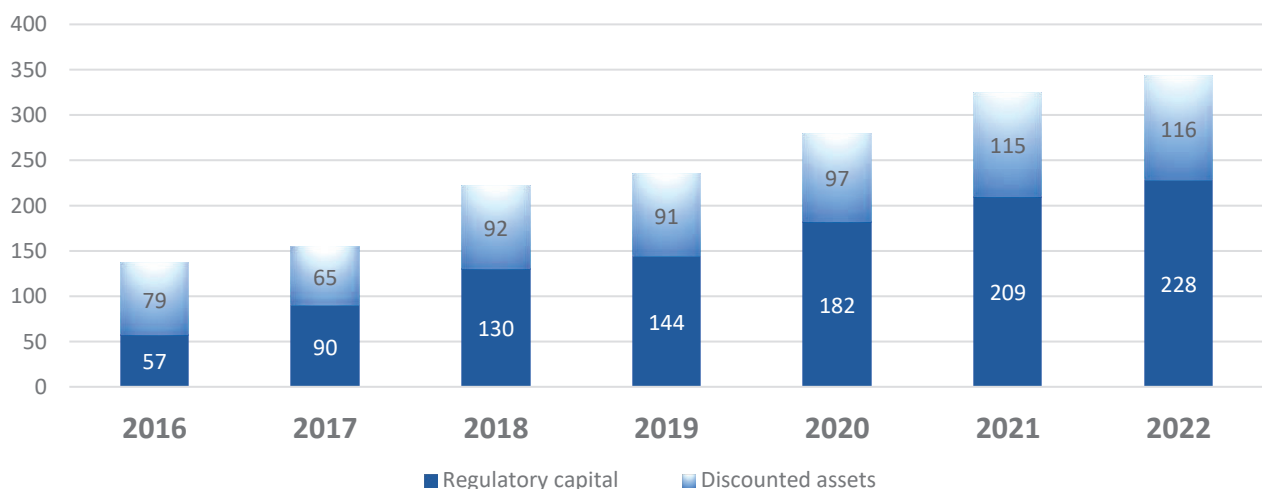
Development of regulatory capital in relation to Solvency margin by years



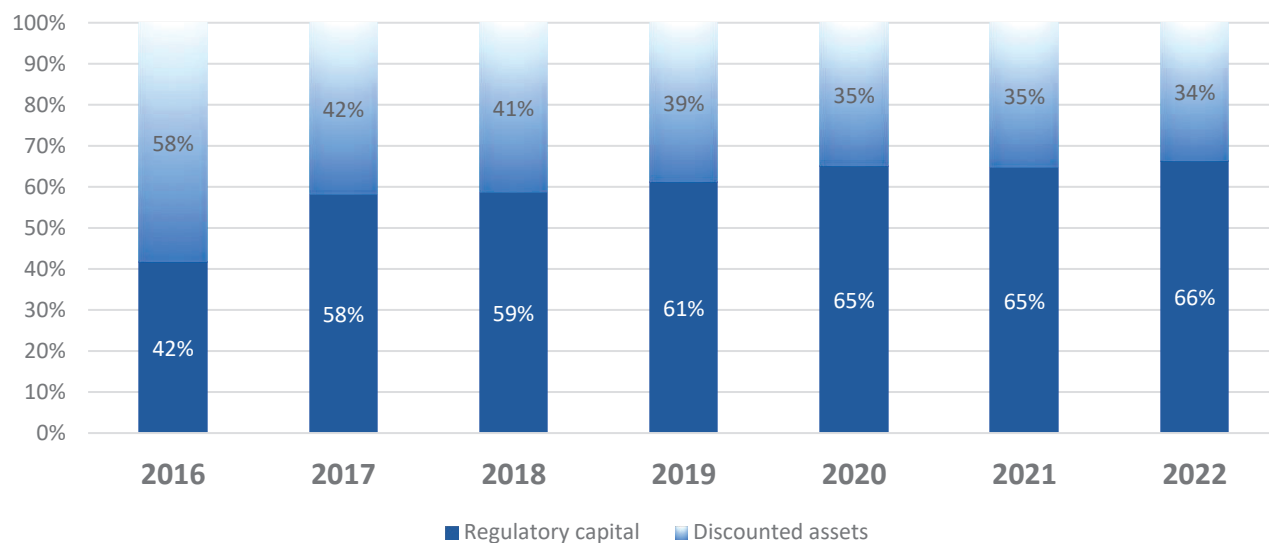
Note:

Regardless of the increase of total amount of the regulatory capital, its proportion to the solvency indicator decreased compared to the previous year, because the market growth rate in 2022 and 2021 considerably exceeded the indicator of 2020, which obviously affected and significantly increased the total percentage of solvency indicator.

Share of Regulatory capital in total equity of insurers (mln. GEL)



Share of Regulatory capital in total equity of insurers (% of equity)



The share of the discounted assets in the total assets of the companies has decreased

significantly since the introduction of regulatory capital requirements (since 2016).

Note:

Once the data are published, they may change due to the differences observed during the regulatory activity (including, as a result of comparison of audited reporting).

3.2 Insurance Brokers

Insurance brokers represent a very important part of the insurance business. Brokers bear a significant risk in terms of the client money held and the quality of the risk placement. Due to above mentioned, the regulatory framework for the supervision of insurance intermediaries has been strengthened, which will further ensure

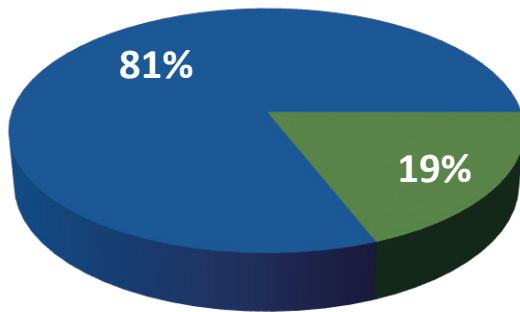
high quality, professionalism and reliability of services.

In 2022, total insurance brokerage amounted GEL 7.8 million, which is 18% increase compared to the previous year. Insurance brokers have the right to provide both insurance and reinsurance

intermediary services. 64% of their commission revenues come from insurance and the remaining 36% - from reinsurance operations. In 2022, commissions growth was almost similar in both areas.

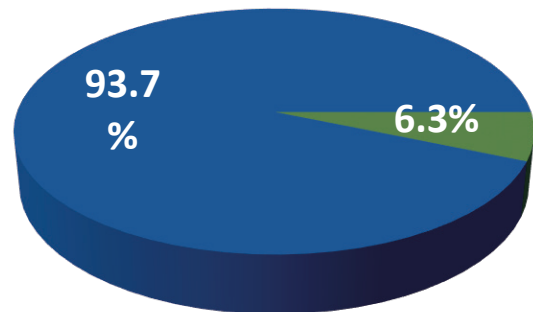
The chart below shows the share of the registered brokers in total insurance and reinsurance premiums.

Participation of brokers in Reinsurance operations



■ Share of Brokers

Share of Brokers in Gross Written Premiums



■ Share of Brokers

3.3 Supervision Process

One of the main tasks of the ISSSG is to control and maintain the financial stability/solvency of the insurers and insurance brokers (hereinafter “Companies”), as well as to monitor their activities in the prevention of money laundering and terrorism financing.

Direct supervision of the Companies is carried out by studying/analyzing their monthly and quarterly reporting forms approved by the ISSSG, additional information, documents, or other detailed data obtained during on-site inspections. Where needed, supervised entities may be fined to ensure that they comply with the legislation and by-laws.

Moreover, in order to continuously improve effective supervision and the regulatory processes, the ISSSG maintains coordinated cooperation with

relevant public and private entities and international organizations in Georgia and abroad, for timely exchange of experience and important information.

During the year of 2022, the ISSSG reviewed annual reports and financial and statistical reports for the IV quarter, December, I-III quarters, and January-November of 2022, as well as regulatory capital and solvency margin calculation forms received from 18 Insurers.

Information provided by the Insurers and insurance brokers from the banking institutions on the cash balances for the same period and also the funds and security measures provided for by the law were compared with the data in the submitted financial and statistical reporting forms.

The ISSSG reviewed the annual reporting forms for 2021 and 6 months of 2022 submitted by 19 insurance brokers.

The ISSSG reviewed annual audited statements of insurance companies for 2021, which were compared with the data of financial reporting forms submitted by the same undertakings.

The ISSSG also reviewed audited statements of insurance brokers for 2021.

Based on the reporting forms submitted by the insurers and the founders of non-state pension schemes, the ISSSG prepared the statistical and financial reports of the insurance market for the 2021 and I-III quarters of 2022. These reports were translated into English and published on the official website of the ISSSG.

Based on the reporting forms submitted by the insurance brokers, the ISSSG prepared the reports on brokers' activities in 2021 and I-III quarters of 2022. These reports were also translated into English and published on the official website of the ISSSG.

Statistical, financial and other information related to the insurance market was prepared in response to the requests from various organizations (insurance undertakings, insurance brokers, National Bank of Georgia, National Statistics Office, ISSSG for Accounting, Reporting and Audit Supervision, National Health Agency, etc.).

Based on the reporting forms submitted by the Insurers, analytical reports were prepared on the financial position, solvency, liquidity, assets covering technical provisions and compliance with regulatory capital requirements of the Insurers.

The ISSSG registered all deposit agreements with banking institutions to secure the minimum amount of capital of insurance companies and issued preliminary written consents on the transactions related to the allocation of minimum capital amount.

The information received from the Compulsory Insurance Center for December 2021 and January-November 2022 was processed and compared

with the information provided by the insurance companies in the reporting forms.

The compliance with the ratio between net exposure and regulatory capital was reviewed together with the relevant attachments/reporting forms. The ISSSG requested other ancillary information, including information on reinsurance contracts and, in some cases, copies of reinsurance contracts.

Additional financial analysis of the Insurers' reports for the IV quarter of 2021 and I-III quarters of 2022 was carried out through an analytical tool implemented with the support of World Bank experts.

It should also be noted that the ISSSG actively controls the observance of the instructions issued by the ISSSG after on-site inspections.

In 2022 the ISSSG revealed 292 violations in total, based on which it issued written warnings and imposed penalties on the undertakings concerned.

A review of the reporting forms submitted by insurance brokers revealed certain types of inaccuracies, for which corresponding letters were prepared and the revised reporting forms were requested. In order to eliminate identified violations, the ISSSG issued written warnings and imposed fines.

As a result of reviewing audited statements for 2021, the Insurer's representatives were interviewed and additional clarifications were provided on the reasons for the discrepancy between the audited figures and the data presented in the supervisory financial reporting forms, after which Insurers resubmitted revised reporting forms to the ISSSG in accordance with the audited statements, where relevant.

Communication with the National Health Agency and insurance organizations to clarify the lists of medical (health) insurance beneficiaries has largely contributed to the reduction of improper fulfillment of the requirements set by the Ordinance #36 of the government of Georgia "On certain measures to be taken for the transition to universal health care system" of February 21, 2013,

and the Letter #210 of the LEPL State Insurance Supervision Service of Georgia of April 27, 2017, issued on the basis of the above ordinance.

Last year, three insurers were inspected on site. In order to ensure efficient and quick inspection process, the ISSSG provided thematic inspections on the issues like:

- ✓ Insurance reserves
- ✓ Insurance claims
- ✓ Debtors' impairment reserve
- ✓ Liabilities and claims against insurers

- ✓ Activities carried out in the area of suretyships

The inspections revealed certain inaccuracies in accounting and some breaches of law. The company was requested to significantly increase the amount of both the insurance reserves and the impairment reserve, to improve the program accounting and control systems, to adjust financial and statistical reports, etc.

As a result of active communication with the management of the company during the above inspection process, significant additional investments were made in the company, and hence, company solvency indicators improved.

4

Activities to Support Prevention of Money Laundering and Terrorism Financing

Supervision on insurance organizations, founders of non-state pension schemes and insurance brokers in fulfilling their legal obligations to facilitate the prevention of money laundering and terrorism financing is provided by the Division of Anti-Money Laundering and Terrorism Financing.

During the reporting period, money laundering and terrorism financing risk reporting forms submitted by the insurance companies and founders of non-state pension schemes for the second half of 2021 and the first half of 2022 were reviewed in accordance with the supervision principles implemented in the ISSSG. Where necessary, the revealed violations became subject to imposing fines and/or written warnings were given.

In the reporting period, the ISSSG issued Recommendation “On Money Laundering and Terrorism Financing Risk Assessment by the Reporting Entity Supervised by the Insurance State Supervision Service of Georgia”,

During the reporting period, the ISSSG was actively involved in the intensive follow-up process of the results identified in the fifth evaluation report on the national system of money-laundering and terrorism financing of Georgia initiated by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism.

During the reporting period, representatives of the ISSSG participated in online meetings organized by the Steering Committee of the project “Enhancing the systems of prevention and combating corruption, money laundering, and terrorism financing in Georgia” conducted within the framework of the Partnership for Good Governance Programme of the Council of Europe and the European Union.

In 2022, in collaboration with the World Bank and experts in various fields, a regular competition was held to identify the winning companies for the Best Annual Reporting and Transparency Award (BARTA).

The supervisory process is implemented through the following structural units:

- ✓ Reporting and Analytical Division;
- ✓ On-site Inspection
- ✓ Anti-Money Laundering and Terrorism Financing Division.

The department also has a SupTech specialist working on the implementation of a reporting portal and a supervisory analytical system.

5

Development of the legal framework/ legislative process

The ISSSG, with the active participation of the Ministry of Economy and Sustainable Development of Georgia, resumed work on the draft law of Georgia “On mandatory civil liability insurance of the owner of a motor vehicle registered in Georgia”. In this regard, consultations were held with representatives of the sector and other stakeholders. Also, this information was provided to the Government of Georgia and it was incorporated in the short-term plan of law-making activities for 2023. Submission of the draft law to the Parliament of Georgia is planned for the spring session of 2023.

From January 1, 2021, a new Law of Georgia “On Entrepreneurs” became effective, introducing a new regulation for certain issues related to the registration and activity of an entrepreneur, which in turn affected the entrepreneurs regulated under the Law “On Insurance”. The Law “On Entrepreneurs” defines the basic approaches related to the activities of entrepreneurial entities, while the Law of Georgia “On Insurance” provides for specific, additional requirements for entities subject to the supervision of the ISSSG. Thus, a need arose to make appropriate amendments to the Law of Georgia „On Insurance“ and complete it, to properly exercise the supervisory powers by the ISSSG and to bring it into compliance with the provisions of the new Law „On Entrepreneurs“, including in terms of definitions.

The mentioned change is related to the obligation set forth in the Law of Georgia „On Entrepreneurs“ for PPIs (Person of Public Interest, to which the insurer belongs) – to create an audit committee in the Supervisory Board, in the manner and form stipulated by the same law, and general issues for functioning of this committee. Since the special (additional) requirements related to the management bodies of the insurer are defined in the

Las “on Insurance” of Georgia, this amendment specified the details related to the procedures of establishing the audit committee by insurers, recruitment of committee members, performance against new provisions and provision of mechanisms for proper supervision of the process by the ISSSG.

In 2022, the Ministry of Economy and Sustainable Development of Georgia, together with the experts of the Asian Development Bank, prepared the draft law of Georgia on “Voluntary Private Pensions”. Throughout the current year, the ISSSG was actively involved in developing this draft law.

In 2022, 3 (three) by-laws were published by the Chairman of the ISSSG in the Legislative Herald of Georgia:

- ✓ Rule for developing and submitting to the Insurance State Supervision Service of Georgia the supervision reporting forms of insurance brokers on money laundering and terrorism financing risk” approved by Ordinance N54 of May 30, 2022;
- ✓ Ordinance N55 on “Rule of identification and verification of the beneficiary owner and study of the ownership and control (management) structure of the client by an authorized person subject to supervision of the Insurance State Supervision Service of Georgia”, of May 30, 2022.
- ✓ Ordinance No. 56 of October 24, 2022 “On Approving the instruction on protection of consumers’ rights in the provision of Insurance services by the Insurer”, approved by the Ordinance No.18 of the Chairman of the Insurance State Supervision Service of Georgia

as of April 3, 2017 on making changes to the “Instruction on the Protection of Consumers’ Rights in the Provision of Insurance Services by the Insurer”.

In 2022, the ISSSG began work on the issues of personal data protection, in particular:

- a) primary information requested from internal structural units was processed;
- b) a proposal for a personal data protection officer was prepared;
- c) the draft policy on personal data protection was designed;
- d) the draft version of the video surveillance rule was prepared;
- e) the project of video surveillance file system catalog was prepared;
- f) a draft of the personal data disclosure rule was prepared;
- g) The draft of the personal data storage and destruction rule was prepared.

On September 26-27, 2022, workshops were held with representatives of the insurance sector, in order to present the requirements of the law on information security to the insurance sector, as it is a critical information system entity; to identify, discuss and analyze the relevant needs, risks and opportunities for the preparation of the strategic plan of the ISSSG as a supervisory body.

The ISSSG prepared 3 letters to respond to the requests of public information; also, the report on provision of public information by the ISSSG in 2022 and correspondence for sending out to the relevant state agencies: the Legislative Herald of Georgia, the Parliament of Georgia, the President of Georgia and the Prime Minister of Georgia.

The ISSSG reviewed 2 (two) draft laws received from the administration of the Government of Georgia and prepared comments. In particular, these laws are:

- ✓ “On voluntary private pension”
- ✓ “About Securitization”

6 Cooperation with international organizations

In 2022, the ISSSG actively cooperated with international/donor organizations to carry out ongoing/new projects, conferences, or other events, the main focus of which was providing expert assistance in improving the existing insurance regulatory and legal system, as well as sharing of international experience. As in the previous years, in 2022 the ISSSG, as a member of the International Association of Insurance Supervisors (IAIS), participated in the Association's online self-assessment program to determine compliance with various core insurance principles (ICPs), to which, pursuant to EU-Georgia Association Agreement, Georgian insurance system and legislation has to gradually comply. This time, in order to identify the efficiency of self-assessment program, an inquiry was carried out about elimination of identified gaps with regard to the conclusions made on the bases of IAIS self-assessment study in previous years. In particular, the enquiry concerned the following key principles: Supervision goals, authority and responsibility (ICP 1), Supervision (ICP 2), licensing (ICP 4), Conformity criteria (ICP5), Corporate governance (ICP 7), Risk management and internal control (ICP 8) and business management (ICP 19).

Within IAIS, since 2019, the ISSSG has been a member of the Assessment and Implementation Committee (IAC). The ISSSG is represented by the Chairman who participates in the work process on behalf of the country. During the reporting period, despite the challenges, the meetings were held remotely with the active involvement of the ISSSG. At the meetings, the work plans were reviewed, which will be implemented in the future activities of the Association.

In the reporting period, the ISSSG continued to work on the Multilateral Memorandum of Understanding (MMoU) with the Association formally applied for in the previous year. In order to review the application submitted by the ISSSG, a special assessment team was established, consisting of supervisors from different countries/representatives of the insurance system. The application review process, currently in the advanced stage of final review, is quite lengthy and is based on a substantive study of the existing legislation/approaches in the country, in which the ISSSG is actively involved.

The Memorandum of Understanding provides a framework for cooperation and exchange of information between insurance supervisors and enables them to exchange confidential information and freely assist member jurisdictions, thereby promoting the financial soundness and stability of cross-border insurance operations for the benefit of their customers. Within the framework of the Memorandum, a lot of information about the Insurers (licensing, eligibility criteria for managers, liquidation/bankruptcy, ongoing supervision of insurance operations, insurance intermediaries, facilitation of anti-money laundering and anti-terrorism activities, etc.) is received and shared (upon request). MMoU currently unites a large number of supervisors in the global insurance market.

In 2022, the ISSSG representatives participated in the IAIS Annual Conference of IAIS – "Changing landscape and the role of the insurance sector in meeting emerging economic and social challenges". The Conference was divided into two parts, in particular: meetings of sectoral committees of

the Association with participation of its members where specific issues related to the competences of the Committee were discussed.

At the meetings, the successful implementation of holistic framework and its evaluation-related matters were discussed, in particular, system risk evaluation and risk reduction tools, including Insurance Core Principles and ComFrame (common framework for the supervision of internationally active insurance groups (ComFrame)).

Over the last two years, IAIS began evaluation of the holistic framework that covered on site evaluation of jurisdictions and presented evaluation results at the meeting. Regarding the conclusions of the system risks monitoring, the Association presented new methodology that aims to improve the targets related to the system evaluation and to eliminate the system risks of international insurance groups.

At the meeting, the participants discussed current global macroeconomic challenges and supervisory practices for monitoring and managing these risks, climate risks in the insurance sector, and oversight of global capital standards after its adoption, which is in its advanced stage of preparation.

In the area of climate risk study, the Association reviewed its achievements and work, corporate governance and risk management issues by insurers. The participants also talked about the current gaps, risks and planned solutions to eliminate the risks and gaps in the field of climate insurance.

The last part of the meetings was devoted to the role of women in the insurance sector. Female leaders of the insurance industry talked about the progress, increased participation of women in the sector, overcoming the set barriers and difficulties and future plans how to cope with challenges.

It should be noted that Georgia is a member of the Central, Eastern European and Transcauca-

sian Region (CEET Central, Eastern EU and Transcaucasian Region) within the scope of IAIS. At the above-mentioned meeting, an agreement was reached with stakeholders to hold the 2023 regional committee meeting in Tbilisi, Georgia under the organization of Insurance State Supervision Service of Georgia.

During the reporting year, the ISSSG participated in the IAIS Global Seminar in Dubrovnik, Republic of Croatia. This meeting brought together the representatives of the insurance system from all over the world. The meeting topics were social challenges and promotion of sustainable development of the economy through an inclusive insurance sector, financial inclusion, climate risks, cyber security in the insurance sector, discussion of the main supervisory issues of the insurance sector and new approaches.

Within the framework of the visit, a regional meeting of the countries of Central, Eastern Europe and Transcaucasia was held, where the results of the events held in 2020 and 2021 were presented;

In 2022, under the auspices of the International Association of Insurance Supervisors and the Financial Stability Institute (FSI), an online training course (FIRST ONE PROGRAMM) was held once again, based on the Insurance Core Principles of Insurance Supervisory Standards (ICPs). Employees of the ISSSG (5 persons) took part in the mentioned program, which allowed them to improve qualification and professionalism.

The Central, Eastern and Southeastern European Insurance Supervision Initiative (CESEE ISI) brings together insurance supervising bodies of the region for cross-border cooperation. In the reporting period, the ISSSG representatives visited the 20th Meeting of Insurance Supervision Bodies of Central, Eastern and Southeastern countries, where the ISSSG had an opportunity to learn more about international experience in different areas. At the meeting, the following topics were discussed: compliance criteria and supervision challenges to provide for the permanent compli-

ance of these criteria, role of financial education in the protection of consumer rights, proportional approach against insurers, review of current IT and cyber risks on the insurance market, changes related to IFRS 17 in the financial reporting, the role of insurance supervisors in the bankruptcy proceedings and intervention efforts, changes related to the stability of the insurance sector – climate change and green finances. It is important to note that bilateral meetings were held with the directors of Austrian, Slovenian and Moldavian insurance supervision services for sharing best practice.

During the reporting period, the ISSSG attended online working meeting on climate scenario analysis organized by IAIS and Bank of England. The meeting was dedicated to current challenges and difficulties in the evaluation of supervision risks;

During the reporting period, A2ii (access to insurance initiative, established by IAIS initiative, implementing authority of inclusive insurance and big contributor to the development of IAIS insurance standards) organized a webinar on the topic of “results caused by introduction of IFRS 17”. At the meeting, the focus was made on IFRS challenges, issues to be foreseen after establishing the standard, e.g. maintaining the resistance of the capital and reporting structure, need for reducing the capital margin, equalling to AASB 17, if needed.

In the reporting period, the ISSSG also participated in virtual training - International Fellows Online Program, organized in a virtual format by National Association of Insurance Commissioners (NAIC). The latter is established and managed by the insurance regulators of 50 states and sets standards countrywide. The training course covered 12 lectures on the following issues: US insurance solvency framework, reporting, reinsurance, provisioning and capital adequacy issues, licensing, financial regulatory standards, market analysis, cyber security and climate risks. Upon completion of the training program, the participants were awarded with certificates;

As in the previous years, the ISSSG continued to work with the European Insurance and Occupa-

tional Pensions Authority (EIOPA). This organization was set up in 2007-2008, in the condition of the financial crisis, at the initiative of the European Union, to supervise insurance and occupational pensions, in order to further integrate the financial market within the EU and mitigate risks. It monitors and assesses potential risks, and also analyzes existing insurance and non-state pension legislation in both EU and non-EU countries.

Within the scope of cooperation with the organization, during the reporting period, the ISSSG was invited to the conference dedicated to the Day of Consumer Rights Protection in Frankfurt, Germany under the invitation of the organizers - “European Insurance and Occupational Pensions Authority (EIOPA)”, “European Banking Authority (EBA)” and “European Securities and Markets Authority (ESMA)”. At the conference, issues related to financial inclusion of insurance, existing challenges and the so-called ways to avoid “greenwashing”, which is a novelty and a challenge for the insurance sector, were discussed. Besides, the importance of simplifying accessibility to financial service for consumers and increase of inclusiveness, as well as data protection and security of data transmission was emphasized;

In 2022, the ISSSG joined the Eastern European Risk Insurance Association (EERIA), which is some kind of a platform for promoting insurance studies, knowledge sharing and correct assessment of insurance risks. The Association serves to stimulate the development of the insurance market in the Eastern European region. Membership of the Association provides an opportunity to communicate with insurance regulators and supervisors throughout the region, to have access to educational resources, to participate in research events produced and organized by the Association as well as in international conferences. Being a member of EERIA will help the ISSSG to establish partnerships with supervision services, share their experience and practices and implement international approaches;

In 2022, the ISSSG representatives participated in the annual conference organized by the Eastern European Risk Insurance Association and St. Kliment Ohrid University in the city of Ohrid, Repub-

lic of North Macedonia. The following topics were discussed at the conference: artificial intelligence in insurance and the principles of its work, diversification of the insurance market, determining factors of third-party liability insurance of motor vehicle owners, the so-called data “big data” analytics;

The ISSSG continues to work with the International Organization of Pension Supervisors (IOPS), of which it has been a member since 2020. The organization was established at the initiative of the Organization for Economic Co-operation and Development (OECD) and the International Network of Pension Regulators and Supervisors (INPRS) and currently has 88 member states (including our neighbors: Armenia, Turkey, Russia, Kazakhstan, etc.). The organization works closely with international organizations such as the World Bank (WB), International Social Security Association (ISSA), International Insurance Supervisors Association (IAIS), International Monetary Fund (IMF), as well as with many countries around the world, and is involved in the development of pension supervision policies. The main goal of its activities is to improve the efficiency and quality of the supervisory link in the process of supervision of private pension schemes. The organization sets international standards for pension supervision, and provides assistance to pension supervisors, especially in emerging economies.

In 2022, Bratislava, Republic of Slovakia, hosted the meetings of IOPS technical committees, an annual meeting and global forum about private pension. The ISSSG representatives participated in these events within the scope of III pillar (non-state voluntary pension schemes), while the representative of the National Bank of Georgia attended the II pillar (state savings pensions system) events. The participants discussed the issues that are critical and important for the sector, including the challenges, statistical data and the role of asset managers.

During the reporting period, the ISSSG, together with the National Bank of Georgia (which is also a member of the IOPS under the Investment Regulation of Pensions (Pillar 2)), processed IOPS questionnaire ISSA/OECD/IOPS about non-

state pension scheme data. The questionnaire included an overview of the legal framework in the country, macroeconomic and demographic data, with a detailed description of the types of non-state pensions, terms of payment, pension contributions, occupational pension schemes, pension schemes developed by insurance companies, asset management, special depositary, pension schemes for employers, etc.

During the reporting period, the ISSSG also processed the IOPS questionnaire which considered use of IT systems and modern technologies in the above process, data processing, analysis, RBS (risk-based supervision) and ESC approaches, quantitative, qualitative and statistical indicator, etc.

In 2022, the ISSSG participated in the online webinar organized jointly by IOPS and IPRA (international pension research association) – “Pension solutions on the changeable labour market”.

In 2022, cooperation with the World Bank continued within the EU-funded project “Economic governance and fiscal accountability” (2019-2022), which provides technical assistance to the ISSSG, in the development/implementation of new insurance products on the Georgian market, such as compulsory medical malpractice liability insurance, professional indemnity insurance for builders and architects, life insurance products, and index-based agricultural insurance. With participation of foreign experts, all these issues were processed. The study was conducted to identify the need of introducing all three types of insurance products on the market with the direct support of the ISSSG. The study goal was to identify current challenges and to prepare relevant reports, including, product introduction scenarios, main terms and conditions and other important issues. The projects were shared with all stakeholders.

Within the scope of the project, during the reporting period, one-week technical workshop was held online between the representatives of SCOR, one of the world’s largest reinsurance companies and the insurance company SHAM, French leader in risk management in the insur-

ance and health care industry. The workshop topic was MMLI - Medical Malpractice Liability Insurance. Insurance State Supervision Service of Georgia as well as the representatives of the insurance companies, Association of Insurance Companies of Georgia, Ministry of IDPs from the occupied territories of Georgia, Labor, Health and Social Affairs, the Agency for Regulation of Medical and Pharmaceutical Activities, the Union of Medical Associations and various clinical hospitals also attended the workshop. World Bank experts reviewed the report on MMLI in much detail. The main goal of the workshop was to raise awareness about different technical aspects of the given product. The market participants were informed about the main directions in which the market may develop, the ideas were shared about current practice of the industry and perspectives and expectations described in the report.

Within the framework of the project, during the reporting period, a workshop/discussion was held in a virtual format by World Bank experts on market practices of life insurance and related challenges, as well as on Builders and Architects Liability Insurance (BALI). At the meeting, the report concerning both insurance products, the potential of introducing the products and many other technical aspects of the product were discussed;

In 2022, within the framework of the World Bank's "Financial Inclusion and Accountability Project", international experts invited by the World Bank held an online meeting. The meeting concerned sharing of international experience in the development of the actuarial profession in Georgia with the involvement of all stakeholders (Ministry of Economy and Sustainable Development, Insurance Association of Georgia, Association of Actuaries and Association of Financial Analysts, Insurance Companies, Pension Agency, Academies). The current situation in Georgia and future prospects in this direction were discussed at the meeting. The actuary as a profession is directly related to the modernization of the process of determining insurance tariffs, both in compulsory and voluntary insurance types, and it is the most

important issue in terms of European harmonization of the insurance field;

Related to this issue are the relevant amendments prepared by the ISSSG in 2022 for the Law of Georgia "On Insurance". The amendments are related to the issue of mandatory introduction of the position of actuary for insurance organizations, which the Government of Georgia submitted to the Parliament of Georgia for discussion. For the purposes of this change, under the financial support of USAID and with the involvement of their experts and ISSSG representatives, a Regulatory Impact Assessment (RIA) was prepared;

In 2022, the ISSSG representative attended the workshop organized by World Bank in Vienna, Austria. The workshop topics were IFRS 9, IFRS 17 and main challenges related to introduction of new standards of sustainability, dynamics of the recent years, affects of pandemic and war in Ukraine; also, the issues related to environment protection and sustainable development were actively discussed.

In 2022, the representative of the ISSSG attended the 23rd International Insurance and Reinsurance Forum in Bucharest, Romania. The Forum was planned into four sessions, namely: Market Trends Conference, Auto Insurance Conference, Insurance Brokers Conference and Health Insurance Conference;

In 2022, the ISSSG was actively involved in completing the self-assessment questionnaire (in the area of insurance) submitted for granting the EU candidacy to Georgia.

The questionnaire was divided into two parts, the first concerned the political and economic area, covering the key indicators of insurance, and the second sectoral questionnaire - the complete legislative/regulatory framework in the area of insurance. This is the ground for compliance of each sector to European standards.

During the reporting period, Brussels, the Kingdom of Belgium hosted the meeting of the sixth thematic group of the subcommittee on econom-

ic and sectoral cooperation of the Georgia-EU Association Agreement, where the representative of the ISSSG reviewed in detail the current situation in terms of approximation with the directives to be implemented in the field of insurance within the framework of Annex XV-A;

In 2022, a memorandum of cooperation was signed between the Insurance State Supervision Service of Georgia and the Central Bank of the Republic of Armenia, an authorized body for the supervision of the financial sector (including insurance) in the Republic of Armenia. The Memorandum aims to strengthen cooperation, share

experience and information between the two countries.

In addition to the above, the ISSSG also participated in: the online certification training course organized by the International Organization of Insurance Supervisors (IAIS) - "FSI-IAIS FIRST ONE online Programme" and the conference organized by XPRIMM - Insurance in the Digital World; This is a media agency (Promoting the Reinsurance & Insurance Market by Media), which specializes in insurance/reinsurance, insurance mediation and private pension insurance issues.

7 Public services twinning project (TWINNING)

On September 3, 2022, EU-funded Public Service Twinning project (TWINNING) - “Strengthening the Capacity of the Insurance State Supervision Service of Georgia” was officially closed. The project began in 2019 and aimed to bring insurance legislation closer to European standards, as provided by the Association Agreement between Georgia and EU. The project provided for the harmonization of Georgian legislation with the Directive of the European Parliament and the Council of Europe 25/2009/138 / EC of November 25, 2009, on the initiation and implementation of insurance and re-insurance activities (SOLVENCY II); its total budget was EUR 1,200,000. Within the framework of the project, a similar service of the EU Member State, the Kingdom of Spain - Directorate General of Insurance and Pension Funds under the Ministry of Economy and Business, assessed Georgian counterpart with long- and short-term expert groups in the introduction of the new solvency standard for insurance companies and in the related processes. Regardless of the Covid-19 pandemic and related challenges on a global level, the project targets, with minor changes in the initial scenario, were achieved with maximum efficiency and success.

The overall objective of the project was to facilitate the fulfillment of Georgia’s obligations under the Association Agreement signed with the European Union and to increase the accountability, safety, and efficiency of the financial (insurance) sector; **while the specific goal** was to strengthen the institutional and human potential of the ISSSG, which would ensure an increase in the efficiency of the insurance sector, would improve accountability to the ISSSG and financial security of the industry and would develop a legal framework for the implementation of SOLVENCY-2 standard provided by the EU regulations.

Solvency-2 is a risk-based system valid in the territory of the European Union, which regulates all stages of the insurance business and its super-

vision. It is a dynamic system and changes depending on the risk. Solvency-2 mainly refers to the ability of the Insurers to effectively fulfill their obligations to the Insureds and helps strengthen the financial stability of the companies, proper identification and management of risks, implementation of internal management standards, protection of consumers’ rights, proper and timely supervision by the ISSSG, which ultimately ensures the correct functioning of the system and increases its reliability.

The project consisted of two components: development of a new legislative/regulatory framework in accordance with SOLVENCY-2, and strengthening of institutional and human resources capacity by means of enriching the knowledge and experience of the staff of the ISSSG and increasing the awareness of the Insurers.

During 2022, within the framework of the project, 10 missions took place, including 9 in Georgia and 1 in Spain. Among these missions, the most notable are the ones dedicated to: supervision issues, including supervision at the group level, legislative activities in the EU space, transition to Solvency II and asset and liability assessment.

The ISSSG representatives were invited for a visit to Spain (cities of Seville, Jerez de la Frontera) under the invitation of International and Ibero-American Foundation for Administration and Public Policies(FIIAPP). The ISSSG representatives and the project experts discussed the project implementation, achieved results and future plans, including the measures to be carried out by the final stage of the project. In the course of the visit, the ISSSG delegation visited the insurance group Helvetia. The hosts held a presentation where the Georgian delegation learnt about the key areas of the organization work and the group structure. Founded in 1858, Helvetia Group has a long and interesting history of development, therefore, it

was very interesting to share their experience. The ISSSG has an opportunity to get acquainted with the working model of the insurance group one of the leading European states.

In the course of the visit, the ISSSG visited underwritinh company of Helvetia and learnt about the process and specifics of the underwriting business in the area of customer relations, relations with insurance companies, supervision authorities and regulation framework.

During the study tour, the ISSSG representatives also were hosted by a local insurance company MIC, which started its activities in Spain and later expanded to other European countries. It carries out its main business through brokers and/or underwriting agencies, and its field of activity includes civil liability, financial obligations and construction business insurance. It is noteworthy that the information about the visit was officially published in the online magazine of the host organization.

For the purposes of finalizing, adapting and harmonizing it with the legislative framework of Georgia, a special working group was established in 2021 by the order of the Chairman of the ISSSG, which will lead the work in accordance with the action plan and work schedule approved by the same Order.

In 2022, the special working group established by the order of the Chairman of the ISSSG continued work on the draft law prepared by Spanish experts. The main idea was to finalize the law, adapt and harmonize it with the legislative framework of Georgia. As in the previous year, the working group met regularly throughout the year to discuss, amend and finalize the initial draft. Since the requirements of the Directive are of a systemic nature, full harmonization with it requires changing of the insurance regulatory framework, as well as the approaches to the process of insurance operations. Its implementation is a lengthy process and will continue in future.

During the reporting period, within the scope of the project, work meetings were also held in Batumi, where project counterparts held meetings to discuss the achieved results and plan the project closing event.

Special event was dedicated to the project closure. The representatives of the ISSSG and industry, members of the ISSSG supervisory board, different state agencies, invited experts and other stakeholders attended the closing conference where the project results were summarized and the results introduced to the audience.

8

Activities carried out for the Protection of Consumer Rights

In relation to the consumer rights protection, in 2022, 141 applications were submitted to the ISSSG. Simultaneously, 9 applications out of the applications received in 2021 were discussed. In total, the ISSSG completed proceedings for 141 applications and by December 31, there were ongoing proceedings for 9 applications. Besides, the ISSSG revised 216 (monthly) claims submitted by the consumers.

Different types of violations were detected during the remote monitoring and according to their seriousness and severity, appropriate sanctions were applied. In particular, the ISSSG applied 13 sanctions: 4 written warnings, 3 written instructions, and 6 fines.

In 2022, the Law on Consumer Rights Protection became effective. From the very first day of its validation, the ISSSG started active participation in different work meetings with the Parliament of Georgia, National Competition Agency, National Bank of Georgia. Besides, in consideration of the novelties introduced by the law, the ISSSG actively cooperated with the insurance sector. On May 16, a working meeting was held with the insurance sector in order to discuss the issues in the Law of Georgia "On Protection of Consumer Rights" and their impact on insurance relations, as well as expected changes in insurance regulations. In order to bring it into compliance with the Law of Georgia "On the Protection of Consumer Rights" and also, taking into account the international best practices in insurance, an amendment was prepared and entered into force "On the approval of the instruction on the protection of consumer rights by the insurer during provision of insurance services", approved by the Ordinance No.18 of the Chairman of the ISSSG as of April 3, 2017 "on the instruction on the protection of consumer rights by the insurer during provision of insurance services".

Moreover, the ISSSG was actively involved and participated in the two-day conference organized by Public Defender's Office of Georgia and the ISSSG – "Right to Equality and Prevention of Discrimination in the Insurance Sphere" under the financial support of European Council. At the meeting, the current challenges and the prevention of discrimination in insurance company were discussed.

Within the scope of cooperation with Rural Development Agency, the ISSSG participated in the meeting with World Bank experts, that was held on March 31, 2022 under the EU-funded World Bank project "Financial Inclusion and Accountability Project". The World Bank experts elaborated recommendations in the form of the report which aimed at improving the agricultural insurance program in Georgia and further advancement in consideration of international standards. At the meeting, the participants discussed the following issues: Ministry approaches towards the future perspectives and development of the program, future performance against World Bank recommendations, current scheme of the agricultural insurance in Georgia, challenges related to the program implementation and plans related to the implementation of the report recommendations.

The ISSSG was actively involved in the first international conference on enforcement of competition policy and protection of consumer rights held in Tbilisi on November 16-17, 2022. The two-day conference "Competition and Consumer Rights", organized by five regulatory agencies of the country - the National Competition Agency of Georgia, Georgian National Electricity and Water Supply Regulatory Commission (GNERC), National Bank of Georgia, Communications Commission and the Insurance State Supervision Service of Georgia, was dedicated to competition law, mechanisms for consumer rights protection and the activities

of the regulatory services. In addition to government and parliamentary team, diplomatic corps, partner countries, representatives of business, non-governmental and academic sector and specialists of the field, delegations of 20 countries participated in the conference. Among them, Teresa Moreira, head of the competition and consumer policy direction of the United Nations Conference on Trade and Development (UNCTAD) and other invited international experts. At the paral-

lel thematic sessions on enforcement of competition policy and protection of consumer rights, the ISSSG made a presentation and discussed the practical experience of Georgia and Europe in the field of consumer rights protection.

For 2023, it is planned to strengthen monitoring of insurance organizations regarding performance against normative requirements in the area of consumer rights protection.

9 Financial Education

In 2022, for the first time, the insurers joined the financial sector in celebrating the International Consumer Rights Day - March 15. The campaign took place in the format of a celebration Week and its slogan was - "Know your rights - be protected". During the Week, the organizations involved in the campaign carried out various events, the purpose of which was to raise awareness among consumers about their rights. Through the web portal of financial education (www.finedu.gov.ge), the ISSSG went live on internet to talk about the topic - "Insurance and customers". Moreover, under with the coordination of the ISSSG and the National Bank of Georgia and by the insurers' finances, an educational video was prepared regarding the protection of consumer rights in the insurance sector, which was uploaded and shared in social networks throughout the week.

The ISSSG completed work on a table game – More Fund and Less Risk.

In 2022, the ISSSG initiated and celebrated the Insurance Day for the first time in Georgia – May 2, Insurance Day. The celebrations also took place in the format of a Week with a slogan - More Protection and Less Risk.

Within the scope of the campaign, a crossword on insurance issues, a creative questionnaire was published on www.finedu.gov.ge. Moreover, the ISSSG participated in Philosophical Diaries, dedicated to the concept of insurance and insurance of unusual risks. The Chairman of the ISSSG held a public meeting at the International University

of Caucasus. To facilitate the financial education, MoU was concluded between the University and the ISSSG. Under the support of the Georgian Association of Insurance Companies and financial education portal www.finedu.gov.ge, with participation and financial contribution of the insurance sector, an open competition "More protection and less risk" was conducted. It considered two categories, creation of a poster and a slogan on the topic of insurance.

At hotel Biltmore, the ISSSG invited the representatives of executive and legislative government, foreign and local partner organizations and insurance sector to introduce its activities in relation to Financial Education Strategy. At the event, the guests were granted a table game as a gift. The contestants were awarded and the Certificates of Honour was granted to Mr. Devi Khechinashvili, Archil Tsertsvadze and Guram Mirzashvili, for their contribution to the development of the insurance sector.

To support financial education, the ISSSG provided funding for publication of a book written by Georgian and Italian law and insurance specialists. It is a scrupulous analysis of current legislation in the insurance sphere, the chapter concerning the insurance in the Civil Code of Georgia and comparative analysis with the legislation of leading countries.

Besides, for 2023, it is planned to develop and carry out financial education support activities in the insurance sector.