In the event of discrepancy between the original Serbian Insurance law and the English translation, the Serbian version will prevail.
# Table of Contents

## I. BASIC REGULATIONS

1. Subject of the Law ................................................................. 1
2. Companies engaging in insurance activities ................................ 1
3. Persons engaged in insurance brokerage and representation ....... 1
4. Companies engaging in other activities directly connected to insurance ................................................................. 2
5. Insurance on a voluntary basis .................................................. 2
6. Territoriality ........................................................................... 2
7. Insurance operations .................................................................. 2
8. Classes of life insurance ............................................................ 2
9. Classes of non-life insurance ..................................................... 3
10. Traffic compulsory insurance ................................................... 4
11. Voluntary pension insurance .................................................... 4
12. Voluntary health insurance ....................................................... 4
13. Impossibility of simultaneous engagement in life and non-life insurance activities ............................................................ 4
14. Reinsurance activities ............................................................... 5
15. Pecuniary portion of the initial capital ......................................... 5
16. Guarantee for the obligations .................................................. 5
17. Supervision over the insurance business .................................... 5
18. The forbidden use of the term "insurance" .................................... 5
19. Application of the law which governs the legal status of companies and contractors ........................................................ 6
20. Application of other laws ........................................................ 6
21. Application of the rules of the insurance profession, sound business practices and business ethics ......................................................... 6

## II. INSURANCE COMPANY

1. Common provisions ............................................................... 6
2. Joint stock insurance company .................................................. 7
3. Incorporation of a joint stock insurance company ....................... 7
4. Joint stock insurance company activities .................................... 7
5. Pecuniary portion of the initial capital ........................................ 8
6. Shares .................................................................................... 8
7. Shares and qualified shares ....................................................... 8
8. Prohibited cross-ownership of shares in capital and/or voting rights ............................................................. 8
9. Qualified share approval .......................................................... 9
10. Related entities ....................................................................... 9
11. Application for obtaining the qualified share approval ................ 9
12. Rejection of the application for obtaining the qualified share approval .......................................................... 10
13. Voting rights loss ................................................................... 10
14. Withdrawal of the qualified share approval ................................ 10
15. Null and void decisions .......................................................... 10
16. Application for a license to engage in insurance activities and reinsurance activities .......................................................... 11
17. Business plan of the company ................................................... 12
18. Granting of a license to engage in insurance activities.................. 13
19. Register .................................................................................. 13
20. Change of a license to engage in insurance activities .................. 13
21. Rejection of an application for a license to engage in insurance activities .......................................................... 13
22. Termination of the validity of a license to engage in insurance activities .......................................................... 14
23. Granting a license to engage in reinsurance activities ................. 15
24. The bodies of the company ....................................................... 15
25. Approval for acting in the capacity of management member or member of the supervisory board ................................. 15
26. Withdrawal of the approval for the position of member of management or member of the supervisory board ....................... 16
27. The nomination limitation ........................................................ 16
28. The obligations and responsibilities of management members ....... 16

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In the event of discrepancy between the original serbian Insurance law and the English translation, the serbian version will prevail.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. INSURANCE COMPANIES AND THEIR ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>1. Joint stock insurance company ................................................</td>
<td>21</td>
</tr>
<tr>
<td>Incorporation of the company</td>
<td>21</td>
</tr>
<tr>
<td>Name of the company</td>
<td>21</td>
</tr>
<tr>
<td>Founder of the company</td>
<td>20</td>
</tr>
<tr>
<td>Types of companies</td>
<td>20</td>
</tr>
<tr>
<td>Pecuniary portion of the initial capital</td>
<td>20</td>
</tr>
<tr>
<td>Application for a license to engage in insurance services</td>
<td>20</td>
</tr>
<tr>
<td>Memorandum of Incorporation of a company</td>
<td>21</td>
</tr>
<tr>
<td>Articles of Association of the company</td>
<td>21</td>
</tr>
<tr>
<td>Surplus reserves</td>
<td>22</td>
</tr>
<tr>
<td>Rights and obligations of members of a company</td>
<td>22</td>
</tr>
<tr>
<td>General assembly of the company</td>
<td>22</td>
</tr>
<tr>
<td>Application of the provisions for a joint stock insurance company</td>
<td>23</td>
</tr>
<tr>
<td>2. Mutual insurance company</td>
<td>19</td>
</tr>
<tr>
<td>Company activities</td>
<td>19</td>
</tr>
<tr>
<td>Founders of the company</td>
<td>20</td>
</tr>
<tr>
<td>Name of the company</td>
<td>20</td>
</tr>
<tr>
<td>Types of companies</td>
<td>20</td>
</tr>
<tr>
<td>Pecuniary portion of the initial capital</td>
<td>20</td>
</tr>
<tr>
<td>Application for a license to engage in insurance activities</td>
<td>20</td>
</tr>
<tr>
<td>Memorandum of Incorporation of a company</td>
<td>21</td>
</tr>
<tr>
<td>Articles of Association of the company</td>
<td>21</td>
</tr>
<tr>
<td>Surplus reserves</td>
<td>22</td>
</tr>
<tr>
<td>Rights and obligations of members of a company</td>
<td>22</td>
</tr>
<tr>
<td>General assembly of the company</td>
<td>22</td>
</tr>
<tr>
<td>Application of the provisions for a joint stock insurance company</td>
<td>23</td>
</tr>
<tr>
<td>III. INSURANCE BROKERS AND AGENTS</td>
<td>23</td>
</tr>
<tr>
<td>1. Brokerage in insurance</td>
<td>23</td>
</tr>
<tr>
<td>Insurance brokerage activities</td>
<td>23</td>
</tr>
<tr>
<td>Insurance brokerage company</td>
<td>23</td>
</tr>
<tr>
<td>The prohibition of insurance brokerage</td>
<td>23</td>
</tr>
<tr>
<td>Name of the company</td>
<td>24</td>
</tr>
<tr>
<td>Incorporation of the company</td>
<td>24</td>
</tr>
<tr>
<td>Shares</td>
<td>24</td>
</tr>
<tr>
<td>Application for a license to engage in insurance brokerage activities</td>
<td>24</td>
</tr>
<tr>
<td>Granting a license to engage in insurance brokerage activities</td>
<td>25</td>
</tr>
<tr>
<td>Register</td>
<td>25</td>
</tr>
<tr>
<td>Withdrawing a license for engagement in insurance brokerage activities</td>
<td>25</td>
</tr>
<tr>
<td>Authorization to engage in insurance brokerage activities</td>
<td>26</td>
</tr>
<tr>
<td>Withdrawing the authorization</td>
<td>26</td>
</tr>
<tr>
<td>Special obligations of an insurance brokerage company</td>
<td>26</td>
</tr>
<tr>
<td>Conflict of interest</td>
<td>27</td>
</tr>
<tr>
<td>Application of the provisions for a joint stock insurance company</td>
<td>27</td>
</tr>
<tr>
<td>2. Insurance agency</td>
<td>27</td>
</tr>
<tr>
<td>Insurance agency activities</td>
<td>27</td>
</tr>
<tr>
<td>Insurance agencies and agents</td>
<td>28</td>
</tr>
<tr>
<td>Limitation to insurance representation</td>
<td>28</td>
</tr>
<tr>
<td>Name of the insurance agencies and agents</td>
<td>28</td>
</tr>
<tr>
<td>Incorporation of insurance agencies</td>
<td>28</td>
</tr>
<tr>
<td>Shares</td>
<td>29</td>
</tr>
<tr>
<td>Application for a license to engage in insurance representation company activities</td>
<td>29</td>
</tr>
<tr>
<td>Request for granting a license to an insurance agent</td>
<td>29</td>
</tr>
<tr>
<td>Authorization to conduct insurance representation activities</td>
<td>30</td>
</tr>
<tr>
<td>The right to inspect the insurance agency contract</td>
<td>31</td>
</tr>
<tr>
<td>Monies and payment instruments</td>
<td>31</td>
</tr>
<tr>
<td>Responsibility of the insurance agency or agent</td>
<td>31</td>
</tr>
<tr>
<td>Application of the provisions for an insurance agency</td>
<td>31</td>
</tr>
<tr>
<td>IV. AGENCY FOR OTHER INSURANCE SERVICES</td>
<td>32</td>
</tr>
<tr>
<td>Activities of the agency</td>
<td>32</td>
</tr>
<tr>
<td>Prohibition of conducting insurance brokerage and agency activities</td>
<td>32</td>
</tr>
<tr>
<td>Incorporation of the agency</td>
<td>32</td>
</tr>
<tr>
<td>Application for a license to engage in insurance agency services</td>
<td>32</td>
</tr>
<tr>
<td>Special purpose department</td>
<td>33</td>
</tr>
<tr>
<td>Application of provisions for an insurance brokerage company</td>
<td>33</td>
</tr>
<tr>
<td>V. ASSETS AND BUSINESS ACTIVITIES OF AN INSURANCE COMPANY</td>
<td>33</td>
</tr>
<tr>
<td>Insurance premium</td>
<td>33</td>
</tr>
</tbody>
</table>
In the event of discrepancy between the original Serbian Insurance law and the English translation, the Serbian version will prevail.
4.1. Types of the measures .......................................................... 51
4.2. Measures for the elimination of irregularities and illegalities ................................................. 52
  Conditions for prescribing measures .......................................................................................... 52
  Report on the implementation of measures ................................................................................ 52
4.3. Measures for breaching the rules on risk management .............................................................. 53
4.4. Transfer of the insurance portfolio ............................................................................................ 54
4.5. Assuming control of the business activities of an insurance company ....................................... 54
  Resolution on assuming control of business activities of the insurance company ....................... 55
  Authorities and responsibilities of the receivers .......................................................................... 55
  Receiver’s reports ....................................................................................................................... 55
  Initial capital increase in order to ensure the economic stability of an insurance company ............ 56
  Assessment of the receiver’s results ............................................................................................ 56
  Termination of receivership ........................................................................................................ 56
  Registration of the Receiver ....................................................................................................... 57
4.6. Withdrawing the license ............................................................................................................ 57
Possible cases of withdrawal of the license to engage in insurance activities ................................... 57
  Withdrawal of a license for engaging in insurance activities ....................................................... 58
  Proposal to initiate liquidation and/or bankruptcy proceedings .................................................. 59
  Nomination of the bankruptcy receiver ....................................................................................... 59
4.7. Temporary measures ............................................................................................................... 59
4.8. Measures prescribed to management members, members of the supervisory board, key
  functionaries and qualified shareholders ..................................................................................... 59
4.9. Application of the provisions for conducting the supervision .................................................. 60
VIII. ACTUARY ACTIVITIES AND AUDITING .................................................. 60
1. Actuary activities .................................................................................................................................. 60
  Certified actuary ............................................................................................................................ 60
  Tasks of the certified actuary ........................................................................................................ 61
  Independence of the certified actuary ........................................................................................... 61
  Measures to eliminate irregularities ............................................................................................... 61
  Obligations of the insurance company .......................................................................................... 61
  Principle of incompatibility ............................................................................................................ 62
  Supervision over the certified actuary’s activities ........................................................................ 62
  Warning measure .......................................................................................................................... 62
  Withdrawal of the certification ....................................................................................................... 62
  Nomination of a new certified actuary ........................................................................................... 62
  Informing the National Bank of Serbia of the rejection of the certified actuary’s opinion ............... 63
  Reconsideration of the certified actuary’s opinion ....................................................................... 63
  Reconsideration of the certified auditor’s report ......................................................................... 63
  Measures of the National Bank of Serbia ...................................................................................... 63
  Examination of the certified actuary’s opinion ............................................................................ 64
2. Auditing .......................................................................................................................................... 64
  Conduct of auditing activities ........................................................................................................ 64
  Information on the auditor’s nomination ....................................................................................... 64
  Additional clarifications provided by the auditor ........................................................................... 64
  Examination of the certified audit’s report .................................................................................... 64
  Informing the authority competent for supervising the activities of an audit company ................. 65
  Financial statement and a short version of the financial statement ............................................. 65
IX. TERMINATION OF INSURANCE COMPANIES AND INSURANCE BROKERAGE AND AGENCY
  COMPANIES AND AGENCIES FOR PROVIDING OTHER INSURANCE SERVICES ............................. 65
  Reasons for termination ................................................................................................................ 65
  Termination of the insurance company which is engaged in life insurance activities ................. 66
  Reduction of the contracted insured amounts .............................................................................. 66
  Proceedings suspension ............................................................................................................... 66
  Order of settlement from the bankrupt estate .............................................................................. 66
  Special rule for liquidation of a mutual insurance company ....................................................... 67
  Application of the law on liquidation and bankruptcy proceedings ........................................... 67
X. TRANSFER OF THE INSURANCE PORTFOLIO .............................................. 67
  Application for the approval of the transfer of the insurance portfolio ......................................... 67
  Deciding on the application for obtaining the approval for transfer of an insurance portfolio .......... 68
  Obligations of the company during the insurance portfolio transfer procedure ............................ 68
  Rejection of an application for approval of the insurance portfolio transfer .................................. 68

In the event of discrepancy between the original Serbian Insurance law and the English translation, the Serbian version will prevail.
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INSURANCE LAW

I. BASIC REGULATIONS

Subject of the Law

Article 1
This Law governs insurance conditions and methods and supervision of insurance activities.

Insurance activities

Article 2
Insurance activities include insurance, coinsurance and reinsurance as well as activities directly related to insurance.

Insurance activities are considered to be concluding insurance contracts, executing insurance contract obligations and undertaking the measures for prevention and control of the risks jeopardizing the insured property and persons.

Coinsurance activities are considered to be concluding and executing insurance contracts with several insurers who have agreed upon joint coverage and risk sharing.

Reinsurance activities are considered to be concluding and executing reinsurance contract obligations on reinsur of the insured surplus risks exceeding the self retention insurance amount of one insurance company with the other insurance company licensed to conduct reinsurance activities (hereinafter: reinsurance company).

Activities directly connected to the insurance business are insurance brokerage and representation, processing and assessment of claims, brokerage in sale/s of the salvaged insured damaged property and rendering other intellectual and technical services relating to insurance activities.

Companies engaging in insurance activities

Article 3
An insurance company licensed for such activities by the competent authority engages in insurance activities.

An insurance company is incorporated as a joint stock or mutual insurance company.

An insurance company can only engage in insurance activities.

Persons engaged in insurance brokerage and representation

Article 4
Brokerage companies licensed for such activities by the competent authority engage in brokerage activities.

Insurance agencies or agents licensed to perform such activities by the competent authority perform representation activities.

Insurance brokerage companies and agencies are incorporated in the form of joint stock or limited liability companies.

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Companies engaging in other activities directly connected to insurance

Article 5

Activities directly connected to insurance, except the activities in Art. 4 herein, are conducted by agencies specialized in the provision of other insurance services, other companies and legal entities with a special purpose department specialized in engaging in such activities, licensed by the competent authority.

Insurance on a voluntary basis

Article 6

Property and personal insurance are voluntary.
Except for the provision of paragraph 1 of this Article, the insurance of property and persons is compulsory in cases regulated by the law.

Territoriality

Article 7

Property and persons in the Republic of Serbia (hereinafter Republic) can only be insured with the insurance companies founded in compliance with this Law.
Insurance contracts concluded in breach of the terms defined in paragraph 1 of this Article are null and void.
Except for paragraph 1 of this Article, property and persons can be insured against risk with a foreign insurance company if insurance against that kind of risk is not conducted in the Republic, as well as property which is subject to economic relationships with foreign countries, and other property and persons prescribed by the Government of the Republic of Serbia (hereinafter: Government).

Insurance operations

Article 8

The insurance operations, pursuant to this Law, are life and non-life insurance activities.

Classes of life insurance

Article 9

Classes of life insurance are:
1) Life insurance;
2) Annuity insurance;
3) Additional insurance along with life insurance;
4) Voluntary pension insurance;
5) Other classes of life insurance.

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Classes of non-life insurance

Article 10

Classes of non-life insurance are:

1) Accident insurance including workers’ compensation and professional illness insurance, covering:
   (1) Payment of the agreed insured amounts, partial payments of the insured amounts, and/or settlement of agreed expenses,
   (2) Payment for injuries or impairment of health or death of passengers;

2) Voluntary health insurance, covering:
   (1) A single payment for working disability,
   (2) A settlement of the agreed medical costs,
   (3) A combination of settlements of (1) and (2) of this item;

3) Motor liability insurance covering the damage to vehicles propelled by their own mechanical power, except rail vehicles and vehicles not propelled by their own power, and/or loss of such vehicles;

4) Rail vehicles insurance covering the damage to rail vehicles and/or loss of such vehicles;

5) Aircraft insurance covering the damage and/or loss of aircraft;

6) Marine insurance covering the damage and/or loss of marine vessels (sea, river and lake);

7) Insurance of goods in transport covering the damages and/or loss of goods, regardless of the kind of transportation;

8) Property fire insurance or for other perils, covering the damage to property caused by fire, explosion, storm or other natural disasters, (nuclear) power, earth slides, except for the damages covered by the insurance as defined in items 3) to 7) of this Article;

9) Other property insurance, covering the damage to property caused by machine breakdown, burglary, glass breakdown, hail, frost or other perils, except for the damages covered by the insurance as defined in item 3) to item 8) of this Article;

10) Motor liability insurance covering all kinds of liabilities using land vehicles propelled by their own mechanical power, including the liability during transport;

11) Aircraft liability insurance covering the liability when using aircraft including the liability during transport;

12) Marine liability insurance covering all kinds of liabilities when using marine vessels, including liability during transport;

13) General damage liability covering other kinds of liability except the liabilities in items 10) to 12) herein;

14) Credit insurance, covering:
   (1) Risk of no and/or delayed payment due to insolvency or other events or activities,
   (2) Export credits and other risks connected to export, trade and investment both in domestic and foreign markets,
   (3) Installment credits,
   (4) Mortgage and Lombard credits,
   (5) Agricultural credits,
   (6) Other credits and loans;

15) Guarantee insurance, guaranteeing the direct or indirect fulfillment of the debtor’s obligations;

16) Financial loss insurance covering the financial losses due to:
   (1) Unemployment,
   (2) Insufficient income,
   (3) Adverse period,
   (4) Loss of profit,
   (5) Unplanned general expenses,
(6) Unplanned business expenses,
(7) Loss of market value,
(8) Loss of rent and/or income,
(9) Indirect business loss except for losses covered in (1) to (8) of this item,
(10) Other non-business losses,
(11) Other financial losses;
17) Legal protection losses, covering court expenses, legal expenses and other court proceeding expenses;
18) Road assistance insurance covering persons in need of road assistance and/or other cases when not in the country of residence;
19) Other classes of non-life insurance.

Traffic compulsory insurance

Article 11

A special law governs traffic compulsory insurance.

Voluntary pension insurance

Article 12

Voluntary pension insurance is the insurance which can, on the basis of a contract, provide entitlements in case of old age, disability, death or other insurance risks within the limits determined by the law which governs the compulsory pension and disability insurance or to a greater extent.

Voluntary health insurance

Article 13

Voluntary health insurance is the insurance which can, on the basis of a contract, provide health insurance entitlements to individuals not insured under the law which governs compulsory health insurance. It also covers individuals insured by that law, who are provided with the extent of entitlements greater than the one set by the law, and other types of entitlements from the health insurance not provided by the law.

Impossibility of simultaneous engagement in life and non-life insurance activities

Article 14

Insurance companies cannot engage in life and non-life insurance simultaneously, except in the cases defined by Article 25 of this Law.
Reinsurance activities

Article 15

Insurance companies are obliged to reinsure contractual obligations exceeding the amount of self-insured retention.

The self-insured retention of the insurance company is the amount of the risks undertaken by the contract, which the company retains at all times, and which it can cover by its own means.

Insurance companies are obliged to retain a part of the risk in retention.

Insurance companies are obliged to reinsure the risk exceeding the self-insured retention with a reinsurance company.

Reinsurance companies are obliged to reinsure with a foreign reinsurer the portion of the risk they are not able to cover from their own means or with a reinsurance company within the country.

Pecuniary portion of the initial capital

Article 16

Founders of insurance companies or other legal entities engaging in activities directly related to insurance shall provide the initial capital in monies in the amount provided herein.

Guarantee for the obligations

Article 17

An Insurance company as defined in Articles 3 and 4 herein guarantees for its obligations with its whole estate.

Supervision over the insurance business

Article 18

The National Bank of Serbia conducts the supervision over the insurance business and conducts other businesses regulated by this Law.

The forbidden use of the term “insurance”

Article 19

The word “insurance” or words derived from the word “insurance” cannot be used by a legal entity or a contractor to indicate their company or the name and/or the name of a product or service, except in cases where such words are used according to the provisions of this Law or a special law.
Application of the law which governs the legal status of companies and contractors

Article 20

Insurance companies and insurance brokerage agencies and agencies providing other insurance services are governed by the provisions of the law which governs the legal status of companies, if not otherwise provided herein for certain issues.

Persons engaged in insurance representation activities are subject to the law which governs the legal status of contractors, if not otherwise provided herein for certain issues.

Application of other laws

Article 21

Insurance contracts and insurance brokerage contracts and agency contracts are governed by the provisions of the Law on Contracts and Torts and other laws determining contracts on certain types of insurance.

Application of the rules of the insurance profession, sound business practices and business ethics

Article 22

Insurance companies and other persons conducting activities directly connected to insurance are obliged to exercise their activities in compliance with the rules of the insurance profession, respecting sound business practices and business ethics.

II. INSURANCE COMPANY

1. Common provisions

Engagement in insurance activities

Article 23

Insurance companies located in the territory of the Republic can engage in insurance activities.

Insurance companies defined in paragraph 1 of this Article can only conduct those insurance activities which they have been licensed for by the National Bank of Serbia.

No other entity except for the insurance companies specified in paragraph 1 of this Article shall be entitled to engage in insurance operations.
Prohibition on concluding contracts for insurance brokerages and agencies

Article 24

Insurance companies can conclude brokerage or agency contracts solely with entities licensed to engage in such activities according to the provisions of this Law.

Except for the provision of paragraph 1 of this Article, insurance companies can conclude brokerage or agency contracts with a legal entity engaged in brokerage activities according to a special law and registered according to Article 147 paragraph 2 of this Law.

The legal entities specified in Paragraph 2 of this Article are subject to the provisions of this Law which regulate reporting to the National Bank of Serbia and supervision over their conduct of business.

Additional clause for life insurance activities

Article 25

Insurance companies operating in life insurance can exceptionally perform accident insurance activities and voluntary health insurance covering the costs of medical treatment, provided they already cover the individuals who have signed life insurance contracts.

The National Bank of Serbia keeps a separate file on the contracts specified in paragraph 1 of this Article.

2. Joint stock insurance company

Incorporation of a joint stock insurance company

Article 26

A joint stock insurance company is incorporated by at least two legal entities and/or persons (hereinafter: founders).

Foreign legal entities or persons may, based on the reciprocity principle, incorporate a joint stock insurance company, or invest funds in a joint stock insurance company.

Foreign investments defined in paragraph 2 of this Article shall be governed by the law which governs foreign investments, if not otherwise provided herein for certain issues.

Joint stock insurance company activities

Article 27

A joint stock insurance company may engage only in activities in one or more classes of insurance within the same insurance group or only in reinsurance activities.

Joint stock insurance companies may engage in activities directly connected with insurance activities subject to this Law.

Reinsurance activities may only be performed by insurance companies licensed for reinsurance activities.

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Pecuniary portion of the initial capital

Article 28

The pecuniary portion of the initial capital of joint stock insurance companies cannot amount to less than the equivalent value in CSD of the following amounts, calculated by the middle rate on the day of payment:

1. Life insurance
   1) Life insurance, except voluntary pension insurance 2,000,000
   2) Voluntary pension insurance 3,000,000
   3) All classes of life insurance 4,000,000

2. Non-life insurance
   1) Accident insurance and voluntary health insurance 1,000,000
   2) Motor comprehensive insurance, rail vehicle – comprehensive and traffic liability insurance 2,500,000
   3) Other property insurance, other liability insurance and other classes of non-life insurance 2,000,000
   4) All classes of non-life insurance 4,500,000

3. Reinsurance 4,500,000

Joint stock insurance companies are obliged to guarantee the initial capital at all times in an amount not lower than the amount specified in paragraph 1 of this Article.

Shares

Article 29

Shares of a joint stock insurance company are only registered shares.

Shares and qualified shares

Article 30

According to this Law, an entity shall be deemed to have a share in another entity, provided it is a direct or indirect holder of the shares and/or other rights under which it has acquired up to 10% of the shares in the capital of the other entity or of the participation in the voting rights of the other entity.

According to this Law, an entity shall be deemed to have a qualified share in another entity, provided it is a direct or indirect holder of the shares and/or other rights under which it has reached or exceeded the limit of 10% of the shares in the capital of the other entity or of the participation in the voting rights.

Prohibited cross-ownership of shares in capital and/or voting rights

Article 31

Joint stock insurance and reinsurance companies, brokers and agency companies, agencies for other insurance services, and companies and other legal entities with special purpose departments cannot have cross-ownership of shares in capital and/or voting rights.
Qualified share approval

Article 32

For acquiring shares in an insurance company on the basis of which an entity becomes a direct or indirect holder of qualified shares (hereinafter: qualified shareholder) in the insurance company, the approval of the National Bank of Serbia is required.

An entity which acquired the approval defined in paragraph 1 of this Article is obliged to obtain the approval of the National Bank of Serbia for each subsequent acquisition of shares in the insurance company when the new acquisition exceeds the amount of 20%, 33%, 50% and 66% of participation in capital and voting rights of another entity.

When the ownership in capital of an insurance company decreases by 10%, the company is obliged to inform the National Bank of Serbia of the event.

Related entities

Article 33

According to this Law, related entities are considered to be the legal entities mutually inter-connected through joint management, capital or in any other way to achieve mutual business goals, so that the business activities or results of one entity may significantly affect the business activities and/or results of the other entity.

According to this Law, the term “related entities” shall also include individuals and entities mutually inter-connected as follows:

1) Family members;
2) In such a way that an entity, and/or entities considered to be related according to this Article, together, directly or indirectly participate in the other entity;
3) In such a way that the same entity holds shares in both entities, and/or entities deemed to be related according to this Article;
4) If the entities are related according to the law governing the legal status of companies;
5) As members of management or members of the supervisory board, or their family members.

According to this Law, family members are considered to be:

1) Spouse, and/or a person he/she has been living with in a relationship which has the same legal capacity as marriage;
2) Children and/or foster children;
3) Other relatives up to the third kinship level including the in-laws;
4) Other persons who do not have full working ability and have been awarded custody of that individual;

Provided this Law determines that the insurance company is not entitled to invest in a certain legal entity, the prohibition relates both to direct and indirect investments.

Application for obtaining the qualified share approval

Article 34

Documents attached to the application for obtaining approval for qualified shares are defined in Article 39, paragraph 2, items 7 to 9 of this Law.

In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.
The National Bank of Serbia provides its approval defined in paragraph 1 by a resolution within 30 days from the receipt of the application. Provided an entity has submitted the application for the license to engage in insurance activities, the decision on granting the approval defined in paragraph 1 of this Article shall be rendered within the procedure of rendering a decision on the application for obtaining approval for engaging in insurance activities.

**Rejection of the application for obtaining the qualified share approval**

Article 35

The National Bank of Serbia shall reject the application for obtaining the qualified share approval if the documents and available information indicate:

1) That due to the activities currently or already conducted by the applicant and/or by the related entity the activities of the joint stock insurance company might be jeopardized;

2) That due to the activities conducted by the applicant and/or by the related entity or due to the nature of their relationship supervision over the joint stock insurance company might be impossible and/or difficult;

3) If the applicant and/or the related entity has, over the past three years, been a management member or member of the supervisory board, or key functionary within a legal entity which has undergone liquidation and/or bankruptcy proceedings;

4) If the acquisition of the qualifying holdings would be against the provisions of the law governing the bond market.

**Voting rights loss**

Article 36

An entity that holds shares in a joint stock company providing him/her with the qualified share and has not been given the approval by the National Bank of Serbia, does not have any voting rights in the management of a joint stock insurance company, for the shares so obtained.

**Withdrawal of the qualified share approval**

Article 37

The National Bank of Serbia shall withdraw the granted qualified share approval, by resolution, in the following cases:

1) If the approval has been granted on grounds of false and inaccurate information;

2) If the business activities of the joint stock insurance company are jeopardized due to the activities conducted by the qualified shareholder and/or related entity;

3) If due to the activities conducted by a qualified shareholder and/or related entity, or due to the nature of their relationship, the supervision over the joint stock insurance company is impossible and/or difficult;

4) If the qualified shareholder violates the obligation to obtain the approval for qualified shares and/or for the increase or reduction of the share, or disturbs in any other way the supervision over the joint stock insurance company.
By way of the resolution specified in paragraph 1 of this Article, the qualified shareholder shall lose the voting rights arising from the shares on the basis of which its participation in voting rights exceeds 10%.

Null and void decisions

Article 38

Decisions rendered by the corporate bodies of the joint stock insurance company with participation of the votes of the qualified shareholders, whose qualified share approval has been rejected or withdrawn, shall be null and void.

Application for a license to engage in insurance activities and reinsurance activities

Article 39

The application for obtaining a license to engage in insurance activities and reinsurance activities shall be submitted by the founders of the joint stock insurance company, or by the persons they so authorize.

The following documents shall be attached to the application as defined in paragraph 1 herein:

1) Memorandum of Incorporation;
2) Draft Articles of Association
3) Evidence that the pecuniary portion of the initial capital as defined in Article 28 of this Law has been deposited in the temporary account;
4) Joint stock insurance company Business Plan
5) Draft of the business policy regulations as defined in Article 58, paragraph 2, items 1) – 12) herein, with the opinion of the certified actuary
6) List of shareholders with their family name, name and address, and/or name of the company and its head office address, total nominal value of the shares and percentages of participation in the initial capital of the joint stock insurance company;
7) For shareholders – the legal entities which are qualified shareholders:
   (1) Register,
   (2) Shareholders register and/or the evidence from any other appropriate public register provided the shareholder is the joint stock insurance company,
   (3) Financial reports with the certified auditor’s opinion, for the last three years,
   (4) Evidence from the certified administrative authority on the payment of the taxes, not more than six months old,
   (5) Certified photocopy of the resolution of the competent administrative authority on verification of the amount and payment of the tax for the current and/or previous year;
8) For shareholders – the persons who are qualified shareholders:
   (1) Evidence that the person has not been a member of management or of the supervisory board, or an individual endowed with special authority in a legal entity which has undergone liquidation and/or bankruptcy proceedings, for the past three years,
   (2) Evidence that the person has not been unconditionally sentenced to imprisonment for more than three months due to criminal offenses involving damage to the economy, property or malpractice and corruption,
   (3) Evidence from the certified administrative authority on the payment of the taxes, not more than six months old,
   (4) Certified photocopy of the resolution of the competent authority on verification of the amount and payment of the tax for the current and/or previous year;
9) List of entities related to the qualified shareholders with the evidence of the nature of such relationships as defined in Article 33 herein;
10) For the persons proposed to be nominated members of management (members of the board of directors and general manager) and supervisory board:
   (1) Evidence they meet the requirements in terms of their education, skills and professional experience,
   (2) Evidence that the person has not been a member of management or of the supervisory board, or key functionary in a legal entity which has undergone liquidation and/or bankruptcy proceedings, for the past three years,
   (3) Evidence that the person is not limited according to this Law, regarding elections of the members of the management and supervisory board of a joint stock insurance company,
   (4) Evidence that the person has not been unconditionally sentenced to imprisonment for more than three months,
   (5) Evidence, not more than 6 months old, from the certified authority on the amount of paid property and income taxes,
   (6) Certified photocopy of the resolution of the competent authority on establishing and payment of the tax for the current and/or previous year;
11) Name and family name of the person nominated as the certified actuary with the information as defined in item 10) of this paragraph, or a pre-contract with a legal entity licensed for engagement in actuarial activities, and the evidence of the insurance against liability for the damage a certified actuary can cause by the given opinion;
12) Evidence that the joint stock insurance company has the prescribed organization, personnel and technical equipment allowing it to fulfill the Memorandum of Incorporation and business policy regulations.
For the foreign founders, the documents defined in item 2 of this Article shall be submitted in a certified translation into Serbian.

The National Bank of Serbia prescribes the detailed requirements to prove that certain conditions are fulfilled by the persons as defined in paragraph 2 items 8) to 11) of this Article as well as the necessary organization, personnel and technical equipment for the joint stock insurance company.

**Business plan of the company**

**Article 40**

The business plan of the joint stock insurance company as defined in Article 39, paragraph 2, item 4) herein, consists of:
1) Business policy basics;
2) Insurance group or types for which it is licensed;
3) Reinsurance programme
4) Amount of the expected solvency margin as defined by the provisions herein;
5) Projected amount of incorporation costs and methods of coverage of these costs;
6) Company’s liquidity plan;
7) A report on the expected business results with the certified actuary’s opinion for a three year period, and specifically the expected profits from premiums, expected claim settlement expenditures and the amount of technical reserves and the reserves as defined by this Law, expected value of assets and their sources and a preliminary estimate of the costs of insurance activity, with a valuation of the economic rationale for the incorporation of the company in view of the structure and scope of the market.

*In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.*
Granting of a license to engage in insurance activities

Article 41

A license is granted to a joint stock insurance company to engage in one or several types of insurance.

The National Bank of Serbia decides on the application to engage in insurance activities by a resolution based on an assessment of the fulfillment of legal conditions and justifiability of incorporation of the joint stock insurance company, in the course of 60 days from the date of receipt.

In enacting the terms of the resolution, the National Bank of Serbia explicitly states the types of insurance for which the license is granted. If the resolution is granted for all types of insurance within one group, only the group of insurance activities is stated in the enacting terms of the resolution.

Register

Article 42

The founders of a joint stock insurance company must submit the application for the registration with the competent authority within 30 days from the date of obtaining the license to engage in insurance activities.

The license to engage in insurance activities is submitted with the application for registration.

Insurance companies must submit the registration to the National Bank of Serbia within 7 days from the receipt date.

Change of a license to engage in insurance activities

Article 43

For the purpose of engaging in certain types of insurance not listed in the license, and/or for the purpose of terminating engagement in certain types of insurance for which it is licensed, the joint stock insurance company shall submit the application to the National Bank of Serbia to change the license to engage in insurance activities.

Granting the license as defined in paragraph 1 of this Article shall be governed according to Articles 39 to 42 of this Law.

Rejection of an application for a license to engage in insurance activities

Article 44

The National Bank of Serbia shall reject an application for obtaining a license to engage in insurance activities in the following cases:

1) If the joint stock insurance company does not submit the evidence for fulfillment of the requirements as defined in Article 39 of this Law;

2) If qualified shareholders do not possess the approval as defined in Article 32 of this Law;
3) If the provisions of the Memorandum of Incorporation and/or Articles of Association of the joint stock insurance company are against the law;

4) If the members of management or of the supervisory board fail to submit the required evidence that they are capable of acting as members of management or of the supervisory board, and/or if they do not fulfill the requirements;

5) If, on the basis of the Articles of Association of the joint stock insurance company and other submitted documents, it is evident that the joint stock insurance company does not fulfill the prescribed requirements for insurance activities;

6) If on the basis of the Articles of Association of the joint stock insurance company and other submitted documents it is evident that the joint stock insurance company does not have the capacity, in terms of organization, personnel and technical equipment to engage in insurance activities as specified in the submitted business plan;

7) If incorporation of the joint stock insurance company is not justified;

8) If the joint stock insurance company does not fulfill other requirements according to the law.

Should the National Bank of Serbia reject the application to grant a license to engage in insurance activities, it shall be obliged to state the reasons for so doing.

**Termination of the validity of a license to engage in insurance activities**

**Article 45**

A license to engage in insurance activities shall be terminated in the following cases:

1) If the company does not apply for the court registration within 30 days from the day of obtaining a license;

2) If the company fails to commence its business activities within six months from the date of registration;

3) If the company ceases to engage in insurance activities for an uninterrupted period of one year;

4) If the insurance portfolio has been transferred to another insurance company;

5) If liquidation proceedings have been initiated;

6) If bankruptcy proceedings have been initiated.

In the cases as defined in paragraph 1 of this Article, the National Bank of Serbia shall render a resolution on termination of the license to engage in insurance activities.

The joint stock insurance company whose license to engage in insurance activities has been terminated can no longer conclude new insurance contracts in cases:

1) Defined in paragraph 1 items 2) and 3) herein from the date of receipt of the resolution from paragraph 2 herein;

2) Defined in paragraph 1 item 4) herein from the date of receiving the approval of the National Bank of Serbia for the portfolio transfer;

3) Defined in paragraph 1 item 5) herein from the opening of liquidation proceedings;

4) Defined in paragraph 1 item 6) herein from the opening of bankruptcy proceedings.
Granting a license to engage in reinsurance activities

Article 46

A license to engage in reinsurance activities is granted according to the provisions of this Law applicable to granting a license to engage in insurance activities.

The bodies of the company

Article 47

The bodies of the joint stock insurance company are general assembly, management board, general manager and supervisory board.

The management board and the general manager of a joint stock insurance company are considered to be the company’s management.

Approval for acting in the capacity of management member or member of the supervisory board

Article 48

The joint stock insurance company shall be obliged to submit a request to the National Bank of Serbia for the approval for the proposed nomination of management members and/or members of the supervisory board.

If a management member and/or member of the supervisory board of the joint stock insurance company has been nominated without the approval of the National Bank of Serbia, the nomination is considered null and void.

The applications for the approval as defined in paragraph 1 of this Article are submitted with the evidence defined in Article 39 paragraph 2 item 10) herein.

Besides the evidence defined in paragraph 3 of this Article, persons applying for the position of general manager of the joint stock insurance company have to submit their programme for managing the company.

The National Bank of Serbia decides on the application as defined in paragraph 1 of this Article within 30 days from the date of receipt of the application.

The National Bank of Serbia shall reject the application for the approval for the position of management member and/or supervisory board member of the joint stock insurance company if the candidate does not fulfill conditions determined by this Law or if from the given information it is evident that due to the activities the candidate is and/or has been engaged in, the activities of the insurance company can be jeopardized, according to the rules on risk management.

If the application for the license to engage in insurance activities was submitted, the decision on the application as defined in paragraph 1 of this Article shall be rendered within the procedure of deciding on a license to engage in insurance activities.
Withdrawal of the approval for the position of member of management or member of the supervisory board

Article 49

The National Bank of Serbia shall withdraw the given approval for the position of member of management and/or member of the supervisory board of the joint stock insurance company by resolution:
1) If the approval has been granted based on untrue and inaccurate information;
2) If a management member and/or a member of the supervisory board ceases to fulfill the conditions as defined in Article 39 herein;
3) If a member of management and/or a member of the supervisory board violates the obligations as defined herein;

The National Bank of Serbia can order the joint stock insurance company to dismiss a member and/or members of management or the supervisory board and to nominate a new member and/or members:
1) If the company does not obey an order to eliminate ascertained irregularities and illegalities;
2) If the company’s management does not implement the special measures determined by this Law;
3) If the company repeatedly violates the duty to provide accurate and timely reporting to the National Bank of Serbia after being given a written warning by the National Bank of Serbia, or in any other way disturbs the supervision over its business activities.

If a proceeding was opened to withdraw the license of a joint stock insurance company, the National Bank of Serbia in such case shall decide on the withdrawal of the approval for the position of member of management and/or member of the supervisory board.

The nomination limitation

Article 50

The following persons cannot be nominated as members of management, in addition to those determined by the law defining the legal status of companies:
1) A person related to the legal entity where the insurance company holds more than 5% of participation in capital or participation in voting rights;
2) A person who is a management member or member of the supervisory board in another joint stock insurance company

The obligations and responsibilities of management members

Article 51

Management members in a joint stock insurance company are obliged to ensure, apart from the obligations so determined by the law defining the legal status of companies:
1) That the business activities of the company are in compliance with the risk management rules determined by this Law and the regulations rendered on the basis of this Law;
2) That risk is monitored and that appropriate measures are taken to ensure proper risk management;
3) That company books and other books, business documents, accounting documents, financial and other reports are kept and written according to the law;
4) That the reports and other documents submitted to the National Bank of Serbia are written according to the Law;
5) That internal auditing is performed according to the Law.

Management members of the joint stock insurance company are jointly liable to the company for any damage caused by the failure to fulfill the determined obligations.

Providing information to the supervisory board and the National Bank of Serbia

Article 52

The management of a joint stock insurance company must inform the supervisory board in writing, in the following cases:
1) If the liquidity and/or solvency of the joint stock insurance company is jeopardized;
2) If conditions occur causing the termination or withdrawal of the license to engage in insurance activities, and/or if reasons exist for prohibiting engagement in certain types of insurance activities;
3) If the guarantee reserves of the company decrease to a level below the solvency margin.

The general manager of the joint stock insurance company shall inform the National Bank of Serbia when the conditions as defined in paragraph 1 of this Article occur.

A member of the management of the joint stock insurance company must immediately inform the supervisory board and the National Bank of Serbia in writing of the following:
1) Of his/her nomination to and/or termination from the position in management and/or supervisory board of other legal entities;
2) Of all legal transactions on the grounds of which he/she, and/or a member of his/her immediate family, has directly or indirectly acquired shares and/or equity in a legal entity, based on which the management member, solely or with the members of his/her immediate family, has acquired the qualified share, and/or if their share has been reduced below the minimum level of qualified share according to this Law.

The scope of competence of the supervisory board

Article 53

The supervisory board of a joint stock insurance company, besides the activities determined by the law on the legal status of companies, has the following authorities:
1) Follows the activities of the internal auditing;
2) Discusses the report from the company’s management as defined in article 52 herein and informs the company’s management and the National Bank of Serbia of its stance;
3) Discusses the findings of the National Bank of Serbia and other supervisory and investigative bodies in the course of supervision and control over the conduct of insurance activities;
4) Discusses the financial report and annual business report with the opinion of a certified actuary and gives an opinion with explanation to the general assembly of the company and the National Bank of Serbia;
5) Discusses the report on enforcement of coinsurance and reinsurance policies, with the opinion of a certified actuary;

6) Gives comments on the report on the completed audit to the general assembly of the company

**The obligations and responsibilities of the supervisory board members**

**Article 54**

A member of the joint stock insurance company’s supervisory board is obliged to immediately and in writing inform the National Bank of Serbia of the following:

1) His/her nomination and/or termination from his/her position in the management bodies, and/or the supervisory board of other legal entities;

2) Legal transactions on the grounds of which he, and/or a member of his immediate family, has directly or indirectly acquired the shares and/or equity in a legal entity, based on which the management member, solely or with the members of his immediate family, has acquired the qualified share, and/or if their share has been reduced below the minimum level of qualified share according to this Law.

Supervisory board members of a joint stock insurance company are jointly liable to the company for the damage caused by failure to fulfill the determined obligations.

**Nomination limitation**

**Article 55**

The nomination of the joint stock insurance company’s supervisory board members is conducted according to the provisions of Article 50 of this Law.

**Name of the company**

**Article 56**

The name of the joint stock insurance company shall contain the letters “a.d.o.” (j.s.i.c. that is “joint stock insurance company”).

**Approval for change of name and address**

**Article 57.**

The joint stock insurance company must apply to the National Bank of Serbia for approval regarding a proposed decision to change its name and address.

The National Bank of Serbia renders the decision on the application as defined in paragraph 1 of this Article within 30 days from the date of receipt.

Acts and/or actions as defined in paragraph 1 of this Article, rendered and/or performed without prior approval of the National Bank of Serbia are considered null and void.
General and business policy regulations and annual business plan

Article 58.

A joint stock insurance company will adopt the Articles of Association, other general and business policy regulations and an annual business plan.

The business policy regulations of a joint stock insurance company as defined in paragraph 1 of this Article are considered to be:

1) General and special conditions for insurance and premium tariffs;
2) Decision on the technical basis of insurance;
3) Decision on the criteria, methods of establishing and the table of maximum self-insured retention in the total amount of self-insured retention;
4) Regulations on the conditions and methods of placing deposits and investing the assets of the company;
5) Regulations on the maximum rates for overhead allowances;
6) Regulations on the formation and methods of calculating and amount of unearned premiums;
7) Regulations on formation and methods of calculating mathematical reserves;
8) Regulations on formation and usage of profit sharing reserves (only for life insurance);
9) Regulations on methods of establishing the part of technical reserves used for payment of incurred but unpaid claims (outstanding claims);
10) Regulations on formation and usage of risk adjustment reserves (only for non-life insurance);
11) Regulations on conditions and methods of coinsurance and reinsurance;
12) Regulations on conditions and methods of realizing recourse claims;
13) Other business policy regulations.

Approval of investment in related legal entities

Article 59.

A joint stock insurance company is obliged to apply to the National Bank of Serbia for approval for all investments where the company directly or indirectly acquires the qualified shares in another legal entity, as well as in the case of each subsequent investment into the legal entity.

The National Bank of Serbia shall render the decision on the application as defined in paragraph 1 of this Article within 30 days from the date of receipt.

Regulations and/or actions as defined in paragraph 1 of this Article, rendered and/or performed without prior approval of the National Bank of Serbia, shall be considered null and void.

3. Mutual insurance company

Company activities

Article 60.

A mutual insurance company is a legal entity engaging in insurance activities in the interest of its members (the policyholders), abiding with the principles of reciprocity and solidarity.

A mutual insurance company can engage in all insurance activities, except reinsurance activities.
Founders of the company

Article 61.

A mutual insurance company may be founded by both legal entities and persons.

Name of the company

Article 62.

The name of the mutual insurance company shall contain the letters “d.u.o.” (m.i.c. that is “mutual insurance company”)

Types of companies

Article 63.

A mutual insurance company is incorporated as an unlimited contribution company or as a limited contribution company.

A mutual insurance company incorporated as an unlimited contribution company is entitled to require from each member (policyholder), payment of additional contributions for settlement of unpaid claims and other expenditures without any limitation.

A mutual insurance company incorporated as a limited contribution company is entitled to require from each member (policyholder), payment of additional contributions that do not exceed the total amount of his previous contribution, in case the claims and other expenditures exceed the previous contributions and other revenues of the company.

If a mutual insurance company is engaged in several types of insurance, its Articles of Association may provide for payment of additional contributions for each type of insurance separately.

Pecuniary portion of the initial capital

Article 64

The amount of the pecuniary portion of the initial capital of a mutual insurance company cannot be less than the amount defined in Article 28 herein.

Application for a license to engage in insurance activities

Article 65

An application for a license to engage in insurance activities shall be submitted by the founders of the mutual insurance company or by the person they so authorize.

The following documents are attached to the application as defined in paragraph 1 herein:

1) Memorandum of Incorporation;
2) Draft Articles of Association;
3) Evidence that the pecuniary portion of the initial capital as defined in Article 28 of this Law has been placed in the temporary bank account;
4) Draft business policy regulations as defined in Article 58, paragraph 2, items 1) – 12) herein with the opinion of the certified actuary;
The list of the members as defined in paragraph 2 item 5), of this Article must contain a minimum of 250 persons, if the mutual insurance company is founded to engage in life insurance, and/or a minimum of 300 persons or legal entities, if the company is founded to engage in non-life insurance.

Memorandum of Incorporation of a company

Article 66

The Memorandum of Incorporation of a mutual insurance company contains the following provisions:
1) Name and address;
2) Name and address of the founder;
3) Insurance activities, i.e. types of insurance and number of the same risks;
4) Amount of the pecuniary portion of the initial capital and other funds;
5) Number of founders and the amount of the deposit for each founder;
6) Conditions, terms and methods of refund of the founders’ investments, with interest from surplus profit over the expenditures (hereinafter: surplus);
7) Consequences that amendments to the Articles of Association, the general conditions of insurance and the resolution on the termination of the company have regarding concluded insurance contracts;
8) Consequences of failure to effect payments, make minimum contributions and regulating the relationship in case of failure to satisfy the specified conditions in terms of minimum number of members (policyholders), and/or the same risks.

The Memorandum of Incorporation of a mutual insurance company may also include other provisions significant to the incorporation and business activities of the company.

Articles of Association of the company

Article 67

The Articles of Association of a mutual insurance company shall contain the following provisions:
1) Name and address;
2) Licensed insurance activities and types of insurance the company shall engage in;
3) The amount of the pecuniary portion of the initial capital and other means and contributions paid by members (policyholders);
4) Number and amount of the initial capital contributed by certain members (policyholders);
5) The method of calculating the members’ (policyholders’) contributions and the conditions and deadlines for payments of the contributions;
6) Members’ (policyholders’) compensation rights;
7) Limited and/or unlimited contributions;

In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.
8) The obligation of payment of an additional contribution in order to cover the losses, or the alternative to cover the company’s loss by proportionately reducing the compensation to all members (policyholders);
9) The commencement and termination of membership in a company;
10) The rights and obligations of members (policyholders) that leave the company;
11) The method of signing and representing the company;
12) Company’s bodies and their structure, nominations, dismissals, scope and method of work and decision making;
13) Funds and reserves;
14) Conditions and methods of using the surplus and/or covering losses;
15) The method of amending the Articles of Association;
16) The method of changing the form of the company;
17) The termination of the company;  
18) Other issues significant to the company’s activities.

Surplus reserves

Article 68

The Articles of Association of a mutual insurance company shall define the method of forming the reserves for covering the deficit in the business operations of the company, as well as which contributions (premiums) within the year shall be used for the formation of the reserves and the minimum amount of the reserves.

Rights and obligations of members of a company

Article 69

Policyholders gain the right to be members of the mutual insurance company upon signing an insurance contract.  
A member of a mutual insurance company is not liable for the company’s obligations.  
A member of a mutual insurance company is not entitled to offset his/her obligations to the company in terms of the payment of contributions and additional payments against his/her claims from the company.  
The payment of contributions and allocation of surplus shall be made under equal conditions for all members of the mutual insurance company.

General assembly of the company

Article 70

The general assembly of the mutual insurance company consists of founders and members (policyholders).  
Founders and members (policyholders) participate in the management of the mutual insurance company in proportion to their respective investments and contributions.  
Founders participate in the management of the company until the total repayment of their respective investment.
Application of the provisions for a joint stock insurance company

Article 71

Provisions of Articles 26, 39-55 and 57-59 herein also apply to a mutual insurance company.

III. INSURANCE BROKERS AND AGENTS

1. Brokerage in insurance

Insurance brokerage activities

Article 72

Insurance brokerage activities include activities related to connecting the policyholder and/or the insured with an insurance company in order to negotiate the conclusion of an insurance contract, based on the order of the insurance company established according to this Law or by the order of the policyholder, and/or the insured.

Insurance brokerage company

Article 73

Insurance brokerage activities are conducted by an insurance brokerage company whose sole activity is so licensed by the National Bank of Serbia.

Except for the brokerage activities as defined in Article 72 herein, an insurance brokerage company can conduct the activities of consulting and assisting when handling claims and assessing risk and damage.

Brokers in insurance shall not be entitled to engage in insurance agency activities.

Except for paragraph 3 herein, the brokerage company can engage in insurance agency activities for certain types of risk provided that it meets the conditions as defined in Article 93 paragraph 2 items 5), 7) and 8) herein and is licensed by the National Bank of Serbia to engage in the activities with the limitation that it cannot, on the same legal issue, represent one and broker the other contracting party.

The prohibition of insurance brokerage

Article 74

The brokerage company cannot act as a broker in concluding an insurance contract if the conclusion of the insurance contract is against the provisions of Article 23 herein.
Name of the company

Article 75

The name of the brokerage company in insurance must include “insurance brokerage”.

Incorporation of the company

Article 76

An insurance brokerage company is incorporated as a joint stock company or a limited liability company, subject to the law determining the legal status of companies, if not otherwise provided herein regarding certain issues.

If the insurance brokerage company is incorporated as a joint stock company, the pecuniary portion of the initial capital cannot be less than the equivalent value of 25,000 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of the payment.

If the insurance brokerage company is incorporated as a limited liability company, the pecuniary portion of the initial capital cannot be less than the equivalent value of 12,500 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of the payment.

If the brokerage company is engaged in agency activities, then the amount of initial capital as defined in paragraphs 2 and 3 herein is increased by 30%.

The company is obliged to ensure that its initial capital at all times remains at a level not lower than the amount defined in paragraphs 2 and 3 herein, with at least 50% of the total amount of the pecuniary portion of the initial capital in short-term securities and short-term investments.

Shares

Article 77

The shares of a joint stock insurance brokerage company are registered shares solely.

Application for a license to engage in insurance brokerage activities

Article 78

The founders, or the persons they so authorize, submit the application for a license to conduct insurance brokerage activities.

The following documents are submitted with the application as defined in paragraph 1 herein:

1) Incorporation Act;
2) Draft Articles of Association;
3) Evidence of payment into the temporary bank account of the pecuniary portion of the initial capital defined in article 76 herein;
4) List of shareholders and/or owners, together with the information as defined in Article 39, paragraph 2 items 7) and 8) herein;
5) Business plan of the company;
6) Evidence that persons, candidates for management members and members of the supervisory board meet the conditions as defined in article 39 herein;
7) Evidence of adequate personnel and technical equipment for the company;
8) Insurance pre-contract or contract against liability for the damages arising from activities or unconditional financial bank guarantees accepted by the National Bank of Serbia for the insured sum and/or the sum not less than the equivalent value of 100,000 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment;
9) Evidence of relationship based on capital or other shares with the insurance companies or insurance agencies or insurance brokerage companies.

The National Bank of Serbia specifies the conditions and methods of proving the fulfillment of the conditions for the persons as defined in paragraph 2 item 6 herein and the necessary personnel and technical equipment of the company.

**Granting a license to engage in insurance brokerage activities**

**Article 79**

The National Bank of Serbia decides on the application to issue a license to engage in insurance brokerage activities within 60 days from the date of receipt.

**Register**

**Article 80**

The founders of insurance brokerage companies must submit the registration with the competent authority within 30 days from the date of obtaining the license to engage in insurance brokerage activities.

The license to engage in insurance brokerage activities is submitted with the application for the registration.

The insurance brokerage company must submit the registration to the National Bank of Serbia in the course of seven days from the date of receipt of the registration.

**Withdrawning a license for engagement in insurance brokerage activities**

**Article 81**

The National Bank of Serbia shall withdraw the license to engage in insurance brokerage activities in the following cases:
1) If the insurance brokerage company no longer meets one of the requirements defined in Article 78 herein;
2) If the business activities of the insurance brokerage company jeopardize the interest of the policyholders, or it is discovered that the company failed to abide by the law and other regulations;
3) If the insurance brokerage company renders brokerage services to an insurance company not licensed to engage in insurance activities.
Authorization to engage in insurance brokerage activities

Article 82

Insurance brokerage operations shall be conducted only by the individuals authorized by the National Bank of Serbia (hereinafter referred to as: authorized brokers).

The National Bank of Serbia shall issue an authorization for an individual to engage in insurance brokerage provided he/she fulfills the following conditions:

1) He/she resides in the territory of the Republic;
2) He/she is an adult and a fully capable person;
3) He/she passed the examination for engaging in insurance brokerage activities;
4) No valid court award has been rendered against him/her in regards to safety measures or a protective measure in terms of prohibition of engagement in the activities;
5) He/she has not been unconditionally sentenced to imprisonment in excess of three months on the account of criminal acts against property or the economy.

The National Bank of Serbia prescribes the content and method of passing the examination defined in paragraph 2 item 3) herein.

A foreigner who meets the requirements of the law of his country of residence to engage in insurance brokerage activities can engage in such activities under the condition of reciprocity.

Withdrawing the authorization

Article 83

The National Bank of Serbia shall withdraw the authorization to engage in insurance brokerage activities from the person who:

1) Has obtained the authorization on grounds of false and inaccurate information;
2) Ceases to fulfill the conditions as defined in Article 82 paragraph 2 herein;
3) Violates the provisions of this Law.

Special obligations of an insurance brokerage company

Article 84

Insurance brokerage companies engaging in conducting insurance brokerage activities on behalf of the policyholder must explain to and advise the policyholder of the circumstances relevant to the conclusion of the insurance contract.

Acting according to paragraph 1 herein, the insurance brokerage company is specifically obliged to:

1) Perform an appropriate assessment of risks and suggest appropriate coverage;
2) Perform a solvency assessment of the insurance company based on information from the company’s business activities;
3) Mediate in the execution of insurance contracts with the insurance company, which, in terms of the circumstances in certain cases, offer the best protection to the policyholder;
4) Inform the insurance company that the policyholder wants to conclude the insurance contract, offer the policyholder the insurance conditions and provide him/her with information on the method for calculating the premium;
5) Check the wording of the insurance policy;

6) Offer assistance to the policyholder during the term of the insurance contract, both prior and after the occurrence of the insured case, and specifically ensure that the policyholder undertakes all relevant actions to maintain and/or exercise the rights specified in the insurance contract;

7) Monitor the execution of the insurance contract by the policyholder concluded through his/her brokerage;

8) Draft proposals to amend the insurance contract for the purpose of ensuring a high level of safety to the policyholder.

Conflict of interest

Article 85

The insurance brokerage company must inform the policyholder of all legal and economic relationships with the insurance company affecting the impartiality of the insurance brokerage company while fulfilling its obligations to the policyholder.

Legal and economic relationships defined in paragraph 1 herein specifically cover the provisions of the brokerage contract concluded between the insurance brokerage company and the insurance company according to which the insurance brokerage company:

1) Is obliged to mediate solely for the conclusion of the insurance contract with the particular insurance company;

2) Has contracted the right to higher than regular commission for mediating in certain types of insurance.

Application of the provisions for a joint stock insurance company

Article 86.

The provisions of this Law regarding joint stock insurance companies shall apply to the issues relating to licensing and approval granted to the insurance brokerage company by the National Bank of Serbia, that are not defined by this section of the Law.

2. Insurance agency

Insurance agency activities

Article 87

Insurance agency activities are conducted by a legal entity or person engaged in insurance agency activities according to a contract on representation on behalf and for an insurance company which is incorporated according to the provisions of this Law.
Insurance agencies and agents

Article 88

Insurance representation activities, as the sole activity, are conducted by an insurance agency and person – contractor (hereinafter: insurance agent) licensed to engage in insurance representation activities according to this Law.

In addition to the agency activities, the insurance agency and/or agent can engage in the activities of providing advice and assistance when handling claims and assessing risk and damages.

The insurance company keeps a list of insurance agencies and insurance agents that provide insurance representation services for the insurance companies.

The National Bank of Serbia is entitled to inspect the list defined in paragraph 3 herein.

Limitation to insurance representation

Article 89

Insurance agencies and/or agents can only engage in representation activities for one insurance company.

Except for paragraph 1 herein, insurance agencies and/or agents can represent more than one insurance company based on their written consent.

Insurance agencies and/or agent are obliged to have the name of the insurance company they represent in a prominent place in their office.

Name of the insurance agencies and agents

Article 90

The name of the activity – “Representation in insurance” must be included in the name of the insurance agencies and agent.

Incorporation of insurance agencies

Article 91

The insurance agency is incorporated as a joint stock company or a limited liability company, subject to the law determining the legal status of companies, unless otherwise provided herein regarding certain issues.

If the insurance agency is incorporated as a joint stock company, the pecuniary portion of the initial capital cannot be less than the equivalent value of 25,000 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment.

If the insurance agency is incorporated as a limited liability company the pecuniary portion of the initial capital cannot be less than the equivalent value of 12,500 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment.

The agency shall ensure that its initial capital at all times is kept at a level not less than the amount defined in paragraphs 2 and 3 herein, with at least 50% of the total amount of the pecuniary portion of the initial capital, in short-term securities and short-term investments.
The insurance agent must have at least the equivalent value of 1,500 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment.

**Shares**

**Article 92**

Shares of the joint stock insurance agency are solely registered shares.

**Application for a license to engage in insurance representation company activities**

**Article 93**

The founders or the persons they so authorize submit an application for a license to engage in insurance agency activities.

The following documents are submitted with the application as defined in paragraph 1 herein:

1) Incorporation Act;
2) Draft of Articles of Association;
3) Evidence of payment of the pecuniary portion of the initial capital defined in Article 91 herein to the temporary account;
4) List of shareholders and/or owners with the information as defined in Article 39 paragraph 2 items 7) and 8) herein;
5) Business plan of the company;
6) Evidence that persons, candidates for management members and members of the supervisory board meet the conditions as defined in Article 39 herein;
7) Evidence of personnel and technical equipment of the insurance agency;
8) Insurance pre-contract or contract on representing the insurance company with the provision of the company’s right to consistent monitoring of the execution of the contract;
9) Evidence of relationship based on capital or other shares with the insurance companies or insurance agencies or brokerage companies.

The National Bank of Serbia specifies the conditions and methods of proving the fulfillment of the conditions for the persons as defined in paragraph 2 item 6) herein and the needed personnel and technical equipment for the company.

**Request for granting a license to an insurance agent**

**Article 94**

An insurance agent registers with the competent authority based on a license to engage in insurance agency activities granted by the National Bank of Serbia and at his/her own request and/or at the request of an individual so authorized by him/her.

The following documents are submitted with the request as defined in paragraph 1 herein

1) Incorporation Act
2) Evidence of the identity of the insurance representative (name, identification number and social security number);
3) Evidence of the residency of the representative;
4) Evidence of the bank account with paid in amounts as defined in Article 91 paragraph 5 herein:
5) Evidence of an agent’s qualifications;
6) Evidence that an agent has not been a management member, member of the supervisory board or key functionary in a legal entity that has undergone bankruptcy proceedings for the past three years;
7) Evidence that an agent has not been unconditionally sentenced to imprisonment for more than three months;
8) Evidence from the competent administrative authority on the amount of paid taxes not more than 6 months old;
9) Certified photocopy of the resolution of the competent administrative authority on establishing and payment of taxes for the current and/or previous year;
10) Evidence that the insurance agent is authorized for insurance representation;
11) Business plan;
12) Pre-contract or contract on representing the insurance company with the provision of the company’s right to consistently monitor the execution of the contract;
13) Evidence of personnel and technical equipment;
14) Evidence of relationship, based on capital or other shares, with the insurance companies or insurance agencies or brokerage companies.

The insurance agent must submit the registration with the competent authority to the National Bank of Serbia in the course of seven days from the date of receipt of the registration.

**Authorization to conduct insurance representation activities**

**Article 95**

Only individuals authorized by the National Bank of Serbia can conduct insurance representation activities with insurance agencies and insurance agents (hereinafter: authorized agents).

The National Bank of Serbia authorizes an individual to engage in insurance agency activities provided he/she fulfills the following conditions:

1) He/she resides in the territory of the Republic;
2) He/she is an adult and fully capable person;
3) He/she passed the examination for engaging in insurance agency activities;
4) No valid court award has been rendered against him/her regarding safety measures or protective measures in terms of prohibition of engagement in the activities;
5) He/she has not been validly, unconditionally sentenced to imprisonment in excess of three months on account of criminal acts against property or the economy.

The National Bank of Serbia prescribe the content and method of passing the examination defined in paragraph 2 item 3) of this Article.

A foreigner who meets the requirements of the law of his/her country of residence to engage in insurance agency activities can engage in such activities under the condition of reciprocity.
The right to inspect the insurance agency contract

Article 96

The agency contract is kept in the offices of the contracting parties. The National Bank of Serbia is entitled to inspect the contract defined in paragraph 1 herein.

Monies and payment instruments

Article 97

The insurance agency and/or agent must remit to the insurance company monies and other payment instruments and collateral collected and/or taken over from the policyholder and/or the insurance contractor on behalf of the insurance company, at the latest by the following working day from the date of collecting or taking over, and/or to do so with other instruments of payment or collateral within the same deadline.

The insurance agency and/or agent collect insurance premiums according to the rules and regulations of the insurance company.

The insurance agency and/or agent are obliged to keep safe the monies and payment instruments and collateral defined in paragraph 1 herein until the day of payment and/or remittance to the insurance company.

Responsibility of the insurance agency or agent

Article 98

The insurer shall be liable for the acts performed by the insurance agent. The insurance agency and/or agent is liable to the policyholder for any damage caused by false impersonation or malpractice of the insurance agency and/or agent, and/or due to the fact that the insurance agency and/or agent did not inform the policyholder of their acting as the representation for a company or insurance representative.

The general manager of the insurance company and/or the key functionary that signed the contract on agency is liable to the insurance company for the damage caused by such contract.

Application of the provisions for an insurance agency

Article 99

The provisions of this Law applicable to an insurance brokerage company are appropriately applicable to the licensing and withdrawing of the license and consent for conducting insurance agency activities as well as the evidence of registration.
IV. AGENCY FOR OTHER INSURANCE SERVICES

Activities of the agency

Article 100

An agency for other insurance services (hereinafter: agency) is a legal entity conducting activities of loss and risk adjustment, brokerage in the sale and the selling of the salvage of the insured damaged object and offers other intellectual or technical services regarding insurance activities.

The agency is incorporated as a joint stock company or company with limited liability according to the law governing the legal status of enterprises unless otherwise defined by this Law for certain issues.

Prohibition of conducting insurance brokerage and agency activities

Article 101

An agency cannot engage in insurance activities or brokerage or representation activities.

Incorporation of the agency

Article 102

If an agency is incorporated as a joint stock company, the pecuniary portion of the initial capital cannot be less than the equivalent value of 25,000 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment.

Provided that the insurance agency is incorporated as a limited liability company the pecuniary portion of the initial capital cannot be less than the equivalent value of 12,500 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment.

The agency shall ensure that its initial capital at all times remains at a level not less than the amount as defined in paragraphs 1 and 2 herein, with at least 50% of the total amount of the pecuniary portion of the initial capital in short-term securities and short-term investments

Application for a license to engage in insurance agency services

Article 103

The founders submit the application for a license to engage in other insurance agency activities or the person so certified by them.

The following documents are submitted with the application as defined in paragraph 1 herein:

1) Incorporation Act;
2) Draft Articles of Association;
3) Evidence of payment of the pecuniary portion of the initial capital defined in Article 102 herein to the temporary bank account;
4) Business plan of the agency;
5) List of shareholders and/or owners with the information as defined in Article 39 paragraph 2 items 7) and 8) herein;

6) Evidence that persons, candidates for management membership and members of the supervisory board meet the conditions as defined in Article 39 herein;

7) Evidence of the personnel and technical equipment of the company;

8) Evidence that it is not related to other insurance companies or other brokerage or agency companies according to the provisions of this Law and the law governing the legal status of enterprises;

**Special purpose department**

Article 104

The activities as defined in Article 100 herein can be conducted by the companies or other legal entities on the condition that they have a department with the special purpose to conduct such activities and which is endowed with personnel and technical equipment to provide other insurance services, and to place in a special account the amount of the equivalent value of 12,500 Euros in CSD, calculated by the middle rate of the National Bank of Serbia on the day of payment.

**Application of provisions for an insurance brokerage company**

Article 105

Issues of licensing, withdrawal of the license, approval and evidence of registration for an agency, company or other legal entity as defined in Article 104 herein which are not defined by this section shall be regulated by the provisions of this Law regarding the issues of insurance brokerage companies.

**V. ASSETS AND BUSINESS ACTIVITIES OF AN INSURANCE COMPANY**

**Insurance premium**

Article 106

An insurance premium consists of a functional premium plus administrative costs. The functional premium consists of a technical premium and it can also contain the prevention fund if it is calculated for the insurance premium.

**Types of technical reserves**

Article 107.

An insurance company must define technical reserves for the purpose of settling obligations arising from insurance activities at the end of the accounting period. An insurance company engaged in one or more types of life insurance determines technical reserves for the following:
1) Unearned premiums;
2) Claims outstanding;
3) Profit sharing;
4) Mathematical reserves.

An insurance company engaging in one or more types of non-life insurance determines technical reserves for the following:
1) Unearned premiums;
2) Claims outstanding;
3) Equalization of risks.

Technical reserves defined in paragraphs 2 and 3 of this Article are provided by the usage of actuarial mathematics, insurance business practices and appropriate statistical data.

The National Bank of Serbia determines the criteria and methods for calculating the technical reserves as defined in paragraph 4 herein.

**Unearned premiums**

Article 108

Unearned premiums are formed from the insurance premium total at the end of the current business year separately for each class of insurance in proportion to the period of insurance.

Unearned premiums are a part of the premium used to cover the insurance obligations that arise during the following business year.

**Claims outstanding**

Article 109

Claims outstanding are calculated on the estimated amount for incurred and reported but not paid claims and incurred but not reported claims in the current period.

Provided that claims for certain types of insurance are paid in monthly annuities, the claims outstanding are calculated on the capitalized amount of all future payments.

**Profit sharing reserves**

Article 110

Profit participation reserves are calculated in the amount the policyholders are entitled to, based on participation arising from a life insurance contract provided that the policyholders have agreed to participate in the risk of the depositing and the investing of the technical reserve resources.
Mathematical reserve

Article 111

The mathematical reserve is the technical reserve of the insurance company for payment of future obligations regarding life insurance.

The mathematical reserve is calculated for each life insurance contract by determining the obligation values at the time of calculating the mathematical reserve.

Equalization reserve

Article 112

Equalization reserves are calculated on the expenditures of the insurance company separately for each class of non-life insurance and are used for the balancing of the course of the damage in certain types of insurance.

The reserves as defined in paragraph 1 herein are calculated on the basis of the standard deviation of realized technical results during the current business year from the average realized technical results for all types of non-life insurance conducted by the insurance company during the observed period.

Maintaining liquidity

Article 113

An insurance company must provide the liquidity and promptly settle claims and other company obligations.

An insurance company can deposit and invest its free capital provided it maintains the permanent liquidity and provides timely settlement of claims and other company obligations.

The insurance company must take the necessary measures while conducting financial activities to ensure the prudent deposit and/or investment of funds and not to jeopardize the market value and liquidity of the company and to fulfill its insurance contract and other obligations.

The free capital of the technical reserves is calculated according to the following pattern: the amount of the due obligations payable from the technical reserves is deducted from the total amount of technical reserves.

The Insurance company must report on a quarterly basis to the National Bank of Serbia on the deposit and investment of funds as defined in paragraph 2 herein.

The National Bank of Serbia specifically determines the method of calculation of the free capital from the technical reserves and the method of monitoring the company’s liquidity.

Deposit and investment of technical reserves

Article 114

The technical reserves can be deposited and invested in:

1) Securities issued by a state, the central bank, international financial organizations, and/or securities guaranteed for by one of such entities;
2) Bonds and/or other debt securities traded on the organized stock market of the country;
3) Bonds and/or other debt securities not traded on the organized stock market in the country, provided that they are issued by a legal entity established in the country;
4) Stocks traded on the organized stock market of the country;
5) Stocks not traded on the organized stock market in the country provided that they are issued by a domestic legal entity, and provided that they are issued according to the law which governs the stock market;
6) Deposits and investments in banks in the country;
7) Real estate and other real legal rights to real estate if they are registered in deed books and/or in any other public books provided they bring income and/or an income can be expected from them, and provided their purchase price is calculated according to the valuation given by a certified assessor.

Technical reserves can be kept in cash at the company’s cashier or in a bank account.

Except for paragraphs 1 and 2 herein, the National Bank of Serbia can determine other methods of deposits and investments, which are, as far as the safety, income and market value are concerned, appropriate for deposits and investments.

**Technical reserves investment and deposit limits**

**Article 115**

The amount of certain investments or deposits as defined in Article 114 herein cannot exceed the following percentages of the total amount of the technical reserves:

1) 5% - in bond investments of the same issuer as defined in Article 114 paragraph 1 items 2) to 4) herein;
2) 1% - in bond investments of the same issuer as defined in Article 114 paragraph 1 item 3) herein;
3) 10% - bond investments as defined in Article 114 paragraph 1 items 3) and 5) herein;
4) 30% - bond investments as defined in Article 114 paragraph 1 items 4) and 5) herein;
5) 1% - bond investments of the same issuer as defined in Article 114 paragraph 1 item 5) herein;
6) 5% - bond investments as defined in Article 114 paragraph 1 item 5) herein;
7) 10% - investment into one and/or several real estates so related to present one investment while all other real estate investments and other legal rights as defined in Article 114 paragraph 1 item 7) herein in non-life insurance 10% and life insurance 30%;
8) 30% - deposit investments as defined in Article 114 paragraph 1 item 6) herein and 10% for certain bank deposits.

Except for paragraph 1 herein the National Bank of Serbia can, in order to prevent violation or jeopardizing of the rights of policyholders, insurance product consumers and third damaged party, in order to prevent the losses and damages of the insurance company by applying the limitations as defined in paragraph 1 herein, allow the insurance company to exceed the limited investments for some types of investments but for no longer than one year.

The insurance company must report on a quarterly basis to the National Bank of Serbia on the deposits and investments as defined in item 1 herein.
Guarantee reserve

Article 116

An insurance company must have a guarantee reserve in order to ensure the constant fulfillment of its obligations.

The guarantee reserve includes:

1) Initial capital;
2) Profit reserves and reserves established by the Acts of the company;
3) Unallocated profit from previous years up to 50%;
4) A portion of unallocated profit from the current year, maximum 50% provided that the determined amount does not exceed the average value of the gross profit over the past three years and provided it does not exceed 25% of the guarantee reserves;
5) Revaluation reserve.

Reserves as defined in paragraph 2 items 2) and 5) herein cannot exceed 20% of the guarantee reserves.

Guarantee reserves are reduced for share repurchase, for loss from the previous years and loss from the current year.

The total amount of the guarantee reserve cannot be below the amount defined in Article 28 herein.

Deposit and investments of the guarantee reserve

Article 117

An insurance company is obliged to deposit and invest at least one-third of the insurance assets of the established guarantee reserves defined in Article 116 herein in the manner defined in Article 114 of this Law.

Limits to certain deposits and investments of the guarantee reserves

Article 118

The amount of certain deposits and investments as defined in Article 117 herein cannot exceed the following percentages of one-third of the guarantee reserves:

1) 10% - for investments in securities of the same issuer as defined in Article 114 paragraph 1 items 2) to 4) herein;
2) 2% - for investments in securities of the same issuer as defined in Article 114 paragraph 1 item 3;
3) 20% - for investments in securities as defined in Article 114 paragraph 1 items 3) to 5) herein;
4) 60% - for investments in securities as defined in Article 114 paragraph 1 items 4) and 5) herein;
5) 2% - for investments in securities of the same issuer as defined in Article 114 paragraph 1 item 5) herein
6) 10 % - for investments in securities as defined in Article 114 paragraph 1 item 5) herein;
7) 20 % - investment in one real estate and/or several real estates so related to present one investment while all other real estate investments and other legal rights as
defined in Article 114 paragraph 1 item 7) herein in non-life insurance 30% and life insurance 60%;
8) 60% - deposit investments as defined in Article 114 paragraph 1 item 6) herein and 20% for investments in deposits at a certain bank.

Except for paragraph 1 herein the National Bank of Serbia can, in order to protect rights of policyholders, insurance product consumers and third parties that suffered the damage, in order to prevent the losses and damages of the insurance company by applying the limitations as defined in paragraph 1 herein, allow the insurance company to exceed the limits for certain types of deposits and investments but for no longer than one year.

The insurance company is obliged to report on a quarterly basis to the National Bank of Serbia on the deposits and investments as defined in paragraph 1 herein.

**Deposits and investments of insurance funds**

Article 119

Assets of the insurance company are deposited and invested within the Republic. An insurance company can deposit and invest the assets defined in paragraph 1 herein in the amount up to 20% of the initial capital abroad, following the consent of the National Bank of Serbia.

**The solvency margin**

Article 120

The solvency margin of the insurance company is equivalent to the total assets reduced for non-material investments, variable maturities, loss, obligations (including life insurance mathematical reserves) and unearned positions (unearned premiums and claims outstanding).

An insurance company calculates the solvency margin separately for life insurance and non-life insurance.

**Application of premium basis**

Article 121

For the first year of operations, an insurance company shall calculate the solvency margin by application of the premium basis.

**Guarantee of the solvency margin**

Article 122

An insurance company is obliged to ensure that the solvency margin is constantly at the level calculated by the method specified by the National Bank of Serbia.
Amount of the guarantee reserve

Article 123

The guarantee reserve of an insurance company must always exceed the calculated solvency margin.

Measures for ensuring solvency

Article 124

If the guarantee reserve of an insurance company does not reach the calculated solvency margin, the insurance company must render a programme of measures to equalize the guarantee reserve and the solvency margin within 30 days from the date of discovering the divergence between the guarantee reserve and the solvency margin and deliver it to the National Bank of Serbia.

The rules on risk management

Article 125

An insurance company is deemed to operate according to the rules of risk management determined by this Law if it provides:

1) Coinsurance and reinsurance of the excess of risk over the maximum self insured retention as defined in Article 15 herein;
2) The settlement of claims, contracted insured sums and fulfillment of other obligations from the basis of insurance as defined in Articles 21 and 106 herein;
3) Initial capital is not less that the amount defined in Article 28 herein;
4) Technical reserves as defined in Article 107 herein;
5) Liquidity of the company as defined in Article 113 herein;
6) Deposits and investments of the technical reserves as defined in Articles 114 and 115 herein;
7) Guarantee reserves as defined in Article 116 herein;
8) Deposits and investments of the guarantee reserves as defined in Articles 117 and 118 herein;
9) Solvency margin as defined in Articles 120 and 122 herein;
10) Other activities to fulfill the obligations as defined in items 1) to 9) herein as well as other obligations determined by this Law regarding the risk management.

Revenues

Article 126

Insurance company revenues include insurance premiums, active reinsurance premiums and other revenues from insurance activities, revenues from financing, non-business revenues and extraordinary revenues.

In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.
Expenditures

Article 127

Insurance company expenditures are expenditures for damages and contracted insured sums, expenditures for the damages on the grounds of active reinsurance activities, expenditures for premiums on the grounds of passive reinsurance activities and other expenditures arising from insurance activities, expenditures for insurance and reinsurance activities (expenditures for conducting the insurance and reinsurance activities) as well as the expenditures of financing, non-business expenditures and extraordinary expenditures.

Expenditures for damages defined in paragraph 1 herein include the costs of assessing the damage, the costs of realizing recourse claims, the costs of court fees and taxes in proceedings related to the obligations arising from insurance, expertise costs and other costs related to claim settlement.

Insurance company expenditures are also:
1) Reserves for insurance, coinsurance and reinsurance claims;
2) Setting aside from the life insurance premium for the mathematical reserve;
3) Setting aside for policyholders’ contribution in order to increase the insured sums and similar life insurance portions, according to life insurance terms and conditions;
4) Setting aside for equalization reserves.

Separation of insurance acquisitions costs

Article 128

The costs of activities of insurance procurement can be separated in proportion with the unearned premium and premium total in compliance with the law.

Business results

Article 129

The business result of a joint stock insurance company is the realized profit or loss. The mutual insurance company identifies the realized surplus or deficit as its result.

Disposition of the realized profit and/or surplus

Article 130

An insurance company pays income taxes from the realized profit and/or surplus. The remaining profit and/or excess is deemed unallocated profit and/or surplus.

An insurance company allocates the unallocated profit and/or excess from the previous years in the following sequence:
1) For covering the loss and/or deficit from previous years;
2) For setting aside for the reserves;
3) For other purposes as defined by the company’s Articles of Association.
Loss and/or deficit coverage sequence

Article 131

An insurance company covers the loss and/or deficit from the previous years in the following order from:
1) Unallocated profit and/or excess;
2) Reserves;
3) The initial capital.

A mutual insurance company shall, prior to using the initial capital, cover the deficit from the additional contribution of the members (policyholders) or by the proportional reduction of claim compensation to all members (policyholders), and/or simultaneously from the additional contribution and proportional reduction of claim compensation.

Programme of measures for loss and/or deficit coverage

Article 132

An insurance company is obliged to cover the previous year’s uncovered loss and/or deficit in the current business year, as well as to ensure the initial capital in the amount used to cover the loss and/or deficit if the initial capital has been reduced below the amount as defined in Article 28 herein.

The insurance company informs the National Bank of Serbia on the accrued loss and/or deficit and submits the programme of measures to cover the loss and/or deficit on the date of establishing the loss and/or deficit, and at the latest within 15 days from the date fixed for submission of the financial report to the legal entity certified to keep the register of financial status of the legal entities according to the law.

Except for paragraph 2 of this Article the insurance company covering the loss and/or deficit from the unallocated profit and/or excess or from the initial capital exceeding the amount as defined in Article 28 herein, is not obliged to make and submit the programme for measures to cover the accrued loss and/or deficit.

The National Bank of Serbia shall nominate an expert who shall, at the expense of the insurance company, control the implementation of the programme of measures to cover the loss and/or deficit and inform the company thereon.

The National Bank of Serbia may, upon the expert’s proposal, order undertaking of special measures to cover the loss and/or deficit.

Defining profit and/or loss per type of insurance

Article 133

An insurance company engaged in life insurance activities shall separately define the profit and/or surplus and loss and/or deficit for the voluntary pension insurance, separately for other types of life insurance and separately for reinsurance activities.

An insurance company conducting non-life insurance is obliged to separately define the profit and/or surplus and loss and/or deficit for liability insurance and separately for other types of non-life insurance and separately for reinsurance activities.

In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.
The obligation of the financial report and annual business report

Article 134

An insurance company is obliged to prepare the financial and annual business reports according to the law.

The chart of accounts and contents of certain accounts in the chart of accounts for the insurance company is prescribed by the National Bank of Serbia.

An forms for financial reports needed for unique information and statistical processing, and/or minimum contents and the form of the included information are prescribed by the National Bank of Serbia.

VI. INTERNAL AUDIT

Internal audit

Article 135

An insurance company must organize an independent internal audit.

A special purpose department within the company specified in the Articles of Association conducts the internal audit of the insurance company.

The internal audit unit of the insurance company reports directly to the supervisory board of the insurance company.

Insurance company authorities and the employees in the insurance company must not prevent, limit or impede the reporting on the findings and assessments of the persons in charge of internal auditing activities in the insurance company.

Manual on internal audit

Article 136

Internal audit activities of an insurance company are defined by the manual on internal audit rendered by the management board of the company.

Internal auditors tasks

Article 137

Internal audit of the insurance company shall continuously and comprehensively control all activities of the company and devote special attention to:

1) Continuous monitoring, checking and improvement of the operation mode of the company;
2) Identification of the risks the company is exposed to or could be exposed to;
3) Appraisal and evaluation of the established internal control system;
4) Issuing the appropriate recommendations for elimination of the established irregularities and defects and for improving the applied procedures and modes of operation.

The system of internal business control defined in paragraph 1 item 3) herein applies to certain procedures, conducts and measures which the insurance company’s management is obliged to organize in a method that suits the nature, complexity and risk of the business.
as well as changes in the conditions of insurance company’s activities that can be predicted with the objective of preventing irregularities and illegalities in the company’s activities.

Internal audit controls and assessment:
1) Adequacy and application of regulated policies and procedures for risk control;
2) Accounting procedures and organization of conducting accounting activities;
3) Reliability and updating of financial and management information.

An insurance company is obliged to regulate the internal audit function according to the regulations on internal audit and the internal audit business programme, according to the professional principles and internal audit practices, international standards for internal audit and ethical principles of internal audit.

**Internal auditors**

**Article 138**

For internal audit activities the insurance company must have at least one person employed.

An insurance company shall define the conditions for the nomination and dismissal of an internal auditor as well as the position of all the other persons employed in the internal audit department of the organization.

The persons in charge of internal audit cannot conduct any other activity in the insurance company, are not authorized nor liable for preparing acts or other documentation which can be a subject for the internal audit, nor can they be members of the management or the supervisory board of the company.

The internal auditor reports on each completed internal audit.

The internal auditor is in charge of the internal audit in the manner prescribed by this Law.

**Business programme and annual plan for the internal audit**

**Article 139**

The supervisory board of the insurance company adopts the business programme and annual plan for the internal audit of an insurance company.

The business plan for the internal audit specifically regulates: clearly and with great detail specified risks and business areas in which risks could arise, the targets and tasks of the internal audit, as well as the priorities in performing the function of internal audit, frequency of the internal audit activities, methods of conducting the programme of internal audit and the liability of the internal auditor along with the realization of the programme and the degree of comprehensiveness and detail of the internal audit in certain fields of the insurance company’s activities.

The annual business plan for the internal audit determines the planned activities for the internal audit, and specifically the business activities in which the internal auditor will perform business control and the deadlines for executing the planned activities.

Apart from the internal audit as defined by the programme and plan in paragraph 1 herein, the internal auditor performs a single audit upon the request of the supervisory board and/or the company’s management.
Report on internal audit

Article 140

The internal audit of the insurance company shall issue semi-annual and annual reports on internal audit.

Semi annual reports on the internal audit include:

1) A description of the conducted control of business activities (audit subject);
2) An evaluation of the method of processing documents and the procedure for concluding the insurance contracts and issuing insurance policies and claim settlements;
3) Illegal actions or other irregularities determined by the internal audit with an explanation and the consequences of identified irregularities and designation of accountable persons;
4) Proposed measures and deadlines for the elimination of the determined irregularities;
5) Other findings, assessments and proposals related to the elimination of the irregularities identified by the internal audit.

The annual internal audit report in addition to the above also includes:

1) A report on realization of the business programme and annual business plan for internal audit activities;
2) A summary of significant findings of the conducted control;
3) An evaluation of measures taken to eliminate the defined irregularities.

The internal audit simultaneously submits the reports defined in paragraph 1 herein to the supervisory board and to the management of the insurance company.

The management board of the insurance company reviews the annual report on the internal audit with the supervisory board opinion, together with the financial statements of the company.

The management board of the insurance company is obliged to deliver to the general assembly the annual report on internal audit with the opinion of the supervisory board together with a report on the measures taken to eliminate the irregularities identified by the internal audit and supervisory board.

Providing information to a company’s management and supervisory board

Article 141

Except for Article 140 herein, if the internal auditor determines that the insurance company violates the rules on risk management and this could result in the company’s illiquidity or insolvency or determines that the safety of business activities and/or the interests of the policyholders are jeopardized, then the internal auditor is obliged to immediately, within 24 hours at the latest from the determination, inform the company’s management and supervisory board of the insurance company.

If the internal audit determines that the management and/or key functionaries of the insurance company violate the rules on risk management, then the it shall immediately, within 24 hours at the latest from determination, inform the supervisory board of the company.
VII. SUPERVISION OVER INSURANCE ACTIVITIES

1. Competence of the National Bank of Serbia

Scope of activities of the National Bank of Serbia

Article 142

The National Bank of Serbia supervises insurance activities to protect the interests of policyholders and other insurance product consumers.

Besides the supervision defined in paragraph 1 herein, the National Bank of Serbia licenses insurance, reinsurance, brokerage, representation (agency) and other activities directly related to insurance, approves the regulations and activities regulated by this Law, renders regulations regulated by this Law, processes statistical data and other information, keeps records determined by this Law and examines complaints of policyholders, insurance product consumers and third parties that suffered damage, for the business operation of insurance companies and other entities conducting insurance business.

The National Bank of Serbia cooperates with other supervisory bodies in the country and abroad and conducts other activities determined by this and other laws.

Regulations on enforcement of the Law

Article 143

The National Bank of Serbia renders regulations to enforce the provisions of this Law

Protection of the rights of policyholders, insurance product consumers and third parties that suffered damage

Article 144

The National Bank of Serbia mediates in settling claims for damages in order to prevent insurance disputes, discusses complaints of policyholders, insurance product consumers and third parties that suffered damage and protects the rights and interests of these entities.

The National Bank of Serbia regulates the method of protection of the rights and interests of the entities defined in paragraph 1 herein.

Report on the insurance market

Article 145

The National Bank of Serbia shall submit a report on the insurance market to the Parliament of Serbia at least once a year, specifically including the following information: the scope of activities of the insurance companies according to the types of insurance, level of efficiency in claim settlement, amount and capital structure, trends in realized liquidity and solvency, realized efficiency in activities (productivity, economic aspects and profitability) and other issues relevant to the evaluation of the insurance market.

In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.
Resolution of the National Bank of Serbia

Article 146

By resolution the National Bank of Serbia renders decisions on issuing, changing and/or withdrawing the license, issuing and/or withdrawal of approvals, measures ordered while supervising, and on other issues within the competence of the National Bank of Serbia. Resolutions are in writing.

Resolutions are final and not subject to complaint, but they are subject to the initiation of administrative proceedings.

The resolutions on issuing and withdrawing licenses and/or approvals as defined in paragraph 1 herein, are published in the “Official Gazette of the Republic of Serbia”.

Data Records

Article 147

The National Bank of Serbia keeps the data records of the insurance companies it licensed to engage in insurance activities, including the information about the founders, qualified shareholders, management members and members of the supervisory board of the company as well as the business activities and measures taken while supervising the companies’ activities.

In addition to the records defined in paragraph 1 herein, the National Bank of Serbia keeps data records on insurance brokerage companies and insurance agencies and agents it licensed for engagement in insurance brokerage and agency, records of licenses granted to certified brokers and certified agents, records of licenses granted to provide other insurance services, records of legal entities which perform the activities of brokerage and agency according to a separate law, as well as records of licenses granted and licenses withdrawn for certified actuaries.

Records defined in paragraphs 1 and 2 herein shall be continuously updated to reflect all additional changes in information.

The National Bank of Serbia specifically defines the method of records defined in paragraphs 1 and 2 herein.

2. Supervision

Subjects of supervision

Article 148

The National Bank of Serbia shall supervise the activities of the insurance companies as well as the activities of the insurance brokerage companies and insurance agencies and/or agents, companies providing other services in insurance, companies and other legal entities which have a department with the special purpose of providing other services in insurance and legal entities which perform the activities of insurance brokerage and agency in accordance with a separate law.

Except for paragraph 1 herein, the National Bank of Serbia is entitled to supervise the activities of the legal entities related to entities and persons as defined in paragraph 1 herein, or to inspect the books of all participants in the supervised activity, should this be necessary for the purpose of supervising the insurance companies.
If another supervisory authority is in charge of supervising the legal entities defined in paragraph 2 herein, the National Bank of Serbia supervises the activities of the entity in cooperation with that authority.

While conducting the supervision defined in paragraph 1 herein, the National Bank of Serbia cooperates with local and international supervisory and other competent authorities and with international organizations.

Scope of supervision

Article 149

The supervision that the National Bank of Serbia conducts over business activities of insurance companies includes:

1) Conducting insurance activities in compliance with the granted license;
2) The conformity of the general regulations and business policy acts with the law and other regulations;
3) Supervision over proper implementation of the law in the company;
4) The liquidity and solvency in engaging in insurance activities;
5) The method of defining technical reserves;
6) The execution of the obligations arising from the insurance contracts;
7) The deposits and investments of insurance funds according to the law;
8) The maintenance of accounting books and other documents and the maintenance of business books and financial reports according to the law, other regulations, general acts and business policy acts of the company;
9) The implementation of the measures ordered by the National Bank of Serbia;
10) The internal audit methodology;
11) The fulfillment of the requirements the founders, qualified shareholders, management members and supervisory board members have to meet according to this Law;
12) The personnel and technical equipment;
13) The commissions for brokerages and agencies in insurance;
14) The management and supervisory board costs;
15) The uncollected premiums and company claims;
16) The coinsurance and reinsurance business policy;
17) Other issues defined by the law.

Method of supervision

Article 150

The supervision over insurance companies is performed:

1) By off site control and/or by gathering and checking the reports and information of the insurance companies they must submit to the National Bank of Serbia according to the provisions of the law;
2) By on site control over the insurance companies’ business activities;

Based on the conducted supervision defined in paragraph 1 herein, the National Bank of Serbia orders measures of supervision according to the provisions of this Law and files complaints to the competent authorities in the case of reasonable doubt that the
determined irregularities and illegalities have characteristics of criminal acts, economic offenses or violations.

**Insurance inspectors**

**Article 151**

The National Bank of Serbia’s authorized person - insurance inspector - carries out supervision over the activities of insurance companies.  
An insurance inspector can be a person who, besides the general requirements specified in the law, satisfies the following requirements:

1. He/she has a university degree in economics, or law;  
2. He/she is an insurance expert;  
3. He/she has at least three years working experience in financial-accounting, actuarial or other appropriate insurance activities;  
4. He/she has not been sentenced unconditionally to imprisonment for more than six months;  
5. No criminal charges are filed against him/her.

**Official identification**

**Article 152**

When conducting the activities defined in Article 151 paragraph 1 herein, the insurance inspector must have an official identification identifying his/her capacity.

The National Bank of Serbia defines the form of the insurance inspector’s official ID, the method of issuance and usage of the identification.

**Authorization of the insurance inspector**

**Article 153**

While conducting supervision over the insurance company’s business activities, the insurance inspector is authorized:

1) To have access to general acts, acts of business policy and the business books of the insurance company and all the other acts, documentation and information regarding the company’s activities in the Republic and abroad;  
2) To request management members, and members of the supervisory board, internal auditor, certified actuary and key functionaries in the company to provide information and explanations within the scope of their activities related to the business operations of the company.  
3) To temporarily confiscate papers and objects provided it is established they have been used and/or planned to be used to commit a criminal act, economic offense or violation.
Tasks of the insurance inspector

Article 154

While supervising the activities of insurance companies the insurance inspector must, by a comprehensive examination, as defined in Article 149 herein, specifically ascertain:

1) The appropriateness of calculation of the technical reserves funds (Articles 107 to 112 herein)
2) The appropriateness of deposits and investments of technical reserves (Articles 114 and 115 herein)
3) The provision of the guarantee reserve in the company (Article 116 herein);
4) The appropriateness of depositing and investing of the guarantee reserves funds (Articles 117 and 118 herein);
5) The provision of the calculation of the solvency margin (Article 122 herein);
6) The appropriateness of damage estimates and timely claim settlement;
7) The appropriateness of the implementation of the insurance terms and premium tariffs and other business policy acts;
8) The accuracy of financial and other reports composed by the insurance company according to the law.

The insurance inspector performs the supervision as defined in paragraph 1 herein as ordered by the Governor of the National Bank of Serbia or the person employed at the National Bank of Serbia, authorized by him/her.

While performing the supervision, the insurance inspector:

1) Keeps minutes of the completed examination process;
2) Proposes measures to be taken in order to eliminate determined illegalities and irregularities.

The minutes defined in paragraph 3 item 1) herein are submitted to the insurance company undergoing supervision not later than 8 days from the day of the performed supervision.

An insurance company can object to the minutes in the course of 8 days from the date of receipt. The insurance inspector answers to the objections in writing and if the objections are justified, amends the minutes.

Obligations of the insurance company

Article 155

The Insurance company, upon request from the insurance inspector shall:

1) Ensure his/her ability to supervise the business activities in the head office and in any other premises where the insurance company and/or other entity, upon its authorization, conducts the activities being supervised by the National Bank of Serbia;
2) Ensure his/her ability to supervise the business and other documentation, the efficiency and accuracy of the business and other books and other records, the accuracy and preciseness of financial statements and annual reports of the company as well as reports and information submitted to the National Bank of Serbia;
3) Present the accounting and other documents, business books or certain parts of business books and other records;
4) Provide the excerpt of the information via the media requested by the insurance inspector as well as provide comprehensive access to the electronic system of accounting information media.

The insurance inspector must make all efforts to cause as little disturbance of the company's regular activities as possible while performing the supervision.

3. Information provided by the insurance company to the National Bank of Serbia

**Regular reporting by the insurance company**

*Article 156*

The insurance company submits to the National Bank of Serbia:

1) The financial report and annual report, with the opinion of the certified actuary and supervisory board with explanation;

2) Copy of the report on performed audit, with comments on the report by the company’s general assembly and supervisory board;

3) Report on implementation of coinsurance and reinsurance policy, with the opinion of the certified actuary;

4) Business policy plan;

5) Articles of Association and other general acts and their amendments;

6) Business policy acts and their amendments with the opinion of the certified actuary

7) Information on changes in the insurance company capital structure;

8) Information on change of certified actuary;

9) Evidence of changes of the information entered into records;

10) Information on general assembly meetings and minutes from the sessions;

11) Other information, reports and data defined by the law.

The insurance company shall submit the documents and information defined in paragraph 1 items 1) to 3) herein, within 15 days from the date of adoption and no later than April 30th of the current year for the previous year, and documents defined in paragraph 1 items 4) to 7) herein within 15 days from the date of rendering and/or changing, and other documents, data and information - within the prescribed deadlines.

**Quarterly report to the National Bank of Serbia**

*Article 157*

The insurance company must report to the National Bank of Serbia quarterly on the following items:

1) Capital structure with changes of shareholders;

2) Coinsurance and reinsurance of the excess of risk over maximum self-retention with the opinion of the certified actuary;

3) Amount and structure of the collected premiums, by the types of insurance;

4) Number and amount of reported and settled claims and court claims with the opinion of the certified actuary;
5) Technical reserves, depositing and investing of the technical reserves with the opinion of the certified actuary;
6) Condition and changes on other property;
7) Company liquidity with the opinion of the certified actuary;
8) Guarantee reserves, depositing and investing of the guarantee reserves with the opinion of the certified actuary;
9) Solvency margin with the opinion of the certified actuary;
10) Internal audit report with the evaluation of the supervisory board;
11) other prescribed information.

**Reporting upon the request of the National Bank of Serbia**

Article 158

Insurance companies shall, upon the request of the National Bank of Serbia, submit other reports, information and data significant for the supervision by the National Bank of Serbia.

**Contents of the reports and information**

Article 159

The National Bank of Serbia specifically defines the contents of the business policy acts and other reports as defined in Articles 156 to 158 of this Law and the method of the submission.

**Statistical data**

Article 160

The insurance company provides the National Bank of Serbia with statistical and other data within groups and types of insurance according to the terms and methods defined by the National Bank of Serbia.

Processed information defined in paragraph 1 herein is used for calculating the technical bases and premium tariffs and for conducting actuarial activities.

The National Bank of Serbia makes the information defined in paragraph 2 herein public.

**4. Measures of supervision**

**4.1. Types of the measures**

Article 161

While performing the supervision over an insurance company the National Bank of Serbia may:

1) Order measures to eliminate illegalities and irregularities;
2) Order measures for violating the rules on risk management;
3) Order the transfer of the insurance portfolio to another insurance company;
4) Take over control of the insurance company;
5) Withdraw the license to engage in certain or all licensed insurance activities;
6) Order temporary measures;
7) Propose measures for the management members, members of the supervisory board, key functionaries and qualified shareholders.

If it is determined by this Law that the National Bank of Serbia can render more than one measure it shall first render the measure which is least adverse for the company.

Except for paragraph 2 herein and if, due to the behavior of the supervised entity, irreparable damage can be inflicted, the National Bank of Serbia shall undertake other appropriate measure.

4.2. Measures for the elimination of irregularities and illegalities

Conditions for prescribing measures

Article 162

The National Bank of Serbia shall order an insurance company to eliminate the illegalities and irregularities if it establishes that:
1) It ceases to fulfill one of the requirements for engagement in insurance activities;
2) It engages in activities not permitted according to this Law;
3) It acts contrary to the rules on keeping business books and business reports, internal audits and/or financial report audits;
4) It violates the obligation of providing the information and reporting to the National Bank of Serbia;
5) A management member or a member of the supervisory board does not meet the requirements determined by this Law;
6) It acts against the law, other regulations and general acts governing the insurance company’s business activities;
7) It acts contrary to insurance professional standards, sound business practices and business ethics towards its policyholders and other consumers of insurance products;
8) It does not meet other obligations regulated by the law.

The National Bank of Serbia prescribes the measures defined in paragraph 1 herein by a resolution, and sets the deadline within which the determined illegalities and irregularities must be eliminated.

Report on the implementation of measures

Article 163

An insurance company is obliged to, within the deadline defined in Article 162 paragraph 2 herein, eliminate the determined illegalities and irregularities and submit to the National Bank of Serbia a report on the implementation of the prescribed measures.

The report as defined in paragraph 1 herein is submitted with the documents and other evidence that illegalities and irregularities have been eliminated.
The National Bank of Serbia may, based on the report from paragraph 1 herein, perform another examination of the insurance company’s business activities to the extent necessary to establish if the illegalities and irregularities have been eliminated.

Should the report on the implementation of the measures for eliminating illegalities and irregularities be incomplete, the National Bank of Serbia may order the insurance company to supplement the report and define the deadline for submitting.

If, based on the report defined in paragraphs 1 and 4 herein, it is established that the illegalities and irregularities have not been eliminated, then the National Bank of Serbia should prescribe other measures according to the law.

4.3. Measures for breaching the rules on risk management

Article 164

If the National Bank of Serbia establishes that an insurance company is in violation of the risk management rules defined in Article 125 herein, it shall order special measures for the insurance company to provide:

1) Coinsurance and reinsurance for the excess of risk over the maximum self-insured retention;
2) Claim settlement and contracted sums and the fulfillment of other insurance obligations;
3) Prescribed amount of the initial capital;
4) Prescribed technical reserves;
5) Company’s liquidity;
6) Depositing and investing of technical reserves in the prescribed structure and amount;
7) Guarantee reserve;
8) Depositing and investing of guarantee reserves according to the prescribed structure and amount;
9) Solvency margin;
10) Other activities in order to fulfill the obligations as defined in items 1) to 9) of this paragraph as well as other obligations determined by this Law regarding risk management;

Regarding the insurance company, the National Bank of Serbia, in addition to the measures defined in paragraph 1 herein, may:

1) Prohibit concluding new insurance contracts for certain or all types of insurance or expanding the obligations undertaken;
2) Order the insurance company to cancel insurance, insurance brokerage and/or agency contracts if their further validity may cause damage to the company;
3) Limit the risk which it can take over in insurance;
4) Prohibit certain payments;
5) Prohibit transactions with certain shareholders, management members, members of the supervisory board, related entities or other legal entities;
6) Order the nomination of an advisor for the activities where the illegalities and irregularities have been determined;
7) Order changes in organization of the business activities;
8) Order collecting of the receivables;
9) Temporarily prohibit and/or limit the disposal of property;
10) Order the updating of the business books, list of property and obligations, adjustment of claims and obligations, evaluations of the balance and off-balance positions;
11) Order the improvement of the electronic data processing system;
12) Order the improvement of the organization and the method of internal audit;
13) Order other measures according to the law.

The National Bank of Serbia prescribes the measures defined in paragraphs 1 and 2 herein by a resolution, and determines the deadline within which the irregularities related to risk management must be eliminated.

The insurance company is obliged to eliminate the established irregularities within the prescribed time limit defined in paragraph 3 herein and submit to the National Bank of Serbia a report on implementing the prescribed measures.

The report defined in paragraph 4 herein is subject to Article 163 herein.

4.4. Transfer of the insurance portfolio

Article 165

When the National Bank of Serbia ascertains illegalities and irregularities in the activities of an insurance company that might jeopardize, or already have jeopardized its ability to meet the obligations arising from insurance activities, the National Bank of Serbia may order the company to transfer its insurance portfolio to another insurance company.

The transfer of the insurance portfolio is conducted according to the provisions of Articles 209 to 213 herein.

4.5. Assuming control of the business activities of an insurance company

Article 166

The National Bank of Serbia may assume the control of the business activities of an insurance company in the following cases:
1) The insurance company has failed to settle its obligations from the contracts on insurance or will not be able to settle the due obligations;
2) The funds of the insurance company are not sufficient to ensure adequate protection for the policyholders or creditors;
3) A portion of the assets on the books or records of the insurance company or a portion of the assets managed by the insurance company are not appropriately evaluated or presented;
4) The insurance company’s capital is at such a level or has been decreasing to such an extent that this might affect policyholders or creditors;
5) The insurance company presents false or illegal business results;
6) The insurance company fails to operate according to the directives of the National Bank of Serbia.

Assuming the control of business activities of an insurance company cannot exceed one year.
Resolution on assuming control of business activities of the insurance company

Article 167

The resolution of the National Bank of Serbia on assuming the control of business activities of an insurance company defines the assumption of the control over business activities of the company and includes name, family name and the social security number of the receiver as well as the period of the control over the business activities of the company.

By the resolution defined in paragraph 1 herein, two or more administrative managers may be nominated and will be deemed to be the receivers of the insurance company (hereinafter referred to as: receivers).

Authorities and responsibilities of the receivers

Article 168

Upon rendering the resolution of the National Bank of Serbia on assuming control of business activities of an insurance company, the authorities of the company’s management shall pass onto the receivers and the authorities of the other bodies shall be suspended.

The decisions within the authorities of the insurance company’s management are rendered by the receivers, upon the consent of the National Bank of Serbia.

The receiver shall undertake measures to ensure the re-achievement of the stability and liquidity of the insurance company.

Receiver’s reports

Article 169

The receiver shall, at least quarterly, report to the National Bank of Serbia on the financial status and business condition of the insurance company.

The receiver shall, within nine months from the nomination, submit to the National Bank of Serbia a report with an assessment of the economic stability of the insurance company and its future potential. The report shall include:

1) An estimate and a description of the consequences of undertaking the loss coverage of the insurance company by its shareholders;
2) The possibility of eliminating the uncovered loss of the insurance company;
3) The unreported expenditures that might affect the obligations of the insurance company;
4) An estimate of possible measures to eliminate the company’s illiquidity, with an assessment of the costs of its implementation;
5) An estimate of the reasons for initiating the liquidation and/or bankruptcy proceedings against the insurance company.
Initial capital increase in order to ensure the economic stability of an insurance company

Article 170

Should the National Bank of Serbia, based on the receiver’s report, estimate that, in order to ensure the solvency margin of the insurance company, and/or to eliminate the reasons for the company’s illiquidity or insolvency, it is necessary to appropriately increase the initial capital through new investments in monies, it may then order the receiver to summon a meeting of the shareholders’ general assembly and propose a rendering of the decision on initial capital increase.

The receiver shall announce the general assembly meeting to decide on the initial capital increase defined in paragraph 1 herein no later than eight days from the receipt of the order of the National Bank of Serbia.

When summoning the general assembly meeting, shareholders must be warned about the legal consequences defined in Article 169, paragraph 2, item 1) herein.

Assessment of the receiver’s results

Article 171

The National Bank of Serbia assesses the results of the receiver’s activities at least quarterly.

The National Bank of Serbia provides the final assessment of the results of the receiver’s activities no later than 60 days after receiving the report defined in Article 169 paragraph 2 herein.

Should the National Bank of Serbia estimate that the economic position of the insurance company has improved during the receivership, in such a way as to allow the company to reach the solvency margin defined in Article 122 herein and that the company regularly settles its due obligations, then it shall render a resolution on the termination of the receivership and the dismissal of the receiver.

Should the National Bank of Serbia estimate that during the receivership the economic position of the insurance company has not improved, in such a way as to allow the company to reach the solvency margin defined in Article 122 herein and/or that the company does is not able to regularly settle its due obligations, then it shall render a resolution on withdrawal of the license to engage in insurance activities and initiate liquidation and/or bankruptcy proceedings against the insurance company.

Termination of receivership

Article 172

The receivership of an insurance company shall terminate on the date:

1) When the insurance company receives the resolution on the termination of the receivership by the National Bank of Serbia;

2) After 12 months from the introduction of the receivership;

3) When the resolution on initiation of the liquidation and/or bankruptcy proceedings is rendered.
Registration of the Receiver

Article 173

The receiver is recorded in the register of the competent authority, according to the law.

Information about the receiver recorded in the register defined in paragraph 1 herein shall include information on the receiver, his/her dismissal and the termination of the receivership.

4.6. Withdrawing the license

Possible cases of withdrawal of the license to engage in insurance activities

Article 174

The National Bank of Serbia is entitled to withdraw from an insurance company the license to engage in certain types or all insurance activities if:

1) Irregularities and illegalities are ascertained and further engagement in insurance activities would jeopardize the interest of the policyholders and other consumers of insurance products;

2) The company concludes an insurance brokerage and agency contract with an insurance brokerage and/or agency company or insurance agent not licensed by the National Bank of Serbia;

3) The insurance company does not engage in its activities according to the rules of the insurance profession, sound business standards and business ethics;

4) Reasons for withdrawal of the approval of company acts and operations take place;

5) The company is engaged in its activities in such a way as to violate the policyholders’ and insurance consumers’ rights or the rights of the third parties that suffered damage and/or it does not pay claims or fulfill other obligations;

6) The company has presented false business information or information that might deceive policyholders, insurance product consumers and/or third parties that suffered damage;

7) The company is insolvent based on the report by the certified actuary and/or certified auditor;

8) The company adopts the financial statements and annual report and/or adopts the business policy acts without a prior discussing the opinion of the certified actuary;

9) The insurance company did not enable supervision in an appropriate manner;

10) The insurance company did not enable the certified auditor to perform the audit in an appropriate manner;

11) The insurance company did not provide the conduct of certified actuary activities in an appropriate manner;

12) The insurance company did not submit the reports, documents and other information in the manner and within the deadlines determined by this Law;
13) The insurance portfolio was transferred without the approval of the National Bank of Serbia;

14) The insurance company did not, within the prescribed deadline, implement the measures prescribed by the National Bank of Serbia and/or it did not eliminate the reasons for undertaking such measures;

15) The insurance company in other cases does not act according to this Law, other regulations and measures of the National Bank of Serbia.

The withdrawal of the license defined in paragraph 1 herein does not relieve the insurance company from settling its obligations under the concluded insurance contracts.

Withdrawal of a license for engaging in insurance activities

Article 175

The National Bank of Serbia shall withdraw the license for engaging in insurance activities:

1) If the license has been obtained on the grounds of false and inaccurate information;

2) If the insurance company ceases to meet the requirements for obtaining the license to engage in insurance activities;

3) If the number of shareholders of the joint stock insurance company and/or the number of members (policyholders) of the mutual insurance company has decreased below the number defined in Articles 26 and/or 65 herein and has not, within six months, increased up to the prescribed number;

4) If the insurance company engages in activities not licensed by the National Bank of Serbia except for the Article 25 herein;

5) If the insurance company does not maintain the initial capital at the prescribed amount, as defined in Article 28 herein;

6) If the insurance company has failed to set aside, accumulate and maintain technical reserves prescribed by the law;

7) If the insurance company does not ensure the safety of depositing and investment of the insurance assets and/or did not maintain their real value in accordance with Article 113 herein;

8) If the insurance company has failed to adopt or does not enforce the programme of measures to cover the loss and/or deficit according to Article 132 herein;

9) If the insurance company has failed to implement the measures as defined in Article 164 paragraph 1 herein in due time;

10) If the insurance company has failed to pay its contribution to the guarantee fund or does not fulfill the obligations based on the international insurance card or does not fulfill other obligations determined by the law or international contracts;

11) If the receivers have failed to provide the stability and liquidity of the company.

The withdrawal of the license as defined in paragraph 1 herein does not relieve the insurance company from its obligations based on the concluded insurance contracts.
Proposal to initiate liquidation and/or bankruptcy proceedings

Article 176

The National Bank of Serbia simultaneously with rendering the resolution on withdrawing the license to engage in insurance activities initiates the liquidation or bankruptcy proceedings of the insurance company.

The National Bank of Serbia shall specify the measure to prohibit the company to manage its assets until the bankruptcy and/or liquidation proceedings start, by a resolution on withdrawal of the license to engage in insurance activities.

Nomination of the bankruptcy receiver

Article 177

The bankruptcy receiver in the receivership of an insurance company is nominated upon the proposal of the National Bank of Serbia.

The bankruptcy receiver, in addition to the general conditions specified by the law regulating the receivership, must also fulfill the conditions defined in Article 39 paragraph 2 item 10) of this Law.

4.7. Temporary measures

Article 178

Provided that the National Bank of Serbia during the supervision over an insurance company determines that it is necessary to declare the temporary measure guaranteeing the protection of the policyholders’ or other insurance consumers’ interests or execution of the resolution on withdrawing the license it shall prescribe the measure.

The temporary measure defined in paragraph 1 herein can order the insurance company to do the following:

1) Not to conclude new insurance contracts or to expand the obligations under the concluded insurance contracts;

2) Not to manage its property without the approval of the National Bank of Serbia;

3) Not to implement the decisions of the management board and general assembly of the company without the approval of the National Bank of Serbia.

The temporary measure lasts until the reasons for its implementation expire but no longer than six months from the date of rendering therein.

4.8. Measures prescribed to management members, members of the supervisory board, key functionaries and qualified shareholders

Article 179

If the National Bank of Serbia, while engaging in supervision, discovers that a member of management or a member of the supervisory board, key functionary and qualified shareholder deliberately or repeatedly violates the provisions of the law and other
regulations and general acts and thus causes material damage to the company or illegally gains property or undertakes an operation which is deemed to be bad business practice, and continues to do so after the written warning of the National Bank of Serbia, the National Bank of Serbia can propose to the insurance company to undertake appropriate measures against that person.

In the cases defined in paragraph 1 herein the National Bank of Serbia may propose:

1) Dismissal and/or termination of employment for the person in the insurance company;
2) Temporal prohibition to engage in insurance activities, until rendering the decision by the competent authority;
3) Prohibition for the person to exercise his/her voting rights regarding shares of the insurance company;
4) The person to compensate the insurance company for the damage caused by such illegal actions.

If there are ongoing criminal proceedings for activities defined in paragraph 1 herein against a member of management or the supervisory board, key functionary and qualified shareholder of the insurance company, the National Bank of Serbia may propose the suspension of such a person from the position in the insurance company and the suspension of voting rights on the grounds of shares in the company’s capital, until the criminal proceedings are over.

If a person is suspended or if his/her employment in the insurance company is terminated subject to the measure of the National Bank of Serbia defined in paragraphs 1 and 2 herein, such person shall not be entitled to be a member of management and/or of the supervisory board nor be entitled to participate in the activities of an entity related to the insurance company, in the course of five years from the date of prescribing the measure.

4.9. Application of the provisions for conducting the supervision

Article 180

The provisions of this Law regarding the procedure and supervision conducted by the National Bank of Serbia shall also apply to the insurance brokerage companies, insurance agencies and/or agents, and agencies for providing other insurance services, companies and other legal entities which have a department with the special purpose of providing other services in insurance as well as to the legal entities which conduct brokerage and agency activities according to the separate law.

VIII. ACTUARY ACTIVITIES AND AUDITING

1. Actuary activities

Certified actuary

Article 181

According to this Law, certified actuaries perform actuary activities.
A certified actuary is a person licensed by the National Bank of Serbia to conduct actuarial activities.

The National Bank of Serbia determines terms and conditions for acquiring the title of certified actuary.

The general manager of the insurance company nominates the certified actuary.
Tasks of the certified actuary

Article 182

A certified actuary gives opinions on:
1) The method of calculation of premium tariffs;
2) Whether the technical reserves are formed in accordance with this Law;
3) The business policy acts in the process of their rendering, and/or in the process of amending and implementation of the business policy acts;
4) Financial statements and annual report of the company;
5) Report on carrying out the policy of coinsurance and reinsurance;
6) Whether the mathematical reserve is calculated according to the law;
7) Insurance portfolio transfer;

The certified actuary calculates the solvency margin, and/or gives opinion on the solvency margin, and conducts other actuarial activities according to the law.

The insurance company’s competent authorities are obliged to discuss the opinion of the certified actuary when rendering and/or establishing the regulations as defined in paragraph 1 herein.

The opinion of the certified actuary is submitted to the internal audit and the supervisory board of the company.

The content of the authorized actuary’s opinion is determined by the National Bank of Serbia.

Independence of the certified actuary

Article 183

The certified actuary is independent in conducting his/her activities.

The certified actuary conducts his/her activities according to the law, the actuarial profession, sound business practices and business ethics.

Measures to eliminate irregularities

Article 184

If the authorized actuary ascertains irregularities in insurance activities, he/she is obliged to propose to the management and supervisory board of the company measures to eliminate the established irregularities.

Obligations of the insurance company

Article 185

The insurance company is obliged to ensure that the certified actuary has permanent and undisturbed access to the information on business activities, which are necessary to
In the event of discrepancy between the original Serbian Insurance law and the English translation, the Serbian version will prevail.

Principle of incompatibility

Article 186

An individual acting in the capacity of a member of management and/or of the supervisory board and internal auditor in the insurance company, is not entitled to be nominated as the certified actuary.

Supervision over the certified actuary’s activities

Article 187

The National Bank of Serbia supervises the certified actuary’s activities.
If the certified actuary conducting the activities within his/her scope of competence fails to meet the obligations provided herein, the National Bank of Serbia is entitled to announce the following measures:
1) Warning measure;
2) Withdrawal of the certificate.

Warning measure

Article 188

The National Bank of Serbia may announce the warning measure to the certified actuary if he/she violates the provisions in paragraph 2, Article 183 herein.

Withdrawal of the certification

Article 189

The National Bank of Serbia may withdraw the certification for engagement in activities of a certified actuary in the following cases:
1) If the certificate has been granted on the grounds of false and inaccurate information;
2) If the certified actuary has been unconditionally sentenced for criminal acts unworthy of the conduct of actuarial activities;
3) If the certified actuary has severely violated, despite the warning measure, the provisions defined in Article 183 paragraph 2 herein.

Nomination of a new certified actuary

Article 190

If, following the nomination of a certified actuary, the National Bank of Serbia withdraws the certificate from the nominated person, and/or if circumstances defined in Article 186 herein occur regarding the nominated person, the general manager of the
insurance company shall nominate a new certified actuary within 30 days from the date of receipt of the resolution on cancellation of the certificate for engagement in activities of a certified actuary and/or the date of occurrence of the circumstances defined in Article 186 herein.

In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.

**Informing the National Bank of Serbia of the rejection of the certified actuary’s opinion**

Article 191

If a competent authority of the insurance company does not accept the opinion of the certified actuary, the insurance company is then obliged to inform the National Bank of Serbia therein within 15 days, and provide the reasons for the rejection of the certified actuary’s opinion by the authority.

In the case defined in paragraph 1 herein, the National Bank of Serbia may render a resolution announcing undertaking of appropriate measures.

**Reconsideration of the certified actuary’s opinion**

Article 192

If a certified auditor establishes that the financial statements of the insurance company do not present the true and actual status of the assets as well as the results of business activities, the insurance company shall within five days submit the report to the certified actuary who provided the opinion on the insurance company financial statements.

The certified actuary shall reconsider the opinion within 30 days from the date of submitting the report defined in paragraph 1 herein and inform the competent authority of the insurance company that had endorsed the financial statement.

**Reconsideration of the certified auditor’s report**

Article 193

If the certified actuary does not approve of the report on the performed audit, the insurance company shall, within seven days from the date of receipt of the certified actuary’s opinion, inform the National Bank of Serbia accordingly.

**Measures of the National Bank of Serbia**

Article 194

The National Bank of Serbia may approve the certified actuary’s opinion or the auditor’s report or have its own opinion and inform the insurance company accordingly.

The National Bank of Serbia renders a resolution ordering the insurance company to eliminate the established irregularities and the insurance company shall act accordingly and inform the National Bank of Serbia therein in writing within 30 days from the date of the rendering of the resolution.

ln the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.
Examination of the certified actuary’s opinion

Article 195

The National Bank of Serbia may, while supervising, request an examination of the certified actuary’s opinion by the certified actuary it appoints, should there be reasons to doubt the accuracy of the certified actuary’s opinion.

The cost of the procedure defined in paragraph 1 herein is covered by the insurance company except for the case when the certified actuary appointed by the National Bank of Serbia confirms the accuracy of the certified actuary’s opinion appointed by the insurance company, in which case the National Bank of Serbia shall cover the costs.

2. Auditing

Conduct of auditing activities

Article 196

The audit of the financial statements of the insurance company is conducted according to the law governing auditing of financial statements, unless otherwise provided herein.

The National Bank of Serbia defines the content of the audit report of the financial statements of the insurance company.

Information on the auditor’s nomination

Article 197

The insurance company shall inform the National Bank of Serbia of its choice of the auditor within seven days from the date of the nomination.

The National Bank of Serbia approves of the nomination of the auditor in the course of seven days from the date of receipt of the information defined in paragraph 1 of this Article.

Additional clarifications provided by the auditor

Article 198

The National Bank of Serbia may request the auditor to provide additional clarifications on the audit he/she conducted.

Examination of the certified audit’s report

Article 199

The National Bank of Serbia may, while performing supervision, request an examination of the certified auditor’s opinion by a certified auditor it appoints, should there be reasons to doubt the accuracy of the certified auditor’s opinion.

The cost of the procedure defined in paragraph 1 herein is covered by the insurance company except for the case when the certified auditor appointed by the National Bank of Serbia confirms the accuracy of the certified auditor’s opinion appointed by the insurance company, in which case the National Bank of Serbia shall cover the costs.
Serbia confirms the accuracy of the certified auditor appointed by the insurance company, in which case the National Bank of Serbia shall cover the costs.

**In the event of discrepancy between the original serbian Insurance law and the english translation, the serbian version will prevail.**

**Informing the authority competent for supervising the activities of an audit company**

**Article 200**

The National Bank of Serbia shall inform the authority competent for supervision over audit companies of determined omissions and irregularities in the report on performed audit and in the certified auditor’s activities on the occasion of auditing within the insurance company.

The National Bank of Serbia specifically informs the authority defined in paragraph 1 herein on audit companies that provided auditing services to the insurance companies deprived of their license by the National Bank of Serbia as well as of the reasons for withdrawing the license.

**Financial statement and a short version of the financial statement**

**Article 201**

The insurance companies submit the financial statements, together with the certified audit’s opinion, to the National Bank of Serbia.

Together with the statement defined in paragraph 1 herein, the insurance company shall submit the short version of the financial statement which shall be published by the National Bank of Serbia.

**IX. TERMINATION OF INSURANCE COMPANIES AND INSURANCE BROKERAGE AND AGENCY COMPANIES AND AGENCIES FOR PROVIDING OTHER INSURANCE SERVICES**

**Reasons for termination**

**Article 202**

In case of the termination of an insurance company, insurance brokerage and agency companies, and agencies for providing other insurance services, the law governing the legal status of companies is applied, if not otherwise provided herein.

A joint stock insurance company is terminated if the number of shareholders is reduced to one, and within six months no new shareholders are registered at the authority which keeps records, and the mutual insurance company - if the number of members (policyholders) is reduced to a number below the number defined in Article 65 herein, and is not increased up to the number within six months.

An insurance company defined in paragraph 1 herein is terminated by being cancelled from the register.

The resolution on cancellation of an insurance company from the register is announced in the “Official Gazette of the Republic of Serbia” and in the general media.
Termination of the insurance company which is engaged in life insurance activities

Article 203

If a resolution on the initiation of liquidation and/or bankruptcy proceedings over an insurance company which is engaged in life insurance activities has been rendered, its life insurance contracts and assets are transferred to other insurance companies if they agree to accept them. In cases defined in paragraph 1 herein, the obligations towards the policyholders remain unchanged.

Reduction of the contracted insured amounts

Article 204

If the life insurance contracts and the assets are not accepted by other insurance companies according to this Law, policyholders establish a board that undertakes preparatory actions for transferring the life insurance contracts and the assets to other insurance companies with a reduction of the insured amounts. In order to attain the reduction of the contracted insured amounts, the board defined in paragraph 1 herein shall seek the certified actuary's opinion and inform the National Bank of Serbia accordingly.

Proceedings suspension

Article 205

The liquidation and/or bankruptcy proceedings are suspended until the proceedings defined in Articles 203 and 204 herein are complete.

Order of settlement from the bankrupt estate

Article 206

The obligations of the insurance company are settled from the bankrupt estate in the following order:

1) Claims under the costs of the bankruptcy proceedings;
2) Creditors' claims under the life insurance and reinsurance contracts up to the amount of the obligations defined in the funds of the mathematical reserve defined in Article 111 herein;
3) Creditors' claims under the contracts on accident insurance;
4) Creditors' claims under the contracts on insurance against other types of insurance and under reinsurance contracts;

Upon settlement of claims defined in paragraph 1 herein, the remaining part of the bankrupt estate of the bankrupt creditors shall be settled according to the sequence of settlement in reference to the law which governs bankruptcy.
Special rule for liquidation of a mutual insurance company

Article 207

In the case of the liquidation of a mutual insurance company, the property therein shall be used for the return of the investments to the founders and division among the members (the policyholders) in proportion to their respective contributions, paid during the last three years.

Application of the law on liquidation and bankruptcy proceedings

Article 208

The liquidation and bankruptcy proceedings against the insurance companies, brokerage companies and insurance agencies and agencies for providing other services in insurance, are governed by the provisions of the law governing liquidation and bankruptcy, if not otherwise provided herein.

X. TRANSFER OF THE INSURANCE PORTFOLIO

Application for the approval of the transfer of the insurance portfolio

Article 209

The insurance company may, upon obtaining the approval of the National Bank of Serbia, transfer the entire insurance portfolio or a portion of it to one or more insurance companies licensed to engage in insurance activities covered by the transferred insurance portfolio, with their consent.

The following documents are attached to the application submitted to the National Bank of Serbia for the transfer of the insurance portfolio:

1) A contract on the transfer of the insurance portfolio which must contain the established type and amount of the technical reserves which are, together with the portfolio, renounced to the insurance company which takes over the portfolio, as well as the deadline for the transfer of the portfolio;
2) A list of insurance contracts to be transferred divided into the different, with general terms and conditions for the particular insurance;
3) An explanation of the reasons for the transfer of the insurance portfolio and the declaration on the expected effects of the transfer of the portfolio;
4) An amendment to the business plan of the insurance company to which the insurance portfolio is transferred which is necessary for the transfer of the portfolio;
5) A report on the financial business of the company transferring the insurance portfolio and of the insurance company to which the portfolio is transferred, together with the opinion of the certified actuary;
6) The certified actuary’s opinion on the transfer of the insurance portfolio.

No approval of the policyholders is necessary for the transfer of the insurance portfolio.
Deciding on the application for obtaining the approval for transfer of an insurance portfolio

Article 210

The National Bank of Serbia shall decide by a resolution on the application specified in Article 209 paragraph 2 herein within 60 days from the date of receipt of the application. The resolution from paragraph 1 herein is published in the “Official Gazette of the Republic of Serbia”.

The transfer of the insurance portfolio is effective on the date of rendering the resolution approving the transfer of the insurance portfolio. The insurance portfolio cannot be transferred to the insurance company taking it prior to the expiry of the terms defined in paragraph 1 herein.

By the resolution on granting approval for transfer of the insurance portfolio, the National Bank of Serbia also decides on the change of the license for engaging in insurance activities for the insurance company which is transferring the portfolio.

Obligations of the company during the insurance portfolio transfer procedure

Article 211

The insurance company which transferred the insurance portfolio shall, within 15 days from the receipt of the resolution approving the insurance portfolio transfer, inform the contracting parties whose insurance contracts are included in the insurance portfolio transfer, inform the contracting parties whose insurance contracts are included in the insurance portfolio transfer, directly in writing or by other media, of the name and address of the insurance company that took over the insurance portfolio and of the date by which the insurance portfolio transfer must be finished.

The policyholder is entitled to terminate the contract in writing, by informing the insurance company that took over the portfolio within 30 days from the date of receipt of the notice as defined in paragraph 1 herein.

Non-life policyholders, in the case defined in paragraph 2 herein, are entitled to the portion of the premium equivalent to the remaining period of insurance, whereas life insurance policyholders are entitled to the amount of the mathematical reserve calculated on the date of the transfer of the insurance portfolio, provided the life insurance funds are sufficient to cover the amount or up to such amount reduced in proportion to the reduction of life insurance funds.

Rejection of an application for approval of the insurance portfolio transfer

Article 212

The National Bank of Serbia may reject the application for approval of an insurance portfolio transfer if it estimates that such transfer would jeopardize the capacity of the company taking over the insurance portfolio to meet the obligations arising from the insurance contracts being the subject of the insurance portfolio transfer, or if the liquidity and solvency of the company transferring the insurance portfolio would be jeopardized by the portfolio transfer.
Legal consequences of the insurance portfolio transfer

Article 213

On the date of the insurance portfolio transfer, the insurance company which took over the portfolio becomes a party to the insurance contracts transferred to it by the portfolio transfer and takes over all rights and obligations thereunder, and the company transferring the portfolio is relieved from its obligations towards policyholders.

A transfer of the insurance portfolio which was not approved by the National Bank of Serbia has no legal effect.

XI. STATUTORY CHANGES OF AN INSURANCE COMPANY, ORGANIZATIONAL CHANGES AND INSURANCE COMPANY ASSOCIATIONS

Types of statutory changes

Article 214

An insurance company may merge with another insurance company, or split into two or more insurance companies solely upon the approval of the National Bank of Serbia.

Insurance brokerage companies, and/or insurance agencies or agencies providing other insurance services can merge with other brokerage companies, and/or insurance agencies or agencies providing other insurance services or split into two or more brokerage companies, and/or insurance agencies or agencies providing other insurance services, solely upon the approval of the National Bank of Serbia.

Application of the provisions on incorporation of an insurance company, insurance brokerage company, insurance agency and agency providing other insurance services

Article 215

Statutory changes of the insurance companies specified in Article 214 are governed by the provisions of this Law regarding the incorporation of such companies.

Organizational changes

Article 216

Insurance companies, brokerage companies, and/or insurance agencies and agencies providing other insurance services may change their organizational form solely upon the approval of the National Bank of Serbia, in accordance to the law.
Special regulations for mutual insurance companies

Article 217

A mutual insurance company can change its organizational form to joint stock insurance company provided it meets the requirements for such incorporation, according to the law.

The organizational form change of the mutual insurance company to joint stock insurance company is governed by the provisions of the law which regulates legal status of enterprises regarding the organizational form change unless otherwise provided herein.

The general assembly of the company renders the decision on the form change of the mutual insurance company.

The decision defined in paragraph 3 herein is rendered by a three-quarter-majority from the total number of the present general assembly’s members, provided no larger qualified majority is determined by the Articles of Association of the mutual insurance company.

A mutual insurance company’s management is obliged to, together with the invitation to the general assembly’s meeting, submit to all general assembly members the draft decision on the organizational form change with the explanation of their right to object to the organizational form change and the information on legal consequences of such an objection.

Each member of the mutual insurance general assembly can, at the latest three days prior to the date determined for the meeting, submit a written objection to the form change.

The National Bank of Serbia approves the decision on the change of form of the mutual insurance company.

The National Bank of Serbia rejects the approval if it determines that the organizational form change of a mutual insurance company may jeopardize the members’ interests.

Decision on form change of a mutual insurance company

Article 218

The decision on the organizational form change of a mutual insurance company includes the nominal amount of initial capital, share amount and the method of determining the individual contribution of some members in the capital and other elements from the incorporation act of the joint stock insurance company.

The nominal amount of the initial capital cannot exceed the value of the assets of the mutual insurance company, reduced by the liabilities of the company on the date of calculation.

If the decision defined in paragraph 1 herein does not specify otherwise, all mutual insurance company members participate in the nominal capital of the joint stock insurance company.

The participation of an individual mutual insurance company member in the joint stock insurance company capital, provided members do not participate with the same amount, can be determined on the basis of the insured amounts, the amount of contributions (premiums) and the amount of required coverage in case of life insurance, criteria for allocation of surplus, and period of membership in the company.

Each mutual insurance company member objecting to the decision on form change is entitled to a refund of his/her participation in the capital.
Application of the provisions on incorporation of an insurance company, an insurance brokerage company, an insurance agency and an agency providing other insurance services

Article 219

Organizational form changes of the companies defined in Article 216 herein are regulated by the provisions of this Law regarding the incorporation of such companies.

Associations of insurance companies

Article 220

Insurance companies can join insurance company associations. The associations as defined in paragraph 1 herein operate according to the law determining the legal status of a company.

XII. PENALTIES

1. Criminal offense

Obstruction of supervision

Article 221

Authorized persons in an insurance company, insurance brokerage company, insurance agencies, agencies providing other insurance services, companies or other legal entities with a special purpose department, or a legal entity which conducts insurance brokerage and agency activities in accordance with a special law, as well as insurance agents, that submit to the National Bank of Serbia untrue and false information significant to the supervision, obstruct the supervision activities or do not act within the prescribed time periods according to the resolution of the National Bank of Serbia by which appropriate measures are prescribed, shall be sentenced for a criminal offense from three months to five years of imprisonment.

Unauthorized engagement in insurance activities

Article 222

Authorized persons in an insurance companies, insurance brokerage companies, insurance agencies, agencies providing other insurance services, enterprises or other legal entities with a special purpose department for providing other insurance services as well as insurance agents, who engage in insurance activities without being licensed by the National Bank of Serbia, shall be sentenced for a criminal offense from three to six years of imprisonment.
False opinions and reports

Article 223

Certified actuaries or certified auditors, who, against the provisions of this Law, give a false opinion and/or report, shall be sentenced for a criminal offense from one to three years of imprisonment.

False assessment

Article 224

Authorized persons in an insurance company, insurance brokerage company, insurance agencies, agencies providing other insurance services, enterprises or other legal entities with special purpose departments for providing other insurance services, as well as insurance agents, who on the occasion of risk and claims assessment give a false assessment and statement shall be sentenced for a criminal offense of up to three years of imprisonment, or shall be charged a penalty fee.

2. Offences

Article 225

A penalty fee in the amount of 100,000 to 1,000,000 CSD shall be charged to the insurance company, reinsurance company, insurance brokerage company, insurance agency, agency providing other insurance services, enterprises or other legal entities with a special purpose department for providing other insurance services or a legal entity which conducts insurance brokerage and agency activities in accordance to a special law:

1) If it does not reinsure the obligations from the insurance contract over the self insured retention and/or does not retain a portion of the risk in self insured retention (Article 15 paragraph 1 item 3);
2) If it conducts insurance brokerage and agency activities without being previously registered by the National Bank of Serbia (Article 24, paragraph 2);
3) If it has a cross-ownership of shares in capital or voting rights with another joint stock insurance company, joint stock reinsurance company, insurance brokerage company, insurance agency, agency providing other insurance services, enterprise or other legal entity with a special purpose department for providing other insurance services (Article 31);
4) If it gains the qualified share in an insurance company without the approval of the National Bank of Serbia, and/or if it does not inform the National Bank of Serbia of a decrease in ownership in the company’s capital (Article 32);
5) If it does not submit or does not promptly submit the register to the National Bank of Serbia (Article 42 paragraph 3, article 71, Article 80 paragraph 3, Article 99 and Article 105);
6) If it nominates members of the management and members of the supervisory board without the approval of the National Bank of Serbia (Article 48 paragraph 1);
7) If it enables members of management or of the supervisory board to continue with the function after the National Bank of Serbia has withdrawn the approval of the nomination, and/or if it does not dismiss the member, and/or members of the
management or of the supervisory board when ordered to do so by the National Bank of Serbia and if it does not nominate new ones (Article 49, paragraphs 1 and 2)

8) If it does not seek the approval of the National Bank of Serbia on the draft decision to change the name and address (Article 57 paragraph 1)

9) If it does not seek the approval of the National Bank of Serbia for the investment providing the direct or indirect qualified share in another entity, as well as for any further investments in such a legal entity (Article 59 paragraph 1);

10) If it does not inform policyholders of all legal and economic relationships with the insurance company which may affect the impartiality of the insurance brokerage company in fulfilling its obligations towards policyholders (Article 85 paragraph 1);

11) If it does not keep the agency contract in its office (Article 96 paragraph 1);

12) If it does not pay and/or deliver financial resources and other instruments of payment and collateral (Article 97, paragraph 1)

13) If it does not calculate technical reserves or does not calculate them as prescribed (Article 107);

14) If it does not deposit or invest technical reserves according to the prescribed methodology and does not inform the National Bank of Serbia of that within a specified time period (Articles 113 to 115);

15) If it does not deposit or invest the guarantee reserves according to the prescribed methodology and does not inform the National Bank of Serbia of that within a specified time period (Articles 117 and 118);

16) If it does not invest and deposit insurance assets according to the prescribed methodology (Article 119);

17) If it does not calculate the solvency margin according to the prescribed methodology and does not maintain it in the prescribed amount (Articles 120 to 122);

18) If it does not enact the programme of measures to equalize the guarantee reserves and solvency margin and/or does not submit it to the National Bank of Serbia within the prescribed time periods (article 124);

19) If it does not inform the National Bank of Serbia of loss and/or deficit and does not submit the programme for loss and/or deficit coverage to the National Bank of Serbia within the prescribed time periods (Article 132 paragraph 2);

20) If it does not calculate the profit and/or surplus, and loss and/or deficit according to the prescribed methodology (Article 133);

21) If it does not organize internal auditing according to the prescribed methodology (Articles 135 and 136);

22) If it does not report to the National Bank of Serbia in accordance with the prescribed methods or time periods (Articles 156 to 160);

23) If it does not eliminate established illegalities and irregularities within the prescribed deadline and does not inform the National Bank of Serbia of the matter within the prescribed time period (Articles 162 and 163);

24) If it does not implement the resolution of the National Bank of Serbia on temporary measure (Article 178);

25) If it does not provide to the certified actuary constant and unobstructed access to business information necessary to conduct the actuarial activities and which the certified actuary requests (Article 185);
26) If it does not inform or does not promptly inform the National Bank of Serbia that its competent authority did not adopt the opinion of the certified actuary (Article 191 paragraph 1);

27) If it does not submit the report of the certified auditor to the certified actuary or if it does not submit the report within the prescribed time period (Article 192 paragraph 1);

28) If it does not inform the National Bank of Serbia that the certified actuary did not accept the opinion of the certified auditor (Article 193);

29) If it does not inform the National Bank of Serbia, within the prescribed time period, on the nomination of the auditor (Article 197 paragraph 1);

30) If it does not submit the financial statement or the short version of the financial statement (Article 201);

31) If it did not start the process of life insurance contracts transfer to another insurance company (Article 203);

32) If, without the consent of the National Bank of Serbia, it transfers the insurance portfolio or a portion of the insurance portfolio to another insurance company (Article 209 paragraph 1);

33) If it does not inform the insurance policyholders of the insurance portfolio transfer in accordance with the prescribed methodology and time period (Article 211 paragraph 1);

34) If it does not obtain the consent of the National Bank of Serbia to change the organizational form of the company and/or the agency (Article 216);

The authorized person in the legal entity shall be fined from 10,000 to 50,000 CSD for each of the offenses defined in paragraph 1 herein.

Article 226

A penalty fee in the amount of 10,000 to 50,000 CSD shall be charged:

1) To the member of management of the insurance joint stock company if he/she does not inform the supervisory board or the National Bank of Serbia within the prescribed time period of the prescribed information (Article 52 paragraph 3);

2) To the member of the supervisory board of the joint stock insurance company if he/she does not inform the National Bank of Serbia within the prescribed time period with the prescribed information (Article 54 paragraph 1);

3) To the insurance agent if he/she does not submit to the National Bank of Serbia or does not promptly submit the resolution on registering with the competent management authority (Article 94 paragraph 3) and/or if within the prescribed time period it does not pay and/or deliver financial resources and other instruments of payment and collateral (Article 97, paragraph 1);

4) The person engaged in the activities of internal auditing if he/she does not conduct the internal auditing according to the prescribed methodology (Article 138 paragraph 5);

5) The receiver if the receivership does not submit the report to the National Bank of Serbia or does not submit it promptly (Article 169);

6) The receiver if the receivership does not summon or does not summon promptly the general assembly of the insurance company (Article 170 paragraph 2);

7) The certified actuary if he/she does not propose to the management or the supervisory board of the insurance company the measures to eliminate the determined irregularities (Article 184) or does not review his/her opinion or does not do so within the prescribed period or does not inform the competent authority of the
insurance company which adopted the financial report of his/her opinion (Article 192 paragraph 2):
8) The general manager of the joint stock insurance company if he/she does not inform the National Bank of Serbia of the circumstances defined in Article 52 paragraph 2 herein or does not nominate the certified actuary or a new certified actuary in the prescribed time period (Article 181 paragraph 4 and Article 190).

Article 227

A penalty fee in the amount of 10,000 to 50,000 CSD shall be charged to the legal entity for the offense of using the term “insurance” or the term derived from the term “insurance” in the name of the company and/or in the name of its products or service in breach of the terms defined in this Law (Article 19).
An contractor using the term “insurance” or a term derived from the term “insurance” in the name of the company and/or in the name of its product or service in breach of the terms defined in this Law shall be charged for the offense (Article 19).

XIII. FINAL REGULATIONS

The National Bank of Serbia

Article 228

The National Bank of Serbia shall employ the personnel from the ministry competent for finance (hereinafter: Ministry) who were in charge of the property and personal insurance business in the Ministry on the effective date of this Law, and it shall take over the equipment, archives and other documents and office supplies used in conducting insurance business.

Current insurance companies and other legal entities

Article 229

Insurance companies, reinsurance companies, and agencies providing other insurance services and other legal entities with special purpose departments for providing other insurance services established by the effective date of this Law shall continue to operate according to the methodology and conditions from their registration and they shall continue to engage in the activities they were licensed for by the competent federal authority competent for finance.

The insurance companies and other organizations defined in paragraph 1 herein must organize and adjust their Articles of Association and other general regulations and business policy acts according to the provisions of this Law within one year as of the effective date of this Law, if the deadlines for the adjustment are not otherwise regulated.

The entities defined in paragraph 2 of this Article are obliged to submit to the National Bank of Serbia the documents defined in the paragraph within 15 days from the date of their adoption.
Approval for the position of a member of the management and of the supervisory board

Article 230

The members of management and of the supervisory board of the insurance companies and other entities defined in Article 229 paragraph 1 herein must obtain approval to engage in the activities of members of the management and/or of the supervisory board, according to the provision of this Law, within one year from the effective date of this Law.

Harmonizing the license to engage in insurance, brokerage and agency activities

Article 231

Insurance companies and other entities defined in Article 229 paragraph 1 herein must, prior to changing the registration information, submit to the National Bank of Serbia evidence that the conditions prescribed by this Law have been fulfilled regarding the issues of the harmonization of the organization, Articles of Association and other general regulations and business policy acts with this Law.

The National Bank of Serbia shall render a resolution stating whether the conditions on the incorporation of the entities as defined in paragraph 1 herein have been fulfilled as prescribed by this Law, within 60 days from the date of receiving the necessary documents.

Special purpose department for providing other insurance services

Article 232

Companies and other entities with a special purpose department for providing other insurance services defined in Article 43 of the Property and Personal Insurance Law (Official Gazette FRY no. 30/96, 57/98, 53/99 and 55/99) must harmonize their status, organization and regulations within the provisions of this Law within one year from the effective date of this Law.

If the entities defined in paragraph 1 herein do not act according to the provision defined in that paragraph, their license for engagement in providing other insurance activities shall be withdrawn.

In cases defined in paragraph 2 herein, the National Bank of Serbia shall propose the elimination of such activities from the registration of the entities.

Pecuniary portion of initial capital

Article 233

Insurance and reinsurance companies and other entities defined in Article 229 herein incorporated prior to the effective date of this Law are obliged to provide the pecuniary portion of the initial capital as defined in Articles 28, 76, 91, 102 and 104 herein and according to the following method; two thirds in the course of six months from the effective date of this Law and the total prescribed amount by December 31st, 2005.

Insurance companies and other entities as defined in paragraph 1 herein are obliged to, prior to registering the change in the initial capital, submit to the National Bank of Serbia
evidence of fulfilling the conditions determined by this Law regarding the pecuniary portion of the initial capital and its structure.

Based on the documents submitted by the entities as defined in paragraph 1 herein, the National Bank of Serbia is obliged to evaluate whether the conditions determined by this Law have been fulfilled in the course of 30 days from the date of receipt of the necessary documents.

Separation of life and non-life insurance

Article 234

Insurance companies which on the effective date of this Law possess a license to engage in insurance activities are obliged to perform appropriate changes in their status and business activities by December 31st, 2005 according to Article 14 of this Law.

Insurance organizations and/or companies shall submit to the National Bank of Serbia within the time frame defined in paragraph 1 herein the evidence of the separation of life and non-life insurance activities.

Based on the evidence defined in paragraph 2 herein the National Bank of Serbia must evaluate whether the conditions prescribed by this Law have been fulfilled within 30 days from the date of receipt of the evidence.

Separation of insurance and reinsurance

Article 235

Insurance companies which on the effective date of this Law possess a license to engage in reinsurance activities must separate insurance and reinsurance activities by December 31st, 2005.

Insurance and/or reinsurance companies shall submit evidence of the separation of insurance and reinsurance activities to the National Bank of Serbia within the time limit defined in paragraph 1 herein.

Based on the documents submitted by the entities defined in paragraph 2 herein the National Bank of Serbia shall evaluate whether the conditions prescribed by this Law have been fulfilled within 30 days from the date of receipt of the evidence.

Engaging in health and pension insurance activities

Article 236

Insurance organizations that were licensed to engage in health and pension insurance activities up to the effective date of this Law will continue to act according to the provisions of this Law up to the implementation of the special law governing the voluntary pension and disability insurance and/or voluntary health insurance.
Obligation of harmonizing assets and activities

Article 237

Insurance companies shall harmonize their activities with the provisions of Articles 30 to 33 of this Law by December 31st, 2004 and/or with the provisions of Articles 114 to 118, 120 and 122 herein by December 31st 2005.

Insurance companies shall submit to the National Bank of Serbia the evidence of the harmonization of assets and activities within the time limit as defined in paragraph 1 herein.

Based on the evidence defined in paragraph 2 herein the National Bank of Serbia must evaluate whether the conditions prescribed by this Law have been fulfilled within 30 days from the date of receipt of the evidence.

Withdrawing the license

Article 238

If an insurance company and other entities defined in Article 229 herein do not abide by the provisions defined in Articles 229 to 237 herein, their license shall be withdrawn.

In the case defined in paragraph 1 herein, entities defined in Article 229 herein, except for the legal entities which have a special department for providing other insurance services, cease to operate, and then the competent court, after liquidation proceedings are complete, shall delete them from the register.

Deadline for rendering regulations to implement this Law

Article 239

The regulations to implement this Law shall be adopted in the course of six months from the effective date of this Law except for the regulation defined in Article 39 herein that shall be adopted within 60 days from the effective date of this Law.

Until the rendering of the regulations as defined in paragraph 1 herein, the regulations rendered according to the Property and Personal Insurance Law (“FRY Official Gazette” No. 30/96, 57/98, 53/99 and 55/99) except for the provisions contradictory to the provisions of this Law shall be in effect.

Until the adoption of the regulations as defined in Article 134 paragraphs 2 and 3 herein, the following regulations shall be applied:

1) Regulation on Chart of Accounts and Contents of the Accounts within the Chart of Accounts for Insurance Organizations (“FRY Official Gazette”, No. 19/97);
2) Regulation on Forms and Contents of Items in the Balance Sheet and Income Statement Forms for Insurance Organizations (“FRY Official Gazette”, No. 19/97);
3) Regulation on Report on Distribution of Results and Covering the Loss (FRY Official Gazette”, No. 5/02);
4) Regulation on Additional Accounting Report – Annex (“FRY Official Gazette”, No. 28/97, 3/98 and 5/02);
5) Regulation on Form and Contents of Items in the Cash Flow Balance Form for Insurance Organizations (“FRY Official Gazette”, No. 64/98)
**Certified actuaries**

Article 240

Persons licensed as certified actuaries prior to the effective date of this Law and according to the provisions and regulations effective at the time shall be considered certified actuaries according to the provisions of this Law.

**Certified brokers and certified agents**

Article 241

Upon the request and submitted evidence by persons with at least three years of experience as brokers and agents in insurance prior to the implementation of this Law, the National Bank of Serbia shall, based on their request and submitted evidence, approve the certifications for certified brokers and/or certified agents in insurance and register them on the list of certified insurance brokers and/or agents.

The requests defined in paragraph 1 herein can be submitted within one year from the effective date of this Law.

Apart from the conditions defined in paragraph 1 herein, the persons who are certified as brokers and agents in insurance must fulfill the conditions defined in Articles 82 and 95 herein.

Upon the request from the persons defined in paragraph 1 herein, insurance organizations and agencies providing other insurance activities and other legal entities shall issue the relevant certificates proving work experience with the appropriate documents on activities regarding the conclusion of insurance contracts, claim settlements and other insurance activities and/or activities directly related to insurance contract conclusions and executions.

**Commenced procedures**

Article 242

Commenced procedures for licenses and approvals prior to the effective date of this Law shall be completed according to the provisions of this Law.

**Privatization of insurance companies**

Article 243

The procedure for privatization of socially owned capital in insurance companies, besides the entities defined by the regulations which regulate privatization, can be commenced by the Ministry.

The regulations which regulate privatization are applied on the procedure for privatization defined in paragraph 1 of this Article.
Reporting to the National Bank of Serbia

Article 244

Until June 30th 2005, the provisions of Articles 113, 115, 118 and 157 herein shall be applied in such a way that the insurance companies and other entities defined in Article 148 herein shall semi-annually report to the National Bank of Serbia on the prescribed information and information starting from the effective date of this Law.

Termination date

Article 245

On the effective date of this Law, the Property and Personal Insurance Law ("FRY Official Gazette" No. 30/96, 57/98, 53/99 and 55/99) will be null and void except for the provisions on compulsory insurance (Articles 73 to 108, Articles 111 and 112) and provisions on public authorizations (Articles 143 to 146).

From the effective date of this Law, the provisions of Articles 6 and 28 of the Accounting and Auditing Law ("FRY Official Gazette" No. 71/2002) shall not be applied in the part referring to insurance organizations.

Deferred application

Article 246

The provision of Article 119, paragraph 2 herein shall be applied as of January 1st 2007.

Implementation

Article 247

This Law shall come into effect on the eighth day from the day it is published in "Official Gazette of the Republic of Serbia".