

INSURANCE LAW

Chapter I

BASIC PROVISIONS

Subject of the Law

Article 1

This Law regulates the pursuit of insurance business in the Republic of Serbia (hereinafter: the Republic), i.e. conditions for the establishment and operation of insurance and reinsurance undertakings, carrying on insurance and reinsurance brokerage, carrying on insurance agency, supervision of insurance activities, protection of the rights of the insured, policyholders, insurance beneficiaries and injured parties, as well as the pursuit of insurance activities in the Republic by persons from Member States of the European Union and foreign countries.

Insurance Business

Article 2

Insurance business shall comprise insurance including coinsurance, reinsurance, insurance brokerage and insurance agency activities.

Insurance and Reinsurance Undertakings

Article 3

An insurance undertaking shall be a legal person having its head office in the Republic, which has been registered with a competent authority based on the license to carry on insurance activities issued by the National Bank of Serbia.

A reinsurance undertaking shall be a legal person having its head office in the Republic, which has been registered with a competent authority based on the license to carry on reinsurance activities issued by the National Bank of Serbia.

Voluntary Basis

Article 4

Insurance of property and insurance of persons shall be voluntary.

Insurance of property and persons shall be compulsory only in cases prescribed by law.

Insurance Activities

Article 5

Insurance activities shall be the conclusion and performance of life and non-life insurance contracts, except contracts on compulsory social insurance.

Coinsurance Activities

Article 6

Insurance contracts may be concluded with a number of insurance undertakings which have agreed to joint coverage and sharing of risk (coinsurance).

An insurance undertaking may engage in the activities of coinsurance against risks only for those classes of insurance it has been licensed to carry on by the National Bank of Serbia.

An insurance undertaking may not take risks into coinsurance above the self-retention level determined pursuant to Article 7 of this Law, unless the risk in excess of the self-retention level is reinsured.

Reinsurance Activities

Article 7

Reinsurance activities shall be the conclusion and execution of reinsurance contracts by which the risk in excess of the self-retention level of an insurance undertaking is transferred to reinsurance.

The self-retention of an insurance undertaking shall be the portion of contractual risks which the insurance undertaking shall always carry under its own cover and which it can cover from own funds.

Insurance undertakings shall always keep part of the risk in self-retention.

An insurance undertaking shall reinsure its liabilities under insurance contracts in excess of the self-retention level with a reinsurance undertaking from Article 3, paragraph 2 of this Law.

A reinsurance undertaking shall be required to reinsure in the Republic and/or abroad a portion of the risk it cannot cover from own funds.

By way of derogation from paragraphs 3 and 4 hereof, an insurance undertaking may reinsure in the Republic and/or abroad the full amount of risk under property insurance against natural disasters (hail, frost and other hazards and/or natural disasters such as earthquakes, flooding and drought), as well as the risk under insurance against financial losses due to bad weather.

Classes of Life Insurance

Article 8

Classes of life insurance are:

- 1) Life insurance, covering:
 - 1) Life insurance on survival to a stipulated age;
 - 2) Life insurance on death;
 - 3) Life insurance on survival to a stipulated age or on death;
 - 4) Life insurance with return of premium;
- 2) Marriage insurance and birth insurance;
- 3) Annuity insurance;
- 4) Supplementary insurance in addition to life insurance, covering:
 - (1) Supplementary accident insurance with life insurance;
 - (2) Supplementary health insurance with life insurance;
- 5) Life insurance from items 1 to 3 of this Article linked to units of investment funds;
- 6) Tontines, representing insurance in which the insured agree to jointly capitalise their contributions and to divide thus capitalised funds between those insured persons who live to a certain age, or between the heirs to the deceased insured persons;
- 7) Insurance with capital redemption, which is based on actuarial calculations in which the insured, in return for a single payment or periodic payments, receives payments of specified amount in a specified period.

Classes of Non-life Insurance

Article 9

Classes of non-life insurance are:

- 1) Accident insurance including insurance against industrial injury and occupational disease insurance, covering:
 - (1) Agreed pecuniary benefits in the event of accident;
 - (2) Benefits in the nature of indemnity in the event of accident;
 - (3) A combination of payments from sub-items (1) and (2) of this item;
 - (4) Payment for consequences of injuries or impairment of health or death of passengers;
- (2) Voluntary health insurance, covering:
 - (1) Agreed pecuniary benefits in the event of disease;
 - (2) Benefits in the nature of indemnity in the event of disease;
 - (3) A combination of payments from sub-items (1) and (2) of this item;
- 3) Motor vehicles insurance covering the damage to self-propelled vehicles, except for railway rolling vehicles, and also covering vehicles that are not self-propelled, or for the loss of such vehicles;

- 4) Railway rolling vehicles insurance, covering the damage to railway rolling vehicles or loss of such vehicles;
- 5) Aircraft insurance, covering the damage or loss of aircrafts;
- 6) Insurance of vessels, covering the damage to or loss of such vessels (sea, river, lake, canal);
- 7) Insurance of goods in transport covering the damage to goods or loss of goods, regardless of the type of transportation;
- 8) Property insurance against fire or other perils, covering the damage to property caused by fire, explosion, storm and other natural disasters, nuclear energy, land subsidence, 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, theft, glass shattering, hail, frost or other perils, except for the damages covered by the insurance as defined in items 3) to 8) of this Article;
- 10) Motor liability insurance covering all types of liabilities when using self-propelled land vehicles, including carrier's liability;
- 11) Aircraft liability insurance covering all types of liabilities when using an aircraft including carrier's liability;
- 12) Vessels liability insurance covering all types of liabilities when using a vessel including carrier's liability;
- 13) General liability insurance covering other types of liabilities except the liabilities from items 10) to 12) of this Article;
- 14) Credit insurance, covering:
 - (1) Risk of no 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) Instalment credits;
 - (4) Mortgage and Lombard credits;
 - (5) Agricultural credits;
 - (6) Other credits and loans;
- 15) Suretyship insurance, guaranteeing direct or indirect fulfilment of the debtor's obligations;
- 16) Financial loss insurance covering the financial losses due to:
 - (1) Loss of employment;
 - (2) Insufficient income;
 - (3) Bad weather;
 - (4) Loss of profit;
 - (5) Unforeseen general expenses;
 - (6) Unforeseen operating expenses;
 - (7) Loss of market value;

- (8) Loss of rent or income;
- (9) Indirect operating losses except for losses covered in sub-items (1) to (8) of this item;
- (10) Other non-operating losses;
- (11) Other financial losses;
- 17) Legal expenses insurance, covering court costs, attorney's fees and other costs of the proceedings;
- 18) Travel assistance insurance covering assistance to persons who get into difficulties while travelling or in other cases while away from their permanent or temporary residence.

Insurance Groups and Sub-groups

Article 10

Classes of insurance, depending on the correlation between risks or interest covered by insurance, shall be divided into the following insurance groups:

- 1) life insurance, comprising the classes of life insurance from Article 8 of this Law;
- 2) non-life insurance, comprising the classes of non-life insurance from Article 9 of this Law.

Classes of non-life insurance, depending on the correlation between risks and/or interest covered by insurance, shall be divided into the following insurance sub-groups:

- 1) Accident insurance and voluntary health insurance, comprising the classes of insurance from Article 9, items 1) and 2) of this Law;
- 2) Motor insurance, comprising the classes of insurance from Article 9, item 1), sub-item (4) and items 3), 7), and 10) of this Law;
- 3) Marine and transport insurance, comprising the classes of insurance from Article 9 item 1), sub-item (4) and items 4), 6), 7), and 12) of this Law;
- 4) Aircraft insurance, comprising the classes of insurance from Article 9, item 1), sub-item (4) and items 5), 7), and 11) of this Law;
- 5) Property insurance, comprising the classes of insurance from Article 9, items 8) and 9) of this Law;
- 6) Liability insurance, comprising the classes of insurance from Article 9, items 10) to 13) of this Law;
- 7) Credit and suretyship insurance, comprising the classes of insurance from Article 9, items 14) and 15) of this Law.

Compulsory Traffic Insurance

Article 11

Compulsory traffic insurance shall be established and regulated by a separate law.

Voluntary Health Insurance

Article 12

Voluntary health insurance shall be insurance by which, based on a contract, one may realise health insurance rights in accordance with a separate law.

Supervision of Insurance Activities

Article 13

The supervision of insurance activities shall be exercised by the National Bank of Serbia, in accordance with this Law and the law governing the status, organisation, powers and functions of the National Bank of Serbia – in order to protect the rights and interests of policyholders and other beneficiaries of insurance. The National Bank of Serbia shall also perform other tasks prescribed by this Law, which contribute to maintaining and strengthening the stability of the financial system.

In exercising supervision referred to in paragraph 1 of this Article, the National Bank of Serbia shall assess legal compliance of an insurance undertaking, its implementation of the system of governance and risk management rules, as well as its compliance with the rules of the insurance and actuarial profession, good business practices and business ethics.

Administrative Procedure

Article 14

The National Bank of Serbia shall render decisions on issuing, termination and/or revoking of licenses, on issuing, termination and/or revoking of approvals envisaged under this Law, on the measures ordered in the process of supervision pursuant to this Law, and on other issues within the competence of the National Bank of Serbia prescribed by law.

Provisions of the law governing general administrative procedure shall accordingly apply to the procedure and activities referred to in paragraph 1 of this Article, unless stipulated otherwise by this Law.

The decision referred to in paragraph 1 of this Article shall be final and an administrative proceeding may be initiated against it. Initiating court action against the decision shall, however, neither prevent nor postpone its enforcement.

In an administrative proceeding against the decision referred to in paragraph 1 of this Article, the court may not rule on an administrative matter which is within the competence of the National Bank of Serbia as stipulated by this Law.

A decision on issuing and/or revoking a license to carry on insurance activities to and/or from an insurance undertaking shall be published in the "Official Gazette of the Republic of Serbia".

Protection of Rights and Interests of Insurance Service Beneficiaries

Article 15

An insurance undertaking, insurance brokerage undertaking, insurance agency undertaking, insurance agent and legal persons referred to in Article 98, paragraph 2 of this Law that carry on insurance agency activities based on the prior approval of the National Bank of Serbia (hereinafter: legal persons referred to in Article 98, paragraph 2 of this Law) shall ensure the protection of rights and interests of the insured, policyholders, insurance beneficiaries and injured parties (hereinafter: insurance service beneficiary), in accordance with regulations, rules of insurance profession and good business practices.

The National Bank of Serbia shall mediate in the settlement of claims for damages in order to prevent insurance disputes, act upon complaints of insurance service beneficiaries related to the operation of insurance undertakings and protect the rights and interests of these persons.

Insurance service beneficiaries shall have the right to lodge a complaint with the National Bank of Serbia and to protect their rights and interests related to the operation of insurance brokerage undertakings, insurance agency undertakings, insurance agents and legal persons referred to in Article 98, paragraph 2 of this Law.

The National Bank of Serbia shall prescribe more closely the manner of the protection of rights and interests of insurance service beneficiaries, the manner of mediation in the settlement of claims for damages and the manner of lodging complaints by insurance service beneficiaries, as well as the manner of acting upon those complaints.

Data Register

Article 16

The National Bank of Serbia shall keep a register of insurance and reinsurance undertakings licensed to carry on insurance and/or reinsurance activities, including the information on their founders, qualified holders and members of management, as well as of other persons entitled to carry on insurance and/or reinsurance activities in the Republic of Serbia in accordance with this Law.

The National Bank of Serbia shall keep a register of data on insurance brokerage undertakings, insurance agency undertakings and agents licensed to carry on insurance brokerage and/or agency activities, other persons entitled to carry on insurance brokerage and agency activities in the Republic of Serbia in accordance with this Law, a register of legal persons referred to in Article 98, paragraph 2 of this Law, a register of authorisations granted to certified brokers and certified agents, as well as a register of authorisations issued to certified actuaries.

Changes to any data entered into the registers shall also be recorded in the registers from paragraphs 1 and 2 of this Article.

The registers from paragraphs 1 and 2 of this Article shall be public, kept in electronic form, and available on the website of the National Bank of Serbia.

The content and manner of keeping the registers defined in this Article, as well as the manner of deleting the data from these registers shall be specified in more detail by the National Bank of Serbia.

Prohibition of the Use of the Term “Insurance/Reinsurance”

Article 17

The term “insurance/reinsurance” or any derivation thereof may be entered in the register with the competent authority and used in legal transactions as part of the business name or abridged business name only by persons licensed to do so by the National Bank of Serbia in accordance with this Law, while other persons may enter it in the register or use it in legal transactions only if expressly permitted to do so under some other law.

Application of the Law Governing Companies and Other Laws

Article 18

Insurance undertakings, reinsurance undertakings, insurance brokerage undertakings, insurance agency undertakings and insurance agents shall be subject to the law governing companies, unless stipulated otherwise by this Law.

Contracts on insurance, reinsurance, insurance brokerage, reinsurance brokerage and insurance agency shall be subject to the law governing contracts and torts and the provisions of other laws relating to contracts for specific classes of insurance, unless specific matters are regulated otherwise by this Law.

Operating Principles

Article 19

Insurance undertakings, reinsurance undertakings, insurance brokerage undertakings, insurance agency undertakings and insurance agents shall carry on their activities in accordance with law, general acts, business policies, rules of the insurance and actuarial profession, good business practices and business ethics.

The persons referred to in paragraph 1 of this Article shall carry on their activities in accordance with the principle of prudent and sound management.

Chapter II

INSURANCE AND REINSURANCE UNDERTAKINGS

Section 1

Common Provisions

Carrying on Insurance and Reinsurance Activities

Article 20

Insurance and/or reinsurance activities shall be performed by the insurance and/or reinsurance undertakings referred to in Article 3 of this Law.

Insurance and/or reinsurance activities may not be performed by any person other than the undertakings from paragraph above, except in the case referred to in Article 7, paragraph 6 of this Law.

An insurance undertaking may carry on insurance activities only in those classes of insurance it has been licensed for by the National Bank of Serbia.

An insurance undertaking shall be established as a joint stock insurance undertaking or a mutual insurance undertaking, whereas a reinsurance undertaking shall be established only as a joint stock reinsurance undertaking.

A person having its head office or permanent residence in the Republic may conclude an insurance contract only with an insurance undertaking referred to in paragraph 1 of this Article.

Concluding Contracts on Insurance/Reinsurance Brokerage and Contracts on Insurance Agency

Article 21

An insurance/reinsurance undertaking may enter into contract on insurance/reinsurance brokerage and contract on insurance agency solely with a person who has been granted a license and/or approval to carry on insurance brokerage and/or agency in accordance with this Law.

An insurance/reinsurance undertaking may also enter into contract from paragraph 1 above with a person engaged in the activities referred to therein provided that all the conditions from Article 113 of this Law are met.

Supplementary Clause

Article 22

An insurance undertaking pursuing life insurance activities may also write supplementary accident insurance and voluntary health insurance lines to cover the costs of medical treatment, provided that these classes of insurance contracts are concluded with a person with whom it has already entered into a life insurance contract.

The insurance undertaking shall keep separate records on the contracts specified in paragraph 1 of this Article.

By way of derogation, an insurance undertaking carrying on the activities referred to in Article 9, item 10) of this Law may also engage in driver and passenger insurance against the consequences of an accident provided this insurance pertains to the driver and persons in an insured vehicle.

Section 2

Joint Stock Insurance/Reinsurance Undertaking

Establishment and Business Name

Article 23

A joint stock insurance undertaking shall be established by one or more domestic and foreign legal persons and/or natural persons (hereinafter: founders) in accordance with the provisions of this Law.

The business name of a joint stock insurance undertaking shall contain the letters “a.d.o.” (standing for “joint stock insurance undertaking”).

Activities

Article 24

One and the same joint stock insurance undertaking may not carry on life and non-life insurance activities simultaneously.

A joint stock insurance undertaking may carry on activities in one or more classes of insurance within the same insurance group, as well as the activities of insurance agency.

In addition to the activities from paragraph 2 of this Article, a joint stock insurance undertaking shall carry on risk and loss assessment, intermediation in sale or sale of damaged property which has become the property of the insurance undertaking under an insurance contract, take measures for minimising and prevention of risks likely to be detrimental to the persons and property insured, and may perform other operations stipulated by law.

A joint stock reinsurance undertaking shall carry on reinsurance activities only, within all insurance groups.

Exception from Prohibition of Simultaneous Carrying on Life and Non-Life Insurance Activities

Article 25

The provision of Article 24, paragraph 1 of this Law shall not apply to a joint stock insurance undertaking that, on the date of entry into force of this Law, holds a license to carry on insurance activities in some or all classes of life insurance and some or all classes of non-life insurance.

In the case from paragraph 1 above, the undertaking shall:

- 1) Calculate and report the insurance fund balance, and/or separately assess compliance with the capital adequacy requirements for life and non-life insurance, as prescribed by this Law;
- 2) Keep separate business accounts and separately disclose in its financial statements the income (in particular the premiums, reinsurer fees and investment income), expenses (in particular compensation claims and claims arising from contracts, additions to provisions, reinsurance premiums, other operating expenses, investment expenses, and insurance administration expenses) and the business results of life and non-life insurance, in accordance with Article 142 of this Law;
- 3) Set up and manage separate investment portfolios, which means that funds, as well as their sources of funding (capital and liabilities) shall be allocated separately for life and non-life insurance.

The undertaking referred to in paragraph 1 of this Article shall permanently separate the funds of life insurance from the funds of non-life insurance, along with the appertaining capital and liabilities, in accordance with paragraph 2 of this Article, thereby ensuring separate management of funds that serve or may serve for settlement of insurance liabilities, appertaining capital and liabilities provided that the funds and sources of funding are not transferred from one activity to the other.

By way of derogation from paragraph 3 of this Article, the competent body of the insurance undertaking from paragraph 1 of this Article may, in case capital adequacy requirements prescribed by this Law are not complied with in one activity, make a decision to permanently transfer into that activity the capital and assets appertaining to another activity if such transfer does not jeopardise compliance with capital adequacy requirements in that other activity.

The National Bank of Serbia shall issue prior approval of the decision referred to in paragraph 4 of this Article based on assessment of its expected impact on the solvency of the insurance undertaking and its ability to fulfil insurance liabilities in respect of both activities.

Delineation of general and common income and expenditure in the operations of the undertaking referred to in paragraph 1 of this Article shall be made in proportion to the insurance premiums earned, number of insurance contracts concluded, number and amount of claims settled and paid, or by combining these criteria. The undertaking concerned shall select the criteria and regulate more closely their implementation, observing the principle of continuity.

The undertaking from paragraph 1 herein shall specify the manner of execution of obligations referred to in paragraph 2 of this Article in the acts referred to in Article 138, paragraph 2 of this Law.

Joint Pursuit of Activities

Article 26

Where the shareholders are the same, a joint stock insurance undertaking engaged in life insurance and a joint stock insurance undertaking engaged in non-life insurance may jointly perform the following activities:

- 1) Conclusion of insurance contracts;
- 2) Promotional and related marketing activities;
- 3) General, personnel, administrative and technical support activities.

It is considered that the shareholders of the undertakings referred to in paragraph 1 of this Article are the same if these shareholders have a controlling participation in both undertakings.

The undertakings referred to in paragraph 1 of this Article shall jointly agree on the manner of carrying on the activities from the said paragraph and notify the National Bank of Serbia thereof.

Core Capital

Article 27

Core capital of the insurance/reinsurance joint stock undertaking shall not be lower than the dinar equivalent of the following amounts:

- | | | |
|----|--|----------------|
| 1) | Life insurance | EUR 3,200,000; |
| 2) | Certain classes of non-life insurance, except for the insurance classes from Article 9, items 10) to 15) of this Law | EUR 2,200,000; |
| 3) | All classes of non-life insurance or classes of insurance from Article 9, items 10) to 15) of this Law | EUR 3,200,000; |
| 4) | Reinsurance | EUR 3,200,000. |

When setting up the undertaking referred to in paragraph 1 of this Article, the pecuniary part of the core capital shall be 100% of the amount referred to in the said paragraph, calculated at the middle exchange rate of the National Bank of Serbia on the day of payment.

During its operation, the undertaking from paragraph 1 herein shall maintain core capital in the amount stipulated in the said paragraph.

Section 3

Participation and Related Persons

Participation and Close Links

Article 28

Within the meaning of this Law, a person is deemed to hold participation in another person if it has a direct or indirect right or ability to exercise voting rights in that other person, or has an ownership in its capital or the ability to exercise effective influence over the management of such person or its business policy.

A qualifying holding means a direct or indirect right or ability to acquire 10% or more of the voting rights in a legal person, and/or direct or indirect ownership of 10% or more of its capital or the ability to exercise effective influence over the management of such person or its business policy.

A significant participation means a direct or indirect right or ability to acquire 20% or more of the voting rights in a legal person, and/or direct or indirect ownership of 20% or more of its capital or the ability to exercise effective influence over the management of such person or its business policy.

A controlling participation means a direct or indirect right or ability to acquire 50% or more of the voting rights in a legal person, and/or direct or indirect ownership of 50% or more of its capital or the ability to appoint more than half of the members of the management or supervisory bodies of that legal person or the ability to exercise effective controlling influence over the management of such legal person or its business policy.

Close links means a relationship in which two or more natural or legal persons are linked by a significant or controlling participation or a permanent relationship between two or more natural or legal persons and a third party based on controlling participation.

An indirect participation shall exist when one person who does not hold direct ownership of a legal person has the ability to exercise effective participation in the management of such person or in its capital based on the direct ownership that the other person holds in that legal person.

Prohibition of Cross-Ownership

Article 29

Insurance, reinsurance, insurance brokerage and insurance agency undertakings are prohibited from cross-ownership within the meaning of Article 28, paragraph 1 of this Law.

Related Persons

Article 30

For the purposes of this Law, related persons are persons interrelated through management, capital or in other way with the aim of achieving common business objectives, so that the business activities or results of one person may significantly affect the business activities and/or results of the other person.

Related persons referred to in paragraph 1 herein shall be in particular:

- 1) Two or more legal or natural persons related in such a manner that one of them holds participation in the other legal person;
- 2) Two or more legal or natural persons not related as described in item 1) herein, where there is a chance that the deterioration or improvement in the financial position of one person may result in deterioration or improvement in the financial position of the other person or other persons and the National Bank of Serbia assesses that there is also a likelihood of a transfer of loss or profit;
- 3) A legal and natural person related in such a manner that the natural person is the proxy of the legal person;
- 4) Two or more legal and natural persons related in such a manner that the natural person is a member of a management or supervisory body of the other legal person/persons;
- 5) Two or more legal and natural persons related in such a manner that family members of the natural person are members of a management or supervisory body of the other legal person/persons;
- 6) Family members of natural persons who are members of a management or supervisory body or persons with special powers and responsibilities of one legal person and who are at the same time

members of a management or supervisory body or persons with special powers and responsibilities of another legal person/persons.

Persons related to a joint stock insurance undertaking shall be:

- 1) Members of the group of undertakings comprising that undertaking;
- 2) Members of the management of the undertaking, members of the management bodies of a member of the group of undertakings comprising that undertaking, as well as family members of such persons;
- 3) Persons holding participation in that undertaking and in persons who are members of the group of undertakings comprising that undertaking, as well as family members of such persons;
- 4) Legal persons in which persons from items 2) and 3) herein hold a controlling participation.

Where this Law stipulates that a joint stock insurance undertaking may not invest in a specific legal person and/or that a legal person may not invest in a joint stock insurance undertaking, such prohibition shall apply to both direct and indirect investments.

Section 4

Qualifying Holding

Prior Approval for Qualifying Holding Acquisition/Increase

Article 31

A person wishing to acquire a qualifying holding in a joint stock insurance undertaking or increase it in such a way that it equals or exceeds 20%, 30% or 50% of the voting rights or core capital of that undertaking, and/or that it becomes the parent undertaking of that undertaking – shall seek prior approval of the National Bank of Serbia for such acquisition and/or increase.

The National Bank of Serbia shall grant the approval referred to in paragraph 1 of this Article by virtue of a decision stating that the person referred to in that paragraph shall acquire and/or increase the qualifying holding in the joint stock insurance undertaking no later than one year from the issuing date of this decision.

The approval referred to in paragraph 1 of this Article shall cease to have effect if the person referred to in that paragraph fails to acquire and/or increase qualifying holding in the joint stock insurance undertaking within the time specified in paragraph 2 of this Article.

The person who has obtained the approval referred to in paragraph 1 of this Article shall inform the National Bank of Serbia of any acquisition/increase of the qualifying holding in the joint stock insurance undertaking by no later than eight days following the date of such acquisition/increase.

Requirements for Qualifying Holding Acquisition/Increase

Article 32

A person wishing to acquire/increase a qualifying holding in a joint stock insurance undertaking in accordance with Article 31, paragraph 1 of this Law must fulfil the following requirements:

- 1) That it has a good business reputation;
- 2) That persons who will manage insurance undertaking activities after such acquisition/increase have a good business reputation and relevant experience;
- 3) That its financial position is sound, in particular in relation to the activities the undertaking carries on;
- 4) That the supervision of the undertaking in accordance with this Law shall not be prevented or considerably hindered because of the undertaking's close links with other persons or because of the structure of the group of undertakings which the person belongs to, nor shall the exchange of data between competent authorities be prevented or considerably hindered;
- 5) That the direct or indirect ownership of other persons in that person may be fully established, as well as any direct or indirect ownership of that person in other persons and/or that close links of the insurance undertaking with other persons based on such acquisition/increase cannot threaten the safety and soundness of the undertaking's activities;
- 6) That there is no reasonable doubt that the intended acquisition/increase serves or intends to serve for money laundering or terrorism financing within the meaning of the law governing the prevention of money laundering and terrorism financing, and/or that the intended acquisition/increase may increase the risk of such actions;
- 7) That it is possible to determine the source of funding and the reasons for such acquisition/increase.

The National Bank of Serbia shall prescribe more closely the conditions for acquiring or increasing the qualifying holding in a joint stock insurance undertaking, as well as evidence, documents and data that the person referred to in paragraph 1 of this Article shall enclose with the application for approval under Article 31 of this Law.

Application for Prior Approval for Acquisition/Increase of Qualifying Holding

Article 33

The National Bank of Serbia shall decide on the application for approval referred to in Article 31 of this Law within 60 days following the receipt of the duly completed application.

In deciding on the application referred to in paragraph 1 of this Article, the National Bank of Serbia shall, in order to ensure safe and sound operation of a joint stock insurance undertaking and having regard to the likely influence of the proposed acquirer on the undertaking, establish the reliability of the proposed acquirer and the financial justification of the acquisition against the requirements laid down in Article 32 of this Law.

If the National Bank of Serbia fails to decide on the application referred to in paragraph 1 herein within the prescribed timeframe, the approval from that paragraph shall be deemed to have been granted.

In the case from paragraph 3 above, if the applicant from that paragraph so requests, the National Bank of Serbia shall, within eight days of receiving the application, issue a decision confirming that the applicant has obtained the approval with the expiry of the prescribed timeframe.

When assessing the application from paragraph 1 herein, closely linked persons shall be deemed to be one person.

The National Bank of Serbia shall not condition the amount or percentage in relation to the qualifying holding to be acquired nor shall it assess the proposed acquisition in relation to the economic needs of the market.

If a person has submitted the application for a license to carry on insurance activities, the decision on granting the approval from paragraph 1 of this Article shall be taken within the procedure of rendering a decision on the application for a license.

When the National Bank of Serbia is considering two or more applications for acquisition/increase of a qualifying holding in the same joint stock insurance undertaking, it shall treat the applicants equally.

Refusal of Application for Prior Approval for Acquisition/Increase of Qualifying Holding

Article 34

The National Bank of Serbia shall refuse to grant approval referred to in Article 31 of this Law if it establishes:

- 1) That the submitted documents and data are incomplete;
- 2) That the applicant does not meet at least one of the requirements from Article 32 of this Law;
- 3) That the supervision of the joint stock insurance undertaking pursuant to this Law would be made impossible or considerably hindered because of the applicant's close links with other persons or because of the structure of the group of undertakings it belongs to;
- 4) That the supervision of the joint stock insurance undertaking pursuant to this Law would be made impossible or considerably hindered having regard to the home country regulations of the persons with whom the applicant has close links and having regard to the application of such regulations;
- 5) That business activities conducted by the applicant which are not related to the insurance business are likely to be detrimental to the stability and safety of operation of the joint stock insurance undertaking or that these activities would considerably hinder the supervision of the joint stock insurance undertaking pursuant to this Law.

The person whose application from paragraph 1 herein has been refused may not re-apply within one year following the date of the refusal.

Cooperation with Foreign Supervisory Authorities

Article 35

When an applicant for approval under Article 31 of this Law is a person from the financial sector with the head office or residence abroad, the National Bank of Serbia shall cooperate with foreign supervisory authorities to determine whether regular supervision of that person is exercised in its home

country and whether it abides by regulations of that country, and/or whether it meets the requirements under Article 32 of this Law.

Disposal/Decrease of Qualifying Holding

Article 36

Where the person which has been granted the approval under Article 31 of this Law intends to fully dispose of the acquired qualifying holding in the insurance undertaking or to decrease it below the level for which the approval was granted, it shall send prior written notification to the National Bank of Serbia, stating the amount of the remaining holding in the joint stock insurance undertaking.

Legal Consequences of Acquisition/Increase of Qualifying Holding without Approval

Article 37

If a person acquires and/or increases qualifying holding in the joint stock insurance undertaking to or above the level prescribed in Article 31, paragraph 1 of this Law, and thus becomes the parent undertaking of the undertaking concerned without the prior approval of the National Bank of Serbia, the National Bank of Serbia shall, by virtue of a decision, order such person to dispose of the acquired and/or increased qualifying holding within a timeframe not longer than three months from the issuing date of the decision.

After the decision referred to in paragraph 1 of this Article is issued, the person referred to in that paragraph shall not be entitled to, directly or indirectly, exercise voting rights in the joint stock insurance undertaking, the right to receive dividend payments or other rights arising from the acquired or increased qualifying holding, nor shall it influence the management or the business policy of the undertaking.

A joint stock insurance undertaking shall ensure that, after the decision referred to in paragraph 1 of this Article is issued, the person referred to in paragraph 2 of this Article does not exercise the rights in the joint stock insurance undertaking from that paragraph, nor influences the management or the business policy of the undertaking.

If the person referred to in paragraph 1 herein fails to dispose of the acquired and/or increased qualifying holding in the manner and within the timeframe specified in the decision from the stated paragraph, the legal transaction by which it acquired and/or increased the qualifying holding shall be deemed null and void.

The National Bank of Serbia shall submit the decision referred to in paragraph 1 herein to the register of the competent authority, the Securities Commission and the Central Securities Depository and Clearing House.

Obligation of Joint Stock Insurance Undertakings to Provide Information

Article 38

If a joint stock insurance undertaking learns about the acquisition or disposal of a holding in its capital that will result in a holding higher or lower than the level prescribed in Article 31, paragraph 1 of this Law, it shall promptly notify the National Bank of Serbia thereof.

A joint stock insurance undertaking shall inform the National Bank of Serbia minimum once a year, as well as upon the request of the National Bank of Serbia, of the identity of all persons who have qualifying holdings in that undertaking, stating the holding amounts.

*Obligation of Legal Persons with Qualifying Holding
to Provide Information*

Article 39

Legal persons with a qualifying holding in a joint stock insurance undertaking that hold the approval from Article 31 of this Law shall submit to the National Bank of Serbia data and information on the newly appointed members of the management bodies of these persons, on the individuals who acquire qualifying holding in these persons or become closely linked with them, as well as on every status change no later than 30 days from the date of their appointment, or acquisition of the status, or the date of becoming aware of the future status change.

The National Bank of Serbia may request from the person from paragraph 1 above to supply other information relating to themselves and/or persons which they are closely linked to that is important for clarification or interpretation of the data and information referred to therein or for determining whether the conditions under which the National Bank of Serbia has approved the acquisition or increase of the qualifying holding in the joint stock insurance undertaking have changed.

Measures Against Qualified Holder

Article 40

If the National Bank of Serbia determines that the person which has acquired or increased qualifying holding in a joint stock insurance undertaking influences such undertaking contrary to the operating principles referred to in Article 19 of this Law, it may order against such person an interim measure to cease such practices, including the limitation of the voting rights based on qualifying holding.

The National Bank of Serbia shall inform the register of the competent authority of the measure from paragraph 1 above, for the purpose of noting such measure.

Withdrawal of the Approval for Acquisition/Increase of Qualifying Holding

Article 41

The National Bank of Serbia shall render a decision on withdrawing the approval for acquiring/increasing qualifying holding in a joint stock insurance undertaking if it determines that:

1) The person with qualifying holding has been granted the above approval on the grounds of false and inaccurate data;

2) The person with qualifying holding no longer meets at least one of the requirements from Article 32 of this Law;

3) The person with qualifying holding has increased such holding above the level requiring approval, without prior approval of the National Bank of Serbia;

4) The person with qualifying holding may jeopardise safe and sound operation of the undertaking.

In the decision from paragraph 1 above, the National Bank of Serbia shall order the person whose approval is being withdrawn to dispose of the qualifying holding in the joint stock insurance undertaking within a timeframe not longer than three months from the issuing date of the decision.

The rights and obligations of the person referred to in paragraph 2 above, the obligations of the joint stock insurance undertaking and delivery of the decision from the said paragraph shall be subject to the provisions of Article 37, paragraphs 2, 3 and 5 of this Law.

Section 5

License to Carry on Insurance Activities, Founding Meeting and Entry into Register

1. License to Carry on Insurance Activities

Application for Operating License

Article 42

The application for a license to carry on insurance activities (hereinafter: operating license) shall be submitted by the founders of the joint stock insurance undertaking.

In the licensing process, the founders of a joint stock insurance undertaking may be represented by persons whom they authorised to do so.

Along with the application from paragraph 1 herein, the founders of a joint stock insurance undertaking shall also submit the following:

1) Memorandum of Association of the undertaking;

2) Draft Articles of Association;

3) Evidence that the founders hold the pecuniary part of the core capital prescribed by Article 27 of this Law;

4) The business plan of the undertaking;

5) Drafts of the business policy acts from Article 67, paragraph 2, items 2) to 10) of this Law, with the opinion of a certified actuary on the drafts of these acts from items 2) to 5) of the said paragraph and policy conditions for compulsory traffic insurance with the opinion of a certified actuary, if the undertaking will carry on such insurance;

6) Proposals on how the undertaking's system of governance prescribed by this Law shall be established;

7) A list of shareholders and data about shareholders acquiring qualifying holding in the undertaking, about the amount of their holding and the persons closely linked to future qualified holders, with the description of the interrelation from Article 30 of this Law,

8) The data and evidence on compliance with the requirements from Article 32 of this Law which are used to establish the reliability of the acquirer of a qualifying holding in the undertaking, as well as financial justification of the proposed acquisition;

9) The information about the proposed members of management of the undertaking, with data and evidence that these persons have good business reputation and the relevant qualifications, knowledge and experience, and evidence of the fulfilment of other requirements from Article 62 of this Law;

10) Name and family name of a person who will act as a certified actuary, with the data and evidence of the fulfilment of requirements from Article 62, paragraphs 1 through 4 of this Law;

11) Evidence of required organisational, professional and technical capacity of the undertaking.

For the purpose of deciding on the application from paragraph 1 above, the National Bank of Serbia may demand that the founders of the joint stock insurance undertaking also provide other data and documentation.

The National Bank of Serbia shall prescribe more closely the required organisational, professional and technical capacity of a joint stock insurance undertaking, as well as the contents of the evidence, documents and data referred to in paragraph 3 of this Article.

Business Plan

Article 43

Business plan of a joint stock insurance undertaking shall comprise the following:

- 1) Business policy basics;
- 2) The group of insurance or class of insurance that the undertaking will pursue and for which the operating license will be issued, with an overview of the structure and nature of the risks to be covered and future liabilities on that account;
- 3) The proposed reinsurance program;
- 4) Assessment of the required solvency margin;
- 5) Assessment of the elements of the guarantee reserves, and/or compliance with the capital adequacy requirements, in accordance with the provisions of this Law;
- 6) Projected amount of founding costs and the manner of covering these costs;
- 7) A study of the expected business results for the three-year period, particularly the expected premium income, the expected expenses for damages, preliminary cost estimate for insurance administration with the expected structure of these costs, the projected balance sheet, and separately, projected funds that will serve to cover liabilities arising from insurance, with the assessment of liquidity.

The study referred to in paragraph 1, item 7) of this Article shall contain the opinion of the certified actuary in the part related to whether the expected premium income of the joint stock insurance undertaking secures permanent coverage for the liabilities arising from insurance contracts.

A joint stock insurance undertaking carrying on insurance activities referred to in Article 9, item 18) of this Law, as part of compliance with the obligation from paragraph 1, item 6) above, shall also disclose the description of the resources required to meet the liabilities, and/or the manner of meeting the liabilities arising from such class of insurance.

Issuing the Operating License

Article 44

The operating license shall be issued to a joint stock insurance undertaking to carry on one or several classes of insurance.

The National Bank of Serbia shall decide on the application for a license by virtue of a decision within 60 days from the date of receipt of the duly completed application.

In the wording of the decision referred to in paragraph 2 above the classes of insurance that the license is issued for shall be designated explicitly, and if the decision is issued for all classes of insurance within one group or subgroup, only that group or subgroup of insurance business shall be designated in the wording of the decision.

Refusing the Application for Operating License

Article 45

The National Bank of Serbia shall refuse the application of a joint stock insurance undertaking for an operating license if:

- 1) The submitted documents and data are incomplete;
- 2) The applicant has failed to prove that the pecuniary part of the core capital prescribed by Article 27 of this Law has been paid;
- 3) The Memorandum of Association and/or the draft Articles of Association of the undertaking are not in line with the Law and other regulations;
- 4) The business plan of the undertaking, the proposed business policy acts referred to in Article 67, paragraph 2, items 2) through 10) of this Law, and/or the proposed system of governance of the undertaking are not to the appropriate standard;
- 5) The persons who acquire qualifying holding in the undertaking do not meet the requirements prescribed by this Law;
- 6) The supervision of the joint stock insurance undertaking pursuant to this Law would be made impossible or considerably hindered because of the applicant's close links with other persons or because of the structure of the group of undertakings it belongs to;
- 7) The supervision of the joint stock insurance undertaking pursuant to this Law would be made impossible or considerably hindered having regard to the home country regulations of the persons with whom the applicant has close links and the application of such regulations;

8) Business activities conducted by the applicant which are not related to the insurance business are likely to be detrimental to the safety and soundness of operation of the joint stock insurance undertaking or these activities would considerably hinder the supervision of the joint stock insurance undertaking pursuant to this Law.

9) The proposed members of management do not meet the requirements prescribed by this Law;

10) The name and family name of the person who will act as a certified actuary and the prescribed data and evidence that such person meets the requirements have not been submitted;

11) The required organisational, professional and technical capacity of the undertaking has not been secured.

The National Bank of Serbia shall be obliged to state the reasons for refusing the application to issue an operating license.

The founder of a joint stock insurance undertaking whose application for an operating license has been refused may not resubmit the application within one year from such refusal.

Changing the Operating License

Article 46

For the purpose of carrying on any class of insurance not listed in the operating license, and/or for the purpose of termination of carrying on any class of insurance for which it has been licensed, the joint stock insurance undertaking shall submit an application to the National Bank of Serbia to change the operating license.

The change of the operating license within the meaning of paragraph 1 above shall be subject to the provisions of Articles 42 through 45 of this Law.

In the case referred to in paragraph 1 above, a new operating license shall be issued, superseding the validity of the previous license.

Termination of Validity of Operating License

Article 47

The operating license issued to a joint stock insurance undertaking shall cease to be valid in the following cases:

- 1) If the Founding Meeting of the undertaking is not held within the prescribed timeframe;
- 2) If the founders of the undertaking fail to apply for registration with the competent authority within 30 days from the day of obtaining the license;
- 3) If the undertaking fails to commence its business activities within one year from the date of registration with the competent authority;
- 4) If the undertaking ceases to carry on insurance business for an uninterrupted period of six months;

- 5) If the whole insurance portfolio has been transferred to another joint stock insurance undertaking;
- 6) If there is a status change of the undertaking;
- 7) On the date of issuance of the decision by the National Bank of Serbia granting approval for voluntary liquidation of the undertaking;
- 8) If the operating license is revoked.

In the cases from paragraph 1 of this Article, the National Bank of Serbia shall render a decision on termination of the operating license.

The joint stock insurance undertaking cannot conclude new insurance contracts:

- 1) in the case referred to in paragraph 1, items 3) and 4) of this Article – from the date of the receipt of the decision from paragraph 2 of this Article;
- 2) in the case referred to in paragraph 1, items 5) and 6) of this Article – from the date of the receipt of the approval of the National Bank of Serbia for the transfer of insurance portfolio, and/or for the status change;
- 3) in the case referred to in paragraph 1, item 7) of this Article – from the date of rendering the decision on liquidation of the undertaking;
- 4) in the case referred to in paragraph 1, item 8) of this Article – from the date of rendering the decision on revoking the undertaking's operating license.

2. Founding Meeting

Article 48

The Founding Meeting of the joint stock insurance undertaking shall be held after the receipt of the decision of the National Bank of Serbia on issuing the operating license to the undertaking, and no later than 30 days after the receipt of such decision.

The Founding Meeting of the joint stock insurance undertaking shall be composed of the founders of the undertaking.

The founders of the joint stock insurance undertaking shall exercise their voting rights at the Founding Meeting proportionate to the amount of their contribution.

By a two third vote, the Founding Meeting of the joint stock insurance undertaking shall:

- 1) Adopt Articles of Association of the undertaking;
- 2) Determine business policy and business plan of the undertaking;
- 3) Elect members of the Supervisory Board of the undertaking;
- 4) Adopt general acts, business policy acts and other acts relevant for the commencement of work and operation of the undertaking;
- 5) Adopt the assessment of contributions in kind;
- 6) Determine the maximum amount of founding costs when these costs are borne by the undertaking.

The founders of the insurance undertaking shall be obliged to submit to the National Bank of Serbia the acts adopted at the Founding Meeting within five days from the date of the Meeting.

3. Registration

Article 49

The founders of a joint stock insurance undertaking shall submit an application for the registration with the competent authority within 30 days from the date of the receipt of the decision of the National Bank of Serbia on issuing the operating license.

With the application referred to in paragraph 1 above, the undertaking shall also submit the decision from the said paragraph, as well as the decision of the National Bank of Serbia on granting prior approval for a member of management of the joint stock insurance undertaking.

The joint stock insurance undertaking shall become a legal person upon registration with the competent authority.

The joint stock insurance undertaking shall submit the decision on registration with the competent authority to the National Bank of Serbia within seven days of the receipt of such decision.

S e c t i o n 6

Organisation and Management of Joint Stock Insurance Undertaking

Bodies of Joint Stock Insurance Undertaking

Article 50

The bodies of a joint stock insurance undertaking shall be:

- 1) Assembly;
- 2) Supervisory Board;
- 3) Executive Board;

Matters relating to the bodies of a joint stock insurance undertaking shall be regulated by the provisions of the law governing companies, unless specific matters are regulated otherwise by this Law.

a) The Assembly

Article 51

The Assembly of a joint stock insurance undertaking shall be composed of the shareholders of the undertaking (hereinafter: the shareholders).

The shareholders shall exercise their voting rights directly or through their representatives.

The Articles of Association of the insurance undertaking (hereinafter: the Articles) shall not prevent the shareholders with 1% or more voting shares from exercising their voting rights directly.

Competences of the Assembly

Article 52

The Assembly of a joint stock insurance undertaking (hereinafter: the Assembly) shall decide on:

- 1) Changes to the Articles of Association;
- 2) Increase or decrease of core capital of the undertaking, as well as on any issue of securities;
- 3) The number of authorised shares;
- 4) Changes to the rights and benefits appertaining to any class of shares;
- 5) Status changes and changes to the legal form of the undertaking;
- 6) Acquisition of large value assets and disposal thereof;
- 7) Allocation of profit and coverage of losses of the undertaking;
- 8) Adoption of financial statements, annual report of the insurance undertaking, report on the implementation of coinsurance and reinsurance policies, and report on audit of financial statements;
- 9) Adoption of the report of the Supervisory Board of the undertaking;
- 10) Creating long-term financial consolidation plan;
- 11) Election and dismissal of members of the Supervisory Board of the undertaking;
- 12) Remunerations for members of the Supervisory Board of the undertaking;
- 13) Selection of the audit firm and compensation for audit service;
- 14) Other matters in accordance with the Law and the Articles of Association.

The Assembly may not transfer the responsibility for making the decisions from paragraph 1 above to another body of the joint stock insurance undertaking.

Assembly Meetings

Article 53

Assembly Meetings shall be held minimum once a year.

The National Bank of Serbia may request that certain issues are included on the agenda of the Assembly Meeting.

A representative of the National Bank of Serbia may attend the Assembly and may address the shareholders at this meeting.

The Supervisory Board of a joint stock insurance undertaking shall notify the National Bank of Serbia about the date of and the agenda of the Assembly Meeting within the deadline stipulated for notification and shall submit a copy of the meeting minutes after that meeting.

b) Supervisory Board

Article 54

The Supervisory Board of a joint stock insurance undertaking shall consist of minimum three members, including the chairperson.

At least one-third of the members of the Supervisory Board shall be made up of persons independent from the joint stock insurance undertaking (as independent Supervisory Board members).

An independent Supervisory Board member shall be subject to the provisions of the law governing companies.

Competences of the Supervisory Board

Article 55

The Supervisory Board of a joint stock insurance undertaking (hereinafter: the Supervisory Board) shall:

- 1) Determine business goals, business strategy, and annual business plan of the undertaking and supervise their attainment;
- 2) Appoint and dismiss members of the Executive Board of the undertaking;
- 3) Appoint and dismiss a certified actuary;
- 4) Supervise the activities of members of the Executive Board of the undertaking;
- 5) Establish accounting policies of the undertaking and give opinion on business policy acts of the undertaking;
- 6) Consider and give explanatory opinion on the financial statements of the undertaking, its annual report and the report on the implementation of coinsurance and reinsurance policies including the opinion of a certified actuary, and present them to the Assembly for approval;
- 7) Give and withdraw a proxy;
- 8) Convene Assembly Meetings and propose agenda;
- 9) Issue authorised shares if authorised to do so under Articles of Association or by the decision of the Assembly;
- 10) Determine the issue price of shares and other securities, in accordance with the law;
- 11) Determine the market value of shares and other securities, in accordance with the law;
- 12) Decide on acquisition of own shares, in accordance with the law;
- 13) Decide on the distribution of interim dividends to shareholders in the cases stipulated by law;
- 14) Determine the remuneration for members of the Executive Board and give opinion on the pay policy and other earnings in the undertaking;
- 15) Give approval to members of the Executive Board to carry out tasks or activities in accordance with the law, Articles of Association, decisions of the Assembly and decision of the Supervisory Board;
- 16) Establish the system of internal controls and determine risk management strategies;
- 17) Establish rules on internal audit;
- 18) Adopt Internal Audit Plan;

19) Ensure that legal transactions concluded with shareholders, related parties and other persons in obligation to the undertaking are not less favourable for the undertaking compared to the same class of transactions concluded under market conditions;

20) Propose an audit firm to the Assembly and consider the reports on audit of financial statements and internal audit reports;

21) Inform the National Bank of Serbia and other competent authorities about the irregularities established;

22) Consider findings of the National Bank of Serbia in the procedure of insurance supervision and/or of other supervisory and inspection bodies in the procedure of examination of activities of the undertaking;

23) Perform other duties in accordance with law, Articles of Association and the decisions of the Assembly.

The Supervisory Board shall be responsible for establishing a system of risk management in a joint stock insurance undertaking and the supervision of such system, and shall also ensure that the Executive Board of the undertaking identifies the risks the undertaking is exposed to, and controls these risks in accordance with the approved strategies and procedures.

Meetings of the Supervisory Board

Article 56

Meetings of the Supervisory Board shall be held minimum once in every three months.

If the National Bank of Serbia deems it necessary, a representative of the National Bank of Serbia may attend the meeting of the Supervisory Board and may address its members.

The Supervisory Board shall notify the National Bank of Serbia of the date and agenda of its meeting within the stipulated deadline for notification of the members of the Supervisory Board.

Along with its annual report, a joint stock insurance undertaking shall also submit to the National Bank of Serbia a report on the total number of meetings of the Supervisory Board and meeting venues.

c) Executive Board

Article 57

The Executive Board of a joint stock insurance undertaking (hereinafter: the Executive Board) shall consist of minimum two members, including the chairperson.

The chairperson of the Executive Board shall represent the joint stock insurance undertaking.

When concluding legal transactions and taking legal actions within his remit, the chairperson of the Executive Board shall obtain the signature of one member of the Executive Board.

A member of the Executive Board may not have deputies.

Competences of the Executive Board

Article 58

The Executive Board shall manage activities of a joint stock insurance undertaking and perform daily monitoring of the activities of the employees in that undertaking.

The Executive Board shall:

- 1) Ensure legal compliance of the undertaking;
- 2) Be responsible for the accuracy of business records and financial statements of the undertaking;
- 3) Implement business goals and business strategy of the undertaking in the manner determined in the business plan and/or annual business plan, and also give guidelines for new business planning;
- 4) Adopt business policy acts of the undertaking;
- 5) Make decisions on investment policy, as well as on borrowing by the undertaking within the limits determined by the Supervisory Board, in accordance with regulations;
- 6) Implement the system of internal controls and risk management strategies;
- 7) Adopt procedures for identifying, measuring, monitoring, assessing and managing risks, analyse the effectiveness of their implementation, and report to the Supervisory Board on these activities;
- 8) Adopt and implement the procedures for settlement of claims for damages;
- 9) Ensure safety and regular monitoring of the information system of the undertaking;
- 10) Report to the Supervisory Board on all activities that are not in compliance with the regulations and other acts of the undertaking;
- 11) Submit to the Supervisory Board quarterly and annual business reports and financial statements of the undertaking;
- 12) Implement the decisions of the Assembly and the Supervisory Board;
- 13) Decide on matters that are not within the remit of the Assembly and the Supervisory Board;
- 14) Perform other duties in accordance with law, the Articles of Association, decisions of the Assembly and decisions of the Supervisory Board.

Management of a Joint Stock Insurance Undertaking

Article 59

Within the meaning of this Law, the management of a joint stock insurance undertaking (hereinafter: the management) shall be the Supervisory Board and the Executive Board.

In order to protect insurance service beneficiaries, members of the management are required to take measures to prevent illegal or inappropriate actions and influences that are harmful to or not in the

best interest of the joint stock insurance undertaking and its shareholders and which are performed by persons who are closely related to the undertaking.

*Obligation to Inform the Assembly
About Management Earnings*

Article 60

Minimum once a year, the Assembly shall discuss written information with detailed data regarding salaries, allowances and other earnings of members of the Supervisory Board and the Executive Board and all contracts between the joint stock insurance undertaking and those persons and other persons related with them, which result in a material benefit to these persons, as well as a proposal of the Supervisory Board on salaries, allowances and other material benefits of such persons for the following year.

Prior Approval for Members of Management

Article 61

A member of management shall be appointed after obtaining prior approval of the National Bank of Serbia for a member of management.

A member of management may be a person who fulfils the requirements from Article 62 of this Law.

With the application for approval under paragraph 1 herein, a joint stock insurance undertaking shall also submit a draft decision of its competent body on the appointment of a member of management, as well as data and evidence of compliance with the requirements from paragraph 2 herein, and for the person nominated as a member of the Executive Board, it shall also submit the Statement of Business Intent in managing the undertaking for the period for which the person is appointed.

The National Bank of Serbia shall decide on the application from paragraph 3 herein within 30 days from the date of receipt of the duly completed application.

If the application for operating license was submitted, the decision on the application for approval from paragraph 3 herein shall be rendered within the procedure of rendering a decision on operating license.

The approval from paragraph 1 herein shall cease to be effective if the person is not appointed a member of management within six months from rendering the decision on approval.

A joint stock insurance undertaking shall inform the National Bank of Serbia on the appointment and/or dismissal of a member of management within eight days from his appointment and/or dismissal.

A joint stock insurance undertaking shall enter the appointed members of management into the register with the competent authority.

If a member of management is appointed without approval from paragraph 1 herein, such appointment shall be deemed null and void.

Requirements for Members of Management

Article 62

A member of management must have a good business reputation and appropriate professional qualifications, knowledge and experience required to act as member of management.

The following persons may not act as member of management:

- 1) A person who has been effectively convicted of a criminal offence to unconditional imprisonment or been effectively convicted of a criminal offence which makes him unfit to act as member of management;
- 2) A person who has been issued effective protective measure prohibiting him from pursuing professional activities which makes him unfit to act as member of management;
- 3) A person who, on the date of delicensing of a legal person from the financial sector, or six months before that date, or on the date of initiation of receivership or bankruptcy or court ordered liquidation of such legal person was authorised to represent that legal person or was a member of its management body, other than the receiver of that legal person;
- 4) A person whose approval for acting as member of management or performing other duty which requires approval from the competent authority has been revoked in the past three years;
- 5) A person who has been dismissed as a member of management pursuant to Article 204 of this Law.

In addition to persons specified by the law governing companies, the following persons may not be nominated as a member of management:

- 1) A person related to the legal person in which the joint stock insurance undertaking has more than 5% participation in capital or voting rights;
- 2) A person who is a member of management or supervisory body or procura holder in another insurance/reinsurance undertaking or another financial sector person.

By way of derogation from paragraph 3, item 1) herein, a person who is a member of a management and/or supervisory body in a legal person in which the joint stock insurance undertaking holds a controlling participation may be appointed as member of management.

At least one member of the Supervisory Board and/or one member of the Executive Board must be fluent in the Serbian language and have permanent residence in the Republic, while other members of the Executive Board must have temporary residence in the Republic.

All members of the Executive Board shall be employees of the joint stock insurance undertaking with full-time contracts.

The National Bank of Serbia shall prescribe more detailed requirements in relation to the performance of the function of member of management, as well as evidence, documents and data that the joint stock insurance undertaking is required to submit along with the application for approval under Article 61 of this Law.

*Refusal of the Application for Prior Approval
for Member of Management*

Article 63

The National Bank of Serbia shall refuse the application for approval specified in Article 61 of this Law if it establishes that:

- 1) The documents and data that the applicant has submitted are incomplete;
- 2) The person proposed as a member of management no longer meets at least one of the requirements from Article 62 of this Law;
- 3) Based on the available data it follows that due to the activities or jobs that the person proposed as a member of management performs, and/or has performed, the operation of the joint stock insurance undertaking may be jeopardized under the rules on risk management;
- 4) The person proposed as a member of management is already registered with the competent authority without having obtained prior approval from the said Article.

The person whose application from paragraph 1 herein has been refused may not resubmit the application within one year from such refusal.

Revocation of Approval for a Member of Management

Article 64

The National Bank of Serbia shall, by virtue of a decision, revoke its approval for a member of management if:

- 1) The person has obtained such approval on the grounds of false and inaccurate information;
- 2) The member of management no longer meets at least one of the requirements from Article 62 of this Law;
- 3) The member of management fails to act in accordance with the responsibilities determined by this Law for a member of management;
- 4) It assesses that the conditions have been met for introduction of receivership under Article 206 of this Law;

The person whose approval from paragraph 1 herein has been revoked shall cease to be a member of management as of the date of issuance of the decision from the said paragraph.

A joint stock insurance undertaking shall be obligated to ensure full application of the provision from paragraph 2 herein.

The person from paragraph 1 herein whose approval from that paragraph has been revoked may not resubmit the application for such approval within three years from the date of issue of the decision to revoke the approval.

Duties and Responsibilities of Member of Management

Article 65

The Executive Board shall immediately inform the Supervisory Board in writing if:

- 1) The liquidity and/or solvency of the joint stock insurance undertaking is in jeopardy;
- 2) Conditions arise causing the termination or revocation of the operating license of the joint stock insurance undertaking, and/or reasons for prohibiting the carrying on of certain classes of insurance business;
- 3) A joint stock insurance undertaking ceases to comply with capital adequacy requirements prescribed by this Law.

The Supervisory Board shall immediately inform the National Bank of Serbia of the occurrence of the circumstances from paragraph 1 herein.

The member of management shall immediately inform the National Bank of Serbia in writing of the following:

- 1) His appointment or termination of his appointment in a management or supervisory body of other legal persons;
- 2) Legal transactions on the grounds of which a member of the management, and/or a member of his family, have directly or indirectly acquired shares and/or equity interest in a legal person, based on which he himself or together with members of his family, has acquired and/or increased the qualifying holding in such legal person, and/or that his holding has been reduced below the minimum stipulated in Article 31, paragraph 1 of this Law.

For damage caused by failure to observe duties prescribed by law, members of management shall be liable to the joint stock insurance undertaking.

Section 7

Other Provisions Relating to Joint Stock Insurance/Reinsurance Undertaking

Prior Approval for Change of Business Name and Head Office

Article 66

A joint stock insurance undertaking shall be obligated to apply for the prior approval of the National Bank of Serbia regarding a proposed decision to change its business name, head office, and/or head office address.

Along with the application for the approval of the National Bank of Serbia to change the head office, and/or head office address, and in addition to the proposal for head office change, the undertaking shall submit evidence of the required technical capacity under Article 42, paragraph 3, item 11) of this Law.

The National Bank of Serbia shall decide on the application from paragraph 2 herein within 30 days from the date of receiving the duly completed application.

If rendered without prior approval of the National Bank of Serbia, acts from paragraph 1 herein shall be considered null and void.

General Acts, the Annual Business Plan and Business Policy Acts

Article 67

A joint stock insurance undertaking shall adopt general acts, the annual business plan, and business policy acts.

Business policy acts of a joint stock insurance undertaking shall be:

- 1) General and special policy conditions and scales of premiums;
- 2) Technical basis for insurance;
- 3) Decision on the establishing criteria, methods of establishing and the table of maximum retention in the total amount of self-retention;
- 4) Rules on the conditions and methods of coinsurance and reinsurance;
- 5) Rules on formation and methods of calculating technical provisions stipulated in Article 116 of this Law;
- 6) Investment policy;
- 7) Rules on the maximum expense loading rates;
- 8) Rules on conditions and methods for recourse claims;
- 9) Rules on processing of policy register forms;
- 10) Other business policy acts.

Apart from the acts referred to in paragraph 2 herein, a joint stock insurance undertaking shall be obligated to compose all other acts, business records, minutes of meetings of its bodies, the decisions of these bodies and contracts in the Serbian language.

Prior Approval for Investment in Other Legal Persons

Article 68

A joint stock insurance undertaking shall be obligated to apply for prior approval of the National Bank of Serbia for investments by which the undertaking acquires a qualifying holding in another legal person, as well as for increasing such holding to or above the level prescribed under Article 31 paragraph 1 of this Law.

The National Bank of Serbia shall render the decision on the application from paragraph 1 of this Article within 60 days from the receipt of a duly completed application – by applying accordingly the provisions of this Law relating to the issue of prior approval for acquiring/increasing a qualifying holding in a joint stock insurance undertaking. The fulfilment of the requirements from Article 32 paragraph 1 items 1) through 6) of this Law is assessed for the legal person which is the subject of investment, and the fulfilment of requirements from item 7) of the said paragraph for the undertaking which has submitted the application.

The acts from paragraph 1 herein rendered without prior approval of the National Bank of Serbia, as well as the activities from the said paragraph undertaken without this approval, shall be considered null and void.

Appropriate Application of the Law on the Operation of a Joint Stock Reinsurance Undertaking

Article 69

The provisions of the Law pertaining to insurance undertakings shall accordingly apply to joint stock reinsurance undertakings, unless specific matters are regulated otherwise by this Law.

Section 8

Mutual Insurance Undertakings

Insurance business

Article 70

A mutual insurance undertaking shall be a legal person with its head office in the Republic, which is registered with a competent authority based on its license to carry on insurance activities issued by the National Bank of Serbia.

A mutual insurance undertaking carries on insurance activities solely in the interest of its members (the insured), abiding by the principles of reciprocity and solidarity.

A mutual insurance undertaking may engage in all insurance activities, except reinsurance activities.

The name of the mutual insurance undertaking shall contain the letters “d.u.o.” (that is “mutual insurance undertaking”)

Founders

Article 71

A mutual insurance undertaking may be founded by both legal and natural persons.

A mutual insurance undertaking may be founded by minimum 250 natural persons, if the mutual insurance undertaking is founded to carry on life insurance business, and by at least 300 natural or legal persons, if the mutual insurance undertaking is founded to carry on non-life insurance business.

Classes

Article 72

A mutual insurance undertaking shall be founded as an unlimited contribution undertaking or as a limited contribution undertaking.

A mutual insurance undertaking founded as an unlimited contribution undertaking may request each member (the insured) to pay additional contribution without any limitation for the settlement of unpaid claims and other expenditures.

A mutual insurance undertaking founded as a limited contribution undertaking may request each member (the insured), to pay additional contributions that do not exceed the total amount of their previous contribution from the same year, if the claim compensations and other expenditures exceed the contributions previously paid and other revenues of the undertaking.

If a mutual insurance undertaking carries on several classes of insurance, its Articles of Association may provide for payment of additional contributions for each class of insurance separately.

Core Capital

Article 73

The pecuniary part of the core capital of a mutual insurance undertaking at its establishment shall not be less than the amount of core capital prescribed by Article 27 of this Law.

During its operation, a mutual insurance undertaking shall maintain its core capital in the amount stipulated in paragraph 1 herein.

Application for Operating License

Article 74

Application for operating license shall be submitted by the founders of a mutual insurance undertaking.

In the licensing process, the founders of a mutual insurance undertaking may be represented by persons authorised by them to do so.

Along with the application from paragraph 1 herein, the founders of a mutual insurance undertaking shall also submit the following:

- 1) Association Agreement of the Undertaking;
- 2) Draft Articles of Association;
- 3) Evidence that the founders hold the pecuniary part of the core capital prescribed by Article 73, paragraph 1 of this Law;
- 4) Evidence of contribution (premium) payment by the members (the insured) and the list of members;
- 5) Business plan of the undertaking;

6) Evidence that the founders who acquire a qualifying holding in the undertaking meet the requirements prescribed in Article 32 of this Law;

7) Evidence that the proposed members of the management meet the requirements from Article 62 of this Law;

8) Drafts of the business policy acts as from Article 67, paragraph 2, items 2) to 10) of this Law, with the opinion of the certified actuary on the drafts of these acts from items 2) to 5) of the said paragraph and insurance terms and conditions for compulsory traffic insurance with the opinion of the certified actuary, if the undertaking will carry on such insurance.

Association Agreement

Article 75

The Association Agreement of a mutual insurance undertaking shall contain in particular the provisions on:

- 1) Business name, head office and the head office address of the undertaking;
- 2) Name and address i.e. business name and address of the registered office of the founder;
- 3) Insurance activities, i.e. classes of insurance and number of the same types of risk;
- 4) The amount of the pecuniary part of the core capital and other funds;
- 5) The number of founders and the amount of contribution of each founder;
- 6) The conditions, terms and methods of refund of the founders' contributions, with interest from excess of revenues over expenses (hereinafter: the surplus);
- 7) Consequences of the modification of the Articles of Association, of general policy conditions, and the decision on winding-up of the undertaking to the concluded insurance contracts;
- 8) Consequences of failure to effect payments of founder's contributions, minimum contributions, and mutual relations in case of failure to satisfy the prescribed requirements regarding minimum number of members (the insured), and/or the same types of risk.

The Association Agreement of a mutual insurance undertaking may also include other provisions significant to the establishment of the undertaking.

Articles of Association

Article 76

The Articles of Association of a mutual insurance undertaking shall contain the provisions on:

- 1) Business name, head office and the head office address of the undertaking;
- 2) Insurance activities and classes of insurance the undertaking will engage in;
- 3) The amount of pecuniary part of the core capital and other assets and contributions paid by members (the insured);
- 4) Number of founders and amount of founder's contributions paid by members (the insured);

- 5) The method of calculating members' (the insured) contributions and the conditions and timeframe for payment of contributions;
- 6) Members' (the insured) compensation rights;
- 7) Limited and/or unlimited contributions;
- 8) Additional contribution payment obligation to cover the deficit, or the possibility to cover the undertaking's deficits by proportionately reducing the compensation to all members (the insured);
- 9) The commencement and termination of membership in the undertaking;
- 10) Rights and obligations of members (the insured) on leaving the undertaking;
- 11) The method of signing on behalf of the undertaking and representing the undertaking;
- 12) Undertaking's bodies and their composition, appointments, dismissals, scope and method of work and decision making;
- 13) Funds and reserves;
- 14) Conditions and methods for allocating the surplus and/or covering deficits;
- 15) The procedure for amending the Articles of Association;
- 16) Changes of the form of the undertaking;
- 17) Winding-up of the undertaking;
- 18) Other issues significant to the undertaking's operation.

Reserves

Article 77

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

Undertaking Members' Rights and Obligations

Article 78

The insured shall become a member of a mutual insurance undertaking upon signing an insurance contract.

A member of a mutual insurance undertaking shall not be liable for the undertaking's liabilities.

A member of a mutual insurance undertaking shall not be entitled to offset his liabilities towards the undertaking regarding contributions and additional payments against his receivables from the undertaking.

The payment of contributions and allocation of surplus shall be made under equal conditions for all members of the mutual insurance undertaking.

The Assembly

Article 79

The Assembly of a mutual insurance undertaking shall consist of its founders and members (the insured).

Founders and members (the insured) of a mutual insurance undertaking shall participate in the management of the undertaking in proportion to their respective founder's contributions and contributions.

Founders of a mutual insurance undertaking shall participate in the management of the undertaking until total repayment of their respective contribution.

Application of the Provisions on a Joint Stock Insurance Undertaking

Article 80

A mutual insurance undertaking shall be subject accordingly to Articles 31 to 68 of this Law, unless specific matters are regulated otherwise by this Law.

Section 9

Insurance Business that an Insurance Undertaking Carries on in a Foreign Country

Conditions and Manner of Pursuing Insurance Business in a Foreign Country

Article 81

An insurance undertaking may carry on insurance business in a foreign country through its branch or directly, in accordance with the regulations of that country and provisions of this Article.

For establishment of a branch in a foreign country, an insurance undertaking shall submit to the National Bank of Serbia an application for prior approval to establish a branch.

The National Bank of Serbia shall decide on the application from paragraph 2 herein within 60 days from the date of receipt of the duly completed application.

The National Bank of Serbia shall refuse the application from paragraph 2 herein if, due to regulations of the foreign country and practice in their application, supervision over insurance activities in accordance with this Law may be prevented or hindered.

When pursuing insurance business in a foreign country directly, an insurance undertaking shall inform the National Bank of Serbia not later than eight days from the commencement of such business.

The National Bank of Serbia shall prescribe more closely the requirements for carrying on insurance business in a foreign country through a branch, as well as the manner of granting, revoking and terminating the approval from paragraph 2 herein.

Provisions of this Article shall not apply to a reinsurance undertaking.

Chapter III

INFORMATION FOR POLICYHOLDERS

Information for policyholders prior to the conclusion of an insurance contract

Article 82

Before concluding an insurance contract, the insurance undertaking shall inform the policyholder at least of the following:

- 1) The business name, legal form, head office and the head office address of the insurance undertaking with which the contract is concluded;
- 2) The policy conditions and the law applicable to the insurance contract;
- 3) Term of validity of the contract;
- 4) The risks covered by insurance and exclusions related to the said risks;
- 5) The amount of insurance premium, manner of payment of insurance premium, amounts of contributions, taxes and other related expenses apart from the insurance premium, as well as the total amount payable;
- 6) The right to terminate the contract and means for termination, and/or the right to cancel the contract;
- 7) The validity period of the offer which is binding for the insurance undertaking;
- 8) Manner of submission and the timeframe prescribed for filing a claim for damages, and/or for the exercise of the rights under the insurance;
- 9) Manner of protection of rights and interests of the policyholder with the insurance undertaking;
- 10) Name, head office and address of the authority competent for supervision of the insurance undertaking, as well as the manner of protection of the rights and interests of the policyholder by this authority.

In case of life insurance contracts, the notification referred to in paragraph 1 of this Article, in addition to information from the said paragraph, shall also comprise the information on:

- 1) The basis and criteria for participation in the profits and the manner and the terms of payment of the share in profit;
- 2) The cash surrender value table;
- 3) The conditions for entitlement to the contract capitalisation and the rights arising from such insurance;
- 4) In case of insurance linked to units of investment funds – on who bears the investment risk, the definition of the investment unit to which the benefits are linked and on the investment fund prospectus, and in particular, on the structure of investment;
- 5) Tax regulations related to life insurance.

In case of legal protection insurance, when choosing a lawyer or other person with appropriate qualifications under the regulation and for the purpose of defending, representing or protecting the interests of the insured in the investigation or proceedings – the insured is free to choose a lawyer or other person by himself.

When the policyholder and the insured are not the same person, and the contract is a collective insurance or insurance that is part of a related contract (with a contract on sale of goods or provision of services between a consumer and a vendor, or in connection with it) or a contract that is a condition for the use of another financial service – the insurance undertaking shall inform the insured of the data referred to in paragraph 1, items 1) to 6) and paragraph 2 of this Article, and provide him with insurance policy conditions that are applicable to the insurance contract.

Information for Policyholders
During Validity Term of the Insurance Contract

Article 83

During the term of validity of an insurance contract, the insurance undertaking shall as a minimum inform the policyholder on the following:

- 1) Change of business name, legal form, head office and the head office address of the insurance undertaking with which the contract is concluded;
- 2) Changes of the data and/or information referred to in Article 82, paragraph 1, items 2) to 6) and paragraph 2, items 1) to 4) of this Law – in case of changes of provisions in the law governing the insurance contract.

During the term of validity of a life insurance contract, the insurance undertaking shall inform the policyholder on his profit share minimum once a year.

Contents of Notifications and Manner of Informing

Article 84

The text and contents of notifications from Articles 82 and 83 of this Law shall be written in clear and understandable fashion, in the Serbian language.

An insurance undertaking shall provide notifications referred to in Articles 82 and 83 of this Law in writing or on other permanent data medium which enables the policyholder and/or the insured to keep, access and reproduce the data in an unchanged form in the period appropriate for the purpose for which they are kept.

All the information that the insurance undertaking discloses to prospective policyholders in the media must be accurate, thorough, and clear, must be based on reliable data, and must not obscure the real purpose of such information, nor in any way mislead the recipients of that information.

The costs incurred by notifications from paragraphs 1 and 2 herein shall be borne by the insurance undertaking.

Chapter IV

BROKERAGE AND AGENCY IN INSURANCE

Section 1

Brokerage in insurance

Insurance and Reinsurance Brokerage Activities

Article 85

Insurance brokerage activities include insurance and reinsurance brokerage activities.

Insurance brokerage activities shall be activities related to introducing the insured and/or policyholder to an insurance/reinsurance undertaking for the purpose of negotiating the conclusion of an insurance/reinsurance contract, preparation for the conclusion of these contracts, as well as providing help in exercising the rights arising from such contracts, in particular in settlement of claims for damages.

Pursuing Insurance Brokerage Business

Article 86

Insurance brokerage activities shall be carried on, as an exclusive activity, by an insurance brokerage undertaking with its head office in the Republic, registered with the competent authority based on its license to carry on such business issued by the National Bank of Serbia.

An insurance brokerage undertaking shall not be entitled to carry on insurance agency business.

By way of derogation from paragraph 1 herein, the person from the said paragraph may also carry on activities that are directly or indirectly related to insurance business, and the National Bank of Serbia shall prescribe such activities more closely as well as the manner and terms in which they are carried on.

Prohibition of Brokerage in Insurance

Article 87

An insurance brokerage undertaking shall not act as a broker in concluding an insurance/reinsurance contract with an insurance/reinsurance undertaking if the conclusion of the insurance/reinsurance contract would collide with the provisions of this Law.

Establishing an Insurance Brokerage Undertaking and Business Name

Article 88

An insurance brokerage undertaking shall be established in accordance with the law governing companies, unless specific matters are regulated otherwise by this Law.

An insurance brokerage undertaking shall be established in the form of a joint stock or a limited liability undertaking.

If an insurance brokerage undertaking is established as a joint stock undertaking, the pecuniary part of the core capital shall not be less than the RSD equivalent of EUR 25,000 calculated at the middle exchange rate of the National Bank of Serbia on the day of payment.

If an insurance brokerage undertaking is established as a limited liability undertaking, the pecuniary part of the core capital cannot be less than the RSD equivalent of EUR 12,500 calculated at the National Bank of Serbia middle exchange rate on the day of payment.

An insurance brokerage undertaking shall be required to ensure through its operations that its core capital never falls below the euro amount specified in paragraph 3 and/or paragraph 4 herein, and to maintain its liquid assets (cash, short-term securities and other short-term investments and receivables) as a minimum at the level of 50% of its core capital.

The business name of the insurance brokerage undertaking shall also include “insurance brokerage” as an indication of the class of activity.

Application for an Insurance Brokerage License

Article 89

The application for a license to carry on insurance brokerage activities shall be submitted by the founders of the insurance brokerage undertaking.

In the licensing process referred to in paragraph 1 herein, the founders of an insurance brokerage undertaking may be represented by persons authorised by them to do so.

Along with the application from paragraph 1 herein, the founders of an insurance brokerage undertaking shall also submit the following:

- 1) Memorandum of Association of the undertaking;
- 2) Draft Articles of Association, where such act is envisaged by the law governing companies;
- 3) Evidence that the founders hold the pecuniary part of the core capital prescribed by Article 88 of this Law;
- 4) Business plan of the undertaking;
- 5) A list of shareholders, and/or owners of equity interest and data about persons acquiring qualifying holding in the insurance brokerage undertaking, the amount of their holding and the persons closely linked with those persons;
- 6) The data and evidence of fulfilment of the requirements from Article 32, paragraph 1, items 1), 3) and 6) of this Law which are used to establish the reliability of the person acquiring qualifying holding in the undertaking;
- 7) The data about the proposed member of management of the insurance brokerage undertaking who must be authorised to carry on insurance brokerage activities, along with data and evidence that this person has good business reputation, and evidence of fulfilment of other requirements from Article 62, paragraph 2 of this Law;
- 8) Evidence of the required professional and technical capacity of the undertaking;

9) Professional indemnity insurance contract against liability for the damages arising from personal negligence or unconditional bank guarantees accepted by the National Bank of Serbia for the insured sum and/or the guarantee amount not less than the RSD equivalent of EUR 200,000 calculated at the National Bank of Serbia middle exchange rate on the day of payment;

10) Evidence on relation, by capital or other basis, with insurance undertakings, reinsurance undertakings, insurance agencies or other insurance brokerage undertakings.

The National Bank of Serbia shall specify more closely the manner of evidencing good business reputation of a member of management of an insurance brokerage undertaking, what is deemed the required professional and technical capacity of that undertaking, as well as the contents of the evidence, documents and data referred to in paragraph 3 herein.

Licensing and Entry into Register

Article 90

The National Bank of Serbia shall decide on the application for a license to carry on insurance brokerage activities by virtue of a decision, within 60 days from the date of the receipt of the duly completed application.

The founders of an insurance brokerage undertaking shall submit the application for registration with the competent authority within 30 days from the date of receipt of the decision referred to in paragraph 1 herein.

Along with the application referred to in paragraph 2 herein, the undertaking shall also submit the decision from the said paragraph, as well as the decision of the National Bank of Serbia on granting prior approval for a member of management of the insurance brokerage undertaking.

An insurance brokerage undertaking must submit the decision on registration to the National Bank of Serbia within seven days from the receipt of such decision.

License Revocation

Article 91

The National Bank of Serbia may revoke the license to carry on insurance brokerage activities from an insurance brokerage undertaking if the reasons for withdrawal of the approval of the National Bank of Serbia related to the undertaking's acts and operations pursuant to this Law have occurred.

The National Bank of Serbia shall revoke the license to carry on insurance brokerage activities if:

- 1) The license has been obtained on the grounds of false and inaccurate information;
- 2) The undertaking no longer meets at least one of the requirements from Article 89 herein;
- 3) It has been established that the undertaking does not operate in compliance with the Law and other regulations;
- 4) The undertaking provides brokerage services to an insurance/reinsurance undertaking not licensed to carry on insurance business.

Authorisation to Carry on Insurance Brokerage Activities

Article 92

In an insurance brokerage undertaking, insurance brokerage activities shall be carried on, on the basis of employment or other work engagement outside employment relationship in accordance with law, only by persons authorised by the National Bank of Serbia to carry on insurance brokerage (hereinafter: certified brokers).

Activities referred to in paragraph 1 of this Article may not be carried on by persons sentenced to unconditional imprisonment or effectively convicted of a criminal offence that renders them unfit for pursuing those activities.

The National Bank of Serbia shall issue an authorisation for a person to carry on insurance brokerage activities provided he fulfils the following conditions:

- 1) Has relevant professional qualifications and experience;
- 2) Has passed the professional exam for certified broker in the Serbian language;
- 3) Has not been issued effective protective measure prohibiting him from pursuing professional activities that renders him unsuitable for pursuing brokerage activities;
- 4) Has not had his authorisation to carry on insurance brokerage activities revoked in the prior three years.

The National Bank of Serbia shall prescribe more closely the required professional qualifications and experience for the person referred to in paragraph 3 of this Article, the curriculum content and the manner of taking the professional exam referred to in item 2) of the said paragraph, the manner of evidencing fulfilment of the requirements stipulated in that paragraph, and the manner of further professional education of certified brokers.

The National Bank of Serbia may issue the authorisation to carry on insurance brokerage activities, under the conditions and in the manner prescribed by the National Bank of Serbia, to a person who was awarded the title of certified broker abroad.

A certified broker shall carry on insurance brokerage activities in accordance with the rules of the insurance profession and good business practices.

Revoking Authorisation to Carry on Insurance Brokerage Activities

Article 93

The National Bank of Serbia shall revoke the authorisation to carry on insurance brokerage activities from the person who:

- 1) Has obtained the authorisation on grounds of false and inaccurate information;
- 2) No longer meets at least one of the requirements from Article 92 herein;
- 3) Commits a serious breach of the rules of the profession and good business practices.

Special Obligation of an Insurance Brokerage Undertaking

Article 94

An insurance brokerage undertaking shall provide explanations and advice to the insurance/reinsurance policyholder and/or the insured about circumstances essential for the conclusion and implementation of an insurance/reinsurance contract.

Acting according to paragraph 1 herein, the insurance brokerage undertaking shall be specifically obliged to:

- 1) Determine, prior to concluding an insurance/reinsurance contract, the needs and requirements of the insurance/reinsurance policyholder and/or the insured person based on the data provided by those persons;
- 2) Act as a broker for the purpose of negotiations on concluding an insurance/reinsurance contract with an insurance/reinsurance undertaking, which, in terms of the circumstances of that particular case, offers the most favourable coverage;
- 3) Draft an appropriate risk analysis and suggest appropriate coverage;
- 4) State the reasons behind the advice regarding the proposed contract, and/or explain why the particular insurance/reinsurance undertaking was recommended;
- 5) Inform the insurance/reinsurance undertaking that the prospective policyholder wishes to conclude an insurance/reinsurance contract and offer to the prospective insurance/reinsurance policyholder an insurance policy or reinsurance contract and provide him with information on the method for calculating the premium;
- 6) Check the wording of the insurance policy and/or the reinsurance contract;
- 7) Offer assistance to the insurance/reinsurance policyholder and/or the insured person during the validity term of the insurance/reinsurance contract, as well as both before and after the occurrence of the insured event, and specifically ensure that the policyholder undertakes all relevant actions to exercise and/or maintain the rights specified in the insurance/reinsurance contract;
- 8) Monitor the execution of the insurance/reinsurance contract concluded through his brokerage;
- 9) Draft a proposal to amend the concluded insurance/reinsurance contract for the purpose of ensuring a higher level of protection for the insurance/reinsurance policyholder.

The insurance brokerage undertaking shall draft the risk analysis referred to in paragraph 2, item 3) of this Article taking into account a sufficient number of insurance/reinsurance contracts available in the insurance market, allowing it to give recommendations in accordance with the professional criteria, so that the insurance/reinsurance contract would meet the policyholder's needs and requirements.

Protecting the Interests of the Parties

Article 95

In pursuing insurance brokerage activities, an insurance brokerage undertaking shall protect the interests of insurance/reinsurance policyholders and/or the insured.

In pursuing insurance brokerage activities, an insurance brokerage undertaking shall protect such interests of the insurance/reinsurance undertaking that, before or after the conclusion of an insurance/reinsurance contract, the insurance/reinsurance policyholder shall also be obligated to observe.

In pursuing activities of preparation for the conclusion of an insurance/reinsurance contract, an insurance brokerage undertaking shall inform the insurance/reinsurance undertaking about all significant risks that are known to it or should have been known to it.

An insurance brokerage undertaking shall inform the insurance/reinsurance policyholder and/or the insured person of all legal and economic relationships with the insurance/reinsurance undertaking that may affect the impartiality of the insurance brokerage undertaking while fulfilling its obligations towards the insurance/reinsurance policyholder and/or the insured person.

The legal and economic relationships referred to in paragraph 4 herein shall in particular be the provisions of the brokerage contract concluded between the insurance brokerage undertaking and the insurance/reinsurance undertaking according to which the insurance brokerage undertaking:

- 1) Is obliged to act as a broker solely for the conclusion of the insurance/reinsurance contract with a particular insurance/reinsurance undertaking;
- 2) Has contracted the right to higher remuneration than regular for brokerage services rendered for certain insurance classes.

Application of the Provisions on a Joint Stock Insurance Undertaking

Article 96

Provisions from Article 28, Articles 30 to 41, Article 45, Article 47, Articles 61 to 64, Articles 66, 68 and 81 of this Law shall apply accordingly to the insurance brokerage undertaking.

Section 2

Insurance Agency

Insurance Agency Business

Article 97

Insurance agency activities shall be the activities of initiating, proposing or carrying out the tasks of preparation and conclusion of insurance contracts on behalf and for the account of an insurance undertaking.

Insurance agency activities shall be carried on by a legal person or natural person – entrepreneur based on an insurance agency contract, in accordance with this Law.

The insurance agency contract shall be kept on the business premises of the contracting parties.

Carrying on Insurance Agency Activities

Article 98

Insurance agency, as an exclusive activity, shall be carried on by:

- 1) An insurance agency undertaking with its head office in the Republic, registered with a competent authority based on its license to carry on insurance agency activities issued by the National Bank of Serbia;
- 2) A natural person – entrepreneur (hereinafter: insurance agent) with its head office in the Republic, registered with a competent authority based on its license to carry on insurance agency activities issued by the National Bank of Serbia.

A bank, with its head office in the Republic and established in accordance with the law governing banks (hereinafter: the Bank), a financial leasing provider with its head office in the Republic and established in accordance with the law governing financial leasing and the public postal operator with its head office in the Republic and established in accordance with the law governing postal services may, as a supplementary activity, carry on insurance agency business on the basis of prior approval of the National Bank of Serbia for carrying on these activities.

An insurance agency undertaking, an insurance agent and/or the person referred to in paragraph 2 of this Article shall not engage in insurance brokerage activities.

An insurance undertaking shall keep records of insurance agency undertakings, insurance agents, persons from paragraph 2 of this Article, and persons from Article 113, paragraph 1 of this Law that provide insurance agency services for this insurance undertaking.

By way of derogation from paragraph 1 herein, the persons from the said paragraph may also carry on activities that are directly or indirectly related to insurance business, and the National Bank of Serbia shall prescribe such activities more closely as well as the manner and terms under which they shall be carried on.

The National Bank of Serbia shall prescribe more closely the requirements for carrying on insurance agency business for persons from paragraph 2 herein, as well as the manner of granting, revoking and terminating the approval from the said paragraph.

Insurance Agency Limitations

Article 99

An insurance agency undertaking, an insurance agent and legal persons from Article 98 paragraph 2 of this Law may carry on insurance agency activities for one insurance undertaking or several insurance undertakings – with their written approvals.

The person from paragraph 1 herein shall display in a prominent place on its business premises the business name of the insurance undertaking it represents.

Business Name

Article 100

Business name of an insurance agency undertaking, and/or insurance agent shall also include an indication of the class of activity – “insurance agency business”.

Establishment of an Insurance Agency Undertaking

Article 101

An insurance agency undertaking shall be established in accordance with the law governing companies, unless specific matters are regulated otherwise by this Law.

An insurance agency undertaking shall be established in the form of a joint stock or a limited liability undertaking.

If an insurance agency undertaking is established as a joint stock undertaking, the pecuniary part of the core capital shall not be less than the RSD equivalent of EUR 25,000 calculated at the National Bank of Serbia middle exchange rate on the day of payment.

If an insurance agency undertaking is established as a limited liability undertaking, the pecuniary part of the core capital shall not be less than the RSD equivalent of EUR 12,500 calculated at the National Bank of Serbia middle exchange rate on the day of payment.

An insurance agency undertaking shall be required to ensure in the course of its business that its core capital never falls below the euro amount specified in paragraph 3 and/or paragraph 4 above, and to maintain its liquid assets (cash, short-term securities and other short-term investments and receivables) at minimum 50% of its total core capital.

Application for an Insurance Agency License

Article 102

The application for a license to carry on insurance agency activities shall be submitted by the founders of the insurance agency undertaking.

In the licensing process referred to in paragraph 1 above the founders of an insurance agency undertaking may be represented by persons authorised by them to do so.

Along with the application from paragraph 1 herein, the founders of an insurance agency undertaking shall also submit the following:

- 1) Memorandum of Association of the undertaking;
- 2) Draft Articles of Association, where such document is envisaged by the law governing companies;
- 3) Evidence that they have the pecuniary part of the core capital prescribed by Article 101 of this Law;
- 4) The undertaking's business plan and the act on processing of policy register forms;
- 5) A list of shareholders, and/or owners of equity interest and data about persons acquiring qualifying holding in the undertaking, on the amount of their holding and on the persons closely linked with those persons;
- 6) Information and evidence of fulfilment of the requirements from Article 32, paragraph 1, items 1), 3) and 6) of this Law which are used to establish the reliability of the person acquiring qualifying holding in the undertaking;

- 7) Data about the proposed member of management of the undertaking, who must have authorisation to carry on insurance agency activities, with data and evidence that this person has good business reputation and evidence of fulfilment of requirements from Article 62, paragraph 2 of this Law;
- 8) Evidence of required professional and technical capacity of the undertaking;
- 9) Agency contract with an insurance undertaking, which must contain the provision about the insurance undertaking's liability for activities undertaken by the insurance agency undertaking in the course of its agency business and the insurance undertaking's right to continuously monitor the execution of that contract;
- 10) Evidence of relation by participation in capital or in some other way with insurance undertakings, insurance brokerage undertakings or other insurance agency undertakings.

The National Bank of Serbia shall prescribe more closely the manner of evidencing good business reputation of a member of management of an insurance agency undertaking, what is deemed required professional and technical capacity of that undertaking, as well as the contents of the evidence, documents and data referred to in paragraph 3 herein.

Application for an Insurance Agent License

Article 103

An insurance agent shall be entered in the register with the competent authority upon obtaining insurance agent license, which is issued by the National Bank of Serbia at the applicant's request.

In the licensing process referred to in paragraph 1 above, the applicant from the said paragraph may be represented by persons authorised to do so by the applicant.

Along with the application from paragraph 1 herein, the following shall also be submitted:

- 1) The insurance agent's Articles of Association;
- 2) Proof of identity of the applicant (name, identity card number and unique citizen identification number);
- 3) Proof of residence of the applicant;
- 4) Evidence that the applicant holds the amount of cash from paragraph 4 of this Article;
- 5) Evidence that the applicant has good business reputation;
- 6) Evidence that the applicant holds license to carry on insurance agency activities;
- 7) The insurance agent's business plan and act on processing of policy register forms;
- 8) Agency contract with an insurance undertaking, which must contain a provision about the insurance undertaking's liability for activities undertaken by the insurance agent in the course of its agency business and the insurance undertaking's right to continuously monitor the execution of that contract;
- 9) Evidence of required professional and technical capacity of the insurance agent;
- 10) Evidence of relation on the basis of capital or in some other way with insurance undertakings, insurance brokerage undertakings or insurance agency undertakings.

At establishment, the applicant referred to in paragraph 1 above must hold the cash amount in RSD equivalent of EUR 1,500 calculated at the middle exchange rate of the National Bank of Serbia on

the date of payment, originating from the applicant's own funds, and in the course of the insurance agent's business must maintain the liquid assets (cash assets, short-term securities and other short-term investments and receivables) at the level of at least 75% of that amount.

The National Bank of Serbia shall specify more closely the manner of evidencing good business reputation of the applicant referred to in paragraph 1 herein, what is deemed required professional and technical capacity of the insurance agent, as well as the contents of the evidence and documentation referred to in paragraph 3 herein.

Manager of an Insurance Agent

Article 104

An insurance agent may confer the management on a professionally capable natural person (hereinafter: the manager) under conditions stipulated by the law governing companies.

The manager must meet the requirements prescribed for an insurance agent by Article 103 paragraph 3 items 5) and 6) of this Law.

The manager must be a full-time employee of the insurance agent.

An insurance agent shall submit the evidence of fulfilment of requirements from this Article to the National Bank of Serbia prior to conferring the business on the manager.

Authorisation to Carry on Insurance Agency Activities

Article 105

In an insurance agency undertaking, with an insurance agent and in legal persons referred to in Article 98, paragraph 2 of this Law, insurance agency activities shall only be carried on by persons authorised by the National Bank of Serbia to carry on insurance agency (hereinafter: certified agents), on the basis of employment or other work engagement outside employment relationship in accordance with law.

Activities referred to in paragraph 1 of this Article may not be carried on by persons sentenced to unconditional imprisonment or effectively convicted of a criminal offence that renders them unfit for pursuing those activities.

The National Bank of Serbia shall issue authorisation to carry on insurance agency activities to a person who meets the following requirements:

- 1) Has relevant professional qualifications and experience;
- 2) Has passed the professional exam for a certified agent in the Serbian language;
- 3) Has not been issued effective protective measure prohibiting him from pursuing professional activities that renders him unfit for pursuing insurance agency activities;
- 4) Has not had his authorisation to carry on insurance agency activities revoked in the prior three years.

The National Bank of Serbia shall prescribe more closely the required professional qualifications and experience for the person referred to in paragraph 3 of this Article, the curriculum content and the

manner of taking the professional exam referred to in item 2) of the same paragraph, the manner of evidencing the fulfilment of requirements from that paragraph and the manner of further professional education of certified agents.

The National Bank of Serbia may also issue the authorisation to carry on insurance agency activities, under the conditions and in the manner prescribed by the National Bank of Serbia, to a person who received the title of a certified agent abroad.

A certified agent shall perform insurance agency activities in accordance with the rules of profession and good business practices.

Provisions from Article 93 of this Law shall apply accordingly to revocation of authorisation referred to in paragraph 3 of this Article.

Cash Assets and Payment Instruments

Article 106

Insurance agency undertakings, insurance agents and legal persons referred to in Article 98 paragraph 2 of this Law shall be required to transfer to the account of the insurance undertaking the money and other payment instruments and collateral collected and/or taken over from the insured and/or policyholders on behalf of the insurance undertaking, no later than on the business day following the date of collecting or taking them, and to submit other payment instruments and collateral within the same deadline.

The person from paragraph 1 of this Article authorised to collect insurance premium shall collect the premium in accordance with regulations and acts of the insurance undertaking.

The money and other payment instruments and collaterals from paragraph 1 herein shall be kept in a safe place by the person referred to in the same paragraph until he transfers or submits them to the insurance undertaking.

The money collected as insurance premium and other payment instruments referred to in this Article may not be subject to enforced collection, except for settlement of liabilities of the person referred to in paragraph 1 herein towards the insurance undertaking.

Responsibility for Acting as Insurance Agent

Article 107

An insurance undertaking shall be liable for actions undertaken as part of insurance agency.

Insurance agency undertakings, insurance agents and legal persons referred to in Article 98 paragraph 2 of this Law shall be liable towards the insured for any damage caused by false representation or negligence of these persons, or caused by the fact that these persons failed to disclose to the insured and/or the policyholder that they are acting as insurance agents.

Person with special authorisations within an insurance undertaking who concluded the agreement on insurance agency shall be liable toward the insurance undertaking for any damage arising from such contract.

Application of the Provisions on a Joint Stock Insurance Undertaking and Insurance Brokerage Undertaking

Article 108

Provisions of Article 28, Articles 30 to 41, Article 45, Article 47, Articles 61 to 64 and Articles 66, 68, 81, 90 and 91 of this Law shall apply accordingly to an insurance agency undertaking.

Provisions of Articles 45, 47, 66, 90 and 91 of this Law shall apply accordingly to an insurance agent.

Section 3

Common Provisions

Management of the Insurance Brokerage/Agency Undertaking and Insurance Agent

Article 109

Executive director and/or director of an insurance brokerage/agency undertaking who makes up the management of such undertaking within the meaning of this law must be a full-time employee with the undertaking and be the resident of the Republic.

Insurance agent referred to in Article 98, paragraph 1, item 2) of this Law may not be employed with the insurance undertaking.

Remuneration

Article 110

Insurance agency undertakings, insurance agents, and legal persons referred to in Article 98, paragraph 2 of this Law shall have no right to request remuneration or any kind of compensation from the insured person or policyholder.

An insurance brokerage undertaking shall have no right to request remuneration or any kind of compensation from the insured person or insurance/reinsurance policyholder, unless a different arrangement has been made with the policyholder in writing.

If the contract with the insurance/reinsurance policyholder specifies in writing that the insurance brokerage undertaking is entitled to remuneration or any other compensation – the insurance brokerage undertaking shall have no right to request remuneration or any other compensation from the insurance undertaking on the basis of that contract.

Disclosure Obligation

Article 111

Prior to concluding an insurance/reinsurance contract, and prior to making any amendments or extensions to those contracts, insurance brokerage/agency undertakings, insurance agents, and legal persons referred to in Article 98 paragraph 2 shall be required to inform the insurance/reinsurance policyholder about:

- 1) Their business name, head office and the head office address;
- 2) Competent authority with which they are registered and how the registration can be verified;
- 3) Name of the insurance/reinsurance undertaking with which they have concluded a contract;
- 4) The fact that they have direct and/or indirect right or possibility to acquire 10% or more of voting rights, and/or ownership of 10% or more of the core capital in the insurance/reinsurance undertaking with which the insurance/reinsurance contract is to be concluded;
- 5) The fact that the insurance/reinsurance undertaking with which the insurance/reinsurance contract is to be concluded or the parent undertaking of that undertaking has direct or indirect right or possibility to acquire 10% or more voting rights, or ownership of 10% or more of core capital in that undertaking;
- 6) The manner of protection of policyholder's rights and interests with that person;
- 7) Name, seat and address of the authority competent for supervision of such person, as well as about the manner of protection of rights and interests of the policyholder with this authority.

Prior to concluding an insurance contract, an insurance agency undertaking, insurance agent, and legal persons referred to in Article 98, paragraph 2 of this Law shall also be required to inform the policyholder whether they act as an agent of only one or of several undertakings and to provide the names of such undertakings, as well as the information referred to in Article 82 of this Law.

Provisions of Article 84 of this Law shall apply accordingly to the manner of informing the insurance/reinsurance policyholder and to the text and contents of disclosures referred to in paragraphs 1 and 2 of this Article.

Application of Provisions on Insurance Undertakings and Termination of License

Article 112

Provisions of this Law applicable to insurance undertakings shall apply accordingly to supervision of activities of insurance brokerage/agency undertakings and insurance agents, supervision of insurance agency activities carried on by legal persons referred to in Article 98 paragraph 2 of this Law, the imposing of supervisory measures to the aforesaid persons, the reports those persons submit to the National Bank of Serbia as well as to the obligations of those persons regarding the keeping of confidential data.

Provisions of Article 144 of this Law shall apply accordingly in assessing whether the requirement to keep the core capital of an insurance brokerage/agency undertaking at a prescribed level is met.

The license to carry on insurance brokerage/agency activities issued to an insurance brokerage/agency undertaking and insurance agent shall also terminate when they cease to carry on those activities.

The National Bank of Serbia shall regulate more closely the manner of supervision and the contents of the reporting obligation referred to in paragraph 1 of this Article.

Exceptions in Carrying on Insurance Brokerage/Agency Activities

Article 113

Provisions of this Law shall not apply to persons which carry on insurance brokerage/agency activities provided all of the following conditions are met:

1) Conclusion of the insurance contract requires only the knowledge of the insurance cover that is provided;

2) The insurance contract is not a life insurance contract;

3) The insurance contract does not cover any liability risks;

4) The principal professional activity of the person is not insurance agency;

5) Insurance is complementary to the product or service if it covers:

(1) The risk of breakdown, loss of or damage to products or goods,

(2) The risk of damage to or loss of baggage and other risks linked to the travel booked with a travel agency, even if the insurance covers life insurance or liability risks, provided that the cover is ancillary, i.e. additional to the main cover for the risks linked to that travel;

6) The amount of the annual premium per one insurance contract does not exceed the RSD equivalent of EUR 100 calculated at the middle exchange rate of the National Bank of Serbia on the date of payment and the total duration of the insurance contract, including any renewals, does not exceed five years.

The insurance contract referred to in paragraph 1 of this Article cannot cover either the special classes of insurance determined by a separate law as compulsory insurance in the Republic, or the rights based on the guarantee sheet.

The National Bank of Serbia has the right to supervise the implementation of contracts concluded by an insurance undertaking with the purpose of carrying on activities specified in paragraph 1 of this Article with the person referred to in that paragraph.

The exception in carrying on insurance brokerage/agency activities referred to in paragraph 1 of this Article shall not pertain to persons who conduct such activities for a brokerage/agency undertaking, an insurance agent or legal persons referred to in Article 98, paragraph 2 of this Law.

Chapter V

FUNDS, LIABILITIES, CAPITAL AND OPERATION OF INSURANCE UNDERTAKING

Section 1

Insurance Premium and Insurance Funds

Insurance Premium

Article 114

Insurance premium consists of basic premium plus expense loading.

Basic premium consists of technical premium, and may include loss prevention loading if it is included into the insurance premium.

Insurance Funds

Article 115

Insurance funds of an insurance undertaking consist of:

- 1) Technical provisions;
- 2) Guarantee reserve;
- 3) Other insurance funds.

Other insurance funds shall be the funds available for the insurance undertaking that are not included in calculation of funds referred to in paragraph 1 items 1) and 2) of this Article.

Technical provisions

Article 116

At the end of the reference period, an insurance undertaking shall be required to determine or calculate technical provisions sufficient to cover all liabilities stemming from insurance contracts, in the manner and within the timeframe laid down by this Law.

Depending on the class of insurance it carries on, an insurance undertaking shall determine the following technical provisions:

- 1) Unearned premium reserves;
- 2) Unexpired risk reserves;
- 3) Reserves for bonuses and rebates;
- 4) Outstanding claims reserves;
- 5) Mathematical reserve;
- 6) Reserves for insurance where the investment risk is borne by the insured;
- 7) Risk equalisation reserves.

Besides the reserves listed in paragraph 2 of this Article, an insurance undertaking shall also determine other technical provisions – for anticipated future liabilities and risks for which no technical provisions listed in paragraph 2 are determined.

Technical provisions shall be determined by class of insurance, separately for life insurance and non-life insurance.

An insurance undertaking shall calculate the technical provisions prudently, reliably and objectively, by applying actuarial principles, rules of insurance profession and relevant data about the characteristics of insurance portfolio and the risks that are being accepted.

When calculating technical provisions, an insurance undertaking shall take into account the rights the insured or insurance beneficiaries may have under the insurance contract, in particular all payments related to concluded insurance contracts and their expected increase.

An insurance undertaking shall be obligated to verify whether the technical provisions are sufficient and/or adequate to cover all liabilities stemming from insurance contracts and to submit the results of that verification at the request of the National Bank of Serbia together with the documents and information used to calculate adequacy of technical provisions.

The National Bank of Serbia shall prescribe the criteria, methods and deadlines for calculating technical provisions.

a) Unearned premium reserves

Article 117

Unearned premium reserves shall be formed by transferring pertinent amounts from total insurance premium at the end of the current period, separately for each insurance contract, in proportion to the period of insurance.

Unearned premium reserves shall constitute a part of the premium which is used to cover the insurance liabilities arising in the following period.

b) Unexpired risk reserves

Article 118

Unexpired risk reserves shall be determined as the amount in excess of unearned premium reserves to cover insurance liabilities arising in the following period in connection with insurance contracts in force during the current period.

Unexpired risk reserves shall be calculated in order to provide for expected amount of claims and expenses in the following period if the expected amount exceeds the amount of unearned premium reserves and any premium receivables under insurance contracts.

c) Reserves for bonuses and rebates

Article 119

Reserves for bonuses and rebates shall be determined as the amount the insured are entitled to through:

1) Share in profit, or other rights under insurance contracts, unless mathematical reserve is determined for those classes of insurance;

- 2) Future partial reduction of premium;
- 3) Partial refund of premium for unused duration of insurance due to early termination of insurance.

d) Outstanding claims reserves

Article 120

Outstanding claims reserves shall be determined as the estimated amount of liabilities for reported but unpaid claims and for incurred but unreported claims in the current period.

If claims for certain classes of insurance are paid in the form of annuities, the outstanding claims reserves shall be determined as the capitalised value of all future liabilities.

e) Mathematical reserve

Article 121

Mathematical reserve shall constitute technical provisions of insurance undertaking intended to settle the present value of future liabilities under life insurance contracts and under long-term non-life insurance contracts where savings and funds for risk coverage in later years are being accumulated and to which probability tables and calculations used in life insurance are applied.

The mathematical reserve shall be calculated separately for each life insurance contract referred to in paragraph 1 – by establishing the present value of future liabilities at the time when the mathematical reserve is calculated.

f) Reserves for insurance where the investment risk is borne by the insured

Article 122

Reserves for insurance where the investment risk is borne by the insured shall be determined as the amount to which the insured are entitled, and which is directly linked to the value of the investment.

If insurance contract whereby the insured have accepted to share the investment risk guarantees a specific right – a special mathematical reserve for settlement of this liability shall be determined.

g) Risk equalisation reserves

Article 123

Insurance undertaking shall be obligated to determine risk equalisation reserves for the class of insurance referred to in Article 9, paragraph 1, item 14) of this Law, and it may also determine them for other classes of non-life insurance it pursues, in accordance with its business policy.

Risk equalisation reserves shall be used for temporal equalisation of the course of claims in certain classes of insurance.

Section 2

Capital Adequacy

Guarantee Reserve

Article 124

An insurance undertaking shall be obligated to establish a guarantee reserve for the purpose of continued settlement of liabilities and risk assumption, in the manner set out in this Law.

The guarantee reserve shall include primary capital and additional capital, less deductibles.

Primary capital from paragraph 2 shall comprise:

- 1) Paid-up core capital for common shares;
- 2) Reserves regulated by the Articles of Association and other acts of the insurance undertaking, except for reserves linked to preferred shares;
- 3) Revaluation reserves with unrealised gains or losses;
- 4) Retained profit from previous years;
- 5) Retained profit from the current year – up to 50%.

Additional capital referred to in paragraph 2 shall comprise:

- 1) Paid-up core capital for preferred shares;
- 2) Reserves linked to preferred shares.

The deductions referred to in paragraph 2 shall comprise:

- 1) Intangible assets (investments);
- 2) Redeemed own shares;
- 3) Loss in the current year and uncovered losses from previous years;
- 4) Equity interest or shares in other insurance undertakings with the head office in the Republic.

Guarantee reserve shall be established by taking into account also the following rules:

- 1) The sum of reserves referred to in paragraph 3, items 2) and 3) of this Article which are included in the calculation of guarantee reserve may not exceed 20% of the guarantee reserve;
- 2) Retained profits referred to in paragraph 3, items 4) and 5) of this Article which are included in the calculation of guarantee reserve may not exceed 25% of the guarantee reserve;
- 3) Additional capital referred to in paragraph 4 of this Article which is included in calculation of the guarantee reserve may not exceed 50% of the primary capital referred to in paragraph 3 of this Article.

The National Bank of Serbia may stipulate also any other categories of or deductibles from guarantee reserve and may regulate more closely the method and dynamics of guarantee reserve calculation.

Required Solvency Margin for Life Insurance

Article 125

Required solvency margin for insurance undertakings carrying on life insurance business shall be determined in the manner set out in paragraphs 2, 6, 7, 8 and 9 of this Article.

Required solvency margin for classes of insurance referred to in Article 8, items 1), 2) and 3) of this Law shall be determined as the sum total of the first and second result referred to in paragraphs 3 and 4 of this Article.

The first result referred to in paragraph 2 shall be determined in the following manner:

1) The total amount of mathematical reserve determined on the last day of the previous year shall be multiplied by 4%;

2) The amount from item 1) of this paragraph shall be multiplied by the ratio, which may not be less than 85%, between:

(1) The total amount of mathematical reserve on the last day of the previous year net of the part covered by reinsurance and

(2) The total amount of mathematical reserve on the last day of the previous year.

The second result referred to in paragraph 2 shall be determined, only for insurance where capital at risk is not negative, in the following manner:

1) The total amount of capital at risk on the last day of the previous year shall be multiplied by 0.3%;

2) The amount from item 1) of this paragraph shall be multiplied by the ratio, which may not be less than 50%, between:

(1) The total amount of capital at risk on the last day of the previous year net of the amount of capital at risk covered by reinsurance and

(2) The total amount of capital at risk on the last day of the previous year;

3) As an exception to item 1) of this paragraph – the total amount of capital at risk for insurance in the event of death for a term up to three years shall be multiplied by 0.1%, and by 0.15% for insurance for a term between three and five years.

Capital at risk referred to in paragraph 4 shall be the difference between the sum insured in the event of death and the determined mathematical reserve.

Required solvency margin for classes of insurance referred to in Article 8, item 5) of this Law shall be determined in the following manner:

1) If the insurance undertaking assumes the investment risk – 4% of mathematical reserve shall be multiplied by the ratio described in paragraph 3, item 2) of this Article;

2) If the insurance undertaking does not assume the investment risk, but management expenses are fixed and unchangeable for a period longer than five years – 1% of mathematical reserve shall be multiplied by the ratio described in paragraph 3, item 2) of this Article;

3) If the insurance undertaking does not assume the investment risk, and management expenses are not fixed and unchangeable for a period longer than five years – 25% of net administrative expenses in the previous year related to that insurance business shall be applied;

4) If the insurance undertaking assumes the risk of death of the insured – 0.3% of capital at risk shall be multiplied by the ratio referred to in paragraph 4, item 2) of this Article.

Required solvency margin for classes of insurance referred to in Article 8, item 6) of this Law shall be established as 1% of the value of capitalised funds.

Required solvency margin for classes of insurance referred to in Article 8, item 7) of this Law shall be determined in accordance with provisions of paragraph 3 of this Article.

Required solvency margin for classes of insurance referred to in Article 8, item 4) of this Law shall be determined by applying accordingly the provisions of Article 126 of this Law.

Required Solvency Margin for Non-life Insurance

Article 126

Required solvency margin for an insurance undertaking pursuing non-life insurance business shall be established as either required solvency margins based on premiums referred to in paragraph 2 or on the claims referred to in paragraph 3, whichever is higher.

The required solvency margin based on premiums shall be determined in the following manner:

1) The sum of premiums in the previous year up to the amount of the RSD equivalent of EUR 50,000,000 shall be multiplied by 18%, and any amount in excess of that shall be multiplied by 16%, where premium shall be the higher of premium written or premium earned, without deduction for amounts covered by reinsurance;

2) The amount referred to in item 1) of this paragraph shall be multiplied by the ratio, which may not be less than 50%, for the previous three years, between:

(1) Total claims (settled claims increased by the change in outstanding claims reserves) reduced by the amount covered by reinsurance and

(2) Total claims (settled claims increased by the change in outstanding claims reserves);

3) When calculating the sum of premiums in the previous year, the premium for classes of insurance referred to in Article 9 items 11), 12) and 13) of this Law shall be increased by 50%;

4) Premiums written off over the previous year shall be deducted from the sum total of premiums.

The required solvency margin based on claims shall be determined in the following manner:

1) Average amount of annual claims in the last three years, which is the amount of settled claims increased by the change in outstanding claims reserves without reduction for reinsured amounts, up to the amount of RSD equivalent of EUR 35,000,000 shall be multiplied by 26%, and excess above that amount shall be multiplied by 23%;

2) The amount referred to in item 1) of this paragraph shall be multiplied by the ratio, which may not be less than 50%, for the previous three years, between:

(1) Total claims (settled claims increased by the change in outstanding claims reserves) reduced by the amount covered by reinsurance and

(2) Total claims (settled claims increased by the change in outstanding claims reserves);

3) When calculating the amount of annual claims, the amount of claims for classes of insurance referred to in Article 9 items 11), 12) and 13) of this Law shall be increased by 50%.

Arithmetic mean for the past three years shall be used to determine the amount of annual claims referred to in paragraph 3 item 1) of this Article.

By way of derogation from paragraph 4 of this Article, if the insurance undertaking's portfolio includes exclusively or mostly credit insurance, or insurance covering the risk of storm, hail or frost, arithmetic mean for the past seven years shall be used to determine the amount of annual claims.

By way of derogation from paragraph 1 of this Article, required solvency margin for classes of insurance referred to in Article 9 item 2) of this Law where technical bases for insurance are similar to technical bases for life insurance shall be equal to one third of the required solvency margin referred to in that paragraph:

- 1) If premiums are calculated by applying actuarial methods based on sickness tables;
- 2) If mathematical reserve for ageing is set up in relation to these classes of insurance;
- 3) If the premium includes safety margin;
- 4) If the insurance undertaking can terminate the insurance contract before the end of the third year of insurance at the latest;

5) If the insurance contract includes the possibility that the premium may be increased or reduced during the term of insurance contract.

By way of derogation from paragraph 1 of this Article, the required solvency margin for the first year of operation of an insurance undertaking shall be determined by applying the provisions of paragraph 2 of this Article.

If the determined required solvency margin at the end of the current year is lower than the required solvency margin at the end of the previous year – the required solvency margin must be at least equal to the last year's required solvency margin multiplied by the ratio between outstanding claims reserves at the end of the current year reduced by the amount covered by reinsurance and outstanding claims reserves at the end of the previous year reduced by the amount covered by reinsurance, where this ratio cannot be higher than 1.

Required solvency margin for reinsurance undertakings shall be determined by applying the provisions set out in this Article.

Solvency Margin Availability

Article 127

An insurance undertaking carrying on life insurance business shall be obligated to secure available solvency margin at the level of at least the required solvency margin set out by Article 125 of this Law.

An insurance undertaking carrying on non-life insurance business shall be obligated to secure available solvency margin at the level of at least the required solvency margin set out by Article 126 of this Law.

The available solvency margin referred to in paragraphs 1 and 2 of this Article shall be the guarantee reserve established in the manner stipulated by Article 124 of this Law.

Guarantee Capital

Article 128

Guarantee capital of an insurance undertaking shall be a part of the guarantee reserve established by Article 124 of this Law, which covers at least a third of the required solvency margin referred to in Articles 125 and 126 of this Law, depending on the class of insurance business that the insurance undertaking is pursuing.

Guarantee capital of an insurance undertaking must not be lower than the amount set out in Article 27 of this Law, depending on the class of insurance business that the insurance undertaking carries on in accordance with its operating license.

Capital Adequacy Requirements

Article 129

An insurance undertaking shall be deemed to have met the capital adequacy requirements if all the criteria set out in Articles 127 and 128 of this Law have been met.

The National Bank of Serbia shall specify the method and dynamics for assessing that the requirements referred to in paragraph 1 above have been met, as well as the method of calculating the amounts referred to in paragraphs 125, 126 and 128 of this Law.

Measures for Ensuring Solvency

Article 130

If an insurance undertaking no longer meets the capital adequacy requirements it shall be obligated to submit to the National Bank of Serbia a program of measures to ensure that it will meet those requirements again, i.e. that the undertaking will restore its solvency – within eight days from the date it is established that it no longer fulfils the requirements.

The program of measures referred to in paragraph 1 above shall include activities and measures for determining the reason for the insurance undertaking's impaired solvency and for re-establishing solvency by ensuring that the undertaking fulfils the capital adequacy requirements within no more than three months from the date it was established that it no longer fulfils the requirements.

The National Bank of Serbia may require the insurance undertaking to amend and/or supplement the program of measures referred to in paragraph 1 above within no more than eight days from the date the program is received, and if no such request is made, it shall be considered that the National Bank of Serbia agrees with the proposed measures.

To guarantee that lasting solvency of insurance undertaking will be achieved, during the period of implementation of the program of measures referred to in paragraph 1 above, the National Bank of Serbia

may request that the insurance undertaking prepares and submits a long-term plan of financial consolidation to which provisions of Article 43 of this Law shall accordingly apply.

Section 3

Investment of Insurance Funds

Assets that May be Acquired Using Technical Provisions

Article 131

Technical provisions calculated in accordance with this Law shall be used to acquire assets that serve as cover for future insurance liabilities and potential losses due to risks associated with the pursuit of insurance business by the insurance undertaking.

Technical provisions may be used for acquiring the following types of assets:

- 1) Securities and money market instruments issued by the Republic of Serbia, member states of the European Union or Organisation for Economic Cooperation and Development, central banks of member states of the European Union or OECD, and securities and money market instruments underwritten by any of the above;
- 2) Securities issued by international financial organisations the Republic of Serbia is a member of;
- 3) Debt securities issued by autonomous provinces and local self-government units, as well as debt securities underwritten by any of the above;
- 4) Debt securities traded in the securities market in compliance with law;
- 5) Debt securities not traded in the securities market if issued by a legal person having the head office in the Republic of Serbia;
- 6) Shares traded in the securities market in compliance with law;
- 7) Shares not traded in the securities market if issued by a legal person whose head office is in the Republic of Serbia;
- 8) Equity interests of undertakings having the head office in the Republic of Serbia;
- 9) Investment units of investment funds;
- 10) Immovable property and other proprietary rights on immovable property – if entered in the land registry or other public register in the Republic of Serbia, if they bring income, if their purchase price is determined in accordance with valuation by a certified appraiser and if they are not encumbered by a lien.

Technical provisions may be deposited with banks having a head office in the Republic of Serbia or kept as cash in the insurance undertaking's cash box or in its bank account.

Assets referred to in paragraph 2, item 9) of this Article may be acquired only using the technical provisions of life insurance referred to in Article 8, paragraph 1, item 5) of this Law.

Rules for Investment of Technical Provisions

Article 132

An insurance undertaking shall be required to invest technical provisions in line with the rules governing the classes of insurance the undertaking carries on, which are derived from the nature of the risks that are covered with this class of insurance, and from the structure of the related liabilities.

The investment portfolio created using technical provisions should provide liquidity, security and profitability of the insurance undertaking, settlement of insurance undertaking's future liabilities and risk dispersion.

Insurance undertaking shall be required to match the assets acquired using technical provisions with the nature of insurance liabilities, in order to minimise the interest rate risk, foreign exchange risk and any other market risk.

Assets and liabilities of an insurance undertaking shall be considered currency matched if the insurance undertaking's total assets in all currencies equal its total liabilities in all currencies and the difference between assets and liabilities in any currency does not exceed 20% of the value of the assets and/or liabilities.

An insurance undertaking shall be required to restructure its investment portfolio created using technical provisions in order to continuously adapt to changes in relevant financial market indicators and enable better control over investment risks.

Special Rules for Investment of Mathematical Reserve

Article 133

Mathematical reserve calculated in accordance with this Law shall be used to acquire assets that serve as cover for future liabilities stemming from the classes of insurance for which mathematical reserve needs to be constituted, and which may not be used to cover liabilities arising from other classes of insurance.

Assets referred to in paragraph 1 of this Article shall be managed separately from other assets and, apart from the forms of assets governed by Article 131 paragraph 2 of this Law, these assets may include prepayments up to the amount of the total surrender value of concluded life insurance contracts.

In case of life insurance contract referred to in Article 8, paragraph 1, item 5) of this Law, investment of mathematical reserve funds and/or technical provisions must adhere to provisions of that contract as closely as possible.

Special Rules for Investment of Mathematical Reserve

Article 133

Mathematical reserve calculated in accordance with this Law shall be used to acquire assets that serve as cover for future liabilities stemming from the classes of insurance for which mathematical reserve needs to be constituted, and which may not be used to cover liabilities arising from other classes of insurance.

Assets referred to in paragraph 1 of this Article shall be managed separately from other assets and, apart from the forms of assets governed by Article 131 paragraph 2 of this Law, these assets may include prepayments up to the amount of the total surrender value of concluded life insurance contracts.

In case of life insurance contract referred to in Article 8, paragraph 1, item 5) of this Law, investment of mathematical reserve funds and/or technical provisions must adhere to provisions of that contract as closely as possible.

Limitations for Investments of Technical Provisions

Article 134

The National Bank of Serbia shall stipulate limitations for investing technical provisions in specific forms of assets referred to in Articles 131 and 133 of this Law, and prescribe more closely the requirements relating to those asset forms.

The National Bank of Serbia may also set out other forms of assets that can be acquired using technical provisions, with the exception of those listed in Articles 131 and 133 of this Law, as well as establish limitations for investment of these funds into those forms of assets.

Assets that May be Acquired Using Guarantee Reserves

Article 135

An insurance undertaking shall be obligated to invest guarantee reserve into those categories of assets that ensure security, long-term availability, as well as preservation of the real value of those assets.

In order to meet the requirements stipulated in paragraph 1 of this Article – an insurance undertaking shall specify in its investment policy the forms of assets that may be acquired using guarantee reserve and the criteria for investment of those funds.

The National Bank of Serbia may regulate more closely the investment rules for guarantee reserve.

Assets that May be Acquired Using other Insurance Funds

Article 136

Other insurance funds may be invested freely into all forms of assets recognised by the insurance undertaking's investment policy.

Distribution of Investment of Insurance Funds

Article 137

The insurance funds referred to in Article 115, paragraph 1 of this Law shall be invested in the Republic of Serbia.

By way of derogation from paragraph 1 of this Article, insurance funds mentioned in that paragraph may be invested abroad into forms of assets set out by this Law and the insurance undertaking's investment policy, upon prior approval of the National Bank of Serbia for each individual investment.

Insurance funds invested abroad within the meaning of paragraph 2 of this Article may not exceed 25% of the amounts stipulated by Article 27 of this Law, depending on the class of insurance business the insurance undertaking carries on in accordance with its license.

The National Bank of Serbia may also set out other criteria for granting approval referred to in paragraph 2 of this Article and limitations for investments abroad, as well as the requirement for separate reporting on those investments.

Section 4

Business Records, Financial Reporting and Liquidity Maintenance

1. Keeping Business Records and Financial Reporting

Article 138

An insurance undertaking shall keep business records and compile financial statements and annual reports in line with the law and other regulations governing the chart of accounts of insurance undertakings and financial statement and statistical report forms.

An insurance undertaking shall adopt accounting policies and rules regulating its accounting and shall submit those acts to the National Bank of Serbia within eight days from their adoption.

Income

Article 139

Income of an insurance undertaking shall include insurance premiums and active reinsurance premiums, as well as other business income, income from investment activities, financing income, income from fair value adjustment of assets and other income.

Expenses

Article 140

Expenses of an insurance undertaking shall be expenses for claims and contracted sums, expenses for claims based on coinsurance, expenses for claims based on active reinsurance operations, expenses for premiums based on passive reinsurance operations and other expenses arising from the insurance business, administration expenses (expenses for conducting insurance/reinsurance operations), other business expenses, expenses from investment activities, expenses from fair value adjustment of funds, financial expenses and other expenses.

Expenses for claims referred to in paragraph 1 of this Article shall also include expenses for determining and assessing claims, expenses for recourse claims, judicial expenses and fees for judicial

proceedings regarding insurance liabilities, costs of expertise and other expenses related to claim compensation payments.

Expenses of an insurance undertaking shall also include increases in individual categories of technical provisions set out in Article 116 of this Law.

Accrual of Insurance Acquisition Costs

Article 141

Insurance acquisition costs shall be accrued in the same ratio as reserves for unearned premiums and total premiums, in line with law.

Assessing Business Results

Article 142

Business result of a joint stock insurance undertaking shall be a profit or loss, which shall be reported and disclosed in financial statements, in line with law.

A mutual insurance undertaking shall establish a surplus or deficit, which is reported and disclosed in financial statements, in line with law.

An insurance undertaking carrying on life insurance business shall be required to establish, report and disclose in its financial statements, i.e. the income statement, a profit or surplus, and a loss or deficit – separately for life insurance, collectively for other regulated classes of life insurance, and collectively for a group of life insurances.

An insurance undertaking carrying on non-life insurance business shall be required to establish, report and disclose in its financial statements, i.e. the income statement, a profit or surplus, and a loss or deficit – separately for the subclasses of non-life insurance set out by this Law, and collectively for a group of non-life insurances.

An insurance undertaking shall also be required to assess business results for classes of insurance listed in Articles 8 and 9 of this Law, in accordance with its operating license, and to report the results to the National Bank of Serbia in the manner prescribed by the National Bank of Serbia.

Distribution of Recorded Profit or Surplus

Article 143

An insurance undertaking shall pay profit tax or surplus tax from the profit earned or surplus, and the remaining profit or surplus shall constitute the retained profit or surplus.

An insurance undertaking shall allocate the retained profit or surplus from previous years in the following sequence:

- 1) For covering the loss or deficit from previous years;
- 2) For allocation into reserves stipulated by the Articles of Association and other internal regulations of the insurance undertaking;

- 3) For other purposes defined by the undertaking's Articles of Association.

Order of Covering Loss or Deficit

Article 144

An insurance undertaking shall cover a loss or deficit from the previous years in the following order:

- 1) From retained profit or surplus;
- 2) From reserves stipulated by the Articles of Association and other acts of the undertaking;
- 3) From core capital.

Before using the core capital, a mutual insurance undertaking shall cover the deficit from the additional member contributions (the insured) or by proportionally reducing claim compensation to all members (the insured), or simultaneously from the additional member contributions and by proportionally reducing claim compensations.

When assessing whether the requirement from Article 27, paragraph 3 and Article 73, paragraph 2 of this Law is met, the core capital of the insurance undertaking shall be adjusted for the amount of loss and/or deficit which is covered from the core capital within the meaning of paragraphs 1 and 2 of this Law, regardless of whether such reduction in the core capital was made by the decision of a competent body of the insurance undertaking.

Program of Measures for Covering Loss and/or Deficit

Article 145

Within three months at the latest from the date the loss or deficit was recorded, the insurance undertaking shall be required to reimburse the amount of core capital used to cover the loss or deficit within the meaning of Article 144 of this Law in cases where the core capital has fallen below the amount stipulated by this Law.

The provision of paragraph 1 of this Article shall also apply to the subsequently reported loss and/or deficit from the previous year and previous years.

An insurance undertaking shall notify the National Bank of Serbia of the loss or deficit and shall also submit the program of measures to cover the loss or deficit on the date of detecting the loss or deficit, or within 15 days at the latest from the deadline for submission of financial statements for statistical and other purposes to the competent authority's register.

An insurance undertaking that has covered the loss or deficit from retained profit or surplus or from core capital which stays above the minimum amount stipulated by Article 27 of this Law shall not be required to prepare and submit the program of measures referred to in paragraph 3 of this Article.

The program of measures referred to in paragraph 3 of this Article shall be consolidated with the program referred to in Article 130, paragraph 1 of this Law in cases where due to a loss an insurance undertaking no longer meets capital adequacy requirements.

2. Liquidity Maintenance

Article 146

An insurance undertaking shall be required to continually ensure liquidity and to pay the claim compensations and meet other liabilities in a timely manner, and to undertake all the necessary measures in that regard.

The National Bank of Serbia may set out the criteria for liquidity assessment of insurance undertakings, and the requirement for regular liquidity and cash flow reporting by insurance undertakings.

Chapter VI

SYSTEM OF GOVERNANCE

Section 1

System of Governance in an Insurance Undertaking

Article 147

An insurance undertaking shall be required to establish a functional and efficient system of governance, which shall include risk management, a system of internal controls, internal audit and actuarial function.

An insurance undertaking's system of governance shall be aligned with the undertaking's size and organisational structure, volume of business and the classes of insurance it carries on.

The National Bank of Serbia shall prescribe the manner of organising the system of governance in an insurance undertaking and the requirements for outsourcing some of the undertaking's activities to third parties, as well as the manner of supervision of outsourced activities by the service provider.

Section 2

RISK MANAGEMENT

Article 148

An insurance undertaking shall be required to establish a functional and efficient system for management of risks it is exposed or may be exposed to in its operation, comprising strategies, processes and procedures, including reporting procedures, necessary to continuously identify, measure, monitor and manage risks and report about individual and aggregate risks, including their interdependencies.

Risk management system of an insurance undertaking shall cover in particular:

- 1) Underwriting and reserving;

- 2) Asset-liability management;
- 3) Investments;
- 4) Liquidity and concentration risk management;
- 5) Operational risk management;
- 6) Reinsurance and other risk mitigation techniques.

Rules on Risk Management

Article 149

An insurance undertaking shall be required to manage risk in order to ensure:

- 1) Coinsurance and reinsurance of the excess of risk over maximum self-retention;
- 2) Payment of claim compensations, contracted insured sums and fulfilment of other insurance liabilities in line with Article 18, paragraph 2 and Article 19 of this Law;
- 3) Application of operating principles from Article 19 of this Law;
- 4) Core capital in an amount not less than the amount defined in Article 27 of this Law;
- 5) Technical provisions pursuant to Article 116 of this Law;
- 6) Fulfilment of requirements pertaining to capital adequacy in line with Article 129 of this Law;
- 7) Investment of insurance funds pursuant to Articles 131 through 137 of this Law;
- 8) Truthful and objective reporting in financial statements in line with law;
- 9) Liquidity pursuant to Article 146 of this Law;
- 10) Other activities needed to fulfil the requirements defined in items 1) to 9) of this Article, as well as other requirements relating to risk management prescribed by this Law.

Risk Management Method

Article 150

An insurance undertaking shall be required to identify, assess and measure risks it is exposed to in its operation and to manage these risks by applying qualitative and quantitative management methods.

An insurance undertaking shall establish the procedures to identify, assess and measure risks, as well as to manage the risks, in line with the regulations, standards and rules of insurance profession.

The National Bank of Serbia shall set out the types of risk in insurance business and the detailed conditions and methods to identify, measure, monitor and manage these risks.

Section 3

System of internal controls

Article 151

An insurance undertaking shall be required to establish a functional and efficient internal controls system.

The internal controls system of an insurance undertaking shall include relevant administrative and other procedures, methods and actions which the management shall be required to organise and implement in a way that suits the nature, complexity and risk of the business, the framework of internal controls, as well as the method of reporting on insurance undertaking's compliance and compliance control in order to assess and underwrite relevant risks and manage those risks, and prevent irregularities and illegalities in the operation of the undertaking.

Compliance control of an insurance undertaking shall include reporting by the management on the undertaking's compliance with regulations, and an assessment of potential impact of any changes in regulations on the operations of the undertaking and the identification and assessment of compliance risks.

The National Bank of Serbia shall prescribe detailed requirements and method of organising and implementing the internal controls system of an insurance undertaking.

Setting up a System of Internal Controls

Article 152

An insurance undertaking shall regulate by its acts the set-up, functioning, monitoring and improvement of the system of internal controls, as well as the undertaking's responsibility for the said activities.

Information System and Risk Exposure

Article 153

An insurance undertaking shall be required to integrate the internal control system in all its business activities and processes and to develop a reliable, functional and adequate information system to support the system of internal controls.

The internal controls system of an insurance undertaking shall be organised in a way that ensures identification of potential areas of risk exposure of the undertaking and decision-making that will prevent excessive risk exposure of the undertaking.

Section 4

Internal Audit

Article 154

An insurance undertaking shall organise an internal audit function which shall be autonomous and independent in carrying out its tasks.

Internal audit of an insurance undertaking (hereinafter: internal audit) shall be conducted by a special organisational unit within the undertaking as established in its Articles of Association.

Internal audit shall report directly to the Supervisory Board of the insurance undertaking.

Bodies and employees of an insurance undertaking must not prevent, hamper or impede the reporting on the findings and evaluations made by the employees responsible for internal audit.

The work of the internal audit shall be regulated by rules.

Internal Audit Tasks

Article 155

Internal audit shall conduct a continuous and comprehensive audit of all business activities of an insurance undertaking, in particular:

- 1) Continuously monitor, verify and improve the operating systems of the undertaking;
- 2) Evaluate the system for management of risks the undertaking is or may be exposed to;
- 3) Evaluate the adequacy and reliability of the internal controls system established in the undertaking;
- 4) Issue appropriate recommendations for eliminating the observed irregularities and deficiencies and for improving the procedures and management systems applied in the undertaking.

Internal audit shall verify and evaluate:

- 1) Adequacy and application of the prescribed risk management procedures and processes;
- 2) Accounting procedures and organisation of accounting activities;
- 3) Reliability and timeliness of financial and management information.

An insurance undertaking shall be required to regulate the internal audit function by the rules and annual internal audit plan in line with professional principles and practice, internationally recognised standards of internal audit and ethical principles of internal audit.

Internal Auditor

Article 156

An insurance undertaking must have at least one full-time permanent employee working on the internal audit assignments (hereinafter: internal auditor).

An insurance undertaking shall establish job requirements for internal auditor, as well as organise work assignments of other employees carrying on internal audit.

An internal auditor may not be a member of the management, nor may he be engaged in other tasks in the insurance undertaking, including holding authorisations and responsibilities to compose acts and other documents that may be the subject of internal audit.

An internal auditor shall compile a report on each internal audit conducted.

An internal auditor shall carry on internal audit activities in the manner set out by this Law.

Internal Audit Plan

Article 157

Internal audit shall be carried on in line with the annual internal audit plan and individual audit plans.

Annual internal audit plan shall set out the schedule of internal audit activities, in particular the areas of business that will be the subject of internal audit and deadlines for completion of the activities planned.

Internal audit shall also conduct individual audits at the request of the management.

Internal Audit Reporting

Article 158

Internal audit shall compile quarterly and annual internal audit reports.

Quarterly internal audit report shall include:

- 1) Description of the conducted audit of insurance undertaking's activities (subject of audit), with important findings;
- 2) Evaluation of document processing methods and the procedure for concluding insurance contracts, issuing insurance policies and claim settlement;
- 3) Illegalities and other irregularities established during the conduct of internal audit, with explanations and consequences of the observed irregularities and indication of persons accountable for them;
- 4) Proposed measures and timeframe for elimination of the irregularities established;
- 5) Other observations, evaluations, recommendations and proposals concerning the irregularities found.

Annual internal audit report shall include:

- 1) Report on implementation of the annual internal audit plan;
- 2) Summary of important findings of internal audits that were carried out;
- 3) Evaluation of measures taken to eliminate the established irregularities.

Internal audit shall submit the reports referred to in paragraph 1 of this Article to the Supervisory Board for consideration.

The Supervisory Board shall discuss the annual internal audit report concurrently with the financial statements of the insurance undertaking.

Along with the annual internal audit report, the Supervisory Board shall also submit to the Assembly a report on measures taken to eliminate the established irregularities.

Reporting to the National Bank of Serbia

Article 159

An insurance undertaking shall submit to the National Bank of Serbia the rules of internal audit, annual internal audit plan, as well as quarterly and annual internal audit reports – within 15 days from the date of their adoption, in the manner prescribed by the National Bank of Serbia.

Notifying the Insurance Undertaking and the National Bank of Serbia

Article 160

If internal audit establishes that the insurance undertaking is not compliant with risk management rules and consequently is in danger of becoming illiquid or insolvent, or that the business continuity of the undertaking is at risk, or that rights and interests of the insured and other insurance beneficiaries are jeopardised, it shall inform the management thereof.

If it establishes that members of the management are not taking any measures to eliminate the established irregularities pursuant to the notification referred to in paragraph 1 of this Article, it shall notify the Assembly and the National Bank of Serbia thereof.

Section 5

Actuarial function

Certified Actuary

Article 161

Certified actuary shall be a person authorised by the National Bank of Serbia to carry out actuarial activities pursuant to this Law.

The National Bank of Serbia shall issue the authorisation referred to in paragraph 1 of this Article to a person who meets the following requirements:

- 1) Has relevant professional qualifications and experience;
- 2) Has passed the professional exam for certified actuary in the Serbian language;
- 3) Has not been effectively convicted of a criminal offence to unconditional imprisonment or effectively convicted of a criminal offence which makes him unfit for carrying out the tasks of certified actuary;
- 4) Has not been issued effective protective measure prohibiting him from pursuing professional activities which makes him unfit to carry out the activities of a certified actuary;
- 5) Has not had his actuarial authorisation revoked;

The National Bank of Serbia shall prescribe more closely the required professional qualifications and experience for the person referred to in paragraph 2 of this Article, the curriculum content and the manner of taking the professional exam referred to in item 2) of that paragraph, the manner of proving the fulfilment of requirements stipulated in the said paragraph, and the manner of further professional education of certified actuaries.

The National Bank of Serbia may also issue authorisation to carry on actuarial activities, under conditions and in the manner prescribed by the National Bank of Serbia, to a person who was awarded the title of certified actuary abroad.

Appointment of a Certified Actuary

Article 162

A member of management and/or an internal auditor may not be appointed as certified actuary.

If the person appointed as certified actuary ceases temporarily or permanently to act as certified actuary in an insurance undertaking – that undertaking shall be required to appoint a new certified actuary by applying accordingly Article 42, paragraph 3, item 10) of this Law within 30 days after such circumstances have occurred.

Duties of a Certified Actuary

Article 163

A certified actuary shall provide opinion on:

- 1) The method of determining premiums, whether the premium has been determined in line with actuarial principles and regulations and whether the premiums secure continuous fulfilment of all liabilities of an insurance undertaking stemming from insurance contracts;
- 2) The method of calculating technical provisions, whether these provisions have been constituted in line with actuarial principles and regulations and whether they ensure continuous fulfilment of all liabilities of an insurance undertaking stemming from insurance contracts;
- 3) Business policy acts referred to in Article 67, paragraph 2, items 1) to 5) of this Law in the process of adoption and/or amendment and application of these acts;
- 4) Financial statements and annual report of the insurance undertaking;
- 5) Report on implementation of coinsurance and reinsurance policies;
- 6) Transfer of insurance portfolio.

A certified actuary shall also carry out other actuarial activities in line with this Law.

Competent bodies of the insurance undertaking shall take into consideration the opinion of a certified actuary in the process of adopting and/or composing the acts referred to in paragraph 1 of this Article.

Opinion of a certified actuary shall also be submitted to internal audit and the Supervisory Board.

If he ceases to perform activities of a certified actuary in the insurance undertaking, a certified actuary shall promptly send a written notification in that regard to the National Bank of Serbia.

The contents of the opinion of a certified actuary shall be prescribed in more detail by the National Bank of Serbia.

Independence and Autonomy of a Certified Actuary

Article 164

A certified actuary shall be independent and autonomous in the performance of his activities.

A certified actuary shall be required to perform the activities of a certified actuary in accordance with law, rules of the insurance profession and actuarial profession, good business practices and business ethics.

Measures of a Certified Actuary to Eliminate Irregularities

Article 165

After a certified actuary establishes that premiums and technical provisions have not been determined in line with the actuarial profession and regulations, and/or that they do not ensure the continuous fulfilment of liabilities of insurance undertaking stemming from insurance contracts – he shall promptly propose to the management measures for eliminating the irregularities established.

After a certified actuary establishes that the management has failed to implement the measures referred to in paragraph 1 of this Article, he shall promptly notify the National Bank of Serbia thereof in writing.

Obligations of an Insurance Undertaking

Article 166

An insurance undertaking shall be required to ensure that the certified actuary has continuous and unobstructed access to business data which he needs and asks for in performing the activities of a certified actuary.

Supervision of Work of a Certified Actuary and Related Measures

Article 167

The National Bank of Serbia shall supervise the work of a certified actuary appointed by an insurance undertaking.

If, in the performance of his activities, the certified actuary fails to adhere to the requirements set out by this Law, the National Bank of Serbia may:

- 1) Issue a notice of warning to the actuary;
- 2) Temporarily ban the certified actuary from performing his duties in the insurance undertaking;
- 3) Revoke the actuarial authorisation.

The National Bank of Serbia shall notify the insurance undertaking for which the certified actuary performs the actuarial activities on ordering the measure referred to in paragraph 2 of this Article.

Notice of Warning

Article 168

If the certified actuary fails to act in accordance with Article 164, paragraph 2 of this Law, the National Bank of Serbia may issue a notice of warning to him.

Temporary Ban on the Performance of Activities of a Certified Actuary

Article 169

The National Bank of Serbia may temporarily, for a period between six months and three years, ban a certified actuary from acting as a certified actuary in an insurance undertaking if the certified actuary, despite the notice of warning issued to him, breaches again the provisions of Article 164, paragraph 2 of this Law.

Revocation of Actuarial Authorisation

Article 170

The National Bank of Serbia shall revoke the actuarial authorisation issued to a certified actuary if:

- 1) The authorisation was obtained on the grounds of false and inaccurate data;
- 2) The certified actuary ceases to fulfil at least one of the requirements from Article 161 of this Law;
- 3) The certified actuary commits a serious breach of the requirements set out by this Law for the performance of activities of a certified actuary.

*Notifying the National Bank of Serbia of the Rejection of
the Opinion of a Certified Actuary*

Article 171

If a competent body of an insurance undertaking does not accept the opinion of certified actuary, the insurance undertaking shall notify the National Bank of Serbia thereof within 15 days, and provide the reasons for the rejection.

In the case from paragraph 1 of this Article, the National Bank of Serbia may issue a decision ordering that appropriate measures should be taken.

Reviewing the Opinion of a Certified Actuary

Article 172

If an auditor expresses in his audit report the opinion that financial statements of an insurance undertaking do not present the true and objective state of assets and business results of the undertaking – the insurance undertaking shall submit the audit report within five days from its receipt to the certified actuary who provided the opinion on the financial statements of the insurance undertaking.

The certified actuary shall review his opinion on the financial statements of the undertaking within 30 days from the receipt of the audit report referred to in paragraph 1 of this Article and notify the competent body of the insurance undertaking about the results of the review.

The insurance undertaking shall notify the National Bank of Serbia of having received the notification referred to in paragraph 2 of this Article within seven days from receiving such notification.

Measures Ordered by the National Bank of Serbia to Eliminate Irregularities

Article 173

The National Bank of Serbia may agree with the opinion of the certified actuary or the audit report, or may have its own opinion, and shall notify the insurance undertaking accordingly.

The National Bank of Serbia shall adopt a decision ordering the insurance undertaking to take measures to eliminate the observed irregularities, and the undertaking shall be required to comply with this decision and notify the National Bank of Serbia accordingly in writing within 30 days from the receipt of that decision.

Review of Opinion of a Certified Actuary

Article 174

The National Bank of Serbia may, in the process of supervision in accordance with this Law, require that the opinion of a certified actuary be reviewed by another certified actuary chosen by the National Bank of Serbia – if there are reasons to doubt the correctness of the opinion.

Chapter III

CONFIDENTIALITY

Confidentiality Requirement

Article 175

An insurance undertaking shall keep confidential the data, facts and circumstances it learnt in the course of doing business with the insured and/or other insurance beneficiary.

Members of the bodies of the insurance undertaking, shareholders, the employees of the insurance undertaking and any other persons to whom the data referred to in paragraph 1 of this Article become available in the course of their work with the undertaking or in the course of providing services to

the undertaking – may not disclose or deliver such data to third parties nor use the data or allow third parties to use it.

The confidentiality requirement referred to in paragraph 1 of this Article shall be waived in the following cases:

- 1) If the insured person and/or insurance beneficiary gives written permission to disclose specific data for a specific purpose or to a specific person;
- 2) If it is necessary to establish facts in criminal proceedings and if the disclosure has been ordered by a court or public prosecutor;
- 3) If this is established by the law governing personal data protection, and/or law regulating the prevention of money laundering and financing of terrorism;
- 4) If these data are necessary to decide on legal links between the insurance undertaking and the insured or other insurance beneficiaries in legal proceedings;
- 5) If these data are necessary in inheritance proceedings or other kind of court proceedings, when the court orders that the data be submitted;
- 6) If these data are needed to settle claims out of assets of the insured in line with a writ of execution and the court requests in writing or orders that these data be submitted;
- 7) If the National Bank of Serbia or other supervisory authority needs these data for the purpose of supervision;
- 8) If these data are requested by a tax authority, a body responsible for internal affairs or a body responsible for combating organised crime, in line with regulations;
- 9) If this is set out in the law regulating compulsory traffic insurance.

The confidentiality requirement referred to in paragraph 1 of this Article for persons from paragraph 2 of the same Article shall not cease after termination of the status based on which they accessed the data.

The National Bank of Serbia, other bodies and/or court may use the data collected pursuant to paragraph 3 of this Article exclusively for the purposes the data were collected for.

Collecting, Keeping and Using Personal Data

Article 176

An insurance undertaking and association of insurance undertakings, to which public authorities have been entrusted by a special law referred to in Article 11 of this Law, shall collect, process, keep, use and submit personal data necessary to conclude insurance contracts and settle claims, and/or pay the agreed sums arising from insurance contracts, in line with this Law, the law governing personal data protection and other laws and regulations.

An insurance undertaking and the association referred to in paragraph 1 of this Article may establish and keep registers of data on the insured and/or insurance beneficiaries and insured events, as well as registers of data on assessment and settlement of claims, and/or payment of contracted sums.

The insurance undertaking and the association referred to in paragraph 1 of this Article may exchange data on the insured and insured events in case of suspected insurance fraud.

Data on the insured and/or insurance beneficiaries and other data relevant for exercising the right to claim settlement and/or payment of contracted sums shall be kept for a period of ten years after the expiration of insurance contract, and for ten years from the determination of claims and/or contracted sums in the cases where the insured event occurred.

After the periods referred to in paragraph 4 of this Article have elapsed, the data referred to in that paragraph shall be deleted.

Chapter VIII

REPORTING TO THE NATIONAL BANK OF SERBIA BY INSURANCE UNDERTAKING

Regular Reporting

Article 177

An insurance undertaking shall submit to the National Bank of Serbia:

- 1) Financial statements and annual report, which shall include the opinion of a certified actuary and Supervisory Board, with explanations;
- 2) A copy of audit report, which shall include the comments on the report given by the Assembly and the Supervisory Board;
- 3) Report on the implementation of coinsurance and reinsurance policies, which shall include opinion of a certified actuary;
- 4) Annual business plan of the undertaking;
- 5) Articles of Association and other general business acts and any amendments to those documents;
- 6) Business policy acts from Article 67, paragraph 2, items 2) to 10) of this Law, with the opinion of a certified actuary on the documents referred to in items 2) to 5) of the said paragraph, as well as any amendments to those documents;
- 7) Notification on the appointment of a certified actuary;
- 8) Proof of changes of the data entered into the register of the competent authority;
- 9) Any other notifications, reports and data stipulated by the law.

An insurance undertaking shall submit to the National Bank of Serbia business policy acts referred to in Article 67, paragraph 2, items 2) to 5) of this Law which are used to calculate premiums and technical provisions – exclusively for the purpose of verifying their compliance with the regulations and rules of the actuarial profession.

An insurance undertaking shall submit the documents referred to in paragraph 1, items 1) to 3) of this Article within 15 days from the date of the adoption and no later than on 30 April of the current year for the previous year, the acts, documents and notifications referred to in paragraph 1, items 4) to 8) of this Article – within 15 days from the date of their adoption and/or amendment, and shall submit other notifications, reports and information – within the deadlines stipulated by the National Bank of Serbia.

Quarterly Reporting

Article 178

An insurance undertaking shall submit quarterly reports to the National Bank of Serbia on:

- 1) Ownership structure of the core capital, including any changes of the shareholders;
- 2) Coinsurance and reinsurance for the excess of risk over the maximum self-retention, including the opinion of a certified actuary;
- 3) Amount of the collected premiums, by classes of insurance, with the opinion of a certified actuary;
- 4) The number and amount of reported and settled claims and disputed claims;
- 5) Technical provisions, including the opinion of a certified actuary;
- 6) Assets, in particular the investment portfolio, liabilities and capital, as well as revenues and expenses, in accordance with the prescribed structure;
- 7) Fulfilment of capital adequacy requirements set out by this Law.

Statistical Data

Article 179

An insurance undertaking shall submit to the National Bank of Serbia statistical and other data relevant for the National Bank's supervision – classified into insurance groups, classes and tariffs.

The National Bank of Serbia shall publish the processed data referred to in paragraph 1 of this Article.

Contents of Reports and Accuracy of Data

Article 180

The National Bank of Serbia shall prescribe more closely the contents of the reports, notifications and data referred to in Articles 178 and 179 of this Law, as well as the manner of and timeframe for submission of reports, notifications and data referred to in Articles 177 to 179 of this Law.

An insurance undertaking shall make sure that the data submitted to the National Bank of Serbia in line with this Law are accurate and up-to-date.

Reporting at the Request of the National Bank of Serbia

Article 181

Upon the request of the National Bank of Serbia, an insurance undertaking shall submit also any other acts, reports, information and data significant for the supervision by the National Bank of Serbia, in the manner and within the deadline specified in the request.

Chapter IX

AUDIT OF FINANCIAL STATEMENTS

Conduct of Audit

Article 182

Audit of financial statements of an insurance undertaking shall be conducted in accordance with the law governing audit, unless otherwise regulated by this Law.

Audit of financial statements shall be conducted by licensed certified auditors (hereinafter: auditors) employed in an audit firm established in line with the law governing audit (hereinafter: audit firm).

One auditor may conduct no more than five consecutive audits of financial statements of an insurance undertaking.

One auditor, and/or audit firm where the auditor is employed, may not conduct in one and the same year both the audit of an insurance undertaking's financial statements and provide additional services to the undertaking in line with the law governing audit.

The contents of reports on audit of financial statements of an insurance undertaking shall be more closely regulated by the National Bank of Serbia.

Prior Approval of a Selected Audit Firm

Article 183

An insurance undertaking shall seek prior approval of the National Bank of Serbia for the proposed decision on selecting the audit firm to conduct the audit of the undertaking's financial statements.

The application for prior approval and the proposed decision referred to in paragraph 1 of this Article shall be submitted to the National Bank of Serbia for the year for which the audit firm is being selected no later than on 30 September of that year.

The National Bank of Serbia shall decide on the application referred to in paragraph 1 of this Article within 30 days from the date of the receipt of the duly completed application.

When deciding on granting the approval referred to in paragraph 1 of this Article, the National Bank of Serbia shall assess the fulfilment of requirements concerning professional capacity of the audit firm, truthfulness and objectiveness of the audit firm's previous reports, as well as whether those reports have been prepared in line with the law governing audit and the regulation from Article 182, paragraph 5 of this Law. In this connection, the National Bank may also request data and evidence from the insurance undertaking.

If an audit firm has been selected without prior approval of the National Bank of Serbia, the selection shall be considered null and void.

Duties of an Audit Firm

Article 184

An audit firm shall provide opinion on whether financial statements of an insurance undertaking have been compiled in line with regulations and whether they truthfully and objectively represent the undertaking's financial situation, its business results and cash flows for that business year.

In the course of audit of an insurance undertaking, the audit firm shall promptly notify the management of the undertaking and the National Bank of Serbia about any fact that constitutes a serious breach of law or other regulations or about any materially significant change in financial results stated in unaudited financial statements or about any serious breach of the undertaking's general acts of which they have become aware in the course of the audit of the insurance undertaking.

An audit firm shall also notify the National Bank of Serbia about any other facts and circumstances concerning the insurance undertaking or any undertaking closely linked with it that may jeopardise further operation of the insurance undertaking.

The National Bank of Serbia may request the audit firm to provide additional explanations regarding the audit conducted.

An audit firm or auditor shall not be liable for any damage caused by their fulfilment of duties set out in this Article, unless it proven that the damage was caused deliberately or by gross negligence.

Verification of Audit Report

Article 185

The National Bank of Serbia may in the course of insurance supervision request that audit report be verified by an auditor employed with another audit firm – if there are reasons to doubt the correctness of the opinion provided in the report.

Notification of the Audit Supervisory Authority

Article 186

The National Bank of Serbia shall notify the audit supervisory authority if it finds any omissions and irregularities in the audit report and the work of auditor, and/or audit firm where the auditor is employed, in the course of audit of an insurance undertaking.

The National Bank of Serbia shall specifically notify the authority referred to in paragraph 1 of this Article about the auditors and audit firms which employ auditors that provided auditing services to insurance undertakings whose operating licenses have been revoked by the National Bank of Serbia, as well as about the reasons for revoking these operating licenses.

Chapter X

INSURANCE SUPERVISION

Section 1

Supervision

Subjects of Supervision and Cooperation of the National Bank of Serbia with Other Authorities and Organisations

Article 187

The National Bank of Serbia shall supervise insurance business, i.e. supervise activities of insurance and reinsurance undertakings, insurance brokerage undertakings, insurance agency undertakings and insurance agents, as well as insurance agency activities carried on by legal persons referred to in Article 98, paragraph 2 of this Law (subjects of supervision).

The National Bank of Serbia may also supervise legal persons linked by means of property, management or business relationships with the supervised entity and inspect the business records of all participants in the activity that is being supervised – if this is necessary for the supervision of insurance business.

The National Bank of Serbia shall in the process of carrying out its duties in line with this Law cooperate with supervisory and other competent authorities in the Republic of Serbia and abroad, as well as with international organisations.

The National Bank of Serbia may conclude agreements on cooperation and/or exchange the data obtained in the course of carrying out supervision of insurance business and its other tasks set out by this Law with the authorities and/or organisations referred to in paragraph 3 of this Article, for the purpose of performance of tasks within their remit, provided that these authorities and/or organisations are subject to the data confidentiality requirement as specified in Article 196 of this Law.

Subject Matter of Supervision

Article 188

The supervision of the National Bank of Serbia over insurance undertaking shall include:

- 1) Carrying on of insurance business in line with the operating license issued to the undertaking;
- 2) Compliance of general acts and business policy acts of the undertaking with the law and other regulations governing insurance business;
- 3) Legal compliance of the undertaking and conduct of business in line with the operating principles established by this Law;
- 4) Market behaviour of the undertaking toward the insurance service beneficiary, in particular fulfilment of obligations the undertaking has assumed on the grounds of insurance contract toward such person, as well as the obligation to inform the policyholder and/or the insured;

- 5) Implementing coinsurance and reinsurance policies;
- 6) Constitution of the required technical provisions;
- 7) Calculation of guarantee reserve and fulfilment of the requirements relating to capital adequacy;
- 8) Calculation of the required solvency margin;
- 9) Investment of insurance funds in line with the law and other regulations;
- 10) Preparation of accounting records and other documents, keeping of business records and preparation of financial statements in line with the law, other regulations, general acts and business policy acts of the undertaking;
- 11) Costs related to insurance business, in particular insurance administration costs;
- 12) Ensuring liquidity and solvency in carrying on insurance business;
- 13) Establishment and operation of the system of governance in the undertaking;
- 14) The method of conducting internal audit;
- 15) Fulfilment of the requirements prescribed by this Law for shareholders – qualified holders and persons acting as members of management;
- 16) Organisational, professional and technical capacity of the undertaking, as well as information system management in the undertaking;
- 17) Implementation of measures imposed by the National Bank of Serbia;
- 18) Uncollected premiums and other receivables of the undertaking;
- 19) Other matters prescribed by law.

Manner of Supervision

Article 189

Supervision over an insurance undertaking shall be conducted by means of:

- 1) On-site supervision of the insurance undertaking;
- 2) Off-site supervision – by analysing, monitoring and controlling reports and other documents the undertaking submits to the National Bank of Serbia, as well as other business data on the undertaking's operation available to the National Bank of Serbia.

The decisions, records, notifications, requests and other acts of the National Bank of Serbia submitted to an insurance undertaking in relation to supervision shall also be deemed to have been submitted to members of the bodies of that undertaking.

The National Bank of Serbia shall regulate more closely the terms and manner of supervision referred to in paragraph 1 of this Article, and may prescribe the obligation of an insurance undertaking to provide conditions for the receipt of the decisions, records, notifications, requests and other acts referred to in paragraph 2 of this Article in electronic form.

Persons Authorised to Conduct On-Site Examination

Article 190

On-site examination of activities of an insurance undertaking shall be conducted by employees of the National Bank of Serbia designated by the decision of the Governor or a person authorised by the Governor (hereinafter: authorised person).

The decision referred to in paragraph 1 of this Article shall specify the insurance undertaking and/or other persons subject to supervision and the subject matter of supervision.

Authorised persons of a foreign supervisory authority that oversees and/or supervises the activities of members of the group of insurance undertakings which the undertaking belongs to may take part in on-site supervision of activities of the insurance undertaking, in line with the cooperation agreement between that supervisory authority and the National Bank of Serbia.

On-Site Examination

Article 191

In the course of on-site examination of activities of an insurance undertaking, the authorised person shall have the right to:

- 1) Access all organisational units and premises of the undertaking, provided that he adheres to safety procedures;
- 2) Gain insight into general acts, business policy acts and business records of the insurance undertaking and any other acts, documentation and data regarding the undertaking's activities in the Republic and abroad;
- 3) Request to receive electronic copies of documents relating to the subject matter of examination or technical support in the process of accessing business records in electronic form;
- 4) Gain insight into the technical documentation and access databases, software solutions used by the undertaking and any other information system resources;
- 5) Request from members of management, internal auditor, certified actuary and persons with special authorisations in the undertaking to provide information and explanations related to the operation of the undertaking;
- 6) Temporarily confiscate objects and personal documents if there is reasonable doubt that they are intended for or have been used in perpetration of crime, offence or other act punishable under this Law.

A special report on temporary confiscation of the objects and personal documents referred to in paragraph 1, item 6) of this Law shall be made and signed by the authorised person who confiscated the objects and documents and the person from whom the objects and personal documents were directly taken from.

Obligations of Insurance Undertaking

Article 192

At the request of an authorised person, an insurance undertaking shall:

- 1) Allow the examination of activities at the head office and on other premises where the undertaking carries on its activities, and with the persons referred to in Article 187, paragraph 2 of this Law;
- 2) Allow the examination of business and other documents, timeliness and correctness of business and other records, correctness and truthfulness of financial statements and annual reports, as well as the reports and notifications submitted to the National Bank of Serbia;
- 3) Provide for inspection accounting and other documents, business records or certain parts of business records and other records;
- 4) Provide data on a storage device specified by the authorised person and provide to the authorised person complete access to the electronic system of accounting data.

The authorised person shall supervise the insurance undertaking in a manner that ensures minimal disruption to the regular activities of the undertaking.

Examination Report and Supplements to the Report

Article 193

The authorised person conducting the examination shall prepare the report on conducted examination (hereinafter: examination report).

The examination report shall be submitted to the insurance undertaking that was the subject of supervision, which may provide objections to the report within 20 days from its receipt.

By way of derogation from paragraph 2 of this Article, the deadline specified in that paragraph may be shortened to eight days from the receipt of the supervision report if this is justified by reasons of urgency.

The authorised person shall provide comments to any objections to the examination report in writing and, depending on the grounds of the objections, shall prepare supplements to the examination report or an official note.

Supplements to the examination report shall be made in cases where verification of the facts stated in the objections to the report show a substantially different situation compared to that stated in the examination report. The objections concerning a change of situation that occurred after the period when the examination took place shall not be considered in this process.

Supplements to the examination report shall be submitted to the insurance undertaking within 20 days from the receipt of the objections to the report, and the insurance undertaking may submit objections to the supplements to the examination report within eight days from the receipt of such supplements.

The official note referred to in paragraph 4 of this Article shall be made in cases where verification of the statements contained in the objections to the examination report or to the supplements to the examination report shows that they were ungrounded or that the insurance undertaking has remedied the found illegalities and irregularities, after which the note shall be submitted to the undertaking.

If an insurance undertaking fails to submit objections to the examination report or supplements to the examination report within the deadlines stipulated by this Article or fails to provide sufficient grounds to dispute the findings in that report or supplements to the report which found irregularities in its operations, the National Bank of Serbia shall take against that undertaking the relevant measures envisaged by this Law.

Decision on Cancellation of Examination Procedure

Article 194

The National Bank of Serbia shall issue a decision on cancelling the examination procedure if no irregularities were found in the examination report or if such irregularities were minor irregularities, or if the insurance undertaking has provided within the deadlines prescribed by this Law reasonable grounds to dispute all the findings of the examination report or supplement to the examination report or to parts of those findings so that the remaining irregularities represent minor irregularities.

The decision referred to in paragraph 1 of this Article shall be submitted to the insurance undertaking.

Off-Site Examination

Article 195

If in the process of off-site examination the National Bank of Serbia finds certain irregularities in the operation of an insurance undertaking, it may send a letter of warning to the undertaking with regard to the irregularities and set a deadline for their remedy.

If the insurance undertaking fails to act in accordance with the letter of warning referred to in paragraph 1 of this Article or fails to do so within the specified deadline, and/or if the National Bank of Serbia finds in the course of off-site examination there were serious irregularities and/or illegalities in activities of the insurance undertaking, a supervision report shall be made, in which case the National Bank of Serbia or its employee conducting the off-site examination shall proceed in the manner prescribed in Articles 193 and 194 of this Law.

In the course of off-site examination referred to in paragraph 2 of this Article, the National Bank of Serbia may require that additional documentation be submitted.

Data Confidentiality

Article 196

The data that employees of the National Bank of Serbia and authorised persons referred to in Article 190, paragraph 3 of this Law learn in any manner and which pertain to the supervision of financial standing and legal compliance of supervised entities, other data about facts and circumstances related to their operation, as well as the documents containing such data, shall be designated and protected as classified data with the following degrees of secrecy "CONFIDENTIAL" or "RESTRICTED" in line with the law regulating data confidentiality.

Persons referred to in paragraph 1 of this Article shall keep the data and documents referred to in that paragraph as confidential, i.e. they may not make them available to third parties, except in cases prescribed by law.

The confidentiality requirement for persons referred to in paragraph 1 of this Article shall not cease even after termination of their employment and/or engagement with the National Bank of Serbia, and/or termination of any status on the basis of which those persons accessed the data from that paragraph.

By way of derogation from paragraph 2 of this Article, the National Bank of Serbia may make the data and documents referred to in paragraph 1 hereof available to domestic and foreign supervisory authorities, on condition that these authorities use them solely for the purposes for which they were obtained.

Disclosure of data referred to in paragraph 1 hereof in the aggregate form which prevents the identification of the subjects of supervision and/or the insured, policyholders or other insurance beneficiaries shall not be considered a breach of the confidentiality requirement.

Section 2

Measures of Supervision

1. Types of Measures and Fines

Article 197

In the course of supervision of an insurance undertaking, the National Bank of Serbia may:

- 1) Issue a letter of warning;
- 2) Publicly disclose information about the insurance undertaking's failure to meet its obligations or failure to meet them in a timely manner, or about the undertaking's non-compliance with the regulations, at the expense of the undertaking;
- 3) Order measures to eliminate illegalities and irregularities in the operation of the undertaking;
- 4) Order measures for failing to act in line with risk management regulations;
- 5) Order that members of management be dismissed and suspended;
- 6) Order interim measures;
- 7) Place an undertaking into receivership;
- 8) Order that the insurance portfolio be transferred to another insurance undertaking;
- 9) Revoke the license to carry on specific or all classes of insurance business.

The National Bank of Serbia shall adopt a decision with regard to the application of measures referred to in paragraph 1, items 2) to 9) of this Article.

When it determines that the insurance undertaking has acted in accordance with the measures referred to in paragraph 1 of this Article and the degree to which it has done so – the National Bank of

Serbia shall either terminate the supervision procedure or issue a new measure prescribed by this Law, in line with the criteria referred to in Article 198 of this Law.

The National Bank of Serbia may, independently from the measures referred to in paragraph 1 of this Article, issue a fine against an insurance undertaking and/or other supervised entity or a responsible person in that entity, in line with the provisions of this Law.

Decision of the National Bank of Serbia Imposing the Measure

Article 198

The National Bank of Serbia shall issue a decision imposing a measure referred to in Article 197 of this Law against an insurance undertaking in whose activities it detected irregularities based on the assessment of the following:

- 1) The seriousness of the irregularities found;
- 2) Willingness and capability demonstrated by the management to remedy the found irregularities;
- 3) The degree to which the undertaking threatens the financial discipline of the insurance market.

When assessing seriousness of the irregularities found in the operation of an insurance undertaking, special attention shall be paid to assessing the following:

- 1) Financial position of the undertaking;
- 2) Fulfilment of capital adequacy requirements prescribed by this Law;
- 3) Degree of exposure of the undertaking to specific classes of risk;
- 4) Impact of the irregularity on the future position of the undertaking;
- 5) The number of irregularities found and their interdependencies;
- 6) The duration and frequency of the irregularities;
- 7) Compliance of the undertaking with the law.

In the course of assessing the willingness and the capability of the management to eliminate the found irregularities, special attention shall be paid to assessing the following:

- 1) The capability of the management to identify, measure, monitor and manage risks in operation of the undertaking;
- 2) The effectiveness of the system of internal controls and/or internal audit in the undertaking;
- 3) Efficiency in eliminating previously found irregularities, particularly with regard to the implementation of ordered measures referred to in Article 197 of this Law;
- 4) Awareness of shareholders, persons having a holding in the undertaking and members of management about the difficulties the undertaking is facing;
- 5) Cooperativeness of the management with the authorised person during examination;
- 6) The undertaking's action/failure to act to remedy previously found irregularities and in line with the warnings issued by the National Bank of Serbia.

In the course of assessing the degree to which an insurance undertaking may jeopardise financial discipline in the insurance market, special attention shall be paid to assessing the following:

- 1) Significance of the undertaking, and/or the insurance market share the undertaking holds;
- 2) Volume and classes of insurance the undertaking carries on;
- 3) The branch network size in the Republic of Serbia and abroad;
- 4) Property, governance, business and debtor-creditor relationships the undertaking has with other insurance undertakings and other persons in the financial sector.

2. Letter of Warning

Article 199

A letter of warning shall be issued against an insurance undertaking whose business activities were found to contain irregularities that have not affected in a substantial or direct manner its financial position, stability of the insurance market and/or rights and interests of insured persons and other insurance beneficiaries.

The letter of warning shall include the deadline by which the irregularities referred to in paragraph 1 of this Article should be remedied.

3. Public Disclosure of Information

Article 200

If it is established in the course of examination that an undertaking has operated in contravention of regulations, and/or in a manner that may significantly jeopardise the rights and interests of the insured and other insurance beneficiaries, the National Bank of Serbia may publicly disclose at the expense of the undertaking the information regarding the insurance undertaking's timely or untimely fulfilment of obligations or regarding the undertaking's breach of regulations.

4. Measures for Remedying Irregularities and Illegality in Operation of an Insurance Undertaking

Article 201

The National Bank of Serbia shall order an insurance undertaking to remedy the illegality and irregularities in its operation if it establishes that:

- 1) The undertaking has ceased to fulfil some of the prescribed requirements for carrying on insurance business;
- 2) A member of management does not meet the requirements prescribed by this Law;
- 3) The undertaking carries on activities it is not authorised to perform under this Law;
- 4) The undertaking treats insured persons and other insurance beneficiaries contrary to rules of insurance and actuarial profession, good business practices and business ethics;

- 5) The undertaking acts contrary to its obligation to inform the policyholders and/or the insured persons with respect to the insurance contract;
- 6) The undertaking acts contrary to the rules on keeping business records and compiling of financial statements;
- 7) The undertaking violates the obligation of informing and reporting to the National Bank of Serbia;
- 8) The undertaking acts against the provisions of law, other regulations, general acts and business policy acts governing the undertaking's business activities;
- 9) The undertaking does not meet other obligations prescribed by law.

The measure from paragraph 1 of this Article shall include the deadline by which the determined illegalities and irregularities must be remedied.

Report on the Implementation of Measures

Article 202

An insurance undertaking shall remedy the illegalities and irregularities the National Bank of Serbia has detected in its operation within the stipulated deadline, and submit a report on the implementation of the prescribed measures along with the evidence that the illegalities and irregularities having been remedied.

Should the report from paragraph 1 of this Article be incomplete or should the evidence included in the report fail to indicate that the insurance undertaking has implemented the imposed measures, the National Bank of Serbia may order the insurance undertaking to supplement the report with new evidence, and define a new deadline for its submission and/or may examine the implementation of the measures imposed.

If, based on the report from paragraph 1 of this Article, the supplement to the report and/or examination referred to paragraph 2 of this Article, the National Bank of Serbia establishes that the illegalities and irregularities have not been remedied, it shall impose other measures on the undertaking according to law.

5. Measures Due to Non-Compliance with the Rules on Risk Management

Article 203

If the National Bank of Serbia establishes that an insurance undertaking does not comply with the risk management rules from Article 149 of this Law, it shall order the insurance undertaking to comply with the law, or respectively ensure:

- 1) Coinsurance and reinsurance for the excess of risk over the maximum self-retention;
- 2) Payment of claim compensations and contracted sums and the fulfilment of other insurance obligations;
- 3) Implementation of operating principles referred to in Article 19 of this Law;

- 4) Prescribed amount of core capital;
- 5) Prescribed technical provisions;
- 6) Fulfilment of capital adequacy requirements prescribed by this Law;
- 7) Alignment of assets acquired using technical provisions with the prescribed structure;
- 8) Fair and objective disclosure of positions in financial statements;
- 9) Liquidity of the undertaking;
- 10) Implementing other activities in order to fulfil the obligations from items 1) to 9) of this paragraph as well as other obligations regarding risk management prescribed by this Law.

In addition to the measures from paragraph 1 of this Article, the National Bank of Serbia may take the following measures in respect of an insurance undertaking:

- 1) Prohibit conclusion of new insurance contracts regarding certain or all classes of insurance as well as expanding obligations under contracts already concluded;
- 2) Order the insurance undertaking to cancel insurance/reinsurance contracts, insurance/reinsurance brokerage and/or agency contracts if their further validity would cause damage to the undertaking;
- 3) Limit the level of insurance risk which it can take over;
- 4) Prohibit certain payments;
- 5) Prohibit transactions with certain shareholders, members of management, related parties or other persons;
- 6) Temporarily prohibit and/or limit the disposal of assets;
- 7) Order the updating of the business records, inventory of assets and liabilities, as well as matching of receivables and liabilities;
- 8) Order the collection of due receivables;
- 9) Order the change of organisation and system of governance in the undertaking;
- 10) Order other actions, in accordance with law.

The measures from paragraphs 1 and 2 of this Article shall include the deadline within which the irregularities related to risk management must be remedied.

The insurance undertaking shall remedy the detected irregularities within the prescribed deadline from paragraph 3 of this Article and shall submit to the National Bank of Serbia a report on the implementation of the measures imposed.

The report from paragraph 4 of this Article shall be subject accordingly to Article 202 of this Law.

6. Dismissal and Suspension of a Member of Management

Article 204

The National Bank of Serbia may order dismissal of a member of management of an insurance undertaking if it determines that:

- 1) This person was revoked the approval of the National Bank of Serbia to act as a member of management;
- 2) This person acts contrary to the provisions of this Law, and/or bears responsibility for the illegalities and/or irregularities in the operation of an insurance undertaking;
- 3) The undertaking has not enabled the National Bank of Serbia to perform supervision referred to in Article 187 of this Law.

In the event from paragraph 1 of this Law, the National Bank of Serbia must take into consideration the seriousness of the determined illegalities and/or irregularities, as well as whether keeping the person referred therein as a member of management would have an adverse impact on the rights and interests of the insured and other insurance beneficiaries.

By the order from paragraph 1 of this Law the National Bank of Serbia may:

- 1) Prohibit or limit the performance of any activity within an insurance undertaking to the person referred to in the said paragraph;
- 2) Prohibit the person referred to in the said paragraph from direct or indirect exercise of the voting right in an insurance undertaking and/or exercise of other rights in the undertaking;
- 3) Require the person referred to in the said paragraph to indirectly or directly dispose of his holding in an insurance undertaking within the determined deadline;
- 4) Prohibit the person referred to in the said paragraph from performing a function in any other insurance undertaking or a member of a group of insurance undertakings or to participate in performing activities without prior approval by the National Bank of Serbia.

If the person from paragraph 1 of this Article is accused of a criminal offence which makes him unfit to act as a member of management, the National Bank of Serbia may issue an order to temporarily prohibit such person from performing that function in an insurance undertaking and from exercising the rights from paragraph 3, item 2) of this Article in the undertaking until the criminal proceedings are concluded.

7. Interim Measures

Article 205

If during the supervision of an insurance undertaking and prior to preparing the examination report, the National Bank of Serbia establishes that it is necessary to order an interim measure guaranteeing the protection of rights and interests of the insured or other insurance beneficiaries, it shall impose the said measure.

The interim measure from paragraph 1 herein can order the insurance undertaking the following:

- 1) To ensure the compliance of its operation with regulations;
- 2) Not to conclude any new insurance contracts and/or not to expand the obligations under the insurance contracts already concluded;
- 3) Not to manage its assets without prior approval of the National Bank of Serbia;
- 4) Not to implement the decisions of the Assembly and Supervisory Board of the undertaking without prior approval of the National Bank of Serbia;

5) To dismiss, and/or suspend a member of management, and/or dismiss another person from a managing position;

6) Undertake, and/or cancel other activities.

The measures from paragraph 1 of this Article shall be ordered by an interim decision rendered in summary administrative proceedings, and that decision may stay in force not later than the day of rendering a decision on imposing measures and/or finalisation of the examination procedure during which the interim decision has been rendered.

The decision from paragraph 3 herein shall establish the manner and deadlines for the insurance undertaking to implement the imposed measure and to inform the National Bank of Serbia thereof.

8. Receivership

Article 206

The National Bank of Serbia shall adopt a decision on placing an insurance undertaking into receivership if:

1) The undertaking does not initiate the implementation of the measure imposed pursuant to Article 203 of this Law within the prescribed timeframe, and/or does not implement the measure;

2) The undertaking, besides the implementation of the measures defined in item 1) of this paragraph, fails to ensure the fulfilment of capital adequacy requirements prescribed by this Law;

3) If further operation of the undertaking might jeopardize its liquidity or solvency, and/or the rights and interests of the insured and other insurance beneficiaries.

The receivership in an insurance undertaking may not last more than a year.

The National Bank of Serbia may prescribe detailed requirements and the manner of implementing receivership in an insurance undertaking.

Decision on Introducing Receivership

Article 207

In the decision on introducing receivership, the National Bank of Serbia shall appoint at least two receivers and determine the receivership period, as well as the amount of the receivers' fee, to be borne by the insurance undertaking.

Receivers may not be employed with the National Bank of Serbia and must be persons not related to the insurance undertaking.

Provisions of Article 62, paragraphs 1 to 3 of this Law shall accordingly apply to the receiver.

The receivership initiated in an insurance undertaking shall be entered into the register of the competent authority as of the date of rendering the decision referred to in paragraph 1 of this Article.

Authorities and Obligations of Receivers

Article 208

Upon rendering the decision of the National Bank of Serbia on placing an undertaking into receivership, the authorities of the management shall pass onto the receivers.

The decisions within the remit of the management bodies shall be rendered by the receivers, based on the approval by the National Bank of Serbia.

When performing their activities, receivers shall comply with the instructions provided by the National Bank of Serbia.

Receivers shall undertake measures necessary to restore the stability and liquidity of the insurance undertaking.

Receivers` Reports

Article 209

At least once a month, receivers shall report to the National Bank of Serbia on the business performance of the insurance undertaking which has been placed into receivership and on its financial standing, and/or shall inform the National Bank of Serbia without delay when the financial standing of the undertaking has deteriorated to the extent that it jeopardizes the rights and interests of the insured and other insurance beneficiaries.

Within nine months from their appointment, the receivers shall submit to the National Bank of Serbia a report with an assessment of the economic stability and liquidity of the insurance undertaking and its going concern potential, including:

- 1) An assessment and consequences of coverage of the undertaking's loss to be transferred to the shareholders;
- 2) The possibility of eliminating the uncovered loss of the insurance undertaking;
- 3) The undisclosed expenses that might affect the liabilities of the undertaking;
- 4) An assessment of possible measures to eliminate the undertaking's illiquidity and insolvency, with an assessment of the costs of the implementation of such measures;
- 5) An assessment of the reasons for initiating liquidation and/or bankruptcy proceedings in the insurance undertaking.

Core Capital Increase to Ensure Sound Operations of the Insurance Undertaking

Article 210

If the National Bank of Serbia, based on the receivers' report, estimates that, in order to ensure sound operations of the insurance undertaking, and/or to eliminate the reasons for the undertaking's illiquidity or insolvency, it is necessary to increase the core capital from new pecuniary contributions, it may order the receivers to summon a Shareholders' Meeting and propose it to render a decision on core capital increase.

The receivers shall convene the Shareholders' Meeting to decide on the core capital increase from paragraph 1 of this Article no later than eight days starting from the day of receiving the order from the National Bank of Serbia to convene the Shareholders Meeting.

When convening the Shareholders Meeting, the shareholders must be warned against the legal consequences from Article 215, paragraph 1, item 3) of this Law and made aware of such consequences.

Assessment of Receivership

Article 211

The National Bank of Serbia shall assess the results of the receivers' activities at least on a quarterly basis.

The National Bank of Serbia shall make final assessment of the results of the receivers' activities no later than 30 days after receiving the report from Article 209, paragraph 2 of this Law.

If it determines that during the receivership the economic situation of the insurance undertaking has improved to the extent that it will ensure its sound operation and liquidity, and/or ability to regularly fulfil its liabilities, the National Bank of Serbia shall render a decision on the termination of receivership and dismissal of the receivers.

If it determines that during the receivership the economic situation of the insurance undertaking has not improved and the undertaking has restored its sound operation and liquidity, and/or the ability to regularly fulfil its liabilities, the National Bank of Serbia shall render a decision to revoke the undertaking's operating license in accordance with this Law.

Termination of Receivership

Article 212

The receivership of an insurance undertaking shall terminate:

- 1) On the date of rendering the decision of the National Bank of Serbia on termination of the receivership;
- 2) On expiration of the one-year period from the date of introducing the receivership;
- 3) On rendering the decision by the National Bank of Serbia on revoking the operating license.

The data about termination of receivership in an insurance undertaking shall be entered into the register of a competent authority.

9. Insurance Portfolio Transfer

Article 213

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

In case from paragraph 1 of this Article, the National Bank of Serbia shall issue a public call for insurance undertakings to submit an offer to overtake the insurance portfolio within the period of 30 days.

The transfer of insurance portfolio between insurance undertakings shall be carried out pursuant to provisions of Articles 222 to 226 of this Law.

10. License Revocation

Possibilities to Revoke a License

Article 214

The National Bank of Serbia shall be entitled to revoke from an insurance undertaking the license to carry on certain or all classes of insurance if:

- 1) The license has been granted on the grounds of false and inaccurate information;
- 2) The insurance undertaking no longer meets at least one of the requirements from Article 42 of this Law;
- 3) The insurance undertaking carries on insurance activities for which it is not licensed, except in the case referred to in Article 22 of this Law;
- 4) The undertaking concludes an insurance/reinsurance brokerage contract, and/or insurance agency contract with a legal or natural person which carries on those activities without a license, and/or approval of the National Bank of Serbia, or contrary to this Law;
- 5) The undertaking does not carry on its activities pursuant to the operating principles from Article 19 of this Law;
- 6) The undertaking carries on its activities in such a way as to violate the rights and interests of the insured, insurance beneficiaries, and/or the rights of the injured parties and/or it does not pay claim compensations or fulfil other obligations;
- 7) The undertaking has presented incorrect information on its activities or information that might mislead insurance service beneficiaries;
- 8) The undertaking is insolvent according to the report by the certified actuary and/or certified auditor or the findings of the National Bank of Serbia;
- 9) The insurance undertaking does not set aside, calculate and/or maintain technical provisions in the manner prescribed by this Law;
- 10) The undertaking does not comply with the provisions of this Law regulating investments of insurance funds and does not maintain the value of assets to cover insurance liabilities;
- 11) The undertaking no longer meets capital adequacy requirements prescribed by this Law and does not adopt or implement the programme of measures from Article 130 of this Law;
- 12) The undertaking does not compensate the amount of the core capital used to cover the losses, and/or deficit, when core capital has been reduced below the amount prescribed by Article 27 and/or Article 73 of this Law, within three months from the date such loss and/or deficit has been determined, and/or does not adopt or implement the programme of measures from Article 145 of this Law;

- 13) The insurance undertaking does not enable supervision in the prescribed manner;
- 14) The insurance undertaking does not enable an auditor to perform audit of financial statements in the prescribed manner;
- 15) The insurance undertaking does not enable a certified actuary to perform his activities in the prescribed manner;
- 16) The insurance undertaking does not submit reports, documents and other data in the manner and within the deadlines prescribed by this Law;
- 17) The reasons occur for revoking of the approval of the National Bank of Serbia related to the acts and operations of the undertaking pursuant to this Law;
- 18) It finds irregularities and illegalities in the undertaking's operation and further carrying on of insurance business would jeopardize the rights and interest of the insured and other insurance beneficiaries;
- 19) The insurance portfolio has been transferred without the approval of the National Bank of Serbia;
- 20) The insurance undertaking does not implement the measures imposed by the National Bank of Serbia within the prescribed deadline and/or does not eliminate the reason for imposing such measures;
- 21) The insurance undertaking fails to pay its contribution to the guarantee fund pursuant to the law governing compulsory traffic insurance, does not fulfil the obligations based on the international insurance card or does not fulfil other obligations prescribed by the said law and/or obligations under an international contract.

The revocation of the license from paragraph 1 of this Law does not relieve the insurance undertaking from settling its obligations under the concluded insurance contracts.

Revocation of Operating License

Article 215

The National Bank of Serbia shall revoke the operating license from an insurance undertaking if:

- 1) The number of founders of a mutual insurance undertaking decreases below the number prescribed in Article 71, paragraph 2 of this Law and does not increase up to the prescribed number within six months;
- 2) The undertaking does not fulfil capital adequacy requirements prescribed by this Law, and the implementation of the programme of measures from Article 130 of this Law does not result in the fulfilment of such requirements within the specified timeframe, and/or if it has no possibility to financially consolidate and in this way jeopardizes the stability of the insurance market and/or the financial system;
- 3) If the Shareholders' Meeting convened pursuant to Article 210 of this Law refuses to render a decision on increasing core capital of the undertaking or the rendered decision is not implemented;
- 4) If receivership has not established sound operation and liquidity of the undertaking.

The revocation of the license does not relieve the insurance undertaking from settling its obligations under the concluded insurance contracts.

Prohibition of Free Disposal of Assets

Article 216

By a decision on revoking the operating license, the National Bank of Serbia shall also order a measure against the insurance undertaking prohibiting free disposal of assets until the decision on liquidation of the undertaking and/or the decision on the initiation of bankruptcy proceedings over the undertaking is rendered.

On the day of rendering the decision on revoking the operating license, all bank accounts of the insurance undertaking shall be frozen.

11. Responsibility for Damage Caused by Execution of Duties Established by this Law

Article 217

The National Bank of Serbia and its employees, as well as the person executing duties in line with instructions of the National Bank of Serbia in compliance with this Law, shall not be held responsible for the damage that arises from the execution of such duty, unless it has been proven that such damage was caused intentionally or by extreme negligence.

The persons from paragraph 1 of this Article shall not be held responsible for the damage specified in the said paragraph even after the termination of their employment at the National Bank of Serbia, and/or the termination of execution of duties.

The National Bank of Serbia shall reimburse the expenses of representation of employees of the National Bank of Serbia in court and administrative proceedings instigated in relation to the duties that such employees exercise or have exercised pursuant to this Law.

The National Bank of Serbia shall reimburse the expenses from paragraph 3 of this Article also to the persons whose employment with the National Bank of Serbia has terminated.

Section 3

Additional Supervision

Terms “group of undertakings” and “group of insurance undertakings”

Article 218

For the purpose of this Law, *a group of undertakings* means a group consisting of a parent undertaking, its subsidiaries and legal persons in which the parent undertaking and/or its subsidiaries hold an equity interest, as well as the undertakings mutually linked by means of joint governance.

A parent undertaking of a legal person shall be the undertaking with a controlling participation in that legal person.

A subsidiary of a legal person shall be the undertaking in which the legal person has a controlling participation.

Undertakings linked by means of joint governance shall be the undertakings that are not linked by means of a parent-subsidiary relationship or an equity interest within the meaning of paragraph 1 of this Article, and shall include:

- 1) The undertakings managed in a unique way according to the contract concluded between those undertakings or pursuant to provisions of their Memorandums of Association or Articles of Association; or
- 2) The undertakings where the same persons comprise the majority of members of management or supervisory bodies.

Within the meaning of this Law, *a group of insurance undertakings* means a group of undertakings from paragraph 1 of this Article in which the most significant undertaking is an insurance undertaking, and/or reinsurance undertaking.

According to this Law, the most significant undertaking in a group of undertakings shall be:

- 1) The ultimate parent undertaking in the group;
- 2) The undertaking with a significant or controlling participation in another person or effective influence on the management of that person (holder of significant participation);
- 3) The undertaking with a higher balance sheet amount, in case two or more undertakings within the group meet the criteria for a significant holder.

Additional Supervision

Article 219

The National Bank of Serbia, apart from individual supervision over an insurance/reinsurance undertaking, shall also supervise a group of insurance undertakings (additional supervision).

Supervision of a group of insurance undertakings shall be performed as additional supervision to the one performed over an insurance/reinsurance undertaking which is the most significant undertaking in a group of insurance undertakings.

The National Bank of Serbia may decide that a certain legal person shall not be subject to additional supervision, and/or shall not be a part of a group of insurance undertakings if:

- 1) Including such legal person or several legal persons together has a negligible impact on the achievement of objectives of additional supervision;
- 2) Including such legal person would not contribute to the achievement of objectives of additional supervision.

A legal person being a part of a group of insurance undertakings shall not be subject to additional supervision if its head office is outside the Republic.

An insurance/reinsurance undertaking subject to additional supervision shall submit to the National Bank of Serbia consolidated financial statements prepared in accordance with law, as well as accompanying data and information necessary to perform additional supervision.

The National Bank of Serbia shall be entitled to request from the insurance/reinsurance undertaking subject to additional supervision the information on operation of the legal persons referred to in paragraphs 3 and 4 of this Article, if these persons are its subsidiaries within the meaning of Article 218 of this Law.

The National Bank of Serbia may prescribe more closely the manner of performing additional supervision from this Article.

Chapter XI

WINDING UP, LIQUIDATION AND BANKRUPTCY OF SUPERVISED ENTITIES

Reasons for Winding Up

Article 220

In case of a winding up of an insurance brokerage undertaking, insurance agency undertaking and insurance agents, the law governing companies shall be applied, unless specific matters are regulated otherwise by this Law.

The persons referred to in paragraph 1 of this Article shall notify the National Bank of Serbia on winding up.

The persons referred to in paragraph 2 of this Article shall wind up by their removal from the register.

Application of the Law on Bankruptcy and Liquidation

Article 221

The liquidation and bankruptcy proceedings against an insurance undertaking shall be performed under the terms and within the proceedings prescribed by the law regulating bankruptcy and liquidation proceedings against banks and insurance undertakings.

The liquidation and bankruptcy proceedings against insurance brokerage undertakings and insurance agency undertakings shall be subject to provisions of the law governing companies and the law governing bankruptcy proceedings.

The persons referred to in paragraph 2 of this Article shall submit to the National Bank of Serbia the decision on liquidation proceedings over the undertaking within three days from the date of its adoption.

Chapter XII

INSURANCE PORTFOLIO TRANSFER

Application for Approval for Insurance Portfolio Transfer

Article 222

Upon obtaining approval from the National Bank of Serbia, the insurance undertaking may transfer the entire insurance portfolio or a portion of this portfolio to one or more insurance undertakings licensed to carry on insurance business, subject to their approval.

The application for approval of the National Bank of Serbia referred to in paragraph 1 of this Article shall be submitted along with:

- 1) A contract on the transfer of the insurance portfolio which must contain the established class and amount of technical provisions which are, together with the portfolio, assigned to the insurance undertaking which takes over the portfolio, as well as the deadline for portfolio transfer;
- 2) A list of insurance contracts by class of insurance that are subject of portfolio transfer, with general policy conditions for such insurance classes;
- 3) An explanation of the reasons for the transfer of the insurance portfolio and the statement on the expected effects of portfolio transfer on further operation of the insurance undertaking which transfers the portfolio;
- 4) The inventory of assets acquired using technical provisions which are subject to the insurance portfolio transfer, listing the values and data based on which it is possible to check the methodology of their calculation;
- 5) An amendment to the business plan of the insurance undertaking taking over the insurance portfolio which is necessary for portfolio transfer;
- 6) A report on financial operations of the undertaking transferring the insurance portfolio and of the insurance undertaking taking over the portfolio, together with the opinion of a certified actuary covering also the transfer of portfolio;

No consent of the insured shall be required for the transfer of the insurance portfolio.

Deciding on the Application for Approval for Insurance Portfolio Transfer

Article 223

The National Bank of Serbia shall decide by virtue of a decision on the application from Article 222, paragraph 2 of this Article within 60 days from the receipt of a duly completed application.

The decision from paragraph 1 hereof shall be published in the Official Gazette of the Republic of Serbia.

Transfer of the insurance portfolio shall be effective on the date of rendering the decision on approval for portfolio transfer by the National Bank of Serbia.

The insurance portfolio cannot be transferred to an insurance undertaking prior to the expiry of the deadline from paragraph 1 of this Article.

By the decision on approval for portfolio transfer, the National Bank of Serbia shall concurrently decide on changes to the operating license for the insurance undertaking transferring the portfolio in case this transfer implies the change of the operating license.

Obligations of an Undertaking in the Course of Insurance Portfolio Transfer

Article 224

An insurance undertaking shall transfer the insurance portfolio to an insurance undertaking taking over the portfolio within the deadline specified in the contract on portfolio transfer and not later than 90 days from the date of receiving the decision on approval referred to in Article 223 of this Law, and shall inform the National Bank of Serbia about the matter without delay.

The approval from paragraph 1 of this Article shall cease to be valid on the day of expiration of the term from that paragraph.

The insurance undertaking which has transferred the insurance portfolio shall, within 15 days from the receipt of the decision referred to in paragraph 1 of this Article inform the policyholders whose insurance contracts are included in the insurance portfolio transfer directly in writing and via the media, of the business name, head office and address of the head office of the insurance undertaking that took over the insurance portfolio and of the date by which the insurance portfolio transfer must be completed.

The insured may terminate the insurance contract by informing the insurance undertaking that took over the portfolio in writing, within 30 days from the date of receipt of the notification from paragraph 3 of this Article.

The insured with non-life insurance, in the case from paragraph 4 of this Article, shall be entitled to the portion of the premium equivalent to the remaining period of insurance, whereas the insured with life insurance shall be entitled to the amount of the mathematical reserve calculated on the date of the transfer of the insurance portfolio, provided that life insurance funds are sufficient to cover the amount or up to the amount reduced in proportion to the reduction of life insurance funds.

Rejection of an Application for Approval for Insurance Portfolio Transfer

Article 225

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

Legal Consequences of Insurance Portfolio Transfer

Article 226

On the date of insurance portfolio transfer, the insurance undertaking which took over the portfolio shall become a party in the insurance contracts transferred to it by the portfolio transfer and shall

take over all the rights and obligations arising from such contracts and the undertaking transferring the portfolio shall be relieved from its obligations towards the insured.

The transfer of the insurance portfolio which was not approved by the National Bank of Serbia shall have no legal effect.

Chapter XIII

CHANGES IN STATUS, LEGAL FORM AND ASSOCIATION OF INSURANCE UNDERTAKINGS

1. Status Changes

Article 227

An insurance undertaking may make status changes with another insurance undertaking in accordance with the law governing companies only upon prior approval of the National Bank of Serbia.

An insurance brokerage/agency undertaking may make status changes with another insurance brokerage/agency undertaking in accordance with the law governing companies only upon prior approval of the National Bank of Serbia.

Status changes of insurance undertakings from paragraphs 1 and 2 of this Article shall be subject to provisions of this Law regulating the establishment of such undertakings.

2. Changes of legal form

Article 228

A change of the legal form of a supervised entity may be made in accordance with the law governing companies, only upon prior approval of the National Bank of Serbia.

Changes of the legal form of supervised entities shall be regulated by provisions of this Law regarding the establishment of such persons.

Special Rules for Mutual Insurance Undertakings

Article 229

A mutual insurance undertaking may change its organizational form to a joint-stock insurance undertaking provided it meets the requirements for establishment of a joint-stock insurance undertaking, according to this Law.

The legal form change from paragraph 1 of this Article shall be subject to provisions of the law governing companies pertaining to the change of the company's legal form, unless specific matters are regulated otherwise by this Law.

The decision on the change of form of a mutual insurance undertaking shall be made by the Assembly of the undertaking.

The decision from paragraph 3 of this Article shall be rendered by a three-quarter-majority of the total number of the Assembly members present, provided no larger qualified majority is determined by the Articles of Association of the mutual insurance undertaking.

The management of the mutual insurance undertaking shall be obliged, together with the invitation to the Shareholders' Meeting, to submit to all the members the draft decision from paragraph 3 of this Article with the explanation of their right to object to the change of the form of the undertaking and on legal consequences arising therefrom.

Each member of the mutual insurance undertaking may, at the latest three days prior to the date determined for the Shareholders' Meeting of the undertaking, submit a written objection to the change of the form.

The National Bank of Serbia shall give prior approval for the decision from paragraph 3 of this Article.

The National Bank of Serbia shall deny the approval from paragraph 7 herein if it determines that the change of form of a mutual insurance undertaking may jeopardize the rights and interests of members of the undertaking.

Decision on the Change of Form of a Mutual Insurance Undertaking

Article 230

The decision on the change of form of a mutual insurance undertaking shall include the nominal value of core capital, declared value of shares and the method of determining the holding of individual members in the capital, as well as other elements from the Memorandum of Association of the joint-stock insurance undertaking.

The nominal value of the core capital of a mutual insurance undertaking cannot exceed the value of its assets reduced by its liabilities on the date of calculation of this value.

If the decision from paragraph 1 of this Article does not specify otherwise, all members of a mutual insurance undertaking shall participate in core capital of the joint-stock insurance undertaking.

The holding of an individual member of a mutual insurance undertaking in the joint-stock insurance undertaking's share capital, if members do not have equal holdings, may be determined on the basis of the insured amount, the amount of contributions (premium), the amount of required coverage in case of life insurance, criteria for allocation of surplus, and the period of membership in that mutual insurance undertaking.

Each member of a mutual insurance undertaking objecting to the decision on change of form shall be entitled to a refund of his holding in the capital of that undertaking.

3. Associations of Insurance Undertakings

Article 231

Insurance undertakings shall be entitled to join associations of insurance undertakings in accordance with law.

Chapter XIV

PROVISIONS TO BE IMPLEMENTED FOLLOWING ACCESSION OF THE REPUBLIC OF SERBIA TO THE WORLD TRADE ORGANIZATION AND /OR THE EUROPEAN UNION

S e c t i o n 1

Provisions to be implemented following accession of the Republic of Serbia to the World Trade Organization

1. Carrying on Insurance and Reinsurance Business

Carrying on Insurance Business

Article 232

Insurance activities may also be carried on by a branch of a foreign insurance undertaking which carries on these activities on the grounds of the license issued by the National Bank of Serbia for establishing of the branch and in accordance with this Law.

A person having its head office and/or permanent residence in the Republic may conclude an insurance contract with a branch referred to in paragraph 1 of this Article.

Carrying on Reinsurance Business

Article 233

An insurance undertaking may also reinsure the obligations arising from an insurance contract in excess of self-retention with a foreign reinsurance undertaking, and/or with the branch of the undertaking which carries on reinsurance business on the grounds of the license issued by the National Bank of Serbia for establishing a branch, in accordance with this Law.

2. Carrying on Insurance/Reinsurance Business via Branches

Carrying on Insurance/Reinsurance Business of a Foreign Insurance/Reinsurance Undertaking in the Republic via Branches

Article 234

A branch of a foreign insurance/reinsurance undertaking carrying on insurance/reinsurance business in the Republic according to this Law shall fulfil the following requirements:

- 1) Activities of the branch must be conducted by a person authorised to represent the founders and subject to provisions of Articles 61 to 65 of this Law;
- 2) A branch must have required organisational, professional and technical capacity to carry on insurance/reinsurance business;
- 3) A branch must, prior to obtaining a license for establishment, deposit the pecuniary funds in the Republic in the amount of a half of the pecuniary part of core capital prescribed in this Law for establishment of a joint-stock insurance/reinsurance undertaking;
- 4) A branch shall always have at its disposal assets in the Republic in the amount of at least a half of the pecuniary part of core capital referred in item 3 of this paragraph or a half of the required solvency margin if higher than capital, and deposit, as a security for payment of obligations under insurance/reinsurance contracts concluded in the Republic, and/or contracts covering risks in the Republic, an amount of at least a quarter of the pecuniary part of core capital from the said item or a quarter of the required solvency margin if higher than the said capital (hereinafter: statutory deposit).

The assets and funds referred to in paragraph 1, item 4) of this Article may not be used as a security for obligations arising from insurance/reinsurance contracts of a branch of a foreign insurance/reinsurance undertaking.

Provisions of Articles 6, 12, 14, 15, 24, 46, 47 and 49, Articles 82 to 84, Articles 114 to 146, Articles 175 to 181, and Articles 187 to 217 of this Law and Article 245, paragraph 2 of this Law in the part pertaining to the protection of public interest shall accordingly apply to a foreign insurance/reinsurance undertaking which carries on insurance/reinsurance activities in the Republic via its branch.

License to Establish a Branch

Article 235

A foreign insurance/reinsurance undertaking may establish a branch in the Republic upon obtaining a license to establish a branch from the National Bank of Serbia.

An application for a license to establish a branch shall be submitted along with the following:

- 1) Memorandum of Association of the branch;
- 2) An excerpt from a court, and/or other appropriate register of the home country of the parent insurance/reinsurance undertaking;
- 3) Articles of Association, and/or other general acts of the parent insurance/reinsurance undertaking;
- 4) Audited financial statements of the parent insurance/reinsurance undertaking for the last three years;
- 5) Where the excerpt referred to in item 2 of this paragraph does not show the data on owners of the parent insurance/reinsurance undertaking, the appropriate evidence to determine the owners of the undertaking and their participation in the governance of that undertaking;

- 6) An excerpt from a court, and/or other appropriate register of the home country for the legal persons having a qualifying holding in the parent insurance/reinsurance undertaking;
- 7) The business plan of the branch, with the data referred to in Article 43 of this Law and organisational structure of the branch;
- 8) A statement that the branch shall keep all records related to its operation at its head office;
- 9) A proof of fulfilment of the requirements referred to in Article 62 of this Law by the person nominated to manage the operation of the branch;
- 10) A proof of deposited pecuniary funds referred to in Article 234, paragraph 1, item 3) of this Law and the proof of statutory deposits;
- 11) A proof of required professional and technical capacity of the branch to carry on insurance/reinsurance business.

The National Bank of Serbia shall determine in the license from paragraph 1 of this Article the manner for providing the statutory deposit.

Deciding on the application from paragraph 2 of this Article shall be subject to Articles 42 to 45 of this Law.

The National Bank of Serbia shall deny the application referred to in paragraph 1 of this Article if:

- 1) Taking into consideration regulations of the home country of a foreign insurance/reinsurance undertaking and practice regarding their implementation, exercise of supervision in accordance with this Law would be made impossible or considerably hindered;
- 2) Taking into consideration the regulations from item 1 of this paragraph, the insurance/reinsurance undertakings having their head office in the Republic would not be allowed to carry on insurance/reinsurance business in the country referred to in the said item, and/or to carry insurance/reinsurance business under the same conditions as insurance/reinsurance undertakings having their head office in that country.

A branch of a foreign insurance/reinsurance undertaking may start its business in the Republic from the date of its entry into the register of a competent authority.

A foreign insurance/reinsurance undertaking shall submit to the National Bank of Serbia the decision on registration of the branch with the competent authority seven days upon the receipt of that decision.

Provisions of paragraph 5 of this Article shall not pertain to making the decision on issuance of a license for establishment of a branch of a foreign insurance/reinsurance undertaking with its head office in a Member State of the World Trade Organization.

3. Carrying on Insurance Brokerage/Agency Activities through a Branch

Carrying on Insurance Brokerage/Agency Activities

Article 236

Insurance brokerage/agency activities may also be carried on by a branch of a foreign insurance brokerage/agency undertaking engaged in these activities on the grounds of a license issued by the National Bank of Serbia for establishment of a branch, in accordance with this Law.

An insurance/reinsurance undertaking may conclude a contract on insurance/reinsurance brokerage activities and a contract on insurance agency activities with a branch of the foreign undertaking referred to in paragraph 1 of this Article.

Carrying on Brokerage/Agency Activities in the Republic by a Foreign Brokerage/Agency Insurance Undertaking Through a Branch

Article 237

A foreign insurance brokerage/agency undertaking may establish a branch in the Republic upon obtaining a license to establish a branch from the National Bank of Serbia.

The application for a license to establish a branch of a foreign insurance brokerage undertaking shall be submitted along with the proofs and data referred to in Article 89, paragraph 3, item 1, items 3) to 5) and 7) to 9) of this Law, and the application to establish a branch of a foreign insurance agency undertaking shall be submitted along with the proofs and data referred to in Article 102, paragraph 3, item 1), items 3) to 5) and 7) to 9) of this Law.

Provisions of this Law pertaining to insurance brokerage/agency undertakings and provisions of Article 235 and Article 252, paragraph 2 of this Law shall accordingly apply to the foreign insurance brokerage/agency undertaking which carries on insurance brokerage/agency activities in the Republic through a branch.

Section 2

Provisions to be implemented following accession of the Republic of Serbia to the European Union

1. Meanings of Certain Concepts

Article 238

Certain concepts used in this Law shall have the following meaning:

- 1) ***Member State*** means a State that is a member of the European Union or a Signatory State of the Agreement on the European Economic Area;
- 2) ***Person from another Member State*** means a natural person having his/her residence in another Member State or a legal person having its head office in another Member State;
- 3) ***Insurance/reinsurance undertaking of another Member State*** means a legal person with its head office in another Member State having obtained a license from the competent supervisory authority to carry on insurance/reinsurance business;

4) ***Insurance brokerage/agency undertaking and/or insurance broker/agent of another Member State*** means a legal and/or natural person with its head office and/or permanent residence in another Member State having obtained a license from the competent supervisory authority to carry on insurance/reinsurance brokerage and/or insurance agency activities, and/or which has been entered in the register of the competent authority of that state;

5) ***Home Member State*** means the Member State in which the head office of the insurance/reinsurance undertaking or insurance brokerage/agency undertaking is situated, and/or where the insurance broker/agent has permanent residence;

6) ***Member State of the branch*** means the Member State in which the branch that took over the covering of a risk is situated;

7) ***Member State of undertaking risk coverage*** means a Member State where a policyholder being a natural person has residence, and/or where a policyholder being a legal person has its head office;

8) ***Member State of service providing*** means a Member State of undertaking loss coverage should this obligation be covered by an insurance/reinsurance undertaking or a branch of that undertaking from another Member State;

9) ***Foreign person*** means a natural person having his residence outside the Republic or another Member State or a legal person having its head office outside the Republic or another Member State;

10) ***Insurance/reinsurance undertaking of the Swiss Confederation*** means a legal person with its head office in the Swiss Confederation having obtained a license from the competent authority to carry on insurance/reinsurance business;

11) ***Competent supervisory authority*** means an authority of a Member State empowered by regulations to supervise carrying on of insurance/reinsurance business, and/or insurance brokerage/agency activities.

A competent supervisory authority referred to in paragraph 1, item 11) of this Article shall also be the authority of the Swiss Confederation empowered by regulations to supervise the carrying on of insurance/reinsurance business, and/or insurance brokerage/agency activities appropriately applying the provisions of this Law to an insurance/reinsurance undertaking of the Swiss Confederation, and/or its branch in the Republic.

The National Bank of Serbia shall also be a competent supervisory authority from paragraph 1, item 11) of this Article.

2. Carrying on Insurance/Reinsurance Business in Another Member State

Requirements for Carrying on Insurance/Reinsurance Business in Another Member State

Article 239

An insurance/reinsurance undertaking may carry on insurance/reinsurance business for which it has been licensed by the National Bank of Serbia in another Member State through a branch, and/or directly, if it meets the requirements for carrying on such business determined by regulations of the

Member State of service providing, and/or the Member State of undertaking risk coverage, as well as the requirements from Articles 240 and 241 of this Law.

It shall be considered that an insurance/reinsurance undertaking is carrying on insurance/reinsurance business in a Member State of service providing, and/or Member State of undertaking risk coverage if it concludes insurance/reinsurance contracts that cover the risks in those States.

Carrying on Insurance/Reinsurance Business in Another Member State through a Branch

Article 240

An insurance/reinsurance undertaking intending to establish a branch in another Member State shall notify the National Bank of Serbia about the Member State of service providing, and/or Member State of undertaking risk coverage.

The notification referred to in paragraph 1 of this Article shall comprise the following:

- 1) The name of a Member State of service providing, and/or Member State of undertaking risk coverage where an insurance/reinsurance undertaking intends to establish its branch;
- 2) Types of risks an insurance/reinsurance undertaking intends to insure/reinsure;
- 3) The business plan, with the data referred in Article 43 herein and the organisational structure of the branch of the insurance/reinsurance undertaking;
- 4) The address of an insurance/reinsurance undertaking in the Member State of service providing, and/or Member State of undertaking risk coverage;
- 5) Names of responsible persons of the branch of an insurance/reinsurance undertaking authorised to represent the branch and data about their professional qualifications, to which provisions of Articles 61 to 65 of this Law shall accordingly apply.

The National Bank of Serbia shall, within three months from the date of receiving notification from paragraph 1 of this Article, deliver the received data to the competent supervisory authority of the Member State of service providing, and/or Member State of undertaking risk coverage where an insurance/reinsurance undertaking intends to establish its branch and shall inform the undertaking thereof.

Together with the notification from paragraph 3 of this Article, the National Bank of Serbia shall deliver to the competent supervisory authority of the Member State of service providing, and/or Member State of undertaking risk coverage also the information about:

- 1) The insurance/reinsurance undertaking's fulfilment of capital adequacy requirements prescribed by this Law;
- 2) Classes of insurance for which the insurance/reinsurance undertaking has been licensed.

The National Bank of Serbia shall refuse, by virtue of a decision, to deliver to the competent supervisory authority the data from paragraphs 2 and 4 of this Article, should it determine that there is a reasonable doubt about the adequacy of the system of governance or financial standing of the insurance/reinsurance undertaking or about the business reputation and professional competence and experience of the responsible persons in the branch of the undertaking, not later than three months from the day of receiving the notification from paragraph 1 of this Article.

An insurance/reinsurance undertaking may initiate administrative proceedings against the decision from paragraph 5 of this Article.

A branch of an insurance/reinsurance undertaking may start its insurance/reinsurance business after it received from the National Bank of Serbia the notification of a competent supervisory authority of the Member State of service providing, and/or a Member State of undertaking risk coverage about the conditions under which it should carry on that activity in the public interest in that country or, if such notification was not received, after the expiry of the 60-day period from the date of receiving the notification from paragraph 3 of this Article.

A branch of an insurance undertaking may start compulsory traffic insurance business in another Member State, under the conditions prescribed by provisions of this Article and following the delivery of a statement on membership in the National Insurance Bureau and the National Guarantee Fund of the Member State to a competent supervisory authority of the Member State.

Should any of the submitted data from paragraph 2 of this Article be changed, the insurance/reinsurance undertaking shall notify in writing the National Bank of Serbia and competent supervisory authority of the Member State where the branch of the undertaking has been established about such change not later than 30 days before its occurrence, in which case provisions of paragraphs 1 to 8 of this Article shall accordingly apply.

Direct Carrying on of Insurance/Reinsurance Business in Another Member State

Article 241

An insurance/reinsurance undertaking intending to carry on insurance/reinsurance business directly in another Member State shall previously notify the National Bank of Serbia of that in writing.

The National Bank of Serbia shall, within 30 days from the date of receiving the notification from paragraph 1 of this Article, deliver such notification to the competent supervisory authority of the Member State of service providing, and/or Member State of undertaking risk coverage where the insurance/reinsurance undertaking intends to directly carry on insurance/reinsurance business, together with data on:

- 1) Insurance/reinsurance undertaking's fulfilment of the capital adequacy requirements prescribed by this Law;
- 2) The insurance and/or reinsurance classes for which the insurance/reinsurance undertaking is licensed;
- 3) Types of risk that an insurance/reinsurance undertaking intends to directly insure/reinsure in the Member State of service providing, and/or Member State of undertaking risk coverage;

The National Bank of Serbia shall at the same time notify the insurance/reinsurance undertaking from paragraph 1 of this Article about the notification from paragraph 2 of this Article.

The National Bank of Serbia shall, within the timeframe from paragraph 2 of this Article and by virtue of a decision refuse to deliver the data to the competent supervisory authority of the Member State of service providing, and/or Member State of undertaking risk coverage, by applying accordingly Article 240, paragraph 5 of this Law.

An insurance/reinsurance undertaking may initiate administrative proceedings against the decision from paragraph 4 of this Article.

An insurance/reinsurance undertaking may start to carry on insurance/reinsurance business after receiving the notification from paragraph 3 of this Article.

An insurance undertaking shall become a member of the National Insurance Bureau, and the National Guarantee Fund of a Member State following the receiving of the notification from paragraph 3 of this Article and prior to its direct carrying on of compulsory traffic insurance business in another Member State.

Should any of the submitted data from paragraph 2 of this Article be changed, the insurance/reinsurance undertaking shall notify the National Bank of Serbia and competent supervisory authority of the Member State in which it directly carries on insurance/reinsurance business in writing about such change, not later than 30 days before such change occurs, in which case the provisions from paragraphs 1 to 7 of this Article shall accordingly apply.

*Supervision of Insurance/Reinsurance Business
in Another Member State*

Article 242

Supervision of operation of an insurance/reinsurance undertaking carrying on insurance/reinsurance business in another Member State through a branch, and/or directly shall be carried out by the National Bank of Serbia, in accordance with this Law.

When a competent supervisory authority of a Member State of service providing, and/or a Member State of undertaking risk coverage, reasonably deems that the activities of the insurance/reinsurance undertaking in such Member State might affect its financial stability, it will notify the National Bank of Serbia thereof.

In case an insurance/reinsurance undertaking carries on its insurance/reinsurance business through a branch in another Member State, the National Bank of Serbia may supervise the branch only if it has previously notified the competent supervisory authority of the Member State of service providing about the matter, and/or the Member State of undertaking risk coverage which may participate in such supervision.

In case an insurance/reinsurance undertaking carries on its insurance/reinsurance business in another Member State even after a warning by a competent supervisory authority about its violation of regulations of the Member State of service providing, and/or a Member State of undertaking risk coverage, the National Bank of Serbia shall take supervisory measures in accordance with this Law.

The National Bank of Serbia shall notify a competent supervisory authority, without delay, about the supervisory measures referred to in paragraph 4 of this Article.

If the National Bank of Serbia revokes the operating license from an insurance/reinsurance undertaking, it shall, without delay, notify the competent supervisory authority of the Member State of service providing, and/or the Member State of undertaking risk coverage.

The supervision referred to in paragraph 1 of this Article shall include an assessment of the entire operation of the insurance/reinsurance undertaking, in particular its solvency and liquidity, calculations of technical provisions, the assets acquired using technical provisions and mathematical reserves.

Reporting about Insurance Business in Another Member State

Article 243

An insurance/reinsurance undertaking carrying on insurance business in a Member State of service providing, and/or Member State of undertaking risk coverage shall notify the National Bank of Serbia about the carrying on of these activities, separately about the insurance activities performed through a branch and those performed directly.

The reporting referred to in paragraph 1 of this Article shall include the data on the premium, claims for damages and remunerations, without any deductions on reinsurance, and on motor vehicle liability insurance, not including liability during transport, and data on the frequency and average amount of damage.

The National Bank of Serbia shall submit to a competent supervisory authority of the Member State of service providing, and/or Member State of undertaking risk coverage, upon its request, the data gathered by reporting referred to in paragraph 1 of this Article.

The National Bank of Serbia shall prescribe more closely the content of the reports referred to in paragraph 1 of this Article, as well as the method and deadlines for their submission.

Provisions of this Article shall accordingly apply to the reinsurance undertaking which carries on reinsurance activities in another Member State.

3. Insurance/Reinsurance Business an Insurance/Reinsurance Undertaking of Another Member State is Carrying on in the Republic

*Insurance/Reinsurance Business Carried on by
an Insurance/Reinsurance Undertaking of Another Member State*

Article 244

An insurance/reinsurance undertaking of another Member State may carry on insurance/reinsurance business if, according to this Law, it is entitled to carry on these activities in the Republic through a branch or directly.

A person having its head office or permanent residence in the Republic may conclude an insurance contract also with an insurance undertaking referred to in paragraph 1 of this Article.

An insurance undertaking may reinsure contractual obligations exceeding the amount of self-retention also with the reinsurance undertaking referred to in paragraph 1 of this Article.

*Conditions under which an Insurance/Reinsurance Undertaking
from Another Member State Shall Carry on Insurance/Reinsurance Business*

Article 245

An insurance/reinsurance undertaking from another Member State entitled to carry on insurance business in that Member State in particular classes of insurance and/or to carry on reinsurance business, shall be entitled to carry on such business in the Republic as well – through a branch or directly.

The undertaking referred to in paragraph 1 of this Article, and/or its branch in the Republic shall accordingly be subject to provisions of Articles 12, 15, 19 and 21, Articles 82 to 84 and Articles 175 to 176 of this Law, as well as provisions of other laws governing, for the purposes of protection of public interest, compulsory traffic insurance, protection of consumers, prevention of money-laundering and financing of terrorism and other areas related to insurance/reinsurance business.

*Carrying on Insurance/Reinsurance Business
through a Branch or Directly*

Article 246

A branch of an insurance/reinsurance undertaking of another Member State may start insurance/reinsurance business in the Republic after it receives from the competent supervisory authority of its home Member State the notification of the National Bank of Serbia about the conditions under which it should carry on that activity in the public interest in the Republic or if such notification was not received, after the expiry of the 60-day period from the date of receiving the notification of the competent supervisory authority on provision of data referred to in Article 240, paragraphs 2 and 4 of this Law to the National Bank of Serbia. A branch of an insurance/reinsurance undertaking of another Member State may start compulsory traffic insurance business after it becomes a member of the association referred to in Article 176, paragraph 1 of this Law and pays contribution to the Guarantee Fund in accordance with the law regulating compulsory traffic insurance.

An insurance/reinsurance undertaking of another Member State may directly start insurance/reinsurance business in the Republic from the date the competent supervisory authority of the Member State of its head office notifies it about the delivery of the data referred to in Article 241, paragraph 2 of this Law to the National Bank of Serbia. An insurance/reinsurance undertaking of another Member State may directly start compulsory traffic insurance business after it becomes a member of the association referred to in Article 176, paragraph 1 of this Law and pays contribution to the Guarantee Fund in accordance with the law regulating compulsory traffic insurance.

An insurance undertaking of another Member State may start compulsory traffic insurance business in the Republic provided that it first informs the National Bank of Serbia of general and special policy conditions.

Should the National Bank of Serbia determine that the policy conditions referred to in paragraph 3 of this Article are not in accordance with regulations, it shall order the insurance undertaking of another Member State to harmonise them with regulations within a specified period.

If an insurance undertaking of another Member State does not act in accordance with the order referred to in paragraph 4 of this Article and within the period specified therein, the National Bank of Serbia shall notify the competent supervisory authority of the insurance undertaking about the matter.

An insurance/reinsurance undertaking of another Member State shall cease carrying on insurance/reinsurance business in the Republic, should any of the following reasons occur:

- 1) A competent supervisory authority has established that the undertaking does not meet capital adequacy requirements for further carrying on of insurance/reinsurance business;
- 2) Termination of the operating license of the undertaking;

3) The undertaking and/or its branch does not meet the requirements referred to in paragraphs 1 and 2 of this Article.

Should any of the submitted data from paragraphs 1 and 2 of this Article be changed, the person referred to in those paragraphs shall notify the National Bank of Serbia and competent supervisory authority about such change not later than 30 days before such change occurs.

The data and documentation related to the operation of an insurance/reinsurance undertaking of another Member State shall be submitted to the National Bank of Serbia in the Serbian language.

*Supervision of Insurance/Reinsurance Business
through a Branch or Directly*

Article 247

Supervision of an insurance/reinsurance undertaking of another Member State carrying on insurance/reinsurance business in the Republic through a branch or directly shall be performed by a competent supervisory authority, following a written notification submitted to the National Bank of Serbia.

The competent supervisory authority may perform direct supervision of operation of an insurance/reinsurance undertaking of another Member State in the Republic.

Within its supervision referred to in paragraph 1 of this Article, the competent supervisory authority shall have equal authorities as the National Bank of Serbia in its performance of supervision according to this Law.

By way of derogation from paragraphs 1 to 3 of this Article, the National Bank of Serbia may supervise the operation of an insurance/reinsurance undertaking of another Member State in the Republic in accordance with provisions of Article 245, paragraph 2 of this Law, in the manner prescribed in Articles 189 to 196 of this Law.

Supervisory Measures

Article 248

The National Bank of Serbia may order a measure to remedy illegalities and irregularities identified in operation of an insurance/reinsurance undertaking of another Member State in the Republic, should it establish that the undertaking acted contrary to Article 245, paragraph 2 of this Law.

Should an insurance/reinsurance undertaking of another Member State fail to act in accordance with the particular supervisory measure referred to in paragraph 1 of this Article within the period specified for such measure, the National Bank of Serbia shall notify a competent supervisory authority about the matter.

Should an insurance/reinsurance undertaking of another Member State continue to act contrary to Article 245, paragraph 2 of this Law in the Republic, the National Bank of Serbia may impose an additional measure prohibiting it from concluding new insurance/reinsurance contracts.

The National Bank of Serbia shall notify a competent supervisory authority about the matter prior to imposing the measure referred to in paragraph 3 of this Article.

The National Bank of Serbia may impose interim prohibition to an insurance/reinsurance undertaking of another Member State to conclude new insurance/reinsurance contracts even when it has not previously notified a competent supervisory authority when it is impossible to postpone the measure for the sake of protection of rights and interests of insurance service beneficiaries.

The National Bank of Serbia shall immediately notify a competent supervisory authority and the European Commission about the measure referred to in paragraph 5 of this Article.

Provisions of paragraphs 1 to 6 of this Article shall accordingly apply to a branch of an insurance/reinsurance undertaking of another Member State carrying on insurance/reinsurance business in the Republic.

4. Special Provisions Referring to a Branch of an Insurance Undertaking of the Swiss Confederation

A Branch of an Insurance Undertaking of the Swiss Confederation

Article 249

A branch of an insurance undertaking of the Swiss Confederation which will carry on non-life insurance business in the Republic shall be subject to provisions of this Law referring to a branch of a foreign insurance undertaking, except for provisions of Article 234, paragraph 1, items 3) and 4), and Article 235, paragraph 2, item 10) and paragraph 5, item 2) of this Law.

Prior to issuance of a license to establish a branch of an insurance undertaking of the Swiss Confederation, the National Bank of Serbia shall ask for an opinion of a competent supervisory authority about the applicant submitting the application for establishment of the branch.

If the competent supervisory authority does not reply within the period of three months from the date of receiving the application referred to in paragraph 2 of this Article, it shall be deemed not to be opposing the establishment of the branch referred to in the said paragraph.

Prior to revoking the license to establish a branch of an insurance undertaking of the Swiss Confederation, the National Bank of Serbia shall notify a competent supervisory authority about the matter and require its opinion.

If the National Bank of Serbia, prior to receiving the opinion referred to in paragraph 4 of this Article, prohibits to the branch the conclusion of insurance contracts, it shall immediately notify the competent supervisory authority about the matter.

A person having its head office or permanent residence in the Republic may also conclude a non-life insurance contract with the branch of the undertaking referred to in paragraph 1 of this Article.

5. Carrying on Insurance Brokerage/Agency Business in Another Member State

Carrying On Insurance Brokerage/Agency Business in Another Member State through a Branch or Directly

Article 250

An insurance brokerage/agency undertaking having obtained a license from the National Bank of Serbia to carry on brokerage/agency business may carry on these activities in another Member State through its branch or directly provided that it meets the conditions prescribed by regulations of such Member State.

An insurance brokerage/agency undertaking intending to start brokerage/agency business in another Member State shall notify the National Bank of Serbia about the matter, by applying accordingly Articles 240 and 241 of this Law.

The National Bank of Serbia shall forward the notification from paragraph 2 of this Article within 30 days from the date of receipt of the notification, to a competent supervisory authority upon its request and shall inform the insurance brokerage/agency undertaking about the matter.

An insurance brokerage/agency undertaking may start insurance brokerage/agency business in another Member State following the expiry of the 30-day period from the date of receiving the notification of the National Bank of Serbia referred to in paragraph 3 of this Article.

An insurance brokerage/agency undertaking may start insurance brokerage/agency business immediately if a competent supervisory authority has not requested the notification referred to in paragraph 3 of this Article.

Provisions of Articles 242 and 243 of this Law shall accordingly apply to supervision of operation of undertakings referred to in paragraph 1 of this Article and to the reporting to the National Bank of Serbia by such undertakings.

Provisions of this Article shall accordingly apply to the insurance agent who obtained the license of the National Bank of Serbia to carry on insurance agency and who carries on such activities in another Member State.

6. Insurance Brokerage/Agency Business that an Insurance Brokerage/Agency Undertaking and/or Insurance Broker/Agent of Another Member State Carries on in the Republic

Insurance Brokerage/Agency Business Carried on By a Person from Another Member State

Article 251

An insurance brokerage/agency undertaking of another Member State may carry on insurance brokerage/agency business if, according to this Law, it is entitled to carry on this business in the Republic through a branch or directly.

An insurance broker/agent may carry on business referred to in paragraph 1 of this Article in the Republic, in accordance with this Law.

An insurance/reinsurance undertaking may also conclude insurance/reinsurance brokerage/agency contracts with the person from paragraphs 1 and 2 of this Article.

Carrying on Insurance Brokerage/Agency Business through a Branch or Directly

Article 252

An insurance brokerage/agency undertaking of another Member State may carry on insurance brokerage/agency business in the Republic through a branch or directly.

The undertaking referred to in paragraph 1 of this Article, and/or its branch in the Republic shall be subject to provisions of Articles 15, 87, 94, 95, 99, 106, 107, 110 and 111 of this Law, as well as provisions of other laws governing, for the purpose of protection of public interest, compulsory traffic insurance, protection of consumers, prevention of money laundering and terrorism financing and other areas related to operation of the insurance brokerage/agency undertaking.

A brokerage/agency undertaking referred to in paragraph 1 of this Article which intends to carry on insurance brokerage/agency business in the Republic, shall notify the competent supervisory authority of the Member State where it has the head office.

The competent supervisory authority referred to in paragraph 3 of this Article shall forward the notification from the said paragraph within 30 days from the date of receipt of the notification, to the National Bank of Serbia and inform the insurance brokerage/agency undertaking from paragraph 1 of this Article about the matter.

The brokerage/agency undertaking from paragraph 1 of this Article may start insurance brokerage/agency business in the Republic following the expiry of a 30-day period from the receipt of the notification of a competent supervisory authority referred to in paragraph 4 of this Article.

Supervision of the undertaking referred to in paragraph 1 of this Article shall be performed by applying accordingly provisions of Articles 247 and 248 of this Law.

Competent supervisory authorities shall mutually exchange data and information related to insurance brokerage/agency undertakings, particularly in case certain measures were ordered against them on account of their non-compliance with the law of the state where they carry on insurance brokerage/agency business.

Provisions of this Article shall accordingly apply to the insurance broker/agent of another Member State carrying on insurance brokerage/agency business in the Republic.

7. Matching Core Capital Amount

Manner of Matching Core Capital Amount

Article 253

A joint-stock insurance/reinsurance undertaking core capital amount prescribed in Article 27 of this Law shall be subject to an annual automatic matching with the Harmonised Index of Consumer Prices including all Member States, published by the Eurostat.

The matching referred to in paragraph 1 of this Article shall be performed by increasing the prescribed core capital amount by the change rate of the Harmonised Index of Consumer Price as of the effective date of provisions of this Article until the date of implementing the first matching and/or for every subsequent matching, from the date of implementation of the previous matching, where the amount of increase shall be rounded off to the closest hundred thousand of euros.

By way of derogation from paragraph 2 of this Article, should the percentage of change in the Harmonised Index of Consumer Price be less than five compared to the day of previous matching, it is not necessary to perform the matching referred to in paragraph 1 of this Article.

A decision on the change of the prescribed amount of core capital of a joint-stock insurance/reinsurance undertaking, executed on the grounds of matching referred to in paragraph 2 of this Article, shall be rendered by the National Bank of Serbia.

The decision from paragraph 4 of this Article shall be published in the Official Gazette of the Republic of Serbia and submitted to a competent authority of the European Union.

8. Coinsurance in the European Union

Coinsurance

Article 254

Coinsurance in the European Union shall be insurance meeting the following requirements:

- 1) It covers large risks referred to in Article 255 of this Law;
- 2) Two or more insurance undertakings (coinsurance undertakings) cover the risk, each of them for their share, within one contract, with payment of total premium for the same period, where one of the insurance undertakings is a leading insurance undertaking;
- 3) It takes over risks that exist in the European Union;
- 4) A leading insurance undertaking shall be an insurance undertaking of a Member State holding a license to carry on insurance business in the insurance class of risk coverage;
- 5) At least one of the insurance undertakings shall take part in a contract through the head office of the insurance undertaking or its branch in a Member State other than a State of the leading insurance undertaking;
- 6) The leading insurance undertaking shall entirely take over the leading part in the coinsurance procedure, determine conditions, including the premium as well, and issue an insurance policy.

Each insurance undertaking covering risks within the meaning of provisions from paragraph 1 of this Article shall establish technical provisions in accordance with regulations of a Member State where it has been established, and in case such regulations do not exist, in accordance with the common practice of that State.

By way of derogation from paragraph 2 of this Article, reserved damages must be at least equal to those the leading insurance undertaking shall establish according to regulations of a member State where it has been established.

Major Risks

Article 255

For the purpose of this Law, major risks shall be:

- 1) Risks of insurance classes referred to in Article 9, items 4), 5), 6), 7), 11) and 12) of this Law;
- 2) Risks of insurance classes referred to in Article 9, items 14) and 15) of this Law if the insured is engaged in an economic activity, and risks relating to such activity:
- 3) Risks of insurance classes referred to in Article 9, items 3), 8), 9), 10), 13) and 16) of this Law if the insured meets at least two of the following requirements:
 - 1) The balance sheet amount at the end of the business year exceeds 6,200,000 euros in RSD equivalent,
 - 2) Net income during the business year is larger than 12,800,000 euros in RSD equivalent,
 - 3) An average number of the employed during the business year is larger than 250.

Chapter XV

PENALTY PROVISIONS

Section 1

Criminal Offences

Unauthorised Carrying on of Insurance Business

Article 256

An authorised person in an insurance undertaking, reinsurance undertaking, insurance brokerage undertaking, insurance agency undertaking, and insurance agents, who carries on an insurance activity for which the National Bank of Serbia has not issued a license, shall be sentenced for a criminal offence to the imprisonment of between three and six years.

A responsible person of a legal person who, as a service provider, concludes an insurance contract with other persons or contracts which according to their legal nature are insurance contracts, shall be sentenced for a criminal offence to the imprisonment of between three and six years.

Issuing False Opinions and Reports

Article 257

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

Submission of False Assessment

Article 258

Authorised persons in an insurance undertaking, reinsurance undertaking, insurance brokerage undertaking, insurance agency undertaking or insurance agents, who on the occasion of risk and claims assessment draft a false assessment and statements shall be sentenced for the offence to a fine or imprisonment of up to three years.

Section 2

Fines

Sentence to a Fine

Article 259

Should the National Bank of Serbia determine during its supervision of operation of the supervised entity, protection of rights and interests of insurance service beneficiaries, handling of beneficiary complaints or during the performance of other activities prescribed by this Law, that the supervised entity has made offences referred to in Articles 260 to 263 of this Law, it may by virtue of a decision impose a fine to that entity and its responsible person by applying accordingly the criteria referred to in Article 198 of this Law.

The decision referred to in paragraph 1 of this Article shall include the deadline for paying the fine from that paragraph.

The responsible person referred to in paragraph 1 of this Article shall be considered a person responsible for managing activities of the supervised entity and administration of these activities.

Fines referred to in this Article may also be imposed to a natural person who at the time when the fine is imposed does not have the status of a responsible person in the supervised entity – for violations referred to in paragraph 1 of this Article which occurred while that person was a responsible person in the supervised entity.

A decision to impose a fine from paragraph 1 of this Article shall represent a writ of execution following its delivery to the supervised entity.

A fine referred to in paragraph 1 of this Article may not be determined after the expiry of five years from the date of the violation referred to in the said paragraph, and/or five years from the last day of making the violation.

The statute of limitations referred to in paragraph 6 of this Article shall be interrupted by any action of the National Bank of Serbia taken for the purpose of determining the offence referred to in paragraph 1 of this Article and determining a fine referred to in that paragraph.

Following each interruption of the statute of limitations referred to in paragraph 7 of this Article, the deadline for the statute of limitations shall restart, but the procedure of determining the offence referred to in paragraph 1 of this Article may not proceed after the expiry of a double period from paragraph 6 of this Article.

The fine referred to in paragraph 1 of this Article may not be collected after the expiry of five years from the date of enforcement of the decision of the National Bank of Serbia, and in case administrative proceedings have been initiated, after the expiry of five years from the date of entry into force of the court decision.

The statute of limitations referred to in paragraph 9 of this Article shall be interrupted with any action of a competent supervisory authority performed to collect the fines referred to in paragraph 1 of this Article and the deadline for the statute of limitations shall restart, but the collecting procedure may not proceed after the expiry of a double period from paragraph 9 of this Article.

The fines referred to in this Article shall be paid to a separate account of the National Bank of Serbia.

Fines to an Insurance/Reinsurance Undertaking

Article 260

An insurance/reinsurance undertaking shall be fined in the amount from RSD 100,000 to 5,000,000 if it:

- 1) Does not reinsure the obligations from the insurance or reinsurance contract above self-retention in the prescribed manner, and/or does not keep a portion of the risk in self-retention (Article 7);
- 2) Does not ensure the protection of rights and interests of insurance service beneficiaries in the prescribed manner (Article 15);
- 3) Does not carry on its activity in the prescribed manner (Article 19);
- 4) Concludes a contract on insurance/reinsurance brokerage or insurance agency with a person not holding a license, and/or an approval to carry on insurance brokerage/agency activities or with a person not performing these activities in accordance with Article 113 of this Law (Article 21);
- 5) Does not keep separate records on the contracts referred to in Article 22, paragraph 1 of this Law (Article 22);
- 6) Does not ensure a separate management of assets that serve or may serve to settle liabilities arising from insurance, the appertaining capital and liabilities (Article 25, paragraph 3);
- 7) Does not maintain core capital in a prescribed amount in the course of its operation (Article 27, paragraph 3 and Article 73, paragraph 2);
- 8) Has a mutual participation with another supervised entity (Article 29);
- 9) Does not ensure that a person who has acquired, and/or increased its qualifying holding in the undertaking without prior approval of the National Bank of Serbia, or a person revoked such approval, may not exercise rights in the undertaking, and/or may not influence the management or business policy of the undertaking (Article 37, paragraph 3 and Article 41, paragraph 3);
- 10) Does not accordingly apply Article 37, paragraph 3 and Article 41, paragraph 3 of this Law and does not ensure that that a person which has acquired, and/or increased its qualifying holding in the undertaking without prior approval of the National Bank of Serbia, or a person revoked such approval may not exercise rights in the undertaking, and/or may not influence the management or business policy of the undertaking (Articles 69 and 80);
- 11) Does not notify the National Bank of Serbia about acquisition or disposal of the prescribed holding in its capital (Article 38, paragraph 1);
- 12) Does not accordingly apply Article 38, paragraph 1 of this Law and does not notify the National Bank of Serbia about the acquisition or disposal of the prescribed holding in its capital (Articles 69 and 80);

- 13) Does not notify the National Bank of Serbia in a prescribed manner on the identity of all persons having a qualifying holding in the undertaking (Article 38, paragraph 2);
- 14) Does not accordingly apply Article 38, paragraph 2 of this Law and does not notify the National Bank of Serbia in a prescribed manner on the identity of all persons having a qualifying holding in the undertaking (Articles 69 and 80);
- 15) Does not submit to the National Bank of Serbia the decision on registration with the competent authority or does not do so within the prescribed deadline (Article 49, paragraph 4);
- 16) Does not accordingly apply Article 49, paragraph 4 of this Law and does not submit to the National Bank of Serbia the decision on registration with the competent authority or does not do so within the prescribed deadline (Articles 69 and 80);
- 17) Appoints members of management without prior approval of the National Bank of Serbia (Article 61);
- 18) Does not accordingly apply Article 61 of this Law and appoints members of management without prior approval of the National Bank of Serbia (Articles 69 and 80);
- 19) Does not notify the National Bank of Serbia about the appointment and dismissal of a member of management or fails to do so within the prescribed deadline, and/or does not enter the appointed members of management into the register of a competent supervisory authority (Article 61, paragraphs 7 and 8);
- 20) Does not accordingly apply Article 61, paragraphs 7 and 8 of this Law and does not notify the National Bank of Serbia about the appointment and dismissal of a member of management or fails to do so within the prescribed deadline, and/or does not enter the appointed members of management into the register of a competent authority (Articles 69 and 80);
- 21) Enables a member of management to perform his duty in the undertaking even after the National Bank of Serbia revoked the approval given to such person to act as member of management (Article 64, paragraph 3);
- 22) Does not accordingly apply Article 64, paragraph 3 of this Law and enables a member of management to perform his duty in the undertaking even after the National Bank of Serbia revoked the approval given to such person to act as a member of management (Articles 69 and 80);
- 23) Changes its business name, head office, and/or address of the head office without prior approval of the National Bank of Serbia (Article 66, paragraph 1);
- 24) Does not accordingly apply Article 66, paragraph 1 of this Law and changes its business name, head office, and/or address of the head office without prior approval of the National Bank of Serbia (Articles 69 and 80);
- 25) Does not create business policy acts, other acts, business records, minutes from meetings of the undertaking's bodies, decisions of those bodies and contracts in the Serbian language (Article 67, paragraph 3);
- 26) Does not accordingly apply Article 67, paragraph 3 of this Law and does not create business policy acts, other acts, business records, minutes from meetings of the undertaking's bodies, decisions of those bodies and contracts in the Serbian language (Articles 69 and 80);
- 27) Acquires, and/or increases its qualifying holding in another legal person without prior approval of the National Bank of Serbia (Article 68, paragraph 1);

- 28) Does not accordingly apply Article 68, paragraph 1 of this Law and acquires, and/or increases its qualifying holding in another legal person without prior approval of the National Bank of Serbia (Articles 69 and 80);
- 29) Establishes a branch in a foreign country without prior approval of the National Bank of Serbia, and/or does not notify the National Bank of Serbia within the prescribed deadline about the direct carrying on of insurance business in a foreign country (Article 81);
- 30) Prior to the conclusion of an insurance contract, does not provide the prescribed information to the policyholder/insured person, and/or does not provide it in the prescribed manner during the term of the contract (Articles 82 to 84);
- 31) Does not keep on its business premises the contract on insurance agency and/or does not keep records on insurance agency undertakings, insurance agents, legal persons referred to in Article 98, paragraph 2 of this Law or persons referred to in Article 113, paragraph 1 of this Law (Article 97 and Article 98, paragraph 4);
- 32) Does not calculate technical provisions in the prescribed manner (Article 116);
- 33) Does not apply accordingly Article 116 of this Law and does not calculate technical provisions in a prescribed manner (Article 69);
- 34) Does not check whether technical provisions are sufficient, i.e. adequate to cover all liabilities under an insurance contract and/or does not submit the results of that verification upon request of the National Bank of Serbia (Article 116, paragraph 7);
- 35) Does not accordingly apply Article 116, paragraph 7 of this Law and does not check whether technical provisions are sufficient, i.e. adequate to cover all liabilities under a reinsurance contract and/or does not submit the results of that verification upon request of the National Bank of Serbia (Article 69);
- 36) Does not establish guarantee reserve in the prescribed manner (Article 124, paragraph 1);
- 37) Does not accordingly apply Article 124, paragraph 1 of this Law and does not establish guarantee reserve in the prescribed manner (Article 69);
- 38) Does not meet the prescribed capital adequacy requirements, and/or does not deliver or submit to the National Bank of Serbia within the prescribed deadline a programme of measures to secure solvency of the undertaking and/or a long-term plan of financial consolidation (Articles 127 to 130);
- 39) Does not accordingly apply Articles 127 to 130 of this Law and does not meet the prescribed capital adequacy requirements, and/or does not deliver or submit to the National Bank of Serbia within the prescribed deadline a programme of measures to secure solvency of the undertaking and/or a long-term plan of financial consolidation (Article 69);
- 40) Does not invest insurance funds in the prescribed manner (Articles 131 to 137);
- 41) Does not accordingly apply Articles 131 to 137 of this Law and does not invest insurance funds in the prescribed manner (Article 69);
- 42) Does not determine, present and disclose its profit in the prescribed manner, and/or its surplus and loss, and/or deficit and does not determine the business performance of the undertaking per segments, and/or does not notify the National Bank of Serbia thereof (Article 142);
- 43) Does not accordingly apply Article 142 of this Law, and does not determine, present and disclose its profit in the prescribed manner, and/or its surplus and loss, and/or deficit and does not

determine the business performance of the undertaking per segments, and/or does not notify the National Bank of Serbia thereof (Article 69);

44) Does not compensate the amount of core capital in the prescribed manner in case it declined below the envisaged amount, and/or does not deliver or submit to the National Bank of Serbia within the prescribed deadline a programme of measures for loss coverage, and/or deficit coverage (Article 145);

45) Does not accordingly apply Article 145 of this Law and does not compensate the amount of the core capital in the prescribed manner in case it decreased below the envisaged amount, and/or does not adopt or submit to the National Bank of Serbia within the prescribed deadline a programme of measures for loss coverage, and/or deficit coverage (Article 69);

46) Does not continuously ensure liquidity, timely pay damage compensations and/or meet other obligations (Article 146, paragraph 1);

47) Does not accordingly apply Article 145 of this Law and does not continuously ensure liquidity, timely pay damage compensations and/or meet other obligations (Article 69);

48) Does not ensure an efficient system of governance in the undertaking or does not ensure it in the prescribed manner, and/or does not ensure an efficient risk management system or does not ensure it in the prescribed manner, or does not manage risks in such manner, and/or does not establish an efficient internal control system or does not establish it in the prescribed manner, and/or does not organise an internal audit or does not organise it in the prescribed manner (Articles 147 to 156);

49) It does not accordingly apply Articles 147 to 156 of this Law and does not ensure an efficient system of governance or does not ensure it in a prescribed manner, and/or does not ensure an efficient risk management system or does not ensure it in a prescribed manner, or does not manage risks in such manner, and/or does not establish an efficient internal control system or does not establish it in a prescribed manner, and/or does not organise internal audit or does not organise it in the prescribed manner (Article 69);

50) Does not integrate an internal control system within all business activities and processes of the undertaking and/or does not develop a reliable, functional and adequate information system (Article 153, paragraph 1);

51) Does not accordingly apply Article 153, paragraph 1 of this Law and does not integrate an internal control system within all business activities and processes of the undertaking and/or does not develop a reliable, functional and adequate information system (Article 69);

52) Does not deliver to the National Bank of Serbia the rules of internal audit, the annual plan of internal audit and/or internal audit report or does not submit them within the prescribed timeframe (Article 159);

53) It does not accordingly apply Article 159 of this Law and does not deliver to the National Bank of Serbia the rules of internal audit, the annual plan of internal audit and/or internal audit report or does not submit them within the prescribed timeframe (Article 69);

54) Does not appoint a certified actuary in the prescribed manner or does not appoint him within the prescribed deadline (Article 162);

55) Does not accordingly apply Article 162 of this Law and does not appoint a certified actuary in a prescribed manner or does not appoint him within the prescribed deadline (Article 69);

56) Does not provide to the certified actuary constant and unobstructed access to operating information necessary to conduct his activities (Article 166);

57) Does not accordingly apply Article 166 of this Law and does not provide to the certified actuary constant and unobstructed access to operating information necessary to conduct his activities (Article 69);

58) Does not notify the National Bank of Serbia that the competent body of the undertaking did not adopt the opinion of the certified actuary or fails to do it within the prescribed deadline (Article 171, paragraph 1);

59) Does not accordingly apply Article 171, paragraph 1 of this Law, and does not notify the National Bank of Serbia that the competent body of the undertaking did not adopt the opinion of the certified actuary or fails to do it within the prescribed deadline (Article 69);

60) Does not submit the audit report to the certified actuary or does not submit the report within the prescribed deadline, and/or does not notify the National Bank of Serbia within the prescribed deadline on the opinion of the certified actuary (Article 172, paragraphs 1 and 3);

61) Does not accordingly apply 172, paragraphs 1 and 3 of this Law and does not submit the audit report to the certified actuary or does not submit the report within the prescribed deadline, and/or does not notify the National Bank of Serbia within the prescribed deadline on the opinion of the certified actuary (Article 69);

62) Does not keep as confidential data, facts and circumstances it learns while doing business with the insured, and/or with another insurance beneficiary (Article 175);

63) Does not report to the National Bank of Serbia in the prescribed manner and/or does not ensure that submitted data are accurate and updated (Articles 177 to 181);

64) Does not accordingly apply Articles 177 to 181 of this Law and does not report to the National Bank of Serbia in the prescribed manner and/or does not ensure that submitted data are accurate and updated (Article 69);

65) Chooses an audit firm without prior approval of the National Bank of Serbia (Article 183, paragraph 1);

66) Does not accordingly apply Article 183, paragraph 1 of this Law and chooses an audit firm without prior approval of the National Bank of Serbia (Article 69);

67) Does not enable an authorised person to perform on-site examination in accordance with law (Articles 191 and 192);

68) Does not accordingly apply Articles 191 and 192 of this Law and does not enable an authorised person to perform on-site examination in accordance with law (Article 69);

69) Does not remove illegalities and/or irregularities the National Bank of Serbia established in its operation and/or does not report to the National Bank of Serbia about the implementation of the imposed measure or does not meet these obligations within the prescribed timeframe (Articles 202 and 203);

70) Does not accordingly apply Articles 202 and 203 of this Law and does not remove illegalities and/or irregularities the National Bank of Serbia established in its operation and/or does not report to the National Bank of Serbia about the implementation of the imposed measure or does not meet these obligations within the prescribed timeframe (Article 69);

71) Does not implement a decision of the National Bank of Serbia which orders removal or suspension of a member of management and/or an interim measure (Articles 204 and 205);

72) Does not accordingly apply Articles 204 and 205 of this Law and does not implement a decision of the National Bank of Serbia which orders removal or suspension of a member of management and/or an interim measure (Article 69);

73) Does not submit to the National Bank of Serbia consolidated financial statements containing the prescribed data and information (Article 219, paragraph 5);

74) Transfers the insurance portfolio or a part of the insurance portfolio to another insurance undertaking without the approval of the National Bank of Serbia (Article 222, paragraph 1);

75) Does not accordingly apply Article 222, paragraph 1 of this Law and transfers the insurance portfolio or a part of the insurance portfolio to another insurance undertaking without the approval of the National Bank of Serbia (Article 69);

76) Does not transfer an insurance portfolio within the stipulated and/or prescribed timeframe to an insurance undertaking which takes over the portfolio (Article 224, paragraph 1);

77) Does not accordingly apply Article 224, paragraph 1 of this Law and does not transfer the insurance portfolio within the stipulated and/or prescribed timeframe to an insurance undertaking which takes over the portfolio (Article 69);

78) Does not notify policyholders about the insurance portfolio transfer in the prescribed manner or does not notify them within the prescribed timeframe (Article 224, paragraph 3);

79) Does not accordingly apply Article 224, paragraph 3 of this Law and does not notify policyholders about the insurance portfolio transfer in the prescribed manner or does not notify them within the prescribed timeframe (Article 69);

80) Makes a status change, and/or change of legal form or change of form of the undertaking without prior approval of the National Bank of Serbia (Articles 227 to 229).

81) Does not accordingly apply Article 227 of this Law and makes a status change without prior approval of the National Bank of Serbia (Article 69);

An authorised person of an insurance/reinsurance undertaking shall also be fined for actions from paragraph 1 of this Article, from RSD 30,000 to RSD 1,000,000.

*Fines for Persons Carrying on
Insurance Brokerage/Agency Business*

Article 261

A fine in the amount of RSD 50,000 to 3,000,000 shall be charged to an insurance brokerage/agency undertaking if it:

1) Does not ensure the protection of rights and interests of insurance service beneficiaries in the prescribed manner (Article 15);

2) Does not carry on insurance brokerage and/or agency in the prescribed manner (Article 19);

3) Has a mutual participation with other supervised entity (Article 29);

- 4) Does not accordingly apply Article 37, paragraph 3 and Article 41, paragraph 3 of this Law and does not ensure that a person which has acquired, and/or increased its qualifying holding without prior approval of the National Bank of Serbia, or a person being revoked the approval does not exercise rights in the undertaking, and/or does not have any influence on the management or business policy of the undertaking (Articles 96 and 108);
- 5) Does not accordingly apply Article 38, paragraph 1 of this Law and does not notify the National Bank of Serbia about the acquisition or disposal of a prescribed share in its capital (Articles 96 and 108);
- 6) Does not accordingly apply Article 38, paragraph 2 of this Law and does not notify the National Bank of Serbia in the prescribed manner about the identity of all persons having a qualified holding in the undertaking (Articles 96 and 108);
- 7) Does not accordingly apply Article 61 of this Law and appoints a member of management without prior approval of the National Bank of Serbia (Articles 96 and 108);
- 8) Does not accordingly apply Article 61, paragraphs 7 and 8 of this Law and does not notify the National Bank of Serbia about the appointment and dismissal of a member of management or does not do so within the prescribed deadline, and/or does not enter the appointed member of management into the register of a competent authority (Articles 96 and 108);
- 9) Does not accordingly apply Article 64, paragraph 3 of this Law and allows a member of management to perform his duty even after the National Bank of Serbia revoked its approval for him to act as a member of management (Articles 96 and 108);
- 10) Does not accordingly apply Article 66, paragraph 1 of this Law and changes its business name, head office and/or address of the head office without prior approval of the National Bank of Serbia (Articles 96 and 108);
- 11) Does not accordingly apply Article 68, paragraph 1 of this Law and acquires, and/or increases its qualifying holding in another legal person without prior approval of the National Bank of Serbia (Articles 96 and 108);
- 12) Does not accordingly apply Article 81 of this Law and establishes a branch in a foreign country without prior approval of the National Bank of Serbia, and/or does not notify the National Bank of Serbia within the prescribed deadline about the direct carrying on of insurance brokerage/agency business in a foreign country (Articles 96 and 108);
- 13) Carries on insurance agency activities (Article 86, paragraph 2);
- 14) Does not submit to the National Bank of Serbia the decision on registration with the competent authority or does not do so within the prescribed deadline (Article 90, paragraph 4);
- 15) Does not accordingly apply Article 90, paragraph 4 of this Law and does not submit to the National Bank of Serbia the decision on registration with the competent authority or does not do so within the prescribed deadline (Article 108);
- 16) During the course of its business, it does not ensure that core capital is always in the prescribed amount and/or that the appertaining assets always have the prescribed structure (Article 88, paragraph 5 and Article 101, paragraph 5);

- 17) Does not provide an explanation and advice to an insurance/reinsurance policyholder, and/or to an insured person about circumstances relevant for the conclusion/implementation of the insurance/reinsurance contract (Article 94);
- 18) Does not protect the interests of an insurance/reinsurance policyholder, an insured person and/or interests of an insurance/reinsurance undertaking (Article 95, paragraphs 1 to 3);
- 19) Does not inform an insurance/reinsurance policyholder and/or an insured person about all legal and economic links with an insurance/reinsurance undertaking that may influence its impartiality in execution of the undertaken obligations (Article 95, paragraphs 4 and 5);
- 20) Does not keep the insurance agency contract on its premises (Article 97);
- 21) Carries on insurance brokerage activities (Article 98, paragraph 3);
- 22) Represents several insurance undertakings without their written approval (Article 99, paragraph 1);
- 23) If insurance brokerage/agency activities in that undertaking are performed by persons who are not certified brokers/certified agents and/or persons unfit to perform such activities (Article 92, paragraphs 1 and 2 and Article 105, paragraphs 1 and 2);
- 24) Does not pay and/or deposit cash and other payment instruments and collaterals for payment or does not do it within the prescribed deadline (Article 106, paragraph 1);
- 25) Prior to conclusion, and/or amendments and/or supplements to or extension of validity of an insurance/reinsurance contract, it does not provide the prescribed information to the insurance/reinsurance policyholder, and/or does not accordingly apply Article 84 of this Law and does not provide it in the prescribed manner (Article 111);
- 26) Does not accordingly apply Article 175 of this Law and does not keep as confidential data, facts and circumstances it learns during its business with the insured, and/or with other insurance beneficiary (Article 112, paragraph 1);
- 27) Does not report to the National Bank of Serbia in the prescribed manner and/or does not accordingly apply Article 180, paragraph 2 of this Law and does not ensure that the submitted data are accurate and updated (Article 112, paragraph 1);
- 28) Does not accordingly apply Articles 191 and 192 of this Law and does not enable an authorised person to conducted on-site supervision in accordance with law (Article 112, paragraph 1);
- 29) Does not accordingly apply Articles 202 and 203 of this Law and does not remove illegalities and/or irregularities established by the National Bank of Serbia in its operation and/or does not submit a report on implementation of the imposed measure to the National Bank of Serbia or does not meet these obligations within the prescribed timeframe (Article 112, paragraph 1);
- 30) Does not accordingly apply Articles 204 and 205 of this Law and does not implement the decision of the National Bank of Serbia ordering the dismissal or suspension of a member of management and/or an interim measure (Article 112, paragraph 1);
- 31) Does not notify the National Bank of Serbia on winding up and/or does not submit the decision on liquidation proceedings within the deadline (Article 220, paragraph 2 and Article 221, paragraph 3);
- 32) Makes a status change and/or change of legal form without prior approval of the National Bank of Serbia (Article 227, paragraph 2 and Article 228, paragraph 1);

A legal person referred to in Article 98, paragraph 2 of this Law shall also be fined for actions referred to in paragraph 1, item 1) and items 20) to 29) of this Article, in the amount from RSD 50,000 to RSD 3,000,000.

A fine in the amount of RSD 15,000 to RSD 500,000 shall be charged to:

- 1) A responsible person in the insurance brokerage/agency undertaking, for actions referred to in paragraph 1 of this Article;
- 2) A responsible person in a legal person referred to in Article 98, paragraph 2 of this Law, for actions referred to in paragraph 2 of this Article.

An insurance agent shall be charged a fine in the amount from RSD 30,000 to RSD 2,000,000 for actions referred to in paragraph 1, items 1), 2), 10) and 15) and items 20) to 29) of this Article if:

- 1) It does not keep in the course of business operation liquid assets in accordance with the prescribed structure (Article 103, paragraphs 4);
- 2) It does not submit to the National Bank of Serbia the prescribed evidence prior to entrusting tasks to a manager (Article 104, paragraph 4);
- 3) It does not notify the National Bank of Serbia on winding up and/or makes a change of legal form without prior approval of the National Bank of Serbia (Article 220, paragraph 2 and Article 228, paragraph 1).

Fines to be Applied Following Accession of the Republic of Serbia to the World Trade Organization

Article 262

A fine in the amount from RSD 100,000 to 5,000,000 shall be charged to a foreign insurance/reinsurance undertaking:

- 1) Whose branch does not meet the requirements prescribed by Article 234, paragraph 1 of this Law;
- 2) Which carries on insurance/reinsurance business in the Republic through a branch contrary to Article 234, paragraph 3 of this Law;
- 3) Which establishes a branch in the Republic contrary to Article 235, paragraph 1 of this Law;
- 4) Which does not submit to the National Bank of Serbia the decision on entry of a branch in the register or does not do so within the prescribed deadline (Article 235, paragraph 7).

A fine in the amount from RSD 50,000 to 3,000,000 shall be charged to a foreign insurance brokerage/agency undertaking which carries on insurance brokerage/agency activities in the Republic through a branch contrary to Article 237, paragraphs 1 and 3 of this Law.

A responsible person in a foreign insurance/reinsurance undertaking shall also be fined for actions from paragraph 1 of this Article, from RSD 30,000 to 1,000,000.

A responsible person in a foreign insurance brokerage/agency undertaking shall also be fined for actions from paragraph 2 of this Article, from RSD 15,000 to 500,000.

Fines to be Implemented Following Accession of the Republic of Serbia to the European Union

Article 263

Apart from the fines referred to in Article 260 of this Law, a fine in the amount from RSD 100,000 to 5,000,000 shall be charged to an insurance/reinsurance undertaking if such undertaking:

- 1) Starts insurance/reinsurance business in another Member State and fails to previously inform the National Bank of Serbia about the matter in the prescribed manner (Article 240, paragraph 1 and Article 241, paragraph 1);
- 2) Does not notify the National Bank of Serbia and a competent supervisory authority of another Member State about a change in the submitted data or does not do so within the prescribed timeframe (Article 240, paragraph 9 and Article 241, paragraph 8);
- 3) Does not become a member of a National Insurance Bureau and a National Guarantee Fund of another Member State prior to starting compulsory traffic insurance business in that State (Article 240, paragraph 8 and Article 241, paragraph 7);
- 4) Does not report to the National Bank of Serbia about its operation in another Member State in the prescribed manner (Article 243).

A fine in the amount from RSD 100,000 to 5,000,000 shall be charged to an insurance/reinsurance undertaking of another Member State if it:

- 1) Carries on insurance/reinsurance business in the Republic through a branch or directly contrary to Article 245, paragraph 2 and Article 246, paragraphs 1 to 3 of this Law;
- 2) Does not terminate insurance/reinsurance activities in the Republic in accordance with Article 246, paragraph 6 of this Law;
- 3) Does not inform the National Bank of Serbia and the competent supervisory authority of the Member State where its head office is located about the change of submitted data or does not do so within the prescribed deadline (Article 246, paragraph 7).

Apart from the fines referred to in Article 261, paragraph 1 hereof, a fine in the amount from RSD 50,000 to 3,000,000 shall be charged to an insurance brokerage/agency undertaking if it:

- 1) Does not accordingly apply Articles 240 and 241 of this Law, and starts insurance brokerage/agency business in another Member State without prior notifying the National Bank of Serbia of that matter in the prescribed manner (Article 250, paragraph 2).
- 2) Does not accordingly apply Article 243 of this Law and does not inform the National Bank of Serbia in the prescribed manner of its operation in another Member State (Article 250, paragraph 6).

A fine in the amount from RSD 50,000 to 3,000,000 shall be charged to an insurance brokerage undertaking of another Member State and/or insurance agency undertaking of another Member State if it carries on insurance brokerage/agency in the Republic through a branch or directly contrary to Article 252, paragraphs 2, 3 and 5 of this Law.

A responsible person in an insurance/reinsurance undertaking of another Member State shall also be fined for actions from paragraph 1 of this Article, from RSD 30,000 to 1,000,000.

A responsible person in an insurance/reinsurance undertaking of another Member State shall also be fined for actions from paragraph 2 of this Article, from RSD 30,000 to 1,000,000.

A responsible person in an insurance brokerage/agency undertaking shall also be fined for actions from paragraph 3 of this Article, from RSD 15,000 to 500,000.

A responsible person in an insurance brokerage/agency undertaking of another Member State shall also be fined for action from paragraph 4 of this Article, from RSD 15,000 to 500,000.

Apart from the fines from Article 261, paragraph 4 herein, a fine in the amount from RSD 30,000 to 2,000,000 shall be charged to an insurance agent for actions referred to in paragraph 3 herein (Article 250, paragraph 7).

A fine in the amount from RSD 30,000 to 2,000,000 shall be charged to an insurance broker/agent of another Member State for the action referred to in paragraph 4 of this Article (Article 252, paragraph 8).

Section 3

Offences

Offences of Legal Persons and Entrepreneurs

Article 264

A fine in the amount from RSD 300,000 to 2,000,000 shall be charged to a legal person if such person:

- 1) Uses the term “insurance/reinsurance” and/or a deriving term in its business name or abridged business name contrary to this Law (Article 17);
- 2) Acquires, and/or increases its qualified holding in a joint-stock insurance undertaking without prior approval of the National Bank of Serbia, or does not notify the National Bank of Serbia within the prescribed deadline about such acquisition and/or increase (Article 31, paragraphs 1 and 4);
- 3) Does not accordingly apply Article 31, paragraphs 1 and 4 of this Law and without prior approval of the National Bank of Serbia it acquires and/or increases its qualified holding in a reinsurance undertaking, mutual insurance undertaking or insurance brokerage/agency undertaking or does not notify the National Bank of Serbia within the prescribed deadline about such acquisition and/or increase (Articles 69, 80, 96 and 108);
- 4) Does not notify the National Bank of Serbia in the prescribed manner about the disposal of, and/or decrease in a qualified holding in a joint-stock insurance undertaking (Article 36);
- 5) Does not accordingly apply Article 36 of this Law and does not notify the National Bank of Serbia in the prescribed manner about the disposal of, and/or decrease in a qualified holding in a reinsurance undertaking, mutual insurance undertaking or insurance brokerage/agency undertaking (Articles 69, 80, 96 and 108);
- 6) In the capacity of a person with a qualified holding in a joint-stock insurance undertaking it does not deliver to the National Bank of Serbia the prescribed data and information (Article 39);
- 7) Does not accordingly apply Article 39 of this Law and, in the capacity of a person with a qualified holding in an reinsurance undertaking, mutual insurance undertaking or insurance brokerage/agency undertaking, it does not submit to the National Bank of Serbia the prescribed data and information (Articles 69, 80, 96 and 108);
- 8) In the capacity of a founder of a joint-stock insurance undertaking, it does not submit to the National Bank of Serbia acts adopted at the Founding Meeting or does not submit them within the prescribed deadline (Article 48, paragraph 5);
- 9) Does not accordingly apply article 48, paragraph 5 of this Law and in the capacity of a founder of a reinsurance undertaking or mutual insurance undertaking, it does not submit to the National Bank of Serbia acts adopted at the Founding Meeting or does not submit them within the prescribed deadline (Articles 69 and 80);

10) In the capacity of a person working for an undertaking and/or providing services on behalf of the undertaking, it does not treat in the prescribed manner the confidential data related to the insured person and/or other insurance beneficiary that are accessible to him (Article 175).

A responsible person in the legal person shall also be fined for actions referred to in paragraph 1 of this Article, from RSD 30,000 to 150,000.

An entrepreneur shall also be fined for the action referred to in paragraph 1 item, 1) of this Article, from RSD 30,000 to 150,000.

Offences of an Audit Firm

Article 265

A fine in the amount from RSD 200,000 to 2,000,000 shall be charged to an audit firm if such firm:

- 1) Does not inform the management and/or the National Bank of Serbia about the prescribed data, facts and circumstances (Article 184);
- 2) Does not accordingly apply Article 184 of this Law and does not inform the management and/or the National Bank of Serbia about the prescribed data, facts and circumstances (Article 69).

A responsible person in the audit firm shall also be fined for actions referred to in paragraph 1 of this Article, from RSD 30,000 to 150,000.

Offences of Natural Persons

Article 266

A fine in the amount from RSD 30,000 to 150,000 shall be charged to a natural person if such person:

- 1) Acquires and/or increases his qualified holding in a joint-stock insurance undertaking without prior approval of the National Bank of Serbia, or does not notify the National Bank of Serbia within the prescribed deadline about such acquisition/increase (Article 31, paragraphs 1 and 4);
- 2) Does not accordingly apply Article 31, paragraphs 1 and 4 of this Law and acquires, and/or increases his qualified holding in a reinsurance undertaking, mutual insurance undertaking or insurance brokerage/agency undertaking without prior approval of the National Bank of Serbia, or does not notify the National Bank of Serbia within the prescribed deadline about such acquisition/increase (Articles 69, 80, 96 and 108);
- 3) Does not notify the National Bank of Serbia in a prescribed manner about the disposal of and/or decrease in a qualified holding in a joint-stock insurance undertaking (Article 36);
- 4) Does not accordingly apply Article 36 of this Law and does not notify the National Bank of Serbia in the prescribed manner about the disposal of, and/or decrease in a qualified holding in a reinsurance undertaking, mutual insurance undertaking or insurance brokerage/agency undertaking (Articles 69, 80, 96 and 108);

- 5) In the capacity of a founder of a joint-stock insurance undertaking, does not submit to the National Bank of Serbia acts adopted in the Founding Meeting or does not submit them within the prescribed deadline (Article 48, paragraph 5);
- 6) Does not accordingly apply Article 48, paragraph 5 of this Law and, in the capacity of a founder of a reinsurance undertaking or mutual insurance undertaking, does not submit to the National Bank of Serbia acts adopted in the Founding Meeting or does not submit them within the prescribed deadline (Articles 69 and 80);
- 7) As a member of management, does not take measures to prevent illegal or inappropriate activities and influence of persons closely linked to a joint-stock insurance undertaking with a view to protecting insurance service beneficiaries (Article 59);
- 8) Does not accordingly apply Article 59 of this Law and, in the capacity of a member of management, does not take measures to prevent illegal or inappropriate activities and influence of persons closely linked to a reinsurance undertaking or mutual insurance undertaking, with a view to protecting insurance service beneficiaries (Articles 69 and 80);
- 9) As a member of management of the joint-stock insurance undertaking, does not notify the Supervisory Board and/or the National Bank of Serbia about the prescribed facts (Article 65);
- 10) Does not accordingly apply Article 65 of this Law and, as a member of management of a reinsurance undertaking or mutual insurance undertaking, does not notify the Supervisory Board and/or the National Bank of Serbia about the prescribed facts (Articles 69 and 80);
- 11) As a certified broker and/or a certified agent, does not conduct insurance brokerage/agency activities in the prescribed manner (Article 92, paragraph 6 and Article 105, paragraph 6);
- 12) As an internal auditor, does not conduct internal audit in an insurance undertaking in the prescribed manner (Article 156, paragraph 5);
- 13) Does not accordingly apply Article 156, paragraph 5 of this Law and, in the capacity of an internal auditor, does not conduct internal audit in the reinsurance undertaking in the prescribed manner (Article 69);
- 14) As a certified actuary, does not notify the National Bank of Serbia on ceasing to act as a certified actuary in the undertaking, and/or does not conduct those activities in the prescribed manner, and/or does not propose to the management the measures to remove the observed irregularities related to the premium and technical provisions and/or does not notify the National Bank of Serbia that the management did not implement those measures, and/or does not review his/her opinion on a financial statement of an insurance undertaking within the prescribed deadline or does not inform of such opinion the competent body of the undertaking (Articles 163, 164, 165 and 172);
- 15) Does not apply accordingly Articles 163, 164, 165 and 172 of this Law and, as a certified actuary, does not notify the National Bank of Serbia on ceasing to act as a certified actuary in the undertaking, and/or does not conduct those activities in the prescribed manner, and/or does not propose to the management the measures to remove the observed irregularities related to the premium and technical provisions and/or does not notify the National Bank of Serbia that the management did not implement those measures, and/or does not review his/her opinion on a financial statement of a reinsurance undertaking within the prescribed deadline or does not inform of such opinion the competent body of the undertaking (Article 69);

16) As a member of a body in an insurance undertaking, a shareholder, an employee or other person in relation to his work in the undertaking and/or providing services on behalf of the undertaking, does not treat in the prescribed manner the confidential data accessible to him in relation to the insured person and/or other insurance beneficiary (Article 175);

17) As a receiver, takes measures within the authority of management bodies without the approval of the National Bank of Serbia and/or does not comply in his work with the instructions of the National Bank of Serbia and/or does not take measures necessary for the reestablishment of sound business operation and liquidity of the insurance undertaking (Article 208);

18) Does not accordingly apply Article 208 of this Law and, as a receiver, takes measures within the authority of management bodies without the approval of the National Bank of Serbia and/or does not comply in his work with the instructions of the National Bank of Serbia and/or does not take measures necessary for the reestablishment of sound business operation and liquidity of the reinsurance undertaking (Article 69);

19) As a receiver, does not submit the report on the insurance undertaking to the National Bank of Serbia or does not submit it within the prescribed deadline (Article 209);

20) Does not apply accordingly Article 209 of this Law and, as a receiver, does not submit the report on the reinsurance undertaking to the National Bank of Serbia or does not submit it within the prescribed deadline (Article 69);

21) As a receiver, does not convene the Shareholders' Meeting of the insurance undertaking or does not convene it in the prescribed manner (Article 210).

22) Does not accordingly apply Article 210 of this Law and, as a receiver, does not convene the Shareholders' Meeting of the reinsurance undertaking or does not convene it in the prescribed manner (Article 69).

Chapter XVI

TRANSITIONAL AND FINAL PROVISIONS

1. Transitional provisions

Existing Insurance Undertakings and Other Persons

Article 267

Insurance undertakings, reinsurance undertakings, insurance brokerage undertakings, insurance agency undertakings, insurance agents, agencies providing other insurance services, as well as legal persons providing other insurance services through their separate organisational parts, established in accordance with the Insurance Law (RS Official Gazette, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013), shall continue their operation in the way and under the conditions according to which they were entered into the register of the competent authority, carrying on the activity they were licensed for by the National Bank of Serbia, until the procedure of compliance with this Law has been terminated.

The approval to act as a member of management, and/or a member of a Supervisory Board issued according to the Insurance Law (RS Official Gazette, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013) shall stay in effect until the procedure of compliance with this Law has been terminated within the meaning of paragraph 1 of this Article.

Harmonisation of Insurance Undertakings and Other Persons

Article 268

The insurance undertakings and other persons referred to in Article 267, paragraph 1 of this Law shall harmonise their activities, assets, capital, liabilities, bodies, organisation and acts with provisions of this Law within one year from the effective date of this Law.

An insurance undertaking that, on the effective date of this Law, holds a license to carry on some or all classes of life insurance and some or all classes of non-life insurance, shall meet the obligation prescribed in Article 25, paragraph 3 of this Law, within a period of one year from the effective date of this Law.

Persons from paragraphs 1 and 2 of this Article shall submit to the National Bank of Serbia the documents on their compliance pursuant to those paragraphs within 15 days from the date of their adoption.

If on the grounds of submitted evidence it is determined that the persons referred to in paragraph 1 of this Article have harmonised their operation, assets, capital, liabilities, bodies, organisation and acts with provisions of this Law and/or that the person from paragraph 2 of this Article fulfilled the obligation prescribed in Article 25, paragraph 3 of this Law, the National Bank of Serbia shall, within 60 days from the date of receiving the required documentation, render a decision determining that such persons met the conditions prescribed by this Law for carrying on insurance business.

By way of derogation from paragraph 4 of this Article, if, during harmonisation with provisions of this Law, an agency providing other insurance services, and/or a legal person providing other insurance services in a separately organised part submits to the National Bank of Serbia evidence on termination of provision of other insurance services – the National Bank of Serbia shall render a decision on termination of validity of the license for carrying on these activities.

If persons referred to in paragraph 1 of this Article do not harmonise their operation, assets, capital, liabilities, bodies, organisation and acts with provisions of this Law within the deadline specified in the said paragraph, and/or if the person referred to in paragraph 2 of this Article does not meet the obligation under Article 25, paragraph 3 of this Law within the prescribed deadline, the National Bank of Serbia shall render a decision on revoking the license for carrying on insurance business from those persons.

Insurance Brokerage Undertaking Carrying on Insurance Agency Activities

Article 269

An insurance brokerage undertaking which on the effective date of this Law has a license to carry on insurance agency activities for a specific class of insurance and which performs the harmonisation referred to in Article 268, paragraph 1 of this Law, shall remain entitled to remuneration based on

insurance contracts concluded until that day in the name and for the account of the insurance undertaking, until the expiry of the term of those contracts.

*A Bank Carrying on Insurance Agency Activities Based on
the Approval of the National Bank of Serbia*

Article 270

A bank which carries on insurance agency activities on the day of the start of implementation of this Law based on approval of the National Bank of Serbia issued pursuant to the Insurance Law (RS Official Gazette, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013), shall be deemed to have prior approval of the National Bank of Serbia referred to in Article 98 paragraph 2 of this Law.

Certified Actuary

Article 271

A person having the authorisation of the National Bank of Serbia to conduct actuarial activities on the day of the start of implementation of this Law, and/or who acquired the title of a certified actuary in accordance with the regulations valid until that date, shall be acknowledged the title, and that person may carry on actuarial activities in accordance with this Law.

Certified Brokers and Certified Agents

Article 272

A person who on the day of the start of implementation of this Law has an authorisation of the National Bank of Serbia to carry on insurance brokerage and/or agency activities, shall be deemed to have the authorisation referred to in Article 92, paragraph 3, and/or Article 105, paragraph 3 of this Law.

A person who on the day of the start of implementation of this Law has an authorisation to carry on insurance brokerage activities may also engage in reinsurance brokerage activities.

Consecutive Audits

Article 273

When calculating consecutive audits referred to in Article 182, paragraph 3 of this Law, the consecutive audits which were conducted in an insurance/reinsurance undertaking prior to the day of the start of implementation of this Law shall be taken into consideration as well.

Insurance/Reinsurance Business until Accession of the Republic of Serbia to the World Trade Organization and/or European Union

Article 274

Until the day of accession of the Republic of Serbia to the World Trade Organization, risks may be reinsured with a foreign reinsurance undertaking if reinsurance against those types of risks cannot be provided in the Republic, and/or is not conducted in the Republic, as well as other risks prescribed by the Government of the Republic of Serbia.

Until the day of accession of the Republic of Serbia to the European Union, risks may be insured with a foreign reinsurance undertaking if insurance against those types of risks is not conducted in the Republic, as well as other risks prescribed by the Government of the Republic of Serbia.

Foreign Country

Article 275

Until the day of accession of the Republic of Serbia to the European Union, a foreign country means any foreign country, and following the accession day, it means a country other than the Republic and other than a Member State.

Foreign Insurance/Reinsurance Undertaking

Article 276

A foreign insurance/reinsurance undertaking, up to the accession day of the Republic to the European Union, means a legal person having its head office out of the Republic and is established and entered into the register of a competent authority of its home country in accordance with regulations of that country, holding a license of a competent supervisory authority of the country and carrying on insurance/reinsurance business, and following the day of accession, it means a legal person having its head office outside of the Republic or another Member State, established and entered into the register of a competent authority of the country of origin in accordance with regulations of that country, holding a license of a competent supervisory authority of that country and carrying on insurance/reinsurance business.

Foreign Insurance Brokerage/Agency Undertaking

Article 277

A foreign insurance brokerage/agency undertaking, up to the accession day of the Republic to the European Union, means a legal person having its head office outside of the Republic and is established and entered into the register of a competent authority of the country of origin in accordance with regulations of the country, and carrying on insurance brokerage/agency activities, and following the day of accession it means a legal person having its head office outside of the Republic or another Member

State, established and entered into the register of the competent authority of the country of origin in accordance with regulations of the country, and carrying on insurance brokerage/agency activities.

Deadline for Passing Regulations to Implement this Law

Article 278

The regulations to implement this Law shall be passed within six months from the effective date of this Law except for the regulations from Article 243, paragraph 4 of this Law, which shall be passed following the implementation date of that paragraph.

Until passing of the regulations from paragraph 1 of this Article, the regulations passed according to the Insurance Law shall be in effect (RS Official Gazette of RS, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013), except for the provisions contrary to this Law.

Initiated Procedures

Article 279

Procedures for licenses, approvals and authorisations of the National Bank of Serbia, initiated up to the implementation date of this Law and not completed up to that date, shall be completed according to the provisions of this Law.

The supervision procedures of the National Bank of Serbia initiated up to the implementation date of this Law shall be completed according to the provisions of this Insurance Law (RS Official Gazette, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013).

The supervision procedures of the National Bank of Serbia to be conducted following the implementation date of this Law which cover the operation of an insurance undertaking and/or other supervised entity up to that day, shall be terminated in accordance with the provisions of this Law, while for the irregularities in operation made before the implementation date of this Law, measures may be imposed referred to in Article 197, paragraph 1 of this Law, except for measures from items 1), 2) and 5) of that paragraph.

2. Final Provisions

Termination of Law Validity

Article 280

On the implementation date of this Law, the Insurance Law shall cease to be valid (RS Official Gazette, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013), except for Article 234 of that Law which shall cease to be valid on the effective date of this Law.

By way of derogation from paragraph 1 of this Article, provisions of Articles 243 to 243c and Articles 243e to 243h of the Insurance Law (RS Official Gazette, Nos 55/2004, 70/2004 – correction, 61/2005, 61/2005 – other law, 85/2005 – other law, 101/2007, 63/2009 – decision of the Constitutional Court, 107/2009, 99/2011, 119/2012 and 116/2013) shall apply to insurance undertakings until the privatisation of those undertakings is finalised.

Entry into Force

Article 281

This Law shall enter into force on the eighth day following its publication in the RS Official Gazette and shall apply as of the expiry of six months following its entry into force, except for the provisions of Article 233, as well as Articles 234, 235 and Article 262, paragraphs 1 and 3 in the part pertaining to a foreign reinsurance undertaking, and/or its branch, which shall apply as of the day of the Republic of Serbia's accession to the World Trade Organization, the provisions of Articles 232, 236, 237 and 262, paragraphs 2 and 4, and the provisions of Articles 234, 235 and 262, paragraphs 1 and 3 in the part pertaining to a foreign insurance undertaking and/or its branch which shall apply as of the expiry of four years following the day of the Republic of Serbia's accession to the World Trade Organization, and the provisions of Articles 238 to 255 and Article 263 of this Law which shall apply as of the day of the Republic of Serbia's accession to the European Union.