

Chapter XXVII. INSURANCE

Section 1.

JOINT PROVISIONS FOR PROPERTY AND LIFE INSURANCE

Subsection 1.

GENERAL PROVISIONS

Article 897. *Notion*

By a contract of insurance a negotiator of insurance shall assume the obligation to pay a specific amount to an insurance organisation (insurer), while the organisation shall assume the obligation, should an event take place which represents the case covered by insurance, to pay to the insured person, or to a third party, compensation, the stipulated amount, or to do something else.

Article 898. *Case Covered by Insurance*

(1) An event serving as a ground for concluding insurance (an insurance case) must be a future event, uncertain and entirely independent of the contracting party's will.

(2) A contract of insurance shall be void if, at the moment of its conclusion, the insurance case has already materialized, or is at the point of occurring or if it is certain that it is going to occur, or if, even at that time, there was no possibility of its occurring.

(3) However, after stipulating that the insurance shall encompass a specified period of time preceding the conclusion of contract, the contract shall be null only if, at the moment of its conclusion, the interested party was aware that the case covered by insurance had already taken place, or that even then the possibility of its taking place had ceased to exist.

Article 899. *Exclusion of some Kinds of Insurance*

(1) Provisions of the present Chapter shall not apply to navigation insurance, or to other kinds of insurance subject to the rules of navigation insurance.

(2) Mentioned provisions shall not apply to the insurance of claims either, or to relations arising from re-insurance.

ity of Payment of Fee

shall be obliged to pay to a tourist agency affected on the ground of the contract of

all be determined as a percentage of the services which are effected.

percentage fee not be determined by contract shall be entitled to a fee as specified by conditions of tourist trade, or, in the absence of conditions, by corresponding trade practices.

Section 4.

OF TOURIST AGENCY TO FILL THE CONTRACT

A Right to Withdraw from Engaged Lodging Capacities

A tourist agency may temporarily withdraw from its engaged lodging capacities, and still not repudiate the contract, and not create its own obligation to another caterer, if it notifies the caterer on the day within the stipulated time limit.

If the time limit for notification on withdrawal from the contract, it shall be determined on the basis of business trade practices.

If the notification of withdrawal not be communicated within the specified time limit, the caterer shall be bound to accept it.

A tourist agency may repudiate the contract in its entirety, being bound to redress loss, if it communicates its repudiation within the stipulated time limit.

5. Duty of a Tourist Agency to Fill in the Engaged Capacities

A contract of engagement may include a special clause obliging the tourist agency to fill in the engaged catering capacities.

If the tourist agency fails to fill in the engaged capacities, the tourist agency shall be obliged to pay compensation against unused beds per day.

The tourist agency in such case shall have no right to repudiate the contract by notification on time either entirely

Article 900. Departure from Provisions of the Present Chapter

(1) It may be possible to depart in a contract from provisions of the present Chapter, if such departure is expressly provided by such provisions, or from provisions leaving contracting parties the option to proceed as they wish.

(2) Departure from the remaining provisions, if not prohibited by the present Law or other laws, shall be permitted only if it is to the obvious interest of the person insured.

Subsection 2.

CONCLUDING A CONTRACT

Article 901. When a Contract is Concluded

(1) A contract of insurance shall be concluded after the contracting parties have signed the insurance policy or the list of coverage.

(2) A written offer made to an insurer to enter into a contract of insurance shall be binding on the offeror – unless he has determined a shorter time limit, for eight days after the offer has reached the insurer, and should medical examination be necessary, then in course of thirty days.

(3) Should the insurer fail, within that time limit, to decline the offer which does not differ from terms and conditions of his usual provision of the proposed insurance, he shall be considered as having accepted the offer and that the contract has been concluded.

(4) In such case the contract shall be considered as concluded at the moment of the offer reaching the insurer.

Article 902. Policy and the List of Cover

(1) The following must be indicated in the policy: contracting parties, the insured object, or insured person, risk covered by insurance, duration of insurance and period of cover, amount of insurance or an indication that the insurance is unlimited, insurance premium or allowance, date of issuing the policy, and signatures of contracting parties.

(2) The insurance policy may be temporarily substituted by a list of cover, which shall include the essential constituent elements of contract.

(3) The insurer shall be obliged to warn the person concluding a contract of insurance that general and particular terms and conditions of insurance make a component part of the contract, and to hand over to him the relevant text, should

such terms and conditions not be printed on the insurance policy itself.

(4) The performance of obligation specified in the preceding paragraph must be expressly indicated as done in the insurance policy.

(5) In the case of discrepancy between a provision of the general or particular terms and conditions, and an insurance policy clause, the clause of the policy shall apply, while in the case of discrepancy between an insurance policy printed clause and a clause which is handwritten, the latter shall apply.

(6) The contracting parties may agree that a policy be made out either to specific person, by order or to bearer.

Article 903. Unauthorized Conclusion of Contract on Behalf of Another

(1) A person concluding a contract of insurance on behalf of another without his authorization, shall be liable to the insurer for obligations stemming out of such contract, unless the person on whose behalf the contract is concluded has accepted it.

(2) The party interested may approve of the contract, even after the case covered has taken place.

(3) Should approval be declined, the person concluding the insurance shall owe the insurance premium for the period of insurance within which the insurer was notified of declining the approval.

(4) But a manager without instructions shall not be liable for obligations stemming out of the insurance if he notifies the insurer of his acting without authorization and on behalf of and for the account of another.

Article 905. Insurance for Another Person's Account or for the Account of the Party Interested

(1) In case of insurance on another person's account or for the account of the party interested, the duties of payment of insurance premium and other contractual obligations shall be met by the person concluding the insurance, but he shall not be entitled to effect rights on the ground of insurance, even after being in possession of the policy, without the consent of the person whose interest is insured and who is the holder of the rights.

(2) The person concluding the insurance shall not be obliged to hand over the policy to the interested party, unless he is reimbursed for the amount paid for the insurance premium to the insurer, together with the expenses of the contract.

(3) The person concluding the insurance shall have the right of priority in collecting these claims out of compensation due, and the right to demand their discharge directly from the insurer.

(4) An insurer may raise all objections otherwise pertaining to him on the ground of the contract against the negotiator of insurance against every user of the insurance for another person's account.

Article 906. *Insurance Agents*

(1) Should an insurer authorize someone to represent him, while not specifying the scope of his powers, such agent shall be entitled to conclude, on behalf and for the account of the insurer, the contract of insurance, to negotiate and conclude alterations of contracts or extend their validity, to issue insurance policies, to collect premium payments, and to accept statements communicated to the insurer.

(2) Should the insurer limit his agent while this fact is not known to the negotiator of insurance, such limitations shall be considered as nonexistent.

Subsection 3.

OBLIGATIONS OF AN INSURED, OR OF A NEGOTIATOR OF INSURANCE

I. REPORTING THE CIRCUMSTANCES MATERIAL IN ASSESSING THE RISK

Article 907. *Duty of Reporting*

A person concluding the insurance shall be obliged to report to the insurer, at the conclusion of the contract, all circumstances which are material in assessing the risk, and which were known, or could not have been unknown, to him.

Article 908. *Deliberately Incorrect Reporting or Suppressing Facts*

(1) Should a person concluding the insurance deliberately file an incorrect application, or intentionally suppress circumstances being of a nature which would induce the insurer, if he knew the real situation, not to enter into contract, the insurer shall be entitled to seek nullity of contract.

(2) In the case of nullity of contract on the ground of reasons specified in the preceding paragraph, the insurer shall keep the collected insurance premiums, and shall be entitled to request payment of the premium for the insurance period within which he has requested the nullity of contract.

(3) The insurer's right to request nullity of contract of insurance shall be terminated if within a three month period from the day of his becoming aware of the incorrectness of the application or of suppressing the facts, he fails to notify the person concluding the insurance of his intention to use such a right.

Article 909. *Unintentional Incorrectness or Incompleteness of Application*

(1) Should a negotiator of insurance make an incorrect application or omit to supply necessary information unintentionally, the insurer may, at his own choice, within one month after becoming aware of the incorrectness or incompleteness of the application, state that he is repudiating the contract, or propose an increase of the insurance premium proportionally to the higher risk involved.

(2) In such a case the contract shall be terminated on the expiration of fourteen days from the day of the insurer's notifying the negotiator of insurance of cancellation, while in the case of the insurer's proposal for insurance premium increase, the rescission shall take effect on the ground of law should the negotiator of insurance fail to accept the proposal within the fourteen day period after being notified about it.

(3) In case of rescission, the insurer shall be obliged to reconstitute the part of insurance premium relating to the remaining share of the insurance period.

(4) Should the case covered by insurance take place prior to finding the incorrectness or incompleteness of the application, or after that but prior to the rescission, or prior to reaching an agreement on the premium increase, the compensation shall be reduced proportionally between the rate of the paid insurance premiums and the rate of insurance premium which would have to be paid according to the real risk.

Article 910. *Extending the Application of the Preceding Articles*

The provisions of the preceding articles concerning the consequences of incorrect application or of suppressing circumstances relevant for assessing the risk, shall also apply in cases of insurance concluded on behalf and for the account of another, or to the benefit of a third party, should such person be aware of incorrectness of the application or of suppressing the circumstances relevant for the assessment of risk.

Article 911. Cases Where the Insurer is Unable to Invoke Incorrectness or Incompleteness of Application

(1) An insurer who, at the moment of entering into contract, was aware, or could not have been unaware, of circumstances relevant for assessing the risk, which were incorrectly notified or suppressed by the negotiator of insurance, shall not invoke incorrectness of the application or the fact of suppression.

(2) The same shall apply if the insurer becomes aware of these circumstances in course of the insurance period, but fails to use his legal rights.

II. PAYMENT OF INSURANCE PREMIUM

Article 912. Duty of Paying and Accepting the Insurance Premium

(1) A negotiator of insurance shall be obliged to accept payment of the insurance premium from any person with a legal interest that it is paid.

(2) The premium shall be paid within the stipulated time limits, and should it be paid as a lump sum, it shall be paid on entering into contract.

(3) The place of payment of the insurance premium shall be the office address of the negotiator of insurance, or his domicile, unless another place be designated by contract.

Article 913. Consequences of Failing to Pay the Insurance Premium

(1) Should it be stipulated that the insurance premium be paid on entering into contract, the duty of the insurer to pay compensation or the amount specified by contract, shall commence on the day following the day of payment of insurance premium.

(3) Should it be stipulated that the insurance premium be paid after entering into contract, the duty of insurer to pay compensation or the amount specified by contract shall commence from the day determined in the contract as a day of commencement of insurance.

(3) But should the negotiator of insurance fail to pay the premium due after entering into contract until its maturity, or should this not be done by another interested person, the contract of insurance shall be terminated on the ground of law

after the expiration of thirty days from the day the negotiator of insurance receives a registered letter of the insurer, notifying him of the maturity of the premium; however, such time limit shall run out prior to the expiration of a thirty day period from the day of maturity of the insurance premium.

(4) In any event, the insurance contract shall be terminated on the ground of law if the premium is not paid within one year time counting from the maturity.

(5) The provisions of the present article shall not apply to life insurance.

III. NOTIFYING THE INSURER ON CHANGES OF RISK

Article 914. Increase in Risk

(1) A negotiator of insurance shall be obliged, in case of property insurance, to notify the insurer of every change in circumstances which may be relevant for assessing the risk, and in case of life insurance, only if the risk has increased because the insured person has changed his occupation.

(2) He shall be obliged to notify the insurer without delay of the increase in risk should the risk be increased by an act on his part, and should the increase of risk take place without his participation, he shall be obliged to notify the insurer accordingly within fourteen days after becoming aware of the fact.

(3) Should the increase in risk be of such scope that the insurer would not have concluded the contract if such situation had existed at the time of its conclusion, he shall be entitled to repudiate the contract.

(4) But if the increase in risk is of such scope that the insurer would have concluded the contract but only with an increased premium, if such situation existed at the time of entering into contract, he shall be entitled to propose a new rate for the insurance premium.

(5) Should the negotiator of insurance decline the new rate of premium within a fourteen day time limit after being notified about the proposal of the new rate, the contract shall be terminated on the ground of law.

(6) But the contract shall remain valid and the insurer shall no longer avail himself of the right to propose a new rate of insurance premium to the negotiator of insurance or to repudiate the contract, if such rights fail to materialize within a one month time limit from the day of his becoming aware, by

whatever means, of the increase in risk or if, even prior to the expiration of such time limit, he shows in some way his consent to the continuation of contract (by accepting payment of the premium, by paying the compensation for a case covered by insurance, which case has taken place after the increase of risk, and the like).

Article 915. *Should a Case Covered by Insurance Take Place in the Meantime*

Should a case covered by insurance take place prior to notifying the insurer of the increase in risk, or if he was notified of the increase in risk, but prior to the repudiation of contract by him or reaching agreement with the negotiator of insurance regarding the increase of insurance premium, the compensation shall be reduced proportionately to the premiums already paid and those which would have to be paid according to the increased risk.

Article 916. *Reduction of Risk*

(1) Should after entering into contract of insurance, a reduction of risk take place, the negotiator of insurance shall be entitled to demand a corresponding reduction of insurance premium, counting from the day of his notifying the insurer of such reduction of risk.

(2) Should the insurer fail to accept the reduction of insurance premium, the negotiator of insurance may repudiate the contract.

Article 917. *Duty to Notify of the Occurrence of an Event Covered by Insurance*

(1) Except in the case of life insurance, the insured person shall be obliged to notify the insurer about occurrence of the event covered by insurance, within three days at the latest, counting from the day of his becoming aware of it.

(2) Should he fail to fulfil this obligation within the designated time, he shall be obliged to compensate the insurer for loss sustained due to the above.

Article 918. *Nullity of Clauses of Forfeiture of Right*

Clauses of a contract which provide for the forfeiture of the right to compensation or to the amount insured, should the insured person, after the occurrence of the event covered by insurance, fail to execute some of the prescribed or stipulated obligations shall be void.

Subsection 4.

OBLIGATIONS OF THE INSURER

Article 919. *Payment of Compensation or of the Amount Stipulated*

(1) When the event covered by insurance takes place, the insurer shall be bound to pay the compensation or the amount specified by contract within the stipulated time limit which shall not exceed fourteen days, counting from the notification received by the insurer of the occurrence of the insured event.

(2) But should some time be needed to establish the existence of the insurer's obligation or its amount, such time limit shall begin to run from the day of establishing the existence of his obligation and its amount.

(3) Should the amount of insurer's obligation not be established within the time limit specified in paragraph one of the present article, the insurer shall be obliged, at the request by an authorized person, to pay the undisputed part of his obligation as an advance payment.

Article 920. *Exclusion of Liability of the Insurer in Case of Wilful Misconduct or Fraud*

If the negotiator of insurance, the insured person or the beneficiary of insurance provoked the event covered by insurance by their wilful misconduct or fraud, the insurer shall have no obligation whatsoever, while a contractual clause contrary to that shall have no legal effect.

Article 921. *Objections of the Insurer*

(1) The insurer shall be entitled, against the request of the bearer of the policy, as well as request of any other person referring to it, to raise all objections otherwise at his disposal on the ground of contract towards the person with whom he has concluded the contract of insurance.

(2) As an exception, the insurer may raise only the objections which originated prior to the occurrence of the insured event, against a request by the third party in case of voluntary liability insurance, and request by holders of special rights to the insured object, whose right has been passed by law from the destroyed or damaged object to the insurer for compensation.

Subsection 5.

DURATION
OF INSURANCE

Article 922. Commencement of Effect of the Insurance

(1) Unless otherwise stipulated, the contract of insurance shall begin to take effect twenty four hours from the day designated in the insurance policy as the day of commencement of insurance, and shall continue to be effective until the end of the last day of the time limit stipulated for the insurance.

(2) Should an insurance time limit be not provided by contract, each party shall be entitled to repudiate the contract on the day of maturity of the insurance premium, after notifying the other party accordingly in writing, three months before the maturity of the premium, at the latest.

(3) Should insurance be stipulated for a period exceeding five years, each party shall be entitled, after the expiration of that time limit, to notify the other party by letter of its intent to rescind the contract, honouring the six month period of notice.

(4) It shall not be possible to exclude by contract the right of each party to repudiate the contract as specified above.

(5) The provisions of the present article shall not apply to life insurance.

Article 923. Effect of Bankruptcy on Insurance

(1) In the case of bankruptcy of the negotiator of insurance, the insurance shall continue, but each party shall be entitled to rescind the contract of insurance within a three month time limit from the institution of bankruptcy proceedings, in which case the negotiator's insolvent assets shall be increased by the part of the paid insurance premium corresponding to the remaining time of insurance.

(2) In the case of bankruptcy of the insurer, the insurance contract shall be terminated thirty days after the institution of bankruptcy proceedings.

Section 2.

PROPERTY INSURANCE

Subsection 1.

GENERAL PROVISIONS

Article 924. The Interest in Insurance

(1) Property insurance may be contracted by any person having an interest that the insured event does not take place, since otherwise such person would suffer a material loss.

(2) The insurance rights may pertain only to persons having material interest that the insured event does not take place at the moment of occurrence of damage.

(3) In the case of crop insurance, or insurance of other agricultural products, the amount of damage shall be determined in relation to the value such crop would have at the time of harvest, unless otherwise provided by contract.

(4) Clauses of a contract by which the amount of compensation is limited to a sum which is lower than the amount of damage shall be valid.

(5) In assessing the amount of damage, the profit lost shall be taken in consideration only if so provided by contract.

(6) Should in course of the same period of insurance several insured events take place one after the other, the insurance compensation for each one of them shall be determined and paid off entirely by taking in consideration the total amount insured, without reducing it by the amount of compensation previously paid within such period.

(7) Should the value of the insured object be determined by agreement, the compensation shall be determined according to such value, unless the insurer is successful in proving that the value stipulated is excessively higher than the real value, and that there is no justified ground for such difference (for instance, insuring a used object at the value of a new one, or insuring a subjective, personal, value).

Article 926. Preventing the Insured Event, and Salvage

(1) An insured person shall be obliged to take regulated, stipulated and all other necessary measures to prevent the occurrence of the insured event, and if such event does take place, he shall be obliged to take every possible measure to limit consequential damage.

(2) The insurer shall be obliged to compensate expenses, losses, and other losses caused by reasonable attempts to eliminate the direct danger of occurrence of the insured event, including that caused by attempt to limit its damaging consequences, even if such attempts are not successful.

(3) The insurer shall be obliged to pay such compensation even if, taken together with compensation of damage from the insured event, it exceeds the amount of insurance.

(4) Should the insured person fail to fulfil his obligation to prevent the occurrence of the insured event, or the obligation of salvage, while having no justified reason, the obligation of the insurer shall be reduced by an amount equal to the increase of damage due to such omission.

Article 927. Leaving the Insured Object after Damage

Unless otherwise provided by contract, the insured person shall not be entitled to leave the insured object after damage to the insurer, after the insured event has occurred, and to request from him the payment of the full amount of insurance.

Article 928. Loss of Object due to an Event not Provided for in the Insurance Policy

(1) Should an insured object or object whose use is the ground of concluding a liability insurance is lost in course of the insurance period, due to an event not provided for in the insurance policy, the contract shall cease to be valid for the future, while the insurer shall be obliged to retribute to the negotiator of insurance part of the insurance premium, proportionate to the remaining time period.

(2) Should one of several objects encompassed by one contract be lost due to an event not provided for in the insurance policy, the insurance shall remain valid regarding the remaining objects, but necessary amendments shall be introduced because of the reduction of the subject of insurance.

Subsection 2.

LIMITATION OF INSURED RISK

Article 929. Damage Covered by Insurance

(1) The insurer shall be bound to compensate loss which occurred accidentally, or through fault of the negotiator of insurance or the beneficiary of the insurance, unless regarding specific damage such obligation of the insurer be expressly excluded by the contract of insurance.

(2) He shall not be liable for damage caused by such persons through wilful misconduct, so that an insurance policy clause which would specify such liability of the insurer shall be void.

(3) But if the insured event has taken place, the insurer shall be obliged to compensate every loss caused by a person under the responsibility, on any ground whatsoever, of the insured person, regardless of whether the loss was caused by wilful misconduct or negligence.

Article 930. Damage Caused by Defects in the Insured Object

The insurer shall not be liable for damage to the insured object due to its defects, unless otherwise provided by contract.

Article 931. Damage Caused by War Operations and Rebellions

(1) An insurer shall not be obliged to redress a damage caused by war operations or rebellions, unless otherwise provided by contract.

(2) The insurer shall be bound to prove that the damage is caused by some of these events.

Subsection 3.

OVERINSURANCE AND A CONTRACT WITH SEVERAL INSURERS

Article 932. Overinsurance

(1) Should at conclusion of the contract one party deceive the other, stipulating an amount of insurance which is higher than the real value of the insured object, the other party shall be entitled to request nullity of contract.

(2) Should the stipulated amount of insurance be higher than the value of the insured object, and if both parties are in good faith, the contract shall remain valid and the amount of insurance shall be reduced to the real value of the insured object, while the premium shall be reduced proportionally.

(3) In both cases an insurer in good faith shall keep the insurance premiums received, and shall be entitled to a non-reduced premium for the current insurance period.

Article 933. Subsequent Reduction of Value

Should the insured amount be reduced in course of the insurance period, each contracting party shall be entitled to

corresponding reduction of insurance amount and of premium, beginning from the day the first party submits to the other his request for reduction.

Article 934. *Multiple and Double Insurance*

(1) Should an object be insured with two or more insurers against the same risk, for the same interest and for the same period of time, so that the sum of the insured amounts does not exceed the value of such objects (multiple insurance), each insurer shall be responsible for complete performance of obligations created out of the contract he has entered into.

(2) Should, however, the sum of the insurance amounts exceed the value of the insured object (double insurance), and the negotiator of insurance did not act contrary to good faith, all such insurances shall be full and valid, and each insurer shall be entitled to the stipulated insurance premium for the current insurance period, while the insured person shall be entitled to demand from each insurer the compensation according to the contract entered into with him, but no more, in total, than the amount of damage.

(3) After the occurrence of the insured event, the negotiator of insurance shall be bound to notify each insurer of the same risk accordingly and to communicate to him the names and addresses of the remaining insurers, together with information on the amounts of insurance provided in particular contracts concluded with them.

(4) After paying compensation to the insured person, each insurer shall bear the part of compensation in proportion between the insurance amount he is obliged to pay and the sum of insurance amounts, so that the insurer paying more shall be entitled to demand from other insurers reimbursement of the surplus paid.

(5) Should a contract be concluded without indicating the insurance amount or with an unlimited coverage, it shall be considered as a contract concluded with the highest amount of insurance.

(6) The remaining insurers shall be liable for the part to the charge of an insurer unable to pay, proportionally to their respective parts.

(7) A negotiator of insurance concluding a contract of insurance by which double insurance has taken place, while not knowing about a previously concluded insurance, may request – regardless of whether the previous insurance was concluded by himself or by another – within one month from his becoming aware of such insurance, a corresponding reduction of the insured amount and of the premiums of the subsequent insurance, but the insurer shall keep the already received premiums and shall be entitled to the insurance premium for the current insurance period.

(8) If the double insurance has taken place due to reduction of value of the insured object in the course of the insurance period, the negotiator of insurance shall be entitled to a corresponding reduction in the insurance amount and of the premiums, from the day his request for reduction reaches the insurer.

(9) If in the event of double insurance the negotiator of insurance fails to act in good faith, each insurer may request nullity of contract, keep the premiums received and demand the non-reduced premium for the current insurance period.

Article 935. *Co-insurance*

Should a contract of insurance be concluded with several insurers who agree on joint bearing and distribution of risk, each insurer designated in the insurance policy shall be liable to the insured person for the entire compensation.

Subsection 4.

SUB-INSURANCE

Article 936.

(1) Should it be established that at the beginning of the relevant period of insurance, the value of the insured object was higher than the amount of insurance, the amount of compensation owed by the insurer shall be proportionally reduced, unless otherwise provided by contract.

(2) The insurer shall be liable to pay the entire compensation up to the amount of insurance, if it is stipulated in the contract. The relationship between the value of the object and the amount of insurance shall have no relevance in determining the amount of compensation.

Subsection 5.

TRANSFER OF CONTRACT AND THE PAYMENT OF INSURANCE COMPENSATION TO ANOTHER

Article 937. *Transfer of Contract to the Acquirer of an Insured Object*

(1) In the case of transferring the insured object to another person, or the subject being a ground for concluding liability insurance, the rights and duties of the negotiator of insurance shall pass to the acquirer, unless otherwise provided by contract.

(2) But should only one part of the insured objects be transferred which, in terms of insurance, do not make an entirety, the contract of insurance regarding the transferred objects shall come to an end by law.

(3) Should, due to the transfer of objects, the probability of occurrence of the insured event be increased or reduced, the general provisions on increasing or reducing of risk shall apply.

(4) A negotiator of insurance failing to notify the insurer that the insured object has been transferred to another, shall remain obliged to pay insurance premiums becoming due even after the day of transfer.

(5) The insurer and the acquirer of the insured object may withdraw from the insurance, honouring a fifteen day period of notice, on condition that their notice is submitted within thirty days of becoming aware of the transfer.

(6) The contract of insurance shall not be rescinded should the insurance policy be issued to bearer or on order.

Article 938. *Granting of Compensation to Holders of Security and Other Rights*

(1) After the occurrence of an insured event, a right of security and other rights existing previously in relation to the insured object shall have as their subject the compensation owed, both in the case of insuring one's own objects, and in the case of insuring other person's objects because of a duty to keep and restitute them, so that the insurer shall not be able to pay compensation to the insured person without the consent of the holder of such rights.

(2) These persons may directly demand that the insurer pay to them their claims within the limits of the amount of insurance, and according to the statutory order of payment.

(3) However, if the insurer at the moment of payment was not aware, or could not have been aware, of such rights, the payment of compensation to the insured person shall remain valid.

Subsection 6.

TRANSFER OF INSURED PERSON'S RIGHTS AGAINST THE LIABLE PERSON TO THE INSURER (SUBROGATION)

Article 939.

(1) On payment of compensation from insurance, the insurer shall acquire, by law, all rights of the insured person against the person liable for damage on whatever ground, up to the total amount of compensation.

(2) Should such transfer be made entirely or partially impossible through the fault of the insured person, the insurer shall be released correspondingly from his obligation towards the insured person.

(3) The transfer of right from the insured person to insurer shall not be to the detriment of the insured person, that should compensation received by the insured person from the insurer be, on whatever ground, lower than the damage sustained by him, the insured person shall be entitled to reimbursement from liable party's means for the remaining part of compensation, prior to the payment of insurer's claim on the ground of rights which have been transferred him.

(4) As an exception to the rules of transfer of an insured person's rights to the insurer, these rights shall not pass to insurer if damage was caused by a person in direct relationship with the insured person or person under the care or responsibility of the insured person, or a person living with him in the same household, or a person who is an employee of the insured person, unless such persons caused the damage wilful misconduct.

(5) However, should some of the persons specified in the preceding paragraph be insured against liability, the insured person may demand the redress of the amount paid to the insurer from his insurer.

Subsection 7.

LIABILITY INSURANCE

Article 940. *Liability of the Insurer*

(1) In case of liability insurance, the insurer shall be liable for damage caused by the insured event only if the third party sustaining damage request compensation.

(2) The insurer shall bear, within the limits of the amount of insurance, the expenses of litigation over the liability of the insured person.

Article 941. *Personal Right of the Person Sustaining Damage and Direct Action*

(1) In case of liability insurance the person sustaining damage may request the compensation for loss sustained due to an event falling within the sphere of liability of the insured person directly from the insurer, but only up to the amount of the insurer's obligation.

(2) The person sustaining damage shall have, from the day of occurrence of the insured event, his own right to compensation from the insurance, so that any subsequent change in the insured person's rights against the insurer shall have no effect on the right of a person sustaining damage to compensation.

Section 3.

INSURANCE OF PERSONS

Subsection 1.

GENERAL PROVISIONS

Article 942. *Determination of the Insured Amount*

In contracts of insurance of persons (life insurance and accident insurance), the amount of insurance to be paid by the insurer on the occurrence of the insured event, shall be determined in the insurance policy by agreement between the contracting parties.

Article 943. *Life Insurance Policy*

(1) In addition to elements which are constituent for every insurance policy, the life insurance policy shall include indications of the name and last name of a person whose life is insured, his date of birth and event or time limit being a prerequisite for requesting payment of the amount insured.

(2) The life insurance policy may be made out to a specific person or to order, but it shall not be made out to bearer.

(3) For an endorsement of the insurance policy made out to order to be full and valid, it must contain an indication of the name of the beneficiary, the date of endorsing and the signature of the endorser.

Article 944. *Incorrect Reporting of Age of the Insured Person*

As an exception to the general provisions of the present Chapter concerning consequences of incorrect applications or of suppressing the circumstances relevant for the assessment of risk, the following rules shall apply regarding incorrect reporting of age in life insurance contracts:

(i) a life insurance contract shall be void and the insurer shall be obliged in any case to repay all received premiums should at the moment of its conclusion the age of the insured person has been incorrectly stated, while his real age exceeds the limit up to which the insurer, by his terms and tariffs normally enters into life insurance transactions.

(ii) should it be incorrectly reported that the insured person is of a lower age, but his real age does not exceed the limit up to which the insurer normally enters into life insurance transactions, the contract shall be valid, but the insured amount shall be reduced in proportion to the stipulated insurance premium and the insurance premium provided for the insurance of a person of the age of the insured person.

(iii) Should the insured person be of lower age than reported in the application to enter into contract, the insurance premium shall be reduced by a corresponding amount, while the insurer shall be obliged to repay the difference between insurance premiums received and the premiums he is entitled to.

Article 945. *Consequences of Failing to Pay Insurance Premium and Reduction of Insured Amount*

(1) Should a negotiator of life insurance fail to pay some of the insurance premiums when due, the insurer shall not be entitled to demand payment by instituting legal proceedings.

(2) Should a negotiator of insurance, invited by the insurer by means of registered mail, fail to pay an insurance premium due within the time limit indicated in insurer's letter, such time limit being shorter than one month, counting from the day of delivery of the letter – or should such payment not be made by another interested party, the insurer shall be entitled, if at least three annual insurance premiums have been paid by then, only to state to the negotiator of insurance that he is going to reduce the amount of insurance to the level of re-purchase value of insurance, or that, in a contrary case, he shall repudiate the contract.

(3) Should the insured event occur prior to repudiation of contract or of reduction of the insured amount, the insured amount shall be considered reduced, or as if the contract had been repudiated – depending on whether insurance premiums were paid for at least three years or not.

Article 946. *Insuring a Third Party*

(1) Life insurance may relate to the life of the negotiator of insurance, and it may relate to the life of a third party.

(2) The same shall apply to the accident insurance.

(3) Should insurance relate to the death of a third party, the validity of contract shall depend on his written consent, indicated on the face of the insurance policy, or in a separate letter at the moment of signing the insurance policy, with an indication of the insured amount.

Article 947. Insurance in Case of Death of a Minor and of Persons Deprived of Business Capacity

(1) An insurance shall be void relating to the death of a third party younger than fourteen, or to a person completely deprived of business capacity, so that the insurer shall be bound to repay to the negotiator of insurance all insurance premiums received under such contract.

(2) The validity of insurance in case of death of a third party older than fourteen shall depend on the written consent by his legal representative, and the written consent of the insured person himself.

Article 948. Cumulating Compensation and the Insured Amount

(1) In the case of life insurance, an insurer paying the insured amount shall have no right whatsoever to compensation against a third party liable for the occurrence of the insured event.

(2) The right to compensation against a third party liable for the occurrence of the insured event shall belong to the insured person, or beneficiary, independently of his right to the insured amount.

(3) Provisions of the preceding paragraphs shall not apply to insurance covering the consequences of accident stipulated as liability insurance.

Subsection 2.

EXCLUDED RISKS

Article 949. Suicide of the Insured Person

(1) The contract of insurance covering the case of death shall not include the risk of suicide of the insured person, if it happened in the first year of the insurance period.

(2) If the suicide happens within a three year period from the day of entering into contract, the insurer shall not be obliged to pay to the beneficiary the insured amount, but only the mathematical reserve of the contract.

Article 950. Premeditated Murder of the Insured Person

An insurer shall be released from obligation to pay to the beneficiary the insured amount if he wilfully caused the death of the insured person, but if until then at least three annual insurance premiums have been paid, he shall be obliged to pay the mathematical reserve to the negotiator of insurance and should he be the insured person, the payment shall be made to his successors.

Article 951. Wilful Causing of Accident

An insurer shall be released from obligation in the insurance contract covering an accident, if the insured person wilfully caused the accident.

Article 952. War Operations

(1) Should death of the insured person be caused by war operations, the insurer – unless otherwise provided by contract – shall not be bound to pay to the beneficiary the insured amount, but shall be obliged to pay to him the mathematical reserve from the contract.

(2) Unless otherwise provided by contract, the insurer shall be released from obligation from the accident insurance contract, if the accident was caused by war operations.

Article 953. Contractual Exclusion of Risk

Other risks may also be excluded by contract covering cases of death or accident.

Subsection 3.

**RIGHTS OF THE
NEGOTIATOR OF INSURANCE
PRIOR TO OCCURRENCE OF
THE INSURED EVENT**

Article 954. Repurchase

(1) Upon demand by the negotiator of a life insurance, concluded for the lifetime of the insured person, the insurer shall be obliged to pay to him the repurchasing value of the insurance policy, if at least three annual insurance premiums have been paid.

(2) The insurance policy shall include terms and conditions by which the insurance negotiator may request payment of its repurchase value, as well as an indication of the method

of calculation of that value, in accordance to the insurance terms and conditions.

(3) The rights to request repurchase shall not be realized by the creditors of the negotiator of insurance, or by the beneficiary of insurance, but the repurchase value shall be paid to the beneficiary at his request, if the designation of the beneficiary is irrevocable.

(4) As an exception to the preceding paragraph, the repurchase of the insurance policy may be demanded by a creditor receiving the policy as security, if the claim supported by security has not been settled at maturity.

Article 955. *Advance Payment*

(1) On request by a negotiator of life insurance which is concluded for the lifetime of the insured person, the insurer may pay to him in advance a part of the amount insured, up to the repurchase value of the insurance policy, which part may be subsequently repaid by the negotiator of insurance.

(2) The negotiator of insurance shall be obliged to pay interest to be determined against the advance payment received.

(3) Should the insurance negotiator be late with payment of the interest due, it shall be proceeded as if he requested repurchase.

(4) The terms of granting the advance payment must be indicated in the insurance policy, together with the possibility of paying back the amount accepted as advance payment to the insurer, the amount of interest rate, the consequences of failure to pay the interest due – as provided for by insurance terms and conditions.

Article 956. *Insurance Policy as Security*

(1) A life insurance policy may be given as security.

(2) Giving the insurance policy as security shall affect the insurer only if he has been notified in writing that the policy has been given as security to the specific creditor.

(3) Should a policy be made out to order, the security shall be effected by endorsement.

Subsection 4.

LIFE INSURANCE FOR THE BENEFIT OF A THIRD PARTY

Article 957.

(1) A negotiator of life insurance may designate in the contract, as well as in other subsequent legal transaction,

including a will, a person who shall acquire the rights out contract.

(2) Should the insurance relate to the life of another person, the designation of the beneficiary shall also need his written consent.

(3) A beneficiary need not be designated by name, since shall suffice that the deed contain data necessary for designation.

(4) Should children or descendants be designated as beneficiaries, the benefit shall also accrue to those who are born later while the benefit intended for a spouse shall accrue to the person married to the insured person at the moment of his death.

Article 958. *Sharing the Benefit Among Several Beneficiaries*

If children, descendants and, in general, successors are designated as beneficiaries, and the negotiator of insurance has not determined the way of distribution of benefit among them, such distribution shall be done proportionally to the inheritance shares, and if beneficiaries are not successors, the ground of inheritance, the amount insured shall be distributed in equal shares.

Article 959. *Revoking a Clause Designating a Beneficiary*

(1) A clause by which the insurance benefit is granted to a specific person may be revoked only by the negotiator of insurance, and such right shall not be effected either by his creditors or his legal successors.

(2) The negotiator of insurance may revoke the clause on benefit only until the beneficiary comes to acknowledge by stating, in any way whatsoever, his intention to accept the benefit – after which the clause shall become irrevocable.

(3) However, the negotiator may revoke the benefit clause even after beneficiary's statement of acceptance, if the beneficiary has attempted to murder the insured person, and the benefit is granted without consideration, the revocation shall be subjected to provisions regulating the revoking of a gift.

(4) The beneficiary shall be considered as having refused the benefit intended for him, if he fails, after the death of the negotiator of insurance, on the invitation of his successors, to acknowledge its acceptance within one month.

Article 960. *Personal and Direct Right of the Beneficiary*

(1) The insured amount to be paid to the beneficiary shall not enter into the total estate of the insurance negotiator even if the beneficiaries are his own successors.

(2) The right to the insured amount shall pertain to the beneficiary, from the moment of entering into contract, and regardless of the way and time of his being designated for beneficiary, and regardless of whether he has stated his acceptance prior to or after the death of the insured person, so that he shall be entitled to request payment of the insured amount directly from the insurer.

(3) After the insurance negotiator has designated his children, his descendants and, generally, his successors as beneficiaries, each one of these beneficiaries shall be entitled to a corresponding part of the insured amount, even if they have renounced the inheritance.

Article 961. Creditors of a Negotiator of Insurance and of the Insured Person

(1) Creditors of a negotiator of insurance and of an insured person shall have no right whatsoever to the insured amount contracted for the beneficiary.

(2) However, if insurance premiums paid by the negotiator of insurance are disproportionally high, compared to his possibilities at the moment of payment, his creditors may request for them a part of such payments of the premium, exceeding his possibilities – if requirements are met by which the creditors are entitled to oppose the debtor's legal actions.

Article 962. Assignment of the Insured Amount

A beneficiary may transfer his right to the insured amount to another, even prior to the occurrence of the insured event, but shall need for that a consent in writing from the negotiator of insurance, where the name of the proposed assignee must be indicated, and should the insurance relate to life of another person, the same consent shall be necessary from that person as well.

Article 963. Death of Designated Beneficiary Prior to Maturity

If a person designated without consideration as a beneficiary dies prior to the maturity of the insured principal or annuity, the insurance benefit shall not belong to his successors, but to the next beneficiary, and should one be not designated, then to the estate of the negotiator of insurance.

Article 964. Life Insurance without a Designated Beneficiary

Should a negotiator of life insurance fail to designate a beneficiary, or should the clause on determining the beneficiary remain ineffective due to revocation, or to refusal by

the designated person, or due to some other reason, and if negotiator of insurance fail to determine another beneficiary the insured amount shall belong to the estate of the negotiator of insurance, and its part shall pass, together with its remaining rights, to his successors.

Article 965. Bona fide Payment of the Insured Amount to an Unauthorized Person

(1) Should the insurer pay the insured amount to a person who would be entitled to it if the negotiator of insurance fail to designate the beneficiary, he shall be released from his obligation from the contract of insurance if, at the moment of payment, he was not aware, or could not have been aware, that the beneficiary was designated by will, or by some other act not related to his knowledge, but the beneficiary shall be entitled to request repayment from the person who has accepted the amount insured.

(2) The same shall apply in case of replacement of the beneficiary.

Chapter XXVIII.

SECURITY (UPON PERSONAL PROPERTY)

Section 1.

GENERAL PROVISIONS

Article 966. Notion

By a contract of security³⁴ a debtor or a third party (pledger) shall assume the obligation to a creditor (pledgee) to deliver to him a movable object in relation to which there exists the right of ownership, so that he can, before other creditors, effect collection out of its value, should his claim not be paid when due, while the creditor shall assume the obligation to keep the accepted object and return it to the pledger undamaged after the termination of his claim.

Article 967.

Repealed by the 1993 Amendments to the present Law

³⁴ "Security" here may be by way of mortgage or by pledge or pawn.

(2) However, all periodical claims resulting from such decisions or settlements, and becoming due in the future, shall expire within the time limit otherwise provided for the expiration of periodical claims due to the statute of limitations.

Article 380. Time Limits in Case of Insurance Contracts

(1) Claims of an insurance contractor, or of a third party specified in a life insurance contract, shall expire after five years, while those from remaining insurance contracts – after three years, counting from the first day following the calendar year of the origination of the claim.

(2) Should the interested person be successful in proving that until the day specified in the preceeding paragraph he was not aware of the occurrence of the insured event, the expiration period shall begin to run from the day of his becoming aware, while in any event the claim shall expire in case of life insurance after ten years, and in case of the remaining insurance contracts after five years, beginning with the day specified in the preceeding paragraph.

(3) Claims of an insurer on the ground of an insurance contract shall expire due to the statute of limitations after three years.

(4) Should in the event of third party liability insurance a person sustaining damage demand compensation from the insured, or should he obtain it from him, the expiration period for the insured person's claim against the insurer shall begin to run on the day the person sustaining damage requested compensation through the court from the insured, or on the day of his being compensated by the insured.

(5) A direct demand by a third party sustaining injury or loss from the insurer shall expire due to the statute of limitations after a period otherwise applicable to such expiration of his claim against the insured person liable for damage.

(6) The limitation period of the insurer's claim against the third party liable for the occurrence of the insured event, shall begin to run at the time otherwise applicable to the limitation period for the claims of the insured against such person, and shall be completed within the same time limit.

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Article 38

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Article 3

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Article 3

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Article 3

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