

LAW ON INSURANCE SUPERVISION

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PART ONE

GENERAL PROVISIONS

Basic provisions

Article 1

This Law shall regulate the terms and conditions for carrying out activities related to life insurance, non-life insurance and reinsurance, activities related to representation in insurance, insurance brokerage activities, establishment, operation, supervision and termination of operation of trade companies for insurance and reinsurance (hereinafter: insurance companies), insurance brokerage companies, and insurance agencies, as well as establishment and operation of the Insurance Supervision Agency.

Right to insurance

Article 2

The legal entities and natural persons that carry out business activity and the citizens of the Republic of Macedonia shall be insured with insurance companies established in accordance with this Law.

Insurance companies

Article 3

(1) The insurance company shall be established as a joint stock company with head office in the Republic of Macedonia, under the conditions defined in this Law and the Law on Trade Companies.

(2) The name 'insurance company' or derivations from the words: 'insurance company' cannot be part of the name of the trade company or another legal entity that does not fulfill the conditions referred to in paragraph 1 of this Article and so it cannot be entered into the trade register.

Insurance and reinsurance activities

Article 4

(1) The insurance company may carry out only insurance and/or reinsurance activities.

(2) Insurance activities shall be:

- 1) conclusion and carrying out life and non-life insurance contracts;
- 2) conclusion and carrying out coinsurance contracts.

(3) Reinsurance activities shall be conclusion and carrying out reinsurance contracts by the insurance companies registered for active reinsurance regarding the excess of risks above the maximum coverage of the insurance companies.

(4) Within the framework of the insurance and reinsurance activities referred to in paragraphs 2 and 3 of this Article, the insurance companies may carry out the following activities directly connected to the insurance activities:

- 1) intermediation in the negotiations for insurance and reinsurance;
- 2) operations with future contracts, options, as well as other similar financial instruments, provided that they are used as a security for the risks caused by fluctuations at the foreign exchange market and the interest rates, and in accordance with the provisions referred to in Article 87 of this Law;
- 3) risk surveying;
- 4) damage surveying and assessment;
- 5) intermediation in selling and sale of the remains of insured, damaged items;
- 6) introduction of measures for prevention, reduction and elimination of damages and risks posing danger in the non-life insurance;
- 7) providing legal assistance in insurance and reinsurance, and
- 8) providing other intellectual and technical services related to the insurance and reinsurance activities.

(5) The mandatory insurance shall be regulated by law.

Classes of insurance

Article 5

The insurance activities may be carried out within the frameworks of the following classes of insurance:

1. Insurance against consequences of an accident – misfortune (including the industrial injuries and occupational diseases), in case of death or health detriment due to injury, covers:

- payment of the amount insured in a lump sum;
- payment of the amount insured in installments;
- combination of payments from the previous two cases, and
- payment due to injuries, health detriment or death of passengers.

2. Health insurance that is not covered by the mandatory health insurance, that is:

- voluntary health insurance in accordance with the Law on Voluntary Health Insurance and/or
- payment of fixed monetary amounts and/or
- compensation for coverage for other costs that are not covered by the voluntary health insurance.

3. Insurance of motor vehicles (all-risk insurance) covers the damages for:
- self-propelled motor vehicles, except for the railway vehicles, and
- trailer vehicles.

4. Insurance of railway vehicles (all-risk insurance) covers the damages caused by railway vehicles.

5. Insurance of aircraft (all-risk insurance) covers the damages caused by aircraft.

6. Insurance of vessels (all-risk insurance) covers the damages caused by river or lake vessels.

7. Insurance of goods in transport (freight) covers the damages or loss of goods in transport, including the luggage, regardless of the type of transportation.

8. Insurance of property against fire and natural disasters covers the damages or losses of property (except for the damages to property provided for in points 3 to 7 of this Article) in the cases of:

- fire;
- explosion;
- storm;
- natural disasters, except for storm and land that is sinking or sliding.

9. Other insurance of property covers the damages or losses of property (except for the property damages provided for in points 3 to 7 of this Article) due to hail or frost, and other damages except the ones referred to in point 8 of this Article (for example, in case of robbery).

10. Motor vehicles liability insurance.

11. Aircraft liability insurance covers the damages caused by the use of aircraft including the liability of the owner.

12. Vessel liability insurance covers the damages caused by the use of vessels including the liability of the owner.

13. General liability insurance covers the insurance of all liabilities except the ones referred to in points 10 to 12 of this Article.

14. Loan insurance covers:

- risk of non-payment (untimely payment) due to insolvency or other circumstances;
- export loans and other risks related to the export, trade and investment in foreign and domestic market;
- loans repaid in installments;
- mortgage and lombard loans;
- agricultural loans, and
- other loans and credits.

15. Guarantees insurance covers and directly or indirectly guarantees the fulfillment of obligations by debtors.

16. Insurance against financial losses covers the financial losses occurring as a result of:

- risk at employment;
- insufficient income (general);
- bad weather conditions;
- lost income;
- unforeseen general costs;
- unforeseen trade costs;
- loss of market value;

- loss of rent or income;
- indirect trade losses except the ones stated in the previous cases;
- other financial losses (except for the trade losses), and
- other types of financial losses.

17. Legal protection insurance covers the costs for legal assistance and court disputes.

18. Insurance for tourist assistance for persons who encounter problems while traveling or other cases of absence from home or from the permanent place of residence.

19. Life insurance (except for the one stated in points 20 to 25 of this Article) covers the insurance in case of adventure sports, insurance in case of death, mixed life insurance, annuity insurance and life insurance with premium recovery.

20. Insurance of marriage or childbirth.

21. Life insurance in relation to shares in investment funds, when the insured undertakes the investment risk in relation to the change of value of the investment coupons and other securities of the investment funds.

22. Tontine insurance (association of rentiers) is insurance of persons joined together in order to capitalize the paid contributions and to appropriately distribute the accumulated funds among the persons that have reached a certain age, or among the beneficiaries of the insurance of deceased persons.

23. Insurance of payment funds is based on actuarial calculations when the insured persons receive claims with defined duration and amount in return for one-time or periodical payments.

24. Insurance of annuities for beneficiaries of pensions from mandatory capital financial pension insurance in accordance with the Law on Payment of Pensions and Pension Contributions from Capital Financial Pension Insurance and

25. Insurance of annuities for beneficiaries of pension contributions from voluntary capital financial pension insurance in accordance with the Law on Payment of Pensions and Pension Contributions from Capital Financial Pension Insurance.

Activities of the insurance companies

Article 6

(1) The insurance company may carry out insurance activities in one or several classes of insurance, within the framework of one of the insurance groups:

- 1) non-life insurance, covering the classes referred to in points 1 to 18 of Article 5 of this Law, and
- 2) life insurance, covering the classes referred to in points 19 to 25 of Article 5 of this Law.

(2) As an exception to the provisions of paragraph (1) of this Article, the insurance company that carries out insurance activities within the life insurance group may, as a supplemental insurance to the life insurance, carry out insurance activities within the insurance classes referred to in Article 5 points 1 and 2 of this Law.

(3) As an exception to the provisions referred to in paragraph 1 of this Article, the insurance company that carries out insurance activities within life insurance group, in accordance with the Law on Capital Financial Pension Insurance, may also manage pension funds, provided that it fulfills the conditions provided for in that Law.

(4) As an exception to the provisions referred to in paragraph 1 of this Article, the reinsurance companies may carry out reinsurance activities within the two insurance groups.

Carrying out insurance activities

Article 7

(1) Insurance activities may be carried out by:

1) insurance company with head office in the Republic of Macedonia, that holds a license for carrying out insurance activities by the Insurance Supervision Agency;
2) branch office of a foreign insurance company that has been granted a license for carrying out insurance activities by the Insurance Supervision Agency, and
3) insurance company from a member state that has established a branch office on the territory of the Republic of Macedonia or has been authorized to directly carry out insurance activities on the territory of the Republic of Macedonia, in accordance with this Law.

(2) The insurance companies referred to in paragraph 1 of this Article shall have the right to carry out insurance activities solely for the classes of insurance that they have been granted license for by the Insurance Supervision Agency.

(3) Foreign state, in terms of this Law, shall be deemed any state that is not a member of the European Union.

(4) Foreign insurance company, in terms of this Law, shall be deemed an insurance company from the territory of any foreign state, or a natural person having a permanent place of residence on the territory of a foreign state.

(5) Insurance company of a member state, in terms of this Law, shall be deemed an insurance company from the territory of a member state of the European Union, or a natural person having a permanent place of residence on the territory of any member state.

Prohibition to carry out insurance activities

Article 8

Insurance activities cannot be carried out by any entity other than the ones referred to in Article 7 paragraph 1 of this Law.

Application of the Law to domestic insurance companies and other entities

Article 9

(1) The provisions of this Law shall apply to insurance companies, insurance agencies and insurance brokerage companies with head office in the Republic of Macedonia, the insurance brokers and the insurance agents.

(2) The provisions of this Law, shall also apply to insurance companies that carry out solely reinsurance activities (hereinafter: reinsurance companies), unless otherwise stated in this Law.

(3) As an exception to the provisions referred to in paragraph 2 of this Article, the provisions of Articles 42 to 44, 49 to 52, 90 to 98 and 191 to 197 of this Law shall not apply to reinsurance companies.

Application of the Law to insurance companies from member states

Article 10

(1) The provisions of this Law shall apply to insurance companies with head office on the territory of any member state (hereinafter: insurance company of a member state), provided that:

- 1) they establish a branch office on the territory of the Republic of Macedonia, or
- 2) they conclude insurance contracts on the territory of the Republic of Macedonia or another member state covering risks on the territory of the Republic of Macedonia (hereinafter: direct performance of insurance activities).

(2) It shall be deemed that the insurance covers the risks on the territory of the Republic of Macedonia:

1. In case of non-life insurance:

- regarding insurance against risks related to property, buildings, as well as movable property located in the buildings that is insured by the same insurance contract, if such property is located on the territory of the Republic of Macedonia;
- regarding car insurance, if such cars are registered on the territory of the Republic of Macedonia, and
- regarding insurance against risks related to travels and vacations, when the validity period of the insurance contract is at least four months, if the legal act on insurance is concluded on the territory of the Republic of Macedonia.

2. In cases of non-life insurance, except for insurance referred to in point 1 of this paragraph and in case of life insurance:

- if the insured is a natural person having a permanent place of residence on the territory of the Republic of Macedonia, and
- if the insured is a natural person whose property is located on the territory of the Republic of Macedonia.

Application of the Law to foreign insurance companies

Article 11

(1) The provisions of this Law shall apply to insurance companies with head office on the territory of a foreign state, provided that they conclude insurance contracts on the territory of the Republic of Macedonia or provided that their services are being advertised in any manner in the Republic of Macedonia.

(2) The special provisions of this Law pertaining to any insurance company having head office on the territory of the Swiss Confederation (hereinafter: Swiss insurance company) and its branch offices, shall apply only to non-life insurance.

PART TWO

INSURANCE COMPANY

Chapter 1

GENERAL PROVISIONS

Insurance company

Article 12

(1) Insurance company shall be a joint stock company having head office in the Republic of Macedonia and has been granted a license by the Insurance Supervision Agency for carrying out insurance activities.

(2) The insurance company may be established as:

- 1) insurance company;
- 2) reinsurance company, and
- 3) insurance and reinsurance company.

Establishment of an insurance company

Article 13

Insurance company may be established by domestic and foreign natural persons and legal entities.

Stockholders of the insurance company

Article 14

(1) A stockholder with qualified participating interest in the insurance company must fulfill the following requirements:

- 1) *abolished* ; **2**
- 2) *abolished*;
- 3) *abolished* ;
- 4) in the last three years, not to be a member of a management body, supervisory body or a person with special rights and responsibilities in an insurance company or another legal entity against which a bankruptcy procedure is initiated;
- 5) bankruptcy procedure or liquidation procedure has not been initiated against it, in case of a legal entity;
- 6) not to be affiliated with a legal entity where the insurance company directly or indirectly has an ownership of at least 10% of the capital or the voting rights in that entity, and
- 7) not to work contrary to the provisions of the Law on Prevention of Money Laundering and Other Financial Proceedings from a Crime and Financing of Terrorism.

(2) The provisions referred to in paragraph (1) of this Article shall accordingly apply to the entities that intend to establish an insurance agency, that is, insurance brokerage company.

(3) In case of obliteration of the conviction referred to in paragraph (1) point 1 of this Article, the provisions of the Criminal Code shall apply accordingly.

Share capital

Article 15

(1) The share capital of the insurance company should be at least in the amount of the guarantee fund referred to in Article 77 paragraph (2) of this Law.

(2) The monetary funds deposited as share capital of the insurance company must not originate from loans and they must not be subject of any other burdens.

(3) The amount of the share capital designated for establishment and operation of the insurance company shall be determined by the articles of incorporation.

(4) The domestic legal entities and natural persons shall pay in the Denar counter value of the share capital referred to in paragraph (3) of this Article, calculated according to the foreign exchange rate of the National Bank of the Republic of Macedonia on the day of payment, at separate temporary accounts with the payment operations bearer.

(5) The foreign legal entities and natural persons shall pay in the funds referred to in paragraphs (3) and (4) of this Article at the foreign currency account with the National Bank of the Republic of Macedonia. **3**

(6) The insurance company shall be obliged to maintain the value of the share capital.

Participating interest and qualified participating interest

Article 16

(1) Participating interest, in terms of this Law, shall constitute the direct or the indirect ownership of at least 20% of the capital or the voting rights of other entities.

(2) Qualified participating interest, in terms of this Law, shall constitute the direct or the indirect possession of at least 10% of the total number of stocks or of the issued voting stocks in an insurance company.

Affiliated entities

Article 16-a

(1) Affiliated entities, in terms of this Law, shall be considered two or more legal entities or natural persons that are mutually connected in one of the following manners:

- 1) by management or capital, or in any other manner, when they mutually determine their business policy or work in coordination with each other in order to ensure customary commercial advantages;
- 2) when one entity has significant influence over the adoption of the financial and business decisions of the other entity, and
- 3) the work or the results from the work of one entity has significant influence over the work and the results of the work of the other entity. The entities are also affiliated when one legal entity or natural person has participating interest in another legal entity.

(2) Affiliated entities, in terms of this Law, shall be considered also the entities that are affiliated:

- 1) as close family members;
- 2) as members of the management body, supervisory body or procurator, as well as members of their close family;
- 3) as persons employed on the basis of an employment contract with special terms and conditions, as well as members of their close family;
- 4) in a manner that one entity, that is, entities that are deemed affiliated entities in accordance with this Article, jointly, directly or indirectly have participating interest in another entity;
- 5) in a manner that a same entity, that is, entities that are considered affiliated in accordance with this Article has participating interest in both entities, and
- 6) in a manner that is prescribed for affiliated entities under the Law on Trade Companies.

(3) Members of close family, in terms of this Law, shall be considered:

- 1) a spouse, that is, persons that live in unwed partnership for a longer period of time;
- 2) a parent;
- 3) children, biological and adopted, and
- 4) other persons that do not have complete legal capacity, and are under the guardianship of that person.

(4) Group of affiliated entities shall be constituted by all the entities that are affiliated in at least one of the ways referred to in paragraphs (1) and (2) of this Article.

Indirect acquisition

Article 17

(1) Indirect holder of stocks, shares or other rights that ensure participating interest in the management, that is, in the capital shall be a person for whose account another person, as a direct holder has acquired these stocks, shares or other rights that ensure participating interest in the management.

(2) Individual shall be deemed indirect holder of stocks, shares or other rights that ensure participating interest in the management, provided that the direct holder is a person affiliated with that person.

Chapter 2

QUALIFIED PARTICIPATING INTEREST

Consent for acquiring qualified participating interest

Article 18

(1) Any person intending to, directly or indirectly, gradually or all at once, acquire voting stocks in an insurance company whose total cumulative, nominal amount is the same or exceeds their qualified participating interest in the insurance company, shall be necessary to obtain prior consent of the Insurance Supervision Agency (hereinafter: consent for acquiring qualified participating interest).

(2) The holder of qualified participating interest referred to in paragraph (1) of this Article shall be obliged, for any future acquisition of stocks in the insurance company on the basis of which it, directly or indirectly, gradually or all at once, acquires or exceeds 20%, 33%, 50% or 75% of the total number of issued voting stocks in the insurance company, to obtain a consent for acquisition of qualified participating interest by the Insurance Supervision Agency.

(3) As an exception to paragraphs (1) and (2) of this Article, a person who on the basis of a decision of a competent body in accordance with law, has acquired, gradually or all at once, stocks whose total cumulative, nominal value amounts or exceeds 10%, 20%, 33%, 50% or 75% of the total number of voting stocks in an insurance company, no matter whether the stocks have been acquired, directly or indirectly, by one or more associated entities, shall be obliged to submit a request for obtaining previous consent for acquiring qualified participating interest to the Insurance Supervision Agency within a period of ten days as of the finality, that is, legal validity of the decision.

(4) In the cases referred to in paragraphs (1) and (2) of this Article, the banks, brokerage houses and the stock exchange must not execute an order for buying, that is, for transaction with stocks in the insurance company which for they have not been produced a consent for acquiring qualified participating interest by the Insurance Supervision Agency.

(5) In the cases referred to in paragraphs (1), (2) and (3) of this Article, the Central Securities Depository shall not register the stocks which for it has not been produced the consent referred to in paragraphs (1), (2) and (3) of this Article.

(6) The transaction for acquiring stocks should be made within a period of 60 days as of the day of obtaining the consent for acquiring qualified participating interest by the Insurance Supervision Agency. Upon expiry of this period, a procedure for obtaining a new consent for acquiring qualified participating interest shall be mandatory.

(7) When the person who has obtained consent referred to in paragraphs 1 and 2 of this Article intends to sell the stocks, and thus to decrease its participating interest under the limit for which that consent has been granted, it shall be obliged to notify the Insurance Supervision Agency thereof.

(8) The Insurance Supervision Agency, prior to the adoption of a decision for granting a consent for acquiring qualified participating interest referred to in paragraphs 1 and 2 of this Article, shall be obliged to notify the competent body for supervision of a member state, provided that the interested holder of qualified participating interest is:

- 1) an insurance company which has a license for carrying out insurance activities in that members state;
- 2) governing or dependent insurance company referred to in point 1 of this paragraph.

(9) If the interested holder of qualified participating interest is an insurance company of a member state or foreign insurance company, then consent or opinion of the competent body for supervision from that state shall be attached to the application for obtaining a consent for acquisition of qualified participating interest.

(10) The Insurance Supervision Agency shall prescribe in detail the necessary documentation and the manner of acquiring the qualified participating interest in an insurance company.

(6) Qualified participating interest, in terms of this Law, shall be the direct or indirect possession of stocks, or other rights on the basis of which the holder acquires 10% of the stocks with the right to management in another legal entity. **4**

Adoption of a decision on granting consent for acquiring qualified participating interest

Article 19

(1) The person wishing to acquire qualified participating interest (hereinafter: interested holder of qualified participating interest) should submit an application for obtaining consent to the Insurance Supervision Agency.

(2) The documents and information referred to in Article 32, paragraph (1) points 5, 6, 7 and 8, paragraph (2), (3) and (5) shall be attached to the application for obtaining consent referred to in paragraph (1) of this Article.

(3) Insurance Supervision Agency, by decision, shall reject the application for obtaining consent for acquiring qualified participating interest, provided that it is established by the submitted documents that:

- 1) the application does not contain the complete documentation;
- 2) the application contains incorrect or false data;
- 3) in relation to the activities or works that the interested holder of qualified participating interest or associated entities thereto performs, the operation of the insurance company may be endangered according to the risk management rules, and
- 4) in relation to the activities or works that the interested holder of qualified participating interest or associated entities thereto performs, or in relation to the type of relationships between these entities, the supervision over the insurance company cannot be conducted or it can be substantially impeded.
- 5) the interested holder of qualified participating interest does not fulfill the conditions referred to in

Article 14 of this Law, and

6) there is a grounded reason for suspicion in the legality of the origin of the money.

(4) The Insurance Supervision Agency, by decision, shall reject to grant consent for acquisition of qualified participating interest to a foreign entity – interested holder of qualified participating interest, provided that, pursuant to the regulation of the state of that entity or the practice when applying those regulations, the supervision over the insurance company in accordance with the provisions of this Law cannot be conducted or it is substantially impeded.

(5) The Insurance Supervision Agency shall immediately notify the Office for Prevention of Money Laundering and Financing Terrorism about the decision referred to in paragraph (3) of this Article rejecting the application pertaining to paragraph (2) point 6 of this Article.

(6) When a legal entity submits an application for obtaining a license for carrying out insurance activities, the procedure for adoption of a decision for granting consent referred to in paragraph 1 of this Article shall be combined to the procedure for adoption of a decision for granting a license for carrying out insurance activities. **5**

Sanctions for illegalities

Article 20

Deleted **6**

Withdrawal of the consent for acquiring qualified participating interest

Article 21

The Insurance Supervision Agency shall adopt a decision on withdrawal of the consent for acquiring qualified participating interest, provided that:

- 1) the consent has been obtained by giving false data;
- 2) the holder of qualified participating interest or affiliated entities thereto by undertaking certain activities or works, endanger the operation of the insurance company according to the risk management rules;
- 3) the holder of qualified participating interest or affiliated entities thereto by carrying out certain activities or works, or in relation to the type of relationships between these entities, the supervision over the insurance company cannot be conducted or it is substantially impeded, and
- 4) in the case of a foreign entity – holder of qualified participating interest: if in relation to the regulations in force in the state of that entity or the practice when applying those regulations, the supervision over the insurance company cannot be conducted or it is substantially impeded.

Limitation on rights of stocks

Article 21-a

(1) The Insurance Supervision Agency shall, by decision, determine that the stocks acquired contrary to Article 18 paragraphs (1), (2) or (3) of this Law and the stocks for which the consent has been withdrawn do not have a voting right and that the entity that has acquired these stocks, or its representatives, cannot be members of the management body, that is, supervisory body of the company.

(2) The Agency shall be obliged to adopt the decision referred to in paragraph (1) of this Article within a period of 15 days as of the day of receipt of the notification about acquisition of stocks contrary to

Article 18 paragraphs (1), (2) or (3) of this Law, that is, as of the day of adoption of the decision on withdrawal of the consent.

Article 21-b

The provisions of this chapter shall accordingly apply to insurance agencies, that is, insurance brokerage companies.

Chapter 3

MANAGEMENT BODY AND SUPERVISORY BODY OF THE INSURANCE COMPANY

Management body and supervisory body of the insurance company

Article 22

(1) Management body, in terms of this Law, shall be deemed the management board, that is, executive directors of the insurance company.

(2) Supervisory board, in terms of this Law, shall be deemed the supervisory board, that is, non-executive directors of the insurance company.

(3) The provisions of the Law on Trade Companies referring to procuration, commercial representative and the salesperson shall not apply to insurance companies.

Requirements for carrying out the office of a member of the management body in the insurance company

Article 23

(1) Person who fulfills the following requirements may be appointed as member of a management body:

1) to have an appropriate vocational training and experience for management with the insurance company

2) to be familiar with the regulations in the field of insurance;

3) *Abolished* **Z**

(2) The requirement referred to in paragraph (1) point 1 of this Article shall be deemed fulfilled, provided that the person holds a university degree and has working experience at managerial positions in an insurance company, that is, 5 years of working experience at managerial positions in a bank or other financial institution of similar scope of activities as an insurance company.

(3) The members of the management body must be employed for an indefinite period of time in the insurance company and at least one of the members must be familiar with the Macedonian language and its Cyrillic letter and have a permanent place of residence in the Republic of Macedonia.

(4) Member of a management body in an insurance company cannot be a person:

1) who is a member of a management body, supervisory body or procurator in another insurance company or another trade company;

2) who is a member of the Council of Experts of the Insurance Supervision Agency or another person employed in the Agency;

3) *abolished* ; **8**

4) *abolished* ;

5) who has been performing an office of a person with special rights and responsibilities in an insurance company or another legal entity under bankruptcy procedure;

6) who is an associated person with a legal entity where the insurance company, directly or indirectly, owns more than 10% of the capital or the voting rights in that legal entity;

7) who acts contrary to the provisions of the Law on Prevention of Money Laundering and Other Financial Proceedings from a Crime and Financing Terrorism, and

8) who has been rejected by the Agency, by decision, to be issued consent for carrying out the office of a member of a management body for a period of at least one year after the day of adoption of the decision on rejection of the application for issuing a consent.

(5) If the number of the members of the management body decreases under the minimum number in accordance with the Law on Trade Companies, the supervisory body of the company shall be obliged, within a period of 60 days as of the day of termination of the term of the member of the management body, to submit a request for obtaining consent for appointment of a member of a management body to the Insurance Supervision Agency.

Consent for exercising the office of a member of a management body

Article 24

(1) Prior consent for exercising the office of a member of a management body of an insurance company shall be necessary to be obtained by the Insurance Supervision Agency.

(2) For the purpose of obtaining the consent referred to in paragraph 1 of this Article, the insurance company shall be obliged to submit an application for obtaining the consent to the Insurance Supervision Agency.

(3) Appropriate documents proving that the requirements referred to in Article 23 of this Law are met shall be attached to the application referred to in paragraph 2 of this Article.

(4) The Insurance Supervision Agency, in the course of the procedure for adoption of a decision for issuing consent referred to in paragraph 1 of this Article, may decide that the person should present a concept for management with the insurance company.

(5) The Insurance Supervision Agency shall adopt a decision on granting a consent referred to in paragraph 1 of this Article, provided that, on the basis of the submitted documents referred to in paragraph 3 of this Article, it is established that the person meets the requirements for exercising the office of a member of a management body of an insurance company.

(6) The Insurance Supervision Agency may reject to issue the consent, provided that, on the basis of the submitted documents pertaining to the previous operation and the activities of the person, it is established that it would endanger the operation of the insurance company according to the risk management rules.

(7) If the person has been granted consent for exercising the office of a member of a management body in one insurance company, then the person shall be obliged, prior to the appointment at the same office in another insurance company, once again to submit an application for obtaining the consent referred to in paragraph 1 of this Article to the Insurance Supervision Agency. The provisions referred to in paragraphs 4, 5 and 6 of this Article shall accordingly apply to the issuance of the consent referred to in this paragraph.

(8) Upon submission of an application for obtaining a license for carrying out insurance activities, the procedure for adoption of a decision for issuing consent referred to in paragraph 1 of this Article, shall

be combined with the procedure for adoption of a decision for issuing a license for carrying out insurance activities.

Duties of the members of the management body of the insurance company

Article 25

The members of the management body of the insurance company shall be obliged to:

- 1) ensure that the insurance company works in accordance with the risk management rules, in accordance with this Law and other laws regulating the operation of the insurance company;
- 2) control the risks of the operation of the insurance company, as well as to undertake appropriate measures for management of these risks;
- 3) establish a system for internal control in all parts of the operation of the insurance company, as well as a system for internal audit in order to ensure the operation of the insurance company to be in accordance with this Law;
- 4) ensure that the insurance company keeps the trade books and the other accounting documents, values the items in the business balances, prepares annual reports, as well as reports to the Insurance Supervision Agency, in accordance with this Law, and
- 5) appoint an authorized person for implementation of the program for prevention of money laundering and financing of terrorism, that is, establish a unit for prevention of money laundering and financing of terrorism.

Notification to the supervisory body

Article 26

(1) The management body of the insurance company shall be obliged to immediately inform the supervisory body of the company in writing, provided that:

- 1) the liquidity or solvency of the company is endangered;
- 2) there are different reasons for revocation of the license for carrying out insurance activities or for revocation of the license for carrying out insurance activities within a particular class of insurance, and
- 3) the financial situation of the insurance company is changed and the insurance company no longer provides the necessary level of solvency margin in accordance with Articles 75 or 76 of this Law.

(2) The member of the management body of the insurance company shall be obliged to immediately inform the supervisory body in writing about:

- 1) appointment or expiry of the term of office in other supervisory bodies in other legal entities, and
- 2) transaction on the basis of which the member of the management body or his close relatives, directly or indirectly, acquires stocks, or shares in any legal entity on the basis of which the participating interest of the member of the management body together with his close relatives in that legal entity exceeds the level of qualified participating interest, as well as if his participating interest goes under the level of qualified participating interest in that legal entity.

Withdrawal of the consent for exercising the office of a member of a management body

Article 27

(1) The Insurance Supervision Agency shall adopt a decision on withdrawal of the consent for exercising the office of a member of a management body of an insurance company, provided that:

- 1) the consent is obtained by giving false data, and
- 2) the work of the member of the management body is not in compliance with Articles 25 and 26 of this Law;
- 3) the person no longer meets the requirements referred to in Article 23 paragraphs (1), (2), (3) and

(4) of this Law; and

4) the person is dismissed from the office of a member of a management body.

(2) When a procedure for withdrawal of the consent for exercising the office of a member of a management body is initiated due to illegalities, which are the reason for initiation of a procedure for revocation of the license for carrying out insurance activities of the insurance company as well, the Insurance Supervision Agency may combine the two procedures.

SUPERVISORY BODY OF THE INSURANCE COMPANY

Members of a supervisory body of the insurance company

Article 28

(1) Member of a supervisory body of an insurance company cannot be appointed a person:

1) who is a member of a management body, supervisory body or procurator in another insurance company or another financial institution having head office in the Republic of Macedonia;

2) who is a member of the Council of Experts of the Insurance Supervision Agency or any person employed in the Agency;

3) *abolished* ; **9**

4) *abolished* ;

5) who has been exercising an office of a person with special rights and responsibilities in an insurance company or another legal entity under bankruptcy procedure;

6) who is an affiliated person with a legal entity where the insurance company, directly or indirectly, owns more than 10% of the capital or the voting rights in that legal entity;

7) who is employed in the insurance company, and

8) who acts contrary to the provisions of the Law on Prevention of Money Laundering and Other Incomes From Punitive Offense and Financing Terrorism.

(2) The prohibition referred to in paragraph (1) point 1 of this Article shall not apply to persons who are members of a supervisory body, members of a management body or procurator in a governing insurance company or another governing company in a group of insurance companies.

(3) In addition to the requirements referred to in paragraph (1) of this Article, at least one third of the members of the supervisory body of the insurance company must be independent members.

(4) In case of deletion of the conviction referred to in paragraph (1) point 3 of this Article, the provisions of the Criminal Code shall accordingly apply.

Competences of the supervisory body of the insurance company

Article 29

In addition to the competences anticipated in the Law on Trade Companies, the supervisory body of the insurance company shall have the following competences:

1) to approve the decisions adopted by the management body in relation to the business policy of the insurance company;

2) to approve the decisions adopted by the management body in relation to the financial plan of the insurance company;

3) to approve the decisions adopted by the management body in relation to the establishment of the system for internal audit;

4) to approve the annual program for internal audit adopted by the management body;

5) to supervise and control the application of the measures and activities for prevention of money

laundering and financing of terrorism, and
6) to adopt decision on other issues in accordance with this Law.

Responsibilities of the members of the supervisory body of the insurance company

Article 30

(1) The members of the supervisory body of the insurance company shall be obliged to:

- 1) supervise the adequacy of the procedures and the efficiency of the work of the internal audit;
- 2) discuss about the findings of the Insurance Supervision Agency, the tax inspection and other competent bodies in the procedure for supervision of the insurance company;
- 3) audit the annual reports and the business balance sheet of the insurance company and prepare opinion about them, and
- 4) prepare opinion in relation to the annual report of the internal audit and the annual report of the management body and submit them to the Stockholders Assembly of the insurance company to adopt.

(2) The members of the supervisory body of the insurance company shall be jointly and severely liable with the insurance company for all the losses resulting from the non-fulfillment of the responsibilities referred to in paragraph 1 of this Article unless they prove that they carried out the work with due attention, conscientiousness and honesty.

(3) The member of the supervisory body of the insurance company shall be obliged to forthwith notify the supervisory body in writing about:

- 1) the appointment or expiry of the term of office in other supervisory bodies in other legal entities;
- 2) transaction on the basis of which the member of the supervisory body or his close relatives, directly or indirectly, acquires stocks, or shares in any legal entity on the basis of which the participating interest of the member of the supervisory body together with his close relatives in that legal entity exceeds the level of qualified participating interest, as well as if his participating interest goes under the level of qualified participating interest in that legal entity.

PART THREE

ESTABLISHMENT AND OPERATION OF THE INSURANCE COMPANY

Chapter 1

Licenses for carrying out insurance activities

1. Types of licenses

Article 31

(1) The insurance company shall be obliged to obtain a license for carrying out insurance activities by the Insurance Supervision Agency (hereinafter: license for carrying out insurance activities).

(2) The insurance company shall be obliged to obtain a license for introduction of a new class of insurance by the Insurance Supervision Agency (hereinafter: license for introduction of a new class of insurance).

(3) The insurance company shall be obliged to obtain a license for transfer of insurance contracts to another insurance company by the Insurance Supervision Agency (hereinafter: license for transfer of insurance portfolio).

(4) The insurance company shall be obliged to obtain a license for conclusion of a contract for transfer of significant part of its activities to another insurance company or legal entity by the Insurance Supervision Agency (hereinafter: license for outsourcing).

(5) The insurance company shall be obliged to obtain a license for status changes of the insurance company by the Insurance Supervision Agency (hereinafter: license for status changes).

(6) Foreign insurance company shall be obliged to obtain a license for establishment and operation of a branch office in the Republic of Macedonia by the Insurance Supervision Agency (hereinafter: license for establishment and operation of a branch office of a foreign insurance company).

(7) The insurance company shall be obliged to obtain a license for establishment and operation of a branch office abroad by the Insurance Supervision Agency (hereinafter: license for establishment and operation of a branch office abroad).

(8) Insurance Supervision Agency shall prescribe the necessary documentation that has to be enclosed to the application for obtaining a license referred to in paragraphs (1), (2), (3), (4), (5), (6) and (7) of this Article.

2. License for carrying out insurance activities

Application for obtaining a license for carrying out insurance activities

Article 32

(1) The founders of the insurance company shall be obliged to enclose the following to the application for obtaining a license for carrying out insurance activities:

1) draft statute;

2) work plan;

3) draft acts of the business policy in relation to the classes of insurance stated in Article 5 points 2 and 10 of this Law together with opinion by an authorized actuary;

4) proof that monetary assets are paid as share capital at a separate temporary account with the bearer of the payment operations;

5) fund sources for payment of the capital;

6) *abolished* ; **10**

7) list of stockholders, containing the name, surname and address of the natural persons and name and head office of the legal entities, as well as data about the total nominal amount of owned stocks and the percentage of the participating interest in the share capital of the insurance company;

8) proofs in relation to Article 14 of this Law;

9) list of persons that are associated with the persons that own qualified participating interest in the insurance company, together with a proof about the manner of association in accordance with Article 16-a of this Law;

10) with regard to the natural persons proposed for members of the management body and/or supervisory body:

- proof that the requirements prescribed in Articles 23 and 28 of this Law are met, and

- proof that the person is not a subject to limitations for election prescribed in accordance with this or other laws, and which apply to members of management body or supervisory body;

11) draft agreements for outsourcing, if the insurance company plans to authorize other entities for carrying out outsourced activities;

12) documentation on the basis of which it can be established that the insurance company has personnel, and is technically and organizationally, capable for carrying out the activities envisaged in the articles of incorporation of the insurance company with data about the information system and the

technical equipment of the insurance company;

13) elaboration of the organization and work of the Internal Audit Service and Risk Management Rules;

14) name and surname of the authorized actuary carrying out the actuarial activities in the insurance company together with a proof that the requirements prescribed in Article 110 of this Law are met;

15) name and surname of the authorized actuary who is to be designated for an internal auditor in the company, and

16) program for implementation of the measures for prevention of money laundering and financing terrorism.

(2) The legal entities intending to acquire qualified participating interest in the insurance company, in addition to the documents, data and information referred to in paragraph 1 of this Article, shall enclose the following to the application:

- articles of incorporation and a list of members of the management body of the legal entity;
- excerpt from the register where the head office of the legal entity is registered;
- copy of the stockholders book, that is, proof from another appropriate public register, and
- audit report by an authorized audit company for the last two business years.

(3) If the stockholder is a foreign legal entity or a domestic legal entity which, directly or indirectly, is in majority ownership by foreign natural persons or legal entities, in addition to the documentation referred to in paragraph 1 and 2 of this Article, the following shall be enclosed to the application for obtaining a license for carrying out insurance activities:

- 1) proof from the foreign insurance company for holding a license for carrying out insurance activities in the home state, if the foreign stockholder is an insurance company;
- 2) opinion from a foreign institution authorized for audit in the insurance company, if the foreign stockholder is an insurance company, and
- 3) audit report by a first-class audit company for the last business year, if the foreign stockholder is a legal entity which is not an insurance company.

(4) Certificate from an authorized actuary should be enclosed to the application for obtaining a license for carrying out insurance activities that the insurance company, in relation to the planned type and scope of activities, can ensure the necessary level of solvency margin.

(5) In addition to the stated data referred to in paragraphs (1), (2) and (3) of this Article, the Insurance Supervision Agency may request for additional documents, data and information and to make an interview with the proposed members of the management body and the supervisory body and the persons intending to acquire qualified participating interest in the insurance company.

Decision-making for issuing a license for carrying out insurance activities

Article 33

(1) The classes of insurance that can be carried out by the insurance company are determined in the decision on the basis of which a license for carrying out insurance activities is issued. If the license is issued for all classes of insurance within a particular group of insurance, then the group of insurance shall be written in the decision.

(2) The Insurance Supervision Agency shall issue a license for carrying out insurance activities within a particular class of insurance if the insurance company fulfills the conditions for carrying out insurance activities within that class of insurance.

(3) As an exception to paragraphs 1 and 2 of this Article, the Insurance Supervision Agency shall write in the decision for issuing a license for carrying out reinsurance activities that the license refers exclusively to reinsurance activities, as well as that it covers all classes of insurance.

Rejection of the application for obtaining a license for carrying out insurance activities

Article 34

(1) The Insurance Supervision Agency shall reject the application for obtaining a license for carrying out insurance activities, provided that:

- 1) the application does not contain the complete documentation;
- 2) the application contains incorrect and false data;
- 3) the stockholders who are holders of qualified participating interest do not have a consent in accordance with Article 18 paragraphs 1 and 2 of this Law;
- 4) the proposal for members of the management body do not have a consent for executing the office of members of the management body in accordance with Article 24 paragraph 1 of this Law;
- 5) the available data and information point to the fact that the founders of the company and/or the persons associated with it, as a consequence of the legal or financial situation, that is, the manner in which they operate or the nature of their activities, indicate a tendency of high risk which may endanger the stability, security and reputation of the insurance company, that is, its operation in accordance with the regulations;
- 6) on the basis of the submitted documentation it is established that the insurance company is not personnel, technically and organizationally qualified for carrying out the activities prescribed by the operation plan;
- 7) on the basis of the draft acts of the business policy of the insurance company it is established that conditions for carrying out the insurance activities of the insurance company are not established, in accordance with this Law;
- 8) the draft statute and the draft acts of the business policy of the insurance company are contrary to the provisions of this Law;
- 9) the calculated premiums and reserves are not sufficient for permanent and complete covering of the liabilities of the insurance company resulting from the insurance contracts, and
- 10) the insurance company does not fulfill the other conditions stipulated by this or another law, or regulation referring to carrying out insurance activities in general and/or carrying out insurance activities within a particular class of insurance which to the license for carrying out insurance activities refers.

(2) In addition to the cases referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall reject the application for obtaining a license for carrying out insurance activities in classes of mandatory insurance, as well as additional health insurance, provided that the General and Special Conditions for Policies are contrary to the provisions regulating the mandatory insurance and additional health insurance.

Articles of incorporation

Article 35

The insurance company shall adopt the articles of incorporation within a period of 60 days as of the day of adoption of the decision on the basis of which a license for carrying out insurance activities is issued.

Entry into the trade register

Article 36

(1) The insurance company shall acquire the status of a legal entity by the entry into the trade register.

(2) In addition to the documentation determined in the Law on Trade Companies, the following shall be enclosed to the application for entry into the trade register:

- 1) proof that monetary assets are paid for the share capital at a separate account with the bearer of the payment operations, that is that the foreign founder has paid the foreign currency funds at a separate account with the National Bank of the Republic of Macedonia;
- 2) license referred to in Article 31 paragraph 1 of this Law.

(3) After the completed registration in the trade register, the court shall be obliged to submit a copy of the decision on entry into the trade register to the Insurance Supervision Agency.

(4) The Insurance Supervision Agency shall keep records of the insurance companies entered into the trade register.

Commencement of operation

Article 37

(1) The insurance company shall be obliged to commence its operation within a period of six months as of the day of adoption of the decision on the basis of which a license for carrying out insurance activities is issued.

(2) The insurance company shall be obliged to inform the Insurance Supervision Agency in writing about the commencement or termination of operation within each of the classes of insurance which for it has obtained a license for carrying out insurance activities immediately upon the commencement, that is, termination.

Work plan

Article 38

(1) The work plan referred to in point 2 paragraph 1 of Article 32 of this Law shall contain:

- 1) the basis of the business policy;
- 2) classes of insurance within which the insurance company plans to carry out insurance activities;
- 3) reinsurance principles, including tables for maximum coverage for all classes of insurance;
- 4) calculation of the necessary level of solvency margin in accordance with Articles 75 or 76 of this Law;
- 5) planned amount of establishment costs, organizational costs and development costs for the company;
- 6) liquidity assessment, as well as the financial sources necessary for fulfillment of the liabilities and provision of the necessary level of solvency margin, and
- 7) elaboration together with projection of the expected business results for at least three-year period, first of all about the expected income from premiums, expected losses, expenses for implementation of the insurance, expected profit, expected indemnification, as well as the amount of the technical and other reserves.

(2) If the work plan refers to reinsurance activities, then it shall contain only the provisions prescribed in points 1, 4, 5, and 7 referred to in paragraph 1 of this Article.

(3) If the insurance company intends to carry out insurance activities including the activities referred to in point 18 paragraph 1 of Article 5 of this Law, the work plan should include specification of available funds of the insurance company necessary for fulfillment of the non-monetary liabilities (help funds) resulting from that class of insurance.

(4) The insurance company shall be obliged to annually prepare a work plan that shall contain the provisions prescribed in paragraph 1 of this Article, except for points 5 and 7. The insurance company

shall submit the work plan to the Insurance Supervision Agency for the following year by 31st December in the current year, at the latest.

(5) In addition to the work plan, the insurance company shall be obliged, for each business year, to adopt an act for risk management in accordance with the provisions prescribed in Part Four of this Law and to submit it to the Insurance Supervision Agency within the period determined in paragraph (4) of this Article.

Acts on business policy

Article 39

(1) Acts on the business policy of the insurance company shall be:

- 1) general and specific conditions for insurance according to classes of insurance;
- 2) tariffs for premiums according to groups and classes of insurance together with structure of the premium in accordance with Articles 78 and 79 of this Law;
- 3) rulebook for establishment of technical provisions of the insurance and policy for fund management;
- 4) rulebook for placing the funds from the technical provisions;
- 5) act on establishment, management and use of mathematical provisions for life insurance and other groups of insurance where the tables of mortality and other similar probability tables and calculations are applied and calculations referring to life insurance;
- 6) rulebook for establishment of fund for prevention and management and use of the fund, provided that the establishment of the fund for prevention is stipulated by the statute of the company;
- 7) program for the necessity of reinsurance, in accordance with Article 100 of this Law, and
- 8) rulebook for realization of regresses.

(2) The acts referred to in paragraph 1 of this Article shall be prepared for all the mandatory insurance as well.

Expiry of the license for carrying out insurance activities

Article 40

(1) The license for carrying out insurance activities in particular classes of insurance, or for all classes of insurance for which the company holds a license for carrying out insurance activities, shall expire if:

- 1) the insurance company does not commence its operation within a period of six months as of the day of adoption of the decision for issuing a license for carrying out insurance activities;
- 2) the insurance company does not adopt articles of incorporation within a period of 60 days as of the day of adoption of the decision for issuing a license for carrying out insurance activities;
- 3) the insurance company notifies the Insurance Supervision Agency in writing that it is to terminate to carry out insurance activities;
- 4) upon initiation of a bankruptcy procedure;
- 5) upon initiation of liquidation; and
- 6) upon transfer of all insurance contracts to another insurance company.

(2) In case of occurrence of the events referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall adopt a decision on expiry of the license for carrying out insurance activities.

(3) The insurance company cannot conclude insurance contracts:

- 1) in the cases referred to in points 1 to 3 of paragraph 1 of this Article, as of the day of adoption of the decision referred to in paragraph 2 of this Article;
- 2) in the case referred to in point 4 of paragraph 1 of this Article as of the day of announcement of the initiation of the bankruptcy procedure at the notice board of the competent court;

3) in the case referred to in point 5 of paragraph 1 of this Article upon expiry of the periods referred to in paragraph 2 of Article 169 of this Law, depending on the basis for initiation of liquidation, and
4) in the case referred to in point 6 of paragraph 1 of this Article as of the day the insurance company has been granted a license for transfer of the insurance contracts by the Insurance Supervision Agency.

3. License for introduction of a new class of insurance

Article 41

(1) The insurance company holding a license for carrying out insurance activities within particular classes of insurance shall be obliged, for the purpose of carrying out insurance activities within other classes of insurance, to obtain a license for introduction of a new class of insurance by the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall reject the application for obtaining a license for introduction of a new class of insurance if:

1) it is established that by the introduction of a new class of insurance, the work of the insurance company may be endangered in accordance with the risk management rules, and
2) the insurance company does not fulfill the other conditions for carrying out insurance activities within the classes of insurance which for an application for obtaining a license has been submitted.

(3) In relation to the license for introduction of a new class of insurance referred to in paragraph 1 of this Article, the provisions of Articles 32 to 34, 38 to 40 of this Law shall apply, unless otherwise defined by this Law.

4. License for transfer of insurance portfolio

Transfer of insurance portfolio

Article 42

(1) The insurance company may, by contract, transfer the insurance contracts within one or more classes of insurance (hereinafter: insurance portfolio), together with the funds which cover the technical provisions and/or mathematical provisions, in the amount of the technical provisions and/or mathematical provisions that should be set aside for the insurance portfolio which is a subject of the transfer to another insurance company.

(2) Consent by the insureds shall be needed for the transfer of the insurance portfolio.

(3) The contracts referred to in paragraph 1 of this Article shall enter into force on the day when the Insurance Supervision Agency adopts a decision for issuing a license for transfer of insurance portfolio.

(4) The insurance company that takes over the insurance portfolio shall be obliged, within a period of five days consecutively, to inform the insureds about the transfer in at least two daily newspapers on the territory of which the risks are covered by the insurance portfolio.

(5) The insurance company may transfer the insurance portfolio to:

1) another insurance company having head office in the Republic of Macedonia;
2) insurance company from a member state or its branch office in the Republic of Macedonia or any other member state, and
3) branch office of a foreign insurance company in the Republic of Macedonia.

Application for obtaining a license for transfer of insurance portfolio

Article 43

The application for obtaining a license for transfer of insurance portfolio shall contain:

- 1) list of insurance contracts according to particular classes of insurance that are subject to the transfer, as well as the general and special conditions for insurance of these insurance contracts and appropriate calculations about the technical provisions and/or mathematical provisions;
- 2) data about the funds that cover the technical provisions and/or mathematical provisions, indicating their scope and data on the basis of which the scope can be checked;
- 3) changes in the work plan of the insurance company that takes over the insurance portfolio, resulting from the transfer, and
- 4) contract for transfer of insurance portfolio.

Adoption of a decision for issuing a license for transfer of insurance portfolio

Article 44

(1) The Insurance Supervision Agency shall reject the application for obtaining a license for transfer of insurance portfolio if the amount of funds that cover the technical provisions and/or mathematical provisions are lower than the technical provisions and/or mathematical provisions that should have been set aside for the insurance portfolio that is a subject of the transfer, or if there are other conditions that endanger the interests of the insureds.

(2) In the cases referred to in points 1 and 3 of paragraph 5 of Article 42 of this Law, the Insurance Supervision Agency shall reject the application for obtaining a license for transfer of insurance portfolio if the insurance company that takes over the insurance portfolio does not meet the requirements for carrying out insurance activities within the classes of insurance containing the insurance portfolio or if due to taking over of the insurance portfolio, the operation of the insurance company may be endangered in accordance with the risk management rules.

(3) If the insurance company transfers the insurance portfolio to its branch office in a member state, prior to the adoption of a decision for issuing a license for transfer of insurance portfolio, the Insurance Supervision Agency shall be obliged to require an opinion from the competent supervisory body in the member state. If the competent body does not respond within a period of three months as of the receipt of the application for opinion, it shall be deemed that it does not object the transfer of the insurance portfolio.

(4) In the case referred to in point 2 paragraph 5 of Article 42 of this Law, the Insurance Supervision Agency shall issue a license for transfer of insurance portfolio only if the competent supervisory body of the member state issues a certificate that the insurance company of a member state ensures the necessary level of solvency margin upon the conducted transfer of the insurance portfolio.

(5) If in the case referred to in paragraph 4 of this Article, the insurance portfolio covers risks on the territory of some other member state, the Insurance Supervision Agency shall issue a license for transfer of insurance portfolio, provided that the competent supervisory body of that state agrees with the transfer. If the competent supervisory body of that state does not issue a consent within a period of three months as of the receipt of the application for obtaining a consent, it shall be deemed that it does not object the transfer of the insurance portfolio.

(6) The provisions referred to paragraph 4 of this Article shall apply to the transfer of insurance portfolio to a branch office of a Swiss insurance company in the Republic of Macedonia as well.

(7) If the foreign insurance company requests consent from the Insurance Supervision Agency for the transfer of insurance portfolio to its branch office in a member state, then the Insurance Supervision Agency shall be obliged to decide upon the request.

(8) If the insurance company of a member state plans to transfer the insurance portfolio to its branch office in the Republic of Macedonia, the Insurance Supervision Agency shall be obliged, within a period of three months as of the receipt of the application for consent, to inform the competent supervision body of the member state for the possible objection against the transfer.

(9) If a certificate for transfer of the insurance portfolio of the insurance company of a member state in accordance with paragraph 4 of this Article is required by the Insurance Supervision Agency, the Insurance Supervision Agency shall be obliged to issue an appropriate certificate or to reject to issue a certificate.

(10) If the insurance company of a member state intends to transfer the insurance portfolio to another insurance company from another member state and the insurance portfolio which is subject to the transfer covers risks on the territory of the Republic of Macedonia, then the Insurance Supervision Agency may reject to issue a consent for transfer in accordance with paragraph 5 of this Article, provided that the interests of the insureds are endangered. The decision for rejection for issuing consent shall be adopted within a period of three months as of the receipt of the notification for the planned transfer by the competent supervision body of the member state.

5. License for outsourcing

Contract for outsourcing

Article 45

(1) The agreement for outsourcing shall constitute an agreement whereby the insurance company transfers a substantial part of its activities to another insurance company or another legal entity.

(2) In terms of this Law, the following shall be considered outsourcing:

- 1) management of funds that cover the technical provisions or mathematical provisions of the insurance company;
- 2) effectuation of indemnification claims, and
- 3) keeping the accountancy.

(3) The agreement for outsourcing shall state that the entity that accepts to carry out the outsourcing shall be obliged to provide the insurance company with the data in accordance with paragraph 2 of Article 47 of this Law which the insurance company may use only for the purposes referred to in paragraph 2 of Article 47 of this Law.

License for outsourcing

Article 46

(1) The Insurance Supervision Agency shall reject the application for obtaining a license for outsourcing, if the interests of the insureds are endangered due to the type and scope of outsourced activities, or provided that the outsourcing substantially disables or impedes the conduct of the supervision of the insurance company.

(2) As for issuing a license for outsourcing, the Insurance Supervision Agency may require fulfillment of additional requirements by the entities that accept to carry out the outsourced activities, provided that it is necessary for the protection of the interests of the insureds.

Supervision over the performance of outsourced activities

Article 47

(1) The provisions of this Law referring to supervision of insurance companies shall apply to the entities that accept to carry out the outsourced activities as well.

(2) The insurance company shall be obliged to submit data about the legal status, financial situation and work of the entity with which the agreement for outsourcing has been concluded with to the Insurance Supervision Agency.

(3) The Insurance Supervision Agency shall revoke the license for outsourcing if:
1) the cases stipulated in paragraph 1 of Article 46 of this Law occur, and
2) the entity that accepts to carry out the outsourced activities does not fulfill the requirements referred to in paragraph 2 of Article 46 of this Law.

6. License for status changes

Article 48

(1) As for the status changes, the insurance company shall be obliged to obtain a license for status changes by the Insurance Supervision Agency.

(2) Status changes, in terms of paragraph 1 of this Article, shall refer to the merge of insurance companies, acquisition of one company by another, or division of the insurance company into several independent insurance companies.

(3) In relation to the license for status changes referred to in paragraph 1 of this Article, the provisions of Articles 32 to 39 of this Law shall apply, unless otherwise determined by this Law.

(4) The decision for issuing the license referred to in paragraph 1 of this Article shall be adopted together with the decision for issuing a license for carrying out insurance activities referred to in Article 31 paragraph 1 of this Law, unless the application for obtaining a license referred to in paragraph 1 of this Article is submitted after the insurance company has been granted a license for carrying out insurance activities.

Chapter 2

TERMS AND CONDITIONS OF POLICIES AND NOTIFICATIONS TO THE INSURED

Insurance contracts and General Policy Conditions

Article 49

(1) If the insurance covers risks on the territory of the Republic of Macedonia the insurance contract shall in particular contain the following data:

- 1) occurrences on the basis of which the obligation of the insurance company for payment under the insurance contract is created, as well as occurrences on the basis of which the obligation of the insurance company terminates;
- 2) manner of carrying out, scope and due date of obligations of the insurance companies;
- 3) the amount and the conditions for payment of the premium, as well as the legal consequences in case of non-payment;
- 4) validity period of the insurance contract, where the following should be in particular indicated:
 - manner of automatic renewal of the insurance contract;
 - manner in which the insurance contract can be cancelled, partially or completely terminated, as well as the obligations of the insurance company in these cases;

- 5) the consequences from the claims resulting from the insurance contracts in case of missing the anticipated deadlines;
- 6) the name of the insurance agent, the name of the insurance agency, that is, the insurance brokerage company, if the insurance contract is concluded by an agent, agency, that is, insurance brokerage company;
- 7) necessary activities that the insured should undertake in case of occurrence of insured case in direction of effectuation of the claim to the insurance company;
- 8) in relation to life insurance, deadlines and conditions, as well as the amounts of advance payments in accordance with the insurance policies, deadlines and conditions referring to participation of the insureds in the profit of the insurance company, as well as the criteria for calculation of their participation, and conditions and methods for calculation and payment of the redemption value.

(2) In case of insurance of the legal protection referred to in point 17 paragraph 2 of Article 5 of this Law, it shall be clearly stated in the insurance contract that the insurance company covers only the costs for legal protection through attorneys at law or another person designated by the insurance company.

(3) The insurance contract must not be contrary to the provisions of other laws regulating the insurance contract.

Notification of the insureds when concluding insurance contracts

Article 50

(1) If the insured is a natural person, the insurance company, the insurance brokerage company, the insurance agency or the insurance agent shall be obliged, at conclusion of the insurance contract referred to in Article 49 of this Law, in writing, to notify the person about the following:

- 1) the name, legal status, head office and address of the insurance company, as well as the branch office through which the insurance contract has been concluded;
- 2) the name, legal status, head office, address and contract telephone of the insurance agency or the insurance brokerage company, in case when the insurance contract has been concluded through the insurance agency or the insurance brokerage company;
- 3) the general and special conditions of the policies that apply to the insured and the insurer and the law that regulates the insurance contract;
- 4) cases when the general and special conditions for the policy do not apply in the relationship between the insurer and the insured, execution, volume and due date of the obligations of the insurance company;
- 5) validity period of the insurance contract;
- 6) the amount of the premium, as well as intersections of the premium per separate risks (if risks resulting from several classes of insurance are covered by the insurance contract) and the amount of the taxes, duties and other costs on the basis of the premium and the total amount that should be paid;
- 7) right to extension or termination of the insurance contract;
- 8) direction to the Insurance Supervision Agency, as a competent body for supervision of the insurance company with which an appeal can be filed against the insurance companies and the insurance brokerage companies, the insurance agencies and the insurance agents;
- 9) manner of submitting the indemnification claim to the insurance company, and in the case when the insurance contract is concluded through an insurance brokerage company, notification of the insured about its capability to ask for help by the insurance brokerage company in case of occurrence of the insured case as well;
- 10) manner of submission of an objection, that is, appeal against the operation of the insurance company, the insurance agency, that is, the insurance brokerage company and the manner of out-of-court resolution of disputes between the contracting parties, and
- 11) the body competent for supervision over the operation of the insurance company.

(2) In case of life insurance or insurance against consequences of an accident with the right to recovery of a part of the insurance premium, the notification to the insured, in addition to the stated

data referred to in paragraph 1 of this Article, should also contain data about:

- 1) basis and criteria for distribution of the profit;
- 2) table for the purchased value of the policy;
- 3) minimum premium and minimum duration of the insurance necessary for capitulation of the insurance contract and the rights enjoyed by the insured in that case;
- 4) in the case when the investment risk is borne by the insured, funds set aside for covering the mathematical reserve for that insurance, as well as the investment structure of these funds, and
- 5) tax regulations referring to the insurance.

Notification to the insured during the validity period of the insurance contract

Article 51

(1) During the validity period of the insurance contract referred to in Article 49 of this Law, the insurance company, the insurance brokerage company, the insurance agency or the insurance agent shall be obliged to notify the insured about:

- 1) change of the name, legal status, head office or address of the insurance company, or the branch office through which the insurance contract has been concluded through mass media;
- 2) change of the data referred to in Article 50 of this Law or the data referred to in points 1 to 4 of paragraph 2 of Article 50 of this Law, provided that these changes have occurred as a result of the change of any regulations.

(2) During the validity period of the insurance contract referred to in Article 50 paragraph (2) of this Law, the insurance company, the insurance brokerage company, the insurance agency or the insurance agent shall be obliged, once a year, to notify the insureds about its participation in the profit.

Content of the General and Special Terms and Conditions of Policies and notifications about the policies

Article 52

The text of the General and Special Terms and Conditions of Policies and the notification referred to in Articles 50 and 51 of this Law should be prepared in clear and comprehensible manner, in Macedonian language.

Chapter 3

CARRYING OUT INSURANCE ACTIVITIES OUTSIDE THE TERRITORY OF THE REPUBLIC OF MACEDONIA

Carrying out insurance activities in member states

Article 53

(1) The insurance company, through a branch office or directly, may carry out insurance activities on the territory of the member state for those classes of insurance for which the Insurance Supervision Agency has granted a license for carrying out insurance activities on the territory of the Republic of Macedonia, provided that it fulfills the requirements in accordance with the regulations of that member state.

(2) If the insurance company concludes insurance contracts that cover risks in the member state, it shall be deemed that it carries out insurance activities in that member state.

(3) Paragraph 2 of Article 10 of this Law shall apply when determining the state where the risks are to be covered.

Commencement of performance of insurance activities in a member state

Article 54

(1) The insurance company that intends to commence to perform insurance activities in a member state shall be obliged to previously notify the Insurance Supervision Agency thereof and thus note the member state. The notification shall contain a description of the insurance activities to be carried out by the company, the type and the volume of the activities according to particular classes of insurance, supplemented work plan, as well as a certificate in accordance with paragraph 2 of Article 32 of this Law.

(2) If the insurance company intends to open a branch office in a member state, then the notification referred to in paragraph 1 of this Article shall also contain:

- 1) the names of the persons that shall manage the branch office;
- 2) address of the branch office in the member state, wherefrom documentation can be obtained.

(3) The Insurance Supervision Agency shall be obliged, within a period of one month at the latest, to submit the notification referred to in paragraphs 1 and 2 of this Article to the competent body for supervision of the member state and to notify the insurance company thereof.

(4) In addition to the notification referred to in paragraphs 1 and 2 of this Article, the Insurance Supervision Agency shall be obliged to submit the following to the competent body for supervision of the member state:

- 1) document on the basis of which it can be determined that the insurance company provides the necessary level of solvency margin;
- 2) data about the classes of insurance that the insurance company has the right to carry out in accordance with the license for carrying out insurance activities.

(5) The insurance company may commence carrying out the insurance activities on the territory of a member state upon the receipt of the notification referred to in paragraph 3 of this Article.

(6) As an exception of the provisions referred to in paragraph 3 of this Article, the Insurance Supervision Agency shall reject to submit a notification to the competent body for supervision of the member state if, on the basis of the presented data and documentation referred to in paragraph 1 and 2 of this Article, as well as depending on the planned volume of work, it is determined that the insurance company does not provide the necessary level of solvency margin or if upon the commencement of carrying out insurance activities in the member state, the work of the insurance company shall be endangered in accordance with the risk management rules.

(7) At the existence of the occurrences referred to in paragraph 6 of this Article, the Insurance Supervision Agency shall impose a prohibition on the insurance company for carrying out the insurance activities in the member state.

Changes in relation to the data stated in the notification

Article 55

(1) The provisions of Article 54 of this Law shall also apply in the case when the insurance company that has commenced the performance of insurance activities in a member state in accordance with

paragraph 5 of Article 54 of this Law intends to extend its operation to other classes of insurance that are not stated in the notification referred to in paragraph 1 and 2 of Article 54 of this Law or changes have occurred in other occurrences or conditions.

(2) In the cases referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall be obliged to notify the competent body for supervision of the member state in accordance with paragraph 3 of Article 54 of this Law.

(3) In addition to the provisions referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall be obliged to notify the competent body for supervision of the member state, provided that the insurance company no longer provides the necessary level of solvency margin.

Supervision of performance of insurance activities in a member state

Article 56

(1) The Insurance Supervision Agency shall supervise the operation of the branch offices of the insurance company in the member state, as well as the direct performance of the insurance activities in the member state.

(2) The Insurance Supervision Agency may request from the competent body for supervision of the member state where the insurance company carries out insurance activities to conduct supervision over the operation of the branch office in that member state if it helps to conduct the supervision faster and in a more simple manner or if it is in accordance with the principles of efficiency, effectiveness and cost-effectiveness of the procedure. In this case, the authorized persons of the Insurance Supervision Agency may participate in the supervision conducted by the competent body for supervision of the member state.

(3) If the insurance company that carries out insurance activities in a member state and despite the reprimand by the competent supervisory body of the member state, continues to disobey the legislation of that member state, then the Insurance Supervision Agency shall take measures for supervision in accordance with this Law. The Insurance Supervision Agency shall be obliged to forthwith notify the competent supervisory body of the member state about the measures taken.

(4) If the Insurance Supervision Agency revokes the license for carrying out insurance activities of the insurance company on the territory of the Republic of Macedonia, the Insurance Supervision Agency shall be obliged to forthwith notify the competent supervisory body in the member state where the insurance company carries out insurance activities.

Submission of reports for the work in a member state

Article 57

(1) The insurance company that carries out insurance activities in a member state shall be obliged to submit annual report to the Insurance Supervision Agency about the operation in each member state separately. Separate report shall be prepared for the insurance activities carried out through branch offices and for the insurance activities carried out directly.

(2) The report referred to in paragraph 1 of this Article should contain data about premiums, damages and provisions, including the ones related to reinsurance.

(3) The Insurance Supervision Agency shall in detail prescribe the content of the reports and the deadline for submission of the reports.

(4) Upon a request of the competent supervisory body of the member state, the Insurance Supervision Agency shall submit collective information about the data from the reports referred to in paragraph 1 of this Article.

Performance of insurance activities in a foreign state

Article 58

(1) The insurance company may carry out insurance activities in a foreign state only through a branch office.

(2) The insurance company shall be obliged to obtain a license for establishment and operation of a branch office in a foreign state by the Insurance Supervision Agency.

(3) When adopting a decision for issuing a license for establishment and operation of a branch office abroad, the provisions of paragraphs 1, 2, 4, 5, and 6 of Article 54 of this Law shall apply.

(4) The Insurance Supervision Agency shall also reject to issue a license of establishment and operation of a branch office abroad if, taking into account the regulations of the state where the branch office is established and/or taking into account the practice acquired by application of these regulations in that state, there is a possibility to seriously impede the supervision under the provisions of this Law.

Chapter 4

FREE PERFORMANCE OF INSURANCE ACTIVITIES BY INSURANCE COMPANY FROM A MEMBER STATE

Insurance company from a member state

Article 59

(1) Insurance company that has a license for carrying out insurance activities of particular classes of insurance in a member state shall have the right to carry out insurance activities on the territory of the Republic of Macedonia for these classes through a branch office or directly.

(2) In relation to the operation of the insurance company referred to in paragraph 1 of this Article or a branch office of the company on the territory of the Republic of Macedonia shall apply the following provision of this Law:

- 1) Articles 49 to 52 of this Law;
- 2) Article 145 of this Law, and
- 3) the provisions of the law that regulates the mandatory insurance.

Commencement of performance of insurance activities

Article 60

(1) The branch office of the insurance company of a member state may commence carrying out insurance activities in the Republic of Macedonia if the competent body for supervision of the member state:

- 1) notifies the Insurance Supervision Agency about the data referred to in paragraph 1 and 2 of Article

54 of this Law wherefore it has been previously notified by the insurance company, and 2) submits the documentation in accordance with paragraph 4 of Article 54 of this Law.

(2) The branch office of the insurance company of a member state may commence the performance of insurance activities in the Republic of Macedonia after the expiry of the two month period calculated as of the day when the Insurance Supervision Agency has received the notification of the competent body for supervision of the member state, in accordance with paragraph 1 of this Article.

(3) The provisions of point 2 of paragraphs 1 and 2 of this Article shall apply to each change of the classes of insurance within which the insurance company carries out insurance activities in the member state.

(4) The branch office of the insurance company of a member state shall be obliged to stop carrying out insurance activities in the Republic of Macedonia if:

- 1) the competent supervisory body of the member state decides that the insurance company does not have at its disposal enough capital for further performance of insurance activities through a branch office, or
- 2) the license for carrying out insurance activities of the insurance company in the member state expires.

(5) In addition to the provisions referred to in paragraph (1) of this Article, the insurance company from a member state may commence the performance of insurance activities for mandatory insurance on the territory of the Republic of Macedonia, provided that the Insurance Supervision Agency submits a document issued by the National Bureau for Insurance proving that the insurance company is its member and that it fulfills the requirements under the Law on Mandatory Traffic Insurance.

(6) In addition to the provision referred to in paragraph 1 of this Article, the insurance company from a member state may commence carrying out mandatory insurance activities at transport or additional health insurance, provided that the Insurance Supervision Agency obtains approval for the General and Special Terms and Conditions of Policies in relation to these classes of insurance.

Supervision of the insurance company from a member state

Article 61

(1) Supervision of the insurance company from a member state that carries out insurance activities on the territory of the Republic of Macedonia shall be conducted by the competent supervisory body of the member state.

(2) The competent supervisory body of the member state or its authorized persons shall have the right to conduct supervision over the operation of the insurance company on the territory of the Republic of Macedonia.

(3) In the case referred to in paragraph 1 of this Article, the competent supervisory body of a member state or its authorized persons, shall have the same authorizations as the Insurance Supervision Agency in accordance with the provisions referred to in Articles 204 to 210 of this Law.

(4) The Insurance Supervision Agency shall be obliged, on request of the competent supervisory body of the member state, to conduct supervision over the operation of the insurance company from that member state on the territory of the Republic of Macedonia.

(5) As an exception to the provisions referred to in paragraphs 1 to 4 of this Article, the Insurance Supervision Agency shall be obliged to supervise the operation of the insurance company from a member state on the territory of the Republic of Macedonia in relation to paragraph 2 of Article 59 of this Law and in accordance with the provisions of Articles 204 to 210 of this Law.

Measures of supervision of insurance companies from a member state

Article 62

- (1) If the insurance company from a member state on the territory of the Republic of Macedonia does not comply with the provisions referred to in paragraph 2 of Article 59 of this Law, the Insurance Supervision Agency shall issue an order for elimination of the illegalities.
- (2) If the insurance company from the member state does not harmonize the operation within a period anticipated by the order referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall be obliged to inform the competent body for supervision of the member state thereof.
- (3) In regard to the illegalities made on the territory of the Republic of Macedonia by the insurance company from a member state, the Insurance Supervision Agency shall determine an additional measure – prohibition to conclude new insurance contracts, provided that the events referred to in point 10 of paragraph 2 of Article 167 of this Law occur.
- (4) Before the measure referred to in paragraph 3 of this Article is determined, the Insurance Supervision Agency shall be obliged to inform the competent body for supervision of the member state thereof.
- (5) As an exception to the provisions referred to in paragraph 4 of this Article, the Insurance Supervision Agency may temporarily impose a prohibition to conclude new insurance contracts to the insurance company from a member state, without prior notification to the competent body for supervision of the member state, provided that it is done for the purpose of protecting the interests of the insureds.
- (6) The Insurance Supervision Agency shall be obliged to inform the competent supervisory body of the member state and the European Commission about the temporary imposition of the prohibition to conclude new insurance contracts within the shortest possible period.

Chapter 5

PERFORMANCE OF INSURANCE ACTIVITIES BY A FOREIGN INSURANCE COMPANY

Performance of insurance activities by a foreign insurance company

Article 63

- (1) A foreign insurance company may carry out insurance activities on the territory of the Republic of Macedonia solely through a branch office.
- (2) The following requirements should be met for establishment and operation of a branch office of a foreign insurance company:
 - 1) two managers, to whom the provisions of Articles 22 to 25 and 27 of this Law shall apply, to manage the operation of the branch office;
 - 2) the branch office should be appropriately equipped with personnel, technically and organizationally capable for carrying out the activities anticipated by the work plan of the branch office;
 - 3) the branch office should have enough capital at its disposal, the provisions of Articles 75 or 76 of this Law shall apply in relation to the capital of the branch office, and
 - 4) the branch office shall be obliged, on the territory of the Republic of Macedonia, to dispose with funds in the amount of at least one half of the guarantee fund referred to in Article 77 paragraph (2)

of this Law, as well as at a special account with the National Bank of the Republic of Macedonia to deposit monetary funds as a guarantee for covering the liabilities resulting from the insurance contracts concluded on the territory of the Republic of Macedonia and/or covering the risks in the Republic of Macedonia in the amount of one fourth of the guarantee fund referred to in Article 77 paragraph (2) of this Law (hereinafter: guarantee deposit).

(3) In relation to the operation of the branch office of a foreign insurance company, the following provisions of this Law shall apply:

- 1) Article 49 to 52 of this Law;
- 2) Article 145 of this Law;
- 3) the provisions of the law that regulates the mandatory insurance, and
- 4) the provisions of Parts 4, 5 and 7 of this Law.

(4) In relation to the supervision of a foreign insurance company and its branch office established on the territory of the Republic of Macedonia, the provisions of Part 11 of this Law shall apply.

License for establishment of a branch office

Article 64

(1) A foreign insurance company shall be obliged, for establishment and operation of a branch office on the territory of the Republic of Macedonia, to obtain a license for establishment and operation by the Insurance Supervision Agency.

(2) The following shall be enclosed to the application for obtaining a license for establishment and operation of a branch office of a foreign insurance company:

- 1) statute of the branch office;
- 2) copy of the decision for entry into the trade register or another relevant register kept in the state where the head office of the insurance company that establishes the branch office is located;
- 3) statute and other acts that regulate the operation of the insurance company that establishes the branch office;
- 4) audited financial reports for the last three business years of the insurance company that establishes the branch office;
- 5) document with data about the owners and the amount of stocks with the right to management in the insurance company that establishes the branch office, provided that the owners of the insurance company that establishes the branch office are not written in the document referred to in point 2 of this paragraph;
- 6) copy of the decision for entry into the trade register or relevant register in the state where the head office of the legal entities holding qualified participating interest in the insurance company that establishes the branch office is located;
- 7) work plan for period of two years, in accordance with Article 38 of this Law;
- 8) statement that the branch office shall keep records and shall keep the complete documentation in relation to its operation in the head office of the branch office in the Republic of Macedonia;
- 9) additional documentation confirming that the minimum capital is provided, as well as that the guarantee deposit is paid in;
- 10) documentation on the basis of which is it established that the branch office is personnel, technically and organizationally capable of carrying out the activities stated in the application for obtaining a license for establishment and operation of a branch office.

(3) In relation for issuing a license for establishment and operation of a branch office of a foreign insurance company, the provisions of Articles 32 to 34 of this Law shall accordingly apply.

(4) The Insurance Supervision Agency shall reject to issue a license for establishment of a branch office of a foreign insurance company if:

- 1) taking into account the regulations in the state where the head office of the insurance company that establishes a branch office is located, and/or taking into account the practice obtained by

application of these regulations, there is a possibility to seriously impede the conduct of supervision in accordance with the provisions of this Law, or 2) the insurance companies with head office in the Republic of Macedonia cannot carry out insurance activities in the state where the head office of the insurance company that establishes the branch office is located, or due to the regulations of that state or practice obtained by application of these regulations, the insurance companies with head office in the Republic of Macedonia do not have a competitive possibility for carrying out insurance activities, as well as the national insurance companies.

Special provision for establishment and operation of a branch office of a Swiss insurance company

Article 65

(1) Before a decision for issuing a license for establishment and operation of a branch office of a Swiss insurance company is adopted, the Insurance Supervision Agency shall be obliged to notify and in the same time to request an opinion from the competent supervisory body of the Swiss Confederation. If the competent supervisory body of the Swiss Confederation does not respond in a period of three months as of the receipt of the notification, it shall be deemed that there is no obstacle for opening and operation of a branch office.

(2) Before a decision for revocation of the license for establishment and operation of a branch office of a Swiss insurance company is adopted, the Insurance Supervision Agency shall be obliged to notify and in the same time require an opinion from the competent supervisory body of the Swiss Confederation. If in the period prior to obtaining an opinion, the Insurance Supervision Agency imposes a prohibition to conclude new insurance contracts on the branch office of the Swiss insurance company, it shall forthwith notify the competent supervisory body of the Swiss Confederation thereof.

Chapter 6

CONSENT

Consent

Article 66

(1) Insurance company shall be obliged to request previous consent from the Insurance Supervision Agency for:

- 1) change of the statute;
- 2) change of the articles of incorporation;
- 3) investments of the insurance company in stocks and shares in another legal entity that amount more than 10% of the capital of the insurance company;
- 4) change of the members of the management body; and
- 5) change of the name and head office of the insurance company.

(2) The Insurance Supervision Agency shall in detail prescribe the manner, procedure and documentation necessary for obtaining a consent referred to in paragraph 1 of this Article.

PART FOUR

RISK MANAGEMENT

Chapter 1

General Provisions

Risk management

Article 67

(1) The insurance company shall be obliged at any time to have available an appropriate capital in proportion to the scope of operation and the classes within the framework of which it carries out insurance activities, as well as the risks to which it is exposed in the performance of the referred activities (hereinafter: capital).

(2) The insurance company shall be obliged to operate in a manner that ensures the risks, anticipated by this Law, to which the insurance company is exposed in the performance of the insurance activities not to be surpassed.

(3) The insurance company shall be obliged to operate in a manner that will enable, at any time, to cover the due debts (liquidity), as well as regular coverage of all its duties (solvency).

Chapter 2

CAPITAL OF THE INSURANCE COMPANY

Capital of the insurance company

Article 68

The capital of the insurance company shall consist of basic and additional capital and shall be calculated in a manner determined in accordance with the provisions of this Chapter.

Basic capital

Article 69

(1) When calculating the basic capital of the insurance company, the following items shall be considered:

- 1) paid in share capital excluding the share capital of the cumulative priority stocks;
- 2) provisions of the company (legal and statutory) that do not arise from the insurance contracts;
- 3) undistributed transferred profit and
- 4) undistributed profit from the current year (after taxes and other contributions, as well as the payable dividend anticipated), if the amount of the profit is confirmed by an authorized auditor.

(2) When calculating the basic capital of the insurance company, the following items shall be considered as deductible:

- 1) personal stocks owned by the insurance company;
- 2) long-term non-material assets;
- 3) not covered transferred loss and loss in the current year and
- 4) other potential liabilities that the insurance company is obliged to show in the off-balance sheet.

Technical provisions

Article 70

(1) Technical provisions shall be funds intended to cover the liabilities of the insurance contracts during a longer period of time.

(2) The insurance company shall be obliged to set aside at least one third of the generated profit stated after the financial reports in the technical provisions at least, unless the profit is used to cover the losses of the previous years.

(3) The insurance company that has formed technical provisions of minimum 50% of the generated monthly insurance premium in the last two years, wherefore the premiums of the previous years are increased for the retail price increase index, considering as well the year when the generated profit is distributed, shall not be obliged to set aside from the profit in the technical provisions.

(4) Article 485 of the Law on Trade Companies that refers to the general mandatory reserve shall apply to the insurance companies.

Additional capital

Article 71

(1) When calculating the additional capital of the insurance company the following items shall be considered:

- 1) paid stockholders' capital from cumulative priority stocks;
- 2) subordinated debt instruments;
- 3) securities with indefinite due period.

(2) When calculating the capital of the insurance company, the additional capital referred to in paragraph 1 of this Article shall only be considered in the amount not exceeding 50% of the basic capital referred to in Article 69 of this Law.

(3) Subordinated debt instruments shall be securities and other financial instruments, that in case of bankruptcy or liquidation of whosoever has issued them, may be collected only after settling the other liabilities of the issuer, and that according to their due date and other features are appropriate for covering potential losses that have arisen as a result of the risks to which the insurance company is exposed.

Calculation of the insurance company's capital

Article 72

When calculating the insurance company's capital, the amount of the basic and additional capital shall be deduced by the following items:

- 1) investments of the insurance company in stocks or subordinated debt instruments issued by another insurance company or another financial institution where the particular insurance company has more than 10% shares, as well as other investments in those entities, included in the calculation of the capital of those entities and
- 2) investments of the insurance company in stocks or subordinated debt instruments, issued by insurance companies or financial institutions except those stated in point 1 of this paragraph, that exceed the amount of 10% of the capital of the investment company, calculated before deducting the items stated in point 1 of this paragraph.

Investment in the insurance company's capital

Article 73

- (1) The insurance company shall be obliged to keep the funds of the insurance company's capital on the accounts and placements in the Republic of Macedonia.
- (2) Certain limitations on the investments in the insurance company's capital may amount up to:
 - 1) 60% of the capital for investments in real estates, as well as for capital investments in other insurance companies, financial institutions and other legal entities and
 - 2) 15% of the capital for investments in advance payments and loans that according to the General Terms and Conditions of the insurance are approved by the company, by presenting its policies for which the premium has been paid on time, whereas the separate investment of the insurance company is such loans cannot exceed 1% of the capital.
- (3) The insurance company may invest the funds of the capital in banks (except for capital investments) and may approve loans for legal entities by ensuring bank guarantee without limitations, thus obeying the principles of liquidity, safety and profitability.
- (4) The loans referred to in paragraph 3 of this Article shall be approved with a time period for returning of one year at the most.
- (5) The total financial investments of the insurance company in a bank may amount 25% of the insurance company's capital, at the most.
- (6) The total financial investments of the investment company at an individual entity that is not a bank, may amount up to 10% of the investment company's capital, at the most.
- (7) Total financial investments, in terms of this Article, shall be considered capital investments of the insurance company (investments in stocks), debtor's securities bought, approved loans, approved bank deposits, as well as calculated interest rate on the basis of such investments.
- (8) Total investments in terms of this Article shall be considered total financial investments and investments in immovables (land and construction facilities).

Risk management regulations

Article 74

The Insurance Supervision Agency shall in detail prescribe:

- 1) the manner and degree to which certain items will be used when calculating the capital and the necessary level of solvency margin of the insurance company;
- 2) the types and description of items that will be considered when calculating the capital of the insurance company;
- 3) the features of the subordinated debt instruments referred to in paragraph 3 of Article 71 of this Law;
- 4) the rules for calculation of the necessary level of solvency margin of the insurance company, in accordance with Article 75 or Article 76 of this Law;
- 5) the rules and minimum standards for calculation of the technical provisions;
- 6) the types and characteristics of the assets that cover the technical provisions and the funds that cover the mathematical provisions, as well as detailed placements and limitations of those investments and their valuation;
- 7) the method for calculation of the amount of maximum coverage of the insurance company in the chart for minimum coverage and the method for calculation of the maximum possible damage;
- 8) the method for calculation of the constant of liquidity and minimum liquidity and
- 9) the detailed content of the reports referred to in Article 104 of this Law, as well as final deadlines and manner of notifying.

Necessary level of solvency margin of the insurance companies that perform non-life insurance activities

Article 75

(1) The capital of the insurance company performing non-life insurance and/or reinsurance at any time shall be at least equal to the requested level of solvency margin of the insurance company, which is calculated by applying the method of premium rate or the method of damage rate, depending which method gives a higher result.

(2) By applying the method of premium rate, the necessary level of solvency margin shall be calculated in the following manner:

1. The total amount of the gross policy insurance and reinsurance premiums in the last business year, is decreased for the amount of the cancelled, i.e. written off amount of the premium in the particular business year.

2. The amount calculated in this manner:

- in the amount up to 10.000.000 EURO is multiplied by 0.18 and
- the remaining exceeding 10.000.000 EURO is multiplied by 0.16.

1) The result of the application of this method is obtained when the sum of the two results referred to in point 2 of this paragraph is multiplied by the coefficient (not less than 50%) obtained as a result of:

- the total amount of the gross paid off damages in the last business year, excluding the damages covered by the reinsurance and
- the total amount of the gross paid off damages in the last business year, including the damages covered by the reinsurance.

(3) By applying the method of damage rate, the necessary level of solvency margin shall be calculated in the following manner:

1. The total amount of gross paid off damages for insurance and reinsurance in the last three business years, increased for the gross reserves for damages on the basis of insurance and reinsurance at the end of the last business year of the period, and decreased by the gross reserves for damages on the basis of insurance and reinsurance at the beginning of the referred period, divided by 3.

2. The amount calculated in this manner:

- in the amount up to 7.000.000 EURO is multiplied by 0.26 and
- the remaining amount exceeding 7.000.000 EURO is multiplied by 0.23.

3) The result of the application of this method shall be obtained when the sum of the two products referred to in point 2 of this paragraph is multiplied by the coefficient (not exceeding 50%), obtained as a result of:

- the total amount of the gross paid off damages in the last business year, excluding the damages covered by reinsurance and
- the total amount of gross paid off damages in the last business year, including the damages covered by reinsurance.

(4) The insurance companies performing insurance of one or several risks: credits and guarantees, storm, hail and ice, when calculating the amount referred to in paragraph 3 point 1 of this Article shall consider the period in the last seven business years, and the same shall be divided by 7.

(5) The necessary level of solvency margin for the first business year in the operation of the insurance company shall be calculated only by applying the method of premium rate.

(6) In addition to the provisions referred to in paragraph 1 of this Article, the necessary level of solvency margin in regard to the health insurance to which the probability charts and the calculations similar to life insurance apply, shall be equal to one third of the necessary level of solvency margin referred to in paragraph 1 of this Article, or equal to the necessary level of solvency margin referred to in Article 76 of this Law, provided that the same is higher, as well as that it meets the following requirements:

- 1) the insurance premiums are calculated on the basis of the probability calculations, using actuary basis;
- 2) special reserves are set aside for old age by the insurance company, in regard to this insurance;
- 3) the insurance premiums include additional safety premium;
- 4) after the expiry of three years at the most, the insurance company loses the right to terminate the insurance contracts and
- 5) the insurance company anticipates an opportunity to increase the premiums or decrease the liabilities of the insurance company.

Calculation of the necessary level of solvency margin of insurance companies carrying out life insurance activities

Article 76

(1) The capital of the insurance company carrying out life insurance activities shall at any time be at least equal to the necessary level of solvency margin, which is calculated as a sum of the results obtained from paragraphs 2 and 3 of this Article.

(2) The first result shall be calculated in the following manner:

1. The total amount of the mathematical provision on the last day of the previous business year, including the mathematical provision on the basis of insurance covered by reinsurance, is multiplied by 0.04;
2. The result referred to in point 1 of this paragraph is multiplied by the coefficient of the last business year (not less than 85%) obtained as a result of:
 - the total amount of the mathematical provision on the last day of the previous year, excluding the mathematical provisions on the basis of insurance covered by reinsurance and the total amount of the mathematical provision on the last day of the previous business year, including the mathematical provision on the basis of insurance covered by reinsurance.

(3) The second result shall be calculated for those classes of insurance where the risk capital is not a negative number, in the following manner:

1. The total amount of the risk capital on the last day of the previous business year, including the amount of risk capital on the basis of insurance covered by reinsurance, is multiplied by 0.003;
2. The result referred to in point 1 of this paragraph is multiplied by the coefficient for the last business year (not less than 50%), obtained as a result of:
 - the total amount of risk capital on the last day of the previous business year, excluding the amount of risk capital on the basis of insurance covered by reinsurance and
 - the total amount of risk capital on the last day of the previous business year, including the amount of risk capital on the basis of insurance covered by reinsurance.

(4) The risk capital referred to in paragraph 3 of this Article shall be the difference between the amount of insurance in case of death and the set aside mathematical provision.

(5) When calculating the necessary level of the solvency margin of the insurance companies that carry out life insurance activities in case of death, the amount referred to in paragraph 3 point 1 of this Article shall be multiplied by 0.001 if the insurance contract is concluded for a period of up to three years, i.e. 0.0015 if the insurance contract is concluded for a period of more than three and less than five years.

(6) When the insurance company that carries out life insurance activities performs additional insurance, that refers to insurance for injuries, including work disability, insurance in case of death as a result of an accident, as well as insurance for invalidity as a result of an accident or illness, the necessary level of solvency margin for these classes of insurance shall be calculated in the following manner:

1. The total amount of the gross premiums for insurance and reinsurance in the last business year is decreased by the amount of cancelled, i.e. written off amounts of premium in the referred business

year;

2. The amount obtained in this manner:

- in the amount up to 10.000.000 EURO is multiplied by 0.18 and
- the remaining of more than 10.000.000 EURO is multiplied by 0.16;

3. The sum of the two results referred to in point 2 of this paragraph is multiplied by the coefficient of the last business year (not less than 50%) obtained as a result of:

- the amount of the gross paid off damages in the last business year, excluding the damages covered by reinsurance and
- the amount of the gross paid off damages in the last business year, including the damages covered by reinsurance.

(7) In addition to the provisions referred to in paragraph 1 of this Article, the necessary level of solvency margin in regard to the insurance of the funds for payment, in accordance with Article 5 paragraph 1 point 23 of this Law, shall be calculated according to the first result referred to in paragraph 2 of this Article.

(8) In addition to the provisions referred to in paragraph 1 of this Article, the necessary level of solvency margin in regard to life insurance, related to shares in investment funds, in accordance with Article 5 paragraph 1 point 21 of this Law, shall be calculated in the following manner:

- 1) if the insurer has right to guaranteed minimum payment, the necessary level of solvency margin shall be calculated according to the first result of paragraph 2 of this Article;
- 2) if the investment risk is borne by the insurer, the necessary level of the solvency margin is calculated according to the first result referred to in paragraph 2 of this Article, whereas the amount of paragraph 2 point 1 is multiplied by 0.01 and
- 3) if the risk in case of death is borne by the insurance company, the result referred to in paragraph 3 is added to the result of point 1 or 2 of this paragraph.

(9) In addition to the provisions referred to in paragraph 1 of this Article, the necessary level of solvency margin in regard to the tontine (association of rentiers), in accordance with Article 5 paragraph 1 point 22 of this Law is equal to 0.01 of the value of the capitalized funds.

Guarantee fund

Article 77

(1) The guarantee fund shall be composed of the items that are included in the calculation of the capital referred to in Article 68 of this Law.

(2) The guarantee fund cannot be lower than one third of the necessary level of the solvency margin referred to in Article 75 and 76 of this Law.

(3) The guarantee fund of the insurance company, besides the provisions referred to in paragraph (2) of this Article, cannot be lower than:

- 1) 2.000.000 Euros, if the company carries out insurance activities in certain classes of insurance in the group of non-life insurance;
- 2) 3.000.000 Euros, if the company carries out insurance activities in all the classes of insurance in the group of non-life insurance, i.e. in certain classes of insurance referred to in Article 5 points 10, 11, 12, 13, 14 and 15 of this Law;
- 3) 3.000.000 Euros if the company carries out insurance activities in one or in all the classes of insurance in the group of life insurance and
- 4) 4.500.000 Euros if the company carries out reinsurance activities.

(4) In case when the insurance company covers risks of two or more classes of non-life insurance, when determining the amount of the share capital, the prescribed amount of guarantee fund referred to in paragraph (3) of this Article shall be considered for the class of insurance for which the amount of the guarantee fund is the highest.

Premium

Article 78

(1) The insurance premium shall be consisted of technical premium and part of the premium for performance of the insurance activity.

(2) The technical premium shall be part of the premium intended for fulfillment of the liabilities of the insurance contracts.

Life insurance premium

Article 79

The life insurance premium shall be consisted of:

- 1) part of the premium as mathematical provision – savings part;
- 2) part of the premium as risk premium and
- 3) part of the premium as costs for operation of the insurance company.

Chapter 3

TECHNICAL PROVISIONS

Technical provisions

Article 80

(1) For the purpose of permanent ensuring to perform the duties from the insurance contracts, the insurance company shall be obliged to form technical provisions, consisting of:

- 1) reserves for transferable premiums;
- 2) reserves for bonuses and discounts;
- 3) damage provisions and
- 4) other technical provisions.

(2) The insurance companies, upon previous consent of the Insurance Supervision Agency, besides the provisions referred to in paragraph (1) of this Article, may as well set aside equalization provisions, in regard to those classes of insurance where, based on statistical data significant deviation in the annual amount of incurred damages may be expected.

(3) As an exception to paragraph (2) of this Article, the insurance companies shall be obliged to separate the equalization provision referred to in paragraph (1) of this Article in regard to the class of insurance referred to in Article 5 point 14 of this Law.

(4) The insurance company carrying out life insurance and/or other insurances referred to in the probability charts and the calculations similar to the life insurance shall be as well obliged to set aside mathematical provision in a certain percent of the paid premiums according to these insurances, in accordance with the technical basis.

(5) The insurance company that concludes insurance policies, in which the investment risk is borne by the insurer, shall as well be obliged to set aside special funds to cover the technical provisions, in regard to those insurance policies.

Reserves for transferable premiums

Article 81

Reserves for transferable premiums shall be set aside in the amount equal to the part of the premium that is transferred to the next financial period in proportion between the expired insurance period and the remaining period until the expiry of the insurance contract.

Reserves for bonuses and discounts

Article 82

The reserves for bonuses and discounts shall be separated in an amount equal with the amount the insureds are entitled to receive on the basis of:

- 1) right to participate in the profit as well as other rights arising from the insurance contracts (bonuses);
- 2) right to partial decrease of the premiums (discounts) and
- 3) right to return a part of the premium that refers to the unused period of insurance as a result of premature termination of the insurance (cancellation).

Damage reserves

Article 83

(1) Damage reserves shall be set aside in the amount of the estimated liabilities that the insurance company is obliged to settle, based on the insurance contracts where the insured event has occurred by the end of the financial period, regardless whether the event has been reported, including all the costs arising from untimely performance of the duties of the insurance company upon completed indemnification claims.

(2) The damage reserves, besides the estimated liabilities for reported and not yet liquidated damages, include as well the estimated liabilities for incurred yet not reported damages.

Mathematical provisions

Article 84

(1) Mathematical provisions shall be set aside in the amount of the current value of the estimated future liabilities of the insurance company arising from the insurance contracts, decreased by the current value of the future premiums that should be paid on the basis of the referred contracts.

(2) The mathematical provisions shall be calculated by using appropriate actuary estimations, thus considering all the future liabilities of the insurance company that arise from the individual insurance contracts, including the following:

- 1) guaranteed payments to which the insureds are entitled;
- 2) bonuses to which the insured is entitled, individually or together with other insured, regardless of the type of bonuses;
- 3) all the rights that the insured may choose on the basis of the insurance contracts and
- 4) costs, including commissions.

(3) When selecting the methods for actuary estimation, one shall consider the methods for estimation of the funds that cover the technical provisions applied by the insurance company.

(4) Mathematical provisions have to be calculated for each insurance contract individually. Particular

generalizations may only apply when it is obvious that the result thereof would be nearly the same as the one of the individual calculation.

(5) When on the basis of the insurance contract, the insured is entitled to payment of the redeem value of the policy, the mathematical provisions set aside on the basis of the insurance contract cannot amount less than the redeem value of the policy.

(6) The insurance company shall be obliged to attach to the annual report an explanation of the basis and methods applied to the calculation of the mathematical provision.

Equalization provisions

Article 84-a

Equalization provision shall be separated due to equalization of an unequal incurrence of damages, i.e. equalization of any type of technical deficit or over-average coefficient of damages.

Other technical provisions

Article 85

Other technical provisions shall be set aside for the future planned liabilities and risks from greater damages that arise from the insurance coverage for liability of the pharmaceutical producers, earthquake, flood, as well as other liabilities and risks from the insurance contracts to which none of the provisions from points 1 to 3 of paragraph 1 and paragraphs 2 and 3 of Article 80 of this Law refers.

Chapter 4

FUNDS FOR COVERING THE TECHNICAL PROVISIONS

Funds for covering the technical provisions

Article 86

(1) The funds that cover the technical provisions shall be those funds of the insurance company that serve for covering the future liabilities of the insurance company arising from the insurance contracts, as well as the possible losses in regard to those risks related to the performance of insurance activities wherefore the insurance company shall be obliged to set aside funds for technical provisions.

(2) The insurance company shall be obliged to invest funds in an amount at least equal to the value of the technical provisions (hereinafter: funds for covering the technical provisions), in accordance with the provisions of this Chapter and the regulations adopted on the basis of point 6 of Article 74 of this Law.

Investments in funds for covering the technical provisions

Article 87

(1) When selecting the type of investment of funds for covering the technical provisions, the insurance company shall be obliged to consider the classes within the frameworks of which it carries out insurance activities, in a manner that ensures safety, profitability and liquidity of the investments.

(2) The funds that cover the technical provisions have to be diversified in a manner that ensures it does not significantly rely on any category of funds, market or investment.

(3) The insurance company shall be obliged to adjust the investments of the funds for covering the technical provisions, which are exposed to risk from possible losses due to change in interest rates, fluctuations of the foreign exchange rate, credit risk and other market risks, with the liabilities arising from the insurance contracts affected by these changes.

(4) When investing funds for covering the technical provisions, the insurance company shall be obliged to consider the due date of its liabilities arising from the insurance contracts.

(5) Besides the provisions referred to in paragraph (4) of this Article, the insurance company shall adjust its investments of funds for covering the mathematical provisions with its liabilities arising from the insurance contracts, the amounts of which depends on the changes of the foreign exchange rate of foreign currencies at least up to 80%.

Types of allowed investments

Article 88

(1) The funds that cover the technical provisions may be in form of the following investments:

- 1) monetary funds in a cash register and the funds on the business accounts of the insurance companies (bank accounts);
- 2) deposits in banks holding a license issued by the National Bank of the Republic of Macedonia;
- 3) securities issued by the National Bank of the Republic of Macedonia;
- 4) bonds and other debt securities issued or guaranteed for by the Republic of Macedonia at the domestic market;
- 5) bonds and other debt securities issued by or guaranteed by the local self-government units of the Republic of Macedonia;
- 6) bonds and other securities traded on a regulated securities market in the Republic of Macedonia;
- 7) bonds and other debt securities not traded on a regulated securities market, if issued by a legal entity with a head office in the Republic of Macedonia;
- 8) stocks that are traded on a regulated securities market in the Republic of Macedonia;
- 9) stocks are not traded on the regulated securities market, if issued by a legal entity with a head office in the Republic of Macedonia;
- 10) shares in trade companies in the Republic of Macedonia;
- 11) shares and stocks of investment funds registered in the Republic of Macedonia;
- 12) long-term bonds and other long-term debt securities issued by a member state of the European Union or a member state of OECD;
- 13) long-term bonds and other long-term securities issued by a foreign legal entity from a member state of the European Union or a member state of the OECD;
- 14) securities issued by a foreign joint stock company, traded on a regulated securities market in the member states of the European Union or in the member states of the OECD;
- 15) shares in investment funds traded on a regulated securities market in a member state of the European Union or a member state of the OECD and
- 16) other type of investment in accordance with the rules of the Insurance Supervision Agency, under the condition that it is not against Article 89 paragraph (2) of this Law.

(2) The Insurance Supervision Agency, on the basis of Article 74 point 6 of this Law, may prescribe other types of investments of funds to cover the technical provisions and limitations of certain types of investments, thus considering that they all meet the principles of safety, profitability and possibility for trade.

(3) Trading with securities of the insurance companies shall be performed exclusively on regulated secondary capital markets, except in case of state securities and bank certificates for a deposit that

may be acquired directly from the issuer, as well as documents for shares and stocks of investment funds that can also be acquired directly from an open-end or closed-end investment fund.

(4) The insurance company may use future contracts, options and other derivative financial instruments, if they provide security from risks incurred as a result of fluctuations of the foreign exchange rates, interest rates and other types of market risks. The insurance company shall be obliged to inform the Insurance Supervision Agency in regard to the use of the derivative instruments.

Limitations of certain investments

Article 89

(1) Investments in certain types of instruments in accordance with Article 88 paragraph (1) of this Law shall be subject to the following limitations:

- 1) at most 20% of the funds for covering the technical provisions may be invested in instruments of a foreign issuer out of the Republic of Macedonia;
- 2) at most 3% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 1 of this Law;
- 3) at most 60% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 2 of this Law;
- 4) at most 80% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) points 3 and 4 of this Law;
- 5) at most 10% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 5 of this Law;
- 6) at most 35% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 6 of this Law, whereas the investments in the same issuer cannot exceed 5%;
- 7) at most 5% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 7 of this Law, whereas the investments in the same issuer cannot exceed 1%;
- 8) at most 25% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 8 of this Law, whereas the investments in the same issuer cannot exceed 5%;
- 9) at most 5% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) points 9 and 10 of this Law, whereas the investments in the same issuer cannot exceed 1% and
- 10) at most 20% of the value of the funds for covering the technical provisions may be invested in the instruments referred to in Article 88 paragraph (1) point 11 of this Law.

(2) The funds that cover the technical provisions cannot be invested in:

- 1) instruments that cannot be legally disposed (that cannot be legally alienated);
- 2) material goods that are rarely registered in organized markets and whose estimation is unstable, such as antiquities, art works and vehicles;
- 3) immovable property and any type of a device on an immovable property, except securities issued on the basis of a mortgage and direct investment through investment funds;
- 4) stocks, bonds and other securities and shares issued by:
 - a stockholder in the insurance company and
 - persons related to the persons referred to in line 1 of this point.

Chapter 5

FUNDS FOR COVERING THE MATHEMATICAL PROVISIONS

Funds for covering the mathematical provisions

Article 90

(1) The funds for covering the mathematical provision shall be those funds that cover the technical provisions, planned for covering the liabilities of the insurance company arising from those classes of insurance for which mathematical provisions shall be set aside.

(2) The funds for covering the mathematical provisions may be used exclusively for payment of damages that result from those classes of insurance for which mathematical provisions has been set aside.

Necessary coverage

Article 91

(1) The necessary coverage shall comprise the mathematical provisions. In regard to the life insurance, including life insurance where the investment risk is borne by the insured, the necessary coverage, in addition to the mathematical provisions, shall as well contain reserves for transferable premiums, damage reserves and reserves for bonuses and discounts.

(2) The necessary coverage shall be calculated for each class of insurance separately, in accordance with paragraph 2 of Article 92 of this Law.

Obligation to set aside funds for the mathematical provisions

Article 92

(1) The insurance company that issues policies for those classes of insurance, for which it is obliged to separate mathematical provisions, shall be obliged to set aside provisions that cover the mathematical provisions and to manage them apart from the other funds of the company.

(2) The insurance company shall be obliged to set aside special funds (Funds), that cover the mathematical provisions for each of the following insurance classes:

- 1) insurance from the life insurance group, except the one referred to in points 2, 3, 4 and 5 of this paragraph;
- 2) life insurance where the investment risk is borne by the insured, with the exception of the transferable premiums, damage reserves and additional technical provisions for the minimum payment guaranteed;
- 3) tontine insurance;
- 4) insurance of annuities for beneficiaries of pensions from the mandatory capital financial pension insurance referred to in Article 5 point 24 of this Law;
- 5) insurance of annuities for beneficiaries of pensions from the voluntary capital financial pension insurance referred to in Article 5 point 25 of this Law;
- 6) health insurance that is not covered by the mandatory health insurance; and
- 4) other insurance classes for which mathematical provisions is set aside.

(3) In case where, in accordance with paragraph 2 of this Article, the insurance company forms several Funds for covering the mathematical provisions, the provisions of this Law that refer to the funds for covering the mathematical provisions and the payments performed with these funds, shall apply separately to each of the formed Funds.

(4) The value of the funds for covering the mathematical provisions shall at any time be at least equal to the amount of the necessary coverage.

(5) At the end of each quarter, the insurance company shall be obliged to provide additional funds for covering the mathematical provisions if it is necessary in order to equalize the value of the funds that cover the mathematical provisions with the amount of the necessary security.

Investment of funds in the mathematical provisions

Article 93

(1) The provisions of Articles 87 through 89 of this Law shall apply to investment of funds for covering the mathematical provisions.

(2) The limitations to certain types of investments, in accordance with Article 89 of this Law and the regulations adopted on the basis of point 6 of Article 74 of this Law, shall apply separately to each of the formed Funds for covering the mathematical provisions.

Special provisions for insurance in case when the investment risk is borne by the insured

Article 94

(1) When the rights of the insured that are derived from the insurance contracts, directly depend on the value of the share or the stock in one investment fund, the investment of funds for covering the mathematical provisions that are specially set aside by the insurance company in regard to those insurance contracts, shall to the highest possible degree include investments in shares or other securities that are considered part of the ownership structure of the particular investment fund.

(2) When the rights of the insured on the basis of their insurance contracts are directly dependent of the change in the value of the securities, or of other appropriate values, the investments of the funds of the mathematical provisions that are specially set aside by the insurance company in regard to the referred insurance contracts, shall to the highest possible degree include investments in shares and securities that in accordance with their characteristics and possibility for trading are equal to those that serve as basis for determination of the value of the securities or of the other appropriate values.

(3) The provisions of Article 93 of this Law shall not apply to the insurance referred to in paragraphs 1 and 2 of this Article.

(4) Beside the provisions referred to in paragraph 3 of this Article, in regard to the insurances referred to in paragraphs 1 and 2 of this Article, in case when the rights of the insured include minimum payment guaranteed, regardless of the changes in the value of the securities or of the other appropriate values referred to in paragraphs 1 and 2 of this Article, the provisions of Article 93 of this Law shall apply to those part of the investments that refers to the funds for covering the mathematical provision, and which correspond to the amount of the technical provisions, which the insurance company is obliged to separate for those guaranteed payments.

Setting aside funds for covering the mathematical provisions from the other funds of the insurance company

Article 95

(1) The insurance company shall be obliged to set aside the funds for covering the mathematical provisions from its personal funds, in a manner anticipated in Articles 95 through 98 of this Law.

(2) The use of the funds for covering the mathematical provision, referred to in paragraph 1 of this Article, is allowed exclusively for payment of damages that derive from those insurance contracts for which funds have been set aside to cover the mathematical provisions.

(3) For life insurance and other classes of insurance to which the probability charts and calculations similar to life insurance apply, the use of the funds for covering the mathematical provisions is limited to the part of funds of the mathematical provisions whose value:

- 1) is in same relation with the necessary coverage in regard to the insurance contract from which the claim derives, such as the relation between the total funds that cover the mathematical provisions and the necessary coverage for all the insurance contracts of the insurance company within the framework of the insurance class for which the funds for the mathematical provision have been set aside and
- 2) does not exceed the necessary coverage in regard to the insurance that derives from the claim.

Setting aside investments in forms of securities

Article 96

(1) The insurance company shall be obliged to open special account with the Central Securities Depository for any funds that cover the mathematical provisions, and are invested in securities.

(2) The Central Securities Depository shall be obliged, upon a request of the Insurance Supervision Agency, to inform the same regarding the conditions of the securities invested in the funds covering the mathematical provisions, as well as to enable their control.

Investments in bank deposits and loans

Article 97

(1) In regard to the investments of funds for covering the mathematical provisions in bank deposits or loans, the insurance company shall be obliged to conclude a contract with the bank, i.e. the debtor, on its behalf and for the account of the funds for covering the mathematical provisions.

(2) If the loan referred to in paragraph 1 of this Article is secured by a mortgage of an immovable property, the insurance company, as a lender, shall be obliged to enter the mortgage in the cadastre of immovables, i.e. in the Central Register, for the benefit of the funds that cover the mathematical provisions.

(3) If the loan referred to in paragraph 1 of this Article is provided by pledging securities, the insurance company, as a lender shall be obliged to enter the pledge in the Central Register for the benefit of the funds that cover the mathematical provisions.

(4) All the other types of lombard loans that are not regulated in paragraphs 2 and 3 of this Article, and related to paragraph 1 of this Article, the pledge shall be transferred to the benefit of the funds that cover the mathematical provisions as a lender, in accordance with the regulations regulating the right to pledge.

Special account of the funds for covering the mathematical provisions

Article 98

The insurance company shall be obliged to open a separate bank account for every separate Fund that cover the mathematical provisions at, and from, which all payments that refer to the funds for covering the mathematical provisions shall be made.

Chapter 6

OTHER RULES FOR RISK MANAGEMENT

Reinsurance

Article 99

(1) The insurance company shall be obliged to reinsure the liabilities from the insurance contracts, exceeding the amount in the chart with maximum coverage anticipated to be covered by the company with its personal funds, in an insurance company registered for active reinsurance.

(2) The insurance company registered for active reinsurance shall be obliged to reinsure the offered excess of risks that it cannot cover with its personal funds, at other insurance companies registered for active reinsurance.

Program for planned reinsurance

Article 100

(1) The insurance company, for each business year shall adopt a program for the needs of reinsurance, depending on the structure of the insurance portfolio and shall determine by which reinsurance contracts it will secure the excess of risks.

(2) The program for the needs of reinsurance, referred to in paragraph 1 of this Article, shall contain:
1) calculation of the maximum coverage for separate classes of insurance;
2) chart for maximum coverage prepared on the basis of the calculations referred to in point 1 of this paragraph and
2) basis and criteria for determination of the highest possible damages, based on the current circumstances significant to the risk and the level of agreed coverage. **11**

(3) In the calculations referred to in paragraph 2 point 1 of this Article, the insurance company shall consider:

- 1) the scope of the capital and the necessary level of solvency margin;
- 2) the total scope of operations;
- 3) the collected premium in the framework of the groups and classes of insurance;
- 4) the amount of the undertaken risks (level of agreed security) for separate classes of insurance, in accordance with the basis of points 2 and 3 of this Article and
- 5) the adjustments that appear due to deviations in the frameworks of separate classes of insurance.

(4) The Insurance Supervision Agency may prescribe special conditions for reinsurance in the classes of insurance that refer to the appropriateness of the reinsurance coverage and the rating of the reinsurance company.

Coinsurance

Article 101

The insurance company must not coinsure the amount of risk exceeding the risk for certain classes of insurance that cannot be covered with personal funds, in accordance with the Chart for maximum coverage, referred to in point 1 paragraph 2 of Article 100 of this Law.

Statistical insurance standards

Article 102

- (1) During the statistical processing of the concluded insurance contracts, risks covered by the insurance contracts, insured events and damages, the insurance company shall be obliged to be bound to the statistical insurance standards.
- (2) Statistical insurance standards shall be adopted by the Insurance Supervision Agency.

Liquidity management

Article 103

- (1) The insurance company shall be obliged to manage the funds in a manner that enables the insurance company to respond to the due obligations at any time.
- (2) For the purpose of securing from risk of liquidity, the insurance company shall be obliged to implement policy of regular liquidity management, through:
- 1) planning the current and possible outflow of cash and appropriate income of the same;
 - 2) regular control of the liquidity and
 - 3) adopting corresponding measures for prevention or removal of the non-liquidity.
- (3) The insurance company shall be obliged to calculate the coefficients of liquidity, on daily basis.
- (4) The management body of the insurance company shall be obliged to notify the Insurance Supervision Agency, in case if:
- 1) the liquidity or solvency of the insurance company is endangered and
 - 2) the financial condition of the insurance company has changed to a degree that the insurance company no longer provides the necessary level of solvency margin, in accordance with Article 75 or Article 76 of this Law.

Calculation and control

Article 104

- (1) The insurance company shall be obliged, on regular basis, to perform calculation and control, and to notify quarterly the Insurance Supervision Agency regarding the:
- 1) scope of the capital;
 - 2) necessary level of solvency margin, with the opinion of the authorized actuary;
 - 3) amount of the technical provisions, with the opinion of the authorized actuary;
 - 4) value of the funds for covering the technical provisions;
 - 5) types, investment and localization of funds for covering the technical provisions or the mathematical provisions;
 - 6) types, investment and localization of the capital;
 - 7) liquidity of the company;
 - 8) statistical insurance data;
 - 9) financial reports.
- (2) The insurance company shall be obliged in a period of thirty days as of the completion of each quarter to notify the Insurance Supervision Agency in regard to the data referred to in paragraph 1 of this Article.

Prohibition for distribution of profit

Article 105

The insurance company must not distribute the profit regardless whether in form of dividends or payments arising as a result of participation in the profit of the management body, supervisory body or of the employees, in the following cases:

- 1) if the insurance company does not provide the necessary level of solvency margin, in accordance with Article 75 or Article 76 of this Law;
- 2) if on the account of the paid off dividend, the capital of the insurance company decreases below the necessary level of solvency margin, in accordance with Article 75 or Article 76 of this Law;
- 3) if the insurance company does not reach the minimum liquidity anticipated in the regulations stated in point 8 of Article 74 of this Law;
- 4) if due to the paid off dividend, the insurance company fails to reach the minimum liquidity anticipated in the regulations referred to in point 8 of Article 74 of this Law and
- 5) if the Insurance Supervision Agency does not issue an order for the insurance company to eliminate the inappropriate display of the items in the assets and liabilities in the balance sheet whose display affects the profit and loss account of the insurance company, in the period until the insurance company eliminates the illegalities for which the order has been issued.

Measures of the management body for providing the necessary level of solvency margin

Article 106

(1) If the insurance company does not provide the necessary level of solvency margin, in accordance with Article 75 or Article 76 of this Law, as a result of the increased needs of capital or due to other reasons, the management body shall be obliged to forthwith accept measures for securing the necessary level of solvency margin within the framework of its liability or to propose measure within the framework of the competences of other bodies of the insurance company.

(2) The management body shall be obliged to notify the Insurance Supervision Agency in regard to the proposed, i.e. undertaken measures referred to in paragraph 1 of this Article, further related to the report anticipated in paragraph 2 of Article 104 of this Law.

Measures of the supervisory body

Article 106-a

(1) In case when the rights of the insured are endangered, the Insurance Supervision Agency shall request the insurance company to adopt a financial plan including proposed measures for the following three years, which has to contain:

- 1) calculation of the administrative costs, i.e. the costs for management as well as comparison with the current general costs and commissions;
- 2) detailed calculation of incomes and expenditures for the performance of supervision activities;
- 3) balance sheet and profit and loss account;
- 4) calculation of the necessary finances for securing the necessary level of solvency margin and
- 5) reinsurance policy.

(2) The Agency shall impose the insurance company to increase the capital above the amount prescribed by this Law, should it assess that due to deterioration of the financial situation of the company the rights of the insured are endangered. The amount of the capital shall be determined on the basis of the financial plan including proposed measures for the following three years.

(3) The Agency shall impose the insurance company to decrease the value of the funds of the insurance company that are included in the calculation of the capital of the insurance company, if the market value of those funds is changed.

(4) The Agency shall impose the insurance company to adjust the calculation of the solvency margin of the insurance company for the amount for reinsurance, if the nature or the quality of the reinsurance contract in regard to the previous business year has significantly changed or if the reinsurance contract disables proper risk transfer.

(5) The Agency shall in detail prescribe the manner of improved protection of the rights of the insured.

(6) The Agency must not issue the license referred to in Article 42 paragraph (3) of this Law, as well as to file the notification referred to in Article 54 paragraph (3) of this Law, provided that it has requested the proposal of the measures referred to in paragraph (1) of this Article.

PART FIVE

DATA CONFIDENTIALITY

Data confidentiality

Article 107

The insurance companies shall be obliged to treat all the data of the insureds and/or of other users of insurance they have acquired during the performance of insurance activities, as confidential data.

Obligation for keeping confidential data

Article 108

(1) The members of the bodies of the insurance companies, their stockholders, employees and other persons, who have access to the confidential data referred to in Article 107 of this Law during their operations, must not transfer the same to third parties, themselves or allow third parties to use them.

(2) The obligation for keeping confidential data shall not apply to the following cases:

- 1) if the data are necessary for determination of facts in criminal procedures or other court procedure and if they have received written request from the competent court to submit data;
- 2) in cases anticipated by the Law on Prevention of Money Laundering and other Financial Proceedings from a Crime and Financing Terrorism;
- 3) if the data are necessary for determination of the legal relations between the insurance company and its insureds and/or other beneficiary of the insurance, in the performance of legal procedures;
- 4) if the data are necessary for the purpose of performing coercive procedures over immovable property of an insured person or other beneficiary of the insurance, and if they have received written request for the competent court to submit data;
- 5) if the data are requested from the Insurance Supervision Agency or from another competent supervisory body, and due to conduct of supervision within the framework of the established liabilities;
- 6) if the data are requested by a tax body, in regard to conducting procedures within its competence and
- 7) in the cases anticipated by the law regulating the mandatory insurance.

(3) The Insurance Supervision Agency or another body competent for supervision, the tax bodies and the courts shall only use the data for the anticipated purposes, in accordance with paragraph 2 of this Article.

Collecting, keeping and using personal data

Article 109

(1) The insurance companies and the National Insurance Bureau shall be obliged to collect, process, keep, use and submit personal data necessary when concluding insurance contracts, in accordance with the Law on Personal Data Protection and with the special regulations pertaining to the database in the field of insurance.

(2) The insurance companies and the National Insurance Bureau shall be obliged to set up and maintain the following databases:

- 1) databases of the insured;
- 2) databases of the incurred damages and
- 3) databases for estimation of the insurance security and the level of damage.

(3) The following data shall be collected for the databases referred to in point 1 of paragraph 2 of this Article:

- 1) name and surname, date and place of birth, constant or temporary address of the insureds and
- 2) name of the insurance company, number of policy, duration of the insurance, insured case and insurance security.

(4) The following personal data shall be collected for the database referred to in point 2 of paragraph 2 of this Article:

- 1) name and surname, date and place of birth, constant or temporary address and PIN of the persons involved in the incurred damage, as well as the same data for the witnesses;
- 2) crimes and misdemeanors in regard to the incurred damage;
- 3) type of harmful event;
- 4) place, time and course of the damage occurrence and
- 5) description of the damage from the harmful event.

(5) The following personal data shall be collected for the databases referred to in point 3 of paragraph 2 of this Article:

- 1) name and surname, date and place of birth, constant or temporary address of the insured to whom the insurance security refers, as well as the same data for the submitter of the request for damage compensation;
- 2) short-term injuries and health condition, type of physical injury, duration of the treatment and consequences for the insured person, as well as for the submitter of the request for damage compensation;
- 3) incomes of the insured person and of the submitter of the request for damage compensation;
- 4) pension (old age or disability), prequalification and degree of disability of the insured person and of the submitter of the request for damage compensation and
- 5) costs for the medical treatment, medicinal products and orthopedic devices for the insured person and the submitter of the request for damage compensation.

(6) The personal data referred to in paragraphs 3, 4 and 5 shall be collected in the following manner:

- 1) as a rule, directly from the person they refer to;
- 2) from other persons (witnesses of the damage occurrence);
- 3) the data referred to in paragraph 3 may be as well collected from the databases set up with the insurance companies and the National Insurance Bureau;
- 4) the data referred to in points 1, 3, 4 and 5 of paragraph 4 of this Article may also be collected from the databases set up with the Ministry of Interior;
- 5) the data referred to in point 2 of paragraph 4 of this Article may also be collected from the databases set up with the judicial bodies;
- 6) the data referred to in paragraph 5 of this Article may also be collected in the following manner:
 - the data referred to in points 2 and 5 from the databases set up with the health institutions;
 - the data referred to in point 3 from the databases of the employer, the Fund for Pension and Disability Insurance and the Ministry of Labor and Social Policy and
 - the data referred to in point 4 from the databases of the Fund for Pension and Disability Insurance.

(7) The bodies and organizations referred to in paragraph 6 of this Article, shall be obliged, upon a written request, to submit the stated data to the insurance companies and/or the National Insurance Bureau.

(8) The data referred to in point 1 of paragraph 2 of this Article shall be kept for a period up to ten years after the expiry of the insurance contract, or in case of damage occurrence, ten years after closing the case. The data referred to in points 2 and 3 of paragraph 2 of this Article, shall be kept ten years after closing the case upon the incurred damage. After the expiry of the abovementioned period, the data from the databases referred to in paragraph 2 of this Article shall be obliterated.

PART SIX

AUTHORIZED ACTUARIES

Authorized actuaries

Article 110

(1) Actuary activities in terms of this Law shall be performed by authorized actuaries.

(2) Authorized actuary shall be a person holding a license to work as an authorized actuary by the Insurance Supervision Agency.

(3) The Insurance Supervision Agency may authorize a body or a legal entity that delivers training for work as authorized actuary.

Independency in the work of the authorized actuary

Article 111

The authorized actuary shall be independent and autonomous in the performance of its work and shall be responsible for the established activities.

Terms and conditions for work as authorized actuary

Articles 112

(1) In order to obtain a license to work as an authorized actuary, the person has to meet the following requirements:

- 1) to have completed a four year higher education VII/1 or to have studied according to the Bologna Declaration and has 240 credits according to the European Credit Transfer System (ECTS);
- 2) have passed professional examination, necessary to work as an authorized actuary;
- 3) have at least one year working experience in the field of insurance or insurance supervision;
- 4) *abolished* ; **12**
- 5) not to have performed a function of a person with special rights and liabilities in the insurance company or another legal entity over which a bankruptcy procedure has been opened and
- 6) not to be previously ceded the license to work as an authorized actuary.

(2) Besides the provisions referred to in paragraph (1) of this Article, the person that has passed a professional examination for performance of activities as an authorized actuary abroad, may obtain a license to work as an authorized actuary in the Republic of Macedonia, should it meet the following requirements:

- 1) the qualification of the person is according to standards not lower than the standards requested in

accordance with this Law and

2) the person has successfully passed the exam that ensures that it has the corresponding knowledge of the laws and practice in the Republic of Macedonia necessary to work as an authorized actuary in the Republic of Macedonia.

(3) Deleted **13**

(4) The Insurance Supervision Agency shall in detail prescribe the manner and procedure for recognition of qualifications for an actuary obtained abroad.

(5) The Insurance Supervision Agency shall adopt a decision for revoking the license for work as an authorized actuary, if:

1) the license is obtained by stating false data:

2) the person no longer meets the requirements referred to in paragraph (1) points 4 and 5 of this Article and

3) the person has violated the rules of the actuary profession.

(6) The Insurance Supervision Agency shall be obliged to inform the insurance agencies regarding the persons who have been revoked the license to work as an authorized actuary.

(7) The supervision of the operations of the authorized actuaries shall be performed by the Insurance Supervision Agency. In regard to the supervision of the operations of the authorized actuaries, the provisions referred to in Articles 159, 160, 165 and 166 of this Law shall apply.

Appointing authorized actuaries

Article 113

(1) The insurance company having obtained a license to carry out insurance activities shall be obliged in a period of two months as of the day of entry of the company in the trade register to appoint an authorized actuary.

(2) The insurance company shall be obliged to inform the Insurance Supervision Agency in regard to the authorized actuary it has appointed, in a period of five days as of the day of its appointing.

(3) If the insurance company does not appoint an authorized actuary in a period of two months as of the day of entry of the company in the trade register, or it appoints a person that does not hold a license to work as an authorized actuary from a competent body, then the Insurance Supervision Agency shall appoint such person whereas the cost for the engagement of the authorized actuary will be covered by the insurance company.

(4) In case the authorized actuary stops carrying out actuary activities in a certain insurance company, the same shall be obliged to thereof notify the Insurance Supervision Agency in a period of five days as of the termination.

(5) If the authorized actuary stops performing actuary activities in the insurance company, the insurance company shall be obliged in a period of 30 days as of the day of the termination of the contract, to appoint another person to perform actuary activities and thus notify the Insurance Supervision Agency.

Prohibition to work as an authorized actuary

Article 114

The authorized actuary cannot perform actuary activities in the insurance company, if he:

- 1) directly or indirectly has participated in the capital of the insurance company;
- 2) is a member of the management body or the supervisory body of the insurance company and
- 3) is related up to second degree to the holders of qualified participation or the members of the internal audit service of the company.

Dismissal of the authorized actuary

Article 115

(1) If the Insurance Supervision Agency adopts a decision on revocation of the license to work as an authorized actuary, or due to incurrence of the cases referred to in Article 114 of this Law or due to any other basis the engagement of the authorized actuary in the company is terminated, the insurance company shall be obliged to appoint another authorized actuary in a period of 30 days.

(2) If the insurance company does not appoint another authorized actuary in the time period referred to in paragraph (1) of this Article, the Insurance Supervision Agency shall issue an order to eliminate the illegalities and shall request the insurance company to appoint another authorized actuary, in a period of 30 days.

(3) If the insurance company does not appoint an authorized actuary in the time period referred to in paragraph (2) of this Article, the Insurance Supervision Agency shall *ex officio* appoint an authorized actuary, borne by the insurance company.

(4) Regarding the dismissal of the authorized actuary, the insurance company shall be obliged to notify the Insurance Supervision Agency in a period of eight days as of the day of the dismissal.

Tasks of the authorized actuary

Article 116

(1) The authorized actuary shall be obliged to check the harmonization of the data in the annual account with the insurance accountancy standards and the regularity of the calculations of the annual accounts, in regard to the formation of technical provisions and other reserves of the insurance companies.

(2) The authorized actuary shall be obliged to check whether the premiums and technical provisions are calculated in accordance with the provisions of this Law, as well as whether the same are calculated and set aside in a manner that will enable long-term fulfillment of the obligations arising from the insurance contracts, by the insurance company.

(3) The authorized actuary shall issue a certificate for the undertaken activities referred to in paragraph 1 and 2 of this Article.

(4) The certificate referred to in paragraph 3 of this Article, shall be submitted by the authorized actuary to the insurance companies and to the Insurance Supervision Agency, in the time periods referred to in Article 120 of this Law.

(5) The costs for the engagement referred to in paragraphs 1 and 2 of this Article shall be borne by the insurance company.

(6) The management body of the insurance company shall be obliged to ensure all the necessary data for performance of the activities referred to in paragraphs 1 and 2 of this Article.

(7) In addition to the opinion regarding the annual account of the insurance company referred to in Article 121 of this Law, the authorized actuary shall be obliged to submit to the management and supervisory body of the insurance company a report including an opinion in regard to the conducted supervision during the previous year, in accordance with paragraph 1 of this Article. The report shall contain the reasons for the positive opinion, the conditioned or negative opinion of the authorized actuary, in regard to the annual account.

(8) If in the performance of its activity, the authorized actuary, in accordance with paragraph 2 of this Article shall determined that the premiums have not been calculated, and that the technical provisions have not been set aside in accordance with the provisions of this Law, or they have been calculated and set aside in a manner that endangers the long-term ability of the insurance company to fulfill the obligations derived from the insurance contracts, the same shall be obliged to forthwith notify the management body of the insurance company. If the management body does not consider the report of the authorized actuary, the actuary shall be obliged to forthwith notify the Insurance Supervision Agency thereof.

PART SEVEN

BUSINESS BOOKS AND REPORTS

General provisions

Article 117

The insurance company shall be obliged to keep trade books, compose accountancy documents, estimate the funds and liabilities, prepare financial reports and inform the public in regard to the data of the financial reports, in accordance with the provisions of the Law on Trade Companies and of another law, unless otherwise regulated by this Law.

Article 118

The insurance company shall be obliged to organize its operations in accordance with Article 117 of this Law, in a manner that will enable continuous and efficient conduct of the supervision of the operation of the insurance company, in accordance with the rules on risk management.

Keeping trade books and preparing financial reports

Article 119

(1) The insurance company shall be obliged to keep its trade books and prepare financial reports, in accordance with the accountancy regulations, unless otherwise determined by this Law.

(2) The insurance company shall keep the trade books, in accordance with the table of accounts intended for the insurance company.

(3) The insurance company shall prepare a financial report, in accordance with Article 122 of this Law.

Preparing and submitting financial reports and annual report

Article 120

(1) The insurance company shall prepare an annual account, financial reports and an annual report for its work.

(2) The insurance company shall be obliged to submit an unaudited annual financial report to the Insurance Supervision Agency until 1 March in the current year for the previous year at the latest.

(3) The insurance company shall be obliged to submit a copy of the annual report on the operation together with the report on the completed audit to the Insurance Supervision Agency within a period of eight days as of the day of adoption of the annual report on the operation.

(4) The insurance company that has dominant influence in the insurance company group shall be obliged to prepare consolidated financial reports.

Confirmation of an authorized actuary regarding the annual reports

Article 121

(1) The annual report of the insurance company shall as well include a confirmation of an authorized actuary, in accordance with paragraph 3 of Article 116 of this Law, together with an opinion regarding the premiums and technical provisions calculated in accordance with this Law.

(2) The provisions of the Audit Law pertaining to the confirmation of the authorized auditor shall apply to the confirmation of the authorized actuary.

Regulations on keeping trade books and preparing annual accounts

Article 122

(1) The Insurance Supervision Agency, in accordance with the international accountancy standards and the international reporting financial standards, shall prescribe:

- 1) table of accounts for the insurance companies;
- 2) form and content of the financial reports of the insurance companies and notes thereto;
- 3) detailed content of the annual report regarding the work of the insurance companies;
- 4) method of recording and estimating the accountancy items and of preparing financial reports;
- 5) form and content of the audit report and
- 6) detailed content of the confirmation of the authorized actuary, in accordance with paragraph 1 of Article 116 of this Law.

(2) The Insurance Supervision Agency shall prescribe the reports referred to in paragraph (1) points 2, 3 and 5 of this Article, as well as the manner and deadlines for their announcement.

PART EIGHT

INTERNAL AUDIT

Internal audit

Article 123

(1) The supervisory body of the insurance company shall be obliged to establish internal audit, as independent organizational unit.

(2) The supervisory body of the insurance company shall adopt rules for the work of the internal audit.

Activities of the internal audit

Articles 124

(1) The internal auditors shall perform complete audit of the work of the insurance company in order to establish whether the insurance company:

- 1) carries out the insurance activities in accordance with this Law, as well as in accordance with the internal regulations of the insurance company, regulating the work of the insurance company;
- 2) keeps trade books and prepares annual reports, composes accountancy documents, estimates the items in the business balance sheets and annual accounts, and notifies the public in regard to the data of the annual reports, in accordance with this Law, as well as in accordance with the internal regulations, regulating the work of the insurance company.

(2) The internal audit shall be implemented in accordance with the international internal audit standards, the Code of Ethics and the rules on performance of internal audit.

Persons employed in the internal audit

Article 125

(1) Regarding the carrying out of internal audit activities, the insurance company shall be obliged to employ at least one authorized auditor, in accordance with the Audit Law.

(2) The persons performing internal audit activities must not perform other activities in the insurance company.

(3) The members of the management and supervisory body of the insurance company must not perform internal audit activities.

Annual program for internal audit

Article 126

(1) The internal auditors shall prepare annual work program, approved by the supervisory body of the insurance company.

(2) The annual program for internal audit shall contain:

- 1) areas of operation of the insurance company, in which the work will be audited and
- 2) description of the content of the planned operational audits of separate areas of operation.

(3) The supervisory body of the insurance company shall be obliged, on the basis of the annual program for internal audit, to adopt a detailed plan for the work of the internal audit.

Internal audit reports

Article 127

(1) The internal auditors shall be obliged to prepare reports, at least twice a year, on the implemented internal audit, containing:

- 1) description of the implemented work audit;
- 2) adequacy and efficiency of the internal audit system;

3) illegalities and irregularities revealed during the implementation of internal audit and proposed measures for elimination of the referred illegalities and irregularities and
4) conclusions in regard to the implementation of the proposed measures for elimination of the illegalities and irregularities revealed during the internal audit.

(2) The internal auditors shall be obliged to prepare annual report on the internal audit, containing:
1) report for realization of the annual program for internal audit and
2) list of more significant acknowledgments during the implementation of internal audit.

(3) The reports referred to in paragraphs (1) and (2) of this Article shall be submitted to the supervisory body of the insurance company for an opinion.

(4) The supervisory body of the insurance company shall be obliged to submit the annual report on the internal audit together with the opinion referred to in paragraph (3) of this Article to the stockholders assembly, and to submit them to the Insurance Supervision Agency within a period of eight days as of the day of their adoption by the stockholders assembly.

(5) The annual report on the internal audit together with the opinion referred to in paragraph (3) of this Article shall be mandatorily put on the agenda of the Annual Stockholders Assembly together with the audited report of the insurance company.

Notifications to the management and supervisory body of the insurance company

Article 128

(1) If during the implementation of internal audit it is established that the insurance company has violated the rules of risk management and as a result it faces illiquidity and insolvency, or endangers the work of the insurance company or the safety of the insured, the supervisory and management body of the insurance company shall be notified forthwith.

(2) If during the implementation of internal audit it is established that the management body of the insurance company has violated the rules of risk management, the supervisory body of the insurance company shall be notified forthwith.

PART NINE

AUDIT

Audit of annual accounts

Article 129

(1) The insurance company shall be obliged to submit the financial reports and consolidated financial reports for an audit.

(2) The insurance company shall be obliged to submit to the Insurance Supervision Agency a request for obtaining approval for the audit company it has assigned to perform the audit of the financial reports and consolidated financial reports, in a period of 15 days as of the day it has assigned it.

(3) The Agency shall give consent for the audit company referred to in paragraph (2) of this Article, if the audit company:

1) has more than three years of experience in performing audit;

- 2) is not an affiliated entity to the insurance company;
- 3) has not provided consulting service to the insurance company in the last three years;
- 4) has not performed five consecutive audits of the financial reports and consolidated financial reports of the insurance company and
- 5) has not been imposed measures by the Institute of Authorized Auditors in the last three years.

(4) The Insurance Supervision Agency shall be obliged in a period of 15 days as of obtaining the request for consent, referred to in paragraph (2) of this Article, to give consent or reject the request and ask for the company to appoint another audit company.

(5) The insurance company shall be obliged to appoint another audit company in a period of 30 days as of the day of obtaining the decision that rejects the request for consent.

Notification to the Insurance Supervision Agency

Article 130

If in the course of conducting the audit, it is established that the insurance company or an affiliated entity to the insurance company works contrary to the rules of risk management and thus the insurance company is threatened with becoming non-liquid or insolvent, or the safety of the insured is endangered, the audit company shall be obliged to immediately notify the Insurance Supervision Agency thereof in writing.

Content of the auditor's report

Article 131

(1) The authorized auditor shall perform audit and notify on:

- 1) the balance sheet;
- 2) the profit and loss accounts;
- 3) the cash flows and changes in the capital;
- 4) the condition and the changes in the technical provisions;
- 5) the condition and structure of the investments of funds for covering the technical provisions;
- 6) the condition and structure of the investments of funds for covering the mathematical provisions;
- 7) the condition and structure of investments in the capital;
- 8) the implementation of regulations on risk management;
- 9) the implementation of internal audit;
- 10) the manner of keeping trade books;
- 11) the quality of the information system of the insurance company;
- 12) the accuracy and completeness of the reports to the Insurance Supervision Agency;
- 13) the estimation of the balance and off-balance items, and the accountancy policy and
- 14) profit distribution.

(2) The Insurance Supervision Agency shall in detail prescribe the form and content of the auditor's report, as well as the minimum scope of the audit.

Submission of audit reports to the Insurance Supervision Agency

Article 131-a

(1) The audit company shall be obliged to submit the audit report to the management body and the supervisory body of the insurance company and the Insurance Supervision Agency at the same time until 30 April in the current year for the previous year at the latest.

(2) The Insurance Supervision Agency may request additional explanations and data in regard to the report on the conducted audit from the audit company.

(3) The audit company shall be obliged, on request of the Insurance Supervision Agency, to make the working materials of the audit of the company available to the Insurance Supervision Agency.

(4) The Insurance Supervision Agency shall not accept the report on the conducted audit if it establishes that it is not based on objective data about the financial status of the company, if it is not prepared in accordance with Article 131 of this Law and/or if the audit company has not acted in accordance with the auditing standards and procedures in the course of the audit.

(5) If the Insurance Supervision Agency does not accept the report on the conducted audit, it shall notify the insurance company, the Institute of Authorized Auditors and the Council for Audit Promotion and Supervision thereof within a period of 45 days as of the day of receipt of the report.

(6) In the cases referred to in paragraph (4) of this Article, the Insurance Supervision Agency shall request from the insurance company to appoint another audit company which shall prepare a new report.

(7) All costs incurred in relation to the appointment of another audit company in accordance with paragraph (6) of this Article shall be borne by the insurance company.

Non-issuance of consent and non-acceptance of a report of an audit company

Article 131-b

The Insurance Supervision Agency shall not grant its consent in the following three years to the audit company to make an audit of the financial and consolidated financial reports of an insurance company and shall not accept a report by an audit company that:

- 1) has made an audit of an insurance company without the consent referred to in Article 129 of this Law and/or
- 2) whose report on conducted audit has not been accepted by the Insurance Supervision Agency for the reasons referred to in Article 131-a of this Law.

Publishing the auditor's report

Article 132

The insurance company shall be obliged to publish the auditor's report including the opinion of the auditor, in at least one daily newspaper, in a period of 15 days as of adopting the report by the stockholders' assembly, and not later than six months as of the end of the calendar year the report refers to.

PART TEN

REPRESENTATION AND INTERMEDIATION IN INSURANCE

Chapter 1

REPRESENTATION IN INSURANCE

Representation in insurance

Article 133

(1) Representation in insurance, in terms of this Law, shall refer to preparing and concluding insurance contracts on behalf of and for the account of one or several insurance companies based in accordance with this Law, in regard to insurance products that are not competitive between each other.

(2) As an exception to paragraph (1) of this Article representation in insurance shall not be considered the activities for preparing and concluding an insurance contract, unless all the stated conditions are fulfilled:

1) the insurance contract requests to be familiar only with the insurance security that is ensured by the contract;

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

3) the insurance contract does not cover liability as a risk;

4) the basic activity of the person preparing and concluding insurance contract is not insurance representation;

5) the insurance contract is annex or is related to the product or the service the entity offers, and it covers:

- risk of destroying or damaging products or items or

- risk of losing or damaging luggage or other risks related to the tourism service, agreed with the tourist agency and in cases when the contract contains life insurance or responsibility as risk, and it is concluded as annex to the basis risk related to the tourism service and

6) the amount of the annual gross premium is lower than Euro 500 in Denar counter-value and the duration of the contract is less than five years.

(3) The Insurance Supervision Agency shall perform supervision of the entities performing the activities referred to in paragraph (2) of this Article.

Insurance agent

Article 134

(1) Insurance agent shall be a natural person holding a license for insurance agent from the Insurance Supervision Agency.

(2) The insurance agent shall carry out activities for preparing and concluding insurance contracts on behalf of and for the account of one or several insurance companies established in accordance with this Law, regarding insurance products that are not competitive between each other.

(3) The insurance agent may as well carry out activities for continuation and termination of insurance contracts, on the basis of the consent of the insured.

(4) The insurance agent referred to in paragraph (1) of this Article may carry out insurance representation activities only on the basis of labor or another legal relation (representation contract) with the insurance representation company, i.e. another legal relation (representation contract) with the insurance company.

(5) The relations between the agent and the agency, i.e. the insurance company, shall be regulated by a representation contract that shall mandatorily contain all the rights and responsibilities of the agent, in accordance with this Law, and particularly the types of activities the representative is authorized to perform on behalf of and for the account of the insurance company.

(6) The persons carrying out activities for preparing and concluding insurance contracts on the basis of regular labor relation in the insurance company shall not be considered insurance agents, in accordance with this Law.

(7) Insurance agent shall be considered any person that additionally to its basic professional activity, performs activities for representation in the insurance, i.e. activities for preparing and concluding insurance contracts on behalf of and for the account of one or several insurance companies established in accordance with this Law, regarding insurance products that are not competitive between each other.

(8) The legal entities and natural persons that during the performance of their activity, from time to time give information to clients in regard to insurance contracts, thus not carrying out activities for preparing and concluding insurance contracts, shall not be considered insurance agents.

(9) The insurance agent must not collect premium or other insurance compensations from the insurance contract, on personal behalf and for its personal account.

(10) The insurance agent must not work in an insurance brokerage company.

Insurance agency

Article 134-a

(1) The insurance agency shall be a legal entity – joint stock company with head office in the Republic of Macedonia that carries out activities for insurance representation and holds a license to perform activities for insurance representation from the Insurance Supervision Agency.

(2) The insurance agency cannot be entered in the Central Register without obtaining the license referred to in paragraph (1) of this Article.

(3) The words “representation in insurance”, i.e. their derivations may be entered in the Central Register and used in the legal relations exclusively by the insurance agency that holds a license by the Insurance Supervision Agency.

(4) The insurance agency shall be obliged to display the name of the insurance company it represents at a visible place in its offices.

Obligations of the insurance agent and liabilities of the insurance companies

Article 134-b

(1) The insurance agency, i.e. an insurance agent may carry out representation activities exclusively for the insurance companies established in accordance with this Law.

(2) The insurance agent may only carry out activities for which he is authorized by the insurance company, i.e. the insurance agency.

(3) The insurance company, i.e. the insurance agency shall be liable for the work of the insurance agent.

(4) The insurance company shall be liable for the work of the insurance agency, i.e. for the insurance agent in the part of carrying out representation activities, in accordance with the concluded representation contract.

(5) The insurance agency, i.e. the insurance agent shall be liable for the damage that will occur due to false representation, negligence or not following the provisions of the concluded representation contract.

License for insurance agent

Article 134-c

(1) Insurance agent may be a natural person, holder of a license for insurance agent issued by the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall issue a license for insurance agent to the person that meets the following requirements:

- 1) has passed professional examination for insurance agent;
- 2) hold at least a high school degree;
- 3) knows the Macedonian language and its Cyrillic letter;
- 4) *abolished* 14 ;
- 5) *abolished* and
- 6) has not performed a function of a person with special rights and obligations in the insurance company or in another legal entity where a bankruptcy procedure has been opened.

(3) In the license for insurance agent the Insurance Supervision Agency shall state the company, i.e. insurance companies for which the representative shall carry out activities for representation in insurance , as well as the classes of insurance for which the representative is authorized to carry out representation activities, in accordance with the representation contract concluded with the insurance company.

(4) In case of cancellation of the representation contract concluded between the agent and the insurance company, i.e. the insurance agency, the agent and the insurance company shall be obliged to notify the Insurance Supervision Agency in regard to the cancellation.

(5) The Insurance Supervision Agency shall adopt a decision for revocation of the license for insurance agent, if:

- 1) the license has been obtained by stating false data;
- 2) *abolished* 15 ;
- 3) the representation contract is cancelled in accordance with Article 134 paragraph (5) of this Law;
- 4) the person works contrary to the other provisions of this Law and
- 5) the person violates the good business practices and rules of the structure.

Application for obtaining a license for insurance agent

Article 134-d

(1) An application for obtaining a license for insurance agent shall be submitted to the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall decide upon the application referred to in paragraph (1) of this Article by a decision, whereby a license is issued or the application is rejected.

(3) The application that does not contain the necessary documentation shall be refused by a decision.

(4) The Insurance Supervision Agency shall in detail prescribe the necessary documentation to be enclosed to the application for obtaining a license for insurance agent.

License to perform activities for representation in insurance

Article 134-e

- (1) The insurance agency shall be a legal entity – a joint stock company, with head office in the Republic of Macedonia holding a license for performing representation activities, issued by the Insurance Supervision Agency.
- (2) The Insurance Supervision Agency shall adopt a decision for issuing a license to perform insurance representation activities, in case if the conditions referred to in Articles 134-f and 134-g of this Law are fulfilled.
- (3) The Insurance Supervision Agency shall adopt a decision for revocation of the license for carrying out activities for representation in insurance , if:
- 1) the license is obtained by stating false data;
 - 2) the insurance agency no longer fulfills the conditions referred to in Articles 134-f and 134-g of this Law;
 - 3) the agency works contrary to the provisions of this Law and
 - 4) the agency violates the good business practices and rules of the activity.
- (4) The license for carrying out activities for representation in insurance shall cease to be valid, if:
- 1) the insurance agency does not commence the performance of activity for representation in insurance in a period of six months as of the day of issuance of the license;
 - 2) the insurance agency ceases to carry out activity for representation in insurance longer than six months and
 - 3) a bankruptcy, i.e. liquidation procedure is opened.
- (5) In the cases referred to in paragraph (4) of this Article, the Insurance Supervision Agency shall adopt a decision to conclude that the license for carrying out activities for representation in insurance ceased to be valid.

Application for obtaining a license for carrying out activities for representation in insurance

Article 134-f

- (1) Application for obtaining a license for carrying out activities for representation in insurance, referred to in Article 134-e of this Law shall be submitted to the Insurance Supervision Agency.
- (2) The founders of the agency shall be obliged to enclose the following to the application referred to in paragraph (1) of this Article:
- 1) draft statute;
 - 2) work plan;
 - 3) proof that monetary funds have been paid as stockholders' capital on a separate, temporary account of a payment operations bearer, in accordance with Article 134-g paragraph (2) of this Law;
 - 4) sources of the funds for paying in the capital;
 - 5) *abolished* ; **16**
 - 6) list of stockholders, by stating their name, surname and address for the natural persons and name and head office of the legal entities, as well as data for the total nominal amount of owned stocks and percentage of participation in the stockholders' capital of the insurance company;
 - 7) proofs in regard to Article 14 of this Law;
 - 8) draft acts for the business policy referred to in Article 149 of this Law;
 - 9) documentation on the basis of which it can be concluded that the insurance agency is equipped in terms of personnel, techniques and organization for performance of the activities anticipated by the company's statute;

- 10) pre-contract and representation contract, concluded with the insurance company that has to contain a provision for constant supervision of the insurance company over the enforcement of the referred contract;
- 11) pre-contract or insurance contract for liability in accordance with Article 134-g paragraph (5) of this Law;
- 12) proof for non-existence of capital or managerial relation with insurance companies, other insurance agencies or insurance brokerage companies and
- 13) program for implementation of the measures for prevention of money laundering and financing terrorism.

(3) In addition to the documentation referred to in paragraph (2) of this Article, the stockholders – legal entities shall submit the following enclosed to the application:

- article of incorporation and list of members of the management body of the legal entity;
- excerpt from the register where the head office of the legal entity is registered;
- copy from the stockholder's book, i.e. proof from another corresponding public register and
- auditor's report from an authorized audit company for the last two business years.

(4) The Insurance Supervision Agency shall decide by a decision, whereby a license is issued or the application is rejected, upon the application referred to in paragraph (1) of this Article.

(5) The application that does not contain the necessary documentation shall be refused by a decision.

Conditions for obtaining a license for carrying out activities for representation in insurance

Article 134-g

(1) The insurance agency may be established as a joint stock company with head office in the Republic of Macedonia.

(2) The share capital necessary for establishment of the insurance agency shall be Euro 15.000 in Denar counter-value, according to the exchange rate of the National Bank, on the day of the payment.

(3) The insurance agency must not be an affiliated entity to the insurance company or to another insurance agency.

(4) The insurance agency shall be obliged to conclude an insurance contract with the insurance company in order to secure its obligations towards the owners of policies in case of violation of the provisions from the provisions of the representation contract, up to a secured amount, that in regard to an individually secured case must not be lower than 250.000 Euros and/or in regard to all the insured cases in a period of one year it must not be lower than 500.000 Euros.

(5) The insurance contract referred to in paragraph (4) of this Article, in addition to else, shall mandatorily contain the types of risks and insured cases included in the insurance coverage, as well as agreed liabilities of the insurance company in case of occurrence of the risks that are subject of the insurance contract.

(6) The insurance contract referred to in paragraph (4) of this Article shall be concluded with the insurance company with which the representation contract has not been concluded.

(7) The insurance contract referred to in paragraph (4) of this Article shall be mandatorily renewed and the same shall be submitted to the Insurance Supervision Agency in a period of 15 days as of the day of its conclusion/renewal.

(8) The insurance agency shall be obliged to employ at least one insurance agent full-time, that based on an employment contract will be a responsible person in the agency.

Performance of activities for representation in insurance by the insurance agency

Article 134-h

(1) The insurance agency shall be obliged to carry out activities for representation in insurance, as a single activity.

(2) The insurance agency must not carry out insurance brokerage activities.

(3) As an exception to paragraphs (1) and (2) of this Article, insurance supervision activities may be as well performed by a bank that has obtained a license for carrying out activities for representation in insurance from the National Bank. The National Bank shall issue a license for carrying out activities for representation in insurance, only on the basis of previous approval from the Insurance Supervision Agency.

(4) The Insurance Supervision Agency shall be obliged to give the approval referred to in paragraph (3) of this Article in a period of 30 days as of the day of receiving the request from the National Bank of the Republic of Macedonia.

(5) The activities for representation in insurance in bank, referred to in paragraph (3) of this Article, may only be carried out by persons holding a license for insurance agent, as referred to in Article 134-c of this Law.

Performing activities for representation in insurance in the technical control stations

Article 134-i

Abolished **17**

Insurance agencies from member states

Article 134-j **18**

(1) Insurance agency from a member state shall be a legal entity with head office in a member state, holding a license for carrying out activities for representation in insurance from a competent body in that member state.

(2) The insurance agency from a member state may carry out activities for representation in insurance in the Republic of Macedonia, through branch offices or directly.

(3) The provisions of Articles 133, 134, 134-a, 134-b, 134-c, 134-d, 134-e, 134-f, 134-g and 134-h of this Law shall accordingly apply to the insurance agencies referred to in paragraph (1) of this Article regarding the activities for representation in insurance that the agency performs on the territory of the Republic of Macedonia.

Commencement of the performance of activities for representation in insurance by insurance agencies from member states

Article 134-k

(1) The insurance agency referred to in Article 134-j paragraph (1) of this Law, that intends for carry out activities for representation in insurance in the Republic of Macedonia shall be obliged to notify the competent supervisory body of the member state where the company has an office in regard to its intention.

(2) The competent supervisory body referred to in paragraph (1) of this Article shall be obliged to submit the notification referred to in paragraph (1) of this Article to the Insurance Supervision Agency, in a period of one month.

(3) The insurance agency may commence the performance of activities for representation in insurance in the Republic of Macedonia in a period of one month as of the day of receipt of the notification from the competent supervisory body in the member state, in accordance with paragraph (2) of this Article.

(4) The provisions of this Article shall correspondingly apply to the carrying out of activities for representation in insurance by insurance agents from member states carrying out activities for representation on the territory of the Republic of Macedonia.

(5) The competent bodies of the member states shall be obliged to mutually exchange data and information that refer to the insurance agents and the insurance agencies, especially in cases when measures due to disobeying of the regulations in the country where they carry out their activities, i.e. they carry out activity for representation in insurance have been imposed against them.

Carrying out activities for representation in insurance in member states of the European Union

Article 134-l

(1) The insurance agency that holds a license for carrying out activities for representation in insurance may carry out activities for representation in insurance in a member state, through a branch office or directly, in case it meets the requirements anticipated by the regulations of the referred Member State.

(2) The insurance agency that intends to commence performance of activities for representation in insurance in a member state shall be obliged to notify the Insurance Supervision Agency in regard to its intention.

(3) Upon a request of the competent supervisory body from the member state, the Insurance Supervision Agency shall be obliged to submit the notification referred to in paragraph (2) of this Article, in a period of one months, to the competent supervisory body of the member state and notify thereof the insurance agency.

(4) The insurance agency may commence the performance of activities for representation in insurance in a member state in a period of one month as of the day of receipt of the notification from the Insurance Supervision Agency referred to in paragraph (3) of this Article. The insurance agency may forthwith commence the performance of activities for representation in insurance in the member state if the competent supervisory body from the member state does not request the notification referred to in paragraph (2) of this Article.

Duties of the insurance agents

Article 134-m

The provisions of Articles 49 through 52 of this Law shall correspondingly apply to the work of the insurance agents.

Prohibition to perform activities for representation, intermediation and sale of policies in the technical control stations

Article 134-n

Abolished 19

Chapter 2

INSURANCE BROKERS

Insurance brokerage activities

Article 135

(1) Insurance brokerage activities, in terms of this Law, shall be: intermediation in the process of agreeing insurance and reinsurance coverage and in the effectuation of indemnification claims due to insured harmful event that has occurred.

(2) As an exception to paragraph (1) of this Article, insurance brokerage activities shall not be considered the activities for intermediation in the process of agreeing insurance and reinsurance coverage and effectuation of indemnification claims due to insured harmful event that has occurred, in case if all the following requirements have been fulfilled:

- 1) the insurance contract requests familiarity only with the insurance coverage that is ensured by the contract;
- 2) the insurance contract is not a life insurance contract;
- 3) the insurance contract does not cover responsibility as a risk;
- 4) the basic activity of the person carrying out activities for intermediation in the process of agreeing the insurance and reinsurance covering and effectuation of indemnification claims due to insured harmful event that has occurred, is not performance of insurance brokerage activities;
- 5) the insurance contract is directly related to the product or service offered and covered by the same person:
 - risk of destroying or damaging products or items or
 - risk of losing or damaging luggage or other risks related to the tourism service agreed with the tourist agency, and in cases when the contract contains life insurance or responsibility as a risk and the same is concluded as annex to the basic risk related to the tourism service and
- 6) the amount of the annual gross premium is less than Euro 500 in Denar counter-value and the duration of the insurance contract is shorter than five years.

(3) The provisions of the Law on Obligations pertaining to the intermediation contracts shall as well apply to the contracts for carrying out insurance brokerage activities, unless otherwise anticipated by this Law.

(4) The Insurance Supervision Agency shall supervise the entities that perform the activities referred to in paragraph (2) of this Article.

Carrying out insurance brokerage activities

Article 136

(1) Insurance broker, employed in an insurance brokerage company referred to in Article 145 of this Law, may perform insurance brokerage activities.

(2) No person, except those referred to in paragraph 1 of this Article, can perform insurance brokerage activities.

Insurance broker

Article 137

(1) Insurance broker shall be a person that has been granted a license for insurance broker by the Insurance Supervision Agency.

(2) Insurance broker shall exclusively carry out insurance brokerage activities and shall present and act on behalf of and for the account of its clients, in relation with the insurance and reinsurance companies.

(3) The persons that in the context of carrying out their professional activity provide information to the clients in regard to insurance contracts, thus not performing intermediation in the process of agreeing insurance and reinsurance coverage and effectuation of indemnification claims due to insured harmful event that has occurred, shall not be considered insurance brokers in accordance with this Law.

Conditions for issuance and revocation of a license for insurance broker

Article 138

(1) The Insurance Supervision Agency shall issue a license for insurance broker if the person meets the following requirements:

- 1) to have completed a four year secondary education;
- 2) has passed professional examination for insurance broker;
- 3) has at least one year experience in the field of insurance or insurance intermediation;
- 4) knows the Macedonian language and its Cyrillic letter;
- 5) has not performed a function of a person with special rights and responsibilities in the insurance company or another legal entity under a bankruptcy procedure.

(2) The Insurance Supervision Agency shall adopt a decision on revocation of the license for insurance broker, if:

- 1) the license has been obtained by stating false data;
- 2) the person no longer meets the requirements referred to in paragraph (1) point 6 of this Article;
- 3) the person works contrary to the provisions of this Law and
- 4) the person violates the good business practices and rules of the activity.

License for insurance broker

Article 139

(1) An application for obtaining a license for insurance broker shall be submitted to the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall prescribe the necessary documentation that has to be attached to the application for obtaining the license referred to in paragraph (1) of this Article.

(3) The Insurance Supervision Agency shall decide upon the application referred to in paragraph 1 of this Article by a decision whereby a license is issued or the application is rejected.

(4) The application that does not contain the documentation referred to in paragraph 2 of this Article shall be refused by a decision.

Obligations of insurance broker

Article 140

(1) The insurance broker shall be obliged to protect the interests of the insured, including giving explanations and advices to the insured in regard to all the circumstances relevant for their decision-making in relation to the conclusion of insurance contracts for certain classes of insurance, or in relation to certain insurance companies.

(2) For the fulfillment of the obligation referred to in paragraph 1 of this Article, the insurance broker shall be particularly obliged to:

- 1) prepare adequate risk analysis and propose proper insurance coverage for the insured;
- 2) mediate on behalf of the insured in the conclusion of insurance contract, that considering all the circumstance significant for conclusion of insurance contract will provide the insured with the most proper security;
- 3) inform the insurance company in regard to the intention of the insured to conclude an insurance contract and introduce the insured to the conditions of the policies and the regulations for determination of the amount of the premium;
- 4) check the content of the insurance policies and
- 5) provide assistance to the insured during the validity period of the insurance contract, before as well as after the occurrence of the insured event, and especially ensure that the insured has completed the legal action within the anticipated time periods, which are a prerequisite for acquiring and enjoying the rights deriving from the insurance contract.

(3) If the insurance broker mediates in the effectuation of indemnification claims, he shall be obliged to cooperate with the competent entities – services for the client, for preparing substantiation documentations for the basis and amount of the indemnification claim, as well as to collect other necessary proofs.

Conflict of interests

Article 141

(1) The insurance broker shall be obliged to present to the insured all the legal and economy relations it has with a certain insurance company that might affect the objectivity of the insurance broker in the performance of the obligations against the insured.

(2) The legal and economy relations referred to in paragraph 1 of this Article shall particularly refer to those provisions of the contracts for carrying out brokerage activities concluded with a certain insurance company, on the basis of which the insurance broker is entitled to a special or higher commission for mediation in the conclusion of insurance contracts for a certain class of insurance, as well as for a certain insurance company.

Commission

Article 142

(1) The insurance broker shall not be entitled to charge commission or any other type of compensation from the insured, unless otherwise anticipated by the contract for carrying out insurance brokerage activities concluded with the insured.

(2) In case the contract for carrying out insurance brokerage activities concluded with the insured anticipates that the insurance broker is entitled to commission, the same shall acquire the right to such commission as of the day of entry into force of the insurance contract for which the mediation has been conducted.

(3) Each provision of the contract for carrying out insurance brokerage activities that is not contrary to paragraph 2 of this Article shall be null and void.

(4) The insurance broker shall be obliged to notify the insured in regard to the amount of the commission it charges from the insurance companies per concluded contract for insurance brokerage activities.

Prohibition to intermediation

Article 143

(1) The insurance broker shall intermediate in the conclusion of insurance contracts exclusively with the insurance companies established in accordance with this Law.

(2) As an exception to the provisions of paragraph 1 of this Article, if the insurance, i.e. the reinsurance of the referred risk cannot be completed in the Republic of Macedonia, the insurance broker may mediate in the conclusion of insurance contracts with foreign insurance companies.

(3) The insurance broker cannot mediate in the conclusion of an insurance contract that is contrary to Article 49 of this Law.

Obligations of the insurance companies

Article 144

The insurance companies shall conclude contracts for performance of insurance brokerage activities exclusively with insurance brokerage companies established in accordance with this Law.

Chapter 3

INSURANCE BROKERAGE COMPANIES

License to perform insurance brokerage activities

Article 145

(1) The insurance brokerage company shall be a legal entity – a joint stock company, with head office in the Republic of Macedonia, holder of a license for carrying out insurance brokerage activities by the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall adopt a decision for issuance of a license for carrying out insurance brokerage activities, if the conditions referred to in Articles 146, 147, 148, 149 and 150 of this Law.

(3) The Insurance Supervision Agency shall adopt a decision on revocation of the license for carrying out insurance brokerage activities, if:

- 1) the license has been obtained by stating false data;
- 2) the insurance brokerage company no longer fulfills the conditions referred to in Articles 146, 147, 148, 149, 150 of this Law;
- 3) the company operates contrary to the provisions of this Law;
- 4) the company violates the good business practices and rules of the activity and
- 5) the company does not act in accordance with the order for elimination of the irregularities referred to in Article 165 of this Law.

(4) The license for performance of insurance brokerage activities shall cease to be valid, if:

- 1) the insurance brokerage company does not commence the performance of insurance brokerage activities in a period of six months as of the day of issuance of the license;
- 2) the insurance brokerage company does not commence the performance of insurance brokerage activities for more than six months and
- 3) a bankruptcy, i.e. liquidation procedure is opened.

(5) In the cases referred to in paragraph (4) of this Article, the Insurance Supervision Agency will adopt a decision to conclude that the license for performance of insurance brokerage activities has ceased to be valid.

Application to obtain a license

Article 146

(1) The application for obtaining a license for performance of insurance brokerage activities shall be submitted to the Insurance Supervision Agency.

(2) The founders of the company shall be obliged to enclose the following to the application referred to in paragraph (1) of this Article:

- 1) draft statute;
- 2) work plan;
- 3) proof that monetary funds have been paid to the share capital on a separate, temporary account at the holder of payment operation, in accordance with Article 148 of this Law;
- 4) sources of the funds for payment to the capital;
- 5) *abolished* ; **20**
- 6) list of stockholders, stating their name, surname and address for natural persons and head office for legal entities, as well as data for the total nominal amount of owned stocks and percentage of participation in the stockholders' capital of the insurance company;
- 7) proof in regard to Article 14 of this Law;
- 8) draft acts of the business policy, referred to in Article 149 of this Law;
- 9) documentation on the basis of which it can be concluded that the insurance brokerage activity is equipped in terms of personnel, as well as technically and organizationally for performance of the activities anticipated by the company's statute;
- 10) pre-contract or contract for insurance from responsibility, in accordance with Article 150 of this Law;
- 11) proof for non-existence of capital or managerial connection with the insurance companies, insurance agencies or other insurance brokerage companies and
- 12) program for implementation of the measures for prevention of money laundering and financing terrorism.

(3) In addition to the documentation referred to in paragraph (2) of this Article, the stockholders – legal entities shall as well enclose the following to the application:

- article of incorporation and list of members of the management body of the legal entity;
- excerpt from the register where the head office of the legal entity is entered;

- copy of the stockholder's book, i.e. a proof from another corresponding public register and
- auditor's report from an authorized audit company for the last two business years.

Activities of the insurance brokerage companies

Article 147

- (1) The insurance brokerage company shall perform insurance brokerage activities through insurance brokers.
- (2) An insurance brokerage company shall exclusively perform insurance brokerage activities.
- (3) Besides the provisions referred to in paragraph 1 of this Article, the insurance brokerage company may as well perform the activities referred to in points 3 through 6 of paragraph (4) of Article 4 of this Law.

Establishment of an insurance brokerage company

Article 148

- (1) An insurance brokerage company shall be established as a joint stock company with a head office in the Republic of Macedonia, holding a license from the Insurance Supervision Agency for performance of insurance brokerage activities.
- (2) An insurance brokerage company may be established by domestic and/or foreign legal entities and/or natural persons.
- (3) The share capital for establishment of the insurance brokerage company shall amount Euro 50.000 in Denar counter-value according to the exchange rate of the National Bank of the Republic of Macedonia on the day of the payment.
- (4) For the performance of insurance brokerage activities, the insurance brokerage company shall employ at least two insurance brokers.

Acts of the business policy of the insurance brokerage company and the insurance agency

Article 149

Acts of the business policy of the insurance brokerage company and the insurance agency shall be:

- basis of the business policy;
- tariff for provided services and
- elaborate with projection of the expected business results for a minimum period of three years.

Insurance of liabilities of the insurance brokerage company

Article 150

- (1) The insurance brokerage company shall be obliged to insure its liabilities towards the holders of policies in case of violation of the provisions of the intermediation contract up to a secured amount, that in regard to an individual insured case cannot be less than 250.000 EUROS and/or in regard to all the insured cases in a period of one year it cannot be less than 500.000 EUROS.

(2) The insurance contract referred to in paragraph (1) of this Article, shall *inter alia* mandatorily contain the types of risks and insured cases included in the insurance security, as well as the agreed obligations of the insurance company in case of occurrence of the risks that are subject of the insurance contract.

(3) The insurance contract referred to in paragraph (1) of this Article shall be mandatorily renewed and submitted to the Insurance Supervision Agency in a period of 15 days as of the day of its conclusion/renewal.

Collection of premium through insurance brokerage companies

Article 150-a 21

(1) An insurance brokerage company shall be obliged to collect the premium for the insured and to charge the commission from the insurance company through separate bank accounts.

(2) The insurance brokerage company shall be obliged to transfer the collected premium from the accounts referred to in paragraph (1) of this Article to the account of the insurance company in a period of 15 days as of the day of collecting the premium at the latest.

(3) The insurance brokerage company shall be obliged, once a month, to submit a report on the number of concluded contracts and on the amount of the collected and transferred premium to the Insurance Supervision Agency.

(4) The Insurance Supervision Agency shall prescribe in detail the manner and procedure for collection and transfer of the collected premium and submission of the reports referred to in paragraph (3) of this Article.

Performance of insurance brokerage activities in the technical control stations

Article 150-a

The provisions of Article 134-I of this Law, pertaining to performance of representation in insurance in the stations for technical control of motor vehicles shall accordingly apply to the performance of insurance brokerage activities in the technical control stations.

Notification

Article 151

The insurance brokerage company and the insurance agency shall be obliged to notify the Insurance Supervision Agency in regard to:

- 1) the changes of the data entered in the trade register;
- 2) the structure and scope of insurance brokerage activities, i.e. representation activities in certain companies for insurance on quarterly basis;
- 3) the fulfillment of the obligations referred to in Articles 134-g paragraphs (3) and (5) and 150 of this Law; and
- 4) the legal and economy relations referred to in Article 141 paragraph (2) of this Law.

Register of insurance agents, insurance agencies, insurance brokers and insurance brokerage companies

Article 152

- (1) The Insurance Supervision Agency, in accordance with this Law, shall keep a register of:
- 1) insurance brokers and insurance brokerage companies, authorized for performance of insurance brokerage activities on the territory of the Republic of Macedonia and
 - 2) insurance agents and insurance agencies holding a license, i.e. a permission to perform activities for representation in insurance.
- (2) Each insurance company shall be obliged to keep a register of insurance agents, i.e. insurance agencies with which it has concluded a representation contract.
- (3) Each insurance brokerage company shall be obliged to keep a register of insurance brokers employed at the particular insurance brokerage company.
- (4) Each insurance agency shall be obliged to keep a register of insurance agents employed or engaged in any other legal relation with the particular agency.
- (5) The registers referred to in paragraphs (1) and (4) of this Article shall be public.

Supervision of the work of the insurance agents, the insurance agencies, insurance brokers and insurance brokerage companies

Article 153

- (1) Supervision of the work of the insurance brokers, insurance brokerage companies, insurance agents and insurance agencies shall be performed by the Insurance Supervision Agency.
- (2) The provisions of Articles 159, 160, 163, 164, 165 and 166 of this Law shall accordingly apply to the performance of the supervision referred to in paragraph (1) of this Article.

Conducting a professional examination for obtaining a license to work as an authorized actuary

Article 154

A professional examination necessary for obtaining a license to work as an authorized actuary (hereinafter: professional examination for an actuary) may be taken by persons who meet the requirements referred to in Article 112 of this Law.

Obligation to provide information by the insurance agent and insurance broker

Article 154-a

- (1) The insurance agent, i.e. the insurance broker shall be obliged to provide the following information to the insured, prior to concluding the insurance contract, as well as extending the same:
- 1) name, surname and address;
 - 2) register where he is entered and how it can be checked;
 - 3) insurance agency, i.e. insurance brokerage company where he works;
 - 4) whether he owns alone, or the insurance agency, i.e. insurance brokerage company where he works, more than 10% of the stocks with a right to vote in the insurance company with which the insurance contract is concluded;
 - 5) whether the insurance company with which the insurance contract is concluded or an entity

affiliated thereto owns more than 10% of the stocks with a right to vote in the insurance agency, i.e. insurance brokerage company and
6) data on the option for out-of-court dispute resolution procedure between the contracting parties of the insurance.

(2) The insurance broker shall be obliged to prepare the analysis referred to in Article 140 paragraph (2) of this Law on the basis of an accordingly great number of insurance contracts available on the market, that enable giving recommendations in accordance with professional criteria, so that the initiator of the insurance can realize its needs by concluding the contract.

(3) Prior to concluding the contract, the insurance broker shall be obliged, on the basis of data obtained from the insurance initiators, i.e. insured, to define the needs and requirements, as well as the reasons for giving advice to the insurance initiator, i.e. to the insured, related to the insurance contract.

Manner of providing information by the insurance agent and insurance broker

Article 154-b

(1) The data referred to in Article 154-a of this Law shall be provided to the insurance initiator:

- 1) in a written form or in another permanent media available to the insurance initiator;
- 2) in a manner comprehensible for the insurance initiator and
- 3) in Macedonian language, unless otherwise agreed.

(2) As an exception to paragraph (1) of this Article, the data may be provided orally, upon a request of the insurance initiator, in case when urgent agreement of the insurance security is necessary.

(3) In the cases referred to in paragraph (2) of this Article, the data referred to in paragraph (2) of this Article have to be provided forthwith upon the conclusion of the insurance contract.

Article 154-c

(1) The professional examination for an actuary shall consist of two parts, that is:
- part one (theoretical part), based on which the theoretical knowledge of the candidates is checked, and
- part two (case study), based on which the abilities for application of the laws in practice is checked.

(2) The first part of the professional examination for an actuary shall be taken in writing via electronic means, by answering a particular number of questions in a form of doing an electronic test on a computer.

(3) The first part of the professional examination for an actuary shall be taken in the following subjects:

- 1) probability and statistics;
- 2) financial mathematics;
- 3) stochastic modelling;
- 4) economy;
- 5) experience models;
- 6) actuarial mathematics 1;
- 7) actuarial mathematics 2;
- 8) investment and asset management;
- 9) life insurance;
- 10) non-life insurance;
- 11) social and pension insurance;

- 12) health insurance;
- 13) accounting in the insurance;
- 14) legislation in the field of insurance; and
- 15) professionalism and ethics.

(4) The second part of the professional examination shall consist of:
- a case study and/or
- questions that the candidate should answer based on the case study analysis and/or
- problems that the candidate should solve based on the case study analysis.

(5) The Insurance Supervision Agency shall determine and publish on the website the detailed contents of each of the subjects for the first part of the professional examination for an actuary in accordance with paragraph (3) of this Article.

(6) The Insurance Supervision Agency shall prescribe which subjects shall consist of both the first part of the professional examination for an actuary and the second part in accordance with paragraph (4) of this Article.

Article 154-d

(1) The professional examination for an actuary shall be taken according to a program which includes the material, the regulations, and the literature.

(2) The program for taking the professional examination for an actuary for the subjects referred to in Article 154-c of this Law shall be adopted by the Insurance Supervision Agency.

Article 154-e

(1) Educators from the Insurance Supervision Agency shall deliver training in the subjects from the syllabus. An educator may be a person with a university education and a work experience of ten years in the corresponding field in which he/she is to give a lecture. Recognized experts in the practice from the country and abroad may participate in the delivery of the training.

(2) The question and/or problem database for the professional examination for an actuary shall be prepared by the educators referred to in paragraph (1) of this Article.

(3) The questions for the professional examination for an actuary shall be verified by a Commission for Conducting a Professional Examination for an Actuary (hereinafter: the Commission) established by the Council of Experts of the Insurance Supervision Agency.

(4) The manner of establishment and operation of the Commission referred to in paragraph (3) of this Article shall be in details prescribed by the Insurance Supervision Agency.

(5) The Commission referred to in paragraph (3) of this Article shall also, at least once a year, review and update the question databases referred to in Article 154-s of this Law.

(6) In the course of reviewing, the Commission shall particularly take into consideration the amendments of the regulations on which the question is based, the number of candidates that delivered their answers, the success in answering them, as well as other criteria that may influence the improvement of the quality of the question database.

(7) The Commission shall decide to amend or completely remove the questions from the databases based on the completed review and update of the question database.

(8) The educators and the members of the Commission referred to in paragraphs (1) and (3) of this Article shall be entitled to remuneration determined by the Council of Experts of the Insurance Supervision Agency.

(9) The amount of the remuneration referred to in paragraph (8) of this Article shall be determined based on the number of questions prepared, as well as based on the complexity of the subject.

(10) The annual amount of the remuneration referred to in paragraph (8) of this Article shall not exceed the amount of three average salaries paid in the Republic of Macedonia for the previous year, published by the State Statistical Office.

Article 154-f

The professional and administrative activities necessary for conducting the professional examination for an actuary shall be carried out by the Insurance Supervision Agency, and the examination shall be technically implemented by a legal entity registered in the Central Register of the Republic of Macedonia selected by the Agency.

Article 154-g

(1) The training and the professional examination for an actuary shall be conducted based on a need established by the Insurance Supervision Agency, but once a year at least.

(2) The Insurance Supervision Agency shall inform all the interested candidates, by publishing an announcement in the daily print and on its website, about the time and place of the training delivery, that is, of the holding of the professional examination for an actuary.

(3) If there are not at least five candidates, the Insurance Supervision Agency might not deliver the training, that is, hold the examination.

Article 154-h

The procedure for conducting the examinations in the subjects referred to in Article 154-c paragraph (3) of this Law shall be prescribed in detail by the Insurance Supervision Agency.

Article 154-i

The professional examination for an actuary shall be taken upon completion of the training in each subject separately.

Article 154-j

(1) The candidate shall file the request for taking the professional examination for an actuary to the Insurance Supervision Agency.

(2) In addition to the request for taking the professional examination for an actuary, the candidate shall also be obliged to present proofs of meeting the requirements for taking the professional examination for an actuary, prescribed by this Law.

Article 154-k

(1) The Insurance Supervision Agency shall determine, by a decision, whether the candidate meets the requirements for taking the professional examination for an actuary.

(2) An administrative dispute before a competent court may be initiated against the decision rejecting the request for taking the professional examination for an actuary, within a period of 30 days as of the day of receipt of the decision.

Article 154-l

(1) The candidate whose request for taking the professional examination for an actuary is approved, by an e-mail, shall be informed about the time and the place of taking the professional examination for an actuary, no later than eight days prior to the taking of the professional examination for an actuary.

(2) The candidate must be allowed to take the professional examination for an actuary in the first following scheduled time as of the day the request for taking the professional examination for an actuary is adopted.

(3) The candidate shall be obliged, within a period of five days as of the receipt of the information referred to in paragraph (1) of this Article, to inform about his/her participation in the professional examination for an actuary by an e-mail.

Article 154-m

(1) The professional examination for an actuary shall be taken in premises for taking the examination, equipped especially for holding the professional examination for an actuary with material, technical, and IT equipment, internet connection, and equipment for recording the course of the examination.

(2) The date and time of taking the professional examination for an actuary shall be published on the website of the Insurance Supervision Agency at least three days prior to the holding of the examination.

(3) The taking of the professional examination for an actuary shall be recorded and live streamed on the website of the Insurance Supervision agency, and if the recording is interrupted due to technical reasons, the recording of the entire examination shall be posted on the website of the Insurance Supervision Agency.

(4) The legal entity that carries out the professional examination for an actuary should fulfill the requirements regarding the space, and regarding the material, technical and IT equipment in the premises for taking the professional examination which shall be prescribed by the Insurance Supervision Agency.

(5) Two authorized representatives from the Insurance Supervision Agency, the members of the Commission referred to in Article 154-e paragraph (3) of this Law, one representative from the Ministry of Finance, one representative from the Government of the Republic of Macedonia on a proposal of the Office of the President of the Government of the Republic of Macedonia, and one computer engineer proposed by the Ministry of Information Society and Administration shall be present in the premises for taking the professional examination for an actuary.

Article 154-n

(1) Prior to the beginning of the professional examination for an actuary, an authorized representative from the Insurance Supervision Agency shall establish the identity of the candidate by checking his/her personal identity card.

(2) During the first part of the professional examination for an actuary, the candidate shall not be allowed to use laws, laws with commentary and explanation, mobile phone, portable computer devices, and other technical, and IT devices, previously prepared objects, and alike.

(3) During the second part of the professional examination for an actuary, the candidate shall only be allowed to use laws (without commentaries and explanations) which are available in an electronic version on the computer on which the candidate is taking the examination, a calculator and a pen.

(4) During the first and the second part of the professional examination for an actuary, the candidate shall not be allowed to contact with other candidates or persons, except the computer engineer referred to in Article 154-m paragraph (5) of this Law in the event of experiencing a technical problem with the computer.

(5) If the technical problems with the computer are eliminated within a period of five minutes, the examination shall continue, but if they are not eliminated within this period, the examination shall be discontinued only for that candidate, and it shall be held within a period of three days at the most as of the day of discontinuation of the examination.

(6) If problems arise with more than five computers and they are not eliminated within a period of five minutes, the examination shall be discontinued for all of the candidates that are taking the examination, and it shall be held within a period of three days at the most as of the day of discontinuation of the examination.

(7) If the candidate acts contrary to paragraphs (2), (3), and (4) of this Article in the course of taking the first and the second part of the examination, he/she shall not be allowed to continue the examination in that examination session.

(8) In the cases referred to in paragraph (7) of this Article, it shall be regarded that the candidate has not passed the professional examination which shall be stated in the minutes of the course of the examination.

(9) In the course of the professional examination for an actuary, the persons referred to in Article 154-m paragraph (5) of this Law must not be in the immediate surroundings of the candidate who is taking the professional examination for an actuary for more than five seconds, except for elimination of a technical problem when they cannot stay longer than five minutes.

Article 154-o

(1) If justified reasons arise in the course of training delivery and taking the professional examination for an actuary due to which the candidate cannot attend, that is, take the examination (illness, maternity leave, studying abroad, and alike), the training and the professional examination for an actuary shall be postponed for a particular period of time, which cannot be longer than six months.

(2) The decision to continue the professional examination for an actuary shall be adopted by the Council of Experts of the Insurance Supervision Agency upon a request of the candidate. The request shall be filed no later than a period of eight days as of the termination of the reasons for postponing the professional examination for an actuary, but within a period of six months at the most.

(3) If the candidate does not file a request for continuation of the professional examination for an actuary within the deadline set out in paragraph (2) of this Article, it shall be considered that the professional examination for an actuary is not passed.

(4) The candidate may initiate an administrative dispute before the competent court against the decision of the Insurance Supervision Agency referred to in paragraph (2) of this Article, within a period of 30 days as of the receipt of the decision.

(5) In the case referred to in paragraph (2) of this Article, the candidate shall not take that part of the examination that he/she has already passed.

Article 154-p

(1) The professional examination for an actuary shall commence by taking the first part of the examination.

(2) The second part of the examination shall be taken within a period of at least 15 days following the successful passing of the first part.

(3) The Insurance Supervision Agency shall prescribe in detail the manner of scoring the first and the second part of the examination.

Article 154-q

(1) The first part of the examination shall be taken for every subject listed in Article 154-c paragraph (3) of this Law having five multiple-choice answers out of which one shall be correct, two shall be similar, and two shall be false.

(2) The candidate who has not passed successfully the examination in any of the subjects may re-take the examination in that subject only once.

(3) The candidate who has not passed the examination in any of the subjects for two consecutive times, shall lose the right to take the rest of the examinations, but the successfully passed examinations shall be recognized when he/she takes the professional examination for an actuary again.

(4) The number of questions for the first part of the professional examination for an actuary shall be prescribed by the Insurance Supervision Agency.

Article 154-r

(1) The number of questions and/or problems and the manner of taking the second part of the professional examination for an actuary shall be prescribed in detail by the Insurance Supervision Agency.

(2) The candidate must pass the second part of the examination in two consecutive sessions upon completion of the theoretical part.

(3) If the candidate does not pass the second part of the professional examination for an actuary in accordance with paragraph (2) of this Article, it shall be considered that he/she has not passed the professional examination for an actuary.

Article 154-s

(1) The taking of the first part of the professional examination for an actuary shall be done by answering a particular number of questions in a form of doing an electronic test on a computer.

(2) The taking of the second part of the professional examination for an actuary shall be done by analyzing the case study in the field of the subject and by answering a particular number of questions and/or solving problems that the candidate should answer, that is, solve based on the case study in a

form of an electronic software solution. The problems that are an integral part of the second part of the professional examination for an actuary shall be solved in writing on a paper.

(3) The questions contained in the tests of the first part of the professional examination for an actuary and their answers, the case study and the questions deriving from the case study and their answers, as well as the problems and their solutions, provided that they are in electronic form, shall be stored in a single electronic system for taking the professional examination for an actuary.

(4) The electronic system referred to in paragraph (3) of this Article shall also contain a publicly accessible database of at least 500 questions in the subjects referred to in Article 154-c paragraph (3) of this Law for the needs of the first part of the examination out of which 50% derive from the professional literature, as well as a publicly accessible database of at least 50 case studies, questions and problems for the needs of the second part of the professional examination for an actuary.

(5) The electronic system shall also contain reference to the regulations and the literature in which the answers to the questions from the first part of the professional examination for an actuary are found, and the regulations for the second part of the professional examination for an actuary.

(6) The results from the first part of the professional examination for an actuary shall be available to the candidate on the computer on which he/she is taking the examination, immediately upon its completion.

(7) The results from the second part of the professional examination for an actuary shall be available to the candidate within a period of five days as of the day of taking the examination at the latest.

(8) The candidate who has not passed the second part of the professional examination for an actuary, as well as the candidate who considers that his/her answers are not properly scored, within a period of three days, may make an insight in his/her examination and send a written comment to the Insurance Supervision Agency.

(9) The Commission referred to in Article 154-e paragraph (3) of this Law shall review the submitted written comments within a period of seven days as of the day of receipt of the comments at the latest and may make a correction of the number of scores, provided that it establishes that a mistake is made in the scoring.

(10) Upon expiry of the deadline for review of the comments, the Insurance Supervision Agency shall publish an official list of candidates who have passed the examination on its website.

(11) The Insurance Supervision Agency shall implement the single electronic system for taking the professional examination for an actuary.

Article 154-t

(1) At the day of taking the professional examination for an actuary, the representative from the Insurance Supervision Agency shall provide the candidate with an access code, that is, a password by which his/her access to the electronic system referred to in Article 154-s of this Law is approved.

(2) After being granted the access, the candidate shall be given an electronic test for the professional examination for an actuary, computer-generated, the contents of which, by means of random sampling, is determined by the software of the electronic system referred to in Article 154-s paragraph (3) of this Law, from the databases referred to in Article 154-s paragraph (4) of this Law.

(3) The first and the second part of the professional examination for an actuary shall contain an instruction for the manner of solving the examination, which shall be explained by a representative of the Insurance Supervision Agency prior to the beginning of the examination.

(4) The electronic system for taking the professional examination for an actuary cannot allow the existence of an identical content of an electronic test for the first part of the examination, that is, a case study and questions and/or problems for the second part of the examination in one session for more than one candidate.

Article 154-u

(1) In the event of prevention for holding the first or the second part of the professional examination for an actuary, due to reasons that lead to a technical problem for functioning of the electronic system referred to in Article 154-s of this Law, the examination shall be terminated.

(2) If the reasons referred to in paragraph (1) of this Article are eliminated within a period of 60 minutes as of the termination of the examination, the examination shall continue immediately after their elimination.

(3) If the reasons referred to in paragraph (1) of this Article are not eliminated within the time period referred to in paragraph (2) of this Article, the examination shall be rescheduled for another date.

Article 154-v

(1) The total duration of the time determined for answering the questions from the first part of the test of the examination shall be 120 minutes for each of the subjects listed in Article 154-s paragraph (2) of this Law.

(2) The candidate who earns at least 70% of the total envisaged positive points by giving correct answers to the questions from the test shall be considered to have passed the examination.

Article 154-w

(1) The total duration of the time determined for answering the questions and/or solving the problems from the case study of the second part of the examination shall be 120 minutes for each of the subjects listed in Article 154-c paragraph (3) of this Law..

(2) The candidate who earns at least 70% of the total envisaged positive points shall be considered to have passed the examination.

Article 154-x

(1) The candidates who have passed the professional examination for an actuary shall be issued a certificate within a period of 15 days as of the day of completion of the professional examination for an actuary.

(2) The form and the contents of the certificate referred to in paragraph (1) of this Article shall be prescribed by the Insurance Supervision Agency.

Article 154-y

At the request of the candidate, the Insurance Supervision Agency shall inform him/her about the mistakes made in the test of the professional examination for an actuary by providing him/her a direct insight in the test.

Article 154-z

(1) The tests, the questions and the problems shall be used and shall be given to the candidates solely during the professional examination for an actuary.

(2) The materials of the professional examinations held, particularly the paper versions of the tests and the problems for the professional examination for an actuary and the specimens for checking the accuracy of the answers of the test and the problems, as well as the recordings of the professional examinations held, shall be kept in the Insurance Supervision Agency.

(3) The Council of Experts shall establish a commission for review of the professional examinations held, which shall use the materials referred to in paragraph (2) of this Article in the course of its work. In addition to the other members, two persons from the Ministry of Finance shall mandatorily be members of the review commission.

(4) The review commission shall meet at least once a year and shall review the manner of conducting of at least one session held in the current year.

(5) The review commission shall also be entitled to review the manner of conducting the professional examinations held in the last five years as to the day the Commission's meeting takes place, but not sooner than the day of application of this Law.

(6) If the review commission establishes irregularities in the conducting of the professional examination for an actuary by individuals in terms of Article 154-n paragraph (7) of this Law, it shall propose revocation of the certificate referred to in Article 154-x of this Law.

(7) The Council of Experts of the Insurance Supervision Agency shall adopt a decision on revocation of the certificate on the basis of the proposal of the review commission within a period of three days as of the receipt of the proposal.

(8) An administrative dispute before a competent court may be initiated against the decision referred to in paragraph (7) of this Article within a period of 30 days as of the receipt of the decision.

Article 154-aa 22

(1) The candidate shall pay a charge for the training and the taking the professional examination for an actuary.

(2) The amount of the fee referred to in paragraph (1) of this Article shall be set out by the Insurance Supervision Agency based on the actual costs incurred for the training and the taking of the professional examination for an actuary, required for conducting the first and the second part of the professional examination for an actuary, the preparation of the question databases, the conducting of the electronic test, the preparation of the materials and invitations, and the preparation of the certificates.

(3) The fee referred to in paragraph (1) of this Article shall be paid at the account of the Insurance Supervision Agency.

(4) If the fee is not been paid at a respective account of the Insurance Supervision Agency within a period of 15 days prior to the day set out for beginning of the training, that is, the examination at the latest, the candidate shall not be allowed to attend the training, that is, to take the professional examination for an actuary.

(5) If the candidate fails to take the professional examination for an actuary within a period of a year as of the day of payment of the funds, the paid funds shall be returned pursuant to law.

Article 154-bb 23

(1) The professional examination for carry out insurance brokerage activities (hereinafter: professional examination for a broker) shall consist of two parts, that is:

- part one (theoretical part), based on which the theoretical knowledge of the candidates is checked, and

- part two (case study), based on which the abilities for application of the laws in practice is checked.

(2) The first part of the professional examination for a broker shall be taken in writing via electronic means, by answering a particular number of questions in a form of doing an electronic test on a computer.

(3) The first part of the professional examination for a broker shall be taken in the following subjects:

- 1) introduction to risk management and insurance;
- 2) legislation in the field of insurance;
- 3) commercial and obligation law;
- 4) intermediation in insurance and code of ethics;
- 5) life insurance;
- 6) non-life insurance;
- 7) financial aspect of operation;
- 8) risk screening and intermediation in damage claims; and
- 9) re-insurance.

(4) The second part of the professional examination for a broker shall consist of:

- 1) a case study;
- 2) questions that the candidate should answer based on the case study analysis; and/or
- 3) problems that the candidate should solve based on the case study analysis.

(5) The Insurance Supervision Agency shall determine and publish on the website the detailed contents of each of the subjects for the first part of the professional examination for a broker in accordance with paragraph (3) of this Article.

(6) The Insurance Supervision Agency shall prescribe which subjects shall consist of both the first part of the professional examination for a broker and the second part in accordance with paragraph (4) of this Article.

Article 154-cc 24

(1) The professional examination for carry out activities related to representation in insurance (hereinafter: professional examination for an agent) shall consist of two parts, that is:

- part one (theoretical part), based on which the theoretical knowledge of the candidates is checked, and

- part two (case study), based on which the abilities for application of the laws in practice is checked.

(2) The first part of the professional examination for an agent shall be taken in writing via electronic means, by answering a particular number of questions in a form of doing an electronic test on a computer.

(3) The first part of the professional examination for an agent shall be taken in the following subjects:

- 1) introduction to risk management and insurance;
- 2) legislation in the field of insurance;
- 3) commercial and obligation law;
- 4) intermediation in insurance and code of ethics;
- 5) life insurance; and
- 6) non-life insurance.

(4) The second part of the professional examination for an agent shall consist of:
1) a case study;
2) questions that the candidate should answer based on the case study analysis; and/or
3) problems that the candidate should solve based on the case study analysis.

(5) The Insurance Supervision Agency shall determine and publish on the website the detailed contents of each of the subjects for the first part of the professional examination for an agent in accordance with paragraph (3) of this Article.

(6) The Insurance Supervision Agency shall prescribe which subjects shall consist of both the first part of the professional examination for an agent and the second part in accordance with paragraph (4) of this Article.

Article 154-dd 25

(1) The first part of the examination shall be taken for every subject listed in Articles 154-bb paragraph (3) and 154-cc of this Law having five multiple-choice answers out of which one shall be correct, two shall be similar, and two shall be false.

(2) The candidate who has not passed the professional examination for a broker, that is, the professional examination of an agent the first time, shall have the right to two consecutive re-taking of the examination within a period of six months as of the day of completion of the training.

(3) The candidate who has not passed the professional examination for a broker, that is, the professional examination for an agent for three consecutive times, shall lose the right to take the examinations planned by the training again.

(4) The number and the complexity of the questions for the first part of the professional examination for a broker, that is, the professional examination for an agent shall be prescribed by the Insurance Supervision Agency.

Article 154-ee 26

(1) A professional examination for obtaining a license for an insurance broker may be taken by persons who meet the requirements referred to in Article 138 of this Law.

(2) A professional examination for obtaining a license for an insurance agent may be taken by persons who meet the requirements referred to in Article 134-c of this Law.

(3) The provisions of Articles 154-d, 154-e, 154-f, 154-g, 154-h, 154-i, 154-j, 154-k, 154-l, 154-m, 154-n, 154-o, 154-p, 154-q, 154-r, 154-s, 154-t, 154-u, 154-v, 154-w, 154-x, 154-y, 154-z and 154-aa of this Law shall accordingly apply to the professional examination for carrying out insurance brokerage activities and the professional examination for carrying out activities related to representation in insurance.

Insurance brokerage companies from member states

Article 155 27

(1) An insurance brokerage company from a member state shall be a legal entity with head office in a member state, holding a license for carrying out insurance brokerage activities from a corresponding competent body from the referred state.

(2) An insurance brokerage company from a member state may carry out insurance brokerage activities in the Republic of Macedonia through branch office or directly.

(3) The provisions of Articles 135 through 144 and 151 of this Law shall accordingly apply to the insurance brokerage companies referred to in paragraph (1) of this Article to the insurance brokerage activities carried out by the company on the territory of the Republic of Macedonia.

Commencement of the performance of insurance brokerage activities by insurance brokerage companies from member states

Article 156

(1) The insurance brokerage company referred to in Article 155 paragraph (1) of this Law, intending to carry out insurance brokerage activities on the territory of the Republic of Macedonia shall be obliged to notify the competent supervisory body in the member state where the company has its head office, in regard to its intention.

(2) The competent supervisory body referred to in paragraph (1) of this Article shall be obliged, in a period of one month to submit the notification referred to in paragraph (1) of this Article to the Insurance Supervision Agency.

(3) The insurance brokerage company may forthwith commence the performance of insurance brokerage activities on the territory of the Republic of Macedonia, in a period of one month as of the day of receipt of the notification from the competent supervisory body from the member state, in accordance with paragraph (2) of this Article.

(4) The provisions of this Article shall accordingly apply to the performance of insurance brokerage activities by insurance brokers – natural persons in the Republic of Macedonia.

(5) The competent bodies from the member states shall be obliged to mutual exchange of data and information, pertaining to the insurance brokers and insurance brokerage companies, especially in cases when measures have been established against them due to disobeying the regulations in the state where they perform insurance brokerage activities.

Carrying out insurance brokerage activities in member states

Article 156-a

(1) The insurance brokerage company holding a license to carry out insurance brokerage activities may carry out insurance brokerage activities on the territory of a member state, through a branch office or directly, if it meets the requirements anticipated by the regulations of the referred Member State.

(2) An insurance brokerage company intending to commence the performance of insurance brokerage activities on the territory of a member state, shall be obliged to notify the Insurance Supervision Agency in regard to its intention.

(3) Upon a request of the competent supervisory body of the member state, the Insurance Supervision Agency shall be obliged, in a period of one month, to submit the notification referred to in paragraph (2) of this Article to the competent supervisory body of the member state and notify the insurance brokerage company thereof.

(4) The insurance brokerage company may commence the performance of insurance brokerage activities on the territory of the member state in a period of one month as of the day of receipt of the

notification of the Insurance Supervision Agency, referred to in paragraph (3) of this Article. The insurance brokerage company may forthwith commence the performance of insurance brokerage activities on the territory of the member state if the competent supervisory body from the member state does not request the notification referred to in paragraph (2) of this Article.

Foreign insurance brokerage companies

Branch office of a foreign insurance brokerage company

Article 157

(1) An insurance brokerage company on the territory of the Republic of Macedonia may carry out insurance brokerage activities exclusively through a branch office.

(2) The provisions of this Chapter, excluding Articles 155 and 156 of this Law, shall apply to a foreign insurance brokerage company that establishes a branch office on the territory of the Republic of Macedonia.

License for establishing a branch office

Article 158

The provisions of paragraphs 2 to 4 of Article 19 and Articles 64 and 145 of this Law shall as well apply to issuance and revocation of a license for establishing the branch office referred to in paragraph 1 of Article 157 of this Law.

PART TEN - A

INSURANCE SUPERVISION AGENCY

Chapter 1

STATUS OF THE INSURANCE SUPERVISION AGENCY

Status of the Insurance Supervision Agency

Article 158-a

(1) The Insurance Supervision Agency (hereinafter: the Agency) shall be established as an autonomous and independent regulatory body with public authorizations determined by this Law.

(2) The Agency, within the framework of its competences and authorizations shall take care of the legal and efficient operation on the insurance market, in order to protect the rights of the holders and beneficiaries of the insurance.

(3) The Agency shall acquire the capacity of a legal entity with the entry in the Register of Other Legal Entities kept in the Central Register of the Republic of Macedonia.

(4) The head office of the Agency is in Skopje.

(5) The Agency shall be liable for its work to the Assembly of the Republic of Macedonia.

Competences of the Agency

Article 158-b

(1) The Agency shall have the following competences:

- 1) conduct supervision of the insurance companies, insurance brokerage companies, insurance agencies, insurance brokers, insurance agents and the National Insurance Bureau;
- 2) issue and revoke permission, consents and licenses, on the basis of this Law and the other laws within its competence;
- 3) pronounce supervision measures, in accordance with this Law;
- 4) adopt bylaws for implementation of this Law and the other laws within its competence and other acts in regard to prescribing conditions, manner and procedure for conduct of supervision;
- 5) give proposals for adopting laws in the field of insurance;
- 6) is a member in the bodies of the International Association of Insurance Supervisors and in the bodies of the European Council of Insurance Supervisors and supervisory body of the voluntary pension insurance;
- 7) cooperate with other competent supervisory institutions on the financial market in the Republic of Macedonia;
- 8) motivate the development of the insurance in the Republic of Macedonia;
- 9) develop the public awareness of the role of the insurance and of the insurance supervision;
- 10) supervise the implementation of the measures and activities for prevention of money laundering and financing terrorism, in accordance with the Law on Prevention of Money Laundering and other Financial Proceedings from a Crime and Financing Terrorism and
- 11) perform other activities in accordance with law.

(2) The bylaws adopted by the Agency shall be published in the "Official Gazette of the Republic of Macedonia".

Statute of the Agency

Article 158-c

The Agency shall adopt a Statute that regulates the internal organization, governing and management, the procedures for adoption of acts, as well as other issues significant for the operation of the Agency.

Responsibility of the Agency

Article 158-d

(1) The Agency shall not be responsible for the authenticity, completeness and accuracy of the data contained in the quarterly and annual reports of the insurance companies submitted to the Agency and to the public.

(2) The members of the Council of Experts and the employees in the Agency shall not be responsible for the damage incurred in the operations, provided that the person has acted honestly and scrupulously.

(3) The damage caused due to illegal operations of a member of the Council of Experts or a person employed in the Agency shall be compensated from the funds of the Agency, according to the general regulations on damage compensation.

(4) In case of court dispute in which a member of the Council of Expert or an employee in the Agency is being tried due to performance of its official duties, the Agency shall ensure legal representation and cover the costs for the defense.

(5) If a legally valid court verdict establishes that a member of the Council of Experts or an employee in the Agency, premeditatively or due to negligence has violated the work tasks: 1) the member of the Council of Experts or the employee shall be obliged to compensate the costs referred to in paragraph (4) of this Article to the Agency and 2) paragraph (3) of this Article is not applied, i.e. the member of the Council of Experts or the employee are responsible for the incurred damage.

Chapter 2

BODIES OF THE AGENCY

Body of the Agency

Article 158-e

The Council of Experts shall be a body of the Agency.

Council of Experts

Article 158-f

- (1) The Council of Experts of the Agency is composed of five members, one of them being a president.
- (2) The president of the Council of Experts shall head the Agency and represent it in relations with third parties.
- (3) The president and the four members of the Council of Experts of the Agency shall be appointed and dismissed by the Assembly of the Republic of Macedonia, on a proposal of the Government of the Republic of Macedonia.
- (4) The term of office of the members of the Council of Experts shall be five years, with the possibility to be re-elected.
- (5) As an exception to paragraph (4) of this Article in the first mandate of the constitution of the Council of Experts, the president and one member shall be appointed for five years, two members shall be appointed for four years and one member for three years. Which of the members will be appointed five, four or three years will be decided by the Assembly of the Republic of Macedonia, on the basis of the proposal of the Government of the Republic of Macedonia referred to in paragraph (3) of this Article.
- (6) The members of the Council of Experts may be dismissed by the Assembly of the Republic of Macedonia even before the expiry of the mandate, only in case of fulfillment of at least one of the conditions anticipated in Article 158-i of this Law.
- (7) Only when a member of the Council of Experts will stop performing the duty before the expiry of the mandate, another person shall be appointed on that position with a mandate until the expiry of the mandate of the member whose performance of duty is terminated.
- (8) The president and at least two members of the Council that on the basis of the proposal of the Government of the Republic of Macedonia, referred to in paragraph (3) of this Article are appointed by the Assembly of the Republic of Macedonia, shall be professionally engaged in the Agency, full-time, and cannot hold another position and be employed in another place, or receive compensation other

than salary and other salary compensations, in accordance with the Law on Labor Relations and the collective agreement, as well as compensations from temporary educational remuneration or royalty.

Requirements for election of the members of the Council of Experts

Article 158-g

(1) The members of the Council of Experts of the Agency shall be elected at a public announcement published in at least three daily newspapers that are printed on the whole territory of the Republic of Macedonia one of which is a newspaper printed in a language spoken by at least 20% of the citizens who speak an official language other than the Macedonian.

(2) A member of the Council of Experts may be elected a person that meets the following requirements:

- 1) is a citizen of the Republic of Macedonia;
- 2) holds a university degree;
- 3) is recognized expert in the field of insurance, finances or commercial law and has at least five years of work experience in the field of insurance and finances;
- 4) holds one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years: **28**
 - TOEFL IBT - at least 74 points,
 - IELTS - at least 6 points,
 - ILEC (Cambridge English: Legal) - at least B2 level,
 - FCE (Cambridge English: First) - passed,
 - BULATS - at least 60 points, or
 - APTIS - at least B2 level; and
- 5) has passed a psychological test and an integrity test.

(3) A member of the Council of Experts cannot be appointed a person who:

- 1) *abolished* ; **29**
- 2) *abolished* ;
- 3) is a head of a state body or state administration body;
- 4) is a member of a management body, supervisory body or a person employed in an insurance company, insurance brokerage company or another legal entity supervised by the Agency;
- 5) is a stockholder in an insurance company, insurance brokerage company, insurance agency or other legal entity supervised by the Agency;
- 6) is a member of bodies of a political party and
- 7) is a member of the assembly or a person performing duties appointed for by the Government or the Assembly of the Republic of Macedonia.

(4) The president and the members of the Council of Experts shall be obliged to perform their work professionally and in a manner that will not endanger the independence and autonomy of the Agency.

(5) Any form of influence on the work of the Council of Experts that might affect the independence and autonomy of the Agency shall be prohibited.

(6) The employees in the Agency cannot be members of bodies of the insurance companies or of other legal entities supervised by the Agency and cannot perform certain tasks for those legal entities.

Rights of the president, the members of the Council of Experts and the employees

Article 158-h

(1) During the performance of its duty, the president and the members of the Council of Experts being professionally engaged in the Agency, full-time, shall be entitled to a salary, salary compensations and other remunerations in accordance with the Law on Labor Relations and the collective agreement.

(2) The members of the Council of Experts who are not professionally engaged in the Agency shall be entitled to monthly compensation and remuneration of other costs determined by the Statute and the other acts of the Agency.

(3) The funds for salary, salary compensations, monthly compensation and other remunerations of the president and the members of the Council of Experts and the employees in the Agency, shall be provided from the funds of the Agency determined by the annual financial plan and the same have to be in an amount almost same as the salaries in the financial sector in the Republic of Macedonia, including the salaries in the insurance companies.

(4) The employees of the Agency, except the president and the members of the Council of Experts, who carry out administrative activities shall have the status of administrative servants.

(5) The president, the members of the Council of Experts and the employees in the Agency shall have the right to perform professional and scientific activities, as well as to participate in the work of professional or scientific associations.

(6) The president and the members of the Council of Experts and the employees in the Agency, during their term of office, i.e. labor relation, must not accept any compensations or payments, functions or employments or provide any services to the entities under supervision, as well as the entities affiliated thereto, in accordance with this Law.

(7) The Law on Administrative Servants shall apply to the issues that refer to the labor relation of the administrative servants of the Agency and that are not regulated by this Law and by the collective agreement.

(8) The employees in the Agency who carry out auxiliary-technical activities shall have the status of an auxiliary-technical personnel.

(9) The general regulations on labor relations shall apply to the auxiliary-technical personnel of the Agency.

(10) The manner of determining the basic salary and the salary supplements of the employees in the Agency shall be regulated by a collective agreement, and the value of the point of the basic salary shall be determined by the Council of Experts.

Dismissal of the member of the Council of Experts and of the Agency

Article 158-i

The Assembly of the Republic of Macedonia, on a proposal of the Government of the Republic of Macedonia, may dismiss a member of the Council of Experts or the president of the Council, prior to the expiry of the term of office being appointed for, if:

- 1) there is a personal request;
- 2) the working ability is lost;
- 3) the obligation for protection of confidential data, referred to in Article 158-n of this Law is violated;
- 4) there is unjustified absence from three sessions of the Council, consecutively, or there is unjustified absence of five sessions during one year and
- 5) the requirements referred to in Article 158-g paragraphs (2) and (3) of this Law are not longer met.

Competences of the Council of Experts

Article 158-j

The Council of Experts of the Agency shall:

- 1) adopt bylaws for implementation of this Law and the other laws within its competence and other acts in terms of prescribing conditions, manner and procedures for conduct of supervision;
- 2) decide on the issuance or revocation of licenses, giving or withdrawing consents, eliminating illegalities from conducted supervisions and other individual issues for which, according to a law, the decisions are adopted by the Agency, unless otherwise prescribed by this Law;
- 3) pronounce measures against the insurance company, insurance brokerage companies, insurance agency and other legal entities and natural persons that are supervised by the Agency, in accordance with law;
- 4) undertake measures for implementation of this Law and the other regulations within its competence;
- 5) adopt a Statute of the Agency;
- 6) adopt financial reports and financial plan of the Agency;
- 7) adopt a Tariff;
- 8) adopt reports on the condition of the insurance market and annual reports of the Agency's work;
- 9) adopt annual work plans for the Agency and
- 10) perform other activities determined by law and a statute.

Decision-making in the Council of Experts in regard to the adoption of regulations

Article 158-k

- (1) The Council of Experts shall decide in sessions.
- (2) The Council of Experts may adopt decisions within its competence if the majority of its members attend the session.
- (3) The decisions of the Council of Experts shall be adopted if the majority of the members attending the session have voted them, whereby the president and the members of the Council of Experts cannot be restrained from voting.

Article 158-l 30

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Article 158-m 31

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Protection of confidential data

Article 158-n

- (1) The members of the Council of Experts and the employees in the Agency shall be obliged to keep as confidential the data pertaining to the entities supervised by the Agency, as well as the other data related to the facts and circumstances they have come across during the performance of their work, except the data that are public, according to the provisions of this Law. The obligation for protection of confidential data exists even after the termination of their office or employment.

- (2) The data obtained during the work of the Agency may be revealed only to:
- 1) employees in the Agency and the members of the Council of Experts due to non-performance of their official duties;
 - 2) other bodies competent for supervision of the financial institutions in the Republic of Macedonia, under a condition that the Memorandum of understanding enables revealing of such data;
 - 3) bodies and institutions for implementation of the laws;
 - 4) competent court and
 - 5) insurance supervisors from other countries, in accordance with the memorandums of understanding or the international agreements.

Chapter 3

FUNDS FOR OPERATION

Funds for operation of the Agency

Article 158-o

- (1) The work of the Agency, in accordance with this Law, shall be financed by fees charged by the Agency from the insurance companies, insurance brokerage companies, insurance agencies and other entities supervised by the Agency, including the following:
- 1) annual fee for conduct of supervision in the insurance companies, insurance brokerage companies and insurance agencies, in an amount up to 0.8% of the total annual gross premium of the insurance companies at most, i.e. of the total annual income consisted of commissions of the insurance brokerage companies and the insurance agencies;
 - 2) fees for issuance of licenses for performance of insurance activities and other licenses referred to in this Law;
 - 3) fees for issuance of licenses for performance of insurance brokerage activities and activities for representation in insurance ;
 - 4) fees for issuance of licenses for insurance broker and insurance agent;
 - 5) fees for issuance of licenses for performance of activities as an authorized actuary;
 - 6) fees for giving consent to this Law;
 - 7) fees for delivery of training and examinations in accordance with Articles 154-aa and 154-ee of this Law; and
 - 8) donations, loans and other financial and technical assistance.
- (2) The Agency shall adopt a Tariff to determine the content and amount of the fees and costs referred to in paragraph (1) of this Article. The Tariff shall be published in the "Official Gazette of the Republic of Macedonia".
- (3) The amount of the fees determined by the Tariff shall be corresponding to the actual costs necessary to perform the services of the Agency.
- (4) The Agency shall prescribe the manner and deadlines for charging the fees referred to in paragraph (1) of this Article.
- (5) The insurance companies and the other entities supervised by the Agency shall be obliged to pay the fees referred to in paragraph (1) of this Article to a separate account of the Agency, in accordance with the Tariff referred to in paragraph (2) of this Article.
- (6) If the insurance company does not pay the fee within the time period prescribed by the Agency, the Agency shall coercively collect the fee from the insurance company, by a decision, in accordance with the enforcement regulations.

Provisions fund of the Agency

Article 158-p

If during the previous business year the Agency generates extra profit, exceeding the costs, the extra funds shall be allocated to provisions funds of the Agency.

Covering a loss

Article 158-q

If during the previous business year the Agency has more costs than generated profit, the lack of funds shall be compensated from the Provisions funds of the Agency.

Financial reports and financial plan of the Agency

Article 158-r

(1) The Council of Experts shall be obliged, at the latest by 30 June the current year, to submit to the Assembly of the Republic of Macedonia financial reports for the previous year, audited by an authorized auditor.

(2) The Council of Experts shall be obliged by 31 December the current year to submit to the Assembly of the Republic of Macedonia a financial plan for the following year.

(3) The Assembly of the Republic of Macedonia shall adopt the financial reports for the previous year and the financial plan.

Report on the condition of the insurance market

Article 158-s

(1) The Agency shall prepare an annual report on the condition and the movements on the insurance market and shall submit them to the Assembly of the Republic of Macedonia to adopt.

(2) The report referred to in paragraph (1) of this Article has to contain data on the scope of the carried out insurance activities, per insurance classes.

(3) The Agency shall be obliged to submit the report referred to in paragraph (1) of this Article to the Assembly of the Republic of Macedonia, by 30 June the current year, for the previous year, at the latest.

(4) In a period of 15 days as of the day of adoption of the report referred to in paragraph (1) of this Article the Agency shall publish it on its web site.

Annual report

Article 158-t

(1) The Agency shall prepare annual report for its work and shall submit it to the Assembly of the Republic of Macedonia to adopt.

(2) The report referred to in paragraph (1) of this Article has to contain data on the pronounced supervision measures undertaken by the Agency, in accordance with the performed supervision procedures, issued and revoked licenses for carrying out insurance activities and other licenses and consents given by the Agency, as well as data on the cooperation of the Agency with other domestic and foreign supervisory bodies.

(3) The Agency shall be obliged to submit the report referred to in paragraph (1) of this Article to the Assembly of the Republic of Macedonia by 30 June the current year, for the previous year, at the latest.

(4) In a period of 15 days as of the day of the adoption of the report referred to in paragraph (1) of this Article, the Agency shall publish it on its web site.

PART ELEVEN

SUPERVISION OF INSURANCE COMPANIES

Chapter 1

GENERAL PROVISIONS

Supervision of insurance companies

Article 159

(1) The Insurance Supervision Agency shall supervise the insurance companies in order to determine whether the carrying out of insurance activities is in accordance with the rules on risk management, the other provisions of this Law or other laws that regulate the work of the insurance companies.

(2) The Insurance Supervision Agency shall also supervise the legal entities that are affiliated entities to the insurance company, if it is necessary in order to conduct supervision of the insurance company.

(3) If the conduct of supervision of a legal entity referred to in paragraph 2 of this Article is within the competence of another supervisory body, the supervision of the referred legal entity shall as well be conducted by the Insurance Supervision Agency, in cooperation with the corresponding competent supervisory body.

(4) If the insurance company carries out insurance activities, anticipated in point 18 of Article 5 of this Law, the Insurance Supervision Agency shall as well conduct supervision of the technical qualifications of the entities providing tourism assistance.

Conducting supervision

Article 160

(1) The supervision referred to in Article 159 of this Law shall be conducted by the Insurance Supervision Agency, through:

1) permanent off-field supervision of the work of the insurance companies by collecting, analyzing and verifying the reports and information submitted by the insurance companies, and other entities, in accordance with the provisions of this Law;

2) field (complete or partial) supervision of the work of the insurance company (control), as well as additional supervision when it is assessed that it's in the best of interest and it is for protection of the

rights of the insured and

3) determination of measures of supervision, in accordance with the provisions of this Law.

(2) When conducting the supervision of the insurance company, the Insurance Supervision Agency may request:

- 1) the insurance company to provide reports and information on the work of the company;
- 2) a report on completed audit and additional information from it and
- 3) statistical and other data per insurance and reinsurance groups or classes, as well as extraordinary controls of the work of the insurance company.

(3) When conducting supervision, the insurance company shall be obliged to provide insight in the complete documentation of the company to the authorized workers. The authorized workers may retain and reveal only copies of the documents of the insurance company.

(4) The Agency may conduct supervision of the insurance companies with or without a previous announcement, according to its assessment and as a part of the regular operations of the Agency.

Annual fee for conducting supervision

Article 161

Deleted 32

Costs of the supervision

Article 162

Deleted

Chapter 2

NOTIFICATION

Regular notification and notification upon a request of the Insurance Supervision Agency

Article 163

(1) The insurance companies shall be obliged to notify the Insurance Supervision Agency in regard to:

- 1) a change in data entered in the trade register;
- 2) calling the stockholder's assembly, as well as all the conclusions adopted thereon;
- 3) plan for opening, transfer, closing or temporary division of a branch office or representative office in the country or a Member State, or change of the type of activities performed by the branch office;
- 4) capital investments of the insurance companies in another legal entity that amount less than 10% of the capital of the insurance company, as well as any further investment in that legal entity;
- 5) termination of the performance of insurance activities for certain classes;
- 6) change in the ownership structure of the stocks with managing right, except in the cases of Article 66 paragraph 3 of this Law for which consent is necessary;
- 7) there is basis to terminate the insurance company or revoke the license for performance of insurance activities;
- 8) change in the head office of the insurance company;
- 9) change in the Acts of the business policy in regard to the insurance classes referred to in Article 5 points 2 and 10 of this Law;

- 10) introduction of new products;
- 11) dismissal and appointment of members of a management body;
- 12) dismissal of an authorized actuary;
- 13) change of an internal auditor;
- 14) change of tariffs of premiums and conditions for insurance, as well as technical basis used for their determination and
- 15) entities performing the activities referred to in Articles 133 paragraph (2) and 135 paragraph (2) of this Law.

(2) The management body of the insurance company shall be obliged to notify the Insurance Supervision Agency forthwith, in writing, if:

- 1) the liquidity or solvency of the company is endangered;
- 2) there are reasons for revocation of the license for carrying out insurance activities or for revocation of the license for carrying out insurance activities in certain class of insurance and
- 3) the financial condition of the insurance company has been changed, whereas the insurance company no longer fulfills the required level of solvency margin, in accordance with Articles 75 or 76 of this Law.

(3) The insurance company shall be obliged to notify the Insurance Supervision Agency in regard to the activities referred to in paragraph 1 of this Article, in a period of five business days as of the day they are performed.

(4) The insurance company shall be obliged, on a request of the Insurance Supervision Agency, to submit other information and documents necessary to conduct supervision of the work of the company, i.e. executing other competences by the Agency.

(5) The Insurance Supervision Agency shall prescribe the content of the notifications referred to in paragraph (1) of this Article.

Chapter 3

MEASURES OF SUPERVISION

1. General Provisions

Measures of supervision

Article 164

Measures of supervision of the insurance companies, in accordance with this law, shall be the following:

- 1) order for elimination of the illegalities;
- 2) determination of additional measures;
- 3) revocation of the license;
- 4) separate management;
- 5) submission of a proposal for initiation of a misdemeanor procedure, i.e. imposing a misdemeanor sanction;
- 6) liquidation of the insurance company, and
- 7) submission of a proposal for opening a bankruptcy procedure against the insurance company.

2. Elimination of the illegalities

Order for elimination of the illegalities

Article 165

(1) The Insurance Supervision Agency shall issue an order for elimination of the illegalities if in the course of conducting the supervision over the insurance company it is established that:

- 1) a person performs a function as a member of the management body of the insurance company without the consent referred to in Article 24 of this Law;
- 2) the insurance company no longer meets the requirements for carrying out the insurance activities;
- 3) the insurance company is carrying out activities, which in accordance with this Law it must not perform;
- 4) the insurance company operates contrary to the rules on risk management;
- 5) the insurance company carries out insurance activities contrary to the regulations on keeping accountancy and business records, internal audit, or audit of the financial and annual reports;
- 6) the insurance company does not complete its obligations for submission of reports and other data, in accordance with this Law;
- 7) the insurance company carries out insurance activities contrary to the acts referring to business policy;
- 8) carries out activities in the classes of insurance not stated in the license for carrying out insurance activities in accordance with Article 33 of this Law;
- 9) the insurance company violates the rules when appointing an authorized actuary;
- 10) the number of members of the management body is decreased under the minimum number determined by the Law on Trade Companies, and the insurance company has not submitted a request for obtaining consent for a member of a management body for another person in a period longer than 60 days; and
- 11) the insurance company does not obey the other provisions of this Law, or the other laws regulating the operation of the insurance companies.

(2) A time period for elimination of the illegalities, which cannot be shorter than eight or longer than 30 days as of the day of delivery of the order shall be determined in the order referred to in paragraph 1 of this Article.

Report on elimination of the illegalities

Article 166

(1) The insurance company shall be obliged in the determined time period referred to in paragraph 2 of Article 165 of this Law, to eliminate the determined illegalities and thereof submit a report to the Insurance Supervision Agency. The report shall contain an explanation regarding the undertaken measures and documents that serve as proof for the eliminated illegalities shall be enclosed thereto.

(2) If the submitted report referred to in paragraph 1 of this Article, establishes that the illegalities have been eliminated the Insurance Supervision Agency shall adopt a decision whereby the previously issued order is put out of force and it shall be concluded that the illegalities have been eliminated. The Insurance Supervision Agency may, prior to adopting the decision, conduct a partial supervision over the operation of the insurance company.

(3) The Insurance Supervision Agency shall adopt a decision in accordance with paragraph 2 of this Article, within a time period of 30 days as of the day of receipt of the report on elimination of the illegalities. Otherwise, it shall be considered that the illegalities have been eliminated.

Determination of additional measures

Article 167

(1) If during the conduct of the supervision it is determined that the insurance company works contrary to the rules on risk management, the Insurance Supervision Agency by issuing the order on

elimination of the illegalities referred to in paragraph 1 Article 165 of this Law, shall determine the following additional measures:

- 1) impose on the management body of the insurance company the adoption of a plan of measures for the purpose of ensuring the necessary level on the solvency margin of the insurance company, i.e. the necessary level of guarantee fund;
- 2) impose on the management and supervisory body of the insurance company to convene a stockholders assembly where the adoption of corresponding decisions shall be proposed, such as:
 - decision on increase of the share capital in the insurance company by issuing new stocks;
 - decision on increase of the share capital in the insurance company by gaining profit;
- 3) impose a prohibition on the insurance company to conclude new insurance contracts;
- 4) limit the level of risk up to which the company may conclude insurance contracts;
- 5) impose a prohibition on the insurance company to perform certain types of payments and/or complete payments to certain entities;
- 6) impose a prohibition on the insurance company to engage in transactions with individual stockholders, members of the management body or the supervisory body, affiliated entities or investment funds managed by the company which is an affiliated entity to the insurance company;
- 7) impose the management body to undertake measures for:
 - improvement of the risk management;
 - change in the performance of the insurance activities in particular classes of insurance;
 - limitation in granting loans;
 - increase of the efficiency regarding the payment of due claims of the insurance company;
 - corresponding valuation of the items from the business balance sheets and off-balance sheets;
 - improvement of the accountancy and information system;
 - increased efficiency of the internal control and the internal audit;
 - other measures necessary for implementation of the rules on risk management;
- 8) impose a prohibition on the insurance company to freely dispose with the company's funds, and
- 9) impose on the insurance company to dismiss one member or several members of the management body and the appointment of new ones.

(2) It shall be considered that the insurance company operates contrary to the rules on risk management, if it:

- 1) does not secure the necessary level of solvency margin in accordance with Article 75 or 76 of this Law, does not accept measures for securing the necessary level of solvency margin referred to in Article 106 of this Law, i.e. does not achieve minimum liquidity in accordance with Article 74 point 8 of this Law;
- 2) does not maintain the value of the share capital, i.e. does not maintain the value of the guarantee funds referred to in Article 77 of this Law;
- 3) does not reinsure the obligations arising from the insurance contracts above the amount of the maximum coverage in accordance with Article 99 paragraph (1) of this Law;
- 4) does not organize the operation or fails to regularly keep the trade books, accountancy documents and other administrative and business data in a manner enabling to determine whether the insurance company operates in accordance with the rules on risk management, at any time;
- 5) does not adopt measures for appropriate valuation of the items from the business balance sheets and off-balance items, or if the valuation is contrary to the provisions of this Law or to the regulations adopted thereon;
- 6) invests the capital contrary to Article 73 of this Law;
- 7) performs activity which in accordance with this Law is prohibited to perform;
- 8) operates contrary to the provisions referred to in Article 86 to 98 of this Law;
- 9) pays the dividend contrary to Article 105 of this Law;
- 10) does not fulfill its obligations for timely and appropriate notification of the Insurance Supervision Agency, in accordance with this Law;
- 11) falsely presents the financial situation of the insurance company by performing fictive transactions;
- 12) performs activities which endanger the liquidity and solvency of the insurance company, and
- 13) operates contrary to the provisions referred to in Article 49 to Article 52, or Article 145 of this Law.

(3) The Insurance Supervision Agency shall impose the supervisory board of the insurance company to dismiss one or more members from the management body and to appoint a new member or more new members in the management body, if the insurance company constantly violates the obligations for timely and appropriate notification or provision of data to the Insurance Supervision Agency or if it prevents the conducting of the supervision in any other manner.

(4) If the Insurance Supervision Agency imposes undertaking of the additional measures referred to in paragraph 1 of this Article on the insurance company, the report referred to in paragraph 1 of Article 166 of this Law, shall also contain an explanation and documents that serve as a proof for the undertaken additional measures.

3. Revocation of the license for carrying out insurance activities

Reason for revocation of the license for carrying out insurance activities

Article 168

(1) The Insurance Supervision Agency shall adopt a decision on revocation of the license for carrying out insurance activities of the insurance company if:

- 1) the license has been obtained by providing false data;
- 2) the company fails to submit a report on elimination of the illegalities in accordance with paragraph 1 of Article 166 of this Law;
- 3) the submitted report referred to in paragraph 1 of Article 166 of this Law or the conducted partial supervision referred to in paragraph 2 of Article 166 of this Law it is established that the determined illegalities have not been eliminated or that the additional measures have not been undertaken;
- 4) makes changes without obtaining consent, in accordance with Article 66 of this Law;
- 5) the number of members of the management body is decreased under the minimum number determined by the Law on Trade Companies, and the insurance company has not obtained consent for a member of a management body in a period longer than six months;
- 6) the Agency, based on the report of the separate management referred to in Article 168-e paragraph (2) of this Law, assesses that the financial status of the company has not improved;
- 7) rejects to cooperate with the Insurance Supervision Agency during the field and off-field supervisions and does not enable insight in the whole documentation, in accordance with Article 160 of this Law; and
- 8) it is proven that the company participates in undertaking activities for money laundering and other financial proceedings from a crime and financing terrorism.

(2) As an exception to the provisions referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall adopt a decision on revocation of the license for carrying out insurance activities within the framework of certain classes of insurance, if the reasons referred to in paragraph 1 of this Article only refer to carrying out insurance activities within the framework of those classes of insurance.

(3) After the adoption of the decision referred to in paragraph 1 of this Article, the insurance company shall cease the performance of insurance activities.

Article 168-a 33

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Separate management

Article 168-b

(1) The Agency shall adopt a decision on introduction of a separate management over the insurance company in the following cases:

- 1) if the additional measures referred to in Article 167 paragraphs (1) and (3) of this Law have been imposed on the insurance company, and the insurance company within the time periods determined by the Agency has not commenced their implementation, i.e. has not implemented them;
- 2) if the insurance company, following the implementation of the additional measures does not secure the necessary level of solvency margin in accordance with Article 75 or 76 of this Law, and
- 3) if the further operation of the company could endanger the liquidity and solvency of the company, i.e. the safety of the insureds.

(2) The Agency, by the decision on introduction of the separate management, shall determine a duration period of the separate management.

(3) The Agency, by the decision on introduction of a separate management shall determine two or more separate managers as members of the separate management of the insurance company with individual competences within the framework of the separate management.

(4) The decision on introduction of a separate management shall be entered in the Central Register of the Republic of Macedonia together with the appropriate change of the persons authorized to represent the insurance company.

(5) The proposal for entry of the data referred to in paragraph (4) of this Article shall be submitted to the Central Register of the Republic of Macedonia within a time period of three days as of the day of receipt of the decision on introduction of a separate management by the Agency. The decision of the Agency shall be mandatorily enclosed to the entry proposal.

Legal consequences of the separate management

Article 168-c

(1) In the duration period of the separate management the Insurance Supervision Agency shall take over the competences of the supervisory board.

(2) As an exception to paragraph (1) of this Article, the Agency shall have the right to give instructions being mandatory for the managers of the separate management.

(3) The provisions of this Law pertaining to the members of the management body shall also refer to the separate management, unless otherwise determined by the Agency.

(4) As of the day of adopting the decision on introduction of a separate management of the insurance company, all competences of the management body, the supervisory body and the assembly, except for the competences referred to in Article 168-f of this Law, shall cease to be valid.

Authorization in duration period of the separate management

Article 168-d

(1) The members of the management body shall be obliged to enable the separate management access to the complete documentation of the insurance company, as well as to prepare a report on transferring the activities.

(2) The members of the management body shall be obliged to provide all necessary explanations, i.e. additional notifications regarding the operation of the insurance company to the separate management or an individual separate manager.

(3) The separate manager shall have the right to remove a person who enables the performance of the activities, and depending on the circumstances it may require assistance from the competent interior body.

Reports of the separate management

Article 168-e

(1) The separate management shall be obliged at least once in every three months to submit a report to the Insurance Supervision Agency regarding the financial situation of the insurance company where the separate management has been established.

(2) The separate management shall be obliged within a time period of nine months as of the day of its appointment to submit a report to the Insurance Supervision Agency regarding the financial situation of the insurance company where the separate management has been established together with an assessment for the company's stability and the possibility of its further operation, which shall contain:

- 1) assessment and consequences from taking over the losses of the company by the stockholders in the company;
- 2) possibility for distribution and allocation of the remaining loss of the company;
- 3) unforeseeable expenditures which may affect on the company's obligations;
- 4) assessment on the possible measures for elimination of the financial difficulties of the company, including the transfer of the insurance contracts by estimating the costs for such transfer, and
- 5) assessment of the conditions for initiation of liquidation, i.e. bankruptcy over the insurance company.

Increase of the share capital for the purpose of improving the financial stability of the company

Article 168-f

(1) If as a result of the report of the separate management, the Agency assesses that for the purpose of securing the necessary level of solvency margin, i.e. for the purpose of elimination of the illiquidity reasons, i.e. the insolvency of the company, the increase of the share capital in the company is necessary, the Agency shall order the separate management to convene a stockholders assembly where it will be proposed to adopt a decision on increase of the share capital.

(2) The separate management shall be obliged to convene the stockholders assembly referred to in paragraph (1) of this Article within a time period of eight day as of the day of receipt of the order by the Agency referred to in paragraph (1) of this Article.

(3) In the call for holding the stockholders assembly, the stockholders have to be introduced with the legal consequences referred to in Article 169 of this Law.

Assessment of the results of the separate management

Article 168-g

(1) The Agency shall be obliged to assess the results of the separate management, at least once in every three months.

(2) The Agency shall be obliged to accept the final results of the separate management within a time period of three months as of the day of receipt of the report referred to in Article 168-e of this Law.

(3) If the Agency assesses that during the separate management the financial situation of the company has improved to the level that the insurance company has secured the necessary level of solvency margin referred to in Articles 75 or 76 of this Law, the Agency shall adopt a decision on termination of the separate management and revocation of the separate managers.

(4) If the Agency assesses that during the separate management the financial situation of the company has not improved and the insurance company has not secured the necessary level of solvency margin referred to in Articles 75 or 76 of this Law, the Agency shall adopt shall adopt a decision on fulfillment of the conditions for initiation of liquidation, that is, a decision on fulfillment of the conditions for initiation of a bankruptcy procedure.³⁴

(5) In the case referred to in paragraph (4) the Agency may adopt a decision on extension of the separate management for six additional months, at the most, if there are no conditions for initiation of a bankruptcy procedure, i.e. if the Agency assesses that the insurance company in the following six months will secure the necessary level of solvency margin.

4. Liquidation

Conditions for initiation of liquidation

Article 169

(1) The Insurance Supervision Agency shall adopt a decision on fulfillment of the conditions for initiation of liquidation, if:

- 1) the stockholders assembly of the insurance company adopts a decision on termination of the insurance company, and there are no conditions for a bankruptcy and
- 2) the license for carrying out of insurance activities of the insurance company has been revoked, and there are no conditions for a bankruptcy.

(2) The Insurance Supervision Agency shall adopt the decision referred to in paragraph 1 of this Article, within a time period of eight days, as of:

- 1) in the case referred to in paragraph 1 point 1 of this Article, as of the day of receipt of the notification by the management body;
- 2) in the case referred to in paragraph 1 point 2 of this Article, as of the day of adopting the decision on revocation of the license.

(3) The Insurance Supervision Agency shall file a proposal for initiation of liquidation together with the decision regarding the fulfillment of the conditions for initiation of liquidation, to the competent court.

Bodies carrying out the liquidation

Article 170

(1) The court in whose area the head office of the insurance company is located shall be competent for initiating and carrying out the liquidation.

(2) The liquidation council and the liquidator shall be bodies of the competent court carrying out the liquidation.

(3)The court shall appoint the liquidation council.

Decision on initiation of liquidation

Article 171

(1) The liquidation council shall adopt a decision, without holding a hearing, on initiation of liquidation, within a period of eight days as of the day of receipt of the proposal.

(2) The insurance company shall have the right to appeal against the decision referred to in paragraph 1 of this Article, within a period of eight days as of day of its receipt.

(3) The appeal referred to in paragraph 2 of this Article shall not postpone the enforcement of the decision.

Content of the decision on initiation of liquidation

Article 172

(1) On a proposal of the Insurance Supervision Agency, the liquidation council shall on the basis of the decision on initiation of liquidation appoint the liquidator of the insurance company.

(2) The decision on initiation of liquidation shall especially contain data on:

- 1) the business name, head office, address and number of the gyro-account of the insurance company;
- 2) the surname, name and address of the liquidator, and
- 3) the day of initiation of the liquidation.

(3) With the decision on initiation of liquidation the creditors shall be invited to register their claims with the liquidator within a time period that cannot be longer than 30 days as of the day of publication of the last notice of initiation of the liquidation. The list of the creditors' claims and the order of their settlement shall be composed by the liquidator.

(4) The debtors of the insurance company shall be invited to settle their obligations by the decision on initiation of liquidation.

(5) The liquidation council shall determine the initiation of the liquidation of the insurance company to be recorded in the trade register, by the decision on initiation of liquidation.

Notice of initiation of liquidation

Article 173

(1) The creditors shall be notified by a notice of initiation of liquidation of the insurance company.

(2) The notice shall be published on the notice board of the competent court, as well as in the "Official Gazette of the Republic of Macedonia" and in at least one daily newspaper, for a time period of five consecutive working days. The notice shall be posted on the notice board in the competent court as of the day of adopting the decision on initiation of liquidation.

(3) The notice shall contain:

- 1) title of the court that has adopted the decision on initiation of the liquidation;
- 2) excerpt from the decision on initiation of the liquidation;
- 3) business name, head office and gyro-account of the insurance company;
- 4) name and address of the liquidator;
- 5) invitation to the creditors of the insurance company to report their claims;
- 6) invitation to the debtors of the insurance company to forthwith settle their claims;
- 7) the day of posting the notice on the notice board of the competent court, and
- 8) the day of holding the investigative hearing.

Delivery and publication of the decision on liquidation

Article 174

- (1) The decision on initiation of liquidation shall be delivered to the Insurance Supervision Agency, the insurance company, the banks and the bearer of the payment operation where the insurance company has an account.
- (2) The decision on initiation of liquidation shall be delivered to the court that keeps the trade register.
- (3) The court referred to in paragraph 2 of this Article shall be obliged, on the basis of the delivered decision on initiation of liquidation, to *ex officio* note the initiation of the liquidation.
- (4) The decision on initiation of the liquidation shall be published by the posting it on the notice board of the competent court.

Prohibition to conclude new contracts

Article 175

As of the day of initiation of the liquidation, the liquidator of the insurance company cannot conclude new contracts, except contracts which are necessary for realization of the liquidation assets, while upon a prior approval by the liquidation council of the competent court.

Legal consequences arising from the liquidation

Article 176

As of the day of adopting the decision on initiation of liquidation, all rights and obligations of the members of the management and supervisory body of the insurance company, as well as the stockholders assembly shall cease.

Balance sheet for carrying out liquidation

Article 177

- (1) The liquidator shall prepare balance sheets for the commencement of the liquidation containing the situation after 30 days as of the day of initiation of the liquidation, as well as a report clarifying the items in the liquidation balance sheets.
- (2) The liquidator shall be obliged to submit the liquidation balance sheets and the report referred to in paragraph 1 of this Article to the Insurance Supervision Agency, within a time period of 15 days as of the day of initiation of the liquidation.

Rights and obligations of the liquidator

Article 178

- (1) The liquidator shall have the same rights and obligations as the management body of the insurance company.
- (2) The liquidator shall represent the insurance company.

(3) The liquidator shall sign by adding the suffix "under liquidation" to the business name.

Termination of the contracts

Article 179

(1) The insurance contracts within the framework of non-life insurance group concluded with the insurance companies shall terminate upon expiry of 30 days as of the day of initiation of the liquidation procedure of the insurance company.

(2) The insurance contracts referred to in Article 192 points 1 and 4 of this Law shall terminate upon expiry of 30 days as of the day of initiation of the liquidation procedure of the insurance company, unless they are transferred to other insurance companies in accordance with the insured persons.

(3) The annuity insurance contracts of beneficiaries of pensions and pension contributions from the mandatory and voluntary capital financial pension insurance referred to in Article 192 points 2 and 3 of this Law shall not terminate on the day of initiation of the liquidation procedure and they are mandatory transferred to other insurance companies, that is, the pension funds.

(4) The provisions on transfer of contracts in the bankruptcy procedure referred to in Articles 194, 195 and 195-a of this Law shall accordingly apply to the transfer of contracts referred to in paragraphs (2) and (3) of this Article.

Distribution of the assets

Article 180

(1) The liquidator shall be obliged to collect the claims of the company, convert the other assets into cash and to settle the obligations against the insureds arising from the insurance contracts, as well as against the other creditors.

(2) Following the conversion of the assets into cash, the liquidator shall notify the liquidation council by a proposal for distribution of the liquidation pool of assets.

(3) The liquidation council on the basis of the proposal of the liquidator shall adopt a decision on distribution of the liquidation pool of assets to the creditors whose claim has been determined.

(4) The assets remaining after settling the obligations against the creditors shall be distributed among the stockholders of the insurance company, by the decision referred to in paragraph 3 of this Article. The assets shall be distributed according to the nominal amounts of the stocks, unless otherwise determined by the statute.

Notification to the Insurance Supervision Agency

Article 181

The liquidator shall be obliged to submit reports to the Insurance Supervision Agency, every three months regarding the carrying out of the liquidation of the insurance company

Deletion of the insurance company

Article 182

(1) Upon the completed liquidation, the liquidator shall be obliged to submit an application to the register court in order to delete the insurance company from the trade register.

(2) The liquidator shall enclose to the application referred to in paragraph 1 of this Article the initial liquidation balance sheet, the approved annual accounts and reports, as well as the plan on distributing and settling the claims against the creditors.

(3) The books and documents shall be kept for a time period of ten years after the deletion of the insurance company, at a location determined by the register court.

Procedure in case of bankruptcy

Article 183

If the liquidator, while carrying out the liquidation determines that the assets of the insurance company are insufficient for settling all claims against the creditors of the insurance company, or if the assets of the insurance company cannot be converted into cash for the purpose of settling the claims against the creditors, the liquidator shall forthwith notify the Insurance Supervision Agency and shall submit a proposal to the competent court for termination of the initiated liquidation and a proposal for initiation of bankruptcy procedure.

Application of the provisions of the Law on Bankruptcy

Article 184

(1) The provisions of the Law on Trade Companies and the Law on Bankruptcy shall apply to the procedures for liquidation of the insurance company, unless otherwise anticipated by this Law.

(2) The provisions of the Law on Bankruptcy regulating the previous procedure for determining the conditions for initiation of a bankruptcy procedure, the legal consequences arising from initiating the bankruptcy procedure, the management and the disposal with the assets being part of the bankruptcy pool of assets, the settling against the creditors in the bankruptcy procedure, the reorganizational plan, the personal management, the exemption from the other obligations, the special types of bankruptcy procedures for individuals having status of a sole proprietor, the bankruptcy procedures with foreign elements, the board of creditors and the creditors' assembly shall not apply to the procedure for liquidation of the insurance company.

5. Bankruptcy

5.1. GENERAL PROVISIONS

Applications of the provisions

Article 185

The provisions of the Law on Bankruptcy, except for the provisions referring to the reporting hearing, the reorganization plan, the social plan, the creditors' assembly, the personal management, the exemption from other obligations, the special types of bankruptcy procedures for individuals having status of a sole proprietor shall apply to the bankruptcy procedure of the insurance companies, unless otherwise regulated by this Law.

Reasons for adopting a decision for existence of conditions for initiation of a bankruptcy procedure

Article 186

The Insurance Supervision Agency shall adopt a decision for existence of conditions for initiation of a bankruptcy procedure in the following cases:

- 1) if the report referred to in paragraph 1 of Article 166 of this Law determines that the financial situation of the company has not improved;
- 2) if during the carrying out of the inspection supervision over the insurance company, it is determined that the funds of the insurance company are not sufficient for settling all claims against the creditors of the insurance company;
- 3) if the insurance company is not able to settle the due obligations within a time period of 45 days as of the day of becoming due, as well in case of its over-indebtedness, and
- 4) if the conditions for initiation of a bankruptcy procedure referred to in Article 183 of this Law have been fulfilled.

Proposal for initiation of a bankruptcy procedure

Article 187

(1) The Insurance Supervision Agency shall submit a proposal for initiation of a bankruptcy procedure to the competent court, the first working day following the adoption of the decision on fulfillment of the conditions for initiation of a bankruptcy procedure. The decision on fulfillment of the conditions for initiation of a bankruptcy procedure shall be enclosed to the proposal.

(2) In addition to the Insurance Supervision Agency, the creditors, i.e. the insurance company, as well as the liquidator of the insurance company may submit a proposal for initiation of a bankruptcy procedure of the insurance company.

(3) If the proposal for initiation of a bankruptcy procedure is submitted by the creditors or the respective insurance company, the court shall deliver a copy of the submitted proposal and all other decisions adopted in the bankruptcy procedure to the Insurance Supervision Agency.

Notice of initiation of a bankruptcy procedure

Article 188

In addition to the data that in accordance with the Law on Bankruptcy have to be included in the notice of initiation of a bankruptcy procedure, the notice shall also contain:

- 1) a warning to the insureds regarding the legal consequences from initiation of a bankruptcy procedure of the insurance company, as stated in Articles 189 or 193 of this Law, and
- 2) name, surname and address of the curator, when its appointment is anticipated in accordance with this Law.

Termination of insurance contracts

Article 189

(1) The insurance contracts within the framework of non-life insurance group shall terminate upon expiry of 30 days as of the day of initiation of the bankruptcy procedure of the insurance company.

(2) The insurance contracts referred to in Article 192 points 1 and 4 of this Law shall terminate upon expiry of 30 days as of the day of initiation of the bankruptcy procedure of the insurance company, unless they are transferred, upon a previous consent of the insured persons, to other insurance companies in accordance with the provisions of Article 195-a of this Law.

(3) The insurance contracts referred to in Article 192 points 2 and 3 of this Law shall not terminate on the day of initiation of the bankruptcy procedure and they shall be mandatory transferred in accordance with the provisions of Article 194 and 195 of this Law.

Notification to the Insurance Supervision Agency

Article 190

The bankruptcy manager shall be obliged every three months to submit reports regarding the carrying out of the bankruptcy procedure to the Insurance Supervision Agency.

Right to priority collection of the claims arising from the insurance contracts

Article 191

(1) The claims resulting from the insurance contracts shall have priority in settlement from the rest of the available assets included in the bankruptcy pool of assets before the claims of the other bankruptcy creditors.

(2) The claims referred to in paragraph (1) of this Article shall be settled from the rest of the available assets included in the bankruptcy pool of assets in the following order:

- 1) the claims resulting from the insurance referred to in Article 192 point 2 of this Law, in the amount of the necessary coverage for the insurance wherefrom that claim results, and which cannot be settled from the funds covering the mathematical provisions for that insurance;
- 2) the claims resulting from the insurance referred to in Article 192 point 3 of this Law, in the amount of the necessary coverage for the insurance wherefrom that claim results, and which cannot be settled from the funds covering the mathematical provisions for that insurance;
- 3) the claims resulting from the insurance referred to in Article 192 points 1 and 4 of this Law, in the amount of the necessary coverage for the insurance wherefrom that claim results, and which cannot be settled from the funds covering the mathematical provisions for that insurance;
- 4) the claims resulting from the non-life insurance and the other classes of insurance wherefore funds for covering the mathematical provisions have not been set aside, and which refer to damage compensation occurring prior to the initiation of the bankruptcy procedure; and
- 5) the claims on the grounds of compensation of part of the premium for the period following the expiry of the insurance contracts.

(3) The order for settling the claims determined in paragraph (2) of this Article shall accordingly apply to the transfer of the insurance contracts in accordance with Articles 194, 195 and 195-a of this Law.

5.2. Special provisions pertaining to collection of claims arising from the classes of insurance wherefore funds covering the mathematical provisions have been set aside

Application of the provisions

Article 192

The provisions of Articles 193, 194, 195, 195-a, 195-b, 196, 197 and 198 of this Law shall apply to:

- 1) the life insurance referred to in Article 5 points 19, 20, 21, 22 and 23 of this Law;
- 2) the insurance of annuities of beneficiaries of pension from the mandatory capital financial pension insurance referred to in Article 5 point 24 of this Law;
- 3) the insurance of annuities of beneficiaries of pension from the voluntary capital financial pension insurance referred to in Article 5 point 25 of this Law; and

4) the insurance against consequences of an accident and voluntary health insurance to which the probability charts and calculations similar as the life insurance apply.

Procedures in the case of bankruptcy of a company that carries out insurance activities within the insurance classes for which mathematical provisions are set aside

Article 193

(1) The bankruptcy manager shall be obliged, within a period of eight days as of the day of initiation of the bankruptcy procedure of the insurance company that carries out insurance activities within the insurance classes for which mathematical provisions are set aside, to require from the curator, within a period of eight days, to determine the amount of the claims resulting from the insurance contracts, the amount of the funds that cover the mathematical provisions, and to close the list of all fund investments that cover the mathematical provisions of each special fund that cover the mathematical provisions as of the day of initiation of the bankruptcy procedure.

(2) Each special fund that covers the mathematical provisions shall represent a separate bankruptcy pool of assets in the bankruptcy procedure.

(3) Upon determination of the amount of the claims resulting from the insurance contracts, the amount of the funds that cover the mathematical provisions, and closing the list of all fund investments that cover the mathematical provisions in regard to each special fund by the curator and the closing of the list of the rest of the available funds of the company that are included in the bankruptcy pool of assets by the bankruptcy manager as of the day of initiation of the bankruptcy procedure, the following procedures shall be conducted in the following order:

1) transfer of the insurance contracts referred to in Article 192 point 2 of this Law, together with the fund that cover the mathematical provisions regarding these contracts, and if these funds are not sufficient, in accordance with the provisions of Article 191 paragraph (2) point 1 of this Law, an appropriate part of the rest of the available funds of the company that are included in the bankruptcy pool of assets of the company shall be transferred, in the amount of the necessary coverage;

2) transfer of the insurance contracts referred to in Article 192 point 3 of this Law, together with the fund that cover the mathematical provisions regarding these contracts, and if these funds are not sufficient, in accordance with the provisions of Article 191 paragraph (2) point 2 of this Law, an appropriate part of the rest of the available funds of the company that are included in the bankruptcy pool of assets of the company shall be transferred, in the amount of the necessary coverage;

3) transfer of the insurance contracts referred to in Article 192 points 1 and 4 of this Law for which the insured persons have given consent for transfer, together with an appropriate part of the fund that cover the mathematical provisions regarding these contracts, and if these funds are not sufficient, in accordance with the provisions of Article 191 paragraph (2) point 3 of this Law, an appropriate part of the rest of the available funds of the company that are included in the bankruptcy pool of assets of the company shall be transferred, in the amount of the necessary coverage for these insurance contracts; and

4) individual settlement of claims on the grounds of the insurance contracts referred to in Article 192 points 1 and 4 of this Law for which the insured persons have not given consent for transfer, from the appropriate part of the fund that covers the mathematical provisions regarding these contracts, and if these funds are not sufficient, in accordance with the provisions of Article 191 paragraph (2) point 3 of this Law from the appropriate part of the rest of the available funds of the company that are included in the bankruptcy pool of assets of the company, in the amount of the necessary coverage for these insurance contracts.

(4) The transfer of the insurance contracts referred to in Article 192 points 2 and 3 of this Law shall be mandatory and it shall be made in accordance with the provisions of Article 194, that is, Article 195 of this Law.

(5) The transfer of the insurance contracts referred to in Article 192 points 1 and 4 of this Law shall not be mandatory and it shall be made only for the contracts for which the insured persons have given prior consent for transfer and if the auction is successful. The transfer shall be made in accordance with the provisions of Article 195-a of this Law.

(6) The rest of the available funds that are included in the bankruptcy pool of assets of the company shall mean the available funds of the company in bankruptcy decreased by the funds that cover the mathematical provisions.

(7) The transfer of the contracts shall be made at auctions conducted by the Agency.

(8) The Agency shall prescribe in detail the manner of conducting the auctions and the transfer of contracts to other insurance companies, as well as the manner of determining the appropriate part of the available funds referred to in Articles 194 paragraphs (4), (5) and (8), 195 paragraphs (1) and (3) and 195-a paragraph (1) of this Law and the appropriate part of the funds of the mathematical provisions referred to in Article 195-a paragraph (1) of this Law.

Procedure for transfer of annuity insurance contracts of beneficiaries of pension from the mandatory capital financial pension insurance

Article 194

(1) The Agency, within a period of 15 days as of the day of determination of the amount of the claims resulting from the insurance contracts, the amount of the funds that cover the mathematical provisions, and the closing of the list of all fund investments that cover the mathematical provisions of each special fund that cover the mathematical provisions on the day of initiation of the bankruptcy procedure by the curator in accordance with Article 193 paragraph (1) of this Law, shall conduct an auction for transfer of the life insurance contracts referred to in Article 192 point 2 of this Law and of the special funds that cover the mathematical provisions regarding these contracts and, if necessary, of the rest of the available funds that are included in the bankruptcy pool of assets of the insurance company.

(2) The insurance companies that are granted a license by the Agency for carrying out life insurance activities within the insurance class referred to in Article 192 point 2 of this Law may participate in the auction.

(3) The insurance companies shall give bids at the action for the lowest amount of funds that cover the mathematical provisions that they should receive from the company under bankruptcy procedure and shall take the full responsibility for the payment of 100% of the obligations under the life insurance contracts referred to in Article 192 point 2 of this Law.

(4) If the special fund that covers the mathematical provisions in regard to the contracts referred to in Article 192 point 2 of this Law is lower than the lowest offered amount of funds that should be received by the company under bankruptcy procedure, for the purpose of increasing the amount of the funds which are to be transferred, the bankruptcy manager shall put at the disposal an appropriate part of the rest of the available funds that are included in the bankruptcy pool of assets of the company in the amount of the necessary coverage under these insurance contracts.

(5) If the total amount of the special funds that cover the mathematical provisions and the rest of the available funds that are included in the bankruptcy pool of assets of the company is lower than the lowest offered amount for the funds that should be received from the company under bankruptcy procedure, the insurance contracts together with the special funds that cover the mathematical provisions and the appropriate part of the rest of the available funds shall be transferred to the insurance company that have offered the lowest amount of funds and the obligations towards the insured persons shall be proportionately decreased in accordance with the participation in the total

amount of the funds that cover the mathematical provisions in regard to these insurance contracts and the appropriate part of the available funds in the lowest offered amount of funds that should be received from the company under bankruptcy.

(6) Consent by the insurance company that have offered the lowest price shall be necessary for the transfer of the contracts in accordance with paragraph (5) of this Article.

(7) In case of taking the full responsibility in accordance with paragraph (3) of this Article, provided that the special fund that covers the mathematical provisions in regard to the contracts referred to in Article 192 point 2 of this Law is higher than the lowest offered amount of funds that should be received from the company under bankruptcy procedure, the special fund that covers the mathematical provisions shall be transferred to the company that has offered the lowest amount of funds in full.

(8) If no company that carries out life insurance within the insurance class referred to in Article 192 point 2 of this Law appears at the auction or no company that has offered the lowest amount of funds gives the consent referred to in paragraph (6) of this Law, the bankruptcy manager, within a period of five days as of the closing of the auction, shall transfer the insurance contracts within the insurance class of annuity of pension contributions, together with the special fund that covers the mathematical provisions in regard to these contracts and all or part of the rest of the available funds that are included in the bankruptcy pool of assets, to the mandatory pension fund managed by the pension company which pays the lowest amount of contribution referred to in Article 98 paragraph (1) point b) of the Law on Mandatory Capital Financial Pension Insurance. If the pension companies pay the same contribution, the funds shall be transferred to the mandatory pension fund that has the highest returns published in June, that is, December prior to the date of holding the auction.

(9) The bankruptcy manager, before the funds are transferred to the mandatory pension fund, shall submit records including the personal data and the amount of funds for every person who has concluded an insurance contract referred to in Article 192 point 2 of this Law.

(10) The right of ownership of the funds, that is, the financial instruments and the rest of the available funds that are transferred is transferred together with the transfer of the funds referred to in paragraph (8) of this Article from the insurance company to the mandatory pension fund. The company that manages the mandatory pension fund shall be obliged to harmonize the investment of these instruments and funds with the types of instruments and limitations of investment in accordance with the Law on Mandatory Capital Financial Pension Insurance, within a period of six months as of the day of transfer of the funds.

(11) Upon the transfer of the funds in accordance with paragraph (8) of this Article, the payment of pensions shall be made through programmed withdrawals in accordance with the Law on Payment of Pensions and Pension Contributions of Capital Financial Pension Insurance.

(12) The transfer of contracts and funds and the payment of pensions in accordance with paragraphs (8), (9), (10) and (11) of this Article shall be made in accordance with the Law on Payment of Pensions and Pension Contributions of Capital Financial Pension Insurance.

Procedure for transfer of annuity insurance contracts of beneficiaries of pension contributions from the voluntary capital financial pension insurance

Article 195

(1) The Agency, within a period of five days as of the day of transfer of the contracts in accordance with Article 194 of this Law, and if the company under bankruptcy procedure has no life insurance contracts referred to in Article 192 point 2 of this Law, within a period of 15 days as of the day of

determination of the amount of the claims resulting from the insurance contracts, the amount of the funds that cover the mathematical provisions, and the closing of the list of all fund investments that cover the mathematical provisions of each special fund on the day of initiation of the bankruptcy procedure by the curator in accordance with Article 193 paragraph (1) of this Law, shall conduct an auction for transfer of the insurance contracts referred to in Article 192 point 3 of this Law and of the special funds that cover the mathematical provisions regarding these contracts and, if necessary, of the rest of the available funds that are included in the bankruptcy pool of assets of the company.

(2) The provisions of Article 194 paragraphs (2), (3), (4), (5), (6) and (7) of this Law shall accordingly apply to the auction and the transfer of contracts and funds referred to in paragraph (1) of this Article.

(3) If no company that carries out life insurance within the insurance class referred to in Article 192 point 3 of this Law appears at the auction or no company that has offered the lowest amount of funds gives the consent in accordance with Article 194 paragraph (6) of this Law, the bankruptcy manager, within a period of five days as of the closing of the auction, shall transfer the insurance contracts within the insurance class of annuity of pension contributions, together with the special fund that covers the mathematical provisions in regard to these contracts and/or all or part of the rest of the available funds that are included in the bankruptcy pool of assets, to the voluntary pension fund managed by the pension company which pays the lowest amount of contribution referred to in Article 117 paragraph (1) point b) of the Law on Voluntary Capital Financial Pension Insurance. If the pension companies pay the same contribution, the funds shall be transferred to the voluntary pension fund that has the highest returns published in June, that is, December prior to the date of holding the auction.

(4) The bankruptcy manager, before the funds are transferred to the voluntary pension fund, shall submit records including the personal data and the amount of funds for every person who has concluded an insurance contract referred to in Article 192 point 3 of this Law.

(5) The right of ownership of the funds, that is, the financial instruments and the rest of the available funds that are transferred is transferred together with the transfer of the funds referred to in paragraph (3) of this Article from the insurance company to the voluntary pension fund. The company that manages the voluntary pension fund shall be obliged to harmonize the investment of these instruments and funds with the types of instruments and limitations of investment in accordance with the Law on Voluntary Capital Financial Pension Insurance, within a period of six months as of the day of transfer of the funds.

(6) Upon the transfer of the funds in accordance with paragraph (3) of this Article, the payment of pensions shall be made through programmed withdrawals in accordance with the Law on Payment of Pensions and Pension Contributions of Capital Financial Pension Insurance.

(7) The transfer of contracts and funds and the payment of pensions in accordance with paragraphs (3), (4), (5) and (6) of this Article shall be made in accordance with the Law on Payment of Pensions and Pension Contributions of Capital Financial Pension Insurance.

Procedure for transfer of life insurance contracts, except the annuity insurance contracts of beneficiaries of pension from the mandatory capital financial pension insurance and the voluntary capital financial pension insurance and the insurance contracts against accident and voluntary health insurance

Article 195-a

(1) The Agency, within a period of five days as of the day of transfer of the contracts in accordance with Article 194, that is, Article 195 of this Law, and if the company under bankruptcy procedure has no life insurance contracts referred to in Article 192 points 2 and 3 of this Law, within a period of 15

days as of the day of determination of the amount of the claims resulting from the insurance contracts, the amount of the funds that cover the mathematical provisions, and the closing of the list of all fund investments that cover the mathematical provisions of each special fund on the day of initiation of the bankruptcy procedure by the curator in accordance with Article 193 paragraph (1) of this Law, shall conduct an auction for transfer of the insurance contracts referred to in Article 192 points 1 and 4 of this Law and of an appropriate part of the special fund that covers the mathematical provisions regarding these contracts and, if necessary, of an appropriate part of the rest of the available funds that are included in the bankruptcy pool of assets of the company.

(2) The provisions of Article 194 paragraphs (2), (3), (4), (5), (6) and (7) of this Law shall accordingly apply to the auction and the transfer referred to in paragraph (1) of this Article.

(3) No separate consent from each insured shall be necessary for the transfer of the insurance contracts referred to in paragraph (1) of this Article.

(4) If no company that carries out life insurance within the insurance class referred to in Article 192 points 1 and 4 of this Law appears at the auction or no company that has offered the lowest amount of funds gives the consent in accordance with Article 194 paragraph (6) of this Law, the claims under the contracts referred to in paragraph (1) of this Article shall be settled individually in accordance with Article 195-b of this Law.

Procedure for individual settlement of claims under the life insurance contracts, except the annuity insurance contracts of beneficiaries of pension from the mandatory capital financial pension insurance and the voluntary capital financial pension insurance and the insurance contracts against accident and voluntary health insurance

Article 195-b

(1) The curator, within a period of five days as of the day of holding the auction where no company that carries out activities within the insurance class referred to in Article 192 points 1 and/or 4 of this Law has appeared or no company that has offered the lowest amount of funds has given the consent in accordance with Article 194 paragraph (6) of this Law, shall take all the measures for individual settlement of the claims on the grounds of the insurance contracts for which the insured persons have given consent for transfer, as well as on the grounds of the insurance contracts for which the insured persons have not given consent for transfer.

(2) The persons that have the right to make a claim under the insurance contracts referred to in Article 192 points 1 and/or 4 of this Law shall have the priority in settlement of these claims from the special fund that covers the mathematical provisions, in the amount that is equal to the necessary coverage anticipated by the insurance contracts based on which these claims result, over the claims of the rest of the bankruptcy creditors.

(3) If the available special fund that covers the mathematical provisions of the company under bankruptcy procedure is not sufficient to cover 100% of the amount of the claims referred to in paragraph (2) of this Article, the bankruptcy manager shall use all the available funds of the company under bankruptcy procedure that are included in the bankruptcy pool of assets of the company and that are not transferred to another insurance company, that is, pension companies.

(4) If the total amount of available funds that cover the mathematical provisions and the rest of the available funds that are included in the bankruptcy pool of assets of the company is lower than the amount of the claims referred to in paragraph (2) of this Article, the claims shall be settled proportionate to the ratio between the total value of the available funds and the amount of the claims that the company is obliged to settle.

Separate account for monetary funds in bankruptcy

Article 196

- (1) In addition to the main account of the insurance company under bankruptcy procedure, the bankruptcy manager shall be obliged to open a separate cash account with the bearer of the payment operation, for each Fund covering the mathematical provisions.
- (2) The bankruptcy manager shall manage the cash gained by converting the funds covering the mathematical provisions through the separate cash account referred to in paragraph 1 of this Article into cash.
- (3) In addition to the bankruptcy manager, each authorization for payment from the separate cash account referred to in paragraph 1 of this Article, shall have to be confirmed by the curator.

Curator

Article 197

- (1) In order to protect the interest of the claimants referred to in Article 192 of this Law, the bankruptcy council on a proposal of the Insurance Supervision Agency shall appoint a curator by the decision on initiation of a bankruptcy procedure.
- (2) A person that meets the requirements for performance of the function bankruptcy manager with corresponding knowledge and experience in the field of insurance may be appointed a curator.
- (3) The bankruptcy manager shall be obliged to enable the curator insight in the trade books and other documentation of the insurance company, for the purpose of determination of the amount of the funds for covering the mathematical provisions, registration of the claims of the entities entitled to claim, and for the purpose of exercising all the competences the curator has in accordance with this Law.
- (4) The bankruptcy manager shall have to obtain consent from the curator regarding the management of the funds for covering the mathematical provisions.
- (5) The curator shall be obliged to prepare a report about the reported claims from the classes of insurance referred to in Article 192 of this Law and the amount of the funds for covering the mathematical provisions, and deliver it to the Insurance Supervision Agency within a time period of two months as of the day of initiation of the bankruptcy procedure.
- (6) The curator shall have the right to remuneration for its work and compensation of the real costs that have incurred.
- (7) The bonus and the compensation for the curator shall be determined by the liquidation council, by a decision.

Registration and examination of claims

Article 198

- (1) The curator shall be obliged, on behalf of and on expense of the entities to report the claims referred to in Article 192 of this Law and inform the them thereon. The entities entitled to claims may personally report their claims.

(2) The claims reported by the curator in the bankruptcy procedure shall be considered as determined and the provisions of the Law on Bankruptcy referring to examination of the claims shall not apply thereto.

(3) When the claim is reported by both the curator and the person entitled to claim, then the application of the person entitled to claim shall be taken into consideration and examined only in the part exceeding the claim reported by the curator.

Ceding the insurance contracts

Article 199

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Chapter 4

SUPERVISION OF OTHER ENTITIES

Supervision measures

Article 200

(1) If in accordance with the data at disposal of the Insurance Supervision Agency it is determined that the legal entity, natural person or the representative office carries out insurance activities, activities for representation in insurance or brokerage activities, without a license for carrying out activities, activities for representation in insurance or insurance brokerage activities, the Insurance Supervision Agency shall order termination of the performance of such activities by that person.

(2) The legal entity, natural person or representative office shall be bound to submit a report to the Insurance Supervision Agency within a time period which cannot be shorter than eight nor longer than 15 days, wherein the measures undertaken for termination of performance of the referred activities shall be explained and the reasons for the illegal operation shall be stated, by the order referred to in paragraph 1 of this Article,. A proof regarding the undertaken measures for termination of performance of the referred activities shall be enclosed to the report.

PART TWELVE

PROCEDURE FOR DECISIONS-MAKING BY THE INSURANCE SUPERVISION AGENCY

Chapter 1

General Provisions

1. DECISION-MAKING BY THE INSURANCE SUPERVISION AGENCY

Decision-making by the Insurance Supervision Agency

Article 201

The Insurance Supervision Agency shall decide by adopting decisions and orders.

Decisions

Article 202

By adopting a decision, the Insurance Supervision Agency shall decide on issuing or revoking a license, giving or withdrawing consent, as well as other activities anticipated in accordance with this Law.

An option to give a statement

Article 203

(1) Prior to adopting the decision, the Insurance Supervision Agency may invite the party to give a statement in connection with the facts and circumstances relevant for the decision making.

(2) The party shall have to deliver the statement referred to in paragraph 1 of this Article to the Insurance Supervision Agency, within a time period of eight days as of the day of receipt of the invitation.

(3) Following the expiry of the time period referred to in paragraph 2 of this Article, the party will not have the right to refer to new facts nor submit new proofs.

Chapter 2

SUPERVISION PROCEDURE

1. General Provisions

Application of the provisions

Article 204

The provisions of this Chapter shall apply to all supervision procedures carried out by the Insurance Supervision Agency on the basis of the provisions of this Law.

Party in the supervision procedure

Article 205

(1) A party in the supervision procedure shall be a legal entity or a natural person supervised by Insurance Supervision Agency (hereinafter: subject of supervision).

(2) The management body of the insurance company shall also be a party in the supervision procedure of the insurance company.

Authorized persons

Article 206

(1) Persons authorized by the Insurance Supervision Agency for carrying out the supervision (hereinafter: supervisors of the Insurance Supervision Agency), shall carry out the supervision on the subject of supervision.

(2) The Insurance Supervision Agency may authorize an auditor or another qualified person to carry out certain parts of the supervision.

(3) The authorized persons referred to in paragraph 2 of this Article, for the part for which they are authorized to carry out the supervision, shall have the same authorizations referred to in Articles 207 to 209 of this Law as the supervisors of the Insurance Supervision Agency.

Field supervision

Article 207

(1) The subject of supervision shall be obliged to allow the supervisors from the Insurance Supervision Agency to conduct field supervision of the operations in the head office of the subject of supervision, as well as in other places, where the subject of supervision or other authorized person thereby carries out activities in relation to which the Insurance Supervision Agency is carrying out the inspection.

(2) The supervisors of the Insurance Supervision Agency may also conduct field supervision of the legal entities which are affiliated entities to the subject of supervision, provided it is necessary for completion of the supervision.

(3) The subject of the supervision shall be obliged to allow the supervisors of the Insurance Supervision Agency to inspect the complete accountancy documentation, business documents, administrative and other business records.

(4) The subject of supervision shall be obliged to provide the supervisors of the Insurance Supervision Agency copies of the documentation referred to in paragraph 3 of this Article to.

Reports and information

Article 208

(1) During the conduct of the supervision, the supervisors from the Insurance Supervision Agency may require from the subject of supervision reports and information on all matters relevant to assess whether the operation of the subject of supervision is in accordance with the provisions of this Law.

(2) The supervisors of the Insurance Supervision Agency may require from the members of the management body, as well as from the employees the information and the reports referred to in paragraph 1 of this Article.

(3) The supervisors of the Insurance Supervision Agency may require from the persons referred to in paragraph 2 of this Article to provide a written report in regard to the activities referred to in paragraph 1 of this Article, within a time period not shorter than three days.

Manner of conducting field supervision

Article 209

The Insurance Supervision Agency shall in detail prescribe the basic procedures and rules for conducting field supervision.

Determination of supervision measures

Article 210

(1) The Insurance Supervision Agency shall determine the supervision measures according to this Law.

(2) In addition to paragraph 1 of this Article, the Insurance Supervision Agency may determine a supervision measure upon a proposal of a member of the management or supervisory body and upon a proposal of the stockholders whose total amount of stocks is at least one tenth of the share capital of the subject of supervision.

2. Elimination of the illegalities

Orders

Article 211

If in the course of conducting the supervision, the Insurance Supervision Agency discovers certain illegalities in the operation, it shall adopt an order for elimination of the illegalities.

Submission of a report for elimination of the illegalities by an authorized auditor

Article 212

If the Insurance Supervision Agency establishes certain illegalities in the course of keeping the accounting, administrative or other business records or illegalities in the operation of the subject of supervision, it shall order the subject of supervision, to enclose a positive opinion of an authorized auditor that the illegalities have been eliminated to the report on elimination of the illegalities referred to in paragraph 1 of Article 166.

Objection against an order

Article 213

(1) The subject of supervision may file an objection against an order on elimination of the illegalities within a time period of eight days as of the day of delivery of the order.

(2) In case the objection is filed within the time period referred to in paragraph 1 of this Article, the deadline for elimination of the illegalities determined in the order, shall be extended for the time period as of the submission of the objection until the adoption of the decision in regard to the objection.

(3) As an exception to paragraph 2 of this Article and in the case when due to the nature of the illegalities, the enforcement of the order cannot be postponed, the Insurance Supervision Agency may state in the objection that the objection does not postpone the enforcement of the order.

(4) The Insurance Supervision shall decide upon the objection referred to in paragraph 1 of this Article, by a decision within a time period of 15 days as of the day of receipt of the objection.

Grounds for filing an objection

Article 214

The objection referred to in paragraph 1 of Article 213 of this Law, may be filed, if:

- 1) the illegalities whose elimination is required by an order, do not exist;
- 2) the act or the omission which has been a ground for adoption of the order do not have characteristic of an illegality;
- 3) the order refers to a person that is not a subject of supervision by the Insurance Supervision Agency, and
- 4) the order, contrary to this Law, anticipates submission of a positive opinion for elimination of the illegalities by an authorized auditor.

Content of the objection

Article 215

(1) The objection referred to in paragraph 1 of Article 213 shall contain:

- 1) a statement in regard to the order against which the objection has been filed;
- 2) a statement whether the objection refers to the complete order or a part thereof,
- 3) grounds for filing the objection, and
- 4) other information.

(2) In the objection, the subject of supervision may state facts proving that the illegalities whose elimination is required by the order do not exist, and may submit proofs supporting those facts.

(3) After the expiry of the deadline for filing the objection, the subject of supervision will not have the right to refer to new facts, nor submit new proofs.

Decision-making upon an objection

Article 216

(1) The Insurance Supervision Agency shall adopt a decision upon the objection referred to in Article 213 of this Law.

(2) The Insurance Supervision Agency shall adopt a decision upon the objection only on the basis of the facts and proofs enclosed thereto.

(3) The Insurance Supervision Agency may refuse or reject the objection, amend the order or abolish the order, by the decision referred to in paragraph 1 of this Article.

(4) If there is no legal ground, the Insurance Supervision Agency shall reject the objection.

(5) The Insurance Supervision Agency shall reject the objection, if:

- 1) it does not contain the documentation referred to in paragraph 1 Article 215 of this Law;
- 2) it is not accompanied with the corresponding facts and proofs referred to in paragraph 2 Article 215 of this Law;
- 3) is not submitted within the determined time period, and
- 4) is not submitted by an authorized person.

(6) The Insurance Supervision Agency shall abolish the order if it determines that the grounds referred to in points 1, 2 or 3 of Article 214 of this Law exist.

(7) The Insurance Supervision Agency shall abolish or amend the order, if it determines that the ground referred to in point 4 of Article 214 of this Law exists. In the course of decision-making upon the objection, the Insurance Supervision Agency cannot amend the order to the detriment of the subject of supervision.

3. Revocation of a license

Decision on revocation of a license

Article 217

(1) The Insurance Supervision Agency shall by a decision revoke a license (hereinafter: decision on revocation of a license).

(2) The decisions of the Agency shall be final.

(3) An administrative dispute with a competent court may be initiated against the decision referred to in paragraph (1) of this Article.

(4) The Insurance Supervision Agency shall be obliged to publish the revocation of the license in the "Official Gazette of the Republic of Macedonia", within a time period of seven days as of the day the legal validity of the decision.

4. Withdrawal of consent

Decision on withdrawal of consent

Article 218

(1) The Insurance Supervision Agency shall by a decision withdraw the consent (hereinafter: decision on withdrawal of consent).

(2) The decisions of the Agency shall be final.

(3) An administrative dispute with a competent court may be initiated against the decision referred to in paragraph (1) of this Article.

Chapter 3

PROCEDURE FOR ADOPTING DECISIONS ON ISSUANCE OF A LICENSE OR GIVING CONSENT

Application of the provisions

Article 219

The provision of this Chapter shall apply to the procedure for adopting decisions on issuance of a license or giving consent, in addition to the general provisions for the procedures for decisions-making by the Insurance Supervision Agency.

Fees for adopting a decision

Article 220

For the purpose of adopting a decision on issuance of a license or giving consent, the applicants shall have to pay a fee for decisions-making in accordance with the Tariff for determining fees for conducting the insurance supervision of the Insurance Supervision Agency. [36](#)

Party in the procedure

Article 221

(1) The applicant of the application for obtaining a license or consent shall be a party in the procedure (hereinafter: applicant).

(2) A person whose legal interest is affected by the decision of the Insurance Supervision Agency shall be a party to the procedure, provided that the person declares its participation in the procedure, in writing.

(3) Each party shall individually cover its costs in relation to the procedure.

Initiation of the procedure

Article 222

(1) The procedure shall be initiated with the submission of an application for obtaining a license or consent (hereinafter: application).

(2) The application referred to in paragraph 1 of this Article shall be submitted to the Insurance Supervision Agency.

(3) Upon the application referred to in paragraph 1 of this Article, the Insurance Supervision Agency shall by a decision issue a license or give consent, or reject the application.

(4) The decision of the Agency on rejection of the application shall be final.

(5) An administrative dispute with a competent court may be initiated against the decision rejecting the application.

Procedural pre-requirements for adopting decisions

Article 223

(1) In the procedure for preliminary review of the application, the Insurance Supervision Agency shall determine if the following procedural pre-requirements for adopting a decision have been met:

- 1) whether the application has been submitted by an authorized person;
- 2) whether the application contains all necessary data;
- 3) whether the necessary documentation is attached to the application and
- 4) whether a proof for paid fee has been attached to the application.

(2) If it is determined that the procedural pre-requirements for decision-making in respect to the application are not met and the illegalities cannot be eliminated, the Insurance Supervision Agency shall by a decision reject the application.

(3) If it is determined that the procedural pre-requirements for decision-making are not met, and the illegalities cannot be eliminated, the Insurance Supervision Agency, as an exception to Article 201 of this Law, shall by a decision require from the applicant to eliminate the illegalities within a time period which cannot be shorter than eight or longer than 15 days.

(4) When the decision refers to obtaining a license for carrying out insurance activities or status changes, the Insurance Supervision Agency shall adopt the decision referred to in paragraph 3 of this Article, within a time period of 60 days as of the day of receipt of the application.

(5) Regarding all the other applications for obtaining a license or consent, the Insurance Supervision Agency shall adopt the decision referred to in paragraph 3 of this Article, within a time period of 30 days as of the day of receipt of the application.

(6) An appeal cannot be filed against the decision referred to in paragraph 3 of this Article.

(7) If the applicant fails to eliminate the illegalities within the determined time period in accordance with paragraph 3 of this Article, the Insurance Supervision Agency shall by a decision reject the application.

(8) The decision of the Agency rejecting the application shall be final.

(9) An administrative dispute with a competent court may be initiated against the decision rejecting the application.

Time period for adopting decisions

Article 224

(1) The Insurance Supervision Agency upon the application for obtaining license for carrying out insurance activities or status changes, shall adopt a decision within a time period of four months as of the receipt of the application for obtaining a license.

(2) Regarding all the other applications for obtaining a license, the Insurance Supervision Agency shall adopt a decision within a time period of 30 days as of the day of receipt of the application.

(3) If the Insurance Supervision Agency adopts the decision referred to in paragraphs 4 and 5 of Article 223 of this Law, the time period referred to in paragraphs 1 and 2 of this Law will not include the period from the delivery of the decision referred to in paragraphs 4 and 5 of Article 223 of this Law until the expiry of the time period for elimination of the flaws, or from the receipt of the amendments or corrections of the applications should it be completed in the time period anticipated by the decision.

(4) The Insurance Supervision Agency shall be obliged to publish the issuance of the licenses in the "Official Gazette of the Republic of Macedonia", within a time period of seven days as of the day of the legal validity of the decision.

Chapter 4

ENFORCEMENT OF THE DECISIONS OF THE INSURANCE SUPERVISION AGENCY

Decisions imposing fulfillment of the financial obligations

Article 225

The legally valid decisions of the Insurance Supervision Agency imposing financial obligations shall be pronounced and enforced by the court, upon a proposal of the Insurance Supervision Agency.

PART TWELVE- a

CONSUMERS' PROTECTION

Complaints of the insureds

Article 225-a

In case when the insured, i.e. the insurance beneficiary considers that the insurance company does not comply with the provisions of the insurance contract, it may file a complaint to:

- 1) the corresponding organizational unit competent for resolving disputes among the contracting parties within the framework of the insurance company;
- 2) the internal audit service of the insurance company;
- 3) the organization for consumers' protection, and
- 4) the Insurance Supervision Agency.

Application of a special law

Article 225-b

The protection of the rights of the insureds and other insurance beneficiaries shall be conducted in accordance with the Law on Consumers, except for the issues referring to the obligation for protection of confidential data wherefore the provisions of this Law shall apply.

Out-of-court resolution of disputes

Article 225-c

(1) The insurance companies shall be obliged to establish a system, internal procedures and procedures for out-of-court resolution of disputes between the insureds/the insurance beneficiaries and the insurance companies.

(2) The insurance company shall be obliged to state its opinion upon the complaint submitted by the insured/the insurance initiator, within a time period of 30 days as of the day of submission of the complaint.

(3) The insurance companies shall be obliged to state the manner of out-of-court disputes resolution in the insurance terms of condition.

(4) The insurance companies shall be obliged to keep a register of the submitted and resolved complaints referred to in paragraph (1) of this Article.

(5) The insurance companies shall be obliged to notify the Insurance Supervision Agency on the number and the outcome of the submitted and resolved complaints referred to in paragraph (1) of this Article.

PART THIRTEEN

INSURANCE AND REINSURANCE POOLS

Insurance and reinsurance pools

Article 226

(1) Two or more insurance companies may establish an insurance or reinsurance pool for purpose of covering risks from greater damages.

(2) The provisions of the Law on Trade Companies pertaining to the economic interest group shall apply to the insurance and reinsurance pools, unless otherwise anticipated by this Law.

(3) The provisions referred to in Parts 3 to 9 and Part 11, with an exception of Article 125 paragraph 1 of this Law, shall accordingly apply to the insurance and reinsurance pools.

PART FOURTEEN **37**

NATIONAL INSURANCE BUREAU

National Insurance Bureau

Article 227

Out of force

Activities of the Bureau

Article 228

Out of force

Agreement for incorporation of the Bureau

Article 229

Out of force

Exclusion of a member from the Bureau

Article 230

Out of force

Supervision of the Bureau

Article 231

Out of force

PART FIFTEEN

COOPERATION WITH SUPERVISORY BODIES AND BODIES OF THE EUROPEAN UNION

Cooperation with domestic supervisory bodies

Article 232

(1) The Insurance Supervision Agency and the other bodies competent for supervision of the other financial organizations shall be obliged upon a request of the supervisory body to submit all data in regard to a certain insurance company or other financial organization necessary for conducting supervision of the financial organization, issuing licenses and adopting decisions upon other matters.

(2) The supervisory bodies shall be obliged to share mutual information regarding the illegalities revealed during the supervision, provided that those illegalities referred to the operation of other supervisory bodies.

(3) The data referred to in paragraphs 1 and 2 of this Article, as well as the data obtained from the supervisory bodies of a member state or a foreign state, shall be treated as confidential, and may be used for the same purpose wherefore obtained.

Data processing and information delivery

Article 233

(1) The Insurance Supervision Agency shall collect and process the data relevant for conducting supervision in accordance with this Law.

(2) The data referred to in paragraph 1 of this Article, shall refer to the following:

- 1) licenses for carrying out insurance activities and other licenses issued by the Insurance Supervision Agency in accordance with this Law;
- 2) members of the management body and supervisory body of the insurance companies, as well as the organization and the operation of the internal audit;
- 3) branch offices and direct performance of the insurance activities in the member states, as well as branch offices and direct performance of the insurance activities by the insurance companies of the members states in the Republic of Macedonia;
- 4) branch offices for carrying out insurance activities in foreign countries and branch offices of foreign insurance companies in the Republic of Macedonia;
- 5) harmonization of the operation of the insurance companies with the rules on risk management in accordance with Part 4 of this Law and the regulations issued in regard to them;
- 6) reports in accordance with Article 104 of this Law;
- 7) holders of the qualified participating interest anticipated in Article 19 of this Law;
- 8) completed audit of the annual reports in accordance with Article 129 of this Law;
- 9) implemented supervision measures in accordance with Article 164 of this Law, and
- 10) data gathered by the Insurance Supervision Agency from the competent supervisory bodies of the member states.

(3) The Insurance Supervision Agency may deliver the data referred to in paragraph 2 of this Article to:

- 1) domestic competent supervisory bodies, within the framework of the cooperation anticipated by Article 232 of this Law;
- 2) competent supervisory bodies of the member states, if it is necessary for conducting the supervision of the insurance companies and if those bodies are legally bound to keep confidential data, in accordance with paragraph 4 of Article 232 of this Law;
- 3) competent supervisory bodies of foreign countries, if it is necessary for conducting the supervision of the insurance companies and if those bodies are legally bound to keep confidential data, in accordance with paragraph 4 of Article 232 of this Law, and
- 4) the court bodies, if it is necessary for carrying out the bankruptcy procedure.

(4) As an exception to the provisions referred to in paragraph 3 of this Article, the Insurance Supervision Agency may deliver the data referred to in point 10 paragraph 2 of this Article, only if the body that has submitted the data to the Insurance Supervision Agency has given its consent.

Informing the European Commission regarding a refusal to submit a notification

Article 234

The Insurance Supervision Agency shall be obliged to inform the European Commission regarding a refusal to submit a notification referred to in paragraph 5 Article 54 of this Law.

Informing the European Commission on the relations with the foreign countries

Article 235

(1) The Insurance Supervision Agency shall be obliged to inform the European Commission about:

- 1) an issued license to the insurance company whose direct or indirect controlling company is a legal entity with a head office in a foreign country, and
- 2) given consent for the purpose of acquiring qualified participating interest, on the basis of which the foreign legal entity becomes a controlling company of the respective insurance company.

(2) The Insurance Supervision Agency shall be obliged to inform the European Commission about any significant obstacles the insurance company faces in the course of carrying out insurance activities in foreign countries.

(3) If the European Commission adopts a decision for the supervisory bodies for supervision of the members states to stop or suspend the decision-making refereeing to persons from certain foreign countries, then the Insurance Supervision Agency shall be obliged, by a decision, to suspend the procedure for up to three months, if the decisions which are in procedure refer to:

- 1) an application for issuance of a license for carrying out insurance activities of the insurance company whose direct or indirect controlling company is a legal entity with a head office in the foreign country to which the decision of the European Commission refers to, and
- 2) an application for giving consent for acquiring qualified participating interest on the basis of which the foreign legal entity, whose head office is located in the foreign country to which the decision of the European Commission refers to, becomes controlling company of the particular insurance company.

(4) During the suspension referred to in paragraph 3 of this Article, the allowed time period for making the decision referred to in paragraphs 1 and 2 of Article 224 of this Law shall not run.

(5) If the European Commission adopts a decision extending the stop or suspension of the procedures referred to in paragraph 3 of this Article, the Insurance Supervision Agency shall be obliged, by a

decision, to extend the time period for stopping the procedure referred to in paragraph 3 of this Article, for the time period stated in the decision of the European Commission.

(6) The measures referred to in paragraphs 3 and 5 of this Article shall not apply to:

- 1) establishment of an insurance company as a dependent company of the insurance company which at the time of the decision-making referred to in paragraph 3 or paragraph 5 of this Article has a license for performing insurance activities in a member state, or a dependent company of that insurance company, and
- 2) acquiring qualified participating interest by the insurance company which at the time of the decision-making referred to in paragraph 3 or paragraphs 5 of this Article has a license for carrying out insurance activities in a member state, or by the dependent company of that insurance company.

(7) The Insurance Supervision Agency shall be obliged upon a request of the European Commission, and for the purpose of determining the relevant facts for the decision-making referred to in paragraph 3 or paragraph 5 of this Article, to inform it regarding the submitted application referred to in paragraph 1 of this Article whereby the foreign legal entity becomes controlling company of the insurance company.

Misdemeanor body

Article 235-a

(1) For the misdemeanors determined in Articles 237, 237-a, 237-b, 237-c, 237-d and 237-e of this Law the misdemeanor procedure shall be conducted and the misdemeanor sanction shall be pronounced by the Insurance Supervision Agency (hereinafter: misdemeanor body).

(2) The misdemeanor procedure referred to in paragraph (1) of this Article with the misdemeanor body shall be conducted by the Commission for decision-making upon a misdemeanor (hereinafter: Misdemeanor Commission), composed of employees of the Insurance Supervision Agency appointed by the Council of Experts of the Agency.

(3) The Council of Experts shall by a bylaw determine the number, necessary level of vocational training and work experience of the members of the Misdemeanor Commission.

(4) The members of the Misdemeanor Commission shall be elected for a time period of five years with the right to be re-elected.

(5) Only a law graduate with passed judicial exam may be elected a president of the Misdemeanor Commission.

(6) The misdemeanor commission shall adopt decisions for the misdemeanors referred to in this Law and for pronouncing misdemeanor sanctions.

(7) The Misdemeanor Commission shall adopt a Rulebook for its operation, which is previously adopted by the Council of Experts of the Agency.

(8) An appeal for initiation of an administrative dispute with a competent court may be filed against the decisions of the Misdemeanor Commission imposing a misdemeanor sanction.

Operation of the Misdemeanor Commission

Article 235-b

(1) A member of the Misdemeanor Commission may be dismissed:
1) upon the expiry of the time period wherefore appointed as member;
2) upon personal request;
3) by fulfilling the conditions for old age retirement in accordance with law;
4) *abolished* ; **38**
5) if permanent disability is established;
6) *abolished* ;
7) if the obligations arising from the operation of the Misdemeanor Commission are not fulfilled, and
8) if the existence of conflict of interest in a case resolved by the Misdemeanor Commission is not reported.

(2) The president of the Misdemeanor Commission shall submit a proposal to the Council of Experts of the Agency for dismissal of a member of the Misdemeanor Commission for the cases referred to in paragraph (2) points 3 to 8 of this Article.

(3) The Misdemeanor Commission shall have the right to exhibit evidence and gather data necessary for determining the misdemeanor as well perform other tasks and undertake activities determined by this Law, the Law on Misdemeanors and/or other law.

(4) The members of the Misdemeanor Commission shall be autonomous and independent in the work of the Misdemeanor Commission and shall decide on the basis of their professional knowledge and individual belief.

(5) The Misdemeanor Commission shall decide by majority votes of the total number of members.

(6) The Misdemeanor Commission shall keep single records of the misdemeanors, the pronounced misdemeanor sanction and the adopted decisions in a manner prescribed by the Council of Experts of the Agency, upon an approval of the minister heading the body competent for performing activities in the field of justice.

(7) *Abolished* **39**

(8) *Abolished* **40**

Mediation

Article 235-c

(1) For the misdemeanors determined by this Law, the authorized persons of the Insurance Supervision Agency, within the scope of their authorizations may propose mediation to the perpetrator and reaching consent whereas the perpetrator of the misdemeanor shall have to pay the fine, the other expenses or eliminate the consequences from the misdemeanor.

(2) The procedure for mediation shall be initiated by a submission of an offer by the authorized person of the Insurance Supervision Agency within a time period of eight days as of the day the misdemeanor has been established.

(3) The perpetrator of the misdemeanor shall be obliged to give a written consent on initiation of the mediation procedure, within a time period of three days as of the day of receipt of the offer referred to in paragraph (2) of this Article.

(4) In the cases referred to in paragraph (3) of this Article, the authorized persons of the Insurance Supervision Agency shall compose minutes regarding the consent of both parties for initiation of a mediation procedure signed as well by the perpetrator of the misdemeanor.

(5) The consent for mediation shall have to be reached within a time period of eight days as of the day of initiation of the mediation procedure.

(6) The mediation procedure shall be conducted with a mediation commission composed of employees in the Insurance Supervision Agency appointed by the Council of Experts of the Agency.

(7) The Council of Experts of the Agency shall by an act determine the number, necessary level of vocational training and work experience of the members of the mediation commission.

(8) The mediation commission shall work in sessions where the presence of representatives of the perpetrator of the misdemeanor shall be mandatory.

(9) The mediation commission shall be obliged to initiate the procedure of the commission within a time period of 24 hours as of the day of receipt of the request referred to in paragraph (2) of this Article.

(10) An agreement shall be composed to conclude the consent of both parties reached upon the mediation.

(11) The agreement shall determine the obligations of the perpetrator of the misdemeanor, and in particular:

- 1) the amount and manner of paying the fine;
- 2) the amount and the manner of paying the other costs and expenditures, and
- 3) the measures to be undertaken by the perpetrator for the purpose of removal of the consequences from the misdemeanor.

(12) The agreement referred to in paragraph (10) of this Article shall have the capacity of an enforcement document.

(13) The Council of Experts of the Agency shall adopt a Rulebook and Tariff regarding the operation of the mediation commission. The amount and types of costs determined in the Tariff shall be determined on the basis of the real costs of the Insurance Supervision Agency for the purpose of ensuring the work of the mediation commission.

(14) *Abolished* **41**

(15) The mediation commission shall be obliged to keep records of the initiated mediation procedures and their outcome.

PART SIXTEEN

PUNITIVE PROVISIONS

Misdemeanors within the court's competence

Article 236

(1) Fine in the amount of Euro 10.000 to 15.000 in Denar counter-value shall be imposed for misdemeanor on the insurance company, if it:

- 1) carries out activities contrary to Articles 3 paragraph (1), 4 and 6 of this Law;
- 2) carries out insurance activities for classes of insurance for which it does not hold a license by the Insurance Supervision Agency, in accordance with Article 33 paragraph (1) of this Law;
- 3) commences the performance of insurance activities in a member state, contrary to Article 54

paragraphs (1) and (2) of this Law;

4) establishes a branch office in a foreign country without a license by the Insurance Supervision Agency, in accordance with Article 58 paragraph (2) of this Law;

5) violates the obligations for keeping confidential data in accordance with Article 108 paragraphs (1) and (2) of this Law;

6) enables performance of insurance representation activities by a person that does not hold a license i.e. permission, contrary to the provisions of Articles 134-c paragraph (1) and 134-e paragraph (1) of this Law;

7) works contrary to the provisions of Article 144 of this Law;

8) refuses to cooperate with the Insurance Supervision Agency when conducting supervision and does not provide the whole documentation, in accordance with Article 160 paragraph (3) of this Law for insight and

9) does not act upon a decision of the Insurance Supervision Agency in the anticipated time period.

(2) Fine in the amount of Euro 3.000 to 5.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance company.

(3) In addition to the fine for the misdemeanors referred to in paragraph (1) of this Article, prohibition to perform duty shall be imposed on the responsible person in the insurance company, in duration of one to three years.

Article 236-a

(1) Fine in the amount of Euro 7.000 to 10.000 in Denar counter-value shall be imposed for misdemeanor on the insurance brokerage company, if it:
1) works contrary to the provisions of Articles 147, 148 paragraph (4), 150, 150-a, 151, 152 paragraph (3) and 156-a paragraph (2) of this Law and
2) does not act upon a decision of the Insurance Supervision Agency, within the anticipated time period.

(2) Fine in the amount of Euro 2.000 to 3.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance brokerage company as well.

(3) In addition to the fine for the misdemeanors referred to in paragraph (1) of this Article, prohibition to perform a duty shall also be imposed on the responsible person in the insurance brokerage company in duration of one to three years.

Article 236-b

(1) Fine in the amount of Euro 5.000 to 8.000 in Denar counter-value shall be imposed for misdemeanor on the insurance agency, if it:

1) works contrary to the provisions of Articles 134-a paragraph (4), 134-b paragraph (1), 134-g paragraphs (3), (4) and (5), 134-h paragraphs (1) and (2), 134-k paragraph (1), 134-l paragraph (2) and 152 paragraph (4) of this Law and

2) does not act upon a decision of the Insurance Supervision Agency, in the anticipated time period.

(2) Fine in the amount of Euro 1.500 to 2.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance agency as well.

(3) In addition to the fine for the misdemeanors referred to in paragraph (1) of this Article, prohibition to perform a duty shall also be imposed on the responsible person in the insurance agency in duration of one to three years.

Article 236-c

Fine in the amount of Euro 3.000 to 5.000 in Denar counter-value shall be imposed for misdemeanor on the insurance broker if he works contrary to the provisions of Articles 49 to 52, 136 paragraph (1), 137 paragraph (2), 140, 141 paragraph (1), 142 paragraphs (1) and (4), 143, 154-a and 154-b of this Law.

Article 236-d

Fine in the amount of Euro 2.000 to 3.000 in Denar counter-value shall be imposed for misdemeanor on the insurance agent if he works contrary to the provisions of Articles 49 to 52, 154-a paragraph (1), 154-b, 134 paragraph (8) and 134-b paragraph (1) and (2) of this Law.

Article 236-e

(1) Fine in the amount of Euro 10.000 to 15.000 in Denar counter-value shall be imposed for misdemeanor on a legal entity, if it:

- 1) is ensured abroad contrary to Article 2 of this Law;
- 2) carries out insurance activities contrary to the prohibition referred to in Article 8 of this Law;
- 3) acquires stocks in the insurance company without prior consent from the Insurance Supervision Agency, in accordance with Article 18 paragraphs (1) and (2) of this Law;
- 4) does not notify the Agency in accordance with Article 18 paragraph (7) of this Law;
- 5) carries out activity for representation in insurance , contrary to the provisions of Article 134-e paragraph (1) of this Law and
- 6) carries out insurance brokerage activities, contrary to the provisions of Article 145 paragraph (1) of this Law.

(2) Fine in the amount of Euro 3.000 to 5.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the legal entity as well.

(3) In addition to the fine for the misdemeanor referred to in paragraph (1) point 1 of this Article, a prohibition to perform an activity shall as well be imposed on the legal entity, in duration of three to five years.

(4) In addition to the fine for the misdemeanors referred to in paragraph (1) of this Article, a prohibition to perform a duty shall as well be imposed on the responsible person in the legal entity, in duration of one to three years.

Article 236-f

Fine in the amount of Euro 10.000 to 15.000 in Denar counter-value shall be imposed for misdemeanor on the bank, brokerage company or stock exchange market, should it act contrary to the provisions of Article 18 paragraph (4) or 134-h paragraph (3) of this Law.

Article 236-g

(1) Fine in the amount of Euro 3.000 to 5.000 in Denar counter-value shall be imposed for misdemeanor on a natural person, if it:

- 1) carries out insurance activities contrary to the prohibition referred to in Article 8 of this Law;
- 2) does not notify the Agency, in accordance with Article 18 paragraph (7) of this Law;
- 3) violates the obligations for keeping confidential data, in accordance with Article 108 of this Law;
- 4) carries out representation activities contrary to Article 134-c paragraph (1) of this Law and

5) carries out insurance brokerage activities contrary to the prohibition referred to in Article 136 paragraph (2) of this Law.

(2) In addition to the fine for the misdemeanors referred to in paragraph (1) of this Article a prohibition to perform duty shall also be imposed on the natural person, in duration of one to three years.

Article 236-h

(1) Fine in the amount of Euro 3.000 to 5.000 in Denar counter-value shall be imposed for a misdemeanor on the authorized actuary if he fails to forthwith notify the Insurance Supervision Agency in regard to the circumstance referred to in Article 116 paragraph (8) of this Law.

(2) In addition to the fine for the misdemeanors referred to in paragraph (1) of this Article, prohibition to perform activity shall also be imposed on the authorized actuary in a period of one to three years.

Article 236-i

Competent body for pronouncing the misdemeanors sanctions referred to in Articles 236, 236-a, 236-b, 236-c, 236-d, 236-e, 236-f, 236-g, 236-h and 236-j of this Law shall be the competent court.

Article 236-j

When the misdemeanor referred to in Articles 236, 236-a, 236-b, 236-c, 236-d, 236-e, 236-f, 236-g, 236-h and 236-j of this Law is committed exclusively for the perpetrators purposes or for a third party to obtain a property benefit, the competent court may pronounce a fine in the amount up to Euro 25.000 in Denar counter-value.

Article 236-k

Fine in the amount of Euro 4.000 to 5.000 in Denar counter-value shall be imposed on the legal entity that conducts technically the examination, provided that it does not record the examination, does not live-stream it on the website of the Insurance Supervision Agency and it does not post the recording of the whole professional examination for an actuary on the website of the Insurance Supervision Agency in accordance with Article 154-m paragraph (3) of this Law and it does not discontinue the examination in accordance with Article 154-n paragraphs (5) and (6) of this Law.

Article 236-l

Fine in the amount of Euro 500 to 1.000 in Denar counter-value shall be imposed on the persons referred to in Article 154-m paragraph (5) of this Law, provided that they act contrary to Article 154-n paragraph (9) of this Law.

Article 236-m

Fine in the amount of Euro 1.000 to 1.500 in Denar counter-value shall be imposed on the president of the Council of Experts of the Insurance Supervision Agency if he/she does not adopt the decision within the deadline referred to in Article 154-z paragraph (7) of this Law.

Misdemeanors within the competence of the Agency

Article 237

(1) Fine in the amount of Euro 10.000 in Denar counter-value shall be imposed for misdemeanor on the insurance company, if it:

- 1) does not maintain the value of the share capital, in accordance with Article 15 paragraph (5) of this Law;
- 2) does not prepare a work plan and submit it to the Insurance Supervision Agency, in accordance with Article 38 paragraph (4) of this Law;
- 3) works contrary to the provisions of Articles 49 through 52 of this Law;
- 4) performs changes without obtaining consent, in accordance with Article 66 paragraph (1) of this Law;
- 5) does not form safety reserves, in accordance with Article 70 of this Law;
- 6) does not maintain the necessary level of solvency margin, in accordance with Article 75 or 76 of this Law;
- 7) does not maintain the value of the guarantee fund, in accordance with Article 77 of this Law;
- 8) does not set aside the technical provisions in accordance with Article 80 of this Law and does not invest the funds for covering the technical provisions, in accordance with Articles 86 through 89 of this Law;
- 9) does not set aside the mathematical provisions, or does not manage the funds for covering the mathematical provisions, in accordance with Articles 90 through 98 of this Law;
- 10) does not reinsure the liabilities from the contracts, in accordance with Article 99 of this Law;
- 11) does not keep trade books and/or prepare and submit annual reports in accordance with Articles 117 through 121 and 127 of this Law or works contrary to the regulations adopted on the basis of Article 122 of this Law;
- 12) does not organize the internal audit, in accordance with Articles 123 through 128 of this Law;
- 13) submits the financial reports for audit to an audit company for which it has not obtained consent from the Agency, in accordance with Article 129 paragraph (3) of this Law;
- 14) does not submit a report to the Insurance Supervision Agency in the anticipated time period, in accordance with Article 129 paragraph (1) of this Law;
- 15) does not submit the necessary information referred to in Article 168-d paragraph (2) of this Law.

(2) Fine in the amount of Euro 3.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance company as well.

(3) In addition to the fine referred to in paragraph (1) of this Article, misdemeanor sanction – prohibition to perform a duty shall also be imposed on the responsible person in the insurance company, in duration of 30 days at the most.

Article 237-a

(1) Fine in the amount of Euro 3.000 in Denar counter-value shall be imposed for misdemeanor on an insurance company, if it:

- 1) does not notify the Insurance Supervision Agency in regard to the data, in accordance with Article 104 of this Law;
- 2) does not set up and maintain databases in accordance with Article 109 paragraph (2) of this Law;
- 3) does not appoint an authorized actuary in a period of two months as of the day of entry of the company in the trade register, in accordance with Article 113 paragraph (1) of this Law;
- 4) does not notify the Insurance Supervision Agency in regard to dismissal of the authorized actuary, in accordance with Article 115 paragraph (4) of this Law;
- 5) does not submit annual account to the Insurance Supervision Agency in the anticipated time period in accordance with Article 120 paragraph (1) of this Law and
- 6) does not notify the Insurance Supervision Agency, in accordance with Article 163 of this Law.

(2) Fine in the amount of Euro 1.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance company as well.

(3) In addition to the fine referred to in paragraph (1) of this Article, misdemeanor sanction – prohibition to perform duty shall be as well imposed on the responsible person in the insurance company, in duration of 30 days at most.

Article 237-b

(1) Fine in the amount of Euro 5.000 in Denar counter-value shall be imposed for misdemeanor on the insurance brokerage company unless it transfers the charged premium, in accordance with Article 150-a paragraph (2) of this Law.

(2) Fine in the amount of Euro 2.500 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance brokerage company.

Article 237-c

(1) Fine in the amount of Euro 3.000 in Denar counter-value shall be imposed for misdemeanor on the insurance brokerage company, i.e. the insurance agency unless it notifies the Insurance Supervision Agency in accordance with Article 151 of this Law, within the time periods and in a manner that is in line with the regulations adopted on the basis of Article 154 paragraph (1) point 4 of this Law.

(2) Fine in the amount of Euro 1.000 in Denar counter-value shall be imposed for the misdemeanor referred to in paragraph (1) of this Article on the responsible person in the insurance brokerage company, i.e. the insurance agency as well.

(3) In addition to the fine referred to in paragraph (1) of this Article, misdemeanor sanction – prohibition to perform duty shall as well be imposed on the responsible person in the insurance brokerage company, i.e. the insurance agency, in a period of 30 days at the most.

Article 237-d

Fine in the amount of Euro 5.000 in Denar counter-value shall be imposed for misdemeanor on a member of the management or supervisory body on the insurance company if he:

- 1) does not notify the supervisory body of the insurance company, in accordance with Article 26 of this Law;
- 2) does not notify the Insurance Supervision Agency, in accordance with Article 30 paragraph (3) of this Law;
- 3) does not notify the Insurance Supervision Agency, in accordance with Article 163 paragraph (2) of this Law and
- 4) does not ensure the special management access to the whole documentation of the insurance company, in accordance with Article 168-d paragraphs (1) and (2) of this Law.

Article 237-e

(1) Fine in the amount of Euro 10.000 in Denar counter-value shall be imposed for a misdemeanor on the audit company if:

- 1) it does not submit a notification to the Insurance Supervision Agency in accordance with Article 130 of this Law;
- 2) it makes an audit contrary to the provisions of Article 131 of this Law;
- 3) it does not submit the audit report to the Agency within the deadline anticipated by Article 131-a paragraph (1) of this Law;
- 4) it does not make the working materials from the completed audit of the company available to the Agency in accordance with Article 131-a paragraph (3) of this Law; and
- 5) the audit report is not based on objective facts and proofs in accordance with Article 131-a paragraph (4) of this Law.

(2) Fine in the amount of Euro 2.500 in Denar counter-value shall be imposed on the responsible person in the audit company as well for the misdemeanor referred to in paragraph (1) of this Article.

Misdemeanors by the members of management or supervisory body

Article 238

Deleted 42

Misdemeanors by insurance brokerage companies

Article 239

Deleted

Misdemeanors by other parties

Article 240

Deleted

Misdemeanors by the auditors

Article 241

Deleted

Misdemeanors by authorized actuaries

Article 242

Deleted

Misdemeanors in regard to keeping confidential data

Article 243

Deleted

Crimes

Causing bankruptcy procedure in an insurance company, insurance brokerage company, insurance agency

Article 244

(1) Whosoever during the work violates the provisions of this Law and causes initiation of a bankruptcy procedure in an insurance company, i.e. insurance brokerage company, i.e. insurance agency shall be sentenced to imprisonment of three to ten years.

(2) If the crime referred to in this Article is committed by a legal entity, it shall be fined.

(3) The court shall pronounce the offender referred to in paragraph (1) of this Article a prohibition to perform profession, activity or duty, under the conditions determined in Article 38-b of the Criminal Code.

Submission of false and incorrect data by the insurance company, insurance brokerage company, insurance agency and not acting upon a decision

Article 244-a

(1) Whosoever submits to the Agency false and incorrect data significant for conducting the supervision and whosoever does not act upon a decision of the Agency within the anticipated time period shall be sentenced to imprisonment of three months to five years.

(2) If the crimes referred to in this Article are committed by a legal entity, it shall be fined.

(3) The court shall as well pronounce the offender referred to in paragraph (1) of this Article prohibition to perform profession, activity or duty under the conditions determined in Article 38-b of the Criminal Code.

Illegal operations of the insurance company, insurance brokerage company, insurance agency

Article 244-b

(1) Whosoever performs insurance activities, insurance brokerage activities or activities for representation in insurance without a license by the Agency shall be sentenced to imprisonment of three months to five years.

(2) If the crimes referred to in this Article are committed by a legal entity, it shall be fined.

(3) The court shall as well pronounce the offender referred to in paragraph (1) of this Article prohibition to perform profession, activity or duty under the conditions determined in Article 38-b of the Criminal Code.

Illegal activities of an authorized actuary

Article 244-c

(1) An authorized actuary who contrary to the provisions of this Law provides an opinion to the Agency based on false facts and proofs shall be sentenced to imprisonment of one to two years.

(2) The court shall as well pronounce the offender referred to in paragraph (1) of this Article prohibition to perform profession, activity or duty under the conditions determined in Article 38-b of the Criminal Code.

PART SEVENTEEN

TRANSITIONAL AND FINAL PROVISIONS

Harmonization of the insurance companies

Article 245

(1) The existing insurance companies shall be obliged to harmonize their organization, articles of incorporation and acts of the business policy with the provisions of this Law in a period of six months as of the day this Law enters into force.

(2) As soon as the harmonization with this Law is completed, the insurance companies referred to in paragraph 1 of this Article shall be obliged to submit to the Agency a report on the harmonization that will contain:

- 1) Statute of the insurance company, harmonized with this Law;
- 2) articles of incorporation of the insurance company;
- 3) acts of the business policy of the insurance company;
- 4) work plan;
- 5) structure of stockholders from the Central Securities Depository;
- 6) description of the internal audit organization and rules for the work of the internal audit and
- 7) other documentation necessary for harmonization with this Law.

(3) The insurance companies referred to in paragraph 1 of this Article shall be obliged in a period of six months as of the day of entry into force of this Law to ensure the members of the management body will obtain consent from the Insurance Supervision Agency for performance of the office member of the management body.

(4) As an exception to paragraph 3 of this Article, the person who on the day of entry into force of this Law has been holding the office of a member of the management body of the insurance company for at least four years before this Law enters into force, shall be considered to have acquired the consent for holding the office of a member of management body as of the day this Law enters into force.

(5) As an exception to paragraph 1 of this Article the insurance companies shall be obliged to harmonize with Articles 73 and 89 of this Law by 1 January, 2003.

(6) As an exception to paragraph 1 of this Article, the insurance companies shall be obliged to harmonize with Article 144 of this Law as of the day of commencement of operation of an authorized insurance brokerage company.

(7) The insurance companies that will not act in accordance with paragraphs 1, 2 and 5 of this Article shall cease their operations after the expiry of the anticipated time period, and the court, on a proposal of the Insurance Supervision Agency shall initiate a liquidation procedure.

(8) If the report referred to in paragraph 2 of this Article and the documentation enclosed thereto confirm that the insurance company is harmonized with the provisions of this Law, the Insurance Supervision Agency shall issue the insurance company a license to perform insurance activities, in accordance with Article 33 of this Law.

Harmonization of the insurance companies that carry out life and non-life insurance activities

Article 246

Abolished **43**

Harmonization of the National Insurance Bureau

Article 247

The National Insurance Bureau shall be obliged to harmonize its organization and operations with the provisions of this Law in a period of six months as of the day this Law enters into force, and notify in writing the Insurance Supervision Agency thereof.

Authorized actuaries

Article 248

In regard to the persons who prior to the entry into force of this Law have acquired the title authorized actuary in accordance with the positive regulations before this Law enters into force shall be considered to have acquired the title authorized actuary in accordance with this Law.

Adoption of regulations

Article 249

The regulations on the basis of the authorizations of this Law shall be adopted in a period of five months as of the day of entry into force of this Law.

Cessation of the regulations

Article 250

As of the day this Law enters into force, the provisions of Part One, Two, Three, Four, Six, Seven, Eight, Nine, Ten, Eleven, Twelve of the Law on Insurance ("Official Gazette of the Republic of Macedonia" number 49/97, 79/99, 13/01, 26/01 and 4/02), shall cease to be valid, except the provisions of Part Five that refer to the mandatory insurance, Article 122 paragraph 1 point 2 and paragraph 2 and Article 123.

Application of individual provisions

Article 251

(1) The provisions of Article 16 paragraph 1, Article 73 of this Law, shall apply until the commencement of the second phase of realization of the Stabilization and Association Agreement of the Republic of Macedonia in the European Union.

(2) The provisions of Article 7 paragraph 1 point 2, Article 11 paragraph 1, Article 42 paragraph 5 point 3, Article 58, Articles 63 and 64, Article 143 paragraph 1, Articles 157 and 158, Article 233 paragraph 2 point 3 of this Law shall apply after the commencement of the second phase of the realization of the Stabilization and Association Agreement of the Republic of Macedonia in the European Union.

(3) The provisions of Article 7 paragraph 1 point 3, Article 10 paragraph 1, Article 11 paragraph 2, Article 18 paragraph 4, Article 42 paragraph 5 point 2, Article 44 paragraphs 3 to 10, Articles 53 to 57, Articles 59 to 62, Article 65, Articles 155 and 156, Article 233 paragraph 3 point 2, Articles 234 and 235 of this Law shall apply as of the day of acquiring full membership of the Republic of Macedonia in the European Union.

(4) As an exception to paragraphs 2 and 3 of this Article, the provisions of Part Ten pertaining to Insurance agents and brokers shall apply as of 1 October, 2002.

(5) Until the application of the provisions of paragraph 3 of this Article, the following provisions of this Law will apply until the day they enter into force:

- 1) Article 7 paragraph 1 point 2 of this Law to the authorization of the insurance company of a member state to perform insurance activities in accordance with this Law;
- 2) Article 11 paragraph 1 of this Law for application of this Law to the insurance companies for member states;
- 3) Article 19 paragraph 3 of this Law to decisions on giving consent for acquisition of qualified participating interest that are supposed to be given to an entity from member states;
- 4) Article 42 paragraph 5 point 3 of this Law for transfer of insurance portfolio of an insurance company from a member state or its branch office in the Republic of Macedonia;
- 5) Article 58 from this Law will apply to carry out insurance activities of the insurance companies in member states;
- 6) Articles 63 and 64 of this Law will apply to carry out insurance activities of insurance companies from member states in the Republic of Macedonia;
- 7) Articles 157 and 158 of this Law to the performance of insurance brokerage activities of the insurance brokerage company from a Member State in the Republic of Macedonia and
- 8) Article 233 paragraph 3 point 3 of this Law will apply to communication of information of the supervisory bodies of member states.

Entry into force

Article 252

This Law shall enter into force on the eight day as of the day of its publication in the "Official Gazette of the Republic of Macedonia".

PROVISIONS OF OTHER LAWS

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 79/2007 and 88/2008):

Article 91

The Assembly of the Republic of Macedonia, on a proposal of the Government of the Republic of Macedonia, in a period of 90 days as of the day of entry into force of this Law shall appoint a president and members of the Council of Experts of the Agency. The Council of Experts of the Agency shall be obliged in a period of 30 days as of the day of its appointing by the Assembly of the Republic of Macedonia to adopt a Statute and Rules of Procedure for jobs organization and systematization in the Insurance Supervision Agency.

The Council of Experts shall be obliged to submit an application for entry of the Agency in the Register of other Legal Entities kept in the Central Register of the Republic of Macedonia, in a period of 15 days as of the day of entry into force of the Statute.

As of the day of entry into force of this Law, until the day of commencement of operation of the Agency, all the necessary activities pertaining to organizational and technical implementation of the Agency shall be performed by the Ministry of Finance.

For the performance of the activities referred to in paragraph 4 of this Article the Ministry of Finance shall ensure the necessary funds from the Budget of the Republic of Macedonia.

The Agency shall start operating as of 1 September, 2007.

Until the commencement of operation of the Agency the competences determined by this Law that are assigned to the Agency shall be performed by the Ministry of Finance.

The employees in the Ministry of Finance performing activities in the field of supervision and insurance system, as well as other employees from the Ministry of Finance for which the Minister of Finance will give consent and whose work will ensure continuous performance of the insurance supervision activities, in accordance with the Law on Labor Relations shall be taken over by the Agency as of the day of commencement of operation of the Agency. The employees that will be taken over

shall be posted to jobs corresponding to their qualifications and work experience. The funds for salaries and other salaries compensations for the persons referred to in paragraph 8 of this Article, anticipated in the Budget of the Republic of Macedonia, by the end of the period anticipated in the Decision on temporary financing shall be transferred to the account of the Insurance Supervision Agency as of the day of commencement of operation of the Agency.

The assets, equipment, working means, items, archive and other registration material, that serves to perform the competences of the Agency, in accordance with this Law, shall be transferred to the Agency as of the day of commencement of operation of the Agency. The manner of their transfer shall be determined and implemented by a special commission formed by the Minister of Finance.

Article 92

The Insurance Supervision Agency shall adopt the regulations whose adoption is determined by this Law in a period of one year as of the day of commencement with work of the Agency.

Article 93

All the procedures for obtaining permissions, consents, licenses and approvals initiated before the day this Law enters into force shall be completed in accordance with the provisions of this Law.

The procedures that will be conducted by the Insurance Supervision Agency after the day this Law enters into force and that in accordance with this Law are within the competence of the Agency and are not completed until the commencement of operation of the Agency, shall be continued by the Agency.

Article 94

The appeal against the decisions adopted by the Ministry of Finance, in the period after this Law enters into force until the commencement of operation of the Agency shall be submitted to the Commission of Administrative Matters in Second Instance of the Government of the Republic of Macedonia.

The procedures upon an appeal against the decisions of the Ministry of Finance adopted in the period referred to in paragraph 1 of this Article, which will not be completed until the day of commencement of operation of the Agency shall be stopped, and the parties shall be instructed on the possibility to initiate an administrative dispute.

Article 95

Until the day of commencement of operation of the Insurance Supervision Agency the court shall pronounce misdemeanor sanctions, in accordance with this Law.

Article 96

The insurance companies that on the day of entry into force of this Law hold a license for performance of insurance activities and are entered in the trade register shall continue the performance of insurance activities in accordance with this Law, on the basis of the existing license for performance of insurance activities.

The insurance activities referred to in paragraph 1 of this Article shall be obliged to harmonize with the provisions of this Law pertaining to the Statute, the management bodies and the other provisions of this Law, in a period of one year as of the day of entry into force of this Law.

As an exception to paragraph 2 of this Article, the insurance companies shall be obliged to harmonize with the provisions of this Law pertaining to the guarantee fund referred to in Article 77 of this Law, in a period of 18 months as of the day of entry into force of this Law.

The insurance companies that will be harmonized with the provisions of paragraphs 2 and 3 of this Article shall be issued a decision from the Agency that will certify that the insurance company is harmonized, while the license for performance of insurance activities shall be revoked by the Agency from those insurance companies that will not be harmonized with the provisions of paragraphs 2 and 3 of this Article.

Article 97

The persons who on the day of entry into force of this Law will hold a license for insurance broker issued by the Ministry of Finance shall continue the performance of insurance brokerage activities in a manner and under conditions determined by this

Law.

The persons referred to in this Article shall be obliged in a period of six months as of the day of entry into force of this Law to harmonize their work with the provisions of Article 138 paragraph (1) points 3, 4, 5 and 6 of this Law.

The Agency shall issue a certificate to confirm that the insurance broker has harmonized its work with the Law to the persons referred to in paragraph 1 of this Article who will harmonize their work with the provisions of paragraph 2 of this Article, while it will revoke the license for insurance broker from those persons referred to in paragraph 1 of this Article that will not harmonize with the provisions of paragraph 2 of this Article.

Article 98

The insurance brokerage companies that on the day of entry into force of this Law hold a license for performance insurance brokerage activities and are entered in the trade register shall continue to perform the insurance brokerage activities in accordance with this Law, on the basis of the existing license for performance of insurance brokerage activities.

The insurance brokerage companies referred to in paragraph 1 of this Article shall be obliged to harmonize their operations with the provisions of Article 146 of this Law in a period of six months as of the day of entry into force of this Law.

The Agency shall issue a certificate to confirm that the insurance brokerage company has harmonized its operation with the Law to those insurance brokerage companies that harmonizes their operations with the provisions of paragraph 2 of this Article, and shall revoke the license for performance of insurance brokerage activities from those insurance brokerage companies that has not harmonized their operations with the provisions of paragraphs 2 and 3 of this Article.

Article 99

Deleted 44

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 79/2007):

Article 100

The provisions of Articles 134-j, 134-k, 134-l, 155, 156 and 157 of this Law shall apply as of the day of accession of the Republic of Macedonia in the European Union.

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 88/2008):

Article 29

The persons who on the day of entry into force of this Law perform activities for preparing and concluding insurance contracts on behalf and for the account of the insurance company shall be obliged, in a period of 30 days as of the day of entry into force of this law to submit an application for obtaining a license for insurance agent to the Insurance Supervision Agency, in accordance with Article 134-c of the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" number 27/2002, 84/2002, 98/2002, 33/2004 and 79/2007).

The documentation that proofs that the person meets the requirements referred to in Article 134-c paragraph (2) of the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" number 27/2002, 84/2002, 98/2002, 33/2004 and 79/2007), except the requirements of Article 134-c paragraph (2) point 1 of this Law, shall be enclosed to the application for obtaining a license for insurance agent.

The persons who meet the requirements referred to in Article 134-c paragraph (2) of the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" number 27/2002, 84/2002, 98/2002, 33/2004 and 79/2007), except the requirements of Article 134-c paragraph (2) point 1 of this Law shall be issued a license for insurance agent by the Insurance Supervision Agency.

The persons referred to in paragraph 3 of this Article shall be obliged to submit to the Insurance Supervision Agency a proof for passed professional examination for insurance agent, in a period of four months as of the day of entry into force of the

bylaw that prescribed the requirements for acquiring and examining the professional training necessary to perform insurance representation activities, in accordance with Article 154 paragraph (1) point 2 of the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" number 27/2002, 84/2002, 98/2002, 33/2004 and 79/2007).

The Insurance Supervision Agency shall revoke the license for insurance agent from the persons referred to in paragraph 3 of this Article who will not submit such proof for passed professional examination for insurance agent in the period referred to in paragraph 4 of this Article.

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 188/2013):

Article 6

The bylaws of this Law shall be adopted within a period of 120 days as of the day of entry into force of this Law at the latest.

Article 7

The single electronic system for taking the professional examination for acquisition of the title authorized actuary, insurance broker or insurance agent shall be implemented within a period of one year as of the day of entry into force of this Law.

Article 8

The initiated procedures for taking the examination for acquisition of the title authorized actuary, insurance broker or insurance agent up until the day of entry into force of this Law shall end in accordance with the provisions of the regulations under which they have been initiated.

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 188/2013):

Article 9

This Law shall enter into force on the eight day as of the day of its publication in the "Official Gazette of the Republic of Macedonia" and Articles 1, 3, 4 and 5 shall start to apply one year after the day of entry into force of this Law.

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 43/2014):

Article 4

The president and the members of the Council of Experts of the Insurance Supervision Agency who have been appointed before the beginning of application of Article 1 of this Law, shall continue to exercise the office until the expiry of the term of office for which they have been appointed.

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 43/2014):

Article 5

The provisions of Article 2 of this Law shall start to apply one year as of the day of entry into force of this Law, except the provisions that refer to the requirement for knowledge of a foreign language which shall start to apply two years as of the day of entry into force of this Law.

Article 6

This Law shall enter into force on the eight day as of the day of its publication in the "Official Gazette of the Republic of Macedonia", except the provisions of Article 3 of this Law which shall start to apply as of the beginning of application of the Law on Administrative Servants ("Official Gazette of the Republic of Macedonia" no. 27/2014).

Law Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" no. 112/2014):

Article 50

The insurance companies should harmonize the investments of the technical provisions in accordance with Article 7 of this Law until 15 September 2014 at the latest.

Article 51

The insurance brokerage companies shall be obliged, within a period of one year as of the day of entry into force of this Law, according to the time schedule determined by the Agency, to transfer the premium that they have collected, but have not transferred to the day of entry into force of this Law, to the insurance companies.

The Agency shall revoke the license for carrying out insurance brokerage activities of the insurance brokerage companies that do not act in accordance with paragraph (1) of this Article.

Article 52

The bylaws foreseen by this Law shall be adopted within a period of four months as of the day of entry into force of this Law.