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Law on Amending and Revising the Law on Insurance
(Official Gazette of the Republic of Macedonia No.13/2001)

Article 1

In the Law on Insurance (Official Gazette of the Republic of Macedonia no. 49/97 and 79/99), Article 1 is amended and reads:

“This law sets forth the statutory requirements pertaining to (i) performing life and property insurance and reinsurance activities, (ii) start up, operation, supervision and termination of insurance and reinsurance companies (hereinafter: insurance companies) and broker insurance companies, and (iii) compulsory insurance.”

Article 2

In Article 2 paragraph 2, the words: “or reinsurance” are deleted, the coma after the word “insurance” is replaced with a period and the remaining words of the sentence are deleted.

Article 3

In the title of Article 3 after the word “insurance” the words “and reinsurance” are added.

Article 3 is amended and reads:

“(1). An insurance company may carry out only activities related to insurance and/or reinsurance;

(2). Insurance related activities include:

1. making and executing life and property insurance contracts;
2. making and executing coinsurance contracts;
3. making and executing passive insurance contracts;

(3) Insurance companies may, under the insurance activities of paragraph (2) of this Article, also undertake:

1. mediation in insurance and reinsurance contracts;
2. risk screening;
3. damage screening and assessment;
4. sale of parts of insured damaged property;
5. legal aid in insurance and reinsurance;
6. other insurance/reinsurance related intellectual and technical services;
7. introduce measures for prevention, reduction and elimination of risks and damages representing threat in property insurance.

Article 4

The title of Article 4 “**Reinsurance Activities**” is deleted.

Article 4 is amended and reads:

“Reinsurance activities shall include conclusion and execution of reinsurance contracts for risks exceeding insurance companies maximum coverage level, performed by insurance companies registered for active reinsurance.”

Article 5

The title of Article 5 **“Other Insurance Activities”** and Article 5 are deleted.

Article 6

In Article 6 paragraph 1, the word “types” is replaced with the word “groups”.

In the introductory sentence of paragraph 3 the word “groups” is replaced with the word “classes”.

In items 4 and 9 the conjunction “and” is replaced with a coma, and after the word “facilities” the words “and rail vehicles” are added.

In item 5, after the word “transport” the word “cargo” is added.

After item 9 a new item 10 is added and reads:

“insurance of passengers against consequences resulting from traffic accidents.”

Items 10, 11, 12, 13 and 14 become 11, 12, 13, 14 and 15.

In paragraph 4 after the word “da” the word “gi”¹ is added, while the words “one or several types” are replaced with the words “two types”.

In paragraph 5 the word “types” is replaced with the word “groups” and the word “groups” is replaced with the word “classes”.

Article 7

Article 7 is amended and reads:

“Life and property insurance shall be contracted and voluntary, unless otherwise provided by this or other law.”

Article 8

In the title of Article 8 the word **“Compulsory”** is deleted.

In Article 8, paragraph 1, the words “with head office in the Republic of Macedonia” are deleted.

Paragraph 2 is amended and reads:

“(2) Insurance companies registered for active reinsurance shall reinsure offered excessive risks that they cannot cover with other insurance companies registered for active reinsurance.

¹ Translator’s note: “da” and “gi” are Macedonian words. This particular modification of the text is not applicable to the translation.

Paragraph 3 is deleted.

Article 9

After Article 8 another Article 8-a is added and reads:

“(1) An insurance company shall, for each business year, adopt a reinsurance needs program in conformity with the structure of their portfolio and shall determine the type of reinsurance contracts to secure the excess of risk.

(2) The reinsurance needs program referred to in paragraph 1 of this Article shall include:

1. Table of maximum coverage prepared according to the basic capital, safety reserves, special reserve and expected premium, and
2. Bases and criteria for determining highest possible damages, pursuant to existing circumstances relevant to the risk and level of agreed coverage.”

Article 10

In Article 9 paragraph 1, item 3 is deleted.

Item 4 becomes item 3.

Paragraphs 2 and 3 are deleted.

Article 11

Article 10 is amended and reads:

“(1) An insurance company shall, under the provisions of this Law and the Law on Trade Companies, be incorporated as a joint stock company with a head office in the Republic of Macedonia upon obtaining an approval from the Minister of Finance for the performance of insurance and/or reinsurance activities.

(2) Natural and legal persons who have not obtained an approval from the Minister of Finance may not carry out insurance and/or reinsurance activities.”

Article 12

In Article 11 paragraphs 2, 3 and 4 are amended and read:

(2) Individual stockholders may participate in an insurance company capital with a maximum of 25 % of the managing stocks.

(3) When an insurance company incorporates another insurance company, the capital participation shall be unlimited.

(4) An individual stockholder under paragraph 2 of this Article may be any legal or natural person or related persons.

After paragraph 4 three new paragraphs 5, 6 and 7 are added and read:

(5) Related persons under this Law shall be (i) two or more legally, capitally or otherwise related legal or natural persons who determine business policy jointly and coordinate their operations so as to ensure usual commercial benefits, or (ii) legal or natural persons related in a way that the one has a significant interest in the other legal person.

(6) A significant interest under paragraph 5 of this Article shall be:

1. direct or indirect ownership of a legal person by another legal or natural person or takeover of not less than 20% of the managing stocks; or
2. opportunity for one or several legal or natural persons to influence management and political, financial and business decision-making of another legal person, or
3. results from one legal person's operation that may significantly influence another legal person's operation and the results therefrom.

(7) Two natural persons shall, under this Law, be deemed related if the one natural person is a spouse, a parent or a child to the other.”

Article 13

In Article 12 paragraph 2, in items 1 and 2 the amount of “DEM 1,500,000” is replaced with the amount “EURO 750,000”.

In item 3 the amount “DEM 2,000,000” is replaced with the amount “EURO 1,000,000.”

Item 4 is deleted.

After paragraph 2 a new paragraph 3 is added and reads:

“When an insurance company is incorporated for the purposes of performance of two groups of insurance activities, or one group of insurance and reinsurance activities, the basic capital paid in money upon incorporation of such insurance company may not be lower than the cumulative denar counter-value of the basic capital referred to in the items of paragraph 2 of this Article, for the activities of insurance and/or reinsurance for which the insurance company was incorporated.”

Paragraphs 3, 4 and 5 become 4, 5 and 6.

Article 14

In Article 13 paragraph 1 the words “is obligatory” are replaced with the words “obtaining is obligatory”².

In paragraph 2 the words “new type” are replaced with the words “new group”.

In the second line of paragraph 3 the conjunction “and” is replaced with “or”.

Paragraph 4 is deleted.

Article 15

In Article 14 paragraph 1 after the conjunction “and” the conjunction “or” is added, and the words “and other insurance activities” are deleted.

Paragraph 2 is deleted.

² Translator's note: This particular modification of the text is not applicable to the translation. In the translation of the Insurance Law, Art. 13 (1) the word “shall” conveys the obligation.

Article 16

In paragraph 1 item 3 of Article 16, after the word “policy” the words “listed in Article 24 of this Law” are added.

Item 4 is deleted.

In item 5 which becomes item 4 the words “the authorized institution” are replaced with the words “the holder of”.

Item 6 becomes item 5.

Item 7, which becomes item 6, is amended and reads:

“information on direct or indirect capital, management and blood relations among stockholders, their financial standing and a proof that they are not undergoing a bankruptcy procedure nor have been convicted of financial crimes or crimes against property in the last ten years.”

In item 8, which becomes item 7, the words “authorized institution’s evaluation of the solvency” are replaced with the words “audit report of a certified audit company”.

Item 9 which becomes item 8 is amended and reads:

“the names of persons – members of the insurance company management, and documents attesting to their suitable expertise and experience in the area of insurance and reinsurance, as well as a proof that they are not undergoing a bankruptcy procedure nor have been convicted of financial crimes or crimes against property in the last ten years.”

Item 10 becomes item 9.

After paragraph 1 a new paragraph 2 is added and reads:

“The Minister of Finance shall prescribe in detail the expertise and experience required for managing an insurance company.”

In paragraph 2, which becomes paragraph 3, item 1 is deleted and item 2 becomes item 1.

In item 3, which becomes item 2, the words “opinion of recognized international credit rating organizations” are replaced with the words “audit report of a certified audit company”.

Article 17

In Article 17 paragraph 3 is deleted.

Paragraph 4, which becomes paragraph 3, is amended and reads:

“(3) The decision pertaining to paragraph 1 of this Article shall be made within 90 days following the day of receipt of the documentation listed in Article 16 of this Law. Should a decision not be made in the said time frame, the request for license shall be deemed approved.”

Paragraph 5 is deleted.

Paragraph 6 becomes paragraph 4.

After paragraph 4 a new paragraph 5 is added and reads:

“The Ministry of Finance shall, within seven days following the license issuance, announce in the public media the issuance of the incorporation and operation license to the insurance company.”

Article 18

Article 18 is amended and reads:

“Classes within insurance and reinsurance groups performed by the insurance company shall be specified in the license issuing decision.”

Article 19

Articles 21 and 22 are deleted.

Article 20

Article 23 is amended and reads:

“(1) The insurance company shall request consent from the Ministry of Finance for the following:

1. amendments to the bylaws;
2. amendments to the articles of incorporation;
3. gradual or single acquisition of stocks, the total cumulative nominal value of which is 10, 25, 50 or 75% of the total number of stocks with managing rights over the insurance company, regardless of whether such stocks are acquired by one or several related persons;
4. changes to the company name and head office; and
5. reduction in the insurance funds pertaining to Article 44, paragraph 3 of this Law.

(2) Stocks with managing rights over the insurance company acquired contrary to paragraph 1 of this Article shall not have a voting right.

(3) The Ministry of Finance shall respond to the request pertaining to paragraph 1 of this Article within 60 (sixty) days following the receipt of the request. Should a decision not be made in the said time frame, the request for consent shall be deemed granted.”

(4) The Minister of Finance shall prescribe in detail the procedures and documentation for obtaining the consent referred to in paragraph 1 of this Article.”

Article 21

Article 24 is amended and reads:

“Business policy documents of an insurance company shall be:

1. Business policy principles

2. General and specific insurance conditions per groups and classes of insurance;
3. Premiums per insurance groups and classes the structure of which is in compliance with Articles 29 and 29-a of this Law.
4. Technical bases of the rates per class of life and property insurance;
5. Regulation on creating technical reserves of insurance and assets management policy;
6. Regulation on technical reserves assets marketing;
7. Regulation on the creation, management and use of the mathematical reserve of life insurance and of other groups of insurance applying death charts and other similar probability charts and calculations pertinent to life insurance.
8. Regulation on the establishment of a preventive fund, its management and use;
9. Reinsurance needs program, as per Article 8 of this Law;
10. Regulation on recourses;
11. Study and forecast of expected business results for a period of not less than three years, referring, in particular, to the expected premium revenues, damages, insurance expenditures, expected gain and claims for damages or insurance, and expected structuring of technical and other reserves.

(2) When requested by the Ministry of Finance, the documents from paragraph 1 of this Article shall be construed for all mandatory insurance policies.

(3) The insurance company shall inform the Ministry of Finance of any amendments to the business policy documents, immediately upon their enactment.”

Article 22

In Article 25 paragraph (3) the words “branch offices” are deleted and the word “subsidiaries” is replaced with the words “the subsidiaries”³.

In paragraph 4 the word “Court” is replaced with the word “Trade”.

Article 23

Article 27 is amended and reads:

“Insurance companies shall be liable with all their assets for obligations arising from the insurance and reinsurance contracts.

Insurance companies shall organize their business activities in compliance with the principles of economy, liquidity and reliability.”

Article 24

Article 28 is deleted.

³ The translation of Art. 25 (3) should read: “The subsidiaries of the insurance company ...”

Article 25

In Article 29, after paragraph 3 a new paragraph 4 is added and reads:

“(4) Prevention assets are assets allocated for prevention and reduction of possible damaging events.”

Article 26

After Article 29 a new Article 29-a is added and reads:

“Article 29-a

A life insurance premium shall consist of:

- 1) mathematical reserve – savings part;
- 2) risk premium part;
- 3) part of the premium for insurance company’s operational expenditures.”

Article 27

Article 30 is amended and reads:

"(1) In order to provide continuous fulfillment of the obligations arising from insurance and reinsurance contracts, the insurance company shall establish technical reserves. The technical reserves shall be determined and maintained according to the principles of the insurance company and the accounting standards, and shall consist of:

1. transferable premium reserves;
2. bonus and discount reserves;
3. reserves for claims for damages; and
4. other technical reserves.

(2) Insurance companies providing life and/or other insurance using probability charts and computations similar to life insurance shall also, in conformity with the technical bases, maintain a mathematical reserve in a predetermined percentage of the paid premiums.”

Article 28

In Article 30-a the words: “Transferable premium is” are replaced with the words: “reserves for transferable premiums shall be maintained in the amount of that”.

Article 29

After Article 30-a a new Article 30-b is added and reads:

“Article 30-b

Bonus and discount reserves shall be maintained in amounts equal to the amounts to which the insured are entitled on the basis of:

1. entitled to a bonus are the insured who did not claim damages in the course of the previous year

entitled to partial reductions of the premiums (discounts) are the insured who show a positive ratio between the technical reserves and the paid claims for damages, including the outstanding claims for damages.”

Article 30

After Article 30-a a new Article 30-b is added and reads:

“Article 30-b

Bonus and discount reserves shall be allotted in amounts equal to the amounts to which the insured are eligible, as follows:

1. insured who have not claimed damages in the course of the previous year shall be entitled to a bonus, and
2. insured showing positive balance between technical premium and paid claims for damages, including outstanding declared damages, shall be entitled to partial reduction of the premiums (discounts).”

Article 30

Article 30-b which becomes Article 30-c is amended and reads:

“(1) Provided that the event under insurance took place before the end of the estimate period, and regardless of whether the event was reported or not, damage reserves shall be allocated in the amount of the estimated liabilities which the insurance company undertook to cover with the insurance contracts, inclusive of all expenditures arising from the delayed transaction on the part of the insurance companies upon completed damage claims.

(2) Apart from estimated liabilities for damages reported but still outstanding, damages reserves also include estimated liabilities for damages which took place but remained unreported.

Article 31

Article 30-c which becomes Article 30-d is amended and reads:

“(1) The mathematical reserve shall be allocated in the amount of the current value of the insurance company estimated future liabilities arising from the insurance contracts, and reduced for the current value of the future premiums to be paid on the basis of such contracts.

- (2) The mathematical reserve shall be calculated by applying corresponding actuarial evaluation, taking into account all insurance company future liabilities arising from individual insurance contracts, including also the following:
 - 1) guaranteed payments to which the insured is entitled ;
 - 2) bonuses to which the insured is entitled, individually or together with other insured persons, the form of the said bonuses notwithstanding;
 - 3) any rights which the insured can choose pursuant to the insurance contract, and
 - 4) expenditures, including commissions.
- (3) In choosing the methods of actuarial evaluation, the methods of evaluation of the funds covering the technical reserves applied by the insurance company should be taken into account.
- (4) The mathematical reserve shall be calculated separately for each individual insurance contract. Commensurate generalizations may only be applied when it is obvious that the result arising from them shall be more or less the same as that of the individual calculation.
- (5) When based on the insurance contract the insured is entitled to reimbursement of the repurchase value of the insurance policy, the mathematical reserve allocated pursuant to the insurance contract must not be lower than the purchase value of the insurance policy.
- (6) The annual report submitted by the insurance company shall include an explanation of the bases and methods used in the calculation of the mathematical reserve.”

Article 32

After Article 30-d eight new articles: 30-e, 30-f, 30-g, 30-h, 30-i, 30-j, 30-k and 30-l and titles are added and read:

“Article 30-e

Other technical reserves shall be allocated for planned future liabilities and risks arising from the insurance cover for possible large damages and risks which are not subject to the provisions referred to in items 1 to 3 of paragraph (1) and paragraph (2) of Article 30 of this Law.

Funds covering technical reserves.

Article 30-f

- (1) Funds covering technical reserves shall be invested in accordance with the group of insurance offered by the insurance company, and shall provide safety, profitability and liquidity of the insurance company investments.
- (2) Insurance companies shall cover their technical reserves exclusively from the approved groups of funds.
- (3) Funds covering the technical reserves shall be diversified and allotted in a way ensuring that there is no significant reliance on any category of funds, markets or investments.
- (4) Allowed groups of funds referred to in paragraph (2) of this Article and the ways of their investment shall be prescribed in greater detail by the Minister of Finance.
- (5) Funds covering the technical reserves must be located in the Republic of Macedonia.
- (6) The investments related to the funds covering technical reserves, which are at risk of potential loss in consequence of changes in the interest rates, foreign exchange rate fluctuations, credit risk, and other market risks, shall be adjusted by the insurance company to the liabilities arising from the insurance contracts affected by these changes.
- (7) In investing the funds to cover technical reserves, the insurance company shall take into account the maturity of its liabilities arising from the insurance contracts.

Article 30-g

The insurance company shall keep life insurance funds on separate accounts and these funds shall not be used, or be subject to mandatory settlement, or used to cover liabilities arising from other types of insurance such as reinsurance or other liabilities of the insurance company.

Funds covering the mathematical reserve.

Article 30-h

The insurance company issuing policies for the classes of insurance for which mathematical reserve has to be allocated, shall allocate mathematical reserve and administer such mathematical reserve separate from the other funds of the company.

Article 30-i

The funds covering the mathematical reserve shall be used exclusively for payment of damages arising from the classes of insurance for which the mathematical reserve was allocated.

Article 30-j

The insurance company shall ensure that the funds for the mathematical reserve be at any time at least equal to the policy purchase value. In the course of the year, the insurance company shall acquire additional funds to cover the mathematical reserve, should such reserve be needed in order to balance the value of the mathematical reserve funds with the policy purchase value.

Article 30-k

The provisions from Article 30-f of this Law apply also to the funds covering the mathematical reserve.

Article 30-l

The insurance company shall provide a separate bank account and/or payment transactions institution for the funds covering the mathematical reserve. All payments related to mathematical reserve funds shall be kept in and made through this account.”

Article 33

Articles 31, 33 and 33-a are deleted.

Article 34

After Article 33-b, the title “Liquidity Management” and two new articles, Article 33-c and Article-d are added and read:

“Liquidity Management

Article 33-c

- (1) The insurance company shall manage the funds in a way enabling such funds to meet mature liabilities.
- (2) To comply with the principle of liquidity, the insurance company shall implement a policy of regular liquidity management, by means of:
 - 1) planning of current and possible outflows of monetary funds and corresponding inflow of such funds;
 - 2) regular liquidity control; and
 - 3) adoption of adequate measures to prevent and/or eliminate the reasons for illiquidity.

Article 33-d

- (1) The insurance company shall regularly calculate and /or maintain control over:
- 1) the bulk of technical reserves;
 - 2) groups, distribution, adjustment and allocation of funds covering the technical reserves and/or insurance cover.
 - 3) the bulk of security reserves;
 - 4) the level of the solvency margin, and
 - 5) the level of the guarantee fund.
- (2) The insurance company shall submit to the Ministry of Finance quarterly reports on the calculations referred to in paragraph (1) of this Article.

Article 35

In Article 34 the word “financing” is replaced with the words: “investment activities”.

Article 36

In Article 36, paragraph (2) is deleted.

Article 37

In the introductory sentence of Article 38 paragraph (2), after the word “article”, the words ‘upon settlement of tax liabilities’ are added.

Article 38

In Article 41 the paragraph (2) is deleted.

Article 39

Article 42 is deleted.

Article 40

In Article 43 paragraph (1) the words “that type’ are replaced with the words “that group of”.

Article 41

Article 44 is amended and reads:

“(1) In case of impending winding-up or bankruptcy of an insurance company providing life insurance, the Ministry of Finance shall take all necessary measures to assign all life insurance policies and funds covering life insurance to other insurance companies acceding to accept such policies and insurance.

(2) In the case referred to in paragraph (1) of this Article, the responsibilities of the insurance company to the insured shall not change.

(3) In absence of conditions for assignment of life insurance policies to other companies as a result of the establishment of a new insurance company providing life insurance, or for assignment of such insurance policies to other insurance companies, the agreed insurance premiums may be reduced.

(4) For the purposes of adopting Articles of Incorporation, or for the assignment of the insurance policies referred to in paragraph (1) of this Article, the life insurance beneficiaries shall form a board to take all preparatory activities for the incorporation of a new insurance company to provide life insurance or for the assignment of the life insurance policies to other insurance companies, pursuant to the provisions of this Law.”

Article 42

Article 45 is amended and reads:

“(1) In its overall conduct of business, the insurance company shall at all times maintain the necessary level of solvency margin. The solvency margin is composed of the insurance company’s fund-sources exempt of all kinds of liability arising from the insurance contracts.

(2) The solvency margin consists of:

- 1) invested capital;
- 2) security reserve and safeguard funds;
- 3) transferred un-allotted profit;
- 4) un-allotted profit from the previous year, and
- 5) reserves for massive disaster damages.

(3) The Ministry of Finance may add items other than those referred to in paragraph (2) of this Article, provided they meet the criterion given in paragraph (1) of this Article.

(4) The manner of calculation of the necessary level of solvency margin shall be prescribed by the Minister of Finance.

(5) The amount of funds making up the solvency margin referred to in paragraph (2) of this Article shall at least equal the necessary level of solvency margin calculated in the manner referred to in paragraph (4) of this Article.

(6) The amounts of funds making up the solvency margin referred to in paragraph (2) of this Article shall in no case be lower than the amount of the guarantee fund.”

Article 43

Article 46 is amended and reads:

“(1) Guarantee fund shall be the minimum amount of capital which enables the insurance company to meet its liabilities arising from the insurance contracts.

(2) Guarantee fund shall represent one third of the estimated necessary level of solvency margin.

(3) The amount of the guarantee fund shall in no time be lower than the amount referred to in Article 12 paragraph (2) of this Law.”

Article 44

Articles 47, 48 and 49 are deleted.

Article 45

In Article 50 after item 4 new item 5 is added and reads:

“ 5) owners and users of railroad vehicles (trains, rail-busses and similar) , against liability for damages caused to third parties.”

Article 46

In Article 52, the full stop at the end of the sentence is replaced with a coma and the words “with the exception of vehicles for civil purposes and vehicles used daily in public transport” are added.

Article 47

In Article 55 paragraph (1) items 1, 2 and 3 are amended and read:

“1) 1,250 EURO in cases of passenger’s death;

2) 2,500 EURO in cases of permanent loss of general working ability, and

3) 600 EURO in cases of temporary disablement for work and necessary medical treatment costs.”

Article 48

In Article 60 paragraph (1) items 1 and 2 are amended and read:

- “ 1) 100,000 EURO for motor trucks and busses and
- 2) 50,000 EURO for all other vehicles.”

Article 49

In Article 63 paragraph (2) item 5, the full stop at the end of the sentence is replaced with a coma and the words “drugs and other narcotics” are added.

Article 50

In Article 65 the paragraph (2) is deleted.

Article 51

In Article 71 after the words “insurance company” the words “which is member of the National Insurance Bureau” are added.

Article 52

Article 77 is amended and reads:

“ (1) The owner or the user of the aircraft entered into the Republic of Macedonia Aircrafts Register shall contract with an insurance company incorporated pursuant to this Law an insurance against liability for damage which the aircraft might cause to third parties through death, injury, health disorder, destruction or damage of property, other than liability for damage of property received for transport.

(2) Damage caused to a third party by objects falling or being ejected from the aircraft shall also be deemed damage caused by the use of the aircraft.

(3) Persons transported by the aircraft shall be deemed third parties. Persons performing transport-related work on orders from or for the aircraft owner or user shall not be deemed third parties under this Law.

(4) The lowest amounts to which the owners or users referred to in paragraph (1) of this Article shall be insured, are:

No.	Type of aircraft	Insurance amount in EURO
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1.	Passenger and cargo public transport aircrafts	
	a) weighing up to 2,700 kg	50,000
	b) weighing 2,701 to 5,700 kg	100,000
	c) weighing 5,701 to 27,000 kg	300,000
	d) weighing 27,001 to 72,000 kg	600,000
	e) weighing more than 72,000 kg	1,000,000
2.	Other types of aircrafts:	
	a) kites, extra-light gliders, para-gliders,	3,000
	b) gliders, balloons, motor-kites and ultra-light motor planes	5,000
	c) self-driven aircrafts used in sport activities or by the citizens for personal use	6,000
	d) aircrafts used for other purposes (business), for managerial work, scientific-research work, medical help and fire-fighting services	25,000
	e) aircrafts used for fliers' training	

The insured amounts are calculated in Macedonian Denars (MKD) counter-value according to the foreign exchange rate of the NBRM on the day of the policy issuance.

(5) Owners or users of aircrafts may be insured to amounts higher than those stated in paragraph (4) of this Article.

(6) Insured amounts referred to in paragraph (4) of this Article represent the insurer's uppermost responsibility for damage indemnification.

(7) When the indemnity amount agreed under the insurance contract is insufficient to cover indemnity of all damage caused by one and the same event, priority shall be given to indemnity for damage to persons. When there are more persons suffering damage, and the total indemnity amount exceeds the amount of the insurance against liability originally agreed by the parties, the rights of the persons suffering the damage to indemnity from the insurance company shall be proportionally decreased.

(8) The insurance cover shall be valid for a period of 12 months, exclusively on the territory of the Republic of Macedonia, unless otherwise agreed.

(9) Insurance against liability for damages referred to in paragraph (1) of this Article is mandatory for foreign aircrafts entering the air space of the Republic of Macedonia, unless other arrangements for damage indemnity are made or unless otherwise agreed with an international agreement."

Article 53

Article 78 is deleted.

Article 54

Article 79 is amended and reads:

- (1) The owner or the user of vessel or a motor boat of more than 1,5 hp, licensed for business purposes, sports and leisure time activities and registered in the ship register, shall contract insurance against liability for damages which the vessel or the motor boat might cause to third persons and passengers through death, physical injury or health disorder, destruction or damage of property, other than against damages of property received for transport.
- (2) Insurance referred to in paragraph (1) of this Article shall be contracted at registering or at extending the registration of the vessel or motor boat;
- (3) Under this Law, the following shall not be deemed third parties and shall not be entitled to indemnity:
 - 1) insurance contractor;
 - 2) the owner, the user and every other possessor of the vessel, even in cases when they did not navigate the vessel at the time of the damage occurrence;
 - 3) the navigator of the vessel responsible for the damage;
 - 4) the person who appropriated the vessel in an illegal manner, even if that person did not actually navigate it at the moment of the damage occurrence.
- 5) The lowest amount at which the owners or users referred to in paragraph (1) of this Article shall be insured are:

No.	Type of vessel	Insurance amounts in EURO
1.	Boats, scooters, and speedboats with engine power of up to 5hp	7,500
2.	Boats, yachts, and speedboats with engine power of 5-15 hp	15,000
3.	Boats, yachts and ships and other vessels with engine power of 15-50 hp	40,000
4.	Ships with engine power of more than 50 hp	100,000

The amounts insured are calculated in MKD counter-value according to the foreign exchange rate of the National Bank of the Republic of Macedonia on the day of the policy issuance.

(5) The owners or the users of vessels may be insured at amounts higher than those referred to in paragraph (4) of this Article.

(6) The insured amounts referred to in paragraph (4) of this Article shall represent insurer's uppermost liability for damage indemnity.

(7) The insurance cover shall be valid for a period of 12 months, exclusively within the territory of the Republic of Macedonia, unless agreed otherwise.

(8) Foreign owners or users of vessels shall present evidence of a valid foreign insurance against liability or shall contract such insurance in the country to cover the time they are using the vessels in the waters of the Republic of Macedonia.

(9) The provisions of this Law pertaining to the insurance of the owner or user against liability for damages caused to third parties in cases of damage caused by unknown uninsured person or foreign owner of motor vessel, shall apply correspondingly also to liability for indemnity of damage caused through use of unknown, uninsured or foreign vessel or motor boat."

Article 55

After Article 79 a new Chapter 6 and a new Article 79-a are added and read:

"Chapter 6

Insurance of Owners or Users of Railroad Vehicles against Liability for Damage Caused by Third Parties.

Article 79-a

(1) The owner or the user of the railroad vehicles registered in the Trade Registry for the conduct of such activity in the Republic of Macedonia, shall contract, with an insurance company established pursuant to this Law, insurance against liability for damages which might be caused to third parties through death, injury, health disorder, destruction or damage of property, except against liability for damages of property which the owner or the user of such vehicle undertook to transport.

(2) Damage caused by the use of railroad vehicles shall include also damage caused to third party in consequence of falling or ejecting of objects from the rail vehicles.

(3) Persons being transported in railroad vehicles shall be deemed third parties. Persons who manage the operation of such vehicles on orders from the owner or user of such vehicles shall not be deemed third parties under this Law.

(4) The lowest amount to which the owners or users referred to in paragraph (1) of this Article shall be insured is 500,000 EURO. The amount insured shall be calculated in MKD counter-value according to the foreign exchange rate of the National Bank of the Republic of Macedonia on the day of the policy issuance.

(5) Owners and users of railroad vehicles may be insured against liability at amounts higher than those provided for under paragraph (4) of this Article.

(6) The insured amounts referred to in paragraph (4) of this Article shall represent the insurer's uppermost liability for damage indemnity.

(7) When the indemnity amount agreed under the insurance contract is insufficient to cover indemnity of all damage caused by one and the same event, priority shall be given to indemnity for damage to persons. When there are more persons suffering damage, and the total indemnity amount exceeds the amount of the insurance against liability originally agreed by the parties, the rights to damage indemnity from the insurance company of the persons suffering the damage shall be proportionally decreased.

(8) The insurance cover shall be agreed for a period of 12 months and shall extend to the Republic of Macedonia and abroad.

(9) Foreign owners or users of rail vehicles shall present evidence of valid foreign insurance against liability or shall contract such insurance in the country for the period during which they will be using the rail vehicle on the territory of the Republic of Macedonia."

Article 56

After Article 80 new Article 80-a is added and reads:

"Article 80-a

(1) Insurance companies shall keep their business books in conformity with the accounting plan designed for the insurance companies.

(2) When making the financial reports, the insurance companies shall use the forms of financial reports designed for insurance companies."

Article 57

Article 81 is amended and reads:

"(1) Insurance companies shall make financial and annual statements for the fiscal year which is identical to the calendar year and shall, within the first three months of the current year, submit to the Ministry of Finances such statements on the previous year.

(2) Insurance companies shall base their financial and annual statements on legitimate information.”

Article 58

Article 82 is amended and reads:

“Insurance companies shall submit their financial and annual statements for audit. The audit reports on the previous year shall be submitted to the Ministry of Finance by June 1st of the current year at the latest.”

Article 59

Article 83 is amended and reads:

“The Ministry of Finance, in conformity with the international accounting standards, shall prescribe:

- 1) insurance companies’ accounting plans;
- 2) groups and forms of financial statements designed for insurance companies;
and
- 3) detailed content of the annual statements on the insurance companies’ operation and the annexes therewith.

Article 60

In Article 96 item 1 the words: “economics graduates” are deleted. In item 3 the words “five years” are replaced with the words “three years”.

Article 61

In Article 97 item 3 is amended and reads:

“(3) kinship up to second line with share-holders or members of the internal control and audit sector of the insurance company.”

Article 62

Article 99 is amended and reads:

“(1) Supervision over the legality of the insurance companies’ operations shall be exercised by the Ministry of Finance.

(2) Supervision referred to in item (1) shall be exercised by the Ministry of Finance through:

- 1) permanent off-site monitoring of the insurance company operation through collection, analyses and verification of the reports submitted by the insurance companies;
 - 2) annual direct (complete or partial) supervision of the insurance company operation, as well as additional supervision whenever it is estimated that it is in the interest and for the protection of the rights of the insured.
 - 3) measures undertaken to coordinate the insurance company operation with the legislation.
- (3) The Ministry of Finance may require, for the exercise of the supervision in the insurance company:
- 1) that the insurance company provide reports and information on the insurance company operation;
 - 2) report on the audit carried out and additional information arising therefrom; and
 - 3) statistical and other data per groups and classes of insurance and re-insurance, as well as extraordinary audits of the insurance company operation.
- (4) During the supervision, the insurance company shall provide the authorized supervisors carrying out the supervision with the insurance company complete documentation. The authorized supervisors may keep and take out only copies of the documents of the insurance company.
- (5) Should during the supervision under item (1) of this Article certain irregularities in the operation be ascertained, the supervision costs shall be borne by the insurance company.”

Article 63

Article 100 is amended and reads:

“During the supervision under Article 99 paragraph (1) of this Law, The Ministry of Finance shall examine in particular whether:

- 1) the insurance companies meet the terms for the conduct of particular groups of insurance;
- 2) the technical reserves and the mathematical reserve for life insurance have been established, pursuant to Article 30 of this Law;
- 3) the investment of funds covering the technical reserves are made pursuant to Article 30-f of this Law;

- 4) the company abides by the provisions related to life insurance funds, pursuant to Articles 30-g to 30-l of this Law;
- 5) the safety reserves are formed pursuant to Article 33-b of this Law;
- 6) the level of the solvency margin is in the amount set in Article 45 of this Law;
- 7) a guarantee fund in the amount set pursuant to Article 46 of this Law is provided;
- 8) the insurance company fulfills its activities correctly and pursuant to the documents pertaining to business policy, and
- 9) conducts functions stated in the business license.”

Article 64

After Article 100 new article 100-a is added and reads:

“Article 100-a

- (1) Upon establishing that the insurance company conducts insurance activities for which it is not licensed, the Ministry of Finance shall demand that such activities be removed from the Trade Registry.
- (2) Upon establishing that the insurance company conducts insurance activities for which it is not licensed and which are not recorded in the Trade Registry, the Ministry of Finances shall render a formal decision determining a period of no more than one month within which the insurance company shall be obliged to cease such activities. “

Article 65

Article 101 is amended and reads:

“(1) Should the supervision ascertain irregularities in the insurance company operation, the Ministry of Finance may undertake the following measures:

- 1) set a period not exceeding three months within which the irregularity ascertained is to be eliminated;
- 2) stop the execution of the decisions and other documents issued by the insurance company which it deems to be in collision with the Law and the Charter of the insurance company;
- 3) confine the insurance company’s disposal of funds;
- 4) demand changes in the insurance company business policy regulations;

- 5) place temporary ban on negotiating and signing new contracts;
- 6) render a decision for complete or partial ban on the performance of the activities of the general manager, the executive manager or other persons with special authorities and responsibilities ; and
- 7) render the decision referred to in Article 101-a paragraph (1) of this Law.

(2) Paragraph (1) of this Article does not affect the insurance company liabilities under the existing insurance contracts.”

Article 66

After Article 101 two new Articles 101-a and 101-b are added and read:

“Article 101-a

(1) The Minister of Finance shall render a decision suspending the insurance company license should it be ascertained that the insurance company:

- 1) does not maintain technical reserves and mathematical reserve for life insurance pursuant to Article 30 of this Law;
- 2) does not invest the technical reserve funds pursuant to Article 30-f of this Law;
- 3) does not act pursuant to Articles 30-g and 30-l of this Law regarding life insurance funds;
- 4) does not maintain safety reserves pursuant to Article 33-b of this Law;
- 5) does not maintain the solvency margin level pursuant to Article 45 of this Law;
- 6) the amount of guarantee fund does not conform to Article 46 of this Law;
- 7) the insurance company fails to carry out its activities in conformity with the business policy regulations;
- 8) conducts activities not listed in the incorporation and operation license pursuant to Article 18 of this Law;
- 9) does not keep trade books and does not produce annual statements pursuant to Article 80-a of this Law;
- 10) does not base its annual and financial statements on true information and does not submit them pursuant to Article 81 of this Law;
- 11) has made possible acquisition of shares counter to Article 11 paragraphs (3) and (4) of this Law; and
- 12) refuses to cooperate with the Ministry of Finance in the latter’s direct or off-site supervision and fails to submit for inspection the complete documentation pursuant to Article 99 of this Law.

(2) The decision referred to in paragraph (1) of this Article shall determine the period within which the ascertained irregularities are to be eliminated, and which may not exceed three months from the day of the submission of the decision.

(3) The decision referred to in paragraphs (1) and (2) of this Article may be appealed with the Committee at the Government of the Republic of Macedonia within eight days from the day of the submission of the decision.”

Article 101-b

(1) The Minister of Finance shall render a decision revoking the license when it be ascertained that the insurance company:

- 1) has not commenced operation within six months from the day of the license issuance;
- 2) ceased its activities due to unjustified reasons;
- 3) premeditatedly or through deception stated false information with the aim of obtaining the license ;
- 4) no longer meets the license requirements;
- 5) does not maintain the value of the basic capital pursuant to Article 12 of this Law;
- 6) has made changes without the prior consent referred to in Article 23 of this Law;
- 7) has not submitted application for entry into the Trade Registry within the prescribed period;
- 8) has not implemented the measures referred to in Article 100-a of this Law;
- 9) has not implemented the measures referred to in Article 101 of this Law, and
- 10) has not eliminated the ascertained irregularities referred to in Article 101-a of this Law.

(2) The decision referred to in paragraph (1) of this Article may be appealed with the Committee at the Government of the Republic of Macedonia within eight days from the day of the submission of the decision.

(3) The Ministry of Finance shall notify the Court of the revoking of the license and the latter shall remove the insurance company from the Trade Registry.

(4) The Ministry of Finance shall publish the revocation of the license for the incorporation and operation of the insurance company within seven days from the day of the revocation of the license.

Article 67

Articles 102, 103 and 104 are deleted.

Article 68

In Article 107, after the title “Financial Recovery Measures”, the words
“Chapter One”
are added.

Article 69

Article 107 is amended and reads:

“(1) In cases of insolvency or severe indebtedness of the insurance company, or where the inspection of the activities administration and property status has shown that the insurance company is incapable of fulfilling its obligations, but it is nevertheless in the interest of the insured that the insurance company should not go bankrupt, or there are realistic possibilities to avoid bankruptcy or such avoidance is necessary for the protection of the basic interests of the insured, the Ministry of Finance may undertake the following measures:

- 1) ban the insurance company’s payment operations, and payments of fees in particular, and in cases of life insurance ban the purchase policies and policy loans in the amount necessary to overcome the payment problems; and
- 2) demand implementation of the measures referred to in Article 101 of this Law.

(2) The measures referred to in paragraph (1) of this Article shall be cancelled as soon as the insurance company property status allows it.

(3) The measures referred to in paragraph (1) of this Article may not result in changes in the insurance company liabilities to the insured pursuant to the insurance contracts.

Article 70

Before the title of Article 108: Initiation of Bankruptcy Procedure, the words
“Chapter Two”
are added.

Article 71

After Article 108 few new Articles 108-a, 108-b, 108-c, 108-d and 108-e and they read:

“Article 108-a

(1) Bankruptcy procedure in an insurance company shall be initiated upon ascertaining that the insurance company cannot possibly be financially recovered; or that the financial recovery measures did not result in any improvement of the financial situation; or the insurance company is unable to settle the liabilities due within 60 days following the day of their maturity; and in case of the insurance company severe indebtedness.

(2) The proposal to render decision proclaiming that the conditions ascertained require initiation of bankruptcy procedure shall be submitted to the Minister of Finance by the creditors and the founders of the insurance company.

Article 108-b

(1) The Minister of Finance shall render the decision on filing bankruptcy procedure when:

- 1) it is ascertained that the recovery measures did not result in an improvement of the insurance company financial situation and that the company is unable to settle the liabilities due within 60 days following their maturation, or in case of its severe indebtedness, and
- 2) the supervision in the insurance company ascertained that the insurance company assets are deficient and cannot cover all creditors' claims.

(2) The decision for filing bankruptcy procedure can be appealed with the Committee at the Government of the Republic of Macedonia within eight days following its submission.

Article 108-c

The final decision on the fulfillment of the conditions for filing bankruptcy procedure in an insurance company shall be delivered to: the insurance company placed under bankruptcy procedure; the payment transactions institution; the proponents referred to in Article 108-a, paragraph (2) of this Law; the Court at which the insurance company was entered in the Trade Registry; and to the Ministry of Finance.

Article 108-d

Following submission of the final decision on the fulfillment of the conditions for filing bankruptcy procedure, the Minister of Finance shall submit to the Court having jurisdiction the proposal for filing bankruptcy procedure. The proposal shall be accompanied by the final decision on the fulfillment of the conditions for filing bankruptcy procedure.

Article 108-e

The Court having jurisdiction shall pass a decision on filing bankruptcy procedure by no later than the eighth day following the receipt of the final decision, without prior proceedings.”

Article 72

Article 109 is amended and reads:

“(1) In the best interest of the persons entitled to payments under the insurance contracts, the court having the jurisdiction shall, following a proposal by the Ministry of Finance, appoint a curator.

(2) Any person meeting the requirements for a bankruptcy trustee and possessing relevant knowledge and experience in the field of insurance may be appointed a curator.

(3) Following the opening of the bankruptcy procedure, the curator alone can effectuate the claims under the insurance contracts. Prior to claimants’ applications, and on claimants’ request, the curator shall offer consultation. The claims already entered in the books of the insurance company shall be deemed filed.

(4) The bankruptcy trustee shall enable the curator access to the ledgers and other records, as well as to the documents of the insurance company with the aim of ascertaining the amount of the mathematical reserve funds, recording of claims by persons entitled to place claims, and realization of all the responsibilities of the curator under this law.

(5) The curator shall make a report on the claims declared under the insurance contracts and submit such report to the Ministry of Finance within two months of his appointment.

(6) The curator is entitled to reimbursement of his expenses and to adequate fee from the bankruptcy estate.

(7) The curator’s fee and reimbursement are determined with a bankruptcy board’s decision.”

Article 73

After Article 109 a title and a new Article 109-a are added and read:

“Communication of Information to the Ministry of Finance

Article 109-a

A copy of the bankruptcy trustee’s report on the implementation of the bankruptcy procedure shall be submitted to the Ministry of Finance.”

Article 74

Article 110 is amended and reads:

“ The initiation of the bankruptcy procedure shall annul the obligations of the insured under the insurance contract with regard to the insurance company, pursuant to the regulations governing insurance contracts.”

Article 75

Article 111 is deleted.

Article 76

After Article 110 three new Chapters 3, 4 and 5, new titles and eight new Articles 111-a, 111- b, 111-c, 111-d, 111-e, 111-f, 111-g and 111 h are added and read:

“Chapter Three

Special provisions on collecting claims arising from the classes of insurance for which mathematical reserve is to be allotted.

Application of provisions

Article 111-a

The provisions from Chapter Three of this Law shall apply to life insurance and to other types of insurance to which apply the Tables of Probability and life insurance-related calculations.

Article 111-b

(1) The bankruptcy trustee shall demand that the list of values of the mathematical reserve be concluded at the moment of the bankruptcy procedure initiation.

(2) Mathematical reserves in bankruptcy procedure shall represent a separate bankruptcy estate.

(3) The amount of the claims arising from the insurance contracts and the amount of the mathematical reserves shall be determined on the day of the bankruptcy procedure initiation.

Right to special collection from the funds covering
the mathematical reserve

Article 11-c

(1) As of the day of bankruptcy procedure initiation, the persons entitled to collection under insurance classes listed in Article 111-a of this Law shall have the right to individual settlement of their claims arising from the specific insurance from the funds covering the mathematical reserve for payments.

(2) Persons entitled to collection under the insurance referred to in Article 111-a of this Law, which provides that life-insurance provisions apply to the insurance company liabilities, shall be given priority over other claims in collecting from the funds covering the mathematical reserve in amounts equal to the requisite cover for the insurance giving rise to the claim.

(3) Should the funds of the mathematical reserve prove to be insufficient for a complete settlement of the claims referred to in paragraph (2) of this Article, the claims shall be collected in the amount equal to the proportion between the total value of all funds covering the mathematical reserve and the requisite cover arising from all insurance contracts entered by the insurance company in the insurance class for which funds were allotted to cover the mathematical reserve.

Special account for monetary funds in bankruptcy

Article 111-d

(1) As an addition to the debtor's principal account, the bankruptcy trustee shall open special cash money accounts with the payment transactions institution, for each of the funds of the mathematical reserve.

(2) The bankruptcy trustee shall administer all transactions involving cash realized from the mathematical reserve funds through the special cash account for the mathematical reserve funds.

(3) Each payment to be made through the special cash reserve for the mathematical reserve funds shall have to be approved not only by the bankruptcy trustee but also by the curator.

Chapter Four

Order of Claims

Article 111-e

(1) Claims under insurance contracts shall be given priority over all other claims from the bankruptcy estate.

(2) Claims referred to in paragraph (1) of this Article shall be collected in the following order:

- 1) claims arising from the classes of insurance listed in Article 111-c paragraph (2) of this Law in the amount of the requisite cover for insurance giving rise to the claim, which cannot be collected from the funds covering the mathematical reserve;
- 2) claims arising from insurance other than life-insurance and from other classes of insurance for which to cover the mathematical reserve, for indemnity of damage caused prior to the bankruptcy procedure.
- 3) claims arising from insurances other than life insurance and from other classes of insurance for which no funds have been allotted to cover the mathematical reserve, for the compensation of a part of the premium for the period after the termination of the insurance.

Chapter Five

Winding-up Procedure

Winding-up procedure in an insurance company shall be initiated in the following instances:

- 1) When the shareholders make the decision to terminate the insurance company
- 2) When the Minister of Finance issues permanent revocation of the insurance company incorporation and operation license.

Article 111-e

(1) The decision determining the terms for the initiation of the winding-up procedure in the insurance company in the instances referred to in Article 111-f of this Law shall be rendered by the Minister of Finance.

(2) The decision under paragraph (1) of this Article may be appealed with the Committee at the Government of the Republic of Macedonia within eight days from the day of the decision submission.

(3) The final decision on the ascertainment of the conditions for initiating winding-up procedure shall be submitted to the insurance company that succeeded the liabilities of the insurance company undergoing wind-up, to the payment transactions institution and to the Ministry of Finance.

Article 111-h

The insurance company subjected to winding-up procedure and the insurance company which succeeded its liabilities shall, within ten days of the receipt of the final decision on the ascertainment of the conditions for the initiation of the winding-up procedure, make minutes on the status of all assets and liabilities and submit it to the Minister of Finance.”

Article 77

Article 112 is deleted.

Article 78

In Article 114 paragraph (2) the number “4” is replaced with the number “3”.

Article 79

In Article 116 after the word “Article” the words “51 paragraph (2) and Article” are added.

After paragraph (2), a new paragraph (3) is added and reads:

“(3) A Guarantee Fund shall be created for the issues referred to in paragraph (1), items 1 and 2 and for other issues governed by the special regulations of the Bureau.”

Article 80

After Article 120 new Part Ten and seven new articles 120-a, 120-b, 120-c, 120-d, 120-e, 120-f, 120-g are added and read:

“PART TEN

INSURANCE BROKER COMPANY

Article 120-a

(1) The insurance broker company performs the following activities: appears as an intermediary in negotiations concerning insurance cover, reinsurance cover, indemnity of damage claims in cases of events causing damage and represents and acts on behalf of its clients in communications with the insurance and reinsurance companies.

(2) This part does not apply to insurance agents, trustees and other mediators performing activities on behalf and for the account of insurance companies.

Article 120-b

(1) The insurance broker company must be licensed for operation as broker for life insurance and/or insurance other than life insurance and reinsurance.

(2) The insurance broker company with a seat in the Republic of Macedonia shall be incorporated as a joint stock company by domestic or foreign, legal or natural persons with owned capital of EURO 75,000.

(3) The operation license shall be issued to the insurance broker company upon submission to and approval by the Ministry of Finance of the following documents:

- 1) draft Articles of Incorporation;
- 2) draft Charter;
- 3) draft business policy principles referred to in Article 120-c of this Law;
- 4) evidence from the payment transactions institution that funds for the basic capital assets have been ensured in an amount which shall not be lower than the amount determined by this Law;
- 5) list of stock-holders with data on the amounts of their shares;
- 6) audit report by the authorized auditing company, when the founder is a domestic legal person;
- 7) names of persons – members of the managing body of the insurance broker company and data showing that they possess adequate knowledge and experience in the field of insurance and reinsurance, and evidence that they are not subject to bankruptcy procedure and that in the preceding period of 10 years they have not been convicted of crimes against property or crimes in the field of financial activities;
- 8) documents showing that the insurance broker company is equipped with the necessary personnel, technical and organizational means to conduct the activities listed in the Articles of Incorporation of the insurance broker company;
- 9) evidence that the members of the managing body are not connected with the insurance companies incorporated pursuant to this Law through relations based on capital, managing or kinship relations with the persons managing the insurance broker company;
- 10) evidence that the insurance broker company has adequate liability insurance cover for its activities.

(4) The professional qualifications and experience required for the management of the insurance broker companies shall be prescribed in greater detail by the Minister of Finance .

Article 120-c

The documents on the insurance broker company business policy shall include:

- 1) basic principles of business policy
- 2) service fees scale
- 3) project study of expected business results for a period of at least three years.

Article 120-d

- (1) The application for insurance broker company business license shall be submitted to the Ministry of Finance.
- (2) The application referred to in paragraph (1) of this Article shall include documents proving that the requirements referred to in Article 120-b item (3) have been met.
- (3) The license shall be granted or refused by a decision issued by the Minister of Finance.
- (4) The decision referred to in paragraph (3) of this Article shall be issued within 90 days following the day of the completion of the documents listed in paragraph (3) of Article 120-b of this Law. Should such decision not be issued within the said period, the application for a license shall be deemed approved.
- (5) The Ministry of Finance shall announce in the public media the issuance of the license to the insurance broker company within seven days following the day of the license issuance.

Article 120-e

- (1) The insurance broker company's relations with the client shall ensure that the client be given conscientious, responsible and efficient presentation of the possible modalities, the extent and the amount of the insurance cover and the premium amount, with the client's best interests in mind.
- (2) The insurance broker company acting as an intermediary in indemnity claims shall co-operate with the client's business officials/ departments in the furnishing of the evidence bearing on the bases and the amount of the indemnity claim, and shall gather other necessary evidence.
- (3) The insurance broker company shall not demand insurance cover abroad, except when the insurance, or reinsurance against given risk cannot be made in the Republic of Macedonia.

Article 120-f

- (1) The insurance broker company shall charge for its services a fee agreed between the client and the broker.
- (2) The insurance broker company shall notify the client on the amount of the fee charged for its services.
- (3) The fee referred to in paragraph (1) of this Article together with the actual expenses incurred in performing the service, shall be charged on the grounds of a written report on the insurance contracted or on the indemnification made.

Article 120-e

- (1) Should the insurance broker company fail to carry out its activities pursuant to the provisions of this Law the Minister of Finance shall issue a decision suspending the license.
- (2) The decision from paragraph (1) of this Article shall determine a period of no more than two months within which the irregularities ascertained shall be eliminated.
- (3) Should the insurance broker company fail to eliminate the ascertained irregularities within the period defined under paragraph (2) of this Article, the Minister of Finance shall pass a decision revoking the license.

Article 81

In the title under Article 121, the word “Tenth” shall be replaced with the word “Eleventh”.

Article 121 is amended and reads:

“(1) The insurance broker company shall be levied with a fine of MKD 250,000.00 to 300,000.00 for the following misdemeanors:

- 1) failure to reinsure the contract liabilities pursuant to Article 8 of this Law;
- 2) performance of activities not listed in the incorporation and operation license, pursuant to Article 18 of this Law;
- 3) has made changes but failed to obtain, pursuant to Article 23 of this Law, approval to do so;
- 4) failure to establish technical reserves and mathematical reserves for life insurance, pursuant to Article 30 of this Law;
- 5) failure to invest the technical reserves funds pursuant to Article 30-f of this Law;
- 6) failure to act in accordance to Articles 30-d and 30-l of this Law with regard to the life insurance funds;
- 7) failure to establish safety reserves pursuant to Article 33-b of this Law;

- 8) failure to determine the life insurance gain or loss and to present the result of the operation with the other insurance and reinsurance activities pursuant to Article 24 of this Law;
- 9) failure to maintain the solvency margin level pursuant to Article 45 of this Law;
- 10) the amount of the guarantee fund does not comply with Article 46 of this Law;
- 11) failure to run trade books and prepare annual statements pursuant to Article 80-a of this Law;
- 12) failure to base annual and financial statements on true data and to submit such statements pursuant to Article 81 of this Law;
- 13) failure to submit for audit the financial and annual statements pursuant to Article 82 of this Law;
- 14) refusal to cooperate with the Ministry of Finance in the direct and off-site audit and failure to submit for inspection the complete documentation pursuant to Article 99 of this Law.

(2) The misdemeanors referred to in paragraph (1) of this Article shall entail a fine of MKD 45,000.00 to 50,000.00 for the general manager, executive manager and persons with special rights and responsibilities in the insurance company.

(3) The measure of a one year ban on the performance of the duties of the general director, executive director or other persons with special rights and responsibilities in the insurance company shall be imposed in addition to the fine for the misdemeanors referred to in paragraph (1) of this Article.”

Article 82

After Article 121 two new Articles 121-a and 121-b are added and read:

“Article 121-a

(1) Should the insurance broker company misrepresent its activities as mediation of an independent broker in insurance and re-insurance negotiations, the insurance broker company shall be levied a fine of MKD 250,000.00 to 300,000.00.

(2) The offence referred to in paragraph (1) of this Article shall entail a fine of MKD 45,000.00 to 50,000.00 on the general manager, executive manager and persons with special rights and responsibilities in the insurance company.

(3) In addition to the fine, the offence referred to in paragraph (1) of this Article shall also entail a ban of one year on the performance of the duties of general manager, executive manager and persons with special rights and responsibilities in the insurance broker company.

Article 121-b

(1) The general manager, executive manager or persons with special rights and responsibilities in an insurance company or insurance broker company who perpetrated activities in breach of the provisions of this Law or leading to bankruptcy procedure in the company, shall be charged with criminal offence and punished with three to ten years in prison.

(2) The decision as to the degree of the penalty referred to in paragraph (1) of this Article shall be largely governed by the degree of the damage caused and the number of persons suffering damage.

(3) The material gains acquired as a result of the perpetrated criminal offence referred to in paragraph (1) of this Article shall be confiscated with a Court decision.

Article 83

In Article 122 paragraph (1) the amount “100,000.00” is replaced with the amount “250,000.00”.

In item 1 after the word “insure”, the coma and the words: “or reinsure” are deleted, and the words: “(Articles 2 and 8)” are replaced with the words: “”(Article 2)”.

In item 2, in the space between the brackets at the end of the sentence, the conjunction “and” is replaced with a coma, and after the number “79” the words: “and 79-a” are added.

In paragraph (2) the amounts “from 20,000.00 to 30,000.00 are replaced by the amounts “from 45,000.00 to 50,000.00”.

Article 84

Article 123 is amended and reads:

“Natural person failing to conclude the insurance contract as required by this Law (Articles 51, 57, 77 and 79) shall be levied with a fine of MKD 45,000.00 to 50,000.00.”

Article 85

After Article 123 a new Article 123-a is added and reads:

“Article 123-a

Unlicensed conduct of insurance or reinsurance activities, or unlicensed business activities of insurance broker company shall entail fines:

- 1) MKD 250,000.00 to 300,000.00 for legal persons;

- 2) MKD 45,000.00 to 50,000.00 for natural persons.

Article 86

Article 124 is deleted.

Article 87

In the title preceding Article 125 the word “Eleventh” is replaced with the word “Twelfth”.

Article 125 is amended and reads:

“(1) Within 4 months from the date of entry into force of this Law the existing insurance companies shall put their organization and activities as well as their incorporation and other legal documents in conformity with the provisions of this Law and shall submit their complete documentation to the Ministry of Finance within 15 days from the day of the establishment of the conformity.

(2) The existing insurance companies referred to in paragraph (1) of this Article shall, within 30 days from the entry into force of this Law submit to the Ministry of Finance:

- 1) approval of the insurance company operation, if issued;
- 2) the insurance company Charter;
- 3) the insurance company Articles of Incorporation.

(3) After the expiration of the foreseen period, the insurance companies failing to comply with paragraph (1) of this Article shall cease their activities, and upon request by the Ministry of Finance the Court shall remove such companies from the Trade Registry.”

Article 88

After Article 125 new Article 125-a is added and reads:

“Article 125-a

(1) Joint stock companies incorporated to conduct other insurance activities prior to the entry into force of this Law shall continue their operation as such, pursuant to the Law on Trade Companies, or as agents and trustees of the insurance companies.

(2) Should the joint stock companies incorporated to conduct other insurance-related activities fail to comply with paragraph (1) of this Article such joint stock companies shall cease their activities after the expiration of the foreseen period and, upon request by

the Ministry of Finance, the Court shall remove such companies from the Trade Registry.”

Article 89

In Article 126 the word “six” is replaced with the word “four”.

Article 90

The title “Transformation of Social Capital of Existing Insurance Companies” and the Articles 127, 128, 129, 130, 131, 132, 133, 134, 135 and 136 are deleted.

Article 91

Article 33 of the Law on Amending and Revising the Law on Insurance (Official Gazette of the Republic of Macedonia No. 79/99) is deleted.

Article 92

After the Article 137 two new Articles 137-a and 137-b are added and read:

“Article 137-a

The regulations under the authority of this Law shall be issued within three months of the entry into force of this Law.

Article 137-b

The Legislative Committee at the Assembly of the Republic of Macedonia is authorized to establish the final version of the Insurance Law.

Article 93

This Law shall enter into force on the eighth day following its publication in the “Official Gazette of the Republic of Macedonia”; the provisions governing insurance broker companies referred to in Part Ten of this Law shall enter into force on January 1, 2001; the provisions referred to in Article 11 paragraph (2) of this Law shall apply as of January 1, 2003; and the provisions referred to in Article 2, Article 120-e paragraph (3) and Article 122 paragraph (1) item 1 of this Law shall apply as of January 1, 2006.

Translated
September 2001