

LAW ON THE AMMENDMENTS AND SUPPLEMENTS TO
THE INSURANCE LAW

Article 1

In the Insurance Law ("RS Official Gazette", no. 55/04 and 70/04), in Article 7, paragraph three, the words: "as well as property which is subject to economic relationships with foreign countries" shall be deleted, and a comma inserted after the words: "other property and persons".

Article 2

In Article 24, paragraph two, after the words: "special law" the following words shall be added: "and the approval of the National Bank of Serbia that such entity meets the requirements regarding personnel and technical equipment prescribed herein for the performance of such activities."

Article 3

In Article 25, the following paragraph three shall be added:
"Insurance company operating in activities referred to in Article 10, item 10) hereof may, by way of exception, perform driver and passenger accident insurance activities, provided that such insurance applies both to the driver and to persons in the insured vehicle."

Article 4

In Article 33, paragraph four, after words: "legal entity", the words: "and/or a legal entity in the insurance company" shall be added.
The following paragraph five shall be added:
"An insurance company may not enter into legal transactions with related legal entities whereby such entities are indirectly or directly provided with funds in the form of loans, warranties, pledge, special purpose deposits etc."

Article 5

In Article 34, paragraph one, the words: "items 7) to 9)" shall be deleted.

Article 6

In Article 35, the full stop at the end shall be replaced by a semicolon, and the following item 5) added:

"5) That the applicant manages the company in such a way that the financial standing of the company is deteriorating or that the company is operating in breach of regulations."

Article 7

In Article 37, paragraph one, item 4), the words: “or reduction” shall be deleted.

Article 8

In Article 39, paragraph two, item 7), the semicolon in sub-item (5) shall be replaced by a comma, whereas the following sub-item (6) shall be added after sub-item (5):

“(6) And other evidence relevant for an assessment of the credit worthiness of the shareholders”

In paragraph four the words: “by the persons” and the words: “items 8) to 11)” shall be deleted.

Article 9

In Article 51, paragraph one, item 5), the full stop will be replaced by a semicolon, whereas the following item 6) will be added after item 5):

“(6) That legal transactions entered into with shareholders, related entities and other entities that have obligations towards the company shall be no less favorable for the company than the same transactions entered into at market conditions.”

Article 10

In Article 58, paragraph two, the following item 12a) shall be added after item 12):

“12a) Regulations on the procedure for policy record forms;”

Article 11

In the title above Article 59, the word “related” shall be replaced by the word: “other”, whereas in Article 59, paragraph two, after the word: “receipt”, a comma and the words: “by applying relevant provisions hereof related to the granting and/or revocation of approval of investment in a joint-stock insurance company” shall be added.

Article 12

In Article 65, paragraph two, item 4), the following words: “items 1) to 12)” shall be deleted.

Article 13

In Article 82, paragraph two, item 4), the semicolon shall be replaced by a full stop, whereas item 5) shall be deleted.

Article 14

In Article 95, paragraph two, item 4), the semicolon shall be replaced by a full stop, whereas item 5) shall be deleted.

Article 15

In Article 112, paragraph two, the words: “the current accounting period” shall be replaced by the words: “the current business year”.

Article 16

In Article 113, paragraphs four and five shall be deleted.

In the former paragraph six, which shall now become paragraph four, the words: “of calculation of the free capital from the technical reserves and the method” shall be deleted.

Article 17

In Article 115, paragraphs one and two shall be replaced by the new paragraph one as follows:

“The National Bank of Serbia shall prescribe limitations on certain forms of depositing and investing as defined in Article 114 hereof.”

The former paragraph three shall become paragraph two.

Article 18

In Article 116, after paragraph two, the new paragraph three shall be added as follows:

“The National Bank of Serbia may also prescribe other forms of funds constituting the guarantee reserve, as well as the level of participation of such funds in the guarantee reserve.”

The former paragraphs three to five become paragraphs four to six.

Article 19

Article 117 shall be deleted.

Article 20

In Article 118, paragraphs one and two shall be amended as follows:

“The insurance company may deposit and invest guarantee reserve funds as defined in Article 114 hereof or otherwise as defined by the company’s business policy.

The National Bank of Serbia may prescribe maximum amounts of certain deposits and investments referred to in paragraph one of this Article.”

Article 21

In Article 125, paragraph one, item 2), the number: “106” shall be replaced by the number: “22”.

In item 8), the words: “Articles 117 and” will be replaced by the word: “Article”.

Article 22

In Article 127, paragraph three, the words: “may be” in the introductory sentence shall be replaced by the word: “are”.

Article 23

In Article 133, paragraph two, the words: “liability insurance and separately for other types of non-life insurance” shall be replaced by the following words: “types of insurance referred to in Article 28, paragraph one, item 2), sub-items (1) to (3)”.

Article 24

In Article 146, paragraph four, the words: “and/or approvals” shall be deleted.

Article 25

In Article 150, the following paragraph three shall be added:
“The National Bank of Serbia shall closely prescribe the manner of conducting the supervision referred to in paragraph one of this Article.”

Article 26

In Article 154, paragraph one, item 4), the words: “Articles 117 and” shall be replaced by the word: “Article”.

In paragraph five, after the words: “amends the minutes”, a comma and the words: “and/or the official note” shall be added.

Article 27

In Article 159, the words: “the business policy acts and other” shall be deleted.

Article 28

In Article 166, paragraph one, after item 5) the following item 5a) shall be added:

“5a) The operations of the company’s bodies have been suspended due to the pronouncement of the measure referred to in Article 37, paragraph two hereof.”

Article 29

In Article 174, paragraph one, item 7), after the word: “auditor”, the words: “or the findings of the National Bank of Serbia” shall be added.

Article 30

In Article 179, paragraph one, the words: “deliberately or repeatedly” and the words: “and continues do to so after the written warning of the National Bank of Serbia” shall be deleted.

Item 3) in paragraph two shall be deleted.

Article 31

In Article 197, paragraph two, the word: “seven” shall be replaced by the number: “15”.

The following paragraph shall be added:

“The National Bank of Serbia shall base its decision on the granting of the approval referred to in paragraph two of this Article on the professional qualifications of the auditor and the accuracy and objectivity of the previously submitted reports, that is, on whether the preceding reports of the auditor were produced in compliance with international auditing standards.”

Article 32

In Article 225, paragraph one, item 1), after the word: “insurance”, a comma and the words: “and/or reinsurance” shall be added, whereas the words: “3 and 4” shall be replaced by words: “3, 4 and 5”.

In item 14), the words: “Articles 113 to 115” shall be replaced by the words: “Articles 113 to 115 and Article 117”.

In item 15), the words: “Articles 117 and” shall be replaced by the word: “Article”.

Article 33

In Article 234, paragraph one, the words: “by December 31st 2005” shall be replaced by the words: “by December 31st 2007”.

Article 34

In Article 235, paragraph one, the words: “by December 31st, 2005” shall be replaced by the words: “by December 31st, 2007”.

Article 35

Article 243 shall be amended as follows:

“Article 243

The subject of privatization is the socially owned and/or state owned capital in insurance companies (hereinafter referred to as the “capital”).

The property or part of the property of the insurance company may be sold in the privatization procedure, in the manner and subject to terms and conditions prescribed herein.

The procedure for the privatization of the capital referred to in paragraph one herein shall be initiated by a decision of the Ministry.

The Deposit Insurance Agency founded under a special law (hereinafter referred to as the “Agency”) shall organize and conduct the procedure for the privatization of the capital referred to in paragraph one of this Article.

The Ministry shall supervise the conducting of the procedure referred to in paragraph four of this Article.

Article 36

After Article 243, the following Articles 243a to 243h shall be added:

“Article 243a

The entire capital in the insurance company (hereinafter referred to as the "subject of privatization") shall be sold in the privatization procedure.

The Agency shall be authorized to conduct the procedure for the sale of parts of the property of the insurance company operating with socially owned capital if it assesses that the privatization procedure would be conducted more efficiently in that manner.

The real estate or movables directly employed for the performance of activity of the subject of privatization may not be the subject of sale as defined in paragraph two of this Article.

The sale of capital, that is property or parts of property referred to in paragraphs one and two hereof, shall be conducted through the public tender method.

The government shall prescribe the procedure for the sale of capital and property referred to in paragraph four of this Article.

Article 243b

The Agency shall conclude a contract on the sale of the capital referred to in Article 243a hereof with the buyer. The contract shall be deemed entered into after being signed by the Agency and the buyer.

The buyer shall obtain ownership of the capital referred to in Article 243a, paragraph one hereof subject to the provisions of the contract on the sale of capital.

Article 243c

The sale and purchase price quoted in the contract on the sale of capital referred to in Article 243b, paragraph one hereof shall be paid to the credit of the account of the Agency.

The funds referred to in paragraph one hereof shall be used to settle sale expenses incurred in the privatization procedure.

Sale expenses as defined in paragraph two hereof shall mean the expenses for the engagement of financial and legal advisors in the privatization procedure, fees for the announcement of public invitations and other information of consequence for conducting the privatization procedure, as well as other expenses incurred in the privatization procedure.

Article 243d

The employees – citizens of the Republic of Serbia, are entitled to a remuneration from the sale and purchase price earned by the sale of the capital referred to in Article 243a, paragraph one hereof through public tender, and previously reduced by the amount of the expenses referred to in Article 243c, paragraphs two and three of this Article.

The remuneration referred to in paragraph one hereof shall amount to EUR 200 in dinar equivalent value for each full year of service in the subject of privatization, for no more than 35 years of service, provided that the total level of remuneration may not exceed 15% of the sale and purchase price which was previously reduced as defined in paragraph one hereof.

In the event that the total amount of remuneration referred to in paragraph two hereof should exceed 15% of the sale and purchase price previously reduced as defined in paragraph one hereof, the remuneration to each employee shall be reduced pro rata.

The government shall prescribe the procedure for the collection of remuneration referred to in paragraphs one to three of this Article.

Article 243e

After the settlement of sale expenses subject to Article 243c, paragraphs two and three hereof, the payment of remuneration to employees as defined in Article 243d hereof and the allocation of the amount of 5% of the actual sale and purchase price for the requirements of the insurance guarantee fund, the Agency shall pay the funds from the sale of capital to the credit of the Republic of Serbia budget account.

The funds referred to in paragraph one hereof paid to the credit of the Republic of Serbia budget account shall be allocated pursuant to relevant provisions of the law governing privatization.

Article 243f

The Agency shall also organize and conduct the procedure for the sale of shares of insurance companies owned by the Republic of Serbia, Fund for the Development of the Republic of Serbia and the Republic Fund for Pension and Disability Insurance.

The Agency shall organize and conduct the procedure for the sale of other shares of insurance companies when the legal holders of such shares authorize the Agency by a special written contract to conduct the sale of such shares in their name and for their account to a third party.

The Agency shall conclude a contract on the sale of the shares referred to in paragraph one hereof. The contract shall be deemed entered into after being signed by the Agency and the buyer of the shares.

The shares referred to in paragraph one hereof shall be sold through public tender method subject to the regulation referred to in Article 243a, paragraph five hereof.

Article 243g

The insurance company operating with socially owned and/or state owned capital may not, without prior approval of the Agency, pass decisions on the reduction or increase of capital, reorganization or restructuring, investment, sale of part of property, encumbering of property by pledge of assets or mortgage, long-term lease, composition with creditors, taking or granting of loans or issuance of guarantees, outside the course of regular business operations.

The decisions passed in breach of the provision of paragraph one hereof shall be annulled by the Agency.

Article 243h

Unless otherwise provided herein, the provisions of the law governing the privatization of socially owned and state owned capital in enterprises and other legal entities, save for the provisions regarding the transfer of capital free of charge, shall be applied to the procedure for the privatization of the capital in insurance companies.”

Article 37

For the purpose of this Law, it shall be deemed that the Agency has given its approval of the decisions of the insurance company operating with socially owned or

state owned capital on the reduction or increase of capital, reorganization or restructuring, investment, sale of part of property, encumbering of property by pledge of assets or mortgage, long-term lease, composition with creditors, taking or granting of loans or issuance of guarantees, outside the course of regular business operations, if such insurance company has obtained prior approval of such decisions pursuant to Article 398a of the Law on Enterprises ("FRY Official Gazette", no. 29/96, 33/96, 29/97, 59/98, 74/99, 9/01 and 36/02) before the date of entering into force hereof.

Article 38

This Law shall enter into force on the day following the day of its publication in the "Official Gazette of the Republic of Serbia".