

**LAW ON INSURANCE
(CLEARED TEXT)**

SECTION I

GENERAL PROVISIONS

Article 1

This law shall set the conditions for performing the activities of life and non-life insurance, reinsurance, as well as the incorporation, operation, supervision and termination of the activities of insurance and reinsurance trade companies (hereinafter: insurance companies) and insurance brokerage companies, and compulsory insurance.

Article 2

(1) Legal entities and natural persons performing certain activities, and citizens of the Republic of Macedonia shall be insured in insurance companies incorporated pursuant to this Law.

(2) Notwithstanding paragraph 1 of this Article, the Government of the Republic of Macedonia may prescribe which property, property interests and persons may be insured in a foreign insurance or reinsurance company.

Insurance and Re-insurance Activities

Article 3

(1) Insurance companies may perform only insurance and/or re-insurance activities.

(2) Insurance activities are:

- 1) conclusion and implementation of contracts for life and non-life insurance;
- 2) conclusion and implementation of contracts for coinsurance; and
- 3) conclusion and implementation of contracts for passive reinsurance.

(3) Insurance companies may also conduct the following activities within the framework of the insurance activities explained in paragraph (2) of this Article:

- 1) mediation in concluding insurance or re-insurance contracts;
- 2) risk assessment;
- 3) damage assessment and estimate;

- 4) sale of the remnants of insured damaged items;
- 5) provision of legal support pertaining to insurance and re-insurance matters;
- 6) provision of other intellectual or technical services associated with insurance and re-insurance matters;
- 7) introduction of measures aimed at prevention, reduction and elimination of damages and risks which are perilous with reference to non-life insurance matters.

Article 4

Reinsurance activities are conclusion and implementation of reinsurance contracts insuring the surplus of risk above the level of maximum coverage of insurance companies by insurance companies registered to provide active re-insurance services.

Article 5

- (1) Insurance companies may provide the following groups of insurance and reinsurance services:
 - 1) life insurance, and
 - 2) non-life insurance.

- (2) Life insurance includes insurance of persons in the case of whom there is accumulation of savings funds or funds for covering increased risks at later years during the life of the insurance.

- (3) Non-life insurance includes the following classes:
 - 1) insurance against consequences of accidents;
 - 2) health insurance, in addition to the mandatory health insurance;
 - 3) insurance of automobiles (casco);
 - 4) insurance of aircrafts, vessels and rail transport vehicles (casco);
 - 5) insurance of goods in transportation (cargo);
 - 6) insurance of property against fire and other dangers;
 - 7) other types of insurance of property;
 - 8) insurance against liability of owners of motor vehicles;
 - 9) insurance against liability of owners of air crafts, vessels and rail transport vehicles;
 - 10) insurance of passengers in the public transportation against consequences of accidents;
 - 11) insurance against liability for activities performed;
 - 12) credits and guarantees insurance;
 - 13) insurance against financial losses;
 - 14) insurance of savings, in addition to the mandatory insurance of savings as prescribed by law;
 - 15) insurance of legal protection.

- (4) Insurance companies may carry out both groups of insurance and reinsurance.

(5) Insurance and reinsurance groups and classes within those groups of insurance and reinsurance are more closely defined in the provisions of the Incorporation Act and the insurance company Charter.

Article 6

Life and non-life insurance shall be made on the basis of an agreement and is voluntary, unless otherwise set forth in this and other law.

Reinsurance

Article 7

(1) Insurance companies shall reinsure any obligations under any insurance contracts which exceed the amount that the insurance companies are to cover from their own funds in accordance with their general act, with insurance companies registered for active reinsurance.

(2) Insurance companies registered for active reinsurance shall reinsure the offered excess of risk that they cannot cover solely with their own funds with other insurance companies registered for active reinsurance.

Article 8

(1) Insurance companies shall adopt for each business year a program on re-insurance needs depending on the structure of their portfolios and decide which reinsurance contracts will cover the excess risks.

(2) The program on re-insurance needs mentioned in paragraph (1) of this Article contains:

- 1) A table on the maximum coverage prepared on the basis of the base capital, security reserves, special reserves and anticipated premium;
- 2) Basis and criteria for determining the highest possible level of damage on the basis of existing circumstances relevant for the risk and the level of agreed coverage.

Types of Insurance Companies

Article 9

Insurance companies may be:

- 1) a joint stock insurance company;
- 2) a joint stock reinsurance company;
- 3) a joint stock insurance and re-insurance company.

SECTION II

INCORPORATION OF INSURANCE COMPANIES

Incorporation of Insurance Companies

Article 10

(1) Insurance companies shall be incorporated as joint stock companies which have their main office in the Republic of Macedonia and have obtained the License for carrying out insurance and/or re-insurance activities from the Minister of Finance under the terms and conditions defined in this Law and the Company Law.

(2) Legal entities and natural persons who have not obtained the License from the Minister of Finance may not carry out insurance and/or re-insurance activities.

Article 11

(1) Insurance companies may be incorporated by domestic and foreign legal entities and natural persons.

(2) A single shareholder may acquire a maximum of 25 % of the shares in the insurance company conferring management rights.

(3) When an insurance company is a founder of another insurance company, the acquisition of shares in the company is unlimited.

(4) Any legal entity or connected person is a single stockholder in the sense explained in paragraph (2) of this Article.

(5) For the purposes of this law, connected persons are two or more legal entities or natural persons who are linked either in terms of management or in terms of capital, or in any other fashion, due to which they jointly set the business policy and work jointly in coordinated efforts with a view to securing usual commercial advantages, or persons, either legal or natural, which have significant interest in some other legal entities.

(6) In the sense of paragraph (5) of this Article, significant interest means:

1) direct or indirect ownership of a legal entity by another legal entity or natural person or taking over 20% or more of the shares conferring management rights; or

2) possibility for one or several legal entities or natural persons to have a significant influence on the management and the making of political, financial and business decisions; or

3) performance results of one legal entity may have a significant impact on the operations or operating results of another legal entity.

(7) For the purposes of this law, two natural persons are connected if one natural entity is the spouse, parent or child of the other natural entity.

Article 12

(1) Insurance companies shall be founded with the enactment of the Incorporation Act and payment of the base capital.

(2) The base capital paid in cash upon founding an insurance company may not amount to less than the Denar counter value of:

- 1) EURO 750,000 if the company is founded for carrying out life insurance activities;
- 2) EURO 750,000 if the company is founded for carrying out non-life insurance activities; and
- 3) EURO 1,000, 000 if the company is founded for carrying out reinsurance activities.

(3) If the insurance company is founded to carry out both groups of insurance or one group of insurance and re-insurance, the base start-up capital paid in cash for the incorporation of the insurance company may not be lower than the cumulative denar counter-value of the base capital in indents of paragraph (2) of this Article for the activities of insurance and/or re-insurance for which the insurance company is incorporated.

(4) The Denar counter value of the funds defined in paragraph (2) of this Article, calculated according to the exchange rate of the National Bank of the Republic of Macedonia as on the day of payment, shall be paid by the legal entities and natural persons in a separate account with the performer of payment operations.

(5) Foreign legal entities and natural persons shall pay the funds defined in paragraph (2) of this Article into a foreign exchange account with the National Bank of the Republic of Macedonia.

(6) Insurance companies shall maintain the amount of their base capital.

License for Incorporation and Operation of Insurance Companies

Article 13

(1) A license for incorporation and operation [hereinafter: license] shall be obtained for incorporation and operation of the company.

(2) The license of paragraph (1) of this Article shall also be compulsory if a new group of insurance is introduced, as well as in case of changes in the status of the insurance company.

(3) Changes in status in paragraph (2) of this Article include: merger of insurance companies, and division of the insurance company into several independent insurance companies.

Article 14

Insurance companies may not conduct insurance and/or reinsurance activities without the license described in Article 13 herein.

Article 15

An application for issuing a license described in Article 13 of this Law shall be filed with the Ministry of Finance.

Article 16

(1) The following shall be attached to the application mentioned in Article 15 of this Law:

- 1) draft of the Incorporation Act;
- 2) draft of the Charter;
- 3) draft of the business policy acts listed in Article 22 of this Law;
- 4) evidence from the performer of the payment operations that the base capital has been provided, which cannot be lower than the amount prescribed by this Law;
- 5) list of shareholders including data about their stakes;
- 6) information on the mutual direct and indirect capital, management and family relation of shareholders and their financial position, as well as evidence that they are not subject to any bankruptcy proceedings and that they have not been convicted of a criminal offense against property or in the area of financial operations over the last ten years;
- 7) audit report issued by a chartered auditing house, if the founder is a domestic legal entity;
- 8) names of persons – members of the managing body of the insurance company and data confirming that they have the required knowledge and experience in the insurance and re-insurance business, as well as evidence that they are not subject to any bankruptcy proceedings and that they have not been convicted of a criminal offense against property or in the area of financial operations over the last ten years;
- 9) documentation to confirm that the insurance company is capable, in terms of personnel, technical capacity and organization, to carry out the activities provided by the Incorporation Act of the insurance company.

(2) The Minister of Finance shall closely specify the professional skill and expertise, as well as the experience required to run an insurance company.

(3) If the insurance company is founded by a foreign legal entity or a natural person and a domestic legal entity in which foreign natural persons or legal entities directly or indirectly hold a majority ownership, the following shall be attached to the application described in paragraph (1) of this Article:

- 1) an opinion issued by a foreign institution authorized to conduct supervisory activities of insurance companies, if the foreign shareholder is an insurance company; and
- 2) an audit report issued by a chartered auditing house, if the foreign shareholder is a legal entity which is not an insurance company.

Article 17

(1) The Minister of Finance shall issue a decision on the application mentioned in Article 15 of this Law, approving or rejecting the application.

(2) If the required documentation described in Article 16 of this Law is not enclosed with the application, the application shall be refused with a decision.

(3) The decision pertaining to paragraph 1 of this Article shall be passed within 90 days from the day the documentation mentioned in Article 16 of this Law has been fully completed. In case of failure to issue a decision within the specified period, the application for a license shall be deemed approved.

(4) An appeal against the decisions of paragraphs (1) and (2) of this Article may be filed with the Government Committee of the Republic of Macedonia within eight days from the issuance of the decision.

(5) The Ministry of Finance shall announce in the media the granting of the license for incorporation and operation of the insurance company within seven days of the date of issue.

Article 18

The decision to grant the license specifies the classes within insurance and re-insurance groups which may be carried out by the insurance company.

Article 19

Insurance companies shall adopt the Incorporation Act within 60 days of receiving the license-granting decision.

Commencement of Operation

Article 20

- (1) Insurance companies shall commence their operation within six months of receiving the license-granting decision, and shall inform in writing the Ministry of Finance thereof.
- (2) Insurance companies shall immediately inform the Ministry of Finance of the termination of their operation.

Requesting Consent

Article 21

- (1) The insurance company shall request consent from the Ministry of Finance for the following:
 - 1) amendments to the Charter;
 - 2) amendments to the Incorporation Act;
 - 3) gradual or one-off acquisition of shares which total cumulative amount of 10, 25, 50 and 75 % of the total number of shares conferring management rights of the insurance company, irrespective of whether the shares are acquired by a single entity or by one or more connected persons.
 - 4) change in the name and the Head Office;
 - 5) reduction of the agreed insurance amounts set in Article 51, paragraph (3) of this Law.
- (2) Shares conferring management rights of the insurance company acquired contrary to the provision of paragraph (1) indent 3) of this Article do not confer a voting right.
- (3) The Ministry of Finance shall respond to the application of paragraph (1) of this Article within 60 (sixty) days following completion of the application. In case of failure to issue a decision within the specified period, the application for a license shall be deemed approved.
- (4) The Minister of Finance specifies closely the manner, the procedure and the format of the documentation for obtaining the consent from paragraph (1) of this Article.

Business Policy Acts

Article 22

- (1) Business policy acts of insurance companies are as follows:
 - 1) general business policy framework;
 - 2) general and special insurance conditions by group and class of insurance;
 - 3) tariffs for premiums by group and class of insurance with the structure of the premium in accordance with Articles 26 and 27 of this Law;

- 4) technical basis of tariffs by class of life and non-life insurance;
- 5) rulebook on setting aside technical reserves of insurance and fund management policy;
- 6) rulebook for placement of assets on technical reserves;
- 7) act for establishment, management and use of the actuarial reserve of life insurance and other groups of insurance for which the mortality and other similar probability tables are applied, as well as calculations pertaining to life insurance;
- 8) rulebook for establishing prevention fund, managing and appliance of the fund;
- 9) program for re-insurance needs, in line with Article 8 of this Law;
- 10) rulebook on right of recourse;
- 11) a forecast study of the anticipated business results for a minimum of three years in advance, mainly in reference to the anticipated premium income, anticipated damages, expenses of realization of insurance activities, anticipated profit, anticipated compensation for damages and insurance covers and projected technical and other reserves.

(2) Upon a request of the Ministry of Finance, acts pertaining to paragraph (1) of this Article shall also be produced for all types of compulsory insurance.

(3) Insurance companies shall immediately inform the Ministry of Finance of the amendments to the business policy acts as soon as the amendments are introduced.

Entry in the Trade Registry

Article 23

(1) Insurance companies shall acquire status of legal entities upon entry in the Trade Registry.

(2) The following shall be enclosed with the application for entry in the Trade Registry besides the documentation determined by the Company Law:

- 1) evidence of payment of the base capital at the temporary account held with the payment operations performer or evidence that a foreign founder has made foreign currency payment into a separate account held with the National Bank of the Republic of Macedonia; and
- 2) license described in Article 13 of this Law.

(3) Branch offices of Insurance companies incorporated in compliance with the Company Law shall be entered in the Trade Registry.

(4) Following the entry in the Trade Registry, insurance companies shall deliver to the Ministry of Finance a copy of the decision on entry in the Trade Registry.

(5) The Ministry of Finance shall maintain records of insurance companies entered in the Trade Registry.

SECTION THREE

OPERATIONS OF INSURANCE COMPANIES

Article 24

(1) Insurance companies shall carry out insurance and reinsurance activities on their behalf and for their own account.

(2) Activities of paragraph (1) of this Article, as well as other insurance activities, may be conducted by insurance companies on their behalf and for the account of others or on behalf and for the account of third parties or may mediate in the performance of these activities.

Article 25

(1) Insurance companies shall be liable with all their assets for the obligations stipulated in the contracts of insurance and reinsurance.

(2) Insurance companies shall organize their business operations observing the principles of economy, solvency and reliability.

Article 26

(1) Insurance premiums shall consist of functional premium and portion of the premium for carrying out insurance activities.

(2) Functional premium includes the technical premium, and it may include a portion of prevention if calculated in the premium.

(3) Technical premium is that portion of the premium apportioned for covering insurance liabilities.

(4) Prevention funds are earmarked for the prevention and minimization of contingent damage events.

Article 27

The life insurance premium consists of:

- 1) portion of the actuarial reserve premium – savings portion;
- 2) portion of the risk premium and
- 3) portion of the premium covering operating costs of the insurance company.

Article 28

(1) For the purposes of ensuring permanent fulfilment of the obligations arising from the insurance and re-insurance contracts, the insurance companies shall be obliged to set up technical reserves, defined and administered in accordance with the insurance technical principles and accounting standards, consisted of:

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

(2) Insurance companies providing life and/or other insurance similar to life insurance to which the probability tables and the calculations refer shall also set aside a actuarial reserve in set percentage of the premiums paid for this insurance in line with the technical conditions.

Article 29

Reserves for transferable premium shall be set aside in the amount of that part of the premium which is carried forward into the subsequent accounting period reflecting the ratio between the insurance period elapsed and the period remaining until the expiry of the insurance contract.

Article 30

Reserves for bonuses and discounts shall, be set aside up to the amount equaling the payments which insurees are entitled to receive on the basis of:

- 1) insurees who have not declared any damages in the preceding year are entitled to a bonus.
- 2) insurees who have presented positive ratio between the technical premium and the paid damages, including the non-liquid but reported damages are entitled to a partial reduction of the premium (discount).

Article 31

(1) Reserves for damages shall be set aside in the amount of the estimated liabilities the insurance contract is obliged to settle on the basis of the insurance contracts where the insured event has occurred within the accounting period, irrespective of whether the event was reported or not, including all the costs incurred due to delayed fulfilment of liabilities by the insurance company with respect to the completed compensation claims.

(2) In addition to the estimated liabilities arising from reported yet unsettled damages, reserves for damages include the estimated liabilities for actual unreported damages.

Article 32

- (1) Actuarial reserves shall be set aside in the amount of the present value of the assessed future liabilities of the insurance company arising from the insurance contracts reduced by the present value of the future premiums to be paid on the basis of those contracts.
- (2) Actuarial reserves shall be calculated by using the corresponding actuarial assessments taking into account all future liabilities of the insurance company arising from the individual insurance contracts, including the following:
 - 1) guaranteed payments to which the insurees are entitled;
 - 2) bonuses to which an insuree is entitled, individually or jointly with other insurees irrespective of the form of those bonuses;
 - 3) all rights which insurees may opt for on the basis of the insurance contract; and
 - 4) expenses, including commission fees.
- (3) When choosing the actuarial assessment methods, consideration should be taken regarding the assessment of assets covering the technical reserves applied by the insurance company.
- (4) Actuarial reserves must be calculated for each individual insurance contract. Relevant generalizations may only be applied when it is obvious that the result is likely to be approximate or exactly the same as in the individual calculation.
- (5) When on the basis of the insurance contract the insuree is entitled to a payment of the full value of the policy, the actuarial reserve set aside under the insurance contract may not be lower than the re-purchase value of the policy.
- (6) Insurance companies shall attach to their annual reports an explanation of the basis and methods applied to calculate the actuarial reserve.

Article 33

Other technical reserves shall be set aside for the planned future liabilities and risks arising from the insurance cover for likely huge damages and risks to which none of the provisions of indents 1) to 3) of paragraph (1) and (2) of article 28 of this law apply.

Funds Covering the Technical Reserves

Article 34

- (1) Funds covering the technical reserves shall be invested according to the group of insurance activity performed by the insurance company, and they will provide security, profitability and liquidity of the investments made by the insurance company.

- (2) Insurance companies shall cover their technical reserves only with approved groups of funds.
- (3) Funds covering technical reserves shall be diversified and allocated in a manner which will ensure that there is no excessive reliance on any category of funds, markets or investments.
- (4) Groups of funds of paragraph (2) of this Article, which have been approved, and the method of their investment are closely specified by the Minister of Finance.
- (5) Funds covering technical reserves shall be located in the Republic of Macedonia.
- (6) Insurance companies shall adjust their investments of funds, covering the technical reserves which are exposed to risks of potential losses due to interest and exchange rate fluctuations, credit risks and other market risks, to the liabilities arising from insurance contracts affected by these changes.
- (7) When investing the funds which cover the technical reserves, insurance companies shall take into consideration the dates when their insurance contractual liabilities fall due.

Article 35

Insurance companies shall keep the funds for life insurance on separate accounts and the said funds may not be used nor be a subject of forced settlements for covering liabilities arising from other insurance and re-insurance or other liabilities of the insurance companies.

Funds Covering the Actuarial Reserve

Article 36

Insurance companies issuing policies for those classes of insurance which require that an actuarial reserve be set aside shall do so and shall administer the actuarial reserve separately from the other assets of the company.

Article 37

Funds covering the actuarial reserve may only be used for compensation of damages which arise from those classes of insurance where actuarial reserves were set aside.

Article 38

Insurance companies shall ensure that funds covering actuarial reserve are at all times equal in value with the re-purchase value of the policy. Throughout the year the insurance company must acquire additional funds to cover the actuarial reserve if it is required to adjust the value of the funds covering the actuarial reserves to the re-purchase value of the policy.

Article 39

Provisions of Article 34 of this Law also apply to the funds covering the actuarial reserves.

Article 40

Insurance companies shall open a separate account with a bank or/and the payment operations performer regarding the funds covering actuarial reserve. All payments pertaining to the funds covering the actuarial reserves shall be made through this account and the funds shall be kept in it.

Article 41

(1) Safety reserves are funds earmarked for covering insurance liabilities stretching over a longer period of time.

(2) Insurance companies shall set aside a minimum of 1/3 of the realized profit shown in the annual account for the safety reserves, unless the profit is used to cover the preceding years' losses.

(3) Insurance companies, which have set aside safety reserves at the minimum of fifty (50) % of the average insurance premium realized in the last two years, with the previous years' premiums increased by the increase in the retail price index, including the year in which the realized profit is distributed, do not have the responsibility to set aside funds for the safety reserves from their profits.

Liquidity Management

Article 42

(1) Insurance companies shall manage the funds in a manner which will ensure that they can at any one point in time meet the due liabilities.

(2) For the purposes of ensuring that the liquidity principle is observed, insurance companies shall run a policy or regular liquidity management through:

- 1) planning of the current and possible cash outflows and of the appropriate cash inflows;
- 2) regular liquidity control; and
- 3) adoption of appropriate measures to prevent and/or eliminate the reasons for non-liquidity.

Article 43

- (1) Insurance companies shall regularly calculate and/or monitor:
- 1) the volume of technical reserves;
 - 2) the groups, the allocation, the adjustment and the localization of funds covering the technical reserves and/or the insurance cover;
 - 3) the scope of safety reserves;
 - 4) the level of solvency margin; and
 - 5) the level of the guaranty fund
- (2) Insurance companies shall report quarterly to the Ministry of Finance on the data listed in paragraph (1) of this Article

Article 44

Revenues of insurance companies are earned from insurance premiums, premiums of active coinsurance and reinsurance activities, and other income earned from insurance activities of the company, as well as from revenues from investment activities, and extraordinary revenues.

Article 45

The funds covering the damages, coinsurance and reinsurance premiums, prevention funds, technical reserves, reserves set aside for large scale damages or damages with disastrous consequences, special reserves against uncollected claims on the basis premiums and other operating expenses, costs for financing and extraordinary expenses, shall be considered expenses of the insurance companies.

Article 46

The allocations for technical reserves and the special reserve, except for the actuarial reserves, shall be considered an income in the subsequent accounting period.

Article 47

- (1) The portion of the insurance company's revenue that remains after the annual balance sheet is prepared and the expenditures settled, shall be shown as realized profit.
- (2) Based on the decision of the managing body of the insurance company, the profit of paragraph (1) of this Article, following the payment of taxes, shall be used for:
- 1) covering losses from previous years;
 - 2) allocation in safety funds;

- 3) payment of a portion of the profits to the shareholders and employees in the insurance company;
- 4) allocation of additional amounts for life insurance;
- 5) allocation to other reserves of the insurance company; and
- 6) undistributed profit.

Article 48

If following the preparation of annual balance sheet the revenues of the insurance company are not sufficient to cover its expenditures, the insurance company shows a loss in its financial statements.

Article 49

(1) Insurance companies shall cover the loss referred to in Article 48 of this Law from:

- 1) undistributed profits;
- 2) safety funds;
- 3) prevention fund, if the authorized body of the insurance company passes such a decision; and
- 4) other reserves.

(2) If the insurance company fails to cover the loss in the manner defined in paragraph (1) of this Article, the base capital of the company shall be reduced for the uncovered portion of the loss.

Article 50

(1) Insurance companies providing life insurance, shall separately determine the profit or loss for that group of insurance.

(2) Insurance companies conducting insurance and reinsurance activities shall separately determine the profit or loss thereof and shall show a consolidated result.

Article 51

(1) If an insurance company providing life insurance or reinsurance is faced with liquidation or bankruptcy, The Ministry of Finance shall undertake all necessary measures to ensure that all life insurance policies and funds generated therefrom are assigned to other insurance companies if they agree thereto.

(2) In the case explained in paragraph (1) of this Article, the liabilities assumed in relation to insurees do not change.

(3) If there are no conditions for concession of life insurance contracts to other companies for the purposes of establishing a new life insurance company or for conceding the life insurance contracts to other insurance companies, the agreed insurance amounts may be reduced.

(4) Life insurance policy holders shall establish a board which shall undertake all preparatory activities for founding a new life insurance company or for conceding life insurance policies to other insurance companies and so as to enact Articles of incorporation pursuant to the provisions of this Law.

SECTION FOUR REQUISITE FUNDS OF INSURANCE COMPANIES

Article 52

(1) Insurance companies, in relation to the overall operations, shall permanently maintain the necessary level of solvency margin. The solvency margin consists of the sources of funds of the insurance company free of any liability arising from the insurance contracts.

(2) The solvency margin consists of:

- 1) paid for base capital;
- 2) safety reserve funds and prevention funds ;
- 3) transferred undistributed profit;
- 4) unallocated profit from the previous year; and
- 5) reserve funds for large scale disastrous damages.

(3) The Ministry of Finance is entitled to add further items to those listed in paragraph 2 herein so that the criterion in paragraph (1) herein is met.

(4) The method of calculating the required level of solvency margin shall be prescribed by the Minister of Finance.

(5) The amount of funds comprising the solvency margin from paragraph (2) of this Article should at least equal the required level of solvency margin calculated by the method specified in paragraph (4) herein.

(6) The amount of funds comprising the solvency margin from paragraph (2) of this Article, must not, on any account, be lower than the amount of the guarantee fund.

Article 53

- (1) The guarantee fund is the minimum amount of capital which ensures that the insurance company can meet its liabilities arising from insurance contracts.
- (2) The guarantee fund is one third of the calculated required level of the solvency margin.
- (3) The size of the guarantee fund may at no time be lower than the amount mentioned in Article 12 paragraph (2) of this Law.

SECTION FIVE COMPULSORY INSURANCE

Chapter 1

Types of Compulsory Insurance

Article 54

Under this Law, the following shall be subject to compulsory insurance:

- 1) public transportation users insured against consequences of accidents;
- 2) owners, i.e. users of motor vehicles against liability for damages inflicted to third parties;
- 3) owners, i.e. users of aircraft against liability for damages inflicted to third parties;
- 4) owners, i.e. users of engine powered boats and ships, against liability for damages inflicted to third parties and
- 5) owner, i.e. users of railway vehicles (trains, trams and other) against liability for damages caused to third parties.

Article 55

- (1) The owners or users of transportation vehicles, to which the provisions of this Law regarding compulsory insurance apply, shall make a contract with the insurance company licensed for providing such groups of insurance activities, prior to launching the vehicle in the transportation system.
- (2) Insurance companies members of the National Insurance Bureau which carry out automobile liability insurance shall adjust the common conditions, fees on premiums and the uniform criteria for damage estimation. The National Insurance Bureau shall announce the adjusted uniform conditions and fees on premiums.

(3) The contract pertaining to paragraph (1) of this Article shall be made under the conditions of compulsory insurance provided by the insurance company.

Article 56

The provisions of this Law regarding compulsory insurance shall not apply to the transportation vehicles of the Army of the Republic of Macedonia, with the exception of the vehicles serving civil purposes and being regularly used in the public transportation.

Chapter 2

Insurance of Public Transportation Users Against Consequences of Accidents

Article 57

(1) Owners or users of vehicles registered for public transportation services shall enter an insurance contract with an insurance company for insuring public transportation users against consequences of accidents.

(2) The owners, or users of the following vehicles shall enter the contract of paragraph (1) of this Article:

- 1) buses for urban public transportation, intercity transportation and international regular and chartered transportation;
- 2) passenger and taxi and rent-a-car vehicles rented with a driver;
- 3) buses transporting employees to and from work;
- 4) railway vehicles for passenger transportation;
- 5) all types of lake and river vessels, including rafts and flatboats used for regular and free transportation of passengers, including cruising and transportation of tourists;
- 6) all rented vessels referred to in paragraph (2), item 5 of this Article, rented with at least one member of crew;
- 7) public transportation aircraft used for regular, chartered or free flights;
- 8) tourist aircraft used for short flights and panoramic flights, and aircraft rented with a pilot;
- 9) coaches used by travel agencies for transportation of tourists; and
- 10) all other vehicles, driven by any type of power, used for charge transportation of passengers as a kind of registered activity.

(3) Owners or users of vehicles registered for transportation of passengers in the public transportation, shall enter the contract of paragraph (2) of this Article prior to releasing the vehicle in traffic.

Article 58

- (1) For the purposes of this Law, persons, regardless of whether or not they have a ticket, as well as individuals present in the vicinity of a station, seaport, airport or in the immediate vicinity of the vehicle prior to boarding or alighting the vehicle, who intended to, or traveled by certain transportation vehicle shall be deemed public transportation passengers.
- (2) Passengers from paragraph (1) of this Article also include persons entitled to free transportation.
- (3) The policy holder shall be responsible to prove that a certain person was a passenger.

Article 59

- (1) The lowest insurance amounts for entering passenger insurance contracts, in case of death, permanent loss of general capacity to work and temporary incapacity to work calculated in denar value according to the exchange rate of the National Bank of the Republic of Macedonia, shall be:
 - 1) EURO 1250 in case of passenger's death;
 - 2) EURO 2500 in case of permanent loss of general work capability; and
 - 3) EURO 600 for the necessary medical treatment expenses and in case of temporary incapability to work.
- (2) The allowance for real and necessary expenses for medical treatment and lost wages shall be provided separately, regardless of the paid insured amount in case of death or permanent loss of general ability to work.
- (3) The obligation to pay compensation for further medical expenses and lost wages shall cease on the date of the final confirmation of permanent or temporary inability to work,
- (4) Only the expenses for medical treatment covered by the passenger shall be reimbursed.

Article 60

- (1) Passengers suffering accidents, or insurance beneficiaries in case of passenger's death, shall be entitled to request from the insurance company where the insurance is provided to meet its obligations pertaining to the insurance contract directly to them.
- (2) If the transportation agent who has entered the insurance contract is responsible for the damage, the amount that the insurance company has paid for the compulsory insurance of the passenger shall be included in the compensation for damage due by the transportation agent.
- (3) If an accident happens and the owner or the user of the vehicle has not entered a contract of insurance of passengers, in compliance with the provisions pertaining to this Law, the passenger

or person who would have been an insurance user if the contract of insurance had been concluded, may request payment of the insured amount from any insurance company providing such type of insurance on the territory of the Republic of Macedonia.

(4) The insurance company that the person from paragraph (2) of this Article appealed to shall act as if the insurance contract with the insured amount described in Article 59 of this Law had been concluded.

(5) Insurance companies referred to in paragraph (2) of this Article, which have paid the insured amount, shall be entitled to subsidy of the paid amount, including the interests and expenses of the owner of the vehicle or the person responsible for the damage.

(6) When an insurance company is unable to exercise its right to subsidy from Article (4) herein either through a court procedure, or with the termination of the company, it shall be entitled to request from other insurance companies providing such type of insurance, payment of the reimbursed amount, in proportion to the premium realized in the compulsory insurance of passengers in public transportation, in proportion with the total premium from that type of insurance realized in the Republic of Macedonia.

(7) In case of termination of the company, persons referred to in paragraph (1) of this Article may request reimbursement from the insurance companies referred to in paragraph (3) of this Article.

(8) The payment of the reimbursement pertaining to paragraph (7) of this Article shall be undertaken by all insurance companies providing insurance of users of public transportation against accidents, in proportion to the premium they earn from this type of insurance.

Chapter 3

Insurance of Owners and Users of Motor Vehicles Against Liability for Damages Incurred to Third Parties

Article 61

(1) Owners and users of motor vehicles and trailers shall enter into a contract of insurance against liabilities for damages caused to third parties, such as death, corporal injury, damaged health, destruction or damaging of objects (hereinafter: automobile liability insurance), with the exception of the liability for damages of items that he/she [the owner, i.e. the user of motor vehicles and trailers] has agreed to transport.

(2) The damage caused to a third party by items falling out of a motor vehicle or a trailer, shall be regarded as damage caused by the use of motor vehicles.

Article 62

(1) For the purposes of this Law, all motor-driven vehicles driven on public traffic roads, which in compliance with the provisions for registration of road vehicles shall have a vehicle registration card, shall be deemed motor vehicles and trailers. The registration card of motor vehicles cannot be extended for a term longer than 12 months, upon a previous technical check. Tractors shall be deemed motor vehicles for the purposes of this Law, regardless of the registration card and technical checks terms.

(2) Registration of a motor vehicle and trailers, and extension of the registration and issuance of temporary registration plates, may be administered after evidence of concluded contract of insurance is filed at the vehicle registration agency.

Article 63

For the purposes of this Law the following entities shall not be deemed third parties and shall not be entitled to damage compensation based on automobile liability insurance:

- 1) the insurance policy holder;
- 2) the owner, joint owner, user and any other possessor of the vehicle, even if they were not steering the vehicle when the damage was incurred;
- 3) the driver of the vehicle liable for the damage caused;
- 4) persons who appropriated a vehicle without authorization, even if they were not steering the vehicle at the moment of accident.

Article 64

(1) Amounts at which insurance against automobile liability must be agreed may not be lower than:

- 1) EURO 100,000 for all load vehicles and buses and
- 2) EURO 50,000 for all other types of vehicles,

expressed in Denar counter value according to the daily exchange rate as determined by the National Bank of the Republic of Macedonia.

(2) The obligation for insurance against damage compensation on the basis of insurance against automobile liability may not be higher than the amounts determined in paragraph 1 of this Article, unless higher amounts have been agreed in the insurance contract.

(3) If the agreed amount of the insurance against automobile liability is insufficient to compensate for all damages caused by the same event, priority in compensation shall be given to damages caused to individuals.

(4) If several persons have suffered damage and the total compensation exceeds the agreed amount of insurance against automobile liability, their rights to a claim against the insurance company shall be proportionately decreased.

(5) Insurance companies which have paid a person who has suffered damage an amount higher than the one such person is entitled to under a proportionate decrease in compensation because s/he was not aware, not could have been aware of the existence of other persons who have suffered damage, shall remain liable to the other persons only to the extent of the agreed amount of automobile liability insurance.

Article 65

(1) When a legal entity conducting healthcare, disability or pension insurance activities files a claim for damages, the insurance company is obliged, to the extent of liabilities towards the insured entity, to pay compensation to the amount of healthcare and other expenses incurred in compliance with the legal health insurance norms, or it is obliged to pay the proportionate amount of disability and pension insurance contributions.

(2) The proportionate amount of pension and disability insurance contributions is determined in a lump sum according to the number of remaining years in employment and the age of the natural person required for becoming eligible to receive old-age pension.

Article 66

(1) Persons who have suffered damage are entitled to file the claim for compensation of damage directly against the insurance company.

(2) Insurance companies may not object to a claim filed by a damaged person as it may object, pursuant to the law or the insurance contract, to a claim filed by insured persons on the grounds of their failure to abide by the law or the insurance contract.

Article 67

(1) Pursuant to the provisions of this law, insurance against automobile liability also covers damages caused by a vehicle used or driven by an unauthorized person.

(2) For the purposes of this law, unauthorized person shall be the person who:

- 1) drives a motor driven vehicle without an appropriate driving license;
- 2) obtains training to drive a motor driven vehicle without a presence of an instructor;
- 3) uses a motor driven vehicle without the knowledge or approval of the owner;
- 4) has come into possession of a motor driven vehicle in an illegal way; and
- 5) drives a motor driven vehicle under influence of alcohol.

(3) Insurance companies that have paid the compensation of damages pertaining to paragraph (1) of this Article are entitled to a refund of the paid amount of compensation of damage inclusive of the interest and expenses incurred by persons identified in paragraph (2) of this Article.

Article 68

If during the term of an insurance contract a change of owner or user of the motor driven vehicle occurs, the rights and liabilities contained in the automobile liability insurance contract shall be assumed by the new owner or user until the expiry of the term.

Article 69

Insurance companies with which an owner or a user of a motor driven vehicle is insured against automobile liability shall compensate third parties for the damage caused by use of a vehicle registered in member countries of the Council of Europe for green cards to the amount determined by the compulsory insurance regulations of the country in which the damage was made, inclusive of an additional premium for extension of the insurance cover defined in Article 64 paragraph (1) of this law.

Article 70

(1) Persons who in the territory of the Republic of Macedonia suffer damage from a motor driven vehicle owner or user of which is not insured against automobile liability shall be entitled to seek compensation for damage from the insurance company authorized to provide compulsory insurance against automobile liability.

(2) Persons who are not citizens of the Republic of Macedonia and who on the territory of the Republic of Macedonia suffer damage caused by a motor driven vehicle owner or user of which is not insured against automobile liability shall be entitled to a compensation of damage pursuant to paragraph (1) of this Article only if the law of the country of which the owner or the user of a vehicle is a citizen provides that the citizens of the Republic of Macedonia be entitled to a compensation of damages caused by use of an uninsured vehicle.

(3) Insurance companies with which a claim pertaining to paragraph (1) of this Article has been filed shall pay the compensation for damage as though an insurance contract had been concluded.

(4) Insurance company's liability pertaining to paragraph (3) of this Article may not exceed the amount determined in Article 64 paragraph (1) of this law.

(5) Insurance company is entitled to be indemnified for the paid compensation described in paragraphs (1) and (2) of this Article by the owner or user who has not concluded an automobile liability insurance contract.

(6) When the paid compensation cannot be repaid in full by the indemnity debtor, the outstanding amount shall be borne by all insurance companies providing automobile liability insurance in proportion to the premium income earned from this type of insurance.

Article 71

(1) Persons who have suffered damage caused by use of an unidentified motor vehicle are entitled to seek from the insurance company providing automobile liability insurance compensation for damage for reasons of death, bodily injuries or damaged health at the lowest amount at which automobile liability insurance contracts can be concluded.

(2) Persons who are not citizens of the Republic of Macedonia and who in the territory of the Republic of Macedonia suffer damage caused by use of an unidentified motor vehicle shall be entitled to a compensation for damage pursuant to paragraph (1) of this Article only if the regulations of the country of which they are citizens provide that citizens of the Republic of Macedonia be entitled to compensation for damage caused by use of an unidentified motor driven vehicle.

(3) Damage caused by use of an unidentified vehicle shall be compensated by all insurance companies providing automobile liability insurance in the territory of the Republic of Macedonia in proportion to the premium realized from this type of insurance in relation to the aggregate premium realized in the territory of the Republic of Macedonia from this type of insurance.

(4) If the vehicle used in causing damage be found, insurance companies which have not compensated for the damage shall be entitled to be indemnified by the company which has insured the vehicle against automobile liability to the full amount paid, inclusive of interest and expenses.

Article 72

(1) Persons who have suffered damage and who can not collect the compensation of damage as a result of the termination of the insurance company with which the tort-feasor is insured against automobile liability may exercise the right to compensation of damage at other insurance company providing automobile liability insurance.

(2) The paid compensation described in paragraph (1) of this Article shall be borne by all insurance companies providing automobile liability insurance in proportion to premium from this type of insurance.

Article 73

- (1) Persons who enter the territory of the Republic of Macedonia with a vehicle carrying foreign registration plates must hold a valid international document proving that the vehicle has been insured against automobile liability valid in the territory of the Republic of Macedonia or some other proof of the existence of such insurance covering damages in the amount not smaller than that described in Article 64 paragraph (1) of this law.
- (2) International document described in paragraph (1) of this Article shall also be compulsory for motor driven vehicles transported into the Republic of Macedonia by some other means of transportation.
- (3) The document identified in paragraph (2) of this Article shall not be necessary only if the vehicle is not intended for use in the Republic of Macedonia.
- (4) The authorized internal affairs body shall ensure at the border crossings upon entry in the Republic of Macedonia that conditions pertaining to paragraphs (1), (2) and (3) of this Article are met.

Article 74

- (1) Only documents recognized by the National Insurance Bureau shall be accepted as international documents and proofs pertaining to Article 73 paragraph (1) of this law.
- (2) The National Insurance Bureau shall inform in advance the authorized internal affairs body and the Customs Administration of the recognition of validity of international documents and proofs.
- (3) Recognition of validity of international documents and proofs shall include the guarantee given by the National Insurance Bureau referring to the obligation imposed on the basis of those documents and proofs up to the amount identified in Article 64 paragraph (1) of this law.

Article 75

- (1) Persons without a valid international document or proof identified in Article 73 paragraph (1) of this law shall on the border crossing in the Republic of Macedonia conclude an automobile liability insurance contract with an insurance company member of the National Insurance Bureau incorporated pursuant to this law.

Article 76

(1) Persons who have suffered damage caused by use of a foreign registered vehicle may file a compensation claim at the National Insurance Bureau if there is a valid international document or an existing automobile liability insurance contract as described in Article 73 paragraph (1) of this law.

(2) Processing and payment of the claim described in paragraph (1) of this Article may be ceded by the National Insurance Bureau to insurance companies - Bureau members providing automobile liability insurance.

(3) The insurance company to which the compensation claim has been ceded shall process and pay it pursuant to the international agreement on insurance of motor driven vehicles within 60 days from the day on which the compensation claim has been filed along with the requisite documentation.

(4) If an insurance company fails to pay the compensation of damage within the term defined in paragraph (3) of this Article, persons who have suffered damage may lodge a complaint against the National Bureau authorized to issue green cards and against the insurance company described in paragraph (3) of this Article.

Article 77

Damage caused by use of a motor driven vehicle with a foreign registration plate which is insured pursuant to Article 75 of this law must be compensated by the insurance company pursuant to the provisions of this law applicable to motor driven vehicle carrying registration plates of the Republic of Macedonia.

Article 78

Provision of Article 70 of this law shall be applicable for compensation of damage caused by use of a vehicle carrying a foreign registration plate for which there is no valid international document or a proof of insurance against automobile liability.

Article 79

Owners or drivers of motor driven vehicles shall present a valid automobile liability insurance policy, while drivers of motor driven vehicles carrying foreign registration plates shall, at the request of the authorized person in the internal affairs body, present a green card.

Article 80

(1) Participants in a car accident shall report in details to the insurer-processor of the compensation claim on the circumstances under which the accident took place. If they fail to do that, they shall compensate for the damage caused by their concealment.

(2) The internal affairs body, the judicial and other bodies conducting car accident procedures shall upon the request of the insurance company provide data on the car accident.

Chapter Four Insurance of Owners or Users of Aircraft Against Liability for Damage Caused to Third Parties

Article 81

(1) Owners or users of aircraft entered in the registry of aircrafts in the Republic of Macedonia shall be insured with an insurance company incorporated pursuant to this law against liability for damage which may be caused by the aircraft to third parties and resulting in death, injury, health deterioration, destruction or damage to objects, except against liability for damaging objects received for transportation.

(2) Damage caused by an aircraft is also damage caused to a third party by dropping or throwing objects from the aircraft.

(3) Individuals who are travelling by aircraft are considered third parties. Individuals who on the order of the owner or user of the aircraft or on their respective accounts are active in the provision of transport services are not considered third parties in the sense explained herein.

(4) The lowest amounts of insurance which owners or users of paragraph (1) of this Article shall be insured for are the following:

<i>no</i>	<i>Type of aircraft</i>	<i><u>Euro</u> <u>amount of</u> <u>insurance</u></i>
1.	<i>Aircraft for public transportation of passengers and goods. a) Weight of 2,700 kg. b) Weight from 2,701 to 5,700 kg. c) Weight from 5,701 to 27,000 kg. d) Weight from 27,001 to 72,000 kg. e) Weight of over 72,000 kg.</i>	<i>50,000 100,000 300,000 600,000 1,000,000</i>
2.	<i>Other types of aircraft: a) kites, ultra light gliders and para-gliders,</i>	<i>3,000</i>
	<i>b) Gliders, balloons, engine powered kites and ultra light engine powered aircraft</i>	<i>5,000</i>
	<i>c) Engine powered aircraft used for sporting activities or by citizens for personal use</i>	<i>6,000</i>
	<i>d) Aircraft used for other purposes (commercial activity) performance of administrative matters, research and scientific activities, rendering sanitary assistance and fire protection</i>	<i>25,000</i>
	<i>e) Aircraft used for training of personnel</i>	<i>20,000</i>

Insured amounts are calculated in denar counter value by the exchange rate set by the National Bank of the Republic of Macedonia on the day of issuing the policy.

(5) Owners or users of aircraft may be insured in the amounts higher than those listed in paragraph (4) of this Article.

(6) The insured amount of paragraph (4) of this Article shall be the highest liability of the insurer for compensation of damage.

(7) If the agreed amount of insurance is insufficient to cover all damages caused by one damage causing event, individuals are the first in the order of priority of compensation. If there are several persons who have suffered damage and the total amount of compensation exceeds the agreed amount of insurance against aircraft liability, the rights of persons who have suffered damage are proportionately decreased.

(8) The insurance cover is valid for a period of 12 months only in the territory of the Republic of Macedonia, unless otherwise agreed.

(9) Foreign aircraft entering the air space of the Republic of Macedonia must be insured against liability for damages mentioned in paragraph (1) of this Article unless other security is provided for compensation of damage or unless otherwise regulated with an international agreement.

Chapter Five
Insurance of Owners or Users of Vessels or Engine Powered Boats
Against Liabilities for Damages Caused to Third Parties

Article 82

(1) Owners or users of a vessel or an engine powered boat with an engine power of over 1.5 HP entered in the registry of Boats for business purposes, sport and entertainment, shall be insured against liability for damages which the vessel or the engine powered boat may cause to third parties and passengers and which may result in death, bodily injuries or damaged health, destruction or damage to objects except for objects received for transportation..

(2) Insurance described in paragraph (1) of this Article shall be concluded upon registration or extension of registration of the vessel or the engine powered boat.

(3) For the purposes of this law, the following categories are not considered third parties and have no right to compensation:

- 1) the insurance policy contractor;
- 2) the owner, the user and any other party in possession of the vessel, even if they did not navigate the vessel when the damage occurred;
- 3) the person steering the vessel held responsible for the damage and
- 4) the person who appropriated the vessel in an illegal manner, even if s/he did not navigate the vessel at the moment the accident happened

(4) The following are the lowest amounts for which owners or users of paragraph (1) of this Article shall be insured:

<i>No.</i>	<i>Type of vessel</i>	<i>EURO amount of insurance</i>
1.	<i>Boats, scooters and power boats with up to 5 HP</i>	<i>7,500</i>
2.	<i>Boats, yachts and power boats with 5-15 HP</i>	<i>15,000</i>
3.	<i>Boats, yachts and ships and other vessels with 15-50 HP</i>	<i>40,000</i>
4.	<i>Ships with over 50 HP</i>	<i>100,000</i>

The insured amounts are calculated in denar counter value according to the exchange rate set by the National Bank of the Republic of Macedonia on the date of issuing the policy.

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

(6) The insured amount of paragraph (4) of this Article shall be the highest liability of the insurer for compensation of damage.

(7) The insurance cover is valid for a period of 12 months only in the territory of the Republic of Macedonia, unless agreed otherwise.

(8) Foreign owners or users of vessels shall present evidence that they hold a valid foreign insurance policy for liability or conclude such insurance contract in the country for as long as they use the vessel in territorial waters of the Republic of Macedonia.

(9) Provisions of this law pertaining to insurance of owners or users against liability for damage caused to third parties if the damage is caused by an unidentified uninsured or foreign owner of motor vehicle are correspondingly applied with respect to liability for compensation of damage caused by the use of an unidentified, uninsured or foreign vessel or engine powered boat.

Chapter Six

Insurance of Owners or Users of Rail Vehicles against Liability for Damages Caused to Third Parties

Article 83

(1) Owners or users of rail vehicles entered in the registry for conducting the activity in the Republic of Macedonia shall be insured with the insurance company incorporated pursuant to this law against liability for damages which they may cause to third parties and which may result in death, bodily injuries or damaged health, destruction or damage to objects except for objects received for transportation..

(2) Damage caused by use of rail vehicles shall also be considered the damage to a third party caused by dropping or throwing objects from rail vehicles.

(3) Individuals travelling by rail vehicles are considered third parties. Persons who on the order of the owner or user of a rail vehicle steered the vehicles are not considered third parties under this law.

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

(5) Owners and users of rail vehicles may be insured against liability in the amounts higher than those provided in paragraph (4) of this Article.

(6) The insured amount of paragraph (4) of this Article shall be the highest liability of the insurer for compensation of damage.

(7) If the agreed amount of liability insurance is not sufficient to cover all the damages caused by one and the same damage causing event, individuals enjoy priority in compensation of damage. If there are several persons who have suffered damage and the total compensation exceeds the agreed amount of insurance against liability for rail vehicles, the rights of persons who have suffered damage are proportionately reduced in relation to the insurance company.

(8) The insurance cover is valid for a period of 12 months inside and outside the territory of the Republic of Macedonia.

(9) Foreign owners or users of rail vehicles must present evidence that they hold a valid foreign insurance policy for liability or conclude such insurance contract in the country for as long as they use the rail vehicle in territorial waters of the Republic of Macedonia.

SECTION SIX TRADE BOOKS AND ANNUAL STATEMENTS

Trade Books

Article 84

Insurance companies shall maintain their trade books and prepare their annual statements, file accounting documents, evaluate items in the company balance sheets and annual statements and inform the general public of the data contained in the annual statements pursuant to the Company Law and other laws, unless otherwise provided by this law.

Article 85

(1) Insurance companies maintain their balance sheets in accordance with the chart of accounts specified for insurance companies.

(2) In the preparation of the financial reports, insurance companies use the forms of financial reports specified for insurance companies.

Article 86

(1) Insurance companies shall prepare financial and annual statements for the business year which is equivalent to a calendar year and submit them to the Ministry of Finance within the first three months of the current year for the previous year.

(2) Insurance companies use true and accurate data in the preparation of the financial and annual statements.

Accounting Reports Audit

Article 87

Insurance companies shall submit their financial and annual statements for audit. Audit reports should be submitted to the Ministry of Finance by no later than June 1 of the current year for the previous year.

Chart of Accounts and Accounting Parameters

Article 88

Ministry of Finance, in accordance with the international accounting standards, prescribes:

- 1) chart of account for insurance companies;
- 2) groups and forms of financial reports specified for insurance companies and
- 3) detailed content of annual reports of the operations of insurance companies and annexes to those reports.

SECTION SEVEN

CONTROL, SUPERVISION AND AUDIT OF INSURANCE COMPANIES

Chapter one

Control of Legality of Operations of Insurance Companies

Article 89

- (1) Under this Law, actuarial activities shall be performed by authorized actuaries.
- (2) The Minister of Finance shall authorize a body or a legal entity which shall issue certificates for a professional title of an actuary and an authorized actuary.
- (3) The form and the content of the certificate shall be prescribed by the Minister of Finance.

Article 90

Authorized actuaries shall be independent and autonomous in conducting their activities and liable for the accuracy of defined actions.

Article 91

- (1) Authorized actuaries must meet the following conditions:
 - 1) high education ;
 - 2) no records of commercial criminal activities; and
 - 3) minimum of three years experience in the insurance industry

Article 92

Authorized actuaries shall not conduct actuarial activities in any insurance company if he/she is:

- 1) shareholder in such company,
- 2) a member of the Supervising Board or any other body of the company, and
- 3) second line family relation with shareholders or members of the internal supervision and audit department of the company.

Article 93

- (1) Authorized actuaries shall issue a confirmation of the compliance of data contained in the annual statements with insurance accounting standards and the regularity of calculations of annual statements in reference to the establishment of technical reserves and the other reserves of the insurance companies.
- (2) Authorized actuaries shall submit the confirmation pertaining to paragraph (1) of this Article to insurance companies and to the Ministry of Finance within the terms mentioned in Article 86 of this law.
- (3) Expenses of the procedure explained in paragraph (1) of this Article shall be borne by insurance companies.

Article 94

(1) The Ministry of Finance shall supervise the legality of operations of the insurance companies to ensure that they are in compliance with the law.

(2) Ministry of Finance conducts supervision of paragraph (1) of this Article through:

- 1) ongoing off-site monitoring of activities of insurance companies by collecting, analyzing and verifying the reports filed by insurance companies;
- 2) annual direct (partial or full) supervision of the activities of the insurance companies as well as additional supervision any time it is determined that it is in the interest and for the protection of the rights of insurees; and
- 3) undertaking measures to ensure that the insurance company operates in compliance with the law.

(3) In conducting supervisory activities in the insurance companies, the Ministry of Finance may request:

- 1) that the insurance company provides information and reports on the operations of the company;
- 2) audit reports and additional information generated in the audit;
- 3) statistical and other data by groups and classes of insurance and re-insurance, as well as extraordinary reviews of the activities of the insurance company.

(4) In conducting the supervision, the insurance company must provide access to authorized persons to the full documentation of the company. Authorized persons may keep and take with them only copies of documents of the insurance company.

(5) If supervision of paragraph (1) of this article shows that activities conducted have not been in compliance with the law, supervision expenses shall be borne by insurance companies.

Article 95

(1) In conducting the supervision described in Article 94 paragraph (1) of this law, the Ministry of Finance shall determine in particular:

- 1) whether conditions for conducting certain groups of insurance activities have been met;
- 2) whether technical reserves and mathematical reserves for life insurance have been formed pursuant to Article 28 of this law;
- 3) whether investments covering technical reserves are made pursuant to Article 34 of this law;
- 4) whether they act in abidance with the provisions pertaining to life insurance funds

pursuant to Articles 35 to 40 of this law.

- 5) Whether safety reserves have been set up in line with article 41 of this law;
- 6) Whether the solvency margin level is as specified in article 52 of this law;
- 7) Whether a guaranty fund has been set up in the amount specified in article 53 of this law;
- 8) Whether the insurance company conducts activities in line with the documents specifying the business policy and
- 9) Whether it conducts activities specified in the working license.

Article 96

(1) If the Ministry of Finance finds that the insurance company conducts activities which are not specified in the working license, it shall request erasure from the trade registry. If the Ministry of Finance finds that the insurance companies conduct unlicensed activities, it shall demand these activities to be deleted from the trade registry.

(2) The Ministry of Finance, when it finds that the insurance company conducts without license insurance activities which are not entered in the trade registry will issue a decision and set a deadline not longer than one month for the insurance company to cease to conduct the said activities.

Article 97

(1) If supervision results show that activities conducted have not been in compliance with the law, the Ministry of Finance may undertake the following measures:

- 1) determine a period not longer than three months for bringing the operations in compliance with the law;
- 2) suspend execution of decisions and other acts made by insurance companies which it finds are contrary to the law and the charter of the insurance company;
- 3) limits the disposal with assets of insurance companies;
- 4) demands changes in the acts of business policy of insurance companies;
- 5) temporarily suspends approval and conclusion of new insurance contracts;
- 6) takes a decision of a full or partial ban on conducting activities of the director general i.e. the executive director and other persons with special authorizations and responsibilities; and
- 7) takes a decision pursuant to Article 98 paragraph (1) of this law.

(2) Paragraph (1) of this Article does not have an effect on liabilities of insurance companies on existing insurance contracts.

Article 98

(1) The Minister of Finance issues a decision to temporarily revoke the license if s/he finds that

the insurance company:

- 1) fails to set up technical reserve and mathematical reserve for life insurance in accordance with Article 28 of this law;
- 2) fails to invest technical reserve funds in accordance with Article 34 of this law;
- 3) fails to act in compliance with Articles 35 to 40 of this law regarding the assets for life insurance;
- 4) fails to set up safety reserves in accordance with Article 41 of this law;
- 5) fails to maintain the solvency margin level as specified in article 52 of this law;
- 6) the level of the guaranty fund is lower than specified in Article 53 of this law;
- 7) the insurance company fails to perform the activities in compliance with the acts of business policy;
- 8) conducts activities which are not listed in the license for establishment and working pursuant to Article 18 of this law;
- 9) fails to maintain trade books and prepare annual reports in line with Article 85 of this law;
- 10) fails to prepare the annual and financial reports on the basis of true data and submit them in line with Article 86 of this law;
- 11) allows acquisition of shares contrary to Article 11 paragraph (3) and (4) of this law; and
- 12) refuses to cooperate with the Ministry of Finance in the conduct of the direct and off-site supervision and to provide access to the full documentation as required by article 94 of this law.

(2) Deadline is set in the decision of paragraph (1) of this Article to eliminate the illegalities detected which deadline may not be longer than three months of the day of delivering the decision.

(3) The decision of paragraphs (1) and (2) of this law may be appealed against to the Committee of the Government of the Republic of Macedonia within eight days of the day of delivery of the decision.

Article 99

(1) The Minister of Finance shall issue a decision to revoke the license if s/he finds that the insurance company:

- 1) fails to commence activities within six month from the day of issuing the license;
- 2) terminates activities for unjustified reasons;
- 3) obtained the license by providing inaccurate data on purpose or through fraud;
- 4) ceases to meet the conditions under which the license was issued;
- 5) fails to maintain the value of the base capital in accordance with Article 12 of this law;
- 6) makes changes without consent required by Article 21 of this law;
- 7) fails to file an application for entry in the trade registry within the given deadline;
- 8) fails to implement measures specified in Article 96 of this law;

- 9) fails to implement measures specified in Article 97 of this law; and
- 10) fails to eliminate the detected irregularities of Article 98 within the given deadline.

(2) The decision of paragraph (1) of this Article may be appealed against with the Committee of the Government of the Republic of Macedonia within eight days of the delivery date.

(3) The Ministry of Finance notifies the court of the license revocation so that it may erase the insurance company from the trade registry.

(4) The Ministry of Finance must announce the revocation of the license for incorporation and operations of the insurance company in the media within seven days of the date of revocation.

Chapter Two Internal Audit

Article 100

(1) Insurance companies shall set up an internal supervision and audit department.

(2) The department identified in paragraph (1) of this Article shall conduct a permanent and full control of the legality, regularity and diligence of the activities of insurance companies.

SECTION EIGHT TERMINATION OF INSURANCE COMPANIES

Article 101

The Law on Bankruptcy shall apply to termination of insurance companies, unless otherwise provided by this law.

Chapter one Rehabilitation Measures

Article 102

(1) If insurance companies become insolvent or over-indebted or if revision of the management of operations and of the state of assets shows that insurance companies are unable to meet their obligations, yet it is in the interest of insurees to avoid bankruptcy or there are real possibilities

for preventing bankruptcy or it is necessary for protection of basic interest of insurees, the Ministry of Finance may undertake the following measures:

- 1) block payments, above all expenditures of insurance companies, and in the case of life insurance, redemption and lending of policies, to the extent needed to overcome the problems with payments, and
- 2) request implementation of measures described in Article 97 of this law.

(2) Measures described in paragraph (1) of this Article shall be withdrawn once the state of assets of insurance companies allows for it.

(3) Measures described in paragraph (1) of this Article may not be used to alter the obligations of insurance companies to insurees which arise from the insurance contracts.

Chapter two Initiation of a Bankruptcy Procedure

Article 103

(1) Insurance company's bodies shall inform the Ministry of Finance with no delay of the status of insolvency and indebtedness.

(2) The Ministry of Finance may propose initiation of a bankruptcy procedure against the insurance companies.

Article 104

(1) Bankruptcy procedure is initiated against the insurance company when it is determined that the insurance company is beyond rehabilitation or if the situation of the insurance company has not improved with the rehabilitation measures and if the insurance company cannot settle the liabilities within 60 days of the day they fall due, as well as in case of indebtedness.

(2) The proposal for taking a decision for meeting the conditions for initiation of a bankruptcy procedure may be filed with the Minister of Finance by the creditors and founders of the insurance company.

Article 105

(1) The Minister of Finance will issue a decision on meeting the conditions for initiation of a bankruptcy procedure if:

- 1) it is determined that the situation of the insurance company has not improved with the measures for the rehabilitation and that the insurance company cannot settle the liabilities within 60 days of the day they fall due, as well as in the case of

- indebtedness; and
- 2) in carrying out the supervision of the insurance company it is determined that the assets of the insurance company are insufficient to cover all of the claims of the creditors of the insurance company.

(2) The decision on meeting the conditions for initiation of a bankruptcy procedure may be appealed against with the Committee of the Government of the Republic of Macedonia within 8 days of the day of delivery of the decision.

Article 106

The final decision for meeting the conditions for initiation of a bankruptcy procedure against the insurance company shall be delivered to the insurance company which is subject to a bankruptcy procedure, to the performer of the payment operations, to the proposer of Article 104 paragraph (2) of this law, to the court where the insurance company is registered in the trade registry and to the Ministry of Finance.

Article 107

Once the Minister of Finance has delivered the decision on meeting the conditions for initiation of a bankruptcy procedure, s/he shall file a proposal for the initiation of a bankruptcy procedure to the competent court. The final decision on meeting the conditions for initiation of a bankruptcy procedure shall be attached to the proposal.

Article 108

The competent court shall issue a decision to open a bankruptcy procedure no later than 8 days following the receipt of the final decision without previous investigation.

Curator

Article 109

(1) The competent court shall appoint a curator to protect the parties entitled to collection of claims from the insurance contracts upon proposal made by the Ministry of Finance.

(2) Individuals meeting the conditions for bankruptcy trustee and having sufficient knowledge and experience in the insurance field may be appointed as curators.

(3) Once the bankruptcy procedure has been initiated only the curator may collect the claims arising from insurance contracts. The curator shall, upon a request of those entitled to a claim, consult them prior to the registration. Claims entered in the books of the insurance company shall be considered registered claims.

(4) The bankruptcy trustee shall ensure that the curator has full access to the accounting books and other reports, as well as to the documentation of the insurance company, for the purposes of determining the amount of the mathematical reserve funds and registration of the claims of individuals entitled to a claim so that the curator may exercise the full authorization given by this law.

(5) The curator shall prepare a report for the registered claims arising from insurance contracts and file them to the Ministry of Finance within 2 months of his/her appointment.

(6) The curator is entitled to a fee covering his/her expenses and an appropriate remuneration fee for his/her efforts payable out of the bankruptcy estate.

(7) The bankruptcy council shall set with a decision the level of the reward and the fee given to the curator.

Notification to the Ministry of Finance Article 110

A copy of the report made by the bankruptcy trustee after the bankruptcy procedure has been completed shall be submitted to the Ministry of Finance.

Termination of Insurance Contracts Article 111

The obligations of the insurees arising from the insurance contracts towards the insurance companies shall become void with the initiation of the bankruptcy procedure, pursuant to the rules governing insurance contracts.

Chapter three

Special Provisions Related to the Collection of Claims Arising from Those Classes of Insurance Which Require Allocation of Mathematical Reserve

Application of Provisions

Article 112

Provisions of Chapter three of this law will be applied to life insurance and other types of insurance where probability tables and calculations pertaining to life insurance are applied.

Article 113

- (1) The Bankruptcy Trustee shall demand that the list of values of the mathematical reserves be closed at the moment of opening the bankruptcy procedure.
- (2) In bankruptcy proceedings mathematical reserves constitute a separate bankruptcy estate.
- (3) The amount of claims arising from insurance contracts and the amount of mathematical reserves shall be determined on the day of opening the bankruptcy procedure.

Right to a Separate Collection of Claims From Assets Covering the Mathematical Reserve

Article 114

- (1) As of the day of opening of the bankruptcy procedure, parties entitled to a claim with respect to classes of insurance listed in Article 112 of this law have the right to separate settlement of their claims arising from this type of insurance with the funds covering the mathematical reserve.
- (2) Parties entitled to claims arising from the insurance mentioned in Article 112 of this law, where provisions pertaining to life insurance are applied to the liabilities of the insurance company, may collect their claims out of the funds covering the mathematical reserve before all other claims in the amount equal to the required cover which is linked to the insurance from which the claim arises.
- (3) If the mathematical reserve funds are insufficient to cover the claims mentioned in paragraph (2) of this Article, claims shall be collected in the amount equal to the proportion between the total value of all funds covering the mathematical reserve and the required cover arising from all insurance contracts issued by the company, in the class of insurance for which funds were set aside to cover the mathematical reserve.

Separate Cash Account in Bankruptcy

Article 115

- (1) The bankruptcy trustee shall open with the performer of payment operations a separate cash account for each type of asset included in the mathematical reserve as a supplement to the main account of the bankruptcy debtor.
- (2) The bankruptcy trustee shall manage all cash transactions made out of the mathematical reserve funds through a separate cash account holding the mathematical reserve funds.
- (3) In addition to the bankruptcy trustee, the curator shall also grant authorization for any

payment made through the separate cash account holding the mathematical reserve funds.

Chapter four Order of Claims

Article 116

- (1) Claims arising from insurance contracts shall have priority over other bankruptcy claims.
- (2) Claims mentioned in paragraph (1) of this Article shall be collected in the following order:
 - 1) claims arising from classes of insurance listed in Article 114 paragraph (2) of this law in the amount of the required cover for insurance from which claims arise, and which claims cannot be settled out of the funds covering the mathematical reserve;
 - 2) claims arising from non-life insurance and other classes of insurance for which no funds have been set aside to cover the mathematical reserve, to cover damages which occurred prior to the initiation of the bankruptcy procedure; and
 - 3) claims arising from non-life insurance and other classes of insurance for which no funds have been set aside to cover the mathematical reserve to indemnify a portion of the premium following the termination of the insurance.

Chapter five Liquidation Procedure

Article 117

Liquidation procedure against the insurance company shall be initiated when:

- 1) Shareholders take a decision to terminate the insurance company; and
- 2) The Minister of Finance permanently revokes the license for incorporation and operations of the insurance company.

Article 118

- (1) The Minister of Finance shall take the decision on setting the terms for the initiation of a bankruptcy procedure against the insurance company in cases explained in Article 117 of this law.
- (2) The decision of paragraph (1) of this Article may be appealed against with the Committee of the Government of the Republic of Macedonia within eight days of the delivery date.
- (3) The final decision on setting the terms for the initiation of a liquidation procedure against the insurance company shall be delivered to the insurance company that has assumed the insurance activities of the insurance company subject to a liquidation procedure, to the performer of payment operations and to the Ministry of Finance.

Article 119

The insurance company which is under liquidation procedure and the insurance company which has assumed its activities shall within ten days following the date of receipt of the final decision on setting the terms and conditions for initiation of a liquidation procedure, determine the situation with all the claims and liabilities and send reports thereof to the Ministry of Finance.

Prohibition of Forced Settlement

Article 120

Procedure for an out-of-court or forced settlement out of the assets of an insurance company shall not be initiated under any circumstances.

SECTION NINE

NATIONAL INSURANCE BUREAU

Article 121

- (1) Insurance companies in the Republic of Macedonia shall establish a National Insurance Bureau (hereinafter: Bureau) with an agreement.
- (2) The Bureau identified in paragraph 1 of this Article shall be established by a minimum of two insurance companies described in Article 9 paragraph (1) items 1),2) and 3) of this law.
- (3) If the insurance companies of paragraph (1) of this Article do not establish the Bureau, it shall be established by the Government of the Republic of Macedonia.

Article 122

- (1) The Bureau shall conduct activities determined by international agreements on insurance of owners and users of motor driven vehicles against traffic liability and to that effect represent insurance companies from the Republic of Macedonia in international insurance organizations and institutions.
- (2) If granted authorization by insurance companies the Bureau may represent the insurance companies from the Republic of Macedonia in reference to other activities as well.

Article 123

(1) In addition to the activities pertaining to Article 55 paragraph (2) and Article 122 of this law, the Bureau may also conduct:

- 1) adjustment and reconciliation of damages caused by motor driven vehicles or engine powered boats, as well as of motor driven vehicles or boats the owners or users of which have not concluded insurance contracts.
- 2) processing and payment of damages which persons who have suffered damage were unable to collect as a result of the termination of the insurance company; and
- 3) other activities of general and common interest for the insurance profession (statistics, data gathering, development of the insurance sector, definition of the premium for green card, professional development of staff).

(2) Processing and payment of damages mentioned in paragraph (1) item 1) and 2) of this Article which can not be paid as a result of the termination of the insurance company may be assigned by the Bureau to one of its members.

(3) A guaranty funds shall be set up for activities pertaining to paragraph (1), items 1) and 2), and for other activities envisaged with special acts of the Bureau.

Article 124

The Bureau shall become a legal entity upon entry in the Trade Registry.

Article 125

(1) The agreement for establishment of the Bureau shall determine:

- 1) its activities
- 2) method of financing
- 3) organizational structure
- 4) management and decision making
- 5) general rules
- 6) acceptance of new members
- 7) withdrawal and expulsion of members
- 8) manner of calculating and mutual reconciliation of damages described in Article 123 paragraph (1) items 1) and 2) of this law
- 9) other issues of interest to the Bureau and its members

(2) The approval of the agreement described in paragraph (1) of this Article is obligatory by Ministry of Finance.

Article 126

- (1) If a member of the Bureau fails to fulfill the financing and other obligations determined by the insurance agreement, the Bureau shall set a term for fulfillment of obligations which may not be longer than 30 days and shall inform the Ministry of Finance thereof.
- (2) If a member of the Bureau fails to fulfill the obligations within the term defined in paragraph (1) of this Article the Bureau shall withdraw the approval for issuing of green cards upon prior agreement given by the Ministry of Finance.

Article 127

The Ministry of Finance shall conduct supervision of the activities of the Bureau.

SECTION TEN

Insurance Broker Association

Article 128

- (1) Insurance broker associations shall conduct the following activities: act as intermediaries in the negotiation of insurance cover, re-insurance cover, in the collection of claims from damages upon occurrence of a damage causing event and shall represent and act on behalf of its clients with respect to the insurance and re-insurance companies.
- (2) The above does not refer to insurance agents, trustees and other intermediaries who act on behalf and for the account of insurance companies.

Article 129

- (1) Insurance broker associations shall have working license as broker for insurance of life and/or non-life insurance or re-insurance.
- (2) Insurance broker associations headquartered in the Republic of Macedonia shall be incorporated as joint-stock companies by domestic or foreign legal entities or natural persons with own capital of EURO 75 000.
- (3) Insurance broker associations are required to file with the Ministry of Finance the following documentation in order to obtain the working license:

- 1) draft acts of incorporation;
- 2) draft statute;
- 3) draft acts of business policy listed in Article 130 of this law;
- 4) evidence provided from the performer of the payment operations that the base capital has been secured in the amount not lower than the one specified in this law;
- 5) list of shareholders with information of the amount of their stakes;
- 6) audit report made by a chartered audit house, if the founder is a domestic legal entity;
- 7) names of persons – members of the managing body of the insurance broker association and data showing that they have the sufficient knowledge and experience in the field of insurance and re-insurance, as well as evidence that they are not subject to a bankruptcy procedure and that they have not been convicted of a criminal act pertaining to property or financial activities over the last ten years.
- 8) Documentation on the basis of which it can be determined that the insurance broker association is capable, in terms of personnel, technology and organization, to conduct activities defined in the acts of incorporation of the insurance broker association;
- 9) Evidence that the members of the managing body do not depend on the insurance companies established in accordance with this law, be it in terms of capital, management or family relations with individuals managing the insurance broker association; and
- 10) Evidence that the insurance broker associations has sufficient insurance cover against operating liabilities.

(4) The Minister of Finance shall closely stipulate the required professional skills and the experience in running the insurance broker association.

Article 130

The following are acts of business policy of insurance broker associations:

- 1) Business policy fundamentals;
- 2) Service Fee tariff; and
- 3) Report with a forecast of expected business results covering a minimum of a three year period.

Article 131

(1) Application for obtaining the working license of an insurance broker association shall be submitted to the Ministry of finance.

(2) Documentation proving that the requirements listed in Article 129 paragraph (3) have been met shall be attached to the application mentioned in paragraph (1) of this Article.

(3) The Minister of Finance shall issue a decision to approve or refuse the application.

(4) The decision mentioned in paragraph (3) of this Article shall be made within 90 days of the day of completion of the documentation mentioned in paragraph (3) Article 129 of this law. Failure to issue a decision will render the license application approved.

(4) The Ministry of Finance shall announce the issuing of the license to the insurance broker association in the media within 7 days of the issue date.

Article 132

(1) In their dealing with clients, insurance broker associations shall present the modalities, the scope and the amount of the insurance cover and the amount of the premium with diligence, responsibility and efficiency, taking into consideration all other interests of the client.

(2) When insurance broker associations act as intermediaries in the collection of claims for damages, they shall cooperate with the authorities – clients services, in the preparation of documentation and evidence on the basis and the amount of the claim for damage, as well as in the collection of all other evidence.

(3) The insurance broker association is not allowed to seek insurance cover abroad unless insurance and re-insurance for the relevant risk can be obtained within the Republic of Macedonia.

Article 133

(1) Insurance broker associations charge a fee in the form of commission for their services which is agreed between the client and the broker.

(2) Insurance broker associations shall inform their clients about the fee amount charged for the services rendered.

(3) The fee of paragraph (1) of this Article, along with the costs incurred in rendering the services, shall be charged on the basis of a written report on the concluded insurance or the collection of the claim for damages.

Article 134

(1) The Minister of Finance shall with a decision temporarily suspend the license if the insurance broker association fails to conduct its activities in compliance with the provisions of this law.

(2) The decision of paragraph (1) of this Article specifies the deadline for elimination of the

determined irregularities, which may not be longer than two months.

(3) If the insurance broker association fails to eliminate the determined irregularities within the deadline set in paragraph (2) of this Article, the Minister of Finance shall issue a decision for a permanent withdrawal of license.

SECTION ELEVEN PENALTY PROVISIONS

Article 135

- (1) Insurance companies shall be fined with 250,000.00 to 300,000.00 denars if:
- 1) they fail to reinsure the contractual liabilities (pursuant to Article 7);
 - 2) they conduct activities not listed in the license for incorporation and operations (pursuant to Article 18);
 - 3) they make changes without an approval (pursuant to Article 21);
 - 4) they fail to set up technical and mathematical reserves for life insurance as required by Article 28 of this law;
 - 5) they fail to invest the funds from technical reserves as specified in Article 34 of this law;
 - 6) they fail to administer the life insurance funds as required by Articles 35 to 40 of this law;
 - 7) they fail to set up safety reserves as required by Article 41 of this law;
 - 8) they fail to show the profit or loss made on life insurance separately and fail to show the operating results from other types of insurance and re-insurance in accordance with Article 50 of this law;
 - 9) they fail to maintain the of solvency margin level as required by Article 52 of this law;
 - 10) the amount of the guaranty fund is not as specified in Article 53 of this law;
 - 11) they fail to maintain trade books and prepare annual financial statements in accordance with article 85 of this law;
 - 12) they fail to prepare annual and financial statements on the basis of true data and fail to submit them in line with Article 86 of this law;
 - 13) they fail to audit the financial statements and the annual statement as specified in Article 87 of this law;
 - 14) they refuse to co-operate with the Ministry of Finance in the performance of the direct and off-site supervision and fail to provide full access to the documentation in line with Article 94 of this law.
- (2) The general director and the executive director, as well as individuals carrying special rights and responsibilities in the insurance company shall be fined with 45,000 to 50,00 denars for the violations of paragraph (1) of this Article.

(3) In addition to the fine, the general director and the executive director, as well as the individuals carrying special rights and responsibilities may be prohibited from holding the positions in the insurance company for a period of one year for the violations of paragraph (1) of this article.

Article 136

(1) Insurance broker associations shall be fined with 250,000 to 300,000 denars for misrepresentation and false claim that they act as independent brokers in the negotiations of insurance and re-insurance.

(2) The general director and the executive director, as well as individuals carrying special rights and responsibilities in the insurance broker associations shall be fined with 45,000 to 50,000 denars for the violations of paragraph (1) of this Article.

(3) In addition to the fine, the general director and the executive director, as well as the individuals carrying special rights and responsibilities may be prohibited from holding the positions in the insurance broker association for a period of one year for the violations of paragraph (1) of this article.

Article 137

(1) The general director and the executive director, as well as individuals carrying special rights and responsibilities in the insurance company or insurance broker association shall be convicted of a criminal act when in their work they violate the provisions of this law or have made a contribution to an initiation of a bankruptcy procedure against the company, and shall be sentenced to three to ten years' imprisonment.

(2) The degree of damage and the number of entities that have suffered damage are crucial in setting the penalty of paragraph (1) of this Article.

(3) The material gain made with the criminal act mentioned in paragraph (1) of this Article is confiscated with a court order.

Article 138

(1) Legal entities will be fined for the violations with 250,000.00 to 300,000.00 denars if:

- 1) they insure themselves abroad contrary to this law (Article 2)
- 2) they fail to enter an agreement for compulsory insurance pursuant to this law (Articles 55, 57, 61, 81, 82 and 83);

(2) The responsible persons in legal entities shall also be fined for violation pertaining to paragraph (1) of this Article with 45,000 to 50,000 denars.

Article 139

Natural persons shall be fined with 45,000.00 to 50,000.00 denars if they fail to enter an insurance agreement required by the law (Articles 55, 61, 81 and 82).

Article 140

Anyone performing insurance and/or re-insurance activities or insurance broker association activities without a license shall be fined with:

- 1) 250,000 to 300,000 denars for legal entities:
- 2) 45,000 to 50,000 denars natural persons:

SECTION TWELVE

TRANSITION AND FINAL PROVISIONS

Article 141

(1) Existing insurance companies shall bring their organizational structure and operations, and the acts of incorporation as well as the other acts in compliance with the provisions of this law within four months from the day it takes effect and shall submit the full documentation to the Ministry of Finance within 15 days of the day they have become compliant .

(2) Existing insurance companies of paragraph (1) of this Article shall also submit to the Ministry of Finance within 30 days of this law taking effect:

- 1) approval for conducting activities, if issued
- 2) insurance company's statute; and
- 3) act of incorporation of the insurance company.

(3) Insurance companies that fail to act in accordance with paragraph (1) of this article after the given deadline shall terminate their activities, while the court, on proposal made by the Ministry of finance, shall erase them from the trade registry.

Article 142

(1) Joint stock companies that were set up prior to this law taking effect to conduct other insurance activities shall continue to operate without any changes in accordance with the Company Law, or operate as agents and commissioners in insurance companies.

(2) Joint stock companies incorporated for the conducting of other insurance activities that fail to act in accordance with paragraph (1) of this article after the expiration of the given deadline shall terminate operations and the court shall erase them from the trade registry on request made by the Ministry of Finance.”

Continuation of Bureau’s Activities

Article 143

The National Insurance Bureau shall bring its activities in compliance with the provisions of this law within four months at the latest of the day it has taken effect.

Article 144

The Law on Insurance of Property and Individuals (Official Gazette of the Republic of Macedonia No. 49/93 and 65/93) shall become invalid on the day this law comes into effect.

Article 145

The provisions on the basis of the authorizations granted in this law shall be enacted within three months of the day this law comes into force.

Article 146

The Legislative Committee of the Parliament of the Republic of Macedonia is empowered to define the final version of the language of the Insurance Law.

Article 147

This Law shall come into effect eight days after its announcement in the Official Gazette of the Republic of Macedonia, notwithstanding the provisions of section 10 of this law pertaining to insurance broker associations, which shall take effect on October 1, 2001, while provisions of article 11 paragraph (2) of this law shall remain in force until January 1, 2003, and the provision

of article 2 article 132 paragraph (3) and article 138 paragraph (1) item 1 of this law shall remain in force until January 1, 2006.