Dear Mr. Kryezli,

Please find two signed copies of the Memorandum of Understanding between Insurance Supervision Agency of Slovenia and Central Bank of the Republik of Kosovo.

Best regards,

Insurance Supervision Agency of Slovenia
Memorandum of Understanding

between

INSURANCE SUPERVISION AGENCY OF SLOVENIA

and

CENTRAL BANK OF THE REPUBLIC OF KOSOVO

concerning their cooperation in the field of insurance companies' supervision
Insurance Supervision Agency of Slovenia (hereinafter: ISA), on one side and Central Bank of the Republic of Kosovo (hereinafter: CBK), on the other side, express their willingness to co-operate on the basis of mutual trust and understanding and agree to base their co-operation in the field of supervision of insurance companies on the principles and procedures outlined in this Memorandum of Understanding (hereinafter: Memorandum).

In the following text of the Memorandum, ISA and CBK will be called "Authorities" or "Supervisors".

The general framework of this Memorandum are the Insurance Core Principles for Effective Insurance Supervision issued by the International Association of the Insurance Supervisors (hereinafter: Core Principles).

**Competent authorities**

1. The ISA is responsible for insurance supervision under the Insurance Act (Official Gazette of the Republic of Slovenia, No. 13/00 and following) and other special laws.

The CBK is responsible for insurance supervision in accordance with the Law on Central Bank of the Republic of Kosovo, Law No.03/L–209 and other special laws.

**Definitions**

2. For the purposes of this Memorandum, the following expressions shall have the following meaning:

**Cross-Border Establishment:** a Branch or Subsidiary authorised in Slovenia of a parent insurance undertaking which is authorised in Kosovo, or

a Branch or Subsidiary authorised in Kosovo of a parent insurance undertaking which is authorised in Slovenia.

**Branch:**

the organisational unit of an insurance undertaking (head office), incorporated in Slovenia or in Kosovo, which has been granted a licence in the respective other country.

**Subsidiary:**

an insurance undertaking incorporated in Slovenia or Kosovo, which is controlled by a (parent) insurance undertaking in the respective other country.
Home Country Supervisor: the authority supervising in the case of a Branch the head insurance undertaking, or in the case of Subsidiary the (parent) insurance undertaking.

Host Country Supervisor: the authority supervising a Branch or a Subsidiary within their respective jurisdiction.

Professional Secrecy

3. Compliance with the obligations of professional secrecy by all employees and officials who receive information from the respective other country in the course of their activities is a necessary condition for successful co-operation between the Authorities.

Each authority will keep confidential:

- any request for information made under the Memorandum and any matters arising in the course of its operation, unless such disclosure is necessary to carry out the request;

- any information passed under the Memorandum unless it is disclosed in furtherance of the purpose for which it was requested.

The Authorities will not disclose any confidential information to third parties without the prior written consent of the party that has provided this confidential information.

Exchange of information

4. The Authorities endorse a broad principle of exchange of information between each other to support and facilitate their respective supervisory tasks. The Authorities underline the willingness to share the information on events concerning Cross-Border Establishments and also their parent insurance undertaking regulated by the Supervisors.

In broad terms this means that there will be contact, in writing or orally, whenever the Home or Host Country Supervisor considers this useful or necessary on the basis of relevant facts or developments for his own or each other's supervisory purposes. In particular, the Host Country Supervisor will alert the Home Country Supervisor promptly of any event concerning the Branch or Subsidiary which might jeopardise the stability of the insurance undertaking as whole. They will inform each other of administrative penalties imposed or other actions taken on a Branch or Subsidiary or an insurance undertaking as a whole, in so far as they are aware and the penalty or other actions can be deemed to be of a material importance.
In addition, there will be communications between Authorities regarding any substantial changes in the respective domestic supervisory regulations and policies.

**Licensing and owner control**

5. If an insurance undertaking incorporated in one of two countries applies to the Supervisors of the other country to establish Branch, the latter shall inform the Home Country Supervisor without delay. If the adequacy of home supervision is a statutory prerequisite which the Host Country Supervisor needs to address in the licensing procedure, it would contact the home-country authority to settle any question in this regard.

The Home Country Supervisor authority informs the Host Country Supervisor of the amount of own funds and the solvency ratio of the parent insurance undertaking, and whether it is fully subject to and complies with the domestic insurance regulation, and whether it is expected in the light of its administrative structure and internal control to run the cross-border establishment in an orderly and proper manner. The Home Country Supervisor discloses any piece of information available to the Host Country Supervisor which might give rise to doubts as to the fit and proneness of the prospective managers of the cross-border establishment.

The Supervisors shall consult before granting authorisation to a subsidiary of an insurance undertaking authorised in the other country or assessing any acquisition of a holding in a domestic insurance undertaking through an insurance undertaking within the jurisdiction of the other Authority.

**On-site inspections and audits**

6. Recognising the importance of consolidated supervision, the Authorities agree that their co-operation is particularly useful in assisting each other in carrying out on-site inspections of Cross-Border Establishments.

The Host Country Supervisor will allow the Home Country Supervisor to carry out inspections of Branches and Subsidiaries in host country in accordance with Article 6, Paragraph 3. The Host Country Supervisor will allow that upon advanced written notification of the purpose of these inspections, its expected inception and duration and the institutions and details of the persons performing it and after the written approval of The Host Country Supervisor.

The Host Country Supervisor has the exclusive right to carry out inspections of Branches and Subsidiaries in host country and The Home Country Supervisor has the right to have representatives as experts accompany any such on-site inspections in accordance with the written approval from the Article 6, Paragraph 2. As agreed, The Home Country Supervisor will be kept informed on the results of such on-site
inspection to a reasonable extent and in a timely manner.

**Laws and regulations**

7. The Authorities advise each other upon request on any aspect of their regulatory system and notify each other of any major change in their domestic rules and regulations, in particular about those changes which have significant bearing on the activities of Cross-Border Establishments, on the operation of laws and regulations that concern the insurance sector, and other information about insurance sector developments in Slovenia and Kosovo.

Information will be exchanged between the Authorities in writing or orally, without request or upon request, as well as during consultation sessions between the Authorities' senior officials and other designated staff.

**Ongoing supervision and corrective action**

8. The Supervisors inform each other, in good time and to the extent reasonable, about any event which has the potential to endanger the stability of insurance undertaking having Cross-Border Establishments in the respective other country. That is in particular:

- incipient crisis, any serious violation of the laws and regulations of prudential insurance, a decline in capital adequacy to under the minimal limit set by Authorities on solo and consolidated basis, the carrying out of business in a way that impairs the interests of the policyholder of the insurance undertaking or threatens the safety and stability of the insurance system, or other information of serious nature;

They also notify each other of penalties which they have imposed or any other action which they have taken on Cross-Border Establishment as Host Country Supervisor or on the parent insurance undertaking as Home Country Supervisor, if the information on their judgement is possibly important to the Authorities, in particular:

- limiting and cancelling some activities stated in the license;
- requesting changes in the management or supervisory board of the insurance undertaking;
- establishing appropriate amounts of provisions and reserves;
- lowering the initial capital of the insurance undertaking;
- implementing forced administration;
- revoking license and
- other measures of supervision of serious nature.

Supervisors discuss between each other any significant information on insurance undertakings having Cross-Border Establishments in Slovenia or Kosovo.
Representatives of the Authorities convene ad-hoc meetings to promote the resolution of supervisory problems concerning a Cross-Border Establishment in Slovenia or in Kosovo, whenever one party deems necessary.

Miscellaneous

9. This Memorandum comes into force and effect and becomes binding upon the signing of all signatories.

After the signing of this Memorandum, the Authorities shall exchange lists of authorised personnel with full contact details. The list of authorised personnel will be updated on a regular basis or if the list is changed.

After the signing of this Memorandum, the Supervisors will exchange lists of licensed insurance undertakings in their jurisdictions. Lists of licensed insurance undertakings are updated on a regular basis and made available on the Supervisors’ websites.

The Authorities agree that there should be regular meetings to discuss various questions relating to prudential supervision of insurance undertakings established in both countries and on developments of their regulatory and supervising systems on annual basis.

10. This Memorandum shall remain in existence until one of the signatories notifies the other in writing its wish to revise, amend or withdraw from the Memorandum. One month notice of any such action will be given. In the event of termination of this Memorandum, information obtained under this Memorandum will continue to be treated confidentially.

SIGNED in 4 (four) copies in

Ljubljana on August 22, 2012

and in Prishtina on August 22, 2012

For the Insurance Supervision Agency of Slovenia

Mr. Sergei Simgniti
Director of ISA

For the Central Bank of the Republic of Kosovo

Mr. Gani Gerguri
Governor of the CBK