



Banking and Payments Authority of Kosovo

Pursuant to the authority given under Section 17.b of UNMIK Regulation No. 2001/24 date of October 1, 2001 on Amending UNMIK Regulation No. 1999/20, on Banking and Payments Authority of Kosovo and Section 3.3 of UNMIK Regulation No.2001/25 date of October 5, 2001 on Licensing, Supervision and Regulation of Insurance Companies and Insurance intermediaries,

For the purpose of execution Section 52,53 and 54 of UNMIK Regulation Nr. 2001/25

Governing Board of the Banking and Payment Authority of Kosovo, at the meeting held on March 28, 2002 adopt the following:

Rule 24 on Corporate Governance of Insurance Companies and Insurance Intermediaries

Section 1

1. Scope of Rule

This rule applies to all insurance companies and insurance intermediaries licensed by the BPK.

2. Legal Authority

This rule supplements Section 52, Section 53, and Section 54 of Chapter VIII of the Insurance Regulation.

3. Definitions

In this rule, the following terms mean:

“Board of Directors” means the highest ranking governing body of a corporation composed of members appointed by the voting equity holders. In this rule, the term “board of directors” refers to:

- a) In the case of a corporation or company created and existing under the laws of Kosovo, the board of directors body, itself.
- b) In the case of a company incorporated in another jurisdiction, but which is licensed to conduct insurance business in Kosovo, the senior officer of the company’s

office in Kosovo, who is a resident of Kosovo and accepted as such by the BPK.

“Board” refers to the board of directors as defined in this rule.

“Licensed company” refers to either, or both, insurance company or insurance intermediary.

“Senior officer” is the highest ranking officer of a licensed company whether using the title “president”, “vice president”, “managing director”, “country representative” “manager” or such other title or titles.

“Perquisites” means the totality of all salaries, allowances, per-diems, and other benefits received, in cash or in kind, by a person including the value of stock options, pensions and other deferred compensation provided for the benefit of and due to that person.

“Arms-length transaction” means a transaction entered into by two (or more persons) both acting not by force or convenience but voluntarily, with full understanding of the nature of the transaction and based on the knowledge and consideration that values exchanged thereby are equal.

“Window-dressing” means the willful overstatement of the company’s financial condition or result of operations including, but not limited to, non-reporting of losses, suppression or delaying recognition of reported claims or intentional understatement of technical provisions.

Section 2

Roles and Responsibilities of the Board of Directors

1. Roles of the Board of Directors

- a) General company governance. The determination and establishment of administrative and operating policy directions of a licensed company is reposed on the board of directors.
- b) Fiduciary obligations. The board of directors is charged with fiduciary responsibilities for and in the interest its policyholders. It shall discharge its powers and prerogatives in a fashion that will continually fulfill these fiduciary obligations.
- c) Ultimate responsibility. The ultimate responsibility for the financial condition and business operating results of a licensed company lies upon the board of directors.

2. Duties and Responsibilities of the Board of Directors

- a) Establishing administrative policies and directions. The Board of directors shall pass, approve, and adopt resolutions that prescribe:
1. Rules and procedures for the nomination, election, re-election, qualification and prerequisites of members of the board consistent with its articles of incorporation and by-laws and as required by the relevant laws of Kosovo and/or directives of the BPK. It is prudent for the board to clearly delegate a specific corporate governance goal or objective to the responsibility and commitment of a member thereof.
 2. Rules and procedures for delineating the corporate and operating structures, functions, coordination, and balance among the various functionaries in the company's table of organization that includes a clear definition of responsibilities and accountabilities therefore, a system of decision making process and the inter-action of management among themselves and with the board.
 3. Rules and procedure for the nomination, appointment, qualification, function and prerequisites of company executive officers, and the periodic review thereof; and shall prescribe general direction applicable to other employees of the company including a system of salary and wage administration and its periodic review.
 4. The installation of adequate management control procedures to ensure that responsibilities are divided to achieve a balance of power and authority within the company so that no individual has absolute power of decision.
 5. Rules that apply to conflicts of interest, prohibition of related party transactions, transactions entered into not meeting the "arms-length" test, "window-dressing" and other breaches of fiduciary duty and prescribing a system of early detection thereof and the prompt reporting of the deviation to management and the board. The board must create and organize a Conduct Committee, chaired by a board member, to ensure that business conduct of all members of the board, management and employees do not breach fiduciary obligations due the policyholders of the company.
 6. The installation of adequate and effective system of internal control.
 7. The appointment(s) of the company actuary and external auditor, each of whom must meet the qualifications prescribed by the insurance regulation and these rules and the directives of the BPK consistent

thereto.

- b) Establishing operating policies and directions. The board of directors shall pass, approve and adopt resolutions that prescribe:
 - 1. The company mission with defined strategic objectives to the attainment of that mission and to prescribe means of attaining those objectives and of monitoring and evaluating results.
 - 2. Investment philosophy, policies and guidelines consistent with the insurance regulations and these rules.
 - 3. The creation of an underwriting or risk management committee that shall define the underwriting guidelines and approve risk selection and acceptance of risks not falling within the guidelines and recommend the nature and extent of risk retention, risk cessions and reinsurance acceptances.
 - 4. The creation of a claims or customer complaint committee to address complaints of policyholders and to establish a set of procedures of how these complaints are handled, decided and communicated to policyholders concerned and to company management.

Section 3

Statements Required To Be Submitted to the BPK

1. Verified Statement

On or before the 15th day of January of each year, and on such times as may be required by the BPK, the board of directors of a licensed company and the senior officer of foreign company licensed by the BPK, shall file and submit to the BPK a verified statement, signed by them, stating, at a minimum, the following facts:

- a) Each and every member of the board, its senior officer and all officers, employees or individuals connected with the company required to satisfy the “fit and proper” test prescribed by the insurance regulation and these rules have continuously remained in fulfillment and satisfaction of the “fit and proper” requirements during the immediately concluded financial year or during the certain period as required by the BPK and/or, if otherwise, the name of the individual or individuals concerned and the reason or reasons for the non-fulfillment therefor.
- b) The level of adherence to corporate governance principles adopted by them and the corresponding attainment of stated objectives.

- c) That the board continuously maintained its independence from and remained free of external and internal influences during the financial year just concluded or, if otherwise, the nature and degree of interference and the decision or resolution adopted thereby.
- d) Such other matters required by the BPK consistent with the insurance regulation and these rules.

2. Disclosure Statements

On or before the 15th day of January of each year, and on such times as may be required by the BPK, the board of directors and the senior officer of a foreign company licensed by the BPK, shall file and submit to the BPK a disclosure statement in regard to the following:

- a) The amount of perquisites enjoyed by each member of the board during the financial year last concluded or during that certain period required by the BPK.
- b) The amount of perquisites authorized by the board and enjoyed by the senior officer and other officers, of the company for which the board determines their remuneration, during the financial year last concluded or during that certain period required by the BPK.
- c) Related party transaction or transactions with the insurance company or insurance intermediary company.
- d) Such other matters required by the BPK to be disclosed consistent with the insurance regulation and these rules.

Section 4 Entry into Force

This present rule shall enter into force on April 1, 2002.

David Weatherman
Acting Managing Director