



Frequently asked questions about licensing of insurers

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Frequently asked questions about licensing of insurers

The most frequently asked questions that CBK receives from the parties interested to apply for licensing of insurers are organized into the following categories:

- General;
- Pre-application;
- Post-application;
- Prior approval;
- Licensing;
- Foreign insurers.

General

1. *Who is CBK?*

Central Bank of the Republic of Kosovo (CBK) is an independent public institution and its primary objective is to promote and maintain a sound financial system and an efficient payment system. It is the only authority for licensing, regulating and overseeing financial institutions in Kosovo. The responsibilities and objectives of CBK are set out in Law no. 03/L-209 on Central Bank of the Republic of Kosovo (link: <http://www.bqk-kos.org/repository/docs/2010/Ligji%20per%20BQK-ne.pdf>, hereinafter the "Law on CBK") as well Law no. 05/L-045 on Insurances (link: http://bqk-kos.org/repository/docs/korniza_ligjore/shqip/Ligji%20Nr.%2005%20L-045%20per%20Sigurimet.pdf, hereinafter the "Law on Insurances").

2. *What are financial institutions?*

Financial Institutions means entities such as: banks, insurance companies, pension funds, microfinance institutions, non-bank financial institutions, insurance intermediaries, damage claim handlers as well as other legal entities that exercise financial activities, as defined by the applicable legislation and according to which the Central Bank has been granted the authority to license, regulate and oversee them.

3. *What does insurer mean?*

Insurer means a legal person licensed to exercise insurance activities in accordance with the provisions of the Law on Insurances, including subordinated entities or branches of foreign insurers.

4. *What does subordinate entity mean?*

Subordinate entity means a separate legal entity established by the insurer or the legal person that is under joint control with the insurer.

5. *What does foreign insurer mean?*

Foreign insurer means the branch of the foreign insurer, which has its headquarters in a foreign country and is licensed to exercise insurance activities in the Republic of Kosovo.

6. *What does reinsurer mean?*

Reinsurer means a legal person licensed to exercise reinsurance activities in accordance with the provisions of the Law on Insurances.

7. *When can I call myself an insurer?*

No person may use the word "insurance", "reinsurance", "insurance intermediary", "damage handler" or derivatives of such words in relation to an activity, product or service or promotional activity without a license issued by CBK, to be included in the insurance activity, except when such use is established or recognized by this Law. No representative office may use the word "insurance" in their names unless the word "insurance" forms an integral part of the name of the foreign insurer to whom they belong, provided that in such cases the word "representative office" is added.

You can start the application process as an 'Example' JSC, and only when you are licensed you can rename yourself 'Example Insurance' JSC.

Domain (webpage) names and email addresses are checked similarly and you should be careful in using sensitive words, including "insurance", "reinsurance", "insurance intermediary", "damage handler" or derivatives of these words.

8. *Can the insurer/reinsurer have a statute other than the joint stock company?*

No. Every insurer/reinsurer applying for licensing at CBK should be registered as Joint Stock Company. In cases when it is applied as a branch of a foreign insurer, the parent insurer must be registered as a Joint Stock Company.

9. *What is a license?*

License is an authorization issued by CBK for granting the right to deal with the activities specified under that authorization.

10. *What financial activities are allowed for insurers in Kosovo?*

Insurers in Kosovo can be licensed to provide non-life insurance or life insurance.

For engagement in any type of non-life insurance, the licensed insurer should not provide life insurance and vice versa.

The license for the activity of non-life insurance is granted for specific classes, in accordance with the provisions of the Law on Insurances.

The license for life insurance activity is granted separately or for all classes in accordance with the provisions of the Law on Insurances.

11. Where to apply for a license for insurer?

For obtaining a license for insurer in the Republic of Kosovo, you should contact the Licensing and Standardization Department via email (Licencimi@bqk-kos.org) or telephone (+381 38 222 055), where you will receive the necessary instructions for application. There you will also be informed that before you start with the application process, it is obligatory to hold an information meeting with representatives of CBK.

12. Does it matter if I'm not based in Kosovo?

CBK welcomes the requests of every new insurer with a sound business model regardless of where the "parent" institution is established. If you are an insurer with headquarters at any country of the world, you can operate in Kosovo as a subsidiary or branch (or both) - please see IV data - Foreign Insurers of the Insurer Licensing Manual for more details.

13. How many insurers are licensed in Kosovo?

You can find the licensed insurers in the Republic of Kosovo on the CBK website.

14. Who should be present at the information meeting by the applicant's side?

All principal shareholders of the proposed new insurer should participate in the meeting.

15. Can only the shareholders' representatives participate in the information meeting?

No, all key shareholders of the proposed new insurer should be present at the meeting.

16. Who are the principal shareholders of the insurer?

Principal shareholder is any person (legal and natural) that directly or indirectly, together or in interaction with other persons owns ten (10%) per cent or more of any class of shares with the voting right of an insurer or company or ten (10%) per cent of equity interest in an insurer or company.

17. What to prepare for the information meeting?

Before holding the information meeting, the parties interested to apply should prepare to present at the meeting a brief summary of the high level of business proposal, which as a minimum should contain:

- the reasonableness of the establishment of the insurer and the initial business strategy, specifying which products will be provided, how will they be provided and the target market;
- financing sources - how will they be funded and whether there are any investors and/or funds in the country;
- ownership and management team - the details of the proposed owners and managers, in so far as they are known;
- time schedule - an overview and timeline of the plan to establish the new insurer.

18. When can it be started with the preparation of the application for licensing as an insurer?

After holding the information meeting and sending the application forms by CBK, you can start preparing the application for licensing as an insurer at CBK.

19. What documents should I submit as an application for licensing as an insurer?

The application for licensing as an insurer must be accompanied by the information required in Article 10 of the Law on Insurances. This part begins with the listing of supporting documents that should be part of the application for licensing as an insurer.

20. How quickly can I become an insurer?

There is no simple answer to this question. The pre-application stage has no fixed deadline and the speed of progress depends largely by the party interested in licensing. CBK is interested in the quality of the material you prepare rather than the amount or speed at which you prepare. However, any feedback we give should be carefully considered by the party interested in licensing. After submitting your request, there will be a legal deadline of ninety (90) days to reach a decision on your application - please see the Application stage in the Insurer Licensing Manual for more details.

Pre-application

21. Do I have to go through the pre-application process?

Yes. You must follow the pre-application process, this is a formal request of CBK. Keep in mind that parties interested in licensing that are more proactive in the pre-application stage submit a request that is much more qualitative, which CBK can assess easier.

22. What is a business plan?

The business plan is a description of your proposed business, which contains the details of your objectives and how you will achieve them. Your business plan should be tailored to the activities your firm plans to undertake while taking into account the CBK licensing criteria. In order for it to be eligible for CBK, the business plan must at least contain the following information:

- business statement: overall strategy of the proposed insurer and details of the planned insurance activity;
- market analysis including the analysis of direct and indirect competition;
- financial analysis, which includes the disclosure of the structure of assets, liabilities and capital as well as financial projections for the first three (3) years of operation, as well as the planned reinsurance program;
- important insurance functions;
- governing structure of the insurer.

If you submit an incomplete or unclear business plan, this will cause delays in evaluating your application, as CBK will have to ask further questions or ask for further information to gain a clear picture of your business. However, your business plan may also evolve during the pre-application process as you develop your business model and receive comments from CBK. The Business Plan is an important part of your overall application and is an integral part of CBK's decision-making. CBK will use it to assess the risks your business presents to your objectives and how you plan to control and manage them. You also need to use your business plan to help you focus on running your activities and organizing resources to achieve your objective.

23. Are my interactions with you confidential?

Yes. All questions and information that the CBK receives will be treated as confidential.

24. What is the minimum capital required for opening a new insurer?

For exercising non-life insurance activity, the applicant for a license as an insurer must have a charter capital of not less than two million two hundred thousand (2,200,000) Euros. In cases when one or some risks are included in classes 10 to 15 of Article 7 of the Law on Insurances, then charter capital may not be less than three million two hundred thousand (3,200,000) Euros.

For exercising life insurance activity, the applicant for a license as an insurer must have a charter capital of not less than three million two hundred thousand (3,200,000) Euros.

In addition to the charter capital mentioned above, the insurer must also have an additional fund for initial expenses to cover the expenses of establishment, operation and administration, which can in no case be lower than twenty (20%) per cent of the charter capital value.

25. Is the request for capital also applied on the occasion of opening a branch of the foreign insurer in Kosovo?

Yes. The same capital requirements apply to branches of foreign insurers.

26. Who can be a shareholder of the insurer?

A shareholder of the insurer may be any person who is suitable and proves financial viability.

27. What may be the source of capital investment funds?

The minimum capital must be paid in cash and its funds cannot be derived from illegal activities. Contributions to the capital of the insurer should not originate from funds borrowed from the public, bank loans and other funds the origin of which is illegal.

To prove the source of money for the charter capital and the addition of this capital to the CBK, the following documentation is submitted:

- for legal persons:

- evidence of the source of capital formation, such as the report of the independent external auditor, annual financial statements, gifts or other resources intended for use in the purchase of shares of the insurer;
 - a certificate issued by competent authorities, which provides data on the balance of the legal person and on the fulfilment of tax liabilities.
- for natural persons:
- evidence of the source of capital formation as purchases or sales, gifts, salaries, money deposits in banks or other certificates for the source of capital formation;
 - certificates attesting to the fulfilment of tax liabilities.

If the origin of the charter capital is not clear to CBK, this constitutes a basis for rejection of the license.

28. Can we issue shares in exchange for services?

Shares issued in exchange of services are not treated as paid capital. Also, payments or expenses for the purchase or lease of premises and equipment, as well as other operating expenses are not included in the amount of initial minimum capital.

29. How many members can a board of directors of an insurer have?

The Board of Directors consists of a number of not less than five (5) members, with the right to vote. All members of the board of directors with voting rights must be non-executive directors.

30. Can the shareholders be members of the board of directors?

Yes they can, it should only be kept in mind that the members of the board of directors should be independent during the exercise of their duties so that the insurer's interests are not compromised by the conflict of interest that may arise during the exercise of the duty.

31. What does non-executive director mean?

Non-executive director means members of the board of directors who are not senior managers or insurers employees and who are not involved in their operational management.

32. Can the Chief Executive Officer be a member of the Board of Directors?

Yes. The Chief Executive Officer is ex-officio a member of the board of directors but has no right to vote.

33. What means adequate and appropriate for directors and senior managers?

The adequacy of directors and senior managers proposed is considered as essential in the process of CBK for licensing and overseeing insurers. As part of the licensing process, Articles 24, 27 and 32 of the Law on Insurances, the Regulation for Licensing of Insurers and Branches of Foreign Insurers have set the "adequate and appropriate" criterion and the independence criterion for approving directors and senior managers. The elements that are taken into account for these criteria include: data on criminal offences, financial position, civil actions against individuals for pursuing personal debt, refusal of membership or exclusion from professional organizations, sanctions applied by regulators of similar industries and previous suspicious practices of the business. Every principal shareholder, director, senior manager and actuary of the insurer must meet the adequacy and appropriateness requirements with respect to the respective position.

34. When, where and how should the insurer submit the application for license?

The application should be submitted at CBK after completing the necessary documentation for application, physically or electronically.

35. *Where can I read more about the approach of CBK for licensing of foreign insurers?*

For the process of licensing of insurers, you can read in the Law No. 05/L-045 on Insurances (link: http://bqk-kos.org/repository/docs/korniza_ligjore/shqip/Ligji%20Nr.%2005%20L-045%20per%20Sigurimet.pdf); Regulation on licensing of insurers and branches of foreign insurers (link: http://bqk-kos.org/repository/docs/korniza_ligjore/shqip/Finale%20Rregullore%20per%20Licencimin%20e%20Siguruesve%20dhe%20degeve.pdf).

36. *Do I need to employ external advisors or consultants?*

This depends only on you, but CBK does not require you to do so. Many applicants consider the engagement of external advisors or consultants useful, whereas others consider that they have the appropriate level of expertise within their staff.

37. *Can you recommend any external advisor or consultant?*

No, CBK cannot recommend any specific external advisor or consultant.

38. *Can I bring my advisors in the meetings with you?*

Yes, you can bring them but CBK does not expect them to speak on your behalf.

39. *Can I use contracted service providers?*

Yes, with some exceptions. But you should keep in mind that you as a business are fully responsible to fulfil your legal liabilities regardless of whether it is a delegated function or not.

40. *Do you specify which IT systems you should use?*

CBK does not specify which IT systems you should use. Your firm's regulated activities should be supported by IT services that are effective, flexible, and secure, and are designed to meet the expected future needs as well as current business needs.

41. *Can you recommend any IT system/provider?*

No, CBK cannot recommend any IT system/provider.

42. *What should I do if things change in the meantime during application?*

If there is any change in your plans, you should contact the CBK at least five (5) days from the date of the change and discuss these changes.

43. What is the licensing fee of insurers?

The licensing fee of insurers is ten thousand (10,000.00) Euros.

44. Where can I find the details of the application fees?

All required application fees are presented in the Tariff Scheme that is on the official website of CBK (<http://bqk-kos.org/?id=88>) and are non-compensable, regardless of the decision of CBK. Applications are considered uncompleted and consequently not reviewed if the licensing fee is not paid.

45. Why should I pay a tariff?

CBK is funded by tariffs and taxes that must be paid by the entities it licenses, regulates and oversees. As part of this, CBK requires a fee for reviewing an application to license its insurer.

Post-application

46. What happens after application to CBK for a license of insurer?

After the formal submission of the application for licensing of the insurer, CBK conducts the first assessment where it is verified whether the submitted application is complete or not. For the application to be considered as complete, all the required forms should be submitted to CBK, which should be fully and correctly completed and the information provided should be of adequate quality and details to allow CBK to complete the assessment. Also, for the application to be considered as complete, it should have the responses to CBK's comments, provided during the pre-application stage, incorporated.

47. How long does the assessment of the application for licensing of insurers last?

Within 90 days after receiving the application, CBK reviews the documentation submitted and notifies the applicant in writing whether the documentation is complete or not. If the submitted documentation is incomplete and/or does not meet the requirements set out in the applicable regulation, the CBK will notify the applicant of the deficiencies and will request any additional information or documents from the applicant. The deadline for submission of additional information or documents is no later than 90 days after the notification. If the requested additional information or documents are submitted within the deadline, CBK will notify the party that the application is complete. CBK terminates the procedures of reviewing the application for licensing if the additional data and/or documentation required for licensing is not completed by the applicant within 90 days after the date of notification for additional information and documentation. In case of termination of the procedure for reviewing the application for licensing, CBK notifies the applicant in writing.

CBK issues a decision approving or refusing the granting of a preliminary license as an insurer or as a branch of the foreign insurer within three (3) months from the date of notifying the applicant that the application for licensing is complete. CBK immediately informs the applicant of the decision taken. During the period of reviewing the application, CBK may request additional information or certain changes/improvements when deemed reasonable. The request for additional clarification information at this stage will not affect the extension of the period of three (3) months to decide on the request for licensing.

Prior approval

48. What conditions should I meet in order for my application for a license to be approved by CBK?

CBK preliminarily approves a license only if the following conditions are met:

- if the business plan is based on accurate analyses and reasonable assumptions;
- the organizational structure of the proposed insurer and its branches will allow the CBK to exercise effective and consolidated supervision;
- calculated premiums and technical or mathematical provisions are sufficient to cover the insurer's responsibilities;
- the proposed insurer will act in compliance with all the provisions of this law;
- the qualifications, experience and integrity of its directors or senior managers are appropriate to the business plan of the proposed insurer and the insurance activities;
- principal shareholders, directors and senior managers of the proposed insurer are adequate and appropriate, as defined by Article 24 of this Law on Insurances and other stipulations by CBK, and;
- the ownership structure of the insurer shall not obstruct the effective supervision by CBK.

Except as noted above, prior approval of the request for a license relating to a subordinate entity (subsidiary) or branch of the foreign insurer is done only if:

- the foreign insurer is licensed to engage in insurance activity in the jurisdiction where its headquarters is located;
- the responsible supervisory authority where the foreign insurer has its headquarters has given its written consent for granting such license, and;
- CBK assesses that the foreign insurer is adequately supervised on a consolidated basis by the responsible supervisory authority in the parent country. The responsible supervisory authority from the parent country should acknowledge in writing that it is aware of the granting of the new license and agrees to provide information to CBK, upon its request.

In addition to the abovementioned, the criteria under the Regulation for Licensing of Insurers and Branches of Foreign Insurers should also be fulfilled for prior approval of the license.

49. Should I meet all licensing criteria?

Yes, both in licensing and on a continuous basis during the development of the activity.

50. Is there any other condition that is considered by CBK as a criterion for licensing in CBK?

No, there is no other licensing criterion, but CBK will refuse a license if the criteria set out in the Law on Insurances, the Regulation for Licensing of Insurers and Branches of Foreign Insurers and the Insurer Licensing Manual are not met, if the applicant intentionally provided falsified documentation and if it deems that the issuance of such a license would:

- jeopardize the financial viability of the proposed insurer or the insurance industry in general;
- jeopardize the interests of policyholders of the proposed insurer.

51. What does the prior approval of the license mean?

Prior approval means that your application as per your pledges has met the CBK criteria for licensing. In case of prior approval of a request for a license, CBK determines all conditions for the insurer to whom a license to commence its operations is granted. Such conditions may include:

- payment of the initial capital that the shareholders have to pay to the insurer;
- employment and training of insurer's staff;
- the purchase of operating equipment and the determination of operating systems;
- lease, purchase or ownership of the premises of the insurer;
- calculated premiums and technical or mathematical provisions are sufficient to cover the insurer's responsibilities;
- draft-contracts of insurance by classes where the insurer requests to be licensed;
- engagement of an external auditor and actuary in accordance with the Law on Insurances;
- any other condition the CBK considers appropriate.

52. For what period of time must I meet the conditions for approval of the final license?

According to Article 11, paragraph 6 of the Law on Insurances, if within one (1) year the insurer does not act in accordance with the conditions for obtaining a license to commence the activity, prior approval of the request will be revoked.

Licensing

53. What happens if any of the information submitted with the application changes during the period of assessment of my application in CBK?

In case of changes to the information on the basis of which CBK has issued prior approval, the applicant for a license notifies in writing CBK of the new facts or circumstances created. This notice must be sent to CBK immediately after new circumstances are created, but no later than fifteen (15) days after their submission. If the changes that occur during the organizational stage substantially change the facts in which the CBK has based its prior approval, that approval may be revoked.

54. What should I do after meeting the criteria for a final license?

Upon completion of the criteria established by obtaining prior approval for a license, as well as the criteria set out in Article 11, paragraph 5 of the Law on Insurances, the establishing insurer should apply in writing at CBK for obtaining a final license. The documentation required for application is as follows:

- the written request as well as a brief description of when the opening is planned to take place;
- the bank document proving the payment of the minimum initial capital amount (charter capital) under the conditions set forth in Article 19 of the Law on Insurances and Regulation on Licensing of Insurers and Branches of Foreign Insurers;
- Sub-legal acts/statute of the insurer; contracts, including the general and specific conditions of the insurance contract in accordance with the insurance class for which he/she has requested to be licensed;
- valid document for obtaining the right to use the premises where the insurance activity will be conducted. The premises should be legalized and have the proper documentation from the competent authorities.

55. What does pre-opening examination mean?

Pre-opening examination (hereinafter POE) is the last step of the process of licensing of insurers to determine that all technical and security conditions have been met for commencing the activity according to the requirements of CBK. Examination is carried out by the Licensing and Standardization Department in cooperation with the Department for Insurance Oversight in the CBK.

56. How long does the assessment of the application for a final license last?

Within forty-five (45) days from the date of POE, CBK shall make a decision approving or refusing the granting of the final license to an insurer or branch of the foreign insurer. If the CBK determines that the conditions set out in Article 11, paragraph 5 of the Law on Insurances have been met, as well as with the decision for prior approval, it shall issue a decision for granting the license.

57. Can my application be rejected?

Yes, CBK may reject your application if the licensing criteria are not met. In case of rejection, CBK will inform you in time and will provide grounded reasoning for rejection.

58. Can I appeal if my application is rejected?

Yes, you can appeal the decision of CBK. Against the CBK's decision, you may ask the competent court to review the decision within thirty (30) days from the day of receipt, but the appeal does not stop the enforcement of the decision.

59. Can I start organization activities before being licensed?

The applicant may initiate the organization of the company before being licensed by CBK. However, insurance activity cannot start until a final license is issued.

60. If my firm is already authorized, can we continue with what we already do?

Yes. You can continue to conduct the business for which you are already authorized during the time that you are going through the process of applying to become an insurer. However, you may not exercise the activities you are applying for until you are authorized to do so.

Foreign insurers

61. What is the difference between a subsidiary and a branch?

Subsidiary means a subordinate entity of the foreign insurer, which is under the joint control with this insurer, whereas branch of the foreign insurer means a legally dependent entity of the insurer not established on its own, through which the foreign insurer engages in insurance activities in the Republic of Kosovo. For more information, please refer to Annex IV of the Insurer Licensing Manual.