

LAW No. 05/L -045

ON INSURANCES

The Assembly of the Republic of Kosovo,

Based on Article 65 (1) of the Constitution of the Republic of Kosovo,

Approves:

LAW ON INSURANCES

**CHAPTER I
GENERAL PROVISIONS**

**Article 1
Purpose**

1. The purpose of this Law is to define basic principles and rules for the licensing, regulating and supervision of insurers, reinsurers, insurance intermediaries and other entities as provided by this law, in order for the insurance industry in the Republic of Kosovo to operate in secure, stable and transparent manner, for protection of the rights and interests of policyholders.

2. This Law is in accordance with Directive concerning the exercise and pursuit of the business of insurance and reinsurance (Directive 2009/138/EC) and Directive on insurance mediation (Directive 2002/92 /EC).

**Article 2
Scope**

This Law applies to all legal and natural persons who exercise the insurance, reinsurance activities, insurance intermediation and other entities which conduct activities directly related to insurance and reinsurance operations in the Republic of Kosovo.

**Article 3
Definitions**

1. With this Law, the following definitions have the following meanings:

1.1. **Risk management** – shall mean the methods and rules used by insurers/reinsurers for the identification, assessment, monitoring and management of potential risks in order to avoid financial losses;

1.2. **Principal shareholder** - shall mean a direct or indirect holding in an entity, which represents ten percent (10%) or more of the shares with voting rights;

1.3. **Director** - shall mean any person appointed by the shareholders to serve as a member of the Board of Directors of the insurer or broker in insurance;

1.4. **Actuary** - shall mean a person, who has the main task of calculating the premium tariffs, technical and mathematical provisions, relying on Actuarial methods;

1.5. **Annuity** - shall mean a contract of insurance by which are gained periodic incomes, for a number of years or for lifetime;

1.6. **CBK** - shall mean the Central Bank of the Republic of Kosovo;

1.7. **Responsible Supervisory Authority** - shall mean the supervisory authority of the foreign country, authorized by respective legislation, to exercise oversight of insurers, reinsurers and insurance intermediaries;

1.8. **Coinurance** - shall mean the service offered by more than one insurer, through a single contract to cover the damages caused by the risks specified in this contract for a total premium or which provides benefits under the provisions of the contract, in a predetermined measure, as well as the creation and management of any insurance provisions in accordance with their respective share of the liability;

1.9. **Cession** - shall mean the transfer of a portion of the risk insured by an insurer to a reinsurer;

1.10. **Delegation** - shall mean the transfer of one or more functions of the insurer's operations to another person, which in case of no delegation are conducted by the insurer;

1.11. **Indemnity of insurance** - shall mean the amount for which the insurer owes the insured, the beneficiary or other damaged party, which comes as a rightful obligation out of a contract of insurance;

1.12. **Senior Manager** - shall mean the Chief Executive Officer, Chief Financial Officer, the Chief Insurance Acquisition, Principal Officer of Claims and any other person who:

1.12.1. reports directly to the Board of Directors or participates or has authority to participate in major policymaking functions of insurers, intermediaries or other entities licensed under this law;

1.12.2. has been appointed senior manager from CBK;

1.12.3. in the case of foreign insurers licensed in Kosovo, the main manager, the Chief of Insurance Acquisition, the Principal Officer of Claims and Chief Financial Officer, is considered a member of senior management.

1.13. Persons or related parties with insurers and intermediaries under this Law shall be considered the following persons:

1.13.1. senior managers, members of the board of directors and principal shareholders of the insurer or intermediary; persons close to senior managers, board members and directors or principal shareholders of the insurer or intermediary, related by marriage or consanguinity to the second degree;

1.13.2. legal entities in which senior managers, members of the board of directors or principal shareholders of insurers or intermediaries are also major shareholder;

1.13.3. persons who have considerable interest in the legal entity in which the insurer or intermediary has considerable interest;

1.13.4. subsidiaries (dependent entities) of insurer and insurance intermediaries.

1.14. **Group** - shall mean a business group consisting of the parent company, its controlled companies, as well as all entities over which the parent company or its controlled company exercises significant influence or holds considered interest;

1.15. **Non-Executive Member** - shall mean the members of the Board of Directors who are not employees of insurers or intermediaries and are not involved in their operational management.

1.16. **Class of Insurance** - shall mean the classification of a group of similar products and risks or operations, to determine the activity of insurers under a license issued by the CBK;

1.17. **Client** - shall mean any person who uses or benefits from the services provided by the insurer or intermediary;

1.18. **Insured event** - shall mean the event provided in the insurance contract that occur within the conditions and period covered by insurance;

1.19. **Period of Insurance Coverage** - shall mean the period for which the insurer covers the insurance risk;

1.20. **Person** - shall mean a natural or legal person;

1.21. **Beneficiary** - shall mean the person in whose benefit is the insurance contracts or who benefits from the latter;

1.22. **Substantial interest** - shall mean the possession, direct or indirect of the capital, stock or other rights of a legal person on the basis of which the person owns five percent (5%) or more of the voting rights or capital of a legal person;

1.23. **Insurance Portfolio** - shall mean the insurance contracts of a certain class or classes of insurance, signed by an insurer;

1.24. **Insurance Product** - shall mean a contract (the policy) specifically prepared and issued by the insurer, to cover a specific risk or a specific number of risks under determined conditions;

1.25. **Technical Provisions** - shall mean the amount determined under certain actuarial methods, which are held by the insurer to cover liabilities arising from non-life insurance contracts;

1.26. **Mathematical Provisions** - shall mean the amount determined under certain actuarial methods, which are held by the insurer to cover obligations arising only from life insurance contracts;

1.27. **Insurance** - shall mean the transfer of an imminent threat, a loss of property and/or non-property, from the insured to the insurer under an insurance contract;

1.28. **Reinsurance** - shall mean the cessation of certain risks by an insurer to a reinsurer;

1.29. **Life insurance** - shall mean insurance risk within classes defined in Article 8 of this Law;

1.30. **The non-life insurance** - shall mean insurance risk within classes defined in Article 7 of this Law;

1.31. **Insured** - shall mean a person, whose possible loss of property and/or non-property is the subject of an insurance contract. In life insurance contracts, the insured is the natural person, whose life is insured;

1.32. **Insurer** - shall mean any legal entity licensed to conduct insurance business under the provisions of this Law;

1.33. **Foreign Insurer** - shall mean the insurer's external branch, which has the main headquarters in a foreign country and is licensed to conduct insurance business in the Republic of Kosovo;

1.34. **Dependent Subject** - shall mean a separate legal person, established by the insurer or the legal entity that is under common control with the insurer;

1.35. **Reinsurer** - shall mean a legal person, licensed to conduct reinsurance under the provisions of this Law;

1.36. **Amount of insurance (liability limit)** - shall mean the amount for which the insurer and the insured agreed, or which may be otherwise provided by applicable legislation and that defines the limit of liability of the insurer against policyholders;

1.37. **Insurance Activity** - shall mean the preparation, delivery, signature and execution of contracts of life insurance and non-life insurers;

1.38. **Reinsurance Activities** - shall mean the signing and execution of reinsurance contracts, for the transition of a share or total risk assumed by the insurance contract, from an insurer to a reinsurer;

1.39. For the purposes of this Law, **"reorganization measures"** - shall mean the necessary measures to maintain and restore healthy financial situation of the Insurer and intermediaries;

1.40. Bond – shall be debt investment, in which an investor shall loan money to an economic unit, typically to Corporates or Government, which borrows funds for a specific time period, with a variable or fixed rate of interest;

1.41. On-site supervision – shall be the testing and verification of data provided by the institution;

1.42. Off-site supervision – shall be a continuous process which includes the periodical analysis of information submitted by the insurers and other events, that may impact in the general condition of an institution.

2. For the purposes of this Law, unless otherwise specified by special provisions, the terms:

2.1. **Insurer** – shall mean “Insurers and/or Reinsurer”;

2.2. **Insurance Intermediary** - shall mean intermediation in insurance and/or reinsurance and claims handler;

2.3. **Technical Provisions** - shall mean technical and /or mathematical provisions.

Article 4

The responsibilities of the CBK

1. The main responsibilities of CBK under this Law are:

1.1. to ensure the protection of the interests of policyholders, the damaged, as well as to keep them informed about insurances;

1.2. to ensure the legality, efficiency, stability, liquidity and solvency of insurers, insurance intermediaries, as well as other entities defined by this Law;

1.3. to ensure a fair and regular competition, thereby encouraging development and extension of insurance products and services for the benefit of the public welfare, as well as creating an enabling environment for potential investors in the insurance industry in Kosovo.

2. The CBK has exclusive responsibility under this Law for licensing, supervision and regulation of insurers, insurance intermediaries, and other entities which conduct activities envisaged by this Law.

3. The CBK has exclusive responsibility for setting standards and issuing regulations, directives and guidelines concerning the behavior of insurers, reinsurers, insurance intermediaries and other entities which conduct activities envisaged by this Law. Regulations, directives and guidelines will be published and will come into force in accordance with the provisions of the Law on the Central Bank of the Republic of Kosovo.

Article 5

Prohibitions and exceptions

1. No person may engage in the business of insurance, reinsurance, insurance intermediation

or other activities that are required to be licensed and approved by this Law, without valid license and approval issued by the CBK under the provisions of this Law.

2. No person may use the word “insurance”, “reinsurance”, “insurance intermediary”, “loss adjuster” or derivatives of those words in connection with a business, product or service or promotional activities without a license issued by the CBK to engage in insurance activities, unless such use is established or recognized by the Law. No representative office can use the word “insurance” in their names, except when the word “insurance” forms an integral part of the name of the foreign insurer to which they belong, provided that in such cases to add the word “representative office “.

3. No insurer, reinsurer, insurance intermediary, or loss adjuster can use words in its name, which may lead to the misuses regarding their financial conditions, legal status or relationship with government or international institutions.

4. The insurer of a foreign country is not allowed to offer and get direct insurance risk belonging to a person, a thing or liability, located in the territory of the Republic of Kosovo, without being licensed by the CBK.

5. Provisions of paragraph 4 of this Article shall not apply to insurance risks related to marine and air transport, for a non – resident insurance in the Republic of Kosovo, or when it is otherwise envisaged in international agreements to which the Republic of Kosovo is a party. Nevertheless, in special cases, the prior approval of the CBK may be required.

6. No person can make any untrue statements of material fact or make a false or misleading statement to conceal or do anything to create a false appearance, misleading for issuing insurance policies.

7. Insurer licensed to engage in any kind of non-life insurance should not offer life insurance and vice versa.

8. Reinsurance activities are exercised by the reinsurer licensed by the CBK and exercise only reinsurance activity.

9. Reinsurer can exercise simultaneously reinsurance of life insurance and non-life classes.

10. The CBK can allow insurers licensed in Kosovo, to ensure its own risks to a reinsurer in a foreign country, regardless of the fact whether these reinsurers are not licensed in Kosovo.

Article 6

Scope and Limitation of an Insurer License

1. A license for operating in non-life insurance business is issued for separate classes, in accordance with Article 7 of this Law.

2. A license for operating in life insurance business is issued separately or for all classes as set forth in Article 7 of this Law.

3. License for operating reinsurance business is issued for all insurance activities classes.

4. License issued by CBK is limitless and is not transferable.
5. CBK may allow a licensed insurer, for the purpose of covering a main risk belonging to one or more non-life insurance classes, to also provide insurance for related risks from other non-life insurance classes, for which it is not licensed. CBK will issue a regulation setting conditions when a certain risk is considered as a related risk in relation to the main risk within the non-life insurance classes.

SUB-CHAPTER I INSURANCE CLASSES

Article 7 The activity of non-life insurance

1. Accident insurance (including industrial injuries and occupational diseases) covers:
 - 1.1. a full immediate benefit of a specified amount of money;
 - 1.2. benefit of reimbursement nature (the amount of insurance payment in installments);
 - 1.3. the combined benefit, foreseen in paragraph 1, sub-paragraph 1.1 and sub-paragraph 1.2 of this Article;
 - 1.4. benefit due to injuries, impairment of health or death of passengers.
2. Health insurance covers:
 - 2.1. fixed income financial health disability;
 - 2.2. benefit of reimbursement nature;
 - 2.3. the combined benefit, foreseen in paragraph 2, sub-paragraph 2.1 and sub-paragraph 2.2 of this Article;
3. Land vehicles insurance (other than those that move on rails) covers the damages or losses:
 - 3.1. motor land vehicles;
 - 3.2. non-motorized land vehicles.
4. Insurance of rail vehicles covers damages or losses from vehicles rolling on the rails.
5. Aircraft Insurance covers damages or losses suffered by the airliners.
6. Shipping insurance covers shipping damages or losses suffered by:
 - 6.1. river and canal boats;

6.2. lakes` ships;

6.3. marine vessels.

7. Insurance of transported goods (including goods, luggage and all sorts of other things) covers any damage or loss of goods in transport or baggage, irrespective of the mode of transport.

8. Fire insurance and forces of nature covers damage or loss of items other than those included in classes 3, 4, 5, 6 and 7, foreseen in paragraphs 3, 4, 5, 6 and 7 of this Article, caused by:

8.1. fires;

8.2. explosions;

8.3. storms;

8.4. various forces of nature by storm;

8.5. nuclear energy;

8.6. landslides and earthquakes;

9. Insurance of other property damage covers all damage or loss of property other than those included in classes 3, 4, 5, 6 and 7 foreseen in paragraphs 3, 4, 5, 6 and 7 of this Article, when the damage was caused by hail, flooding or frost and any event such as theft other than those mentioned in class 8 foreseen in paragraph 8 of this Article.

10. Liability Insurance from the use of vehicles, covers all liability arising from the use of vehicles on the land (including carrier's liability and compulsory liability coverage).

11. Aircraft Liability Insurance covers all liability arising from the use of aircraft (including carrier's liability).

12. Liability Insurance for ships (sea, lakes, rivers and canals) covers all liability arising from the use of ships and boats (small boats) which float on the sea, lakes, rivers and navigation channels (including carrier's liability).

13. General liability insurance covers all liabilities, other than those mentioned in classes 10, 11 and 12 foreseen in paragraphs 10, 11 and 12 of this Article.

14. Loan insurance covers:

14.1. risk of non- payment due to insolvency;

14.2. export loans and other risks associated with the export;

14.3. loans related to the trade and investments home or abroad;

- 14.4. loans paid in installments;
 - 14.5. mortgage loans;
 - 14.6. agricultural loans;
 - 14.7. other loans.
15. Guarantee insurance covers:
- 15.1. direct guarantees;
 - 15.2. indirect guarantees;
 - 15.3. Bonds.
16. Insurance of financial losses, covers financial losses incurred as a result of:
- 16.1. employment risks;
 - 16.2. insolvency of income for any reason;
 - 16.3. bad weather;
 - 16.4. loss of income;
 - 16.5. ongoing general expenditures and other expenditures;
 - 16.6. unforeseen commercial and operational costs;
 - 16.7. loss of market value;
 - 16.8. loss of rent or revenue;
 - 16.9. indirect loss from trading, different from those mentioned above;
 - 16.10. financial losses (other than trading);
 - 16.11. other types of financial losses.
17. Legal protection insurance includes:
- 17.1. expenses for legal and judicial services, as well as to resolve out of court disputes;
18. Assistance insurance covers:

18.1. assistance to persons who have difficulties while traveling or in other cases being distant from home or permanent residence.

Article 8 **Life insurance activity**

1. Life insurance covers:

- 1.1. death insurance;
- 1.2. survival insurance up to a certain age;
- 1.3. survival insurance up to a certain age or premature death;
- 1.4. life insurance with return of premiums.

2. Insurance of marriage - birth covers:

- 2.1. costs associated with marriage or birth of children;
- 2.2. conclusion of insurance conditions, which is linked with child reaching a certain age.

3. Life insurance linked to collective investment enterprises covers:

- 3.1. life insurance where the premium is related fully or partially with the value of the shares or units of collective investment enterprises, or the value of assets held in an internal fund by the insurer .

4. Annuities cover:

- 4.1. life insurance with savings elements;
- 4.2. life insurance with defined term;
- 4.3. deferred annuities;
- 4.4. immediate annuities.

5. Additional insurance which relates to the life insurance contract, including one or more of the following combinations:

- 5.1. death as a result of the accident ;
- 5.2. permanent inability to work or disability at work, or a certain type of injury as a result of an accident;

5.3. permanent inability to work or disability at work, or a certain type of injury as a result of illness;

5.4. temporary disability as a result of an accident;

5.5. temporary disability as a result of illness;

5.6. inability to perform the profession or work as a result of bodily injury;

5.7. hospital services;

5.8. incurable diseases;

5.9. medical services.

6. Life insurance activity also includes the following operations in insurance:

6.1. Insurance of united individuals for the purpose of capitalizing their contributions and distribution of assets in proportion to accumulated funds among persons who have reached a certain age (survivors) or among the beneficiaries of insurance in case of death of insured persons.

6.2. Return on equity, which is a type of insurance for a specified period, where in exchange for premiums the insurer agrees to pay a fixed amount at the end of the agreed period.

6.3. Pension funds investment management and in particular the assets, which represent stocks of entities which have an impact on the payments in case of death or survival or in the event of non-renewal or termination of the activity.

Article 9

Vehicle compulsory Insurance

1. The activity of providing compulsory motor liability and other compulsory insurance are regulated by special laws.

2. CBK may issue regulations, by which are established the criteria for assessment of non-material damages.

CHAPTER II

LICENSING OF INSURERS

Article 10

Requirements for license

1. Requirements for a license to establish and operate an insurer or a foreign insurer branch must be in the form prescribed by the CBK and are accompanied by the following information

and documentation:

- 1.1. certified copy of the charter and statutes, as well as central headquarters address in the Republic of Kosovo;
- 1.2. list of shareholders, type of shares, nominal value of the shares, and the percentage of participation in the share capital and possible persons or related parties;
- 1.3. the personal data, qualifications and experience of the Directors and senior managers of the proposed insurer, including business and professional background for the last ten (10) years, while for the branches of foreign insurers such requirements apply only to senior managers;
- 1.4. the amount of authorized and pledged capital of the proposed insurer or branch of foreign insurers, including amounts which are due and lawful source of capital;
- 1.5. business plan that includes, inter alia, the organizational structure of the proposed insurer or branch of foreign insurers, products, premiums and their calculations; functioning of the internal audit, functioning of risk management, internal control systems, information technology systems; type of envisaged insurance activities; forecasted financial statements for three (3) years and if there are audited financial statements and annual reports for the last three (3) years, if any;
- 1.6. the personal data, business and professional background for the past ten years and audited financial statements for the last three (3) years (if any) of any shareholder of the proposed insurer;
- 1.7. official testimony the Court for any director or senior manager or major shareholder of the proposed insurer or branch of foreign insurers to disclose any conviction for a criminal offence, personal bankruptcy files, disqualification from the profession, or inclusion of past or present operational management of any corporation or other entity that has undergone entrepreneur insolvency proceedings, if any;
- 1.8. draft contracts, including the general and specific insurance contract in accordance with the class of insurance for which the license is sought;
- 1.9. plan-program for implementation of measures to prevent money laundering and financing of terrorism;
- 1.10. in any case where the applicant is a foreign insurer which proposes the establishment of a pendant or a branch insurance company in Kosovo, a statement must be provided by the home country supervisory authority that there is no objection for the start of proposed activities in Kosovo, and that exercises a consolidated oversight of operations of foreign insurers, including pendant insurance company or branch of the foreign insurers seeking to be licensed in Kosovo;
- 1.11. additional information which may be required by the CBK.

Article 11

Preliminary approval

1. Within three (3) months from the date of receipt of a completed application for a license, CBK priory approves or rejects it, and notifies the applicant in writing of its decision. Notice of refusal of license must state the reasons on the basis of which the license was refused.

2. CBK will refuse a license application, if the criteria set out in this Law are not met, if the applicant has intentionally provided false documentation and if it finds that the issuance of such a license shall:

2.1. jeopardize the financial viability of the proposed insurer or the insurance industry in general;

2.2. jeopardize the interests of the policyholders of the proposed insurer.

3. CBK priory approves a license application only if the following conditions are met;

3.1. if the business plan is based on sound analysis and reasonable assumptions;

3.2. the organizational structure of the proposed insurer and its branches will allow CBK to exercise effective and consolidated supervision;

3.3. calculated premiums and technical or mathematical provisions are sufficient to cover the responsibilities of insurers;

3.4. the proposed insurer will comply with all provisions of this Law;

3.5. the qualifications, experience and integrity of its directors or senior managers are suitable for the insurers proposed business plan and insurance activities;

3.6. main shareholders, directors and senior managers of the proposed insurers are adequate and proper, as defined in Article 24 of this Law and other provisions by the CBK, and

3.7. the insurer's ownership structure would not impede effective supervision of the CBK.

4. Besides the conditions set out in paragraph 3 of this Article, the prior approval of the license application associated with a subsidiary or affiliate of the foreign insurers, is made only if:

4.1. foreign insurer is licensed to engage in insurance activities in the jurisdiction where its head office is located;

4.2. responsible Supervisory Authority where foreign insurer has its headquarters, has given its written consent for the issuance of such license, and;

4.3. the CBK estimates that foreign insurer is adequately supervised on consolidated basis by the supervisory authority responsible in the home country. Supervisory authority

in charge in the country of origin, must accept in writing that is aware of awarding a new license and agrees to provide information to the CBK upon its request.

5. In case of approval of a license application, the CBK sets all conditions that the insurer must meet prior to granting of license for the commencement of its operations. Such conditions are as follows:

- 5.1. payment of the initial capital that shareholders should make for the insurer;
- 5.2. hiring and training of insurer's staff;
- 5.3. the purchase of operating equipment and the determination of operating systems, and their operationalization;
- 5.4. lease, purchase or possession of the premises of the insurer;
- 5.5. calculated premiums and technical or mathematics provisions are sufficient to cover the responsibilities of insurers;
- 5.6. draft insurance contracts per classes under which the insurer requires a license;
- 5.7. the engagement of an external auditor and an actuary in accordance with this Law;
- 5.8. any other condition that the CBK considers appropriate.

6. If within one (1) year the insurer fails to comply with the conditions for obtaining a license to commence its operations, the preliminary approval will be revoked.

Article 12

The issuing of the license

1. The CBK will issue the license if concludes that the conditions of licensing under this law are met.
2. The license is issued in writing, in accordance with Article 6 of this Law.

Article 13

Permits for Representative Offices

1. No foreign insurer can establish and operate a representative office in Kosovo without prior permission from the CBK.
2. The CBK may grant permission for a representative office in Kosovo, on the condition provided that ensures foreign insurer will limit the activities of its representative office in providing information and liaison activities, and the study of markets and investment opportunities, and that foreign insurer shall not engage in insurance activities in Kosovo through a representative office.

3. The requests by a foreign insurer for permission to establish and operate a representative office must be made in the manner prescribed by regulation by the CBK and will be accompanied by the information required by the CBK.

Article 14 **Additional Branches and Offices**

1. An insurer must obtain prior written approval from the CBK before they establish, move or closes a branch or office in Kosovo.

2. The insurer, except the branch of foreign insurers, must obtain prior written approval from the CBK before it sets or open a branch in another jurisdiction.

3. The CBK regulations define the procedure for obtaining prior written approval and the form and content of the request.

Article 15 **The Conversion of insurer's external branch into a dependent entity**

1. The insurer, which performs activities in the territory of the Republic of Kosovo through its subsidiary, pursuant to a license issued by the CBK, may turn its branch into a dependent entity, in the form of a joint stock company.

2. Transforming the branch of insurer into dependent successor, can be made upon request of the insurer or when deemed necessary by the CBK.

3. The CBK may require from the foreign insurer which is licensed to operate in one or more branches in Kosovo, to turn its branch into a dependent entity of foreign insurer if:

3.1. there is any material change in the ownership or management of foreign insurer to which the CBK has reasonable grounds for concern;

3.2. there is a material decline in the financial condition of foreign insurers or it is subject to sanctions by the responsible supervisory authority of the home country, for material violations of law or unsafe and irresponsible practices;

3.3. considers that the branch operations of foreign insurer in Kosovo could jeopardize the financial stability of the insurance sector or may be harmful to the interests of policyholders;

3.4. considers that the supervision of the responsible supervisory authority of the home country is inadequate, and;

3.5. for risk management reasons.

4. The CBK may issue regulations regarding conversion of branches of foreign insurers into a dependent entity.

5. The procedure for conversion of foreign insurer's subsidiary into a dependent entity is the

same place as the application for the license of an insurer, in accordance with the provisions of this Law, with the exception of the prior approval procedure, which does not apply in those cases.

6. The decision to convert the external branch of the insurer, when the foreign insurer requires conversion, should be taken by the General Assembly or other competent authority of that insurer.

7. In the case where a foreign insurer requires the conversion into a dependent entity, the insurer must take the written consent of the Supervisory Authority of its country.

8. After the approval of the conversion and issuance of the new license, all rights and obligations of a branch of the foreign insurer are transferred to the successor entity.

9. The successor entity must make the necessary changes in the businesses registry and other bodies.

10. The successor entity must inform policyholders for the conversion, by announcing that it is the successor to the branch of the foreign insurer, and that this transformation will not have any consequences for them.

11. A public notice regarding the conversion will be published for five (5) days, in media for public information, covering the entire territory of the Republic of Kosovo, on the expenses of the dependent successor entity.

Article 16 **Revocation of License**

1. An insurer's license may be revoked by the decision of the Central Bank, for one or more of the following reasons:

1.1. if the CBK has approved a plan to end the insurer operations in Kosovo and the insurer has complied with that plan;

1.2. if in the judgment of the CBK, the insurer has engaged in unsafe or unsound practices;

1.3. if the license is issued based on incorrect information and documentation;

1.4. if the insurer has not commenced operations within three (3) months after receiving the license or within a certain period given by the CBK or has ceased to engage in the business of insurance for more than three (3) months;

1.5. if the license of another insurer, which holds considerable interest in the insurer has been revoked, which may affect the performance of insurer in Kosovo;

1.6. if there was a merger, consolidation or sale of substantial assets of the insurer;

1.7. if the activities of insurers differ substantially from those presented in the license

application, and according to the Central Bank, this change is not justified, nor approval has been given by the CBK to such changes;

1.8. if the licensee is a subsidiary of foreign insurer and foreign insurer lost the right to engage in insurance activities in the home country where its head office is located, or

1.9. if there are changes in the main shareholders without the approval of the CBK as required by this Law.

2. The license is revoked by the CBK decision if it is determined that the insurer is insolvent.

3. The CBK's decision to revoke the license of the insurer is done by written notification, stating the reasons for the decision.

4. The decision to revoke a license by the CBK will be published in one or more public information means.

Article 17

Requests for expansion of activities by insurer

1. The insurer, which has a license to conduct certain classes of insurance and requests the exercise of activities in other classes of insurance, must obtain a license for activity expansion for classes that wants to be licensed.

2. The CBK may issue regulation on the criteria and deadlines for processing requests for extension of insurers' activities.

Article 18

Information about the initiation or cessation of insurer's activity

The insurer immediately informs the CBK for starting or cessation of the insurance operations for the specific class of insurance, for which it is licensed in accordance with this Law.

CHAPTER III

REQUIREMENT FOR CAPITAL

Article 19

Charter Capital

1. The charter capital of all insurers licensed to conduct insurance activity in Kosovo for non-life insurance may not be lower than two million and two hundred thousand (2,200,000) Euro. In the case where one or several risks are included in classes 10 to 15 of Article 7 of this Law, the charter capital may not be less than three million and two hundred thousand (3,200,000) Euro.

2. Besides capital, as defined in paragraph 1 of this Article, the insurer must have an additional fund for initial expenses to cover the costs of establishment, operation and management, which in any case should not be less than twenty percent (20%) of capital specified in paragraph 1 of this Article.

3. Shareholders deposit on behalf of insurers corresponding value in cash of the capital and the fund for initial expenses as provided for in paragraph 2 of this Article, in a trust account in one of the banks licensed in the Republic of Kosovo. The capital under paragraph 1 of this Article shall be paid fully before receiving final approval.

4. The charter capital of the insurer cannot be used as collateral to obtain loans or for any other activity of the insurer.

Article 20

Sources of Capital

1. The shareholders of insurers will provide the CBK with information on the source of the charter paid up capital for the establishment of the insurer, as well as any additional capital during the exercise of activities of the insurer.

2. To prove the source of money for charter capital and the addition of this capital, the following documentation will be submitted to the CBK:

2.1. for legal entities:

2.1.1. evidence of the source of capital formation, such as the report of the independent external auditor, the annual financial statements, gifts or other sources intended for use in the purchase of shares of the insurer;

2.1.2. certificate issued by the competent authorities, which provides data for the balance of the legal entity and the fulfillment of tax obligations.

2.2. for natural persons:

2.2.1. evidence of the source of capital formation, such as purchase or sale, gifts, wages, money in bank deposits or other proof of the source of capital formation;

2.2.2. certificates evidencing the fulfillment of tax obligations;

2.2.3. contributions for insurers capital must not derive from borrowed funds from the public, bank loans and other funds the origin of which is illegal.

3. In order to prevent money laundering, the CBK may cooperate with the Financial Intelligence Unit of Kosovo or any other authority in the area of law enforcement in the Republic of Kosovo. The CBK may request additional information from shareholders during the verification of the source of capital.

4. If the origin of capital is not clear to the CBK, this constitutes grounds for denial of the license.

5. CBK may issue regulations to implement the provisions of this Article.

Article 21**Equity**

1. Insurers are obliged to ensure that during financial reporting periods, the level of equity cannot be less than the charter capital.
2. If the level of equity falls below the level of charter capital, the shareholder is obliged within thirty (30) days to add additional capital in order to cover the loss.

CHAPTER IV**GOVERNANCE OF INSURERS AND REINSURERS****Article 22****The organization of insurers**

1. Insurers will be established as a joint stock company and registered at the Business Registration Agency, in accordance with applicable legislation.
2. All provisions related to the governance and ownership of a joint stock company, occurring in the respective Law on Business Organizations, which are not inconsistent with this Law, are applied to insurers.

Article 23**Constitutive Act and Statute**

1. All insurance providers which operate in Kosovo should have a founding act and statute, a copy of which must be approved by the CBK. No insurer, except the branch of foreign insurers licensed in Kosovo, can change its founding act and the statute without the prior written approval of the CBK.
2. The branch of foreign insurers licensed in Kosovo, must notify the CBK regarding any change in its founding act, the statute or equivalent documentation of establishment within thirty (30) days from the effective date of any change.
3. Every insurer, including the branch of foreign insurers keeps in the CBK, a certified copy of the founding act or equivalent documentation, the statute and a list of officers of insurers, together with specimen signatures and a description of their powers.

Article 24**Requirements for adequacy and appropriateness**

1. Every major shareholder, director, senior manager and actuary of the insurer shall meet the requirements for adequacy and appropriateness, regarding the respective position, and is required to be approved by the CBK.
2. The CBK assesses whether a person is adequate and appropriate to hold the corresponding position to the insurer based on the following criteria:

2.1. criminal history;

2.2. integrity, honesty and dedication in fulfilling his duties;

2.3. competence, professional skills and sound judgment in the performance of his duties;

2.4. independence in order not to violate the interests of the insurer's from the conflict of interest that may arise while on duty.

3. Requirements for adequacy and appropriateness should be applied by persons specified in paragraph 1 of this Article all the time.

4. The CBK can adjust and set the criteria for the evaluation of persons' appropriateness from this Article.

Article 25 **Insurers' bodies**

1. Bodies of insurers are:

1.1. The General Assembly of Shareholders;

1.2. Board of Directors, and

1.3. Senior Management.

Article 26 **The general assembly of shareholders**

1. The General Assembly of Shareholders of the insurer consists of all shareholders.

2. The meeting of the General Assembly of Shareholders is held at least once a year or more frequently at the request of shareholders, Board of Directors or upon the order of the CBK.

3. Board of Directors, unless otherwise provided by this Law, convenes the General Assembly of Shareholders.

4. Each shareholder, who is placed in the list of shareholders on the register thirty (30) days prior to the meeting of the General Assembly of Shareholders, is entitled to vote at the general meeting of shareholders.

5. The insurer covers the cost of the session of the General Assembly of Shareholders.

6. The request for calling the meeting of the General Assembly of Shareholders may be submitted by:

- 6.1. shareholder or group of shareholders with more than ten percent (10%) of the total number of shares with voting rights;
 - 6.2. at least two (2) members of the Board of Directors;
7. The request for calling the meeting of the General Assembly of Shareholders with the proposed agenda, is submitted to the Board of Directors in writing.
8. The General Assembly of Shareholders of the insurer shall have the responsibility for:
- 8.1. establishment of initial capital through emission and increase of common shares and emission or increased of preferred shares;
 - 8.2. the selection and dismissal of members of the Board of Directors;
 - 8.3. name and address of the insurer's headquarters;
 - 8.4. compensation for the members of the Board of Directors;
 - 8.5. appointment of the external auditor, and;
 - 8.6. annual financial reporting of the external auditor;
 - 8.7. other decisions, as defined by the statute of insurers.
9. Other aspects of the General Assembly of Shareholders will be governed by the applicable Law on Business Organizations, to the extent not inconsistent with the provisions of this Law.

Article 27 **Board of Directors**

1. The Board of Directors is consisted of not less than five (5) voting members who are appointed and dismissed by the General Assembly of Shareholders, with four (4) years term, with re-appointment possibility.
2. Besides the CEO, who is ex officio member of the Board of the company, all other members of the Board of Directors should be non - executive directors,
3. The Board of Directors elects its chairperson from one of its non-executive members.
 - 3.1. The Chief Executive Officer is a member of the Board of Directors ex officio without voting right;
 - 3.2. any member of the Board of Directors of the insurer must meet the requirements for adequacy and appropriateness, as per Article 24 of this Law.
4. Senior public officials, can serve as members of the Board of Directors of any insurer, subject to limitations prescribed by law on the prevention of conflict of interest, in practicing of public

functions.

5. This Article does not apply to the branch of foreign insurers.

6. The members of Board of Directors shall inform the shareholders of potential conflict of interest.

Article 28 **The Duties of Board of directors**

1. The Board of Directors of the insurer ensures that the activities of the insurer are conducted in accordance with applicable legislation, CBK sub-legal acts and internal rules and procedures of insurers.

2. Without prejudice to the conduct of activities under paragraph 1 the Board of Directors of the insurer is responsible for:

2.1. approval of the organizational structure of the insurer;

2.2. appointment and dismiss of senior managers of insurers;

2.3. supervision of the work of the senior management of the insurer;

2.4. approval of the annual budget and business strategy of the insurer;

2.5. approval of policies and procedures, in accordance with which the insurer operates, including, in particular, policies and procedures related to risk management;

2.6. establishing policies and procedures to address conflicts of interest and ensure their implementation;

2.7. ensuring the establishing, functioning, adequacy and sufficiency of internal control and risk management systems of the insurers;

2.8. ensuring appropriate setting for functioning of internal audit;

2.9. proposal of the external auditor and after approval by the CBK, proposes appointment to the General Assembly of Shareholders;

2.10. ensuring that the insurer has conducted annual external audit, which includes the auditor's opinion about the authenticity and accuracy of the financial statements of the insurer;

2.11. creation and establishing of a suitable compensation policy for senior management. The policy should take into account the performance of senior management and the insurers and should not include incentives that would encourage reckless behavior;

2.12. performing other functions as prescribed by the statute of insurer;

2.13. examining insurer's statements before such statements are approved by its governing bodies;

2.14. examining other financial reports as defined by the CBK.

Article 29

Meetings of the Board of Directors

1. The Board of Directors shall meet as required, but not less than once every three (3) months.
2. The CBK may require the insurer to hold a special meeting of the Board of Directors, if it considers this necessary, to consider the issues presented, in the written, by CBK.
3. Decisions of the Board of Directors are valid when there is presence and voting majority of its members.
4. Decisions are taken by simple majority of the votes of at least a majority of members present to constitute the quorum, except when the insurers' statute required a higher majority for decisions.

Article 30

Committees of the Board of Directors

1. The Board of Directors should establish an audit committee, risk management committee and investment management committee.
2. The insurer may also establish other committees according to its assessment. The CBK within its competence, may require the insurer to establish special committees.
3. The insurer shall establish an audit committee, which consists of not less than three (3) members, majority shall be non-executive members of the Board of Directors of the insurer and one of the members of the audit committee should be external expert, who must have not less than three (3) years' experience in finance, accounting and auditing.
4. The Audit Committee, among others, has following tasks:
 - 4.1. monitors the financial reporting process;
 - 4.2. monitors other financial reports set by the CBK;
 - 4.3. recommends insurers to maintain and implement internal procedures for the management of insurer, and reviews and evaluates those procedures;
 - 4.4. considers investments and transactions, which may have adverse effects on the operation of the insurer, as suggested by the internal auditor or any person responsible within the insurer;
 - 4.5. proposes the head of internal audit unit and monitors the activities of the internal audit unit;

4.6. gives recommendation for the appointment of external auditors and monitors its independence;

4.7. considers internal control procedures.

5. The Audit Committee meets at least four (4) times a year in ordinary and extraordinary meetings whenever called by the Board of Directors of the insurer. Decisions are made by majority vote of all members present.

6. The Audit Committee reports to the Board of Directors and helps the latter in the decision making process and oversight of insurer.

7. The Board of Directors of each insurer shall establish a risk management committee, which consists of at least three (3) members of the Board of Directors. Risk Management Committee assists the Board of Directors in the development, approval and monitoring of the implementation of risk management policies of insurer. In particular, the committee must:

7.1. review and evaluate proposed policies, strategies and procedures for the insurer's risk management and makes recommendations to the Board of Directors for their approval;

7.2. assist the board of directors to ensure that the risk management program for the insurer is implemented in accordance with the policies, strategies and ceilings approved by the Board of Directors and with the laws into force and regulations of CBK;

7.3. monitor the implementation of those policies and strategies, by receiving reports from senior management and risk management unit within the insurer;

7.4. periodically review the policies and strategies for risk management of insurer and recommend to the Board of Directors any changes that the committee deems necessary, and

7.5. perform other duties assigned by the Board of Directors for dealing with risk management program for the insurer.

8. The Board of Directors of each insurer shall establish investment management committee, which consists of at least three (3) members, of whom, one must be a non-executive member of the Board of Directors.

9. This Article does not apply to foreign insurer to the extent that comparable and acceptable requirements to the CBK, are applied in the legislation under which foreign insurer is licensed in their home country.

10. The CBK may adopt other rules for the functioning of the committees of the Board of Directors of the insurer.

Article 31

Senior Management

1. The Chief Executive Officer should be resident and shall be appointed by the Board of Directors of the insurer.

1.1. Chief Executive Officer of the insurer:

1.1.1. is responsible for ensuring the legality of the activities of insurers and implementation of defined strategy of activities of insurer;

1.1.2. represents the insurer and acts as its legal representative;

1.1.3. implements the decisions of the General Assembly of Shareholders, the audit committee and Board of Directors;

1.1.4. organizes and manages the daily operations of the insurer;

1.1.5. takes decisions on all matters that are not within the competence of the General Assembly of Shareholders, the audit committee and Board of Directors of the insurer, and

1.1.6. performs other functions, in accordance with applicable laws and statutes of the insurer.

2. Deputy Chief Executive replaces CEO in his absence and if the insurer has not appointed Deputy CEO, then Chief Executive Officer authorizes in writing, one of the top managers to replace him and to exercise his powers, temporarily.

3. All senior managers reporting to the Board of Directors on any interest, directly or indirectly related to individuals with any person or entity with whom the insurer has entered or intends to enter into a business relationship.

Article 32

Qualification of Directors and Senior Managers

1. Each director and senior manager of the insurer should be capable and appropriate with good reputation, who must meet the criteria set by the CBK regarding qualifications, experience and integrity.

2. Except as provided in Article 24 of this Law, a person shall not be eligible if the one:

2.1. is sentenced by a final court decision for a criminal offense, with six (6) or more months sentenced;

2.2. is removed from office of a provider upon the request of the CBK;

2.3. upon a decision of the competent authorities, the right to exercise the profession

has been suspended and removed;

2.4. has been a director or senior manager of an insurer whose license is revoked, or failure of payment or forced liquidation of the insurer was initiated during his term.

3. A person is considered qualified if that person have university degree and has adequate experience, as required by CBK regulation.

4. A person cannot be appointed or elected as a director or senior manager of the insurer, if that person has served during six (6) previous months in the CBK.

5. Once being aware of circumstances which indicate that any director or senior manager may not be the appropriate and right person, insurers should immediately notify the CBK.

Article 33

Appointment of Directors and Senior Managers

1. No person can perform the function of a member of the Board of Directors or senior manager of an insurer, if t has not previously received written approval from the CBK.

2. Paragraph 1 of this Article applies to branches of foreign insurer only about senior managers.

Article 34

Conflicts of Interest and Related Party Transactions

1. Directors and senior managers should avoid private interests which create conflict with the interests of the insurer.

2. Notwithstanding paragraph 1 of this Article, the directors previously inform the General Assembly of shareholders, senior managers inform the Board of Directors, if they have such private interests which affect their judgment for certain transactions or issues, creating a conflict of interest. Private interests are those interests that are based on or derived from:

2.1. the relationship of the property directly or indirectly of any nature;

2.2. any other civil and legal relations;

2.3. gifts, promises, favors, preferential treatment;

2.4. commitments in private activities for profit or any other activities which generate income;

2.5. relationships with related parties.

3. The declaration of private interests as defined in paragraph 2 of this Article shall be notified in writing to the General Assembly and the Board of Directors, not less than once a year.

4. Business relationships and transactions with related parties, in which a member of the Board

of Directors has an interest, shall be performed in accordance with normal market conditions.

5. The insurer must establish procedures for dealing with conflicts of interest, which should include information on the potential conflict of interest, special requirements for transactions to be carried out in accordance with normal market conditions, as and when deemed appropriate, obtaining the prior approval of the Board of Directors or the General Assembly of Shareholders for the performance of those transactions.

6. The Board of Directors may authorize and establish special committees, which are charged with the responsibility of handling conflicts of interest.

7. The insurer creates an appropriate system of internal control, for transactions with persons or related parties, including the monitoring of contracts, agreements or arrangements of a long-term importance to the insurer in terms of conflict of interest.

8. In case of non-declaration of conflict of interest, in accordance with this Article, or when the contract or legal action is related to the conditions of existence of conflict of interest, the following measures will be taken:

8.1. The Board of Directors and any shareholder of the insurer have the right to ask the court to declare the contract invalid or other legal action;

8.2. The CBK has the right to require from the insurer the dismissal of the proper person.

9. The provisions of this article for foreign insurer are applied only to its top managers.

Article 35

Principal Shareholders Requirements

1. The ownership of shares in an insurer, where a shareholder directly or indirectly reaches or exceeds the level of being a major shareholder, will be made only with the prior approval of the CBK after applying to be a major shareholder.

2. Except as provided in paragraph 1 of this Article, the CBK shall adopt any further ownership of shares equal or exceeding ten percent (10%), twenty percent (20%), thirty percent (30%) and fifty percent (50 %) of the voting rights or participation in the capital of insurers.

3. A shareholder who has received approval provided for in paragraphs 1 and 2 of this Article will inform the CBK if it requires reducing its participation in stocks.

4. The CBK may outline the rules on the main shareholders originating from other countries, as well as on cooperation of the CBK with supervisory authorities of those countries.

5. The CBK may approve principal shareholders, if the requirements laid down in accordance with the provisions of this law are met and may refuse approval of main shareholders, if it determines that:

5.1. actions performed, in the past, by the main shareholder or persons/related parties could aggravate actions related to the rules of risk management, or could hinder or make impossible the exercise of oversight by the CBK;

5.2. in the case of request from key external stakeholders, implementation of legislation or legislative practices of its country, making it difficult or impossible to exercise oversight of the CBK.

6. If the CBK evaluates that a person who is a major shareholder in an insurer, acts contrary to the provisions of this law and the rules for careful and appropriate management of the insurer, it can take appropriate measures for the completion of this situation.

CHAPTER V THE PORTFOLIO ASSIGNMENT AND DELEGATION OF FUNCTIONS

Article 36 Transfer of Insurance Portfolio

1. The insurer may, with the approval of the CBK, transfer through an agreement to another insurer, all or part of its insurance portfolio, signed in one or several specific classes of insurance with all the obligations and rights. For the purposes of this Law, the insurer which transfers insurance portfolio will be called the transferring insurer, and the insurer to whom insurance contracts are transferred, the insurer is called the receiving insurer.

2. Except as provided in paragraph 1 of this Article, the insurer transfers the assets covering technical and mathematical provisions, equal with calculated technical and mathematical provisions, to cover the liabilities of the insurance portfolio to be transferred.

3. The portfolio insurance can be transferred to the receiving insurer, after it has received the approval of the CBK to accept insurance portfolio.

4. For transfer of insurance portfolio the approval of the insured is not required.

5. The insurer receiver shall notify the insured about receiving the transfer of the insurance portfolio, by means of public communication in the territory, where is the risk covered by transferred insurance contracts, within ten (10) calendar days from the date CBK approval of the transfer of the portfolio.

6. The insurer may transfer its portfolio of insurance:

6.1. to an insurer with headquarters in the Republic of Kosovo, licensed by the CBK;

6.2. to branch of a foreign insurer licensed by the CBK.

7. The transferring insurer submits to the CBK, within fifteen (15) calendar days from the portfolio transfer day, a documents proving that the transfer is done.

8. If the portfolio transfer is not done under agreement, the CBK may withdraw the approval.

Article 37**Request for Transfer of Insurance Portfolio**

1. The request for transfer of the insurance portfolio is made in writing by the transferring insurer and contains:

1.1. approval of the transfer by the General Assembly of Shareholders and Board of Directors of the insurers transfer;

1.2. approval of the transfer of the receiving insurer by the General Assembly of Shareholders and its Board of Directors;

1.3. list of insurance contracts, divided by classes of insurance, along with their special and general conditions required, as well as technical and mathematical calculations required for insurance classes in question;

1.4. assets covering technical and mathematical provisions, including their respective value, and all data that can be used to verify the calculation of those values;

1.5. changed business plan which is needed to transfer the insurance portfolio, the receiving insurer;

1.6. the contract of insurance portfolio transfer;

1.7. the timeline for portfolio transfer.

Article 38**Approval and Denial of the Request for Transfer of Insurance Portfolio**

1. The CBK will approve or deny the transfer of the insurance portfolio within thirty (30) calendar days from the date of receipt of completed applications under the provisions of Articles 36 and 37 of this Law.

2. In case when the receiving insurer is a branch of foreign insurer, the CBK decides for approval only if the home country supervisory authority gives a written approval.

3. The CBK rejects the request for the transfer of the insurance portfolio if:

3.1. the receiving insurer is not licensed to practice in the insurance classes belonging to the insurance portfolio to be transferred;

3.2. the value of assets covering technical and mathematical provisions of the receiving insurer is lower than the value of provisions that should be created against the insurance portfolio, which will be transferred.

3.3. the insurer does not meet the entrance requirements for insurance classes belonging to portfolio to be transferred or if by the acceptance of portfolio the activity of the receiving insurer with respect to the rules of risk management may worsen.

4. The CBK may issue regulations by which establishes additional requirements in connection with the transfer of the insurance portfolio.

Article 39 **Approval of Delegating Functions**

1. The insurer may delegate functions, after obtaining the prior written approval of the CBK.
2. The insurer's functions may be delegated only by a written contract under which the insurer transfers a part of its functions to another person.
3. The contract for the delegation of functions must contain a clause stipulating that the insurer delegating the responsibility is responsible for the functions transferred to another person. The contract for the delegation of functions should also determine that the person receiving the delegated functions will be subject to supervision by the CBK.
4. The CBK may refuse or withdraw approval of delegation of functions if:
 - 4.1. the interests of the insured are at risk;
 - 4.2. becomes difficult or impossible for the supervision in connection with the delegated functions;
 - 4.3. the receiver of delegated functions has no jurisdiction for the delegated functions.
5. The CBK may with sub-legal acts prescribe additional conditions and criteria for the delegation of functions.

Article 40 **Exercising Oversight of Delegated Functions**

1. The provisions of this law on the supervision of insurer shall apply adequately on the person exercising the delegated functions.
2. The insurer and the person who performs delegated functions, upon the request of the CBK presents the data on legal status, financial condition and activity of the person who has signed the contract for the delegation of functions, as well as any documents and other information required by the CBK.
3. The external auditor of the insurer has the right to require from the person exercising delegated functions any information related to the audit performance.

CHAPTER VI MERGERS AND ACQUISITIONS

Article 41 Mergers and Acquisitions of Insurers

1. No insurer can join any other insurer or acquire either directly or indirectly, accept the assets or liabilities of any other insurer, without prior approval of the CBK.
2. Requirements to join and acquire the assets or liabilities of the insurer are made in the form prescribed by the CBK and accompanied by the information required by the CBK.
3. The insurer licensed for life insurance, presents to the CBK a report drafted by the actuary who certifies that the merger or acquisition is not contrary to the interests of the insured and insurers involved in those processes.
4. For the purposes of deciding on an application filed under this Article, the provisions of this Law for the licensing of insurers shall apply adequately.
5. Before deciding on the merger of the insurers the CBK may seek the opinion of the competition agency.
6. The CBK may issue other regulations for the implementation of this Chapter.

CHAPTER VII CAPITAL AND NAME CHANGE

Article 42 Approval of Changes in Equity of the Insurer

1. Any change of insurer capital are subject to prior approval by the CBK.
2. In case of the capital increase the insurer shall submit to the CBK the data on the source of the capital.
3. If the insurer's capital increase is carried out by its internal resources, the insurer submits to the CBK the required data about the source of raising the capital, including a certificate issued by the external auditor of the insurer, certifying the adequacy of those resources within insurer's structure.
4. The CBK may require the increase of capital, if such a thing is deemed necessary.

Article 43 Change of Name

The change of the name of the insurer is subject to prior approval by the CBK. The insurer must notify the insured on change of the name.

CHAPTER VIII INSURANCE CONTRACTS

Article 44 The Insurance Contract

1. The insurance contract is the act through which the insurer undertakes certain risks, against a payment of the premium, which in case of the occurrence of the insured event, to pay policyholders, beneficiaries or third party the damages.

2. Insurance contracts must meet the conditions set by this Law and applicable Law on the Obligational Relationships.

Article 45 The Form of the Insurance Contract

1. The insurance contract shall be in writing, in the form of insurance policy or in the form of another act in writing.

2. Written requests and proposals of the insured addressed to the insurer, to establish an insurance contract, as well as written answers of the insurer on questions of the insured for the relevant circumstances related to the assessment of the nature and extent of the threat, are an integral part of the file. The contract includes elements that are agreed between insurer and the insured.

Article 46 Terms and Content of the Insurance Contract

1. The insurance contract contains general conditions drafted based upon the following principles:
 - 1.1. the person, who will award the contract, should have an insurable interest and to claim the rights arising under the contract;

 - 1.2. the insured amount can be up to the value of insurable interest, but not higher than this value, unless the nature of the activity/risk requires it;

 - 1.3. the claims incurred as a result of unlawful deliberate acts or omissions of the insured are not covered;

 - 1.4. the risks that have occurred and/or are known to have occurred cannot be insured;

 - 1.5. an interest insured for its full value cannot be insured by the same insurer more than once, unless such insurer and the other insurer are fully informed and have agreed mutual obligations towards one another;

 - 1.6. persons who have moral or monetary gain from the life of another person can insure this person's life only with the written consent of the latter.

2. The contract of insurance shall contain:

- 2.1. names and addresses of the parties;
- 2.2. the scope of the contract;
- 2.3. terms of the contract;
- 2.4. risks covered and the exclusions or limitations of coverage;
- 2.5. the manner and cases of renewal change of contract;
- 2.6. the manner of cancellation of a part or the whole contract, methods of calculations and payments of the gained value from the cancelation;
- 2.7. ways of weaning full or partial cancelation of contract;
- 2.8. obligations of the parties and the legal consequences of their non-fulfillment;
- 2.9. the manner and deadlines for the payment of compensation, and the consequences of non-payment or incorrect payment by the insurer;
- 2.10. insurance amount, its evaluation method and terms of payment;
- 2.11. insurance premium and the manner of its calculation;
- 2.12. payment conditions of the premium and the consequences of non-payment or incorrect payment;
- 2.13. in case of signing the contract by the mediator, the contract should include: name, address and license of the broker;
- 2.14. date and place of signing the contract;
- 2.15. obligations of the policyholder in the event of the occurrence of the insured event and his burden of proof;
- 2.16. rules for annuities capitalization in case of illness, accident and third parties insurance, if they are associated with annuity payments;
- 2.17. rules for out of court settlement of disputes and complaint procedures.

3. Special conditions may be added to the insurance contract related to specific issues, which are not inconsistent with the principles mentioned in this article.

4. General conditions are published on the website of the insurer.

5. General conditions accepted by the insured, are an integral part of the insurance contract. In case of discrepancies of the special conditions of the insurance contract with the general conditions, the provisions of the special conditions, which are specified in the contract shall prevail.

6. The insurer is obliged to inform customers about the general conditions of insurance before signing the insurance contract. The general conditions are attached a questionnaire drafted by the insurer.

7. Any changes or replacement of general conditions or their new drafting, during the period of validity of the insurance contract is valid and binding for the insured, unless for the modification or replacement of the general conditions of the contract the insured notified in advance and has given written approval.

8. General and specific conditions of insurance contract must be clearly written and easily understandable.

9. The terms of the insurance contract should not be contrary to the provisions of the legislation in force in the field of insurance practices and principles of honesty and trust. Coverage specified in the insurance contract must be expressed clearly and accurately, in order to prevent disorientation and delusion, and not violate the rights and benefits of the insured. Besides the risk cover, the insurance contract must state clearly also the excluded risk.

Article 47

Life Insurance Contracts

1. Life insurance contract must comply with the provisions of the Law on Obligational Relationships.

2. The procedures and technical issues for the life insurance contract are defined in regulations adopted by the CBK.

Article 48

Handling of Claims for Damages and Compensation Payments

1. In case of occurrence of the insured event, the insurer is obligated to provide compensation to policyholders up to the insured amount.

2. The insurer handles any claim for damages, and makes payment to the extent appropriate and within the time specified in the insurance contract.

3. The processing of requests for indemnification by the insured includes a personal assessment of damages by the insured.

4. The compensation of claims is handled by the insurer on timely, impartial, fair and transparent manner.

5. The insurer creates an internal system for handling compensation claims, as well as establishes and adopts internal procedures for handling and resolving those claims.

6. The insurer is not liable to pay the amount, which exceeds the amount of the insurance, unless otherwise stipulated by the parties to the contract.

Article 49

General Principles of Liability for Information

1. The insurer and the broker must inform the insured before signing the contract regarding the subject of insurance coverage and other issues. Obligations on information will initiate before signing the contract, and continues throughout the period of validity of the contract.

2. For the information under paragraph 1 of this Article the insurer shall inform in writing the person who has signed the insurance contract. It guarantees that the information communicated to the parties is sufficient.

3. Before signing and during the period of validity of the contract, based on the principle of good faith, the Insurer helps the client to understand the technical aspects of insurance coverage and other elements of the insurance contract, through providing information orally and in writing, by not acting fraudulently and misleadingly.

4. Before signing and during the contract validity period the insurer shall inform the client of any conflict of interest that may have with another party, including all legal and economic connections, which affect the performance of the insurer's obligations to the client .

5. All obligations of the insurer before signing and during the contract validity period shall also apply to intermediaries.

6. The insurer fulfills the obligation to inform the other persons who benefit from the insurance contract, if required by such persons.

Article 50

Liability for Information before Signing the Contract

1. The insurer and the broker must give in writing to every client all necessary information, before signing the insurance contract, regarding the relevant type of insurance. This information should contain:

1.1. the name of the insurer, and headquarters address of the insurer;

1.2. the address of the branch headquarters, through which the signing of the insurance contract is done;

1.3. the internal procedures of handling requests for compensation, and the structure responsible for their treatment;

1.4. the covered and excluded risks, as well as the possibilities for changing the contract in accordance with the general conditions;

1.5. the terms and modes of settlement and termination of the contract;

1.6. methods of calculating the premium, terms and payment of contract, the consequences of premium non-payment and premium measures that correspond to the basic and additional coverage;

1.7. requirements and deadlines for the payment of compensation and the amount of insurance;

1.8. methods of calculation and distribution of bonuses, if any;

1.9. extra-judicial procedures for resolving disputes between the parties with respect to the insurance contract, in accordance with the internal rules of the insurer without affecting the right of appeal to the court;

1.10. conditions for solving unilateral contract;

1.11. general data on tax liabilities and commissions related to the insurance contract.

2. Excluded from the definition of paragraph 1 of this Article, such information may be given orally if requested by the client, if the latter requires immediate coverage. In this case, immediately after signing the contract, the insurer gives the client the information in writing. Signing of the insurance contract, its annexes or conditions means agreeing with the information given orally and acceptance of its terms.

Article 51

Mandatory Information during the Period of Validity of the Contract

1. The insurer and the broker will inform the insured of any changes to insurance legislation, liquidation, merger, or closure of the insurer in any way, the revocation of license for a certain class or all classes of insurance, and any change or another event, which affect the rights and obligations of the insured, within ten (10) calendar days from the date of the occurrence.

2. The insurer and the broker will comply with the obligation to information, during the period of validity of the contract, via the official website, mail, fax, email, or other means of communication acceptable to CBK.

3. The liability for information can be made via phone, if telephone conversations are recorded by a magnetic or digital means, so that the insurer can prove it.

Article 52

Coinsurance Contract

1. Through a coinsurance contract, two or more insurers coinsure types of insurance risks, which have a license from CBK.

2. The insurers share, among themselves, responsibilities undertaken through an insurance contract, signed by them.

3. In a coinsurance contract parties must specify:

- 3.1. primary insurer;
 - 3.2. the relevant part, for which insurers assume responsibility;
 - 3.3. the distribution of insurance premiums;
 - 3.4. the general conditions applicable.
4. Any relationship with the insured under the insurance contract, is performed by leading insurer, unless specified otherwise. Leading insurer is responsible for the contract in the name and on behalf of all coinsurers.
5. The principal insurer informs the insured about the circumstances set out in paragraph 2 of this Article, in cases where those conditions are not expressed in the insurance contract.
6. Once the insurer has received notice under paragraph 5 of this Article, any coinsurer is responsible for his part, in accordance with the extent of the responsibilities assumed, unless otherwise provided by the contract of insurance.
7. The CBK may adopt special rules in relation to the coinsurance contract.

CHAPTER IX CLIENT CARE AND PROTECTION

Article 53 Informing the Public

1. The insurer takes all technical and administrative measures to create information technology infrastructure, in accordance with the requirements by CBK, to inform the insured or other interested persons regarding legal developments and changes in the insurance sector.
2. The insurer prepares website in an easily readable format, and will contain at least the following information:
 - 2.1. general information about the insurer, shareholders and administrative structure, capital of the insurer;
 - 2.2. the insurance classes, insurance services and products offered to those classes;
 - 2.3. information on specific conditions, risks and coverage which is not provided regularly for an insurance product, but that may be included in addition to the provisions of the special conditions;
 - 2.4. information on the rights and obligations of the insured and other parties, as well as the procedure to be followed in case of the occurrence of the insured event;
 - 2.5. information on applicable provisions;

2.6. address, email, phone and fax numbers of all units of insurers, including those of the main headquarter;

2.7. procedure for handling compensation claim;

2.8. electronic forms which allow policyholders and other interested parties to make requests for information and damage compensation via the Internet;

2.9. statistics and other relevant information;

2.10. the most recent audited financial statements along with the external auditor opinion.

3. The insurer provides information technology infrastructure that enable policyholders and other interested parties, in order to update via the Internet information related to the insurance contract.

4. The CBK may also determine other information that must be published pursuant to paragraphs 2 and 3 of this Article.

5. The CBK may publish on its official website the information from this Article and other data collections, according to its assessment.

Article 54 **Right to appeal**

1. If the insured finds that the insurer does not comply with the conditions set in the contract of insurance, he may file a complaint with the insurer.

2. The Insurer responds to every complaint submitted in written or in electronic form by the insured or other persons interested and provides any information requested related to the insurance contract.

3. The insurer must establish an internal system for handling complaints and internal procedures for handling and resolving these complaints.

4. Complaints of the insured are treated impartially and within the time specified by sub-legal acts.

5. The insured has the right to address the CBK for any dissatisfaction regarding handling of his complaint by the insurer. The insured can address the CBK for complaints against insurance intermediaries or loss adjustors or other insurance professionals.

6. When deemed necessary the CBK returns for insurers review the case of complaint. Within its supervisory powers the CBK assesses whether the insurer implements best practices, professional rules, the requirements of the law and the terms of the insurance contract.

7. Complaint procedures and review are determined by the CBK regulation.

8. The CBK will maintain statistics on complaints which receives from policyholders.

Article 55

Settlement of Disputes

1. The Insurer designs and adopts appropriate internal procedures to be applied by the insurer in cases where the parties agree that disputes between the insured and the insurer or intermediary clients must be resolved out of court.

2. The insurer publishes information on the rules of out of court settlement of disputes as part of the terms of the insurance contract.

3. In cases of disagreement due to uncertainties created by the language used in drafting of the terms of the insurance contract drafted by the insurer, the resolution of disputes will be by interpreting the conditions in favor of the insured.

4. The CBK may require the creation of a forum of arbitration to resolve disputes between the insured and the insurer and the arbitration procedures may be determined by a regulation.

CHAPTER X

PROFESSIONAL CONFIDENTIALITY

Article 56

Confidentiality

The Insurers and brokers are required to maintain the confidentiality of data, facts and circumstances related to the insured, which are known in the exercise of their activity.

Article 57

The Obligation to maintain confidentiality

1. Shareholders, Board of Directors, senior managers, employees and any employee of the insurer, who in the exercise of their operations use confidential information, should not give them to third parties, to use against the interests of insurers and its clients or allow their use by third parties.

2. The obligation of confidentiality shall not apply if:

2.1. the insured in writing expressly approved their issuance;

2.2. the information is required in criminal proceedings and such a request is made in writing by a competent court;

2.3. the information is required in investigations by the Prosecutor;

2.4. in the cases provided for in laws and regulations to prevent money laundering and financing of terrorism;

2.5. the information is required by the CBK in order to exercise supervision within its competence;

2.6. the information is required by tax authorities;

2.7. the information is provided under the Law on Compulsory Motor Insurance Liability.

3. The obligation of confidentiality applies even after the persons mentioned in paragraph 1 of this Article are removed by the insurer except in cases provided for in paragraph 2 of this Article.

4. The obligation of confidentiality shall also apply to insurance intermediaries and other professionals in insurance.

5. The CBK and other bodies referred to in paragraph 1 of this Article, use confidential information only for the purposes for which they were given the information.

Article 58

The Collection, Storage and Use of Personal Data

1. The insurer collects, stores, and uses personal data, which are required to sign insurance policies and for resolving complaints arising from any insurance issues under this Law, in accordance with the Law on Personal Data Protection.

2. Insurer creates, preserves, and maintains databases:

2.1. for insured persons;

2.2. for claims incurred;

2.3. for assessment of insurance coverage and compensation amounts.

CHAPTER XI

RISK MANAGEMENT

Article 59

Risk management rules

1. The insurer is obligated to maintain the level of capital in an adequate volume to undertaken risks ratio.

2. The insurer is obligated to do business in a way that risks to which it is exposed in specific jobs, respectively in all insurance activities, which exercises, do not exceed the values or limits prescribed by this Law, as well as provisions adopted under it.

3. The insurer is required to do business in a way to be able to meet its accepted liabilities on timely manner (the principle of liquidity), in order to be able to consistently meet all obligations (principle of solvency - the ability to pay).

4. The insurer designs and adopts policies and procedures which are clear and detailed for identifying, measuring, monitoring and prevention of risks to which may be exposed during the exercise of operations.

Article 60 **Insurer's capital**

1. Every insurer is required to maintain a minimum level of capital, which should be adequate for the type and scope of its insurer activities in accordance with the risks to which it is exposed. The calculation of the insurer's capital is determined by a special regulations issued by the CBK.

2. The CBK establishes a minimum level of capital for insurers, and methods of calculation, taking into account International Accounting Standards, including principles issued by the International Association of Insurance Supervisors.

3. The CBK may order the insurer to increase its capital to the required level, taking into account the number of classes of insurance and risk exposure of the insurer. For each additional class of insurance, the company may be required to add additional capital, as shall be determined by special regulations by CBK.

Article 61 **Calculation of Capital**

1. Every insurer maintains a level of capital which is adequate for the type and scope of its insurer activities, in accordance with the risks to which it is exposed.

2. In order to implement the rules on risk management, insurer's capital (hereinafter "capital") is calculated by taking into account International Standards of Accounting, including principles issued by the International Association of Insurance Supervisors. .

3. Throughout insurance activity the insurer must maintain a minimum level of required capital, minimum solvency and liquidity margins.

4. The payment capability (solvency) is defined as total of assets, subtracting unacceptable assets and total liabilities, excluding capital requirement.

5. The CBK regulations will determine the equity method of accounting the minimum margin of solvency and other liquidity indicators.

Article 62 **The Required Solvency**

1. The required solvency of the insurer, which conducts insurance activities in the group of non-life insurance is required to be the same as the limit of solvency calculated based on the ratio of premiums, respectively claims, whichever is higher.

2. The required solvency (solvency) for insurers which operate throughout the course of the insurer's activities should not be lower than the minimum solvency required from the insurers, set by the CBK.

3. The required solvency margin of the insurer which carries out life insurance classes, can be calculated as defined by a special regulations issued by the CBK.

4. The required solvency margin of the insurer, which carries life insurance activity, is calculated as the total sum of the results obtained by the methods used. Methods and ways of calculating the required level of solvency for the insurer that operates in life insurance classes, is defined by the CBK regulations.

Article 63 **Financial Recovery Plan**

1. In case of violation of rights of the insured, the CBK may require from the insurer, a maximum three (3) year financial plan with proposed measures, for financial recovery, which should include, but not limited to:

1.1. evaluation of management expenses, managing expenses, respectively, as well as the comparison with the total costs and provisions;

1.2. detailed assessment of revenues and costs from direct jobs insurance affairs;

1.3. projected financial statements;,,

1.4. assessment of the financial means needed to achieve the balance of capital and cover all of the insurer liabilities;

1.5. reinsurance policy.

2. The CBK may require greater capital than that provided by the provisions of this Law, if it estimates that due to the weakened financial position of insurers, the rights of the insured are jeopardizing. The amount of capital needed is determined based on the financial plan, as well as with the proposed measures.

3. The CBK may require lowering the value of the assets of the insurance company, which is included in the calculation of the capital of the insurer, if a change of the market value of the asset has occurred.

4. CBK may require adaptation of calculation of the solvency limit of insurers for the amount of reinsurance, if the income or quality of reinsurance contract compared to the previous business years has changed significantly or reinsurance contracts do not make possible the transfer of the balance of risk.

Article 64 **Liquidity management**

1. The insurer manages financial resources and its investments in a manner as to ensure adequate funding at any time of their responsibilities when payment deadline comes.

2. In order to be protected against liquidity risk, the insurer adopts and implements policies to manage liquidity, which includes:

- 2.1. planning of cash flows;
 - 2.2. systematic monitoring of liquidity;
 - 2.3. implementation of appropriate measures to prevent and eliminate the causes of lack of liquidity.
3. The insurer calculates the amounts of liquidity funds at a minimum on a quarterly basis.
 4. The insurer calculates rates and minimum level of liquidity on the basis of methods prescribed by regulation by the CBK.

Article 65
Reporting to the CBK

1. The insurer calculates and sends periodically:
 - 1.1. financial Reports: statement of financial situation, profit and loss account, the risk ratio, the cash flow report and report on changes in capital (equity);
 - 1.2. required level of solvency;
 - 1.3. technical provisions associated with the authorized actuary's opinion;
 - 1.4. amount and type of investment, which are not funded by the risk premium;
 - 1.5. value of assets covering technical provisions;
 - 1.6. types, distribution, reconciliations of assets with liabilities and location of assets covering technical and mathematical provisions and;
 - 1.7. program and reinsurance contracts;
 - 1.8. liquidity ratio;
 - 1.9. risks taken for each insurance class;
 - 1.10. statistical data on insurance;
 - 1.11. business plan for next year;
 - 1.12. other information required by the CBK.
2. The required solvency in quarterly and annual basis, calculated according to the CBK regulations.
3. The CBK by specific regulations establishes the method, manner, content, form and timing of report.

Article 66
Distribution of Dividend

1. The insurer cannot distribute any dividends to shareholders, without prior written approval from the CBK.
2. The CBK may refuse the request for distribution of dividend, if, in its judgment, the dividend payment would hinder the financial condition of insurers.

Article 67
Technical Provisions

1. The insurer shall establish and maintain throughout the insurer activity, sufficient level of signed technical provisions to cover liabilities and losses from risks arising from insurance contracts. Technical Provisions are calculated gross, without deducting reinsurance ceded, in accordance with actuarial principles and regulations adopted by the CBK.
2. The insurer provides the following types of technical provisions:
 - 2.1. gross provision for unearned premiums;
 - 2.2. provisions for unexpired risks;
 - 2.3. provisions for protection against investment risk;
 - 2.4. other technical provisions.
3. Provision for gross claims reserves as follows:
 - 3.1. reserves for claims regulated, but not paid;
 - 3.2. known but not regulated;
 - 3.3. incurred but not reported;
 - 3.4. other reserves for claims.
4. The CBK may approve or reject the technical adequacy of provisions, if the CBK estimates that technical provisions are not sufficient, in order for the insurer to retain and reflect the technical provisions in value requires the CBK.
5. In the case of coinsurance, technical provisions are created by the coinsurance under the contract, in accordance with the relevant responsibilities assumed by them.
6. Fundamentals and methods of computation, ways of keeping the technical provisions and the approved criteria and procedures will be determined by a regulation issued by the CBK.

Article 68**Technical Provisions of Claims**

1. Technical Provisions of claims are created at the same level with the responsibilities assumed by the insurer through insurance contracts, when the insured event occurs before the end of the financial year, regardless of whether or not the event is reported, including any expenses payable by the insurer determined in the insurance contract.
2. Technical Provisions of claims also include responsibilities for claims that have been incurred but not reported and expenses for claims adjustment.

Article 69**Assets Covering Technical Provisions**

1. The insurer must maintain enough active assets in cash or cash equivalents, covering the technical provisions under the provisions of this Law.
2. Assets covering technical provisions are assets of the insurer, which are used to cover future responsibilities arising from insurance contracts and to cover losses from the risks arising from the practice of insurer activities, for which the latter is obliged to establish technical provisions.
3. The value of assets covering technical provisions must at all times comply with the requirements of the CBK

CHAPTER XII**MAINTAINING FINANCIAL REPORTS AND FINANCIAL REPORTING****Article 70****Keeping Accounting and Documentation**

1. The insurer keeps continuously the main ledger, trial balance, prepares accounting records, evaluates assets and liabilities, prepares financial statements, maintains documentation of the activities of insurers and other data management or security activity in an office within the territory of the Republic Kosovo, in order to allow for control at any time of the insurance activities in accordance with the rules of risk management, legislation into force, supervision methodologies and rules made by the CBK and professional standards.
2. The insurer must ensure that the information, documents and records under paragraph 1 of this Article are accurate and reflect its true financial condition.
3. The CBK may issue sub-legal acts on implementation of this Article.

Article 71**Reporting**

1. The insurer prepares financial statements and other detailed reports on its activities and presents them CBK in accordance with the form, manner, content and deadlines specified by regulations and guidelines of the CBK.

2. The insurer prepares financial statements according to International Accounting Standards and Financial Reporting Standards and the CBK regulations.

3. The insurer submits quarterly financial statements and annual reports to the CBK no later than thirty (30) calendar days from the date of expiry of the period for which financial statements are prepared.

4. The reinsurer licensed by CBK presents financial statements and other reports on its activities to the CBK, the unaudited financial statements no later than sixty (60) calendar days after the end of the year, for which reports are prepared.

5. The insurer shall prepare and submit financial reports and other reports of its activity for periods shorter than a calendar year in accordance with the requirements of the CBK.

Article 72

The Report and the Opinion of the Actuary

The insurer within prescribed CBK regulations is obliged to submit the report of the actuary to the CBK, along with his opinion, that shows that calculations of technical provisions are adequate and in accordance with actuarial standards and this Law.

Article 73

Financial Transactions

1. All financial transactions, including the payment of claims by insurers, are conducted through financial institutions licensed by the CBK.

2. Paragraph 1 of this Article shall also apply to financial transactions of insurance intermediaries and claims handlers, which are licensed as legal persons.

3. If required by the CBK, the insurer and the persons mentioned in paragraph 2 of this Article shall submit to the CBK a list of bank name and bank accounts.

CHAPTER XIII

Article 74

Liability for Reinsurance

1. The insurer is obliged to reinsure to a reinsurer, the risks insured, which according to the tables of maximum coverage, exceed the maximum coverage.

2. The insurer reinsures its responsibilities to a reinsurer, in accordance with this Law and the rules set by the CBK.

3. No insurer can hold higher risk than ten percent (10%) of the charter capital, to ensure a case. Maximum coverage insured cannot exceed ten percent (10%) of the charter capital, as defined by this Law and other legal acts pursuant to this Law.

4. The CBK regulations stipulates maximum risk coverage for each class of activity and for aggregate and cumulative risks up to ten percent (10%) of the value provided in paragraph 3 of this Article.
5. The insurer may reinsure contractual responsibilities of the insured to domestic or foreign reinsurers.
6. The insurer, which reinsures contracted responsibilities, is responsible only to the insured. The insured is not entitled to take legal action directly against the reinsurer.

Article 75

Rescheduled Insurance Program

1. For each financial year the insurer designs and implements reinsurance needs, depending on the structure of portfolio insurance and determines reinsurance agreements under which it must provide coverage for overcoming risks.
2. Reinsurance program schedule should contain at least:
 - 2.1. calculation of risk for each class of insurance held;
 - 2.2. maximum coverage table, compiled on the basis of the calculations referred to in sub-paragraph 2.1 of this paragraph;
 - 2.3. procedures, bases and criteria for determining the highest probability of losses that may arise from the occurrence of a single event, from a certain risk assumed.
3. The insurer submits to the CBK insurance program not later than thirty (30) calendar days before the close of the financial year.
4. After considering reinsurance program, The CBK can refuse it, if the program does not meet the criteria established by this Law or any criteria set by the CBK.
5. The CBK may issue regulations pursuant to this Chapter.

CHAPTER XIV

INTERNAL CONTROL AND INTERNAL AUDIT

Article 76

Internal Control System

1. The insurer creates systems of internal controls for monitoring and implementation of all policies and procedures for evaluating the effectiveness of the activity of insurers, as well as for monitoring the operations in accordance with the legislation in force.
2. The objectives of internal control systems are: identification of the types of risks, to which the insurer is exposed, as well as measurement, management and monitoring of their level.

3. The insurer shall develop policies regarding risk management, internal control, internal audit and, where necessary, policies for delegation of functions. The Board of Directors of the insurer shall ensure regular supervision for the implementation of policies, strategies and risk management systems.

4. Designed policies set out in paragraph 3 of this Article shall be reviewed at least once a year.

5. Internal audit activity is an integral part of the daily activity of the insurer and each unit includes control of its organizational, physical verification of assets and information, monitoring the exercise in accordance with applicable legislation, controls and co-verification financial information system, as well as periodic review of the effectiveness of previous audits.

6. The CBK may determine by regulation procedures and principles regarding minimum internal control level of the insurer.

Article 77

Internal Audit

1. The insurer must establish internal audit unit as part of the internal control system, which has a duty to exercise an integrated and disciplined approach to evaluate and improve the processes of governance, risk management and controls of the insurer.

2. Internal audit is established as an independent and objective unit to provide specialized opinion to add value and improve the operations of insurers.

3. Internal Audit conducts the audit of the insurer's operations in accordance with professional principles and standards of internal audit and best practices in the field of internal auditing.

4. Internal audit should have access to all functional and support units of the insurer and in all functions delegated by the insurer.

5. Internal audit should be provided sufficient authority to report its findings and recommendations to the Board of Directors, having been reviewed by the audit committee, as well as to pursue the enforcement in collaboration with senior managers of insurers.

6. The CBK may adopt regulations for the duties and requirements of internal audit staff, internal audit program and reports on its activities.

CHAPTER XV

EXTERNAL AUDIT

Article 78

The External Auditor

1. The General Assembly of Shareholders of the insurer appoints the external auditor, who must be a legal entity licensed to conduct audit in the Republic of Kosovo.

2. The insurer must seek prior approval from the CBK for the appointment of the external auditor,

and any amendments thereto.

3. The insurer informs the CBK in case of requirement to replace the external auditor and the external auditor itself informs the CBK in case of resignation announcement.

4. The external auditor, approved by the CBK may perform an audit on the same insurer, for a period not longer than five (5) consecutive years and may take part in the audit of the same insurer after the lapse of deadline for at least two (2) years.

Article 79

Report of the External Auditor

1. The external auditor shall submit the audit report to the Board of Directors and audit committee of the insurer.

2. The external auditor must give its opinion on the financial statements, in accordance with International Financial Reporting Standards and legal regulations in force.

3. The external auditor shall immediately report to the CBK, any fact relevant to the insurer, to which the external auditor is aware of during the performance of its duties in connection with:

3.1. violations of laws and regulations, which define the conditions under which the license was granted to conduct insurance;

3.2. fraud or misappropriation, theft, money laundering or terrorist financing;

3.3. significant violation of internal rules of the insurer;

3.4. significant changes to the financial outcomes, presented in the unaudited annual accounts;

3.5. additional facts and circumstances, which can have significant impact on further activity the insurer;

3.6. any transactions of insurer with related parties, which is susceptible to liquidity and risk management rules.

4. The audit report contains an opinion on the financial statements, which is accompanied by an insurer's actuarial report, which gives an opinion on the adequacy of the technical provisions in the statement of financial position of insurers under this Law and other sub-legal acts, based on appropriate actuarial techniques.

5. Reporting, information, and every fact given under paragraphs 3 and 4 of this Article by the external auditor, does not constitute a violation of the restrictions on disclosure of information, and the external auditor is released from any liability regarding information provided to the CBK.

6. The CBK may request additional explanations from external auditor for the audit and the audit report, as well as for any other information that the CBK deems necessary in order to exercise supervisory powers.

7. The insurer submits to the CBK physical and electronic copies of the audited annual report and management letter within fifteen (15) calendar days from the date of their receipt, but no later than April 30 of the following year.

8. The CBK may require from the external auditor examination of working papers.

Article 80

External Audit Re-audit

1. If the report of the external auditor is not conducted in accordance with the requirements of this Law or International Standards of Audit and Reporting, and does not reflect the real situation of the insurer's financial operations, then the CBK may not accept the report and has the right to require re-audit by another external auditor, on the costs of the insurer.

2. In the cases provided for in paragraph 1 of this Article, the CBK has the right to prevent external auditor to audit insurers licensed in Kosovo, for a period of up to three (3) years.

Article 81

Publication of Audited Financial Statements

1. The insurer shall prepare and publish an annual report, which contains audited financial statements and accompanied by the opinion of the external auditor, on its website, within fifteen (15) calendar days from the date of its approval by the governing board meeting of the company, but not later than six (6) months after the end of the financial year audited.

2. The CBK issues regulations for the detailed content of the publication referred to in paragraph 1 of this Article.

3. The CBK may issue regulations pursuant to this Chapter.

CHAPTER XVI

SUPERVISION BY CBK

Article 82

Supervision of Insurers

1. The CBK oversees the activities of insurers, in order to check, assess and explore the insurer's compliance with risk management rules, guidelines and methodologies adopted for implementation of this law, and applicable legislation in the field of insurance.

2. The CBK may request information by legal persons connected with an insurer, if such a thing is necessary for the supervision of the insurer.

3. If for overseeing the entities mentioned in paragraph 2 of this Article is responsible another competent supervisory authority, then the information on the activities of the legal person connected with that insurer activity, may be requested from that supervisory authority.

4. The CBK may cooperate with other supervisory authorities, as well as with other international

institutions in order to supervise insurers operations.

Article 83

Methods of Supervision

1. Supervision of insurers and other persons, subject to the supervision under this Law, is exercised by CBK through monitoring, collection and verification reports and reports submitted by insurers and other persons which are subject to supervision by the legislation in force, have the obligation to report or to notify the CBK for any particular fact or circumstance (off - site supervision) and on-site control the activity of the insurer and other persons subject to supervision (supervision on site);
2. The CBK exercises its supervisory functions based on the methodology of risk focus.
3. The CBK can develop methodologies and manuals pursuant to this Article.

Article 84

Reporting to the CBK

1. The insurer, reports to the CBK, as follows:
 - 1.1. registration of any change to the data registered in the Business Register;
 - 1.2. appointment and dismissal of members of the board of directors;
 - 1.3. appointment and dismissal of management staff, actuary and external auditor;
 - 1.4. planned start of operations, relocation, closure or temporary cessation of activity of the offices or any change in the types of activity carried on by the branch;
 - 1.5. significant changes in capital structure defined by this Law;
 - 1.6. cessation of activities in a particular class of insurance;
 - 1.7. general conditions and special new insurance contracts, as well as changes to existing ones;
 - 1.8. reinsurance contracts concluded with reinsurers;
 - 1.9. business plans with the deadlines set by the CBK;
 - 1.10. financial statements: the statement of financial position, profit and loss account, report of changes in equity, the cash flow ratio, risk ratio, and the actuary's report and opinion;
 - 1.11. contracts with insurance intermediaries, loss adjustors and external audit, if required by the CBK.

2. If required by the CBK, the insurer shall notify it on the technical basis used for calculating the premium, including fees and commissions.

3. The Board of Directors or senior management of the insurer shall immediately notify the CBK if:

3.1. the liquidity or solvency of the insurer is endangered;

3.2. for fraudulent and illegal activities, for which they are aware;

3.3. the insurer's financial condition deteriorates to the extent that it is unable to maintain the required level of solvency prescribed by this Law, or its sub-legal acts, to determine ways of calculating the required level of solvency for the next three (3) months.

4. The CBK may require from supervised persons any information and documentation related to their activity. Supervised persons are obliged to give the CBK any documents and information requested.

5. The CBK determines by regulation in details the contents of the report mentioned in this article, the manner, form and timing of reporting and notification.

Article 85

Examination of the Activity of Insurers and other Supervised Entities

1. Examination of the activity of insurers and other supervised entities is conducted by the CBK.

2. For purposes of conducting examinations of supervised entities activities, the CBK may authorize other specialist persons specialist, who are not employees of the CBK.

3. During the conduct of the examination of the activities of supervised entities, the persons mentioned in paragraph 2 of this Article have the same powers as CBK employees.

Article 86

Conducting the Examination

1. Supervised entity should allow the CBK officials that for the purposes of conducting examinations to have full access to any electronic or physical document.

2. At the request of the CBK official, Board of Directors, management and officials of supervised entity, will make available reports and any information on all issues related to the exercise of the supervision.

3. The CBK officials may ask from the competent authorities to provide data for legal activities associated with the supervised entity, if such a thing is necessary to have more detailed information about the supervised entity.

4. Any entity supervised by the CBK must accept and cooperate fully with the CBK officials and persons designated by the CBK. Nobody is entitled to attempt to harass, obstruct, delay, impede, intimidate or exert undue influence on CBK officials or its designated persons.

Article 87**Program of Operations Examination of the Supervised Entity**

1. The CBK announces the supervised entity on the examination not less than ten (10) calendar days prior to the examination.
2. Notwithstanding paragraph 1 of this Article, if the CBK deems necessary, may begin the examination without prior notice.
3. Notice on examination must include the scope of the examination.
4. The CBK, during the examination can expand program and extend the planned examination period.
5. The CBK can perform examination in collaboration with other institutions of law enforcement, according to joint inspection programs approved between them.

Article 88**Conditions for conducting examination**

The Supervised entity creates for CBK officials, special working environment suitable for conducting the examination without interference or the presence of other persons.

Article 89**Examination Report**

1. After completing the examination, the CBK prepares draft examination report, a copy of which sends to examined entity for comments.
2. Within fifteen (15) calendar days after receipt of the draft report of the examination, examined entity must return their comments or objections to the CBK.
3. After reviewing the comments received from the examined entity, the CBK prepares the final report, a copy of which sends to the examined entity.

Article 90**Supervision of Group of Insurers**

1. The CBK exchanges information regarding group members, and can take part in certain meetings with the purpose of supervision of group of insurers.
2. Supervision of a group of insurers includes:
 - 2.1. collecting and verifying information that are necessary for the purposes of supervision;
 - 2.2. supervision of inter-group transactions, under Article 91 of this Law;

2.3. overseeing the group's capital adequacy, prescribed by Law and regulation;

2.4. corrective measures in case of risk at the insurer in a group, resulting from activities or financial situation of any other insurer in the group of insurers.

Article 91 **Inter-group Transactions**

1. The insurers and other entities licensed under this Law and who are part of insurance groups, report to the CBK on an annual basis about all transactions among the group.

2. The CBK exercises oversight over significant transactions (which are reported in the annual statement) between insurers in a group of insurers or a person who have a share of twenty percent (20%) or more in a group of insurers.

3. Significant transactions under paragraph 2 of this Article refer to the following:

3.1. loans;

3.2. guarantees and off-balance sheet transactions;

3.3. reinsurance operations;

3.4. investment;

3.5. debt sharing agreements;

3.6. purchases and / or sales of assets;

3.7. leases of Real Property;

3.8. contracts for the provision of goods and services;

3.9. transfer of assets.

4. The CBK may issue regulations to implement this Article.

Article 92 **Reporting to CBK and Disclosure Related to Insurance Group**

1. The insurer shall notify the CBK regularly for any fact or circumstance that may be important to determine if it is part of an insurance group.

2. The Insurer in an insurance group prepares a separate annex to the annual report providing all data on controlled and parent companies of the insurance group.

3. The CBK may by regulation specify detailed content of reports, deadlines and reporting

methods related to insurance group.

CHAPTER XVII INTERIM ADMINISTRATION

Article 93 Decision on Provisional Administration

1. In order to restore the insurer in a stable financial situation, the CBK can make the decision for interim management of the insurer, in the following cases:

1.1. if the insurer ordered to take measures in accordance with this Law, has not started implementing those measures or did not implement those measures within the time limit set by CBK;

1.2. in spite the implementation of the measures set out by the CBK order, the insurer has not yet reached the required level of liquidity and solvency under the provisions of this Law and its implementing regulations;

1.3. the insurer's further activity threatens the liquidity, solvency or security of its policyholders.

2. The CBK defines the time period for provisional administration.

Article 94 Temporary Administrator

The CBK decides to appoint a temporary administrator and determines its powers, pursuant to this Law.

Article 95 Legal Consequences of Interim Administration

1. As of the date of entry into force of the interim administration, the responsibilities and powers of senior management, Board of Directors and the General Assembly of Shareholders will be terminated, with the exception of the powers specified in paragraph 2 of Article 98 of this Law.

2. The CBK provides interim administrator mandatory guidelines to be applied in connection with the reorganization and management of the insurer. The CBK dismiss interim administrator if he fails to comply with the guidelines.

Article 96 Powers of the Interim Administrator

1. Members of the Board of Directors of the insurer that have held that position until the date of the decision of the interim administration are obliged to make available to the provisional administrator all business records and other documents of the insurer, including a report of

the financial condition and to prepare a detailed report on, which shall be submitted to the provisional administrator.

2. At the request of the provisional administrator, the persons mentioned in paragraph 1 of this Article put at the disposal of all explanations and additional reports on the activities of insurers.

3. Interim administrator has the right to dismiss any person who hinders his work and that does not give the required information.

Article 97 **Reporting of Interim Administrator**

Interim administrator reports periodically to the CBK on the progress of the interim administration by the forms and deadlines set by the CBK.

Article 98 **Increasing the Minimum Capital to Ensure Financial Stability**

1. Based on reports of the interim administrator, the CBK may require from the interim administrator to convene the General Assembly of shareholders of the insurer to propose capital increase if it deems necessary.

2. The interim administrator shall convene the General Assembly to establish the capital increase, within the deadline set by the CBK. The interim administrator shall notify the General Assembly of Shareholders that if the capital increase is rejected, pursuant to paragraph 1 of this Article, the insurer will go into liquidation, according to the liquidation provisions of this Law.

Article 99 **Evaluation of the Results of the Interim Administration**

1. The CBK must evaluate the results of the interim administration at least once every three (3) months.

2. If the CBK estimates that during the interim administration of the insurer the financial condition has improved to the extent that the insurer has reached the required level of liquidity and solvency and is able to meet its obligations on time, takes a decision on the basis of which interim administrator is required within the deadline, to convene the General Assembly of the Insurers.

3. In the case referred to in paragraph 2 of this Article, the General Assembly meeting shall appoint members of the Board of Directors, who regain their powers and responsibilities defined by this Law.

4. Interim administrator's duty ends with a CBK decision and after the CBK approve new members of the board of the insurer.

5. The CBK may decide to extend the term of interim administrator, If the CBK considers that the insurer's financial situation has not improved to the extent required to achieve the level of liquidity and solvency or to be able to meet its obligations on time. This extension can be done only if in the judgment of the CBK, the insurer is not in condition to start the liquidation

proceedings and the insurer is likely to achieve the required level of solvency.

6. If CBK estimates that the insurer cannot achieve the required level of liquidity and solvency, then it revokes the license and takes a decision on the opening of liquidation proceedings.

7. The CBK may issue regulations pursuant to this Chapter.

CHAPTER XVIII LIQUIDATION OF INSURERS

Article 100 Initiation of Liquidation

1. After the revocation of the license, the CBK shall immediately appoint a liquidator to take the full control of the insurer. This procedure is known as liquidation.

2. Notwithstanding any law for liquidation which may be in force in Kosovo, the provisions of liquidation of this law are applied in the liquidation of the insurer.

Article 101 Voluntary liquidation

1. If shareholders want insurers to voluntarily liquidate the insurer, in accordance with the Law on Business Organizations or any other law in force, they must submit a request to the CBK for approval of voluntary liquidation, with data prescribed by the CBK.

2. The CBK can do a review of all data and information of the insurer, and if it deems that the interests of policyholders and other creditors of the insurer will be adequately protected, may approve the voluntary liquidation under applicable law or decide to implement the provisions of this Law related to liquidation and appoint a liquidator.

Article 102 The Liquidator

1. The liquidator can be the entity, which meets the conditions set by the CBK.

2. The CBK may for any reason to remove the liquidator. In terms of payment of the liquidator, it may include incentives for prompt liquidation of assets and distribution of benefits of policyholders and creditors and may include penalties for non-fulfillment of such objectives.

3. Payment of the liquidator and the experts hired by the liquidator, the compensation of their expenses and the cost of the CBK for implementation of this law related to the insurer, will be made from the funds of the insurer. Payments to the liquidator will be made continuously. Any claim against the liquidator should be paid from the proceeds of sales of property of the insurer in the level of priority of payments set out in the provisions of this law on liquidation.

4. All operating costs made by the liquidator must be approved by the CBK.

Article 103

Notification and registration of Liquidation

1. Within two (2) working days after the appointment, the liquidator sends a notice to each office of the insurer. The notice must specify the time of the responsibilities of the liquidator. Additionally, the notice must contain that:

1.1. authorization of persons engaged financial responsibility of insurers is canceled;

1.2. persons who previously had the authority to give instructions on behalf of the insurer, regarding fees and transfer of property of the insurer, or to manage insurer's property, does not have such powers;

1.3. the insurer's license is canceled, and

1.4. proof of claims and claims against insurer's liquidator must be submitted within ninety (90) days after the last publication in the newspaper.

2. The liquidator must publish a notice specifying the actions taken under this Article in one or more newspapers of general circulation in Kosovo. The publication shall be made not less frequently than once a week and will last a month. The CBK will review and approve the content of the notice.

Article 104

Duties and Responsibilities of the Liquidator and the Effects of Liquidation

1. The main functions of the liquidator are to administrate insurer in liquidation, to liquidate their assets, to pay for damages caused to policy holders and creditors.

2. The liquidator has all the powers of the Board of Directors and shareholders of the insurer in question.

3. Depending on the primary purpose for maximum fulfillment of the obligations of insurers to policyholders and creditors, the liquidator speeds up the sale of property of insurers and policyholders payments.

4. The liquidator may take any action in regard to the liquidation of the insurer.

5. The liquidator cannot issue new policies or extend existing policies.

6. The liquidator, with the written approval of the CBK, can borrow guaranteed by insurer assets, or without guarantee.

7. The liquidator may prohibit or restrict the payment of any obligation, to hire and dismiss employees, managers or consultants, to execute any instrument on behalf of the insurer or to initiate or defend on behalf of the insurers any action or legal proceeding.

8. The liquidator shall have unrestricted access to and control over the offices, books of accounts and other records, as well as assets and liabilities of insurers.

9. At the request of the liquidator, law enforcement officer or other officers will help the liquidator to enter the premises of insurers, to control its assets.

10. The liquidator has the right to file lawsuits and defend against lawsuits in the regular courts and in arbitration proceedings, on behalf of insurers in liquidation.

11. The liquidator has the same rights and privileges and may be subject to duties, penalties, conditions and restrictions that apply to the Board of Directors or other employees of an insurer licensed under this law.

12. The rights of the Board of Directors and shareholders of the insurer are suspended during the liquidation. The liquidator maintains some or all members of the Board of Directors and employees with reasonable compensation needed to manage liquidity and to perform its functions, specifically designated in writing by the liquidator.

13. The liquidator may dismiss all employees of the insurer and they may not receive any compensation because of the removal.

14. The liquidator secures the property of the insurer and requires its protection from theft or any other improper action taking action that include:

14.1. replacement of keys and restricting use of them of external offices of the insure and internal offices, where there are financial tools, data or equipment that would enable a person to gain unlawful access to financial resources;

14.2. changing or creating codes in insurer's computers and to allow access only to a certain number of reliable employees;

14.3. issuing new photo identification for entrance to authorize employees in the premises of the insurer and to control access of other persons on the premises.

14.4. cancellation of permits for persons with financial responsibility of the insurer and issuing new authorizations and notification of third parties on this;

14.5. informing policyholders, agents, intermediaries, reinsurers, relevant tax offices, banks and businesses which have business relations with the insurer, the persons who have previously been authorized to give advice on behalf of the insurer concerning the management of the property and accounts, that have no such authority and that only the liquidator and authorized individuals have such authority, and

14.6. suspension of payments in general with broad distribution and payment of any kind to the Board of Directors and shareholders provided that the Board of Directors will be paid basic salary for services rendered in their capacity as member of the Board of Directors.

15. The liquidator will prepare a new balance sheet of the insurer in liquidation, based on determination of the value of assets in liquidation with equivalent reduction of value of liabilities of the insurer in liquidation. Obligations shall be considered as due and interest will cease to accrue from the date of appointment of the liquidator.

16. Within a month after taking possession of the insurers, the liquidator makes registration of all assets of the insurer and sends a copy of that recording to the CBK, which shall make a copy available to the public for evaluation.

17. After taking the possession of the insurer by the liquidator:

17.1. any deadline, any statutory issue, contractual or other; claims or rights of insurers that expire or terminate, will be extended for six (6) months from the date of expiration or termination;

17.2. any attachment or security interest that has happened the last six (6) months before the effective date of the liquidation, is canceled and no attachment or security interest, except those created by the liquidator during the implementation of this Article may not be confiscated from the estate of the insurer under liquidation, while the liquidation continues, and

17.3. the rights of shareholders are abolished, except the right to receipt of property if something remains after satisfactory performance of applications that have priority over shareholders and the right to receive any payment received from net income of the insurer and all its possessions, if the liquidator verifies that the insurer has had positive net value at the time of sale.

18. Requirements against the insurer must be submitted to the liquidator within ninety (90) days of the last announcement in the newspaper. If not submitted within this deadline, claims may be taken into consideration only after the satisfactory clearance of all claims submitted on time, and only when the applicant has provided sufficient justification regarding non-submission within the specified time; otherwise the claims will not be paid.

19. Procedures for determining the validity and amount of claims and liquidation of the assets of the insurer and payment of claims shall be determined by a regulation of the CBK.

20. The sale of the property should be made in a transparent and commercially reasonable manner.

21. The liquidator reports to the CBK every month on the progress of the liquidation proceeding, in the manner prescribed by the CBK.

Article 105 **Professional persons**

1. The liquidator may engage accountants, actuaries, appraisers, lawyers, consultants and other professionals, only after receiving written approval from the CBK.

2. Request for approval of the persons mentioned in paragraph 1 of this Article, shall specify in detail the need for their engagement, the proposed compensation to such persons and a certificate stating all material facts if the person is related to the insurer. A person engaged should not be related to the liquidator and the insurer. Before making any payments to such a person, the liquidator must receive written approval of the CBK on the amount of such payment.

Article 106

Avoidance of Transfers before Liquidation

1. The liquidator may bring an action in court to cancel a transaction based on a false or misleading document that the insurer has issued to the detriment of policyholders or creditors during the last five (5) years preceding the effective date of liquidation.

2. The liquidator may sue in court to cancel the following transactions affecting the property of the insurer or to recover from third parties, the insurer transfers as follows:

2.1. gratuitous transfers to any person with respect to the insurer made during five (5) years prior to the effective date of liquidation;

2.2. gratuitous transfers to third parties within five (5) years prior to the effective date of liquidation;

2.3. transactions in which the indemnity granted by the insurer considerably exceeded the real estimation, which was conducted over three (3) years preceding the effective date of liquidation;

2.4. any act done with the intention of all parties involved, to hide wealth from policyholders or creditors, or otherwise impair their rights during the five (5) years preceding the effective date of liquidation;

2.5. the creation of a lien, or any loan of property of the insurer without prior approval of the CBK, and

2.6. if during the twelve (12) months prior to the effective date of liquidation, the insurer made transfers of assets or cash in the name of a debt to a creditor, and this transfer made the creditor to profit more than the profit in case the payment is done after liquidation, provided that the cancellation of this subparagraph shall not apply to transfers made to policyholders arising from their insurance policies.

3. The liquidator can sue in court to cancel transactions with persons connected with the insurer which are made within one year before the effective date of the liquidation, if such transactions have been detrimental to the interest of policyholders and other creditors. The liquidator can take action for annulment of such transactions (transfers) within one (1) year after the effective date of the liquidation.

4. Notwithstanding the provisions set forth above in this Article, the liquidator cannot cancel a payment or transfer of the insurer, if it is made in the ordinary course of business, or if it was part of a contemporaneous exchange for reasonably equivalent value, or to the extent that after the transfer the recipient has provided an unsecured loan to the insurer, which is not met by the insurer as of the date of entry into force of liquidation.

5. The liquidator can return property or value of the property transferred to the insurer by a beneficiary of the initial transfer, only if the initial transferee has not paid the real value of the property and knew that the initial transfer could be suspended under the provisions of this Law.

6. The landlord of the premises of the insurer and/or providers of public services, such as electricity, natural gas, water, telephone service may not discontinue such service to the insurer

only because of liquidation or because the insurer has not paid such services prior to liquidation. Despite this limitation, a landlord or provider of such public services may require the liquidator to deposit a security deposit in a bank, subject to landlord and utility company to continue performing the duty of public services, in the case liquidation. The maximum amount of such deposit cannot be greater than the cost of services provided to the insurer during the last month before the start liquidation.

Article 107 **Priorities in Payment of claims**

1. In any liquidation of the insurer, the claims allowed and are paid from proceeds of the sold assets or otherwise the assets of the guarantor are given to the creditor of the insurer. Any amount of an allowed claim to the insurer that remains after the spent of pledge, is treated as an insured claim.

2. Other allowed claims are paid to all other debts of priority described below:

2.1. necessary and reasonable expenses incurred by the liquidator and the CBK, including charges of professionals in applying the provisions of this Law on liquidation;

2.2. reasonable wages and social security benefits for non- managerial employees of insurers in liquidation;

2.3. legitimate unpaid insurance policies;

2.4. taxes and duties remained within one (1) year prior to the liquidation, and

2.5. other creditors and unsecured amounts of the insured claims.

3. Fulfillment of the requirements that belong to a subsequent class with lower priority may be initiated only after the complete and full of payment of requirements prior class of highest priority. If the amount available for payment, for any class of claims is insufficient to make full payment, such requirements are reduced proportionally.

4. Any proceeds remaining after the payment of claims to insurance policyholders and other creditors, are divided between shareholders or owners of the insurer, in accordance with their rights.

Article 108 **Other Provisions of the liquidation**

1. Professional employees and persons appointed to represent or assist the liquidator or CBK regarding liquidation, cannot be paid the amounts greater than those paid to employees or agents of insurers for similar services in Kosovo unless the CBK may allow higher fees, if it considers that the higher fees are needed to recruit and retain the necessary professional personnel.

2. The CBK has the authority to compensate the liquidator and its agents for their actions, within conditions which CBK considers appropriate.

Article 109
Final Report to the CBK

1. Once the insurer's property is sold, the liquidator shall submit a summary report to the CBK, which shall include a balance sheet, statement of income and expenditures and sources of funds for use during the liquidation.
2. After approval of the summary report by the CBK, the CBK and the liquidator are released from any liability in connection with the liquidation of the insurer.

CHAPTER XIX
INTERMEDIARIES AND CLAIMS ADJUSTERS

Article 110
Insurance intermediaries

1. Insurance intermediary is a natural person or legal entity contracted by the insurer and licensed by CBK to conduct insurance intermediaries, in accordance with paragraph 2 of this Article.
2. Insurance mediation activity is the presentation, proposal and conducting other preparatory activities, until the signing of the contract of insurance, as well as providing assistance during the period of validity of the contract, especially in case of damage. Insurance intermediaries are divided into two categories, depending on whether they operate mainly on account of the insurers or on account of the insured.
 - 2.1. when the intermediary acts mainly on behalf of insurers, they are known as agents.
 - 2.2. when the intermediary acts mainly on behalf of the insured, they are recognized as intermediaries and are independent from insurers whose products they sell.
3. The following activities will not be called insurance mediation:
 - 3.1. providing information randomly during the exercise of another professional activity, if the purpose of this activity is not to provide assistance in signing or execution of insurance contracts;
 - 3.2. the activity of handling compensation claims, if committed in conditions of employment;
 - 3.3. the activity of assessment of damages.
4. Claims handlers are legal persons contracted by the insurer and the insured or licensed by CBK to perform damage assessment activities and other assessment activities of insurance related to insurance.
5. Insurance intermediaries can represent one or more insurers, depending on restrictions that CBK may establish by the regulation.

6. Supervision of insurance intermediaries and other professionals is made by the CBK. The provisions of this Law on the supervision of insurers, shall apply adequately for the supervision of insurance intermediaries and other professionals.

Article 111 **Insurance Agent**

Insurance agent is a person licensed by the CBK, and employed or contracted by the insurer, or agent society, to conduct insurance mediation activity pursuant to Article 110, paragraph 2.1 of this Law.

Article 112 **Insurance Agent company**

1. The insurance agent company is an entity licensed by the CBK and contracted by one or more insurers which conduct insurance mediation activity pursuant to Article 110, paragraph 2.1 of this Law.

2. The Insurance agents company may be established under the Law on Business Organizations, as a joint stock or limited liability company.

3. The agent company should have at least one licensed agent who is employed by the agents of this company full time and with employment contract.

4. The agent company uses in its name the words "insurance agent activity" or derivatives thereof.

5. The name of agent company must not contain the full name or part of any insurer or reinsurer which are licensed by the CBK.

6. The CBK may determine the rules governing the agent company.

Article 113 **Intermediary on Insurance**

Insurance intermediary is a person licensed by CBK and contracted by one or more insurance or intermediary companies to conduct insurance mediation activity, as defined in Article 110, paragraph 2.2 of this Law.

Article 114 **Intermediary Company**

1. The intermediary company is a legal entity licensed by the CBK and contracted by one or more insurers to conduct insurance mediation activity, as defined in Article 110, paragraph 2.2 of this Law.

2. The intermediary company is established under the provisions of the Law on Business Organizations, as a joint stock or limited liability company.

3. The intermediary companies must have at least one licensed intermediary, who is employed by the intermediary company full-time and with employment contract.
4. The intermediary company uses in its name the words "intermediary activity in insurance / reinsurance" or derivatives of the word.
5. The intermediary company name should not contain the full name or part of any insurer or reinsurer, which are licensed by the CBK.
6. The CBK may issue regulations on good governance of the intermediary company.

Article 115

Damage Assessors and other Insurance Professionals

1. The loss adjustor, loss adjustor companies and other insurance professionals, are natural or legal entities licensed by the CBK and contracted by the insured or the insurer to conduct damage assessment activities and assessment activities or other professional insurance activities.
2. The loss adjustor, loss adjustor companies and other professionals are established under the provisions of the Law on Business Organizations.
3. The CBK may issue regulations pursuant to this Article.

Article 116

The Responsibility of Insurers and its Intermediaries

1. The insurer in whose name operates agents or agent companies is solely responsible for the acts or omissions by agents or agent companies in connection with the insured.
2. The agent or agent company is liable to the insurer for losses caused to the insured, as a result of acts or omissions caused by fault or insufficient information.
3. The agent or agent company conduct only those activities, which are licensed by the CBK.
4. The agent or agent company have no right to authorize another person to sign and issue insurance policies on its behalf.
5. The agent or agent company cannot in the name and on their behalf collect insurance premiums or any monetary payment by the insured.

Article 117

Protecting the Interests of the Insured

1. During the process of the mediation, the intermediary should protect the interests of the insured.
2. Intermediaries are responsible to the insured for the losses they suffer when those losses are

caused by acts or omissions committed by fault or misinformation of the insured.

3. The intermediary must control the contents of the insurance contract before it is concluded. During the exercise of their activity, the intermediary protects those interests of the insurer, which are binding on the insured before and after termination of the insurance contract. While performing the preparatory actions for signing the insurance contract, the intermediary must inform the insurer of any risk, which knows or could have known.

4. The intermediary must inform the insured for economic and legal links that can be assigned with an insurer, which may affect the fulfillment of obligations of the intermediary to the insured.

5. Legal and economic relations, in terms of paragraph 4 of this Article are called intermediary deals concluded with an insurer under which an intermediary is entitled to a special mediation commission or higher commission for certain classes of insurance.

Article 118

Licensing of Intermediaries, Claims Handlers and other Insurance Professionals

1. The CBK regulations will determine the criteria and relevant documentation required for licensing of intermediaries, claims handlers and other professionals.

2. The CBK licenses intermediaries, claims adjusters and other insurance professionals if all criteria defined by this Law and regulations are met.

3. The CBK regulations will determine the criteria for professionalism and adaptability, as well as financial requirements that must be met by the intermediary, claims adjusters and insurance professionals.

4. The intermediary claims adjusters and other insurance professionals, throughout the conduction of their activities, must comply with the requirements of this Article and all other relevant laws and regulations.

5. The CBK will revoke the license of the intermediary, claims handlers and other professionals, if he:

5.1. provides false and forged information in the licensing application;

5.2. is sentenced by a final court decision for a criminal offense, with six (6) or more months sentenced;

5.3. is engaged in fraud in its activity in the field of insurance;

5.4. violated the legal provisions on the prevention of money laundering and terrorist financing;

5.5. violated the code of ethics and professional rules in the field of insurance;

5.6. if it does not fulfill orders or instructions of the CBK within the allotted deadline.

6. The licenses of intermediaries, claims handlers and other professionals end if:

6.1. does not start its insurer activity within six (6) months from the date of issuance of the license;

6.2. does not engage in operations within six (6) months;

6.3. liquidation procedure is open;

6.4. voluntarily ceases the activity for which it is licensed.

7. If deemed necessary, the CBK may decide to suspend the license for a period up to six (6) months or more, before revoking the license, for violation of the provisions of the legislation in force, if the suspension is related to the violations, which must be verified by other bodies.

Article 119

Professional Liability Insurance

1. The intermediary claims adjusters and other professionals must have a policyholder for professional liability insurance to cover liabilities to third parties, which arise as a result of acts or omissions committed with guilt.

2. The CBK may determine by regulation or instruction, the amount of insurance to cover professional liability insurance in paragraph 1 of this Article.

Article 120

The Activity of Agent Companies and Intermediary Companies

1. Intermediaries in insurance activity may be exercised by the agent companies and intermediary companies with headquarters in the Republic of Kosovo, licensed to practice in insurance mediation activities under this law.

2. Agent companies and intermediary companies must have at least one licensed agent, licensed intermediary respectively, who must be employed full-time in this company.

3. Agent companies and intermediary companies can offer insurance contracts only to insurers licensed by the CBK.

4. Agent companies and intermediary companies are not allowed to arrange insurance contracts, which are contrary to the provisions of this Law and other laws regulating insurance contracts.

5. Agent companies and intermediary companies must inform insurers on legal and economic links they may have with any particular insurer and that can affect their obligations to the insured.

6. Agent companies and intermediary companies cannot be a shareholder of any insurer and vice versa.

7. The agent company has no right to charge a fee or provision on the insured.

8. The intermediary company cannot accept commissions or other payments by the insured, unless otherwise agreed by written agreement with the insured.
9. The CBK may issue regulations to implement this Article.

Article 121

Supervision of intermediaries, Claims Handlers and other Insurance Professionals

1. The CBK will supervise intermediaries, claims handlers and other professionals.
2. Supervision of entities referred to in paragraph 1 of this Article, shall at least include:
 - 2.1. collection and verification of information submitted and required by the CBK;
 - 2.2. oversight of business transactions of entities under paragraph 1 of this Article with the insurer and the insured;
 - 2.3. supervision of capital adequacy subjects to paragraph 1 of this Article and its impact on the insured and the insurer;
 - 2.4. confirmation that the entities referred to in paragraph 1 of this Article shall comply with the provisions of this Law, its implementing regulations and other legislation into force;
 - 2.5. confirmation that the entities referred to in paragraph 1 of this Article shall comply with the code of ethics and rules in the field of insurance;
 - 2.6. confirmation that the entities referred to in paragraph 1 of this Article shall meet the CBK orders within the time prescribed by the relevant orders.
3. The provisions of this Law related to the supervision of insurers, apply adequately to the supervision of insurance intermediaries, claims handlers and other professionals

Article 122

The Necessary Information for the Supervision of Intermediaries, Claims Handlers and other Insurance Professionals

1. For supervision purposes under Article 120 of this Law, the CBK can:
 - 1.1. request reports from intermediaries, claims handlers and other insurance professionals.
 - 1.2. conduct on site examinations on the company's expense, in order to verify the authenticity of the information reports which are brought to the CBK.
2. Intermediaries must prepare quarterly reports (three (3) monthly) on sold premiums.
3. Intermediaries, claims handlers and other professionals need to prepare and bring in the CBK

financial reports for every three (3) months. Those reports must be prepared in accordance with the requirements of CBK and International Financial Reporting Standards. Financial reports for three (3) months shall be submitted to the CBK within thirty (30) days of the end of the quarter for which they are prepared.

4. Intermediaries, claims handlers and other professionals must submit to the CBK the financial statements audited by an external auditor for the previous year, no later than 30 April of the following year.

5. The CBK may exclude the intermediaries, claims handlers and other professionals from preparation and presentation of several reports, which the CBK considers unnecessary.

6. The CBK may issue regulations to implement the provisions of this Article.

Article 123

The Register of Intermediaries, Claims Handlers and other Professionals in Insurance

1. The CBK will maintain a register which is published on its web site, including all intermediaries, claims handlers and other professionals, licensed by the CBK.

2. The register from the paragraph 1 of this Article shall contain generic information for licensed persons and companies.

3. The CBK may determine the form and content of the register of this article.

CHAPTER XX

ADMINISTRATIVE MEASURES AND FINE PENALTIES, SUSPENSION OR REMOVAL OF PERSONS AND JUDICIAL REVIEWS

Article 124

Administrative measures

1. The CBK may impose, proportionally with violations, administrative measures against an insurer, insurance intermediaries and other entities, over which it has authority to license, regulate and supervise, if it determines that the insurer, those entities, any of the major shareholders, directors, high management or their employees, have violated any provision of this Law or any regulation or order issued by the CBK.

2. For violations as mentioned in paragraph 1 of this Article, the CBK may impose one or more of the following measures:

2.1. written warning;

2.2. requires increased frequency of reporting;

2.3. prohibits the issuance of new insurance policies or prohibit the renewal of existing policies;

- 2.4. impose restrictions on activity;
 - 2.5. orders insurers or other entities of this article to discontinue performing certain actions;
 - 2.6. orders Board of Directors to call General Assembly of Shareholders and to propose appropriate decisions;
 - 2.7. impose penalties in accordance with Article 125 of this Law;
 - 2.8. orders insurers or other entities of this article to take additional measures in order to save their assets;
 - 2.9. orders insurers or other entities of this article, to increase its charter capital;
 - 2.10. requires the insurer or other entity of this article to present financial recovery plan, as required by Article 63 of this Law;
 - 2.11. appoints advisor for the insurer.
3. Requires the external auditor of the insurer or other entity of this Article to report directly to the CBK;
- 3.1. appoints an external audit firm to the insurer or other entity of this article, at their own expense and that the audit firm shall report directly to the CBK.
 - 3.2. appoints an actuary for the insurer on the insurer's expense and the actuary will report directly to the CBK;
 - 3.3. puts insurers under temporary administration in order to return it to good financial situation and appoints a receiver for this purpose;
 - 3.4. administers and take control of the property of the insurer;
 - 3.5. suspends the license of the insurer or other entity of this article;
 - 3.6. annuls (revokes) a license of the insurer or other entity of this Article;
4. For purposes of this Article, other subjects are considered: insurance intermediaries, claims adjusters and other insurance professionals.
5. The CBK may publish on its web site administrative measures imposed under this Article.

Article 125
Fine Penalties

1. If CBK concludes that an insurer, insurance intermediary, another subject on which has the authority to license, regulate and supervise, director, senior manager or their employees have

violated the law, regulations or orders in its application, the CBK may impose a fine.

2. The CBK may impose a fine against the provisional administrator appointed by it, and to any other person who obstructs and hinders the supervision of the CBK.

3. The CBK may impose penalties against any person who willfully interferes with temporary receiver appointed by the CBK to take control of the offices, accounting books, records and other property of the insurer in receivership.

4. The CBK issues special regulations that determine violations and penalties with fines for these violations. If there is a continuing violation, each day of violation is considered a separate violation for which special penalties may be assigned.

5. Fines imposed under this Article do not imply or hinder the implementation of other legal remedies and criminal penalties provided for by the legislation in force.

6. The person to whom it is given a fine under this Law has the right to appeal the fine within thirty (30) days of receipt of the decision.

7. Fines imposed under this Article shall be paid on account of the Kosovo Budget.

Article 126

Suspension and Removal of Persons in an Insurer, Insurance Intermediary, claims handlers and other Professionals

1. If the CBK concludes that any shareholder, director, senior manager or employee of an insurer or insurance intermediary, claims handler has violated the law, regulations or orders of the CBK or has engaged in unsafe practices and has continued with such violation or practice after a warning from the CBK, the CBK may order one or more of the following measures:

1.1. requests insurer, broker or insurance claims handler to remove certain person from his position;

1.2. prohibits the person to serve or participate in the insurance business for a fixed period or permanently;

1.3. prohibits the person exercising direct or indirect voting right related to the insurer, intermediary or claims handler;

1.4. requires the person to dispose all or any part of its direct or indirect ownership interest in the insurer, intermediary or claims handler or stop maintaining a significant interest in, and

1.5. requires the person to reimburse the insurer, intermediary or claims handler for damages that may be caused by such violations.

2. If any such person is charged with a criminal offense, the CBK may issue an order temporarily suspending the person from his/her insurer, intermediary or loss adjuster and if applicable, suspension to exercise of voting rights arising from shares by such person, until the resolution of the criminal case. Suspension of the criminal case or decision of not guilty does not prevent

CBK to take any legal action regarding this person under this law.

3. If any person does not sell or dispose of the shares with voting rights of the insurer, intermediary or claims handler in accordance with an order made under this Article within the specified period, the CBK may order that all shares held by this person to be transferred to a trustee to sell at auction, and net income without selling expenses will be returned to that person.

Article 127

Judicial reviews

1. Persons sentenced to a fine or who consider themselves aggrieved by an administrative measure, a fine or other order issued by the CBK under this Law, have the right to ask the competent court to examine it within thirty (30) days of receipt of the decision or order. The court has the authority to confirm, change or cancel entirely the decision or order.

2. In any proceeding in a court having jurisdiction to review an order or sentence issued by the CBK, the court may refuse an order or penalty, if it finds that it was issued in violation of the Law or contrary to the Law in force, and that the sentence or a fine is not based on firm evidence.

3. Order or of a fine issued by the CBK, which deals with such a judicial process continues without any restriction during the preceding and while their execution is not suspended by judicial decision.

CHAPTER XXI

OTHER PROVISIONS

Article 128

Memoranda of Understanding

During the implementation of this Law, the CBK may conclude memoranda of understanding or other cooperation agreements with other state institutions of Kosovo, with the supervisory authorities of other countries and international institutions, with the aim to facilitate the licensing, supervisory and regulatory functions under this Law, including but not limited to the exchange of information, training, coordination of inspections and investigations.

Article 129

Prevention of Money Laundering

1. No insurer shall conceal, convert or transfer money or other property if it has knowledge or should have known that the money or other property is derived from criminal activity, or assist or support any person in hiding or disguising the illicit origin of the cash or property.

2. Insurers must adhere to the Law on Prevention of Money Laundering and Terrorist Financing. The CBK and Financial Intelligence Unit shall cooperate in accordance with applicable laws.

3. Insurers will adhere to all laws, regulations, rules, guidelines, procedures and orders against money laundering and terrorist financing.

Article 130
Licensing and Supervision Fees

1. Insurers/reinsurers, intermediaries and other entities of the Law pay to the CBK the licensing, approval or authorization fee.
2. Besides the fee specified in paragraph 1 of this Article, insurers, intermediaries and other entities of this law operating in the Republic of Kosovo, CBK also pay supervision fees .
3. If licensing, approval or authorization is denied by the CBK, the fee paid by paragraph 1 of this Article shall not return.
4. The CBK regulations determine the amount and frequency of fees referred to in paragraph 1 and 2 of this Article.

CHAPTER XXII
TRANSITIONAL AND FINAL PROVISIONS

Article 131
Adjusting the insurer

1. Insurers, who on the date of entry into force of this Law have a license to carry out insurance, continue to carry out insurance under the provisions of the Law on insurance classes defined in the existing license.
2. Within a period of one (1) year from the date of entry into force of this Law, licensed insurers are forced to adjust their activities, in accordance with the provisions of this Law. Within the time specified by this Article, the insurer is obliged to adopt:
 - 2.1. capital in accordance with Article 19 of this Law;
 - 2.2. bodies of insurers in accordance with Article 25 of this Law;
 - 2.3. members of the Board of Directors in accordance with Articles 27, 28 and 29 of this Law;
 - 2.4. audit committee and risk management committee in accordance with Article 30 of this Law;
 - 2.5. provide control functions and internal audit in accordance with the provisions of this Law.
3. The insurer referred to in paragraph 1 of this Article, within one (1) month from the end of the period specified in paragraph 2 of this Article, shall submit a report to the CBK on fulfilling the obligations set out in paragraph 2 of this Article.
4. The CBK may revoke the insurer's license and open the liquidation proceedings, in accordance

with the provisions of this Law, if the insurer referred to in paragraph 1 of this Article, does not meet the requirements set out in paragraph 2 of this Article within the specified time.

Article 132
Adjusting the Intermediaries and Claims Handlers

1. Intermediaries and claims handlers which at the date of entry into force of this Law have a license to conduct insurance mediation or loss adjustor, must adjust their activity with the provisions of this Law within one (1) year from the date of entry into force of this Law.

2. Entities referred to in paragraph 1 of this Article, shall be required within one (1) month from the date of the end of the time limit specified in paragraph 1 of this Article to submit to the CBK a report on adaptation of activities in accordance with this Law, and relevant documentation.

3. If the entities referred to in paragraph 1 of this Article do not meet the requirements set out in paragraph 2 under this Article, the CBK may revoke licenses in accordance with the provisions of this Law.

Article 133
Repeal

1. Upon the entry into force of this Law, the UNMIK Regulation No.2001/25 on the Licensing, Regulation and Supervision of Insurance Companies and Insurance Intermediaries, is abrogated.

2. Sub-legal act of CBK on the licensing, regulation and supervision of insurance companies and insurance intermediaries, provided that they are not inconsistent with this Law shall remain in force until the adoption of new regulations by the CBK.

3. Upon the entry into force of this Law, the CBK shall issue regulations to implement this Law.

Article 134
Entry into Force

This Law shall enter into force fifteen (15) days after the publication in the Official Gazette of the Republic of Kosovo.

Law No.05/L - 045
30 November 2015

Promulgated by Decree No.DL-035-2015, dated 16.12.2015, President of the Republic of Kosovo Atifete Jahjaga