

PROPERTY AND PERSONS INSURANCE SYSTEM ACT

Sarajevo, 1990

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BOŠNA REKONSTRUKCIJE
DIONIČARSKO DRUŠTVO p.o.
SARAJEVO
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I GENERAL PROVISIONS

Article 1

Property and persons insurance and other insurance businesses are handled by insurance companies.

Other businesses of insurance can be handled by special companies in accordance with provisions of this Act.

Article 2

Insurance businesses are making and effecting property and persons insurance treaties, reinsurance treaties as well as taking measures in preventing risks that endanger property and persons insured. Other insurance businesses are businesses of brokers and agents in insurance, survey of risks, assessment and adjustment of losses, legal assistants and other intellectual and technical services connected with insurance businesses.

Article 3

An insurance company can be established as share-holding insurance company, public insurance company, mutual insurance company, captive insurance company or joint insurance company.

Article 4

An insurance company, performing economic protection of property and persons, makes an independent organisation of business making following market conditions and profit requirements, in the country and abroad, in accordance with provisions of this Act and other federal acts.

Insurance companies may enter into business and professional associations and organisations.

Article 5

An insurance company can be established for the purpose of performing following businesses:

1. one or more types of insurance

2. reinsurance
3. one or more types of insurance and reinsurance

Mutual and captive insurance companies cannot deal with reinsurance businesses.

Article 6

Property and persons insurance is voluntary.

Exceptionally, obligatory insurance against third party liability and common liability can be prescribed by law.

Article 7

Property and persons in Yugoslavia are insured with insurance companies founded in accordance with this Act.

Federal Executive Council prescribes which property and persons can be insured and under what conditions coinsured with foreign insurers.

Article 8

An insurance company is obliged to reinsure liabilities of insurance treaties which exceed an amount internally determined to be covered by own insurance funds.

Article 9

Reinsurance of liabilities that cannot be covered by own funds have to be offered by insurance companies to other reinsurance companies in the country.

Part of liabilities for which reinsurance cannot be provided in the country is to be covered by foreign reinsurance.

Article 10

An insurance company makes business following economic principles and rules of insurance branch, law, principles of loyal market competition, business custom and morale.

II INSURANCE COMPANY ESTABLISHING

1. Share holding insurance company

Article 11

An insurance share holding company is established by social legal entities and other persons by accepting insurance company establishing resolution and investing into its security fund.

Other persons that subsequently invest into security fund of an insurance company and accept its establishing resolution become founders with rights, obligations and responsibilities set forth in such resolution or Articles of Association.

Other persons as mentioned under paras 1 and 2 of this Article are domestic, physical and legal entities.

Share holding company can deal with all types of insurance.

An establishing resolution of a share holding company includes the following: name, seat and activities of insurance share holding company; financial amount of security fund; amount of individual shares; names of founders; number of shares subscribed; kinds of shares and final payment terms; conditions and method of determination and distribution of profit; company management and other issues essential for company establishing.

Article 12

Amount of financial funds of security fund at the moment of share holding insurance company establishing cannot be less than:

- 1) 5.000.000 Dinars for life insurance
- 2) 10.000.000 Dinars for other insurances
- 3) 10.000.000 for reinsurance

Federal Executive Council once a year determines the amount under Para 1 of this Article following retail prices index.

Article 13

Total financial amount of security fund is expressed in shares of equal amounts.

Article 14

Founders of share holding company decide on formation of an organizing committee.

Organizing committee includes representatives of founders and expert associates.

Organizing committee takes all steps necessary for holding an organizing assembly and prepares Resolution Proposal for establishing an insurance share holding company as well as other proposals to be brought by organizing assembly.

A meeting of organizing assembly is announced in a manner provided by insurance company establishing resolution.

Article 15

Organizing committee is obliged to inform Federal authority for financial affairs of establishing an insurance share holding company and submit evidence that conditions for establishing have been fulfilled.

Along with information under Para 1 of this article, an organizing committee supplies Federal authority for financial affairs with the following:

- 1) Insurance share holding company establishing Resolution proposal
- 2) Articles of Association Proposal
- 3) Evidence that financial funds for security fund have been provided
- 4) Business policy documents proposal
- 5) Number and qualification structure of managers of an insurance share holding company.

Article 16

Following the evidence that conditions for share holding company establishing have been fulfilled, Federal authority for financial affairs, within 60 days from the date of submitting evidence mentioned in Article 15, Para 2 of this Act, makes a resolution on issuing permission for share holding company establishing.

If the resolution from Para 1 of this Article is not brought within 60 days, it shall be considered as brought.

Article 17

Organizing assembly of a share holding company

- 1) makes a resolution on establishing
- 2) makes articles of association of an insurance share holding company
- 3) makes a resolution on appointment of acting manager of insurance share holding company and members of temporary management board
- 4) makes resolutions on main business policy, insurance conditions and insurance premium rates, technical bases, maximum cover scales and other business documents
- 5) makes studies of estimated results of a share holding company
- 6) makes proposal for documents regulating conditions and method of placement of reserves and funds
- 7) makes prevention program proposal
- 8) makes other resolutions that are brought at the beginning of company operations.

Founding resolution is brought by majority vote of share holders.

Study of estimated business results contains particularly the following: estimated premium income, estimated losses, estimated insurance costs, estimated reserve funds and estimated income and expenditures of funds of prevention for at least a three - year period.

A resolution from Para 1, item 1 of this Article cannot provide for more than 20 percent of total security fund per year for establishing and business expenses of an insurance share holding company nor for the refund term longer than five years.

Article 18

Articles of Association of an insurance share holding company contains the following:

- 1) name and seat of a share holding company
- 2) types of insurance that a share holding company shall deal with
- 3) powers and field of activities of assembly and other company authorities as well as conditions for valid operation and decision making,
- 4) rights, obligations and responsibilities of directors and special proxies,

- 5) internal organisation of a share holding company in insurance business,
- 6) signature and representation of a share holding company authorities,
- 7) method of operation of internal control of a share holding company,
- 8) changes in insurance company and other organisational issues connected with the business of a share holding company,
- 9) provisions on the work community of an insurance share holding company, if any
- 10) other issues of significance for a share holding company.

2. *Public insurance company*

Article 19

Socio - political community can create a public insurance company for protection against general risks or obligatory insurance.

Public insurance company performs its activities in the territory of socio-political community which has created it.

Article 20

Founders of public insurance company provide for security fund in at least the level of amount set forth in Article 12 of this Act.

Article 21

A Resolution on establishing a public insurance company determines the following: name, seat and activities of public insurance company; amounts of security fund and, if there are more founders - the amount of individual shares and names of founders; rights and obligations of founders in management of public insurance company; method of determination and distribution of profit as well as other issues essential for establishing and operation of a company.

3. *Mutual insurance company*

Article 22

Mutual insurance company can be established by domestic legal entities and natural persons by entering into agreements with at least 250 natural persons for life insurance and 300 for other insurances, but not less than 250 and 300 respectively of insurance against the same risks.

Mutual insurance company is established through an agreement.

Mutual insurance company can be established as mutual insurance company with unlimited contribution (share) and as mutual insurance company with limited contribution (share).

Mutual insurance company with limited contribution means that the insured cannot be requested to make additional contribution (share) greater than 100 percent of previous contribution (deposit) by each insured when losses and other expenditures are greater than the previous contributions (deposits) and other income.

Minimum contribution (deposit), respectively limited contribution (deposit) of all members (insureds) should be at least 67 percent of security fund.

Article 23

Founders of a mutual insurance company must invest into security fund at least 30 percent of the amount mentioned in Article 12 of this Act if the company is established with unlimited contribution (deposit) of members (insureds), i.e. at least 50 percent if a company is founded with limited contribution (deposit).

Article 24

An agreement of establishing a company determines the following: name, seat and activities of a company, amount of security fund; names of founders; amounts of individual shares; number of individual shares subscribed; method, terms and conditions for refunding shares with interest from profit, method of formation and application of funds and reserves; provisions on consequences of changes in Articles of Association, general insurance conditions and resolution of cancellation of operations on existing insurance treaties; provisions on business making and other issues essential for establishing and operating of a mutual insurance company.

Article 25

Rules of a company especially include the following: method of determination as well as terms and conditions for contributions (deposit) payments; rights to damage compensation; provisions on unlimited or limited contribution (deposit), obligations concerning payment of additional contribution (deposit) for cover of losses or possibilities of covering loss through decrease in compensation to all members (insureds); conditions and manner of profit distribution; provisions on entering and leaving membership in a company; rights and obligations of members (insureds) that leave the membership.

Article 26

To public insurance company and mutual insurance company, provisions of Articles 12 and 14 to Article 18 of this Act shall be applied.

4. *Captive insurance company*

Article 27

Captive insurance company can be founded by a complex organisation or companies associated within such organisation by investing into security fund in the amount provided in Article 12 of this Act.

Captive insurance company deals only with insurance of property and workers associated within a complex organisation as well as property and workers of a complex organisation which established a captive insurance company.

A resolution on establishing a captive insurance company determines the following: name, seat and activities of a captive insurance company; amount of security fund and terms of payment; conditions and manner of determination and distribution of profit; way of management; internal organisation of a company and other issues of importance for establishing and operations of a captive insurance company.

Liability of founders of a captive insurance company is limited by the funds provided by a founder for a security fund.

To captive insurance company provisions of Articles 11 to 18 of this Act shall be applied.

5. *Mutual insurance company*

Article 28

Mutual insurance company can be founded as a share holding company by domestic social and legal entities together with domestic legal entities and natural persons and foreign legal entities.

Founders enter into an agreement of a mutual insurance company.

An agreement as mentioned in Para 2 of this Article determines the following:

- 1) activities of a mutual insurance company
- 2) name and seat of a mutual insurance company
- 3) kind and amount of funds to be deposited by each founder into security fund as well as terms and method of depositing such funds
- 4) composition, method of appointment and powers of managing bodies in a mutual insurance company,
- 5) rights and obligations of managing bodies in a mutual insurance company and manner of their decision making
- 6) internal organisation of a mutual insurance company,
- 7) criteria and manner of distribution of profit,
- 8) interrelations, rights and responsibilities of founders of a mutual insurance company; way of risks bearing as well as way of covering losses of a mutual insurance company,
- 9) measures and responsibilities in providing liquidity and solvency of a mutual insurance company,
- 10) conditions and method of expiry of rights and obligations of founders of a mutual insurance company,
- 11) rights and obligations of founders in case of winding up a mutual insurance company,
- 12) settlement of disputes,
- 13) other questions of interest for establishing and operations of a mutual insurance company.

Mutual insurance company cannot deal with life insurance, reinsurance nor with insurance of companies which manufacture or trade arms and military equipment, except in case when approval of Federal national defence department is obtained in accordance with foreign investments law.

Article 29

Foreign legal entities cannot invest less than 20 percent nor more than 49 percent of the amount of security fund provided for by agreement of establishing a mutual insurance company.

The amount of security fund cannot be lower than the amount set forth in Article 12, Para 1 of this Act.

If there is more than one foreign investor, neither of them individually can invest into security fund greater number of shares than the greatest share of a domestic founder for insurance (hereinafter referred to as domestic share holder).

Founding a mutual insurance company is subject to obtaining approval from Federal Administration in accordance with Article 16, Para 1 of this Act.

Article 30

Foreign legal entities may invest funds into domestic insurance companies, into property insurance business, up to the level of funds as provided for in Article 29 of this Act, i.e. to the level of security fund for property insurance expressed in the last annual account of a domestic insurance company.

For funds invested in accordance with Para 1 of this Article, a domestic insurance company issues to the foreign legal entity shares provided by investment agreement.

Article 31

To operations of mutual insurance company provisions of this Act concerning operations and funds of insurance companies shall be applied, unless otherwise provided for by this Act.

6. *Special companies for other insurance businesses*

Article 32

Insurance company, one or more natural persons, may form a special insurance company for other insurance businesses from Article 2 of this Act.

A company mentioned in Para.1 of this Article is established as a company with limited liability, with total share of at least 50.000 Dinars.

Federal Executive Council once a year determines the level of amount mentioned in Para.2 of this Article following retail prices index.

7. *Insurance and reinsurance pools*

Article 33

Two or more insurance companies may form a pool for coinsurance or reinsurance of property and persons.

A pool is founded by an agreement.

Coinsurance or reinsurance pool in legal transactions acts in the name and for the account of its founders.

For obligations which a pool takes in coinsurance or reinsurance business, the founders are liable in the way and under conditions set forth in an establishing agreement, Articles of Association and other general documents.

To establishing and operations of pool, provisions concerning investment of funds of Article 12 of this Act shall not be applied, nor to the funds of insurance companies.

8. *Juridical status and court register of insurance company*

Article 34

Insurance company is legal entity with rights, obligations and responsibilities set forth in this Act and Resolution or agreement of establishing.

Parts of insurance company have no property of legal entity but Articles of Association of an insurance company may transfer authority of handling certain businesses and give some authorizations in legal transactions.

An insurance company performs payment operations through its account with Social Accountancy Service.

Parts of insurance company, within the transferred authorities, can perform payment operations also through separate account with Social Accountancy Service.

Accounts from Para. 4 of this Article form an integral part of a giro account of an insurance company.

Article 34

An insurance company becomes a legal entity by entry in the court register.

Registration also includes parts of insurance company that have certain powers in legal transactions.

III INSURANCE COMPANY MANAGEMENT

1. *Share holding insurance company*

Article 36

A share holding insurance company is managed by investors depending on number and types of shares, in accordance with establishing resolution and Articles of Association of an insurance share holding company.

Articles of Association of a share holding company determines the way of participation of insureds in management on the basis of life insurance.

Article 37

Assembly of an insurance share holding company:

- 1) makes changes and amendments to Articles of Association,
- 2) determines business policy,
- 3) considers and adopts annual business reports,
- 4) adopts annual accounts and decides on distribution of profit or cover of losses,
- 5) makes decision on issues of shares,
- 6) makes decision on regular winding up of a share holding company or on change of a status of a share holding company,
- 7) appoints and dissolves the president and members of management and supervisory boards,
- 8) appoints and removes a director,
- 9) performs other duties provided for by Articles of Association of a share holding company.

At the Assembly of a share holding company all decisions are brought by majority vote of share holders present, unless otherwise provided by Articles of Association.

Assembly of a share holding company is run by president, i.e. chairman.

Article 38

Articles of Association of insurance company determines the following: number of members of management board of which one quarter can be employees of a share holding company; conditions for revocation; way of decision making and other questions within the powers of management board.

A director is member of management board by function.

Article 39

Management board of an insurance share holding company:

- 1) on director's proposal appoints and dissolves special proxies,
- 2) makes plan and programs for operations of a company,
- 3) determines insurance conditions and premium rates in accordance with Article 17 of this Act, maximum cover scales, other business and general documents, except documents brought by Assembly,
- 4) prepares proposals for Assembly and puts its documents into effect,
- 5) considers and adopts business annual reports,
- 6) determines director's salary and remunerations of members of management and supervisory boards,
- 7) in accordance with Articles of Association, submits business reports to supervisory board,
- 8) summons Assembly meetings,
- 9) performs other duties provided for by Articles of Association of a share holding company, as well as duties which do not fall in the power of Assembly or supervisory board.

Article 40

Supervisory board monitors and controls business of an insurance company and submits report to Assembly of insurance share holding company.

Articles of Association determine the composition and number of members of supervisory board.

Supervisory board is obliged to request from management board to summon Assembly if it is in the interest of a share holding company.

If the management board does not accept the request of supervisory board, supervisory board has right to summon an Assembly meeting of insurance share holding company.

Article 41

Each member of supervisory board has one vote. Member of supervisory board who does not approve of a decision of supervisory board may exempt his opinion.

Member of supervisory board cannot be a person who is member of management board of insurance share holding company.

Article 42

Supervisory board is obligated to advise Assembly of results of supervision, pointing to possible failures of management board, director or other employees of insurance share holding company.

Article 43

Insurance share holding company has a director.

Rights, obligations and responsibilities of a director of an insurance share holding company are determined by Articles of Association of an insurance share holding company.

Article 44

Director of an insurance share holding company:

- 1) acts as representative and agent of a share holding company,
- 2) effects resolutions of Assembly and management board of a share holding company i.e. sees to their application,

- 3) proposes business policy, plan and program of operations and measures for their application,
- 4) initiates and proposes improvements in business making of a share holding company,
- 5) proposes appointments and dissolves special proxies,
- 6) performs organisation and management of work community, if any,
- 7) proposes appointment of members of management board among employees of a share holding company,
- 8) makes individual decisions within his powers,
- 9) performs other duties set forth in Articles of Association and brought by Assembly resolution.

Article 45

Director of a share holding company is responsible for legacy of operations of an insurance share holding company.

Director of a share holding company is responsible for his work to management board and Assembly of insurance share holding company.

2. Joint insurance company

Article 46

To management of joint insurance company, provisions of insurance share holding company (Art. 36 to 45. of this Act) shall be applied.

3. Public insurance company

Article 47

Public insurance company is run by the founders.

A resolution on establishing public insurance company determined participation of insureds in management.

Authorities of a public insurance company are selected and dissolved by the founder of a company.

In a public insurance company, an assembly of insureds can be formed.

Management bodies, rights and obligations as well as composition and manner of decision making of the bodies of a public insurance company

are determined by a resolution on establishing a company and by Articles of Association.

4. *Mutual insurance company*

Article 48

A mutual insurance company is managed by its members (insureds).

Management bodies as well as composition and manner of work of the bodies of a mutual insurance company are determined by Articles of Association depending on the contribution (deposit).

5. *Captive insurance company*

Article 49

The composition and manner of work of a captive insurance company are regulated by establishing resolution and Articles of Association of a company.

To management bodies of a captive insurance company, provisions on insurance share holding company (Art. 36 to 45 of this Act) shall be applied.

IV WORK COMMUNITY OF INSURANCE COMPANY

Article 50

For performing insurance and other business in an insurance company, a work community which will employ workers can be formed.

Mutual rights, obligations and responsibilities of insurance companies and work communities are determined by an agreement.

Agreement mentioned in Para. 2 of this Article determines the following: insurance businesses and other businesses to be performed by the work community; way of organising i.e. scope of independence of employees in settling internal relations within the work community; bases for acquiring and distribution of wages; participation of employees in profit according to contribution, business achievements and realized

profit; benefits for employees in buying shares in insurance company and other shapes of stimulating employees; responsibility of work community to social bodies as well as other questions of relations between insurance company and work community.

V OPERATIONS AND FUNDS OF INSURANCE COMPANY

Article 51

An insurance company handles insurance and reinsurance businesses in its name and for its own account.

Insurance businesses mentioned in Article 2 of this Act can be performed by insurance company in its own name and for the intermediary in such businesses.

Article 52

An insurance company, alone or with other insurance companies, can through preventive funds form enterprises of social organizations (like institutes) for study, design and manufacture of devices of preventive protection of property and persons as well as other services within the field of prevention.

Article 53

For obligations from insurance and reinsurance treaties, an insurance company is responsible with all its funds.

Funds with which an insurance company makes business are the funds from security fund, insurance premiums, mathematical reserve funds, preventive funds, business funds and other funds of insurance company.

Article 54

Total amount required for compensation of damages and other liabilities in mutual insurance that cannot be covered by the company funds shall be guaranteed by insureds with their own funds, in accordance with establishing resolution of a company.

Article 55

Funds as mentioned in Article 53, Para.2 of this Act can be deposited in bank, postal savings or other financial institution.

Funds mentioned in Article 53, Para. 2 of this Act can be deposited in papers of value, real estate and other property.

Funds as mentioned in Article 53, Para. 2 of this Act can be applied to granting credits and debentures.

No more than 50 percent of the total mathematical reserve funds can be invested in real estate.

Article 56

Working with the funds mentioned in Article 53 of this Act, an insurance company is obliged to provide for placements or investments so as not to endanger their value and own liquidity in fulfillment of its obligations.

Article 57

Life insurance funds are to be kept by insurance company on a separate account and they cannot be used nor be subject to forced implementation for cover of liabilities from other types of insurance or reinsurance or any other liabilities of insurance company.

Life insurance funds have a character of savings and are protected as saving deposits.

Article 58

Insurance premium consists of functional premium and overhead costs.

Functional premium consists of technical premium and preventive contribution.

Overhead costs include the funds for insurance handling.

Article 59

Insurance company income is created from insurance premium, inwards coinsurance and reinsurance business premium as well as other insurance businesses, financing or additional income.

Other insurance businesses income as mentioned in Para. 1 of this Article comprises income on participation in loss, outwards coinsurance and reinsurance businesses, recovery and other income.

Article 60

Insurance company outgo, in the construction of these Articles, shall mean outgo for payment of losses and sums insured, outgo for payment of losses in inwards coinsurance and reinsurance businesses, outgo for premium payment in outwards coinsurance and reinsurance businesses, outgo for prevention and other insurance business outgo, outgo for insurance and reinsurance business activities as well as financing and other extra outgo.

Outgo for payment of losses in insurance, coinsurance of reinsurance and sums insured are determined through a treaty, i.e. through the documents of insurance company. Outgo for losses shall mean also assessment expences, court expences and taxes in disputes connected with insurance business, expert opinion certificates and other expences in connection with settlement of losses.

Article 61

Outgo of insurance company shall also mean the following:

- 1) expenditures from life insurance premium for life insurance mathematical reserve,
- 2) expenditures at the end of accounting term referring to: duration of insurance or reinsurance in the forthcoming period (unearned premium); existent but unsettled liabilities in insurance or reinsurance (outstanding losses) and reserves for catastrophes in a longer period.

Expenditures as mentioned in Para 1, item 2 of this Article are at the same time income in the following year.

Existent but unsettled liabilities shall mean also unannounced losses the amount of which is determined in a manner provided for by the documents of insurance company.

Method of settlement and amount of insurance or reinsurance premium portion left for unearned premiums, outstanding losses and reserves for catastrophes, as well as method of accounting mathematical reserve are determined in the documents of insurance company.

Article 62

Part of income from insurance company operations which, on annual account, remains after settlement of expenditures, is expressed as profit.

Profit mentioned in Para 1 of this Article, upon resolution brought by managing bodies of insurance company, applies to the following:

- 1) cover of losses from the previous year
- 2) set aside for reserves
- 3) payment of a profit portion to share holders or investors in proportion to the funds they invested, i.e. members (insureds) in a mutual insurance company according to their contributions (deposits),
- 4) set aside for other funds of insurance company (prevention fund, business fund, collective consumption fund if no work community has been formed).

Assembly of insurance company may decide that employees of insurance company participate in distribution of profit.

Assembly of insurance company may decide not to distribute for the time being the profit after distribution mentioned in Parfa. 2 of this Article.

Article 63

Insurance company whose security reserves are at least 50 percent of average insurance premium acquired in the two preceeding years, including the year for which profit is distributed, does not have to set aside for security reserves.

Article 64

If insurance company income on annual account is insufficient to cover the outgo, insurance company makes statement of business losses.

Article 65

Loss mentioned in Article 64 of this Act is covered by insurance company from

- 1) undistributed profit,
- 2) additional contribution (deposit) of insureds with mutual insurance company,
- 3) security reserves,

- 4) business fund in the portion which pertains to financial funds and funds in placements with refund expiry term until the day of final account submitting,
- 5) prevention funds, if the management body makes such decision,
- 6) security fund.

If insurance company does not settle the whole loss mentioned in Para. 1 of this Article, the uncovered portion of the loss can be transferred by insurance company into the following year as uncovered loss.

Article 66

Insurance company is obliged to settle the uncovered loss from the preceeding year in the course of the following year and to compensate security fund increased by retail price index in the amount applied to covering losses if security fund is decreased below the amount set forth in Article 12 of this Act.

Article 67

Insurance company dealing with life insurance determines profit and loss separately for that type of insurance.

Insurance company dealing with insurance and reinsurance business is obliged to determine profit and loss separately for those business and express a common result.

Article 68

In order to secure permanent fulfillment of liabilities, insurance company is obliged to have a guarantee reserve.

Guarantee reserve consists of the following:

- 1) security fund,
- 2) security reserve,
- 3) preventive fund, if management body of insurance company makes such decision,
- 4) reserve for catastrophes.

Insurance company must have a minimum of guarantee reserve:

- 1) in life insurance and reinsurance - 3 percent of mathematical reserve of life insurance in the preceeding year,

- 2) in other insurance and reinsurance business - 10 percent of gross insurance i.e. reinsurance premium shares of coinsurers and reinsurers, or retrocessionaires, decrease being not more than 50 percent, and for overseas vessels and aviation insurance the decrease being not more than 85 percent.

Total amount of guarantee reserve mentioned in Para. 2 of this Article cannot be less than the amount determined in Article 12 of this Act.

Guarantee reserves are determined on making annual account for the respective year.

Article 69

Insurance company is obliged to adjust the funds of guarantee reserve mentioned in Article 68 of this Act with the amount of premium insurance retained.

If the guarantee reserve is decreased by up to 25 percent of the amount mentioned in Article 68 of this Act, insurance company is obliged to make program for adjusting operations in order to secure the required amount of guarantee reserves within 12 months.

If the guarantee reserve is decreased by more than 25 percent of the required amount, insurance company is obliged to make program for adjusting operations in order to provide the required amount of guarantee reserves within 18 months.

If the programs mentioned in paras. 2 and 3 of this Article do not prove to provide the amount of guarantee reserve as mentioned in Article 68 of this Act, insurance company is obliged to adjust the scope of premium income i.e. the level of premium retention within the following 6 months.

Article 70

Technical reserves of insurance companies, as defined in this Act, consist of unearned premiums and outstanding losses as well as amounts for catastrophes in a longer period of time.

Article 71

Insurance company is obliged to make annual accounts and business reports.

With the annual account (balance of state, balance of success and annexes), insurance company has to submit a business report.

Report mentioned in Para. 1 of this Article contains the following:

- 1) financial position and financial structure statement,
- 2) physical scope of business indices,
- 3) economy and efficiency business indices,
- 4) information on increase or decrease of security reserves.

Business report contains also other data and estimation of insurance company operations as well as explanations of changes in accounting statements.

Insurance company is obliged to publish the main data of the balance upon acceptance of annual account.

Article 72

Insurance company makes periodical account in the manner and within the terms prescribed by the federal law.

Article 73

Federal administration authority for financial affairs determines the data of Article 71 of this Act to be published by insurance company.

Article 74

If insurance company deals with life insurance and other types of insurance or reinsurance whilst facing winding up or liquidation and if conditions prescribed by law for establishing life insurance company are existing, life insureds may with the funds of such company establish a new life insurance company.

If conditions as mentioned in Para. 1 of this Article do not exist, all life insurances, with the funds, are ceded to other insurance companies, if they are willing to accept them.

In cases mentioned in Paras. 1 and 2 of this Article, the liabilities towards insureds are not changed.

If no conditions exist for establishing a new life insurance company, ceding life insurance treaties to other companies for the purpose of establishing new life insurance company or ceding such insurances to other insurance companies, the sums insured can be decreased.

For making decision on establishing or ceding life insurance as mentioned in this Article, the life insureds form a committee that makes all preparations for establishing a new life insurance company in accordance

with provisions of this Act or for ceding life insurance to other insurance companies.

For establishing a new life insurance company and for decrease of sum insured, committee mentioned in para. 5 of this Article shall ask for an expert opinion of an authorized actuary.

VI DISSOLUTION OF INSURANCE COMPANY

Article 75

Insurance company shall cease to operate in the process of liquidation:

- 1) if management body of insurance company makes such decision,
- 2) if its entry in the court register is declared null and void by a finally - binding court decision,
- 3) if insurance company ceases to fulfill conditions of Article 12 of this Act or does not compensate security fund in the manner provided by Article 66 of this Act or does not proceed in the manner provided by Article 69 of this Act, while no conditions for bankruptcy proceedings are fulfilled,
- 4) if Federal administration authority for financial affairs imposes a ban on permission mentioned in Article 16, para. 1 of this Act, in accordance with Article 115 of this Act,
- 5) in other cases as provided by this Act.

In cases mentioned under Para 1, items 1 and 2 of this Article, insurance company property is distributed to investors in proportion to their deposits.

In case of liquidation of mutual insurance company, the property is primarily used for refunding deposits to investors while the remaining property is distributed among its members (insureds) in proportion to their contribution (services) in the three preceding years.

Article 76

Federal authority for financial affairs shall impose a ban on permission if it has subsequently become evident that insurance company established under provisions of this Act does not fulfill the conditions provided by

Articles 12 and 15 of this Act or if it has not adjusted its operations to the provisions under Article 57 of this Act.

Decision on ban on permission shall be submitted by Federal authority mentioned in Para. 1 of this Article through Social Accountancy Service of Yugoslavia to the authorized branch of Social Accountancy Service which will then propose liquidation proceedings of insurance company.

Article 77

Bankruptcy proceedings of insurance company begins if within 15 working days from the date of nonliquidity insurance company does not establish its liquidity.

Article 78

To bankruptcy proceedings of insurance company provisions of law regulating constraint, bankruptcy and liquidation shall be applied.

Article 79

Bankruptcy sum of insurance company shall include the following:

- 1) all financial funds of an insurance company,
- 2) all movables and immovables as well as property interest,
- 3) all assets of insurance company.

Article 80

From bankruptcy sum, liabilities of insurance company are settled in the following procedure:

- 1) assets of creditors in life insurance and reinsurance up to the level of liabilities expressed in mathematical reserve mentioned in Article 57 of this Act,
- 2) assets of creditors in accident insurance treaties,
- 3) assets of creditors in other insurance treaties and reinsurance treaties,
- 4) other creditors assets,
- 5) assets of the founders of insurance company.

VII YUGOSLAV INSURANCE BUREAU

Article 81

Yugoslav insurance bureau is founded by insurance companies (hereinafter referred to as Bureau).

Bureau performs duties provided for by international motor third party insurance treaties.

Bureau represents Yugoslav insurance companies in international insurance companies on businesses mentioned in Para. 2 of this Article.

Insurance companies may by an agreement entrust Bureau with performance of certain businesses of mutual and general interest (statistics, information, development, expert training, actuaries etc).

Article 82

Bureau is a legal entity.

Bureau enters in the court registrar.

Bureau organisation is determined by Articles of Association.

An agreement between insurance companies and bureau determines the manner of its financing and operations mentioned in Article 81, Para. 4 of this Act which Bureau is entrusted with.

VIII OBLIGATORY INSURANCES

Article 83

As provided for by this Act, obligatory insurance includes the following:

- 1) travellers' accident insurance
- 2) motor third party insurance
- 3) aircraft third party insurance

Article 84

Owners and users of vehicles to whom provisions of this Act on obligatory insurance applies are obliged to make an agreement of obligatory insurance with insurance company.

Obligatory insurance agreement must be concluded before the vehicle is in traffic.

Insurance company dealing with obligatory insurance is obliged to make agreements on obligatory insurance under conditions according to which such insurances are effected.

Article 85

Provisions of this Act on obligatory insurance do not apply to the Yugoslav Army.

1. Travellers' accident insurance

Article 86

Owners and users of vehicles in public traffic are obliged to make an accident insurance agreement.

Agreement mentioned in Para. 1 of this Article must be made by owners and users of the following:

- 1) buses on city, long - distance and international lines and extra - line traffic,
- 2) taxis and rent-a-car vehicles when rented with a driver,
- 3) buses that take workers to their workplaces,
- 4) rail passenger vehicles,
- 5) all marine, lake and river vessels including ferries and rafts which transport passengers on regular lines, including cruises and tourist transfers,
- 6) all rent-a-car vessels from item 5 of this Article which are rented with at least one member of crew,
- 7) aircrafts that transport passengers on regular and extra lines,
- 8) tourist aircrafts used for short and panoramic flights as well as rent-a-car aircrafts with a pilot,
- 9) buses that tourist companies use for transport of tourists,
- 10) all other transportation means with any kind of drive, used for transport of travellers within the activity.

Article 87

Passengers, in the construction of these Articles, shall mean the following: persons that for the sake of travelling find themselves in one of the means of transportation, whether they have bought a ticket or not, as well as persons who find themselves within the area of a station, port or airport or near the vessel before embarkation or after disembarkation and who intended to travel or were travelling, except the persons who are employed at the vehicle.

Passengers mentioned in Para. 1 of this Article shall mean also persons who are entitled to free drive.

Article 88

The lowest sums insured to be agreed on one passenger for the case of death, permanent disability, temporary disability, loss of profit and medical treatment expenses shall be determined by Federal Executive Council.

Article 89

A passenger who survives an accident or a person who in case of a passenger's death is entitled to make claim, has right to request fulfillment of obligations of agreement on insurance from insurance company with which they had been insured.

If a carrier who entered into an insurance agreement is liable for the damage, the compensation to be paid by the carrier shall include the amount which insurance company had paid in obligatory passengers' insurance.

If a carrier i.e. user of a vehicle had not entered into an passengers' insurance agreement under the provisions of this Act, a passenger in an accident or a person who would be entitled to claims had an agreement been made, has right to request indemnification from a company seated in the territory of a republic or autonomous province where an accident happened and which deals with that type of insurance.

Insurance company with which a person mentioned under Para. 1 of this Article made a claim shall proceed as if an insurance agreement had been made with the sum insured as stated in Article 88 of this Act and such company has right to claim recovery from a person liable for damage in connection with the sum paid, interest and expenses.

If an insurance company is unable to obtain recovery mentioned in Para. 4 of this Article even in a court procedure, it has right to claim unindemnified amounts from other insurance companies which deal with that type of insurance in proportion of the premium obtained in obligatory passengers' insurance to the total premium obtained in the territory of a republic or autonomous province in that type of insurance.

In case of insurance company bankruptcy, a person under Para. 1 of this Article may claim indemnification from a company as mentioned in Article 108 of this Act.

2. *Motor car insurance*

a) *Obligatory insurance treaty*

Article 90

Owner i.e. user of a motor car and trailer is obliged to enter into an insurance treaty covering damage made to third party while using a motor car (hereinafter referred to as motor third party insurance) causing death, injury, impairment of health, destruction or damage made to things, except liability for damage to things he accepts for transportation.

Damage caused in use of motor car shall also mean damage made to third party due to fall of thing off a motor car or trailer.

Article 91

Motor cars and trailers, in the construction of these Articles, shall mean cars for transportation of persons, things and for trailing as well as working vehicles which, according to rules on road traffic, must have traffic licence to be prolonged in terms not longer than 12 months with the technical survey previously made.

Motor car and trailer registration, prolongation of registration and issue of trial licence plates can be made only when an evidence of insurance treaty has been submitted to the registration authority.

Article 92

No claims on motor third party insurance can be made by:

- 1) insurance contractor,

- 2) owner, user, co-owner and other person in possession of a vehicle even if they were not driving at the moment of damage occurrence,
- 3) driver of a vehicle who is liable for damage.

Article 93

Insurance company's liability in motor third party liability cannot be lower than the amount determined by Federal Executive Council.

If the amount mentioned in Para. 1 of this Article is insufficient to cover all damages caused in one accident, priority shall be given to personal injuries.

If there are more injured persons than one, and the total indemnification exceeds the amount mentioned in Para. 1 of this Article, the rights of the damaged in relation to insurance company is proportionally decreased.

Insurance company that has paid a damaged persons an amount greater than that he is entitled to in view of proportionally decreased indemnification as it had no knowledge of other persons damaged, remains in obligation toward those other persons only to the amount mentioned in Para. 1 of this Article.

Article 94

When an institution dealing with health, disability and pension insurance makes a claim for indemnification, the insurance company, within the liability of its insured, is obliged to indemnify medical treatment expenses and other expenses in accordance with regulations on health insurance, i.e. it is obliged to pay the proportional amount of contribution for disability and pension insurance.

Proportional amount of contribution for disability and pension insurance is determined in capitalized amount in relation to remaining period of work and age of a natural person required for reaching a retirement pension.

Article 95

If a damaged person made claim direct to insurance company, the insurance company has no right to objections otherwise made to insureds for disobeying law or contract.

Insurance company that has indemnified a damaged person obtains his right toward a person liable for damage in the amount of indemnification paid to third party, with interest and expenses, if no liability of its own has emerged in accordance with motor car third party insurance agreement.

Article 96

Motor car third party insurance includes, according to provisions of this Act, damages caused in use of a motor car that was used or driven by a person without licence.

Insurance company which indemnifies a damage in case mentioned in Para. 1 of this Article, obtains the right of the damaged person toward a person liable for damage, for the amount paid in damage indemnification, interest and expenses.

Article 97

If in the course of insurance period, an owner i.e. user of a motor car is changed, rights and liabilities of a motor car third party insurance agreement pass on a new owner i.e. user and last until expiry of the current insurance period.

Article 98

Insurance company with which an owner, i.e. user of a car insured motor car third party is obliged to compensate damage made to third party in foreign country up to the amount regulated by obligatory insurance regulations valid in the country in which a damage was made.

If indemnification paid as mentioned in Para. 1 of this Article is greater than the amount mentioned in Article 93, Para. 1 of this Act, insurance company has right to claim from a person liable for damage the difference between indemnification paid and the amount to which its liability is limited, as well as interest and proportional part of expenses.

- b) *Indemnification of damages caused by use of motor cars whose owners i.e. user had not insured motor car third party*

Article 99

A damaged person to whom a damage has been made in use of a car whose owner i.e. user had not insured third party liability, has right to claim indemnification from insurance company dealing with obligatory insurance of motor car third party and seated in the territory or autonomous province where damage occurred.

Insurance company which has received a claim mentioned in Para. 1 of this Article is obliged to pay indemnification as if an insurance agreement had been made.

Insurance company that has indemnified a damaged person obtains the rights of that person toward a person liable for damage in respect of amount paid, interest and expences.

If insurance company cannot realize its right mentioned in Para. 3 of this Article even in court proceedings, it has right to claim unindemnified amounts from other insurance companies that deal with that type of insurance, in proportion to the premium obtained in obligatory motor car third party insurance multiplied by the number of cars in relation to total premium realized in the territory of a republic or autonomous province for this insurance multiplied by the number of vehicles.

In case of insurance company bankruptcy, a damaged person may claim indemnification from the company as mentioned in Para. 1 of this Article or from company mentioned in Article 108 of this Act.

- v) *Indemnification of damage caused by unidentified vehicle*

Article 100

A damaged person who suffered a damage by unidentified vehicle has right to claim compensation for death, bodily injury or health impairment from an insurance company that deals with motor car third party insurance and which is seated in the territory of a republic or autonomous mentioned in Article 93, Para. 1 of this Act.

Damages by unidentified vehicle are covered by all insurance companies dealing with motor car third party insurance in a republic or autonomous province where damage occurred, in proportion to the premium obtained in that type of insurance multiplied by the number of

vehicles in relation to the total premium obtained in the territory of a republic or autonomous province in that type of insurance multiplied by the number of vehicles.

If a car that caused damage is found, the insurance company which covered the damage has right to claim recovery from the company with which motor car third party insurance was effected, for the amount paid, interest and expences.

In case of insurance company bankruptcy, a damaged person may claim indemnification from insurance company stated in Para. 1 of this Article, i.e. from a company stated in Article 108 of this Act.

Article 101

A person who is not a citizen of Yugoslavia and to whom damage was made in the territory of Yugoslavia by an unidentified vehicle, has right to indemnification in accordance with Article 100 of this Act if the law of his country allows for the citizens of Yugoslavia to be indemnified for the damage by unidentified vehicle.

A person who is not a citizen of Yugoslavia and who was damaged in the territory of Yugoslavia by an unidentified vehicle, has right to indemnification in accordance with provisions of Article 100 of this Act and if it is provided by the agreement of Bureau with the national bureau of insurance of the country of his citizenship or if the national bureau of insurance from the country of his citizenship signed a multilateral agreement or an agreement signed by the Bureau.

In case of insurance company bankruptcy, the damaged person who is not citizen of Yugoslavia may, under the provisions of Para. 1 of this Article claim indemnification from a company as mentioned in Article 99, Para. 1 of this Act, i.e. from a company as mentioned in Article 108 of this Act.

- g) *Indemnification of damages made by a motor car with foreign licence plate*

Article 102

A person who with motor car having a foreign licence plate enters the territory of Yugoslavia must have a valid international certificate of insurance against third party liability that is acceptable in the territory of Yugoslavia or any other certificate evidencing that such insurance exists

and that it covers damages of at least the amount mentioned in Article 93, Para. 1 of this Act.

International certificate stated in Para. 1 of this Article is also required for a motor car shipped to Yugoslavia on another vehicle, unless it shall not be used in the territory of Yugoslavia.

Border authorities for internal affairs make control of fulfillment of conditions of Paras. 1 and 2 of this Article.

Article 103

International licence and evidence as mentioned in Article 102, Para. 1 of this Act shall mean documents the validity of which is acknowledged by the Bureau.

Acceptance of validity of international certificates and evidence can be done by the Bureau only in advance through informing the Federal authority for internal affairs.

Acceptance of validity of international certificates and evidence means that Bureau guarantees for liabilities based on such certificates and evidence, up to the amount mentioned in Article 93 of this Act.

Article 104

Persons who have no valid international certificate or evidence mentioned in Article 102, Para. 1 of this Act have to enter on border into agreement with domestic insurance company on third party insurance valid in the territory of Yugoslavia.

Article 105

A person to whom a damage was made by a motor car with foreign licence plate and which has a valid international certificate or evidence of existence of motor car third party insurance as mentioned in Article 102, Para. 1 of this Act, claims indemnification from one of insurance companies dealing with motor car third party insurance.

If within 60 days an insurance company to whom a claim had been submitted, with valid documents, does not pay compensation, a damaged person has right to claim indemnification from the Bureau.

If the Bureau does not indemnify damage within 30 days from the date of claim, a damaged person may sue Bureau and insurance company mentioned in Para. 1 of this Article.

Article 106

A damage caused by a motor car with a foreign licence plate which is insured with a Yugoslav insurance company is to be indemnified by that company in accordance with provisions of this Act valid for motor cars with Yugoslav licence plates.

Article 107

To indemnification of damage caused by a motor car with foreign licence plate not covered by motor car third party insurance, provisions of Article 99 of this Act shall apply.

Article 108

If in the territory of a republic or autonomous province where accident happened neither of insurance companies is seated, or in case of insurance company bankruptcy, the insured mentioned in Article 89 i.e. damaged person mentioned in Article 99, 100 and 101 of this Act may claim from insurance company with the place of business in that republic or autonomous province.

If insurance company which indemnified the damage cannot get recovery, it has right to claim unindemnified amount from other insurance companies that deal with that type of insurance in that republic or autonomous province, in proportion to premium obtained in that type of insurance.

3. Aircraft owners or users liability insurance

Article 109

Owner or user of Yugoslav aircraft is obliged to insure liability for damages caused by use of aircraft.

A foreign aircraft which enters the air space of Yugoslavia must have third party insurance as mentioned in Para. 1 of this Article, unless there is another security for damage compensation or unless otherwise prescribed by international agreement.

Article 110

Obligation of insurance company to indemnify damages in accordance with Article 109 of this Act is limited with the amount determined by Federal Executive Council, unless the greater amount is provided for by the agreement.

IX SUPERVISION OF INSURANCE COMPANY OPERATIONS

Article 111

Actuarial business, in construction of these Articles, is performed by authorized actuaries.

Detailed conditions for actuarial business performance are provided by Federal authority for financial affairs.

Provision mentioned in Para. 2 of this Article shall be determined by a body or institution which will issue licences to persons who fulfill prescribed conditions for performing business of authorized actuary.

Article 112

The authorized actuary gives opinion on whether the insurance company in its operations respects principles and rules of insurance as mentioned in Article 10 of this Act.

The authorized actuary especially gives opinion on the following:

- technical basis,
- tariff rate,
- maximum cover scales,
- rules on method of determination of mathematical reserve, unearned premiums and outstanding losses, reservations for catastrophes and the way in which such rules have been applied to annual account.
- whether the guarantee reserves in annual account of insurance company are adjusted to Article 68 of this Act.

Article 113

If a body authorized for supervision of operations of insurance company finds irregularities in annual account, it shall inform the authorized actuary who gave an opinion mentioned in Article 112 of this Act.

The authorized actuary is obliged to check its opinion and inform of it the body mentioned in Para. 1 of this Article.

If the authorized actuary disapproves of the requirement given by the body authorized for control as mentioned in Para. 1 of this Article, the procedure from Article 114, Para. 2 of this Act shall be applied.

Article 114

A body within an insurance company authorized for making by-laws and annual account from Article 113 of this Act is obliged to, prior to its making, consider an opinion of the authorized actuary.

If the authorized body mentioned in Para. 1 of this Article disapproves of the opinion of the authorized actuary, it is obliged to inform administration authority of the republic or province which will then form a commission of actuaries to consider the by-law and annual account and give its opinion.

Opinion of the commission of authorized actuaries is submitted to the body in insurance company authorized for making by-laws and annual accounts. The body in insurance company authorized for making by-laws and annual account has to consider the opinion of commission before its making.

If the body in insurance company does not accept opinion of the commission of authorized actuaries, it is obliged to inform the republic or provincial administration authority within 30 days which will immediately transfer the information to Federal authority for financial affairs.

Article 115

The republic or provincial administration authority shall within 3 months issue a resolution to insurance company for removal of deficiencies determined by the commission of authorized actuaries or may propose Federal administration authority for financial affairs to impose on the insurance company which had not accepted the opinion of authorized actuaries a ban on licence mentioned in Article 16, Para. 1 of this Act.

Article 116

In order to provide data for actuary business and creation of technical basis and tariff rates, insurance company is obliged to submit statistical and other data per types and groups of insurance in the manner determined by Federal authority for financial affairs.

By regulation of Para. 1 of this Article, Federal authority for financial affairs shall determine the body, i.e. institution to which data as mentioned in Para. 1 of this Article shall be submitted.

X PENALTY PROVISIONS

Article 117

A fine of 45.000 to 450.000 Dinars shall be imposed on insurance company for the following economic offenses:

- 1) if more than 50 percent of the total mathematical reserve funds is placed in immovables (Art. 55, Para. 4),
- 2) if life insurance funds are not on a separate account and if are used for cover of liabilities from other types of insurance or reinsurance or any other liabilities of insurance company (Article 57, Para. 1),
- 3) if in the course of the following business year it does not compensate the security funds from the preceeding year increased by retail price index (Article 66),
- 4) if it does not determine profit and loss for life insurance separately and does not express a common result on other insurance businesses,
- 5) if it does not create guarantee reserve and does not provide for the minimum guarantee reserve (Article 68, Paras. 1 and 3),
- 6) if in its operations it does not adjust amounts of guarantee reserve as mentioned in Article 68 of this Act and if it does not make program of measures nor adjustment of scope of premium income, i.e. level of premium retained in the following 6 months (Article 69),
- 7) if it does not compensate damage made by a vehicle in a foreign country up to the amount regulated by obligatory

insurance provisions of the country where an accident happened,

- 8) if it does not indemnify a third party as mentioned in Para. 1 of Article 99 as if an agreement on insurance had been made (Article 99, Para. 2),
- 9) if it does not submit statistical and other data per types and groups of insurance in the manner determined by Federal authority for financial affairs (Article 116, para. 1).

For offense from Para. 1 of this Article, the responsible person of insurance company shall also be fined from 2.500 to 25.000 Dinars.

Article 118

A fine of 45.000 to 450.000 Dinars shall be imposed on legal entity for the following economic offenses:

- 1) if it does not enter into obligatory insurance agreement with an insurance company before a vehicle is put into traffic (Article 84, Paras. 1 and 2),
- 2) if it does not enter into an agreement on travellers' accident (Article 86, Para. 1),
- 3) if it does not enter into an agreement on motor car third party insurance covering death, bodily injury, health impairment as well as destruction or damage to things, except liability for damages on things accepted for transportation,
- 4) if it does not provide insurance of liabilities for damages caused by use of an aircraft (Article 109, Para. 1),
- 5) if it intermediates or insures property and persons with insurance companies which are not authorized under provisions of this Act (Article 7, Para. 1).

For offense from Para. 1 of this Article, the responsible person of legal entity shall also be fined from 2.500 to 25.000 Dinars.

Article 119

A fine of 2.500 to 25.000 Dinars shall be imposed on a person for the following offenses:

- 1) intermediating or insuring property and persons with insurance companies which were not established under provisions of this Act (Article 7 Para. 1),

- 2) not entering into insurance agreement that should have been made in accordance with this Act (Articles 86, 90 and 109).

XI TRANSITIONAL AND CLOSING PROVISIONS

Article 120

Insurance communities of property and persons and reinsurance communities established under provisions of Property And Persons Insurance System Act (Official Gazette of SFR Yugoslavia No. 24/76) are obliged to adjust their organisation, actions and by-laws to the provisions of this Act by 31st December 1990.

Assembly of a property and persons insurance community and assembly of reinsurance community from Para. 1 of this Article shall appoint an organizing committee which will take actions necessary for preparation of proposal for adjusting operations and by-laws to the provisions of this Act.

Article 121

Property and persons insurance communities and reinsurance communities which adjust their actions and by-laws to the provisions of Article 120 of this Act are obliged to submit evidence that conditions stated in Articles 12 and 15 of this Act have been fulfilled to the Federal authority for financial affairs, together with the documents showing state of assets and reserves and funds of property and persons insurance community or reinsurance community based on the data of final account for 1989 submitted to Social Accountancy Service.

Federal authority for financial affairs, following the evidence and documents submitted by insurance community shall within 30 days from the date of submitting estimate whether the conditions for establishing insurance company along the lines of Articles 12 and 15 of this Act have been fulfilled and then issue a licence for establishing company or state its disapproval.

If the existing insurance or reinsurance community does not obtain licence for establishing by 31st December 1990, the authorized branch of Social Accountancy Service shall by 15th January 1991 initiate a regular

liquidation proceedings on that community in accordance with provisions of Federal law which determines constraint, bankruptcy and liquidation.

If the Federal authority for financial affairs subsequently determines that insurance company which was given a licence for establishing in accordance with this Article does not fulfill conditions and criteria set forth in Para. 1 of this Article, i.e. that adjustment of business operations is not developing as stated in Para. 1 of this Article, it can issue a ban on licence.

If the Federal authority for financial affairs issues a resolution as mentioned in para. 4 of this Article, it shall inform of it the authorized branch of Social Accountancy Service which makes proposal for initiating liquidation proceedings on insurance company.

Article 122

Insurance communities that fulfilled conditions as mentioned in Article 120 of this Act shall create a security fund mentioned in Article 12 of this Act within the following terms:

- 1) at least 50 percent prior to issue of licence,
- 2) the remaining amount by 30th June 1991

Total funds of guarantee reserve of an insurance company may be lower than the funds mentioned in Article 12 of this Act under conditions mentioned in Para. 1 of this Article.

Article 123

Security reserves and other funds of property and persons insurance communities and reinsurance communities that have fulfilled conditions of Article 120 of this Act become security reserve funds i.e. other funds of insurance company.

Security reserve funds of property and persons insurance communities as mentioned in Para. 1 of this Article which are nominated on insureds on the basis of self-managing agreement can be used as founding shares in security fund.

Security fund of property and persons insurance community and reinsurance community which the founders of such communities invested on the basis of self-managing agreement, i.e. establishing agreement may be used as founding shares in a security fund of insurance company.

Article 124

As of the date of entering into a court register, all rights and obligations from a property and persons insurance agreement and reinsurance agreement, as well as all other rights and obligations of a community pass on the insurance company.

Article 125

By the 30th June 1991 insurance companies shall adjust their business operations and Bureau activities to the provisions of Article 81 of this Act.

By coming this Act into force, business of Yugoslav Bureau of insurance provided for by international agreements on motor car insurance until the term stated in para. 1. of this Article shall be continued by Yugoslav Association of Insurance And Reinsurance Companies.

Article 126

Enterprises for agency and intermediary businesses dealing with such businesses in an independant activity and which are established under the provisions of Property And Persons Insurance System Act (Official Gazette of SFRY No. 24/76) shall by 31st December 1990 adjust their organisation and business to the provisions of this Act.

Article 127

On the effective date of this Act the Property And Persons Insurance System Act (Official Gazette of SFRY No. 24/76) shall cease to be valid.

Article 128

This Act shall come into force on the eight day upon its publiccation in the Official Gazette of SFRY.

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