

**PROPERTY AND PERSONS  
INSURANCE LAW**

**In Federation of Bosnia and Herzegovina**

**Sarajevo, 1999.**

# PROPERTY AND PERSONS INSURANCE LAW

Internal final text

Property and Persons Insurance Law was published in Official Gazette of Federation of Bosnia and Herzegovina No. 2/95 dated February 11, 1995

Amendments to the Property and Persons Insurance Law were published in Official Gazette of Federation of Bosnia and Herzegovina No. 6/98 dated March 9, 1998

Sarajevo, 1999

Based on the Paragraph IV, Section B, Article 7a of the Constitution of the Federation of Bosnia and Herzegovina, I hereby pass

## THE DECREE ON THE PROPERTY AND PERSONS INSURANCE LAW

Number 01-301/95  
February 3, 1995  
Sarajevo

President  
Kresimir Zubak

Official Gazette F No. 2/95 of February 11, 1995.

Based on Chapter IV, Section B, Article 7a (IV) of the Constitution of the Federation of Bosnia and Herzegovina, passes

## THE DECREE ON THE AMENDMENTS TO THE PROPERTY AND PERSONS INSURANCE LAW

We hereby proclaim the Amendments to the Property and Persons Insurance Law adopted by the Parliament of the Federation of Bosnia and Herzegovina in the session of the House of Representatives of December 19, 1997, and the session of the House of Peoples of January 20, 1998.

No. 01-011-123/98  
February 24, 1998  
Sarajevo

President of the Federation  
of Bosnia and Herzegovina:  
Ejup Ganic

(Official Gazette F No. 6/98 of March 9, 1998)  
(Internal final text)

## PROPERTY AND PERSONS INSURANCE LAW

### I GENERAL PROVISIONS

#### Article 1

This Law determines the conditions and manner of management of the business of the companies engaged in insurance of property and persons, as regulated by the General Provisions, the establishment of an insurance company, business management and funds of an insurance company, assets required by an insurance company, supervision over an insurance company management, compulsory insurances, Bureau of Insurance, penalty, transitional, and final provisions.

## Article 2

Insurance business includes the following: entering into and execution of property and persons insurance agreements; entering into and execution of co-insurance and reinsurance treaties, taking measures of prevention of risks endangering the property and persons insured, measures of prevention and reduction of risks, as well as other insurance business.

## Article 3

Other insurance businesses include the business of insurance brokers, insurance agents, survey of risks, assessment and adjustment of losses, sale of damaged insured property leftover, legal assistance, as well as other personal and technical services in an insurance business.

Businesses mentioned in Paragraph 1 of this Article are performed by physical and legal entities for an insurance company or for an insured under an agreement.

## Article 4

Property and persons insurance is voluntary, except in case of compulsory insurance prescribed by the law.

Property and persons are insured with insurance companies seated in the Federation of Bosnia and Herzegovina (hereinafter referred to as the Federation).

The Federation Government determines which property and persons, and under which conditions, may be insured or coinsured with foreign insurers.

## Article 5

Insurance companies may merge on a business or professional basis.

## Article 6

An insurance company manages its business in accordance with the following:

- 1) economic principles and the rules of insurance and actuary profession,
- 2) the law and the principles of a fair market competition,
- 3) good business practice and business ethics.

Detailed provisions of Paragraph 1 of this Article are regulated by a Code of Ethics of an insurance company.

## Article 7

An insurance company provides reinsurance coverage for surplus of a risk exceeding the company's capacity.

An insurance company provides a reinsurance coverage for a surplus of risk exceeding its ability to bear a risk at an own account. Such coverage is to be made with a company engaged in inwards in-country insurance.

An insurance company may exceptionally be reinsured abroad if the conditions of foreign reinsurer are economically more favourable than the conditions of a local insurance company, providing that the insurance company offers a local reinsurance company to participate in a risk surplus up to the level of its ability to bear the risk for an own account, under the conditions stated in a foreign reinsurer's offer.

## Article 8

Insurance business is managed by joint stock insurance companies and mutual insurance companies.

## Article 9

An insurance company may cover life and other insurances i.e. reinsurances. Life insurances are divided to life and annuity insurances.

Other insurances are divided to the following groups of insurance: accident insurance, health insurance, motor vehicle own damage insurance, railway car own damage insurance, aircraft hull insurance, marine, river, lake hull insurance, commodity transport insurance, fire and other perils insurance, other property insurances, motor liability insurance, aircraft liability insurance, shipper liability insurance, other liability insurances, credit insurances, guarantee insurance, financial loss insurance, legal protection insurance, tourist services insurance.

Insurance companies may be engaged in one or more types of insurance, i.e. reinsurance mentioned in Paragraphs 2 and 3 of this Article.

A mutual insurance company cannot be engaged in reinsurance.

## Article 10

For the purpose of issuance of approvals for operation of insurance companies, the Office for Supervision of Insurance Companies in the Federation (hereinafter referred to as the Supervisory Office) will be established. This Office will supervise the operation of insurance companies in accordance with this Law and other regulations.

## Article 11

Operations determined by the International Agreement on Traffic Liability Insurance of owners or users of motor cars, and representation of an insurance company in the international insurance institutions shall be managed by the

Bureau of Insurance of Bosnia and Herzegovina (hereinafter referred to as the Bureau of Insurance).

## II INSURANCE COMPANY INCORPORATION

### Article 12

#### 1. Joint Stock Insurance Company

Joint stock insurance companies may be established by the domestic physical and legal entities and foreign persons together with the domestic physical and legal entities.

If the share of foreign physical and legal entities is greater than 50 percent of the stock capital, the incorporation of such insurance company will be subject to the approval of the Ministry of Finance.

### Article 13

The amount of the stock capital at the time of incorporation of an insurance company may not be less than the following:

- 1) 1.000.000 KM for life insurance;
- 2) 2.000.000 KM for other insurances, excluding life insurance;
- 3) 2.000.000 KM for reinsurance.

The amount of stock capital in the period of time before KM is in circulation will be paid in German Marks or in the counter value of a currency in use for payment operations in the Federation, per mean rate of exchange as determined and publicized by an authorized financial institution on the day of payment.

### Article 14

Approval for the operation of a joint stock insurance company is issued by the Supervisory Office.

A request for issuance of an approval for the operation of an insurance company is submitted by the founders or their proxies.

Along with the request for issuance of an approval, the persons referred to in Paragraph 2 of this Article will supply the Supervisory Office with the following:

- 1) Articles of Association signed by the founders.
- 2) An evidence of the existence of funds at the level of stock capital, the initial funds, and other funds necessary for the beginning of the operation.
- 3) Business policy documents (particularly conditions of insurance and tariff rates for all types of insurance that the company shall be engaged in, technical base, maximum retention scales).
- 4) Work Plan of a company for further three years of operation.

- 5) Financial statement of the founders and their mutual capital and management connections.
- 6) Structure and level of individual shares.
- 7) Proposal on appointing the president of the management board.
- 8) Number and qualification structure of the staff necessary for the beginning of the operation of a company.
- 9) Proposal on appointment of the mathematical reserve manager, if the company is to be engaged in life insurance.

### Article 15

The Work Plan specifically contains the following: expected premium income, anticipated losses, insurance costs, expected profit, and other data proving the permanent capability of future fulfilment of obligations.

### Article 16

Within 60 days from the date of submission of the request and other evidence mentioned in Paragraph 3 of Article 14, the Supervisory Office shall either decide on the request or seek a correction or amendment to the request mentioned in Article 14 of this Law. The decision on the operation of the company is at the same time the Supervisory Office's approval of all documents mentioned in Paragraph 3 of Article 14, which serve as the basis for issuance of the approval.

The decision of the Supervisory Office mentioned in Paragraph 1 of this Article is final and is not subject to administrative dispute.

#### 2. Mutual Insurance Company

### Article 17

A mutual insurance company is a company in which its members, by payment of a deposit (contribution), mutually guarantee that losses occurring in realization of a contracted risk will be covered on the principles of mutuality and solidarity.

A mutual insurance company does not operate for profit. The funds are collected through deposits only within the scope necessary for fulfilment of obligations to the insured, and for creation of security funds.

The insured who manages the company decide on the company's funds.

### Article 18

A mutual insurance company may be founded by the domestic physical and legal entities, following the same procedure valid for joint stock insurance companies.

For foundation of a mutual insurance company it is necessary that at least 250 persons enter into an agreement on mutual insurance against the same risks.



#### Article 19

A mutual insurance company may be incorporated as a mutual insurance company with unrestricted investment or as a mutual insurance company with restricted investment.

A mutual insurance company with unrestricted investment may request that each insured person deposits additional investment not greater than its previous total investment, if the losses and other expenditures are higher than previously deposited investment and other income of the company.

#### Article 20

For the incorporation of a mutual insurance company with unrestricted investment, the founders deposit at least 30 percent, while for a company with restricted investment the deposit required is of at least 50 percent of the stock capital mentioned in Article 13 of this Law, depending on whether a company intends to be engaged in one or more types of insurance.

#### Article 21

The contract of incorporation of a company should contain the following:

- 1) Names of founders
- 2) Seat and activity of a company
- 3) Amount of the stock capital of a company
- 4) Amount of individual investment
- 5) Number of individual deposits subscribed by the founders
- 6) Regulations on the manner, terms and conditions of depositing of the founders' investments with interest
- 7) Regulations on management of the business of a company
- 8) Way of formation and use of funds and services
- 9) Regulations on changes to the Articles of Association, general insurance conditions, and dissolution of a company, as reflecting the existing insurance agreements
- 10) Regulations on company's business operations
- 11) Manner of beginning and termination of membership in a company
- 12) Other issues of importance to the incorporation and business of a mutual insurance company.

#### Article 22

Articles of Association of a company specifies the following:

- 1) Formulation, terms and conditions of depositing of investments
- 2) Right to compensation
- 3) Regulations on restricted and unrestricted investments

- 4) An obligation of either adding investments to cover the loss, or of having a company's loss covered through decrease of compensation to all members
- 5) Conditions and manner of distribution of profit (return of part of investment or its transfer to the following year, i.e. to security funds)
- 6) Regulations on the beginning and end of membership in a company.

#### Article 23

Founders of a mutual insurance company or their proxies submit to the Supervisory Office a request for issuance of an approval that a mutual insurance company can be incorporated.

Along with the request mentioned in Paragraph 1 of this Article, the founders of a mutual insurance company submit an evidence that they fulfil the conditions of a mutual insurance company incorporation as follows:

- 1) Mutual insurance incorporation agreement
- 2) Articles of Association of a mutual insurance company
- 3) Evidence of the stock capital payment

#### Article 24

The Supervisory Office brings a decision on the request mentioned in Article 23 of this Law within 60 days upon submission of the request along with the evidence mentioned in Article 23 of this Law.

The decision of the Supervisory Office mentioned in Paragraph 1 of this Article is final and is not subject to administrative dispute.

#### Article 25

A mutual insurance company is a legal entity with the rights, obligations, and responsibilities determined by this Law and by the incorporation agreement.

#### Article 26

A mutual insurance company is managed by its members. The management body, composition and way of operation of a mutual insurance company are stipulated in the Articles of Association of a company, depending on the investment deposited.

Regulations governing a limited liability company may, if applicable, govern the management of a mutual insurance company.

### III OPERATION AND FUNDS OF INSURANCE COMPANIES

#### Article 27

Insurance and reinsurance businesses are managed by an insurance company in its own name and for an own account.

Insurance companies may manage insurance business mentioned in Article 2 of this Law in their own name and for the account of other persons, or in the name and for the account of other persons, or may mediate in such business.

#### Article 28

An insurance company holds full responsibility of obligations deriving out of insurance agreements and reinsurance treaties.

The total amount of losses to be covered and other obligations to be fulfilled by a mutual insurance company that cannot be compensated out of the company's funds shall be guaranteed by the insured with their own funds, as prescribed by the company incorporation agreement.

#### Article 29

The funds with which an insurance company operates are the funds of the stock capital, insurance premium, technical reserve, security, operating, and other funds of the company.

#### Article 30

Insurance premium consists of a functional premium and the portion of the premium intended for insurance business.

Functional premium contains technical premium, but may also contain a preventive portion if it is calculated in the premium.

Technical premium is the part of a premium intended for fulfilment of obligations deriving out of insurance.

Insurance costs cannot be covered by the funds of the technical premium - other insurances of an insurance or reinsurance company.

Technical premium funds - life insurance, may in the first years of insurance be used to cover the costs of insurance agreements within the scale determined by the Supervisory Office.

#### Article 31

Technical reserve funds of an insurance company are comprised of the following: unearned premium and outstanding losses, mathematical life insurance reserve, reserves for premium returns that are either dependant or independent of the results, prescribed reserves for the loss fluctuations, other insurance related technical reserves, and noninsurance related technical reserves.

#### Article 32

Life insurance funds of an insurance company are to be kept on a separate account which cannot be utilized nor be subject to forced collection in order to cover insurance company obligations which do not derive out of life insurance. Life insurance funds are treated as savings.

#### Article 33

Out of the life insurance funds, an insurance company forms the mathematical reserve of life insurance.

Mathematical reserve of life insurance is a difference between current value of all future obligations of the insurer per insurance agreements and the current value of all future liabilities of the underwriter.

Life insurance, in the construction of these Articles, is considered to be any type of personal insurance agreement by which the savings or the funds intended to cover the increased risks in subsequent years of insurance are accumulated (pension insurance, disability insurance, etc).

#### Article 34

An insurance company engaged in life insurance adopts a document on formation, management and utilization of mathematical reserve.

#### Article 35

The income of an insurance company consists of the insurance premium corrected with the amount of unearned premium and inwards coinsurance and reinsurance premium, other insurance income, share interest income, and other investments, other income and extraordinary revenues.

In the construction of these Articles, outgo of an insurance company shall mean payments for losses, coinsurance, sums insured, as corrected with the reinsurer's share, prevention outgo, other insurance business outgo, insurance and reinsurance business activities, and contingency expenditures.

Expenditures mentioned in Paragraph 1 of this Article are determined by an agreement i.e. insurance company documents.

Loss expenditures shall also mean assessment, claims expenditures, court procedure expenses, expert opinion certificates, and other expenditures in connection with the settlement of losses.

#### Article 36

Insurance company outgo, in the construction of these Articles, shall mean expenses for losses related to insurance; coinsurance; sums insured, as corrected

with the share of reinsurers in the losses; outgo for prevention; other insurance business outgo, insurance and reinsurance activity outgo, as well as other extra outgo.

Expenditures mentioned in paragraph 1 of this Article are determined on the basis of an agreement or the by-laws of insurance companies.

Outgo for losses are considered to be expenses of loss assessment, claims related expenses, court expenses, expert opinion certificates, and other expenses in connection with the settlement of losses.

#### Article 37

Outgo of an insurance company shall also mean the following:

- 1) Expenditures of life insurance premium for life and other insurance mathematical reserve, if similar probability value scales and calculations valid for life insurance are applied.
- 2) Expenditures at the end of accounting term referring to: duration of insurance or reinsurance in the forthcoming period (unearned premium); current unsettled liabilities in insurance or reinsurance (outstanding losses), reserves for massive and catastrophe losses, as well as the reserve for insurance annuities, liabilities and accidents, reserves for premium returns, dependant or independent on the business results, the reserves prescribed for the loss fluctuations, and other insurance and technical reserve.

Current unsettled liabilities shall also mean unannounced losses the amount of which is determined in a manner prescribed in an insurance company by-laws.

Method of settlement and amount of insurance or reinsurance premium portion for unearned premium, outstanding losses set aside and reserves for catastrophes, as well as the method of mathematical reserve calculation are stipulated in the by-laws of an insurance company, in accordance with the instructions on the size of technical reserve premium portion given by the Supervisory Office.

#### Article 38

Portion of income from insurance company operations which remains in an annual account after settlement of expenditures, is expressed as profit.

The profit mentioned in Paragraph 1 of this Article, upon resolution brought by the managing bodies of an 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 stock holders, investors and company employees, i.e. return of deposit portion to the members (insureds) in a mutual insurance company
- 4) Set aside for other funds of insurance company

- 5) Set aside for share of profit in life insurance
- 6) Undistributed profit.

#### Article 39

Insurance companies set aside at least one third of its profit expressed in an annual account if the profit is not used to cover the losses of the preceding years.

Insurance companies whose security reserve is at the level of minimum 50 percent of average insurance premium acquired in the two preceeding years, providing that the premium of the preceeding year is increased by retail price index including the year for which the profit is distributed, do not have to set aside for security reserves.

#### Article 40

Insurance companies whose income on an annual account is insufficient to cover the outgo make a statement of business loss.

#### Article 41

The loss mentioned in Article 40 of this Law is covered by insurance company from the following:

- 1) Undistributed profit
- 2) Additional contribution (deposits of insureds with a 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 submission of account
- 5) Prevention funds, if the management body makes such decision
- 6) Other funds.

If an insurance company does not settle the whole loss mentioned in Paragraph 1 of this Article, the stock capital will be decreased by the noncovered portion of the loss.

#### Article 42

Insurance companies make financial business reports and disclose the basic balance sheet data, as determined by the Supervisory Office.

#### Article 43

Insurance companies settle the noncovered loss from the preceeding year in the course of the following business year and compensate the security funds if such funds had been used to cover the loss or had been decreased below the amount set forth in Article 13 of this Law.



#### Article 44

Insurance companies engaged in life insurance determine profit and loss separate for that type of insurance.

Insurance companies engaged in insurance and reinsurance business determine profit and loss separate for those businesses, showing the common result.

#### Article 45

If an insurance company is engaged in life insurance and other types of insurance and reinsurance while in process of bankruptcy or winding up, and if conditions prescribed by the law for incorporation of life insurance company are existent, life insureds may use the funds of such company to establish a new life insurance company.

If conditions mentioned in Paragraph 1 of this Article do not exist, all life insurances, along with the funds, are ceded to other insurance companies who are willing to accept it.

In cases mentioned in Paragraphs 1 and 2 of this Article, the liabilities towards insureds do not change.

If no conditions exist for incorporation of a new life insurance company, i.e. for ceding life insurance agreements to other companies for the purpose of incorporation of a new life insurance company or for ceding such insurances to other insurance companies, the sums insured may be decreased.

To make a decision on incorporation or on ceding life insurance as mentioned in Paragraphs 1 and 2 of this Article, the life insureds create a committee that makes all preparations for incorporation of a new life insurance company in accordance with the provisions of this Law, or for ceding life insurance to other insurance companies.

For incorporation of a new life insurance company and for decrease of sum insured, the committee mentioned in Paragraph 5 of this Article shall request an expert opinion of the Supervisory Office

### IV FUNDS OF INSURANCE COMPANIES

#### Article 46

Insurance companies dispose of security fund sufficient to ensure continuous fulfillment of the liabilities deriving out of insurance agreements.

Security fund consists of the following:

1. Stock capital
2. Security reserve
3. Other reserve of the company

#### 4. Undistributed profit

#### 5. Portion of the current year's profit - anticipated to be distributed into the stock capital, reserve, and undistributed profit.

Security fund mentioned in paragraph 2 of this Article is decreased by the operating loss for subscribed but not paid-in stock capital, and for the stocks owned by the company.

#### Article 47

Security fund should contain the minimum of:

- a) Life insurance and reinsurance with at least 3,5 percent of the mathematical reserve of life insurance, and at least 5 percent of technical premium of all risks life insurance. No mathematical reserve is included in such funds but the capital value for the account is decreased by the reinsurance portion of up to 15 percent.
- b) For health insurance, at least 12 percent of the technical premium.
- c) For other insurance and reinsurance, the amount above that obtained when one of the following criteria is applied:
  - 12 percent of gross insurance or reinsurance premium decreased by premium taxes, by withdrawal i.e. depreciated premium, by coinsurer's, reinsurers' or retrocessionaires' premium; the decrease being not higher than 50 percent, while for overseas vessels, nuclear plants, shipper's liability, and aviation insurance, the decrease does not exceed 85 percent.
  - 20 percent of average loss amount obtained when gross payments for risks insured in the three preceeding years are increased by the gross loss reserve at the end of the preceeding year, and decreased by the collected recovery for the three preceeding years and loss reserve at the beginning of such period in the way that the amount obtained is multiplied by the rate deriving out of the payment amounts for risks insured to an own account and gross payments for risks insured in the last year. If such a rate is less than 50 percent, the rate of 50 percent shall be applied.

In calculation of the own funds mentioned in the second line of Paragraph 1 of this Article, insurance companies shall revalue the losses paid and recovery collected using a retail price index, as well as the loss reserve at the beginning of the period serving for the set aside calculation, if the retail price increase in one or both preceeding years had been greater than 10 percent.

#### Article 48

Own funds - security funds cannot in the course of business operations be less than the amounts provided for in Article 13 of this Law.

#### Article 49

Insurance companies will adjust own funds mentioned in Article 47 of this Law with the amount of premium insurance retained.

If the security fund is decreased by 25 percent of the amount mentioned in Article 47 of this Law, an insurance company will make a program for adjusting operations in order to secure the required amount of own funds within 6 months.

If own funds are decreased by more than 25 percent of the required amount, an insurance company will make operating adjustments within 12 months.

If the programs mentioned in Paragraphs 2 and 3 of this Article do not prove to provide the amount of own funds as mentioned in Article 47 of this Law, insurance companies will adjust the scope of premium income, i.e. the level of premium retention within the following 3 months.

#### Article 50

Funds of an insurance company are kept on accounts and placements of the Federation. In the business actions in which such funds are involved, an insurance company will take care of the security of the placement, or investment, in order not to endanger their value or its own liquidity in performance of its duties.

Investment of funds in real estate, equipment and arrangement of the business premises, and owners' investments, cannot exceed 50 percent of security fund of the company, increased by the funds set aside for depreciation.

Investments in collateral-backed interest loans recorded on real estate and movable property, or full sum loan guarantees, or supported by the Letter of Guarantee for the full amount of loan with interest, approved by a bank to the Federation or Canton, cannot exceed 40 percent of the funds available to the company, providing the amount of the collateral-backed loan does not exceed 60 percent of the exchange value of the collateral - recorded commodities.

Investments in stocks and other negotiable securities such as bonds, shares in investment funds, and other money and capital market instruments non-negotiable at regulated markets, cannot exceed 40 percent of the funds available to the company.

Investments in securities non-negotiable at regulated money and capital markets as mentioned in Paragraph 4 of this Article, cannot exceed 10 percent of the funds available to the company.

Down payments and loans approved by a company under general conditions and against presentation of its own policies cannot exceed 10 percent of the funds available to the company.

Loans to the insureds - artisans, farmers, free lancers, under collateral recorded on real estate and movable property, cannot exceed 20 percent of the funds avail-

able to the company; the individual investment of the company into such loans cannot exceed 3 percent of the funds available to the company.

Funds available to the company for investments into purposes mentioned in Paragraphs 3 to 8 of this Article are considered to be security funds not invested into purposes mentioned in paragraph 2 of this Article, unearned premium, outstanding losses, other insurance-technical and noninsurance-technical reserve decreased by the liabilities per long and short term credits.

Insurance company is obliged to invest the mathematical reserve life insurance funds into securities of the Federation in the amount of at least 30 percent of the total amount of the mathematical reserve, while the remaining funds of the mathematical reserve may be invested into the following:

- loans with capital value and interest rates guaranteed by the Federation - Canton up to 25 percent of the mathematical reserve status,
- real estate with permanent income of up to 25 percent of the mathematical reserve status,
- own securities negotiable at regulated money and capital markets of up to 10 percent of the mathematical reserve, providing the individual investment cannot exceed 1 percent of such status,
- deposits and other investments in local banks of up to 50 percent of the mathematical reserve status, providing the investment in individual banks cannot exceed 10 percent of such status.

Other insurance funds may, without limitations, providing the permanent liquidity is maintained, be used for approving loans to banks or legal entities, the returns of which, together with the interest, must be under proper guarantees.

The Supervisory Office may approve that insurance companies make investments other than mentioned above, or investments for which no conditions of Paragraphs 2 to 11 of this Article have been fulfilled, if such investments do not endanger the interest of the insureds.

Except for Paragraph 1 of this Article pursuant to the regulations on foreign exchange operations, an insurance company, by an approval of the Supervisory Office, may keep part of its funds on accounts abroad.

### V SUPERVISION OF INSURANCE COMPANY OPERATIONS

#### Article 51

The Supervisory Office of Article 10 of this Law issues permissions for operation and controls if insurance companies operate under economic principles and the rules of insurance practice.

The Supervisory Office has a character of a legal entity founded by the Government of the Federation.

The Supervisory Office has a right to the seal with the coat of arms of the Federation.

Financing of the Office's operations at the level of 10 percent is included in the Federal Account, while 90 percent is provided by insurance companies.

#### Article 52

The Office is managed by the Council consisting of five members appointed and dissolved on the proposal of the Federation Minister of Finance. Members of the Council are appointed for the term of four years.

#### Article 53

The Council of the Office brings the Articles of Association, with the approval of the Government of the Federation; Annual Work Plan of the Office, along with the monitoring of its implementation; brings an account of income and expenditures of the Office; determines the level of funds contributed by insurance companies to the Office; approves reports submitted by the Office to the Government of the Federation, and decides on other issues as provided for by the Articles of Association of the Office.

#### Article 54

The Office is managed by the director whom the Government of the Federation appoints and dismisses on the proposal of the Minister of Finance.

The director of the Office is appointed for the term of four years.

#### Article 55

The director manages and represents the Office, and is responsible for its operation. Within the scope of rights and responsibilities determined by the law, the director organizes and ensures legal and efficient operation of the Office; within his authority, proposes documents to the Council and executes the decisions of the Council; performs other duties as prescribed by this Law, the Articles of Association, or other by-laws of the Office.

#### Article 56

Within the rights and responsibilities prescribed by this Law, the Office determines the following:

- that own funds on the annual account of an insurance company are adjusted to Articles 47 and 48 of this Law,
- that the property of the company is invested in accordance with Article 50 of this Law.

The Supervisory Office gives an opinion on the following:

- rules on the method of determining of unearned premium and outstanding losses, reservation for catastrophes, and the way in which such rules are applied to the annual account,
- the implementation of Articles 6 and 7 of this Law,
- technical basis, conditions of insurance, tariff rates, rules on determining the mathematical reserve and its implementation in life insurance, pension insurance, disability and sickness insurance (long-term insurances),
- conditions of insurance and tariff rates of all compulsory insurances,
- conditions of insurance for the types of insurance other than transportation and credit insurance
- regularity of financial annual reports.

#### Article 57

Insurance companies request an opinion of the Supervisory Office at the time of their incorporation and any time that any of the by-laws of the company is changed.

For every annual account, the Supervisory Office gives its opinion on sufficiency of own funds, investments, and accuracy of the account.

#### Article 58

In order to provide data for insurance supervision, actuary business and creation of technical basis and tariff rates, an insurance company submits statistical and other data per types and groups of insurance in the manner determined by the Office.

#### Article 59

The Supervisory Office may transfer certain supervisory duties to other authorized institutions and experts (authorized actuary, authorized auditor, or other experts).

Detailed conditions of obtaining the authorization for performance of actuary duties are prescribed by the Minister of Finance.

The certificate on fulfilment of conditions as mentioned in Paragraph 2 of this Article and the work permit to the authorized actuary are issued by the Ministry of Finance.

#### Article 60

The Supervisory Office has right at any time to inspect the operations of insurance companies and issue orders for the following reasons:

- to ensure performance of activities based on the law and the Work Plan;
- to eliminate consequences damaging the interests of policy holders or consequences due to the breach of proper business operations.

Such orders, depending on individual cases, include the following:

- financial measures (e.g. elaboration of Solvency Plan aimed at resuming stability of conditions in case the company no longer disposes of unauthorized funds at the level of own funds, or elaboration of Financial Plan to ensure that, within a short term, the required own funds become disposable; or limitation of free disposal of funds of the company;
- convening of the management board of the company;
- request that the Work Plan be changed. This can also be applied to the existing conditions and premium tariffs.

#### Article 61

In case a company does not operate in accordance with the law or the code of practice, the Supervisory Office may:

- cancel the approval for performance of certain types of insurance if a company no longer fulfills the conditions under which the approval had originally been issued, or in case of such a heavy breach that this measure becomes unavoidable;
- establish a claim for initiating bankruptcy proceedings due to the status of funds of an insurance company;
- request that insurance payments be decreased and prohibit payments intended to avoid the winding-up;
- request the change of the existing insurance conditions, premium tariffs, and other documents;
- cancel the execution of decisions and other documents of a company for which it is determined to be contrary to the Rules and Articles of Association of the company;
- prohibit the operation, i.e. initiate proceedings in case of continuation of business operations without an approval.

#### Article 62

The Supervisory Office may revoke the approval for performance of some or all types of insurance if an insurance company no longer fulfills the conditions for such approval, breaks the legally-binding commitments or obligations taken under the provisions of the Work Plan, or in case of such serious breaches that the continuation of the business operations might endanger the interests of the insureds, or if a company operates contrary to its own by-laws

The Supervisory office may revoke an approval for the complete operation of a company if it is incapable of taking measures provided for in the Solvency Plan or Fiscal Program.

By revoking the approval, further insurance of policies, increase of amounts and extension of validity of by then issued policies is prohibited.

In case of approval being revoked, the Supervisory Office takes measures of protection of the interests of the insureds. The Supervisory Office may limit or prohibit free disposal of the company funds.

In the case of a mutual insurance company, cancellation of the approval for complete insurance operations of a company has the effect of the decision.

Cancellation of the approval enters the court register upon the announcement made by the Supervisory Office.

Approval decision brought by the Supervisory Office is final. The management board of the company may enter an administrative dispute against it.

#### Article 63

An insurance company may cede its portfolio to another insurance company only if the relevant funds and obligations are ceded as well.

An insurance company may transfer its portfolio to another insurance company, voluntarily or in case of the approval revoked, upon the order of the Supervisory Office.

If an insurance company does not proceed in accordance with the order of the Supervisory Office on ceding the portfolio to another insurance company, the Supervisory Office may appoint the special proxy to whom the authorities of its bodies will be transferred.

If the portfolio is ceded by the order of the Supervisory Office, policy holders have no right to appeal.

#### Article 63a

Reasons for dissolution of insurance and reinsurance companies are as follows:

- if the approval is revoked,
- if conditions of Articles 13 and 14 of this Law are not fulfilled or if provisions of Article 49 of this Law are not respected,
- if it joins another insurance company, merges with another insurance company, voluntarily or by the order of the Supervisory Office transfers its portfolio to another insurance company,
- if bankruptcy or liquidation proceedings are initiated, or in other cases prescribed by the law.

#### Article 63b

Proposal on initiating the bankruptcy proceedings for insurance and reinsurance companies is brought by the Supervisory Office or another authorized person in accordance with the bankruptcy rules, providing it submits a notice of such action to the Supervisory Office.



Unless otherwise provided for by this Law, the Bankruptcy Rules shall apply to the bankruptcy of insurance and reinsurance companies.

#### Article 63c

Mathematical reserve of life insurance in bankruptcy represents a separate bankruptcy estate.

Assets per insurance agreements and the global status of mathematical reserve funds are determined on the day of introduction of bankruptcy proceedings.

If the assets per insurance agreements cannot fully be compensated out of mathematical reserve funds, they shall be treated as other assets per insurance agreements.

#### Article 63d

Assets per insurance agreements have the priority over other bankruptcy assets.

#### Article 64

In case of initiating a winding-up procedure, an insurance company ceases entering into new insurance agreements.

If an insurance company voluntarily ceases to operate, or if its further operation is prohibited, or its approval for operation revoked, the supervision will be made of the winding-up of the company and of expiry of the existing insurance agreements.

#### Article 65

In case of an insurance company winding-up, the owners and policy holders have the priority rights as follows:

- in case of any personal insurance, their right to the funds distributed to technical reserve is preferred to the rights of all other creditors,
- in other types of insurance, part of unearned premium (the part relating to the period after termination of agreements due to insolvency), and all claims dating from the period before insolvency shall be treated as senior debts.

### VI COMPULSORY INSURANCE

#### Article 66

As provided for by this Law, compulsory insurance includes the following:

- 1) Passenger Accident Insurance
- 2) Motor Third Party Liability Insurance

- 3) Aircraft Third Party Liability Insurance
- 4) Motor Vessel Third Party Liability Insurance

#### Article 67

Owners and users of vehicles to whom provisions of this Law on compulsory insurance applies will make compulsory insurance agreement with an insurance company.

Pending prior approval of the Supervisory Office, insurance companies, as well as the members of the Bureau of Insurance mentioned in Article 11 of this Law, who are engaged in the compulsory insurance, decide on the common conditions and the system of premium with unified capital values of the part of the premium intended for indemnification of losses.

Common conditions and system of premiums with the unified capital value of the part of premium for indemnification of losses are publicized by the Bureau of Insurance.

An insurance company mentioned in Paragraph 1 of this Article cannot reject an offer for insurance agreement if the offerer accepts the conditions of insurance.

#### Article 68

Provisions of this Law on compulsory insurance do not apply to the vehicles belonging to the Federation Army.

##### *1. Passenger Accident Insurance*

#### Article 69

Owners and users of vehicles in public traffic fall under obligation of entering into an accident insurance agreement.

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

- 1) Buses on city, inter-city, international lines, and extra-line traffic
- 2) Taxis and rent-a-car vehicles when rented with a driver
- 3) Buses taking workers to their workplaces
- 4) Rail passenger vehicles
- 5) Tourist buses
- 6) All other means of transportation with any kind of drive, used professionally for transport of passengers for hire and reward.

#### Article 70

Passengers are considered the persons who are for travel reasons in one of the means of transportation, regardless of whether they bought a ticket, as well as



persons who are at a station, port, or airport, or near a vessel before or after boarding, and who intend to travel or were traveling, excluding the crew.

Passengers mentioned in Paragraph 1 of this Article shall also mean persons who use the benefit of a free drive.

#### Article 71

The lowest sum insured to be agreed on one passenger in case of death or permanent disability shall be determined by the Government of the Federation on the proposal of the Supervisory Office.

#### Article 72

A passenger who survives an accident or a person who, in case of a passenger's death, is entitled to make a claim, has right to request the fulfillment of obligations of an insurance agreement from their insurance company.

If owner or user of a vehicle who entered into an agreement on passengers' accident insurance is liable for the damage, the compensation to the damaged person deriving out of motor vehicle liability insurance does not include the amount belonging to the damaged person out of compulsory passengers' insurance.

If a carrier, i.e. user of a vehicle had not entered into a passenger insurance agreement under the provisions of this Law, a passenger in an accident or a person who would be entitled to claims had an agreement been made, has a right to request indemnification from any insurance company which is engaged in such type of insurance in the territory of the Federation.

Insurance company with which a person mentioned in Paragraph 3 of this Article made a claim shall proceed as if an insurance agreement had been made with the sum insured as stated in Article 71 of this Law.

An insurance company mentioned in Paragraph 3 of this Article who paid the sum insured has a right to claim recovery, interest and expences from a person liable for damage.

If an insurance company is unable to obtain recovery mentioned in Paragraph 5 of this Article neither in the court procedure nor in case of dissolution of a company, it has a right to claim the unindemnified amounts from other insurance companies engaged in that type of insurance in proportion of the premium obtained in compulsory passenger insurance to the total premium obtained in the territory of the Federation for that type of insurance.

In case of dissolution of an insurance company, a person mentioned in Paragraph 1 of this Article may claim indemnification from a company as mentioned in Paragraph 3 of this Article.

## 2. Motor Third Party Liability Insurance

#### Article 73

Owner, i.e. user of a motor car and trailer enters into an insurance agreement covering the 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 property.

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

Motor car liability insurance does not cover damage made to objects in transportation, except in case of personal belongings of passengers.

#### Article 74

Motor cars and trailers, in the construction of these Articles, shall mean any motor car under compulsory traffic licence on the motor roads or other roads used for traffic.

Motor cars and trailers on rails are exempted from an obligation to enter into motor third party insurance agreements.

Motor car and trailer registration, its extension, and issuance of trial licence plates can only be made upon submission of an evidence of the motor third party insurance agreement to the institutions responsible for car registration or issuance of trial licence plates.

Organizers of motor car races enter into separate motor car liability insurance agreement.

#### Article 75

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

- 1) Drivers and their legal successors for death or bodily injuries.
- 2) Owners, co-owners, and users of vehicles for property damage.

#### Article 76

Insurance company's liability in motor third party insurance per one loss cannot be higher than the amount which is, on the proposal of the Supervisory Office, determined by the Government of the Federation, unless in case the higher amount is stipulated in the insurance agreement.

The amount mentioned in Paragraph 1 of this Article is determined for personal and property damages separately.

If there is more than one injured person and if the total indemnification exceeds the amount mentioned in paragraph 1 of this Article, the rights of the damaged in relation to an insurance company are diminished.

An insurance company that pays a damaged person an amount higher than the amount it is entitled to in view of the proportionally deceased indemnification because it had no knowledge of other persons damaged, remains liable to those other persons only to the amount mentioned in Paragraph 1 of this Article.

#### Article 77

When an institution engaged in health, disability and pension insurance claims indemnification, the insurance company, within the liability of its insured, compensates for medical treatment expenses and other expenses in accordance with the regulations on health insurance, i.e. pays 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 the remaining period of work and age of a physical person required for obtaining a retirement pension.

#### Article 78

If a damaged person made a claim directly to insurance company, the insurance company has no right to objections otherwise made to the insureds for not respecting the law or the motor third party insurance agreement.

An insurance company that indemnifies a damaged person while not being liable to make a payment per this law or the motor liability insurance agreement, has a right of recovery for the amount paid, including interest and expenses.

#### Article 79

Motor liability insurance, as prescribed by this Law, includes deliberate damages as well as the damages made while a vehicle is used by a person without proper licence.

A person without licence, in the construction of these Articles, is considered as follows:

- 1) A person driving a vehicle without a proper driving licence.
- 2) A person being trained in driving a motor car on a motor road without the presence of an instructor or a licenced driver.
- 3) A person driving a vehicle without the knowledge or permission of the owner.
- 4) A person who steals a vehicle.

An insurance company which pays for the damage mentioned in Paragraph 1 of this Article has a right to recover the amount paid, along with the interest and expenses, from a person liable for the damage.

#### Article 80

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

#### Article 81

An insurance company with which an owner, i.e. user of a vehicle insured the motor third party, compensates such third party for the damage made in the countries applying the green card insurance system, providing that the damage exceeds the loss amount mentioned in paragraph 1 of Article 76 of this Law. The compensation will be in the amount of up to the level prescribed by the regulations on compulsory insurance valid in the country where a damage is made.

#### Article 82

A damaged person to whom a damage was made in use of a vehicle whose owner, i.e. user had not insured the third party liability, claims indemnification from an insurance company engaged in compulsory motor liability insurance.

An insurance company mentioned in Paragraph 1 of this Article charges the Compensation Fund of the Bureau of Insurance for the amount it paid for the loss and its processing.

A person who is not a citizen of the Federation to whom a damage was made in the territory of the Federation by use of a vehicle whose owner, i.e. user did not insure the third party liability, has a right to compensation on the basis of this Law only if the law of his country provides that the citizens of the Federation have a right to be compensated for the damages made in use of uninsured vehicle.

Bureau of Insurance has a right to a recovery from a person liable for the damage in the amount of the loss, interest, and expenses paid.

#### Article 83

A person who suffers an injury made by an unidentified vehicle has a right to claim compensation for death, bodily injury, or health impairment from an insurance company engaged in motor third party insurance.

An insurance company mentioned in paragraph 1 of this Article charges the Security Fund of the Bureau of Insurance for the amount of loss and processing expenses.

A person who is not a citizen of the Federation to whom a damage was made by an unidentified vehicle, has a right to compensation based on this Law only if the law of his country provides that the citizens of the Federation have a right to be compensated for damages made by an unidentified vehicle.

If the vehicle causing the damage becomes identified, the Bureau of Insurance has a right to claim recovery from the insurance company for the amount paid, interest and expenses.

#### Article 84

Losses paid on the basis of Paragraph 3 of Article 72, and Articles 82, 83, 89, and 96 of this Law shall be borne by all insurance companies engaged in motor third party insurance, proportional to the premium for such type of insurance.

Common accountancy of all losses paid is done through the Compensating Fund of the Bureau of Insurance.

#### Article 85

A person who enters the territory of the Federation with a foreign licence plate must have a valid international certificate of motor third party insurance that is acceptable in the territory of the Federation, or any other certificate evidencing that such insurance exists and that it covers damages of at least the amount mentioned in Paragraph 1 of Article 76 of this Law.

Customs Police is in charge of controlling the fulfilment of the conditions of Paragraph 1 of this Article.

#### Article 86

International licence and evidence as mentioned in paragraph 1 of Article 85 of this Law shall mean documents the validity of which is acknowledged by the Bureau of Insurance.

Acceptance of validity of international certificates and evidence can be done by the Bureau only in advance by submitting an information to the Ministry of Interior.

Acceptance of validity of international certificates and evidence means that the Bureau guarantees for liabilities based on such certificates and evidence, up to the amount mentioned in Paragraph 1 of Article 76 of this Law.

#### Article 87

Persons who have no valid international certificate or evidence mentioned in Paragraph 1 of Article 85 of this Law have to make a motor third party insurance agreement valid in the territory of the Federation with a domestic insurance company when crossing the border.

#### Article 88

A person to whom a damage was made by a motor car with a foreign licence plate and with the valid international certificate or evidence of the existence of

motor third party insurance as mentioned in Paragraph 1 of Article 85 of this Law claims indemnification from the Bureau of Insurance.

Payment of processing of such losses may be transferred by the Bureau of Insurance to its members or specialized institutions who are responsible for processing and liquidating the claims in accordance with international agreements on motor third party insurance.

#### Article 89

A damage made by a vehicle with a foreign licence plate insured with an insurance company mentioned in Article 87 of this Law shall be indemnified by the same insurance company following the regulations of this Law valid for the vehicles with the Federation licence plates.

#### Article 90

The indemnification of a damage made by a motor car with a foreign licence plate not having a valid licence plate or an evidence of motor third party insurance, provisions of Article 82 of this Law shall apply.

#### Article 91

Owner, i.e. driver of a motor car must at the request of an officer of the Ministry of Interior present the valid policy of motor third party insurance, as well as the European Accident Report.

#### Article 92

Along with the motor third party insurance policy, insurance companies will issue the European Accident Report.

Participants in an accident fill out, sign and exchange the European Accident Report.

European Accident report duly filled out may be used as a claim or loss application on a motor third party insurance.

Officers of the Ministry of Interior or judicial bodies engaged in traffic accident procedures have to submit an information on a traffic accident at the request of the insurance company.

### 3. *Aircraft Third Party Liability Insurance*

#### Article 93

Owner or user of an aircraft insures liability for damages made to third party.

According to this Law, a passenger on an aircraft is not considered a third party

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

#### Article 94

Obligation of an insurance company to indemnify damages per this Article is limited with the amount determined by the Government of the Federation, at the proposal of the Supervisory Office, unless the higher amount is determined by the insurance agreement.

Obligation of an insurance company to indemnity damages per Article 93 of this Law is limited with the amount mentioned in Paragraph 1 of this Article, unless the higher amount is provided for by the insurance agreement.

If a damage is made by use of an unidentified, uninsured, or foreign aircraft, provisions of this Law relating to compensation of damages made by unidentified, uninsured, or foreign motor car shall apply.

#### 4. Motor Boat Third Party Liability

#### Article 95

Owner or user of a motor sport and pleasure boat insures liabilities for damages made to third party in terms of bodily injury, impairment of health, or death.

Passenger on a motor boat is not considered third party per this Law.

A motor boat recorded in a foreign vessel register, entering the coastal sea or inland water lines of the Federation, must have an insurance for liabilities mentioned in Paragraph 1 of this Article, unless there is another security for damage compensation, or unless otherwise prescribed by the international agreement.

Owners of sports and pleasure boats whose engine power does not exceed 15 kW are exempted from entering into a third party liability insurance agreement when registering or extending registration of their boats.

Obligation of an insurance company per this Article is limited with the amount determined by the Government of the Federation at the proposal of The Supervisory office, unless a higher amount is provided for by the insurance agreement.

Provisions of this Law relating to third party liability insurance by owners i.e. users in case a damage is made by unidentified, uninsured, or foreign motor vehicle shall accordingly be applied to damages made by unidentified, uninsured, or foreign motor boat.

#### Article 37 of Amendment Law

No interest shall apply to the amounts of loss compensation (capital value) prescribed by an executive order (court decision and court settlement) and out-of-court settlement for the period of war in Bosnia and Herzegovina.

### VII BUREAU OF INSURANCE

#### Article 96

In addition to the business mentioned in Articles 11 and 67 of this Law, the Bureau of Insurance is engaged in adjustment, supervision, and settlement of losses mentioned in Paragraph 3 of Article 72; as well as in Articles 82, 83, 86, 89, 94 and 95 of this Law.

In order to perform the business as mentioned in paragraph 1 of this Article, the Compensating Fund is established at the level of the Bureau.

Processing and payment of losses mentioned in Paragraph 1 of this Article that were not paid due to dissolution of an insurance company may be awarded by the Bureau to one of its members.

The Bureau performs other businesses of general and common interest for the insurance activity.

#### Article 97

Bureau of Insurance is a legal entity which acquires such status by entering a court register.

#### Article 98

Allocation into the Compensation Fund mentioned in paragraph 2 of Article 96 of this Law and the financing of the Bureau of Insurance are made by all members of the Bureau.

Articles of Association of the Bureau of Insurance determines its organization, activity, and financing, as well as the manner of accounting and settlement of losses mentioned in Paragraph 1 of Article 96 of this Law.

Allocation to the Compensation Fund for payment of losses mentioned in Paragraph 1 of this Article is obligatorily made by the members who perform compulsory insurance per Article 66 of this Law, in proportion to the premium achieved for the certain type of insurance in the preceding year.

In case a member of the Bureau does not fulfill its financial obligation determined by the Articles of Association, the Supervisory Office shall, at the proposal of the Bureau of Insurance, revoke the approval issued for performance of insurance business.



## VIII PENALTY PROVISIONS

### Article 99

A fine of DEM 5.000 to 50.000 shall be imposed on insurance company for the following offences:

- 1) If it invests insurance funds contrary to the allocations, without guarantee instruments for the return of funds, and contrary to the scale mentioned in Article 50.
- 2) If life insurance funds are not on a separate account and if used to cover liabilities of other types of insurance or reinsurance, or any other liabilities of insurance company. (Article 32).
- 3) If in the course of the following business year it does not cover the loss remaining from the preceding year and does not compensate the security fund.
- 4) If it does not determine profit and loss for life insurance separately and does not present the result on other insurance and reinsurance businesses (Article 44).
- 5) If it does not create and keep permanent own funds at the minimum prescribed in Articles 13 and 47.
- 6) If in case of decrease of security fund to 25 percent of the amount mentioned in Article 49 it does not bring an adjustment plan in order to ensure the prescribed amount of security fund within 6 months or in case of decrease of own funds by more than 25 percent does not bring such plan within 12 months or does not, within the next 3 months adjust the scope of premium income, i.e. the level of retention premium (Article 49).
- 7) If it does not bring and does not apply the common conditions and the premium system as mentioned in Article 67 of this Law.
- 8) If it does not submit statistical and other data per types and groups of insurance in the manner determined by the Supervisory Office (Article 58).
- 9) If it does not pay the fee to the Supervisory Office (Article 51) and to the Bureau of Insurance (Article 98).
- 10) If it mediates, insures or reinsures property and persons contrary to the provisions of this Law.

A fine of DEM 100 to 3.000 shall be imposed on the responsible person of the insurance company for the offence mentioned in Paragraph 1 of this Law.

### Article 100

A fine of DEM 50 to 1.000 shall be imposed on the responsible person for the following offences:

- 1) If it does not enter into the mandatory insurance agreement with an insurance company before a vehicle is in traffic (Articles 73 and 74);

- 2) If it does not present an authorized officer of the Ministry of Interior the policy of insurance and the European Accident Report (Article 91).

### Article 100a.

A fine of KM 2.000 to 10.000 shall be imposed on legal and physical entities who enter into an insurance agreement contrary to the provision of Article 4 of this Law.

A fine of KM 500 to 2.000 shall be imposed on the responsible person of legal entity for the offense mentioned in Paragraph 1 of this Article.

### Article 101

Fines for offences mentioned in Articles 99, 100, and 100a. until KM is in circulation may be paid in DEM or in counter value of the currency in use for payment operations of the Federation, which will be calculated at the mean rate of exchange determined and publicized by the authorized financial institution on the day of payment.

## IX TRANSITIONAL AND FINAL PROVISIONS

### Article 102

Insurance companies will adjust their business operations to Article 13 of this Law at the level of 50 percent by December 31, 1995, while the full amount will be adjusted by December 31, 1996.

### Article 103

In the period before the Supervisory Office becomes operational, approvals for insurance companies and control of their business shall be done in accordance with the provisions of this Law by the Ministry of Finance.

### Article 104

Articles 82, 83 and 84 of this Law are applied exclusively to losses occurring as of the date of registration of an insurance company.

In the period before insurance companies establish the Bureau of Insurance and the Compensating Fund, losses mentioned in Paragraph 1 of this Article shall be covered by insurance companies in proportion to the premium for that type of insurance.

### Article 105

Not nominated social capital contained in the funds of an insurance company shall get the legal owner in accordance with the regulations governing transition of social capital into the capital with known ownership.



#### Article 106

This Law shall come into force on the eighth day after being published in the Official Gazette of the Federation of Bosnia and Herzegovina.

Three new Articles are introduced as amendments:

#### Article 44

Insurance companies shall adjust their business operations with the provisions of this Law within 12 months from the date of its coming into force.

#### Article 45

On the day of coming into force of this Law, insurance companies with temporary approval obtained from the Federal Ministry of Finance shall continue to operate under the condition that they request a permission to operate from the Supervisory Office within 15 days after this Law comes into force.

#### Article 46

This Law shall come into force on the eighth day upon being published in the Official Gazed of the Federation of Bosnia and Herzegovina.

Chairman of the  
Constitutional Assembly  
of the Federation of Bosnia and Herzegovina  
Mariofil Ljubic

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