

Pursuant to Article 30, paragraph 4 and Article 42 paragraph 6 of the Law on Insurance (Official Gazette of the Republic of Montenegro 78/06 and Official Gazette of Montenegro 45/12), the Ministry of Finance has adopted the

**RULEBOOK
ON DETAILED REQUIREMENTS FOR LICENSING INSURANCE BUSINESS
ACTIVITIES AND THE MANNER OF PROVING THE FULFILMENT OF SUCH
REQUIREMENTS**

Scope

Article 1

This Rulebook prescribes detailed requirements for licensing insurance business activities (hereinafter referred to as the license) and the manner of proving the fulfilment of such requirements.

Licensing Application for Insurance Companies

Article 2

Along with the documentation specified in Article 30 of the Law on Insurance (hereinafter referred to as the Law) the following shall be enclosed to the licensing application:

- 1) authorization for the person that the Insurance Supervision Agency (hereinafter referred to as the Agency) will cooperate with in the procedure of decision-making in respect of such application, which must include addresses and contact telephone and be signed by all founders and certified with the competent court, or by the seal of the founder-legal entity, unless the legal entity comes from the country where such manner of authentication is not common;
- 2) the decision on successfulness of the initial issue of shares not less than the value of equity referred to in Article 21 of the Law on Insurance, issued by the Securities Commission;
- 3) in case of a shareholder – a legal entity intending to acquire qualified holding:
 - a) an extract from the register where the legal entity is registered, or ID or passport copy for a natural person having over 10% of capital or a voting right in such legal entity and data on the total nominal amount of shares and percentage of the share in the equity of the insurance company,
 - b) completed questionnaires containing data on persons responsible for managing such an entity, including the data on their previous work experience;
 - c) certificate of a competent authority that such entity and the persons managing such legal entity have not been unconditionally sentenced to imprisonment for the period exceeding three months for a crime against payment operations or a commercial crime, property crime or a criminal offence against call of duty;
- 4) in case of a natural person intending to acquire a qualified holding:
 - a) a completed questionnaire containing data on such a person, including data on previous work experience of such a person;
 - b) a bank account statement, a decision of a competent court regarding probate, or other similar evidence of origin of the funds for purchase of shares;
 - c) ID card or passport copy;
 - d) certified copy of employment records file;
- 5) data on persons who are, according to Article 24 of the Law, related to qualified holders of shares as follows:
 - a) in case of a person related to qualified holders of shares to the level of a natural

persons:

- in respect of capital – submitted is a certificate of the share in capital, an extract from the Central Depository Agency (CDA) or relevant records regarding the number of owned shares, and other;
 - in respect of management – submitted is the list of members of the Board of Directors, a decision on appointment of a member of the Board of Directors, and other;
 - in other respects – submitted is other relevant evidence (contract of business association or other form of association, extract from adequate master citizens' registers, and other);
- b) in case of market recognizable entities, relevant evidence of their listing on a stock exchange or rating, for entities included in the stock exchange listing or rated by internationally renowned rating agencies (Moody's, Standard and Poor's, Fitch);
- c) in case of an entity that is a member of a group, submitted is the list of companies in the group, including their organisational structures and a description of the management system in the group;
- 6) list of persons proposed for members of the Board of Directors and the executive director, with the following evidence:
- a) a completed questionnaire for the persons proposed for members of the Board of Directors or Executive Director, including data on their previous work experience;
 - b) ID card or passport copy;
 - c) a certified copy, or transcript of a university diploma in economics, law, organizational, or technical field,
 - d) a copy of employment records file, an extract from relevant records, an employment contract, a decision on assigning to relevant tasks,
 - e) a recommendation from a previous employer regarding demonstrated special expertise and skills in rational business judgement and decision-making, successful performance of managing activities and good business reputation;
- 7) data on the person to carry out the activities of an authorised actuary, as follows:
- a) ID card or passport copy,
 - b) CV, including particularly the data on previous work engagement and experience, successful performance of activities relevant for the function of an authorised actuary of the company and the data if such person has already performed the function of an authorised actuary with another legal entity and if so which, and if such person has been released from duty of an authorised actuary prior to the expiry of the term of office due to failure to act in line with the obligations of the function of an authorised actuary;
 - c) a certified statement of such a person that he/she has met the requirements stipulated in Article 48 of the Law;
 - d) a copy of the decision on acquiring the title of an authorised actuary.

A certificate by a competent authority regarding the data from penal records or relevant tax authority that is to be enclosed to the application referred to in paragraph 1 of this Article may not be older than six months.

Proposed insurance conditions, premium tariffs and other acts of business policy referred to in Article 39 of the Law, which make an integrated part of the documents that are submitted along with the application referred to in paragraph 1 of this Article, are submitted along with the authorised actuary's opinion, produced in line with the Rulebook regulating the contents of the opinion of an authorised actuary.

Work experience of the persons who are the members of management bodies (members of the Board of Directors and Executive Directors) is deemed to include work experience of at least three years in managing an insurance company or other business organisation which is by size and business activity comparable to an insurance company for which the license is sought, or such experience in managing other comparable tasks relevant for performance of managing activities in an insurance company.

The questionnaires referred to in paragraph 1 item 3 sub-item b, item 4 sub-item a and item 6 sub-item a of this Article are given in Schedule 1 and Schedule 2 that make an integrated part of this Rulebook.

Organisational, Human Resources and Technical Capabilities

Article 3

Along with the licensing application for insurance business activities, the following is enclosed as evidence of organisational and human resources capability:

- 1) act on internal organisation and systematisation of work places,
- 2) decision on business unit organisation,
- 3) Rulebook on internal audit performance,
- 4) other acts regulating internal functioning of the insurance company.

In terms of paragraph 1 of this Article, organisational capability is deemed to include establishment of such organization that facilitates successful performance of activities of the company in the scope and in the manner as stipulated by the Law, business plan and business policy acts of such company.

In terms of paragraph 1 of this Article, human resources capability is deemed to include the relevant qualification structure of employees with required work experience for each work place, as well as the planned schedule for staffing the systematized positions that needs to accompany the planned increase of the scope of operations and the expansion of the organizational network of the company in the fashion that enables continuous fulfilment of all legal obligations of the company.

To prove technical capability of the insurance company, in addition to the application referred to in paragraph 1 of this Article, enclosed are the deed of title, certified lease contracts, contracts on assignment of rights to use, leasing contracts and other, that evidence:

- a) ownership or right to use in other respect the business premises for performance of insurance activities, which meet the requirements for performance of such activities as prescribed by the local self-government authority and facilitates adequate performance of activities in line with the business plan;
- b) possession of computer and other equipment and software application support for performance of insurance activities that are in terms of the scope and technical specifications adequate to the number of employees and the planned scope of operations of the company and are compatible with the standard requirements for equipment and software applications used in the information system for the insurance sector.

Financial Position and Stability

Article 4

Financial position and stability of applicants – persons intending to acquire qualified holding will be assessed by the Agency based on the submitted reports, or consolidated financial statements including the authorised auditor's opinion for the last three years, based on which the Agency establishes if its performance in the previous three years has been successful and stable, if it enables acquiring of the requested level of qualified holding in the insurance company, and if the manner of financing of the qualified holding threatens ordinary operations of the party intending to acquire the qualified holding.

Licensing Application for Branches of Foreign Insurance Companies

Article 5

The provisions of Article 2 paragraph 1 items 1, 6 and 7 and paragraphs 2 to 6 and Article 3 of this Rulebook shall be accordingly applied to the application of a foreign company for licensing of its branch.

Transitional and Final Provision

Article 6

As of the day this Rulebook enters into force, the Rulebook on Detailed Requirements for Licensing Insurance, Brokerage and Agency Activities, and Provision of Ancillary Insurance Services, and the Manner of Proving the Fulfilment of such Requirements (Official Gazette of the Republic of Montenegro 8/07) shall be rescinded.

Article 7

This Rulebook shall enter into force on the eighth day after its publication in the Official Gazette of Montenegro.

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Minister
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