
LAW ON COMPULSORY TRAFFIC INSURANCE

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I GENERAL PROVISIONS

Subject Matter

Article 1

This Law regulates compulsory traffic insurance.

Compulsory Traffic Insurance Classes

Article 2

The classes of compulsory traffic insurance (hereinafter referred to as: compulsory insurance), within the meaning of this Law, shall be:

- 1) Accident insurance of passengers in public traffic;
- 2) Third party liability insurance for owners or users of vehicles;
- 3) Third party and passenger liability insurance for owners or users of aircrafts;
- 4) Third party liability insurance for owners or users of watercrafts.

Application of Other Laws

Article 3

Establishment, operations and supervision over the operations of insurance companies shall be subject to application of the provisions of laws regulating insurance business, unless otherwise determined by this Law.

Compulsory insurance contracts shall be subject to application of regulations governing contracts and torts, i.e. conditions related to specific classes of insurance, unless otherwise determined by this Law.

Exemption from Application

Article 4

This Law shall not apply to the means of transport of the Army of Montenegro.

The State of Montenegro shall guarantee compensation of damage caused by the use of means of transport from paragraph 1.

Regulatory Authority empowered with insurance supervision (hereinafter referred to as: Regulatory Authority) shall inform the European Union member states and the European Commission about the exemption referred to in paragraph 1 of this Article and about the persons liable to compensate the damage incurred by such vehicles.

Definitions

Article 5

Specific terms used in this Law shall mean as follows:

- 1) **means of transport** shall be a vehicle, a watercraft and an aircraft;
 - 2) **a vehicle** shall be a vehicle driven by the power of its own engine, with the exemption of vehicles moving on rails, and any trailer, whether mounted or not;
 - 3) **territory where the vehicle is normally used** shall be the territory of a European Union member state:
 - whose license plate, either permanent or temporary, is attached to the vehicle;
 - in which the sign of recognition equivalent to the license plate is issued, in cases when a specific type of vehicles is not subject to prescribed registration;
 - where the owner or user of the vehicle has his residence, in cases when a specific type of vehicles needs not license plates or any sign of recognition;
 - where the traffic accident takes place, for the purpose of settling the claims by the green card bureau or the Guarantee Fund, in the case when the vehicle has no license plates or the license plates do not match, or cease to match the vehicle that takes part in the accident;
 - 4) **insurance contractor** shall be a person which has concluded an insurance contract with the insurance company;
 - 5) **user of a means of transport** shall be a natural or legal person using a means of transport by consent of the owner;
 - 6) **person suffering damage** shall be a person entitled to pursue claims in accordance with this Law;
 - 7) **insured person** shall be the owner of the means of transport that is the subject of the signed compulsory insurance contract, and other authorized users of the means of transport;
 - 8) **third party** shall be any person, with the exception of the person liable for the damage incurred and the person not entitled to pursue claims in accordance with this law;
 - 9) **insurance company** shall be an insurance company that is entitled to carry out compulsory traffic insurance business on the territory of Montenegro pursuant to the law governing the conditions for and manner of pursuing insurance activities;
 - 10) **liable insurance company** shall be an insurance company with whom the owner of the means of transport that has caused the damage, concluded the compulsory insurance contract;
 - 11) **Green Card** shall be an international certificate regarding the existence of the compulsory auto liability insurance on the territory of the Green Card System member states, issued by the national association of insurers;
 - 12) **multilateral treaty** shall be a treaty between national associations of insurers of the member states of the European Economic Area and associated states for which each national bureau guarantees for damages incurred in its territory by use of the vehicle normally used on the territory of another state signatory to such treaty;
 - 13) **Maximum Take Off Mass** (hereinafter referred to as MTOM) is the maximum allowed mass of an air carrier at the time of take-off, which is equivalent to the approved mass specified in the document on airworthiness of air carriers, flight manual or any other equivalent document;
 - 14) **Special Drawing Rights** –(SDR) shall be an accounting unit as determined by the International Monetary Fund; and
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15) **Flight** is the time during which passengers are carried by aircraft, including boarding and disembarkation of passengers and cabin baggage, or with regard to cargo and checked baggage, the period of transport of baggage and cargo from the moment the baggage or cargo is handed to the air carrier until the moment of delivery to the authorized recipient, or with regard to third parties, the use of an aircraft from the moment when power is applied to its engines for the purpose of taxiing or actual take-off until the moment when it is on the surface and its engines have come to a complete stop, or moving of an aircraft by towing and push-back vehicles or by powers which are typical for the drive and the lift of aircraft, particularly air streams.

II RIGHTS AND OBLIGATIONS RELATED TO COMPULSORY TRAFFIC INSURANCE

Obligations of Persons Operating Means of Transport Article 6

The person operating a means of transport shall be obliged to keep the compulsory insurance contract or other evidence of insurance at hand and present it if requested by an authorized person.

In case the insured event takes place, the owner or user of the means of transport shall, within seven days after the insured event occurs, inform the insurance company thereof.

In the event of a traffic accident, the person operating the means of transport shall be obliged to provide personal data and details of compulsory insurance policy to all persons involved in the traffic accident who are entitled to compensation claims pursuant to this Law.

Compulsory Insurance Contract Article 7

Owners or users of means of transport shall sign and renew on regular basis the compulsory insurance contract with the insurance company, as long as the means of transport remains is being used.

The authority competent for registration, namely the entry, shall issue the driving license or any other appropriate document or extend its validity only after the owner of the means of transport on whose name the means of transport is to be registered or entry is to be made, presents evidence that the contract from paragraph 1 hereof has been concluded.

The compulsory insurance contract referred to in paragraph 1 of this Article shall be concluded in line with the law, insurance terms and conditions and premium tariffs.

Policy conditions are an integral part of the compulsory insurance contract from paragraph 1 hereof and the insurance company is obligated to hand them over to the policyholder not later than the moment of closing the contract.

Insurance company cannot refuse an application to conclude a compulsory insurance contract from paragraph 1 hereof if the applicant accepts the conditions under which the insurance company concludes contracts from the respective type of compulsory insurance.

The compulsory insurance contract referred to in paragraph 1 of this Article shall be concluded before the means of transport's entry into service.

The liability of the insurance company under the insurance contract shall begin upon the expiry of the 24th hour of the day specified in the insurance document as the date of the commencement of the insurance, and shall cease upon the expiry of the 24th hour of the day specified as the expiry date in the insurance document, unless otherwise contracted.

Obligations and Rights in Case of Liquidation or Bankruptcy **Article 8**

If an insurance company with which the compulsory insurance contract is concluded is subject to the initiation of the liquidation procedure, or bankruptcy procedure, the owner of the means of transport shall, within 15 days from the day of publication of the decision on initiation of the liquidation, or petition for opening the bankruptcy proceedings, conclude a compulsory insurance contract with another insurance company for the period until the insurance coverage, or registration validity expires.

In the case referred to in paragraph 1 of this Article, the insured person shall be entitled to pursue claims for unused portion of the paid insurance premium from the liquidation or bankruptcy estate of the insurance company under liquidation or bankruptcy.

If the owner of the means of transport fails to conclude the insurance contract referred to in this Article, the means of transport shall be deemed uninsured.

Sum Insured **Article 9**

A sum insured, which may not be lower than the sum specified by this Law, shall be determined by the compulsory insurance contract.

The sum insured specified in the compulsory insurance contract shall represent a maximum liability of the insurance company per a loss event.

Insurance Terms and Conditions and Premium Tariffs **Article 10**

Insurance companies shall determine insurance terms and conditions and premium tariffs in accordance with the bases for calculation of the premium and the premium structure (premium system) for the compulsory traffic insurance.

The insurance company shall deliver the insurance terms and conditions to the Regulatory Authority, no later than 60 days envisaged for commencement of their application, for the purpose of verification of their compliance with the law and

professional rules.

The insurance company shall also deliver the premium tariffs and premium system including technical bases for calculation of the tariff to the Regulatory Authority, within the deadline from paragraph 2 of this Article, for the purpose of verification of their compliance with the law, the actuarial principles and professional rules.

Together with the documentation from paragraph 3 of this Article, the insurance company shall at the same time submit to the Regulatory Authority the opinion of a certified actuary on sufficiency of insurance premium for the permanent settlement of all liabilities under the compulsory insurance contract and insurance administration costs, as well as a three-year business plan of the company illustrating the sufficiency of the calculated premiums.

If the Regulatory Authority establishes that the documents referred to in paragraphs 2 and 3 of this Article are not compliant to the law, actuarial principles and professional rules, it shall, by means of a decision, instruct the insurance company to adjust the same.

The insurance company must not apply the documents referred to in paragraphs 2 and 3 of this Article if they are not compliant to the law, actuarial principles and professional rules.

Compulsory Insurance Premium Establishing Article 11

The insurance company shall calculate the premiums for each class of the premium system based on relevant data for such tariff group, in line with Article 19 of this Law.

The following shall be established based on the premium system referred to in paragraph 1 of this Article:

- 1) bases (criteria) for calculation of the premium and premium structure for compulsory insurance;
- 2) minimum amount of technical premium for compulsory insurance;
- 3) maximum percentage of gross premium allocated for loading expenses;
- 4) maximum amount of remuneration or fee that may be paid for insurance brokerage or agency business, as well as for other insurance ancillary business;
- 5) Bonus-malus system.

The Regulatory Authority shall ensure proper application of the premium system referred to in paragraph 2 of this Article.

Request for Pursue of Claims Article 12

A person suffering damage shall be compensated based on a compulsory insurance contract by submitting a claim to the insurance company that is obliged to compensate the damage based on the insurance contract, or to the Insurance Association (hereinafter referred to as Association) in the cases specified by this Law.

The request for pursue of claims shall be submitted to the Association for compensation of damages caused by an uninsured or unknown means of transport, or means of transport insured by the company whose license has been revoked or which has been

subject to initiation of liquidation or bankruptcy proceedings.

The insurance company or the Association shall, within 60 days from the date of claim receipt, submit to the claimant the following:

- detailed offer for compensation if the liability for compensation and the amount of claim are not disputable; or
- detailed response, if the liability for compensation or amount of claim is disputable.

If the insurance company or the Association fails to respond to the request within the deadline referred to in paragraph 3 of this Article, the claimant may exercise his right to compensation of the damage by filing a lawsuit before the competent court.

The lawsuit filed against the liable insurance company or party liable for the damage before the expiry of the deadline referred to in paragraph 3 of this Article shall be deemed as premature.

Decision-Making in respect of Claims Article 13

If the final amount of the compensation cannot be determined within the deadline referred to in Article 12 paragraph 3 of this Law, the insurance company or the Association shall be obliged to offer and pay to the claimant the undisputable portion of its liability as an advance payment.

If the insurance company or the Association assesses that there are no grounds for compensation, it shall be obliged to deliver a written notification including rationale to the claimant about the same, within 14 days from the day of receipt of a duly submitted claim.

Deadline for Payment of Compensation Article 15

An insurance company or the Association shall be obliged to pay the full amount of compensation, within eight days from the day of decision-making pursuant to Articles 12 and 13 of this Law, or the day of the conclusion of the compensation agreement, unless otherwise specified by the agreement.

The insurance company or the Association failing to pay the compensation within the deadline referred to in paragraph 1 of this Article shall also pay default interest to the claimant for the period from the expiry of the deadline for compensation payment to the day of actual payment.

Protest of Insurance Company and Right of Recourse Article 16

When the party suffering damage submits a claim to an insurance company, in the response to such claim the insurance company may not present protests that may be presented against the insured person due to his failure to adhere to the law or contract,

based on the law or insurance contract.

The insurance company that indemnifies the claimant shall substitute the claimant in his right against the person liable for the damage in respect of the amount of compensation paid, interest on the amount of compensation paid and the loss adjustment expenses, if the liability of the company has not been incurred pursuant to the terms and conditions of the compulsory traffic insurance contract.

Procedure for Settling Claims

Article 17

Insurance company or Association shall establish the rules for the procedure of settling claims in order to ensure timely and appropriate payment of compensation to claimants, in accordance with this Law.

The rules of the procedure referred to in paragraph 1 of this Article shall regulate particularly the following: manner of recording of claims, evidence required for establishing the bases and amount for compensation, method of appraisal of losses, manner of establishing the amount of compensation, deadline for settling claims, as well as the procedure in respect of the lawsuit of the claimant.

Insurance company or the Association shall publish the rules of the procedure referred to in paragraph 1 of this Article on its website and in other appropriate way.

Insurance company and the Association shall record the claims in the Ledger of Claims. The Regulatory Authority shall prescribe more detailed content of the Ledger of Claims.

Expiry of Funds' Recourse Requests

Article 18

The insurance company shall compensate actual loss under the liability of its insured person to the funds carrying out activities of health, pension and disability insurance, but only within the limits of liabilities assumed under the insurance contract.

The actual loss referred to in paragraph 1 of this Article shall be considered to include all medical treatment expenses and other necessary expenses incurred in accordance with the regulations on healthcare insurance, as well as proportionate amount of pension of the claimant or members of their family.

The proportionate amount of the pension shall be determined in accordance with the regulations on pension insurance as the difference between disability pension determined by virtue of a decision of the Pension and Disability Insurance Fund of Montenegro and the disability pension that would be determined in case of an injury at work.

The provisions of paragraphs 1, 2 and 3 of this Article shall be applied accordingly to the recourse requests of the insurance companies for the indemnity of actual loss paid based on a voluntary health, pension, annuity or similar insurance.

The obligations against the Funds referred to in paragraph 1 of this Article shall be settled after the payment of the obligations in respect of all claims of claimants under the same loss event submitted to the insurance company.

The Funds from paragraph 1 hereof, insurance companies, as well as other natural and legal persons that have compensated the claimant directly for the loss or a portion of loss incurred by the use of uninsured or unknown means of transport, shall be entitled to the recourse of the amount from the Guarantee Fund only if the compensation of damage was made on the basis of the compulsory insurance contract.

Collection of Statistical and Other Data Article 19

The insurance companies and the Association shall be obliged to collect, process, and keep statistical and other data on insurance referred to in Article 2 of this Law.

The data referred to in paragraph 1 of this Article shall contain, including but not limited to, information on insured persons, concluded insurance contracts, means of transport, claims and data required for loss assessment and premium establishment.

Insurance companies and the Association shall process the data referred to in this Article through application of insurance statistical standards pursuant to the regulations on secrecy and protection of personal data.

The content and the manner of keeping the information referred to in paragraph 1 of this Article, as well as the manner and timeframes for their submission shall be established by the Association.

The Regulatory Authority may, if needed, order gathering and processing of other data.

The Association and insurance companies shall deliver data referred to in this Article to the Regulatory Authority upon its request.

Data Gathering and Storing and Database Use Article 20

The data referred to in Article 19 of this Law shall be gathered directly from the persons that the data refer to and from other persons (participants and witnesses to loss events).

The data referred to in paragraph 1 of this Article that are kept in the records of relevant authorities competent for interior affairs, judicial authorities, Funds for health, pension and disability insurance, healthcare institutions and institutions for social work, shall be obtained from such authorities and organizations.

The data referred to in paragraph 1 of this Article shall be kept for the period of no less than ten years after the expiry of the insurance contract or the date of completion of the procedure of settlement of claims.

The insurance company or the Association shall enable the use of data referred to in

paragraph 1 of this Article to the claimant when filing request for indemnity with the insurance company, free of charge.

III ACCIDENT INSURANCE OF PASSENGERS IN PUBLIC TRAFFIC

Obligation of Accident Insurance of Passengers in Public Traffic Article 21

Owners, or users of the means of transport used in public transport of passengers (hereinafter referred to as the users) shall be obliged to conclude an accident insurance contract for passengers in public transport, except for air traffic passengers.

The owners or users of the following shall conclude the contract referred to in paragraph 1 of this Article:

- 1) Buses and passenger land vehicles providing services of passenger transport in line and charter roadtransport;
- 2) passenger land vehicles used for auto-taxi transport of passengers and vehicles used on the basis of the lease contract ("rent-a-car");
- 3) rail-borne vehicles for transport of passengers;
- 4) all kinds of sea, lake and river vessels transporting passengers on regular lines or through charter arrangements, including also cruises and transport of tourists;
- 5) all kinds of "rent-a-car" vessels referred to in item 4 of this paragraph;
- 6) other means of transport, regardless of the type of propulsion, used in passenger transport while charging for transport as a registered business.

Insurance contract referred to in paragraph 1 of this Article may not be signed as a liability insurance contract.

The owners or the users of the means of transport from paragraph 2 hereof may obtain permission for performing operations after submission of evidence on the concluded insurance contract specified in Article 2 paragraph 1 items 2 and 4 of this Law and the contract from paragraph 1 hereof.

Passenger in Public Transport Article 22

A passenger in public transport, for the purpose of this Law, shall be considered to include:

- 1) a person in the means of transport used for public traffic and having an intention to travel irrespective of whether such person has a ticket or not,
- 2) a person located within a station, pier, port area or in the immediate vicinity of the means of transport, prior to boarding and who has an intention to travel;
- 3) a person who has travelled and left the means of transport, and who is in the immediate vicinity of the means of transport, within a station, pier or port area.

Persons employed on board of the means of transport shall not be considered as passengers referred to in paragraph 1 of this Article.

Amount of the Sum Insured Article 23

The sums insured as of the day of a loss event shall represent the obligation of the insurance company referred to in Article 21 of this Law, unless a higher insured sum is agreed in the insurance contract.

The lowest sums insured applicable to accident insurance of passengers in public transport per a passenger shall be as follows:

- 1) 8,000 Euro in the event of death of a passenger;
- 2) 16,000 Euro in the event of permanent loss of general working ability (disability) of a passenger;
- 3) 4,000 Euro in the event of temporary incapacity to work, on account of the compensation for loss of income, actual and required costs of the passenger's treatment.

The decision on increase of the sum insured referred to in paragraph 2 of this Article shall be passed by the Government of Montenegro (hereinafter referred to as the Government) at proposal of the Regulatory Authority.

The owner or user of the means of transport may sign the insurance contract for the amount higher than the lowest sum insured specified in paragraph 2 of this Article.

Entitlement to Payment of Sum Insured Article 24

A passenger affected by the insured event, or a person specified in the insurance contract as the insurance beneficiary in case of the passenger's death (hereinafter referred to as the insurance beneficiary), shall be entitled to claim the payment from the insurance company with which the insurance contract referred to in Article 21 of this Article is concluded, in accordance with such insurance contract.

If the owner of the means of transport has not concluded the insurance contract referred to in Article 21 of this Law or has concluded insurance contract with the insurance company whose license has been revoked or which has been subject to initiation of the bankruptcy or liquidation proceedings, and the insured event has occurred, the person referred to in paragraph 1 of this Article may require the Association to pay the insured sum from the Guarantee Fund proceeds in accordance with the law.

The passenger or the insurance beneficiary shall be entitled to the sum insured referred to in Article 23 of this Law independently from the right to compensation of damage based on the liability insurance contract from Article 2 paragraph 1 items 2 and 4 of this Law.

IV THIRD PARTY LIABILITY INSURANCE OF OWNERS OR USERS OF VEHICLES

Subject of Insurance and Insurance Obligation Article 25

The subject of compulsory liability insurance for the damage caused to third parties by using a vehicle is a civil-legal obligation of natural persons and legal entities for damages affecting persons or property caused to third parties by using vehicles.

Within the meaning of paragraph 1 of this Article, a leasing beneficiary who is the insurance contractor and the user of the vehicle, but is not responsible for the traffic accident where the loss has been incurred to it by the vehicle of the same leasing provider shall also be deemed as a third person.

An owner or user of a vehicle shall be obliged to sign an auto liability insurance contract to cover damages caused to third parties due to the use of a vehicle as a result of death, bodily injury, impaired health, material damage or destruction, except for damage to things, which the owner has agreed to transport (hereinafter referred to as auto liability insurance).

Auto liability insurance shall also cover for the owner of a vehicle the material damage to things, which he has agreed to transport, if such things serve for personal use of the persons that are present in the vehicle.

The damage referred to in paragraph 1 of this Article shall also be deemed to include the damage caused to a third party due to the fall of things off a vehicle in motion.

The insured person cannot be obliged to participate in compensation of damage under the auto liability insurance.

Auto Liability Insurance for Delivered Vehicles Article 26

A vehicle delivered to Montenegro from a European Union member state, which is not registered in Montenegro, shall be deemed as accommodated with risk in Montenegro for the period of 30 days from the moment of acceptance of the delivery.

In case of a damage caused by the vehicle referred to in paragraph 1 of this Article, the claim shall be submitted to the Association.

Auto Liability Insurance Contract – Insurance Policy Article 27

The auto liability insurance contract – insurance policy shall be uniform for the territory of Montenegro.

The form of the insurance contract referred to in paragraph 1 of this Article shall be determined by the Regulatory Authority at proposal of the Association.

If requested by the person who has entered an auto liability insurance contract, the insurance company shall be obliged to issue a certificate of existence and number of claims submitted by third parties with respect to such vehicle, for the period of five years preceding the signing of the contract.

The Company shall be obliged to issue the certificate referred to in paragraph 2 of this Article within 15 days from the day of receipt of the request.

Territorial validity of the auto liability insurance **Article 27a**

The auto liability insurance shall cover the losses incurred on the territory of the European Union Member States and the territory of the Green Card System member states or countries whose national bureau of insurers is a signatory to the Multilateral agreement, without paying any additional insurance premium.

European Accident Report **Article 28**

In addition to the auto liability insurance policy, the insurance company shall be obliged to hand in a copy of the European Accident Report to the insured person, which the insured person shall keep in the vehicle and present to an authorized person upon request.

European Accident Report shall be filled out by participants in the accident where there are no persons injured, where material damage has incurred, while the vehicles can still continue to properly move and where the participants have agreed on the circumstances under which the accident occurred.

Authorized person may use the European Accident Report as a claim against the relevant insurance company.

Vehicle Registration**Article 29**

Registration of a vehicle, extension of the registration and issuance of temporary plates may be carried out only upon the presentation of the evidence of a concluded auto liability insurance contract to the authority competent for registration.

The owner of a vehicle that is not subject to the annual registration obligation shall sign an auto liability insurance contract prior to obtaining the operating license and renew the contract on regular basis.

Persons Not Entitled to Claim Damages **Article 30**

The following shall not be entitled to claim damages in respect of auto liability insurance:

- 1) an owner, co-owner and any other user of vehicle causing damage in case of material damage to things, irrespective of whether they have operated the vehicle at the moment the damage is incurred;
- 2) a driver of the vehicle who caused the accident, and his/her legal successors in case of bodily injury, impaired health or death of the driver;
- 3) a person that has performed or participated in illegal coming into possession of a

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- vehicle the use of which has caused damage, regardless of whether he has operated the vehicle at the time of damage occurrence;
- 4) a passenger who has voluntarily entered the vehicle while being aware that such vehicle has been illegally come into possession, if the insurer proves that he was aware of such fact;
 - 5) a person who has suffered the damage:
 - due to the use of a vehicle at car and kart racing competitions and parts of such competitions at closed tracks, intended for achievement of the maximum speed, as well as at test drives (practicing) for such events, which are officially approved by a competent authority;
 - due to an earthquake;
 - due to the effect of nuclear energy during the transport of radioactive materials;
 - due to military operations, military maneuvers, riots or terrorist acts, if it has been proved that there is a causality connection between such effects and the damage incurred.

Right for compensation of damage based on the auto liability insurance is also entitled to the leasing beneficiary who is the insurance contractor and the user of the vehicle, but is not responsible for traffic accident where the loss has been incurred to it by the vehicle of the same leasing provider.

Indemnification in case of a Loss of Entitlement in respect of an Insurance Contract

Article 31

The compulsory auto liability insurance shall also cover the liability for damages caused to third parties by the use of a vehicle by a person:

- 1) who has operated the vehicle without appropriate driving license;
- 2) who has not used the vehicle for the intended purpose;
- 3) who has been trained for operation of a vehicle in the road traffic without being supervised by an authorized driver – instructor;
- 4) who has used the vehicle without knowledge or approval of the owner or authorized user of such vehicle;
- 5) who has operated the vehicle under the influence of alcohol above the set limit, narcotics, psychoactive medicines or other psychoactive substances, and who has avoided or refused to be subject to alcohol and other testing;
- 6) who has caused the damage intentionally;
- 7) who has caused the damage by a technically deficient vehicle and has been aware of such circumstance;
- 8) who has come into illegal possession of the vehicle;
- 9) who, after the traffic accident, has left the location of the accident without providing his personal details and insurance details.

The insurance company that compensates the damage referred to in paragraph 1 of this Article to the claimant shall be entitled to reimbursement of the total amount of paid claims, interest and pertaining expenses by the party liable for the damage.

The amount of compensation from paragraph 2 hereof, from a natural person responsible for the incurred damage, shall not exceed the amount of 24 average net salaries in Montenegro according to the most recent official data from the authority

competent for statistics affairs.

Change of Vehicle Owner Article 32

If the owner of a vehicle changes during the period of insurance coverage, the rights and responsibilities arising from the auto liability insurance contract shall be transferred to the new owner and shall be valid until the expiry of the current insurance period.

Sum Insured Article 33

The liability of an insurance company arising from the contract referred to in Article 25 of this Law shall be limited to the sum insured applicable as of the day of the loss event unless the insurance contract stipulates a higher sum.

The lowest sum insured shall be as follows:

- 1) in the event of loss due to death, bodily injury and impaired health up to the amount of 6,070,000 Euro per loss event irrespective of the number of damaged persons;
- 2) in the event of destruction or material damage to things up to the amount of 1,220,000 Euro per loss event irrespective of the number of damaged persons.

The decision regarding the increase of the sum insured referred to in paragraph 2 of this Article shall be passed by the Government at proposal of the Regulatory Authority.

If there are several claimants, and the total compensation of damages exceeds the amount referred to in paragraph 2 of this Article, the rights of the claimants in relation to the insurance company shall be proportionately reduced up to the sum insured specified in paragraph 2 of this Article.

The insurance company that has paid a claimant an amount higher than the claimant is due to receive, since it was not or couldn't have been aware that there are other claimants, shall reduce proportionately the compensation to other claimants in accordance with paragraph 4 of this Article, and shall remain liable to such other claimants only up to the amount of the remaining insured sum referred to in paragraph 2 of this Article.

Compensation of Damage Caused Abroad Article 34

When exiting Montenegro, the person operating a vehicle insured in Montenegro shall hold the international auto liability insurance document – green card.

The holding of a green card shall be supervised by competent authorities on occasion of leaving the territory of Montenegro.

The insurance company which has issued the green card to the owner of the vehicle shall be obliged to compensate the claimant for the damage caused by the use of such vehicle abroad up to the amount stipulated by auto liability insurance regulations of the state in which the damage occurs, or in accordance with the international agreement, if the international document is valid in the state in which the damage occurred.

The damage caused by a vehicle that the green card has been issued for shall be compensated within the time frame of 90 days from the claim receipt, pursuant to the established international agreements signed by the Association in the capacity of a national green card bureau.

If the insurance company fails to pay the damage in accordance with paragraphs 3 and 4 of this Article, the claim shall be filed to the Association.

The Association shall have the right to recourse of the paid damage from the insurance company that had the liability to pay the damage.

**International Document on Existence of Auto Liability Insurance for a Vehicle
with Foreign Registration
Article 35**

A person that operates the vehicle with foreign registration plates, when entering the territory of Montenegro, must have a valid international document on auto liability insurance valid at the territory of Montenegro, which covers the damage at least up to the amount specified in Article 33 of this Law.

The green card as well as other evidence recognized by the Association shall be deemed as valid international documents.

In addition to the documents referred to in paragraph 2 of this Article, the registration plate of a vehicle that is normally located in the territory of a state signatory to the Multilateral Agreement shall be deemed as a valid document.

The Association shall guarantee for the liabilities arising from the document referred to in paragraph 1 of this Article up to the amount specified in Article 33 of this Law.

International document referred to in paragraph 1 of this Article shall also be required for a vehicle transported to Montenegro by other means of transport, unless such vehicle is not intended to be used in Montenegro.

The Association shall be obliged to inform the competent authority for interior affairs on the recognition of the document referred to in paragraph 1 of this Article.

**Border Insurance
Article 36**

Persons not having a document referred to in Article 35 of this Law, shall be obliged to sign an auto liability insurance contract at the border (hereinafter referred to as the border insurance) with the national insurance company, which is valid only for the territory of Montenegro.

The border insurance shall be concluded for the period of the stay at the territory of Montenegro, but not less than 15 days.

Border insurance shall be valid for the territories of the European Economic Area member states too.

International Document Verification
Article 37

The validity of an international insurance document and the document referred to in Article 36 of this Law shall be verified by the administrative authority competent for interior affairs at a border crossing, on the occasion of vehicle's entering the territory of Montenegro.

When vehicles that are normally located on the territory of a European Union member state or a third country, enter the territory of Montenegro from the territory of the European Union member state, the administrative authority competent for interior affairs shall carry out supervision by non-systematic verification which is not focused solely on verification of auto insurance.

Compensation of Damage from Vehicle with Foreign Registration

38

A person who has suffered the damage caused by the use of a vehicle with foreign registration at the territory of Montenegro, for which there is a valid document referred to in Article 35 of this Law, shall submit a claim to the Association, the insurance company or a person whom the Association has authorized to perform operations arising from international agreement on liability insurance of owners of vehicles against damages caused by the use of vehicles in the country or abroad.

The compensation of the claim may be determined in the maximum amount specified in Article 33 of this Law.

The Association or company or person referred to in paragraph 1 of this Article shall be obliged to compensate the damage or pass a reasoned decision on the denial of the request within 90 days as of the day of the receipt of a duly submitted request.

If the Association fails to act within deadlines specified in paragraph 3 of this Article, the claimant may initiate the proceedings for indemnification before a competent court.

Compensation of Damage in respect of Border Insurance
Article 39

The damage caused at the territory of Montenegro by the use of a vehicle with foreign registration plates, whose owner has had auto liability insurance concluded with a national insurance company in accordance with Article 36 of this Law, shall be compensated by such company under the provisions of this Law that govern the insurance of owners of vehicles with national registration plates.

**Compensation of Damage from Uninsured Vehicle with Foreign Registration
Plates**
Article 40

The damage caused by the use of an uninsured vehicle with foreign registration plates shall be compensated by the Association from the Guarantee Fund in accordance with this Law, with the right to recourse of the paid amount of damage, interest and expenses from the competent organization of the state where the vehicle is registered.

Appointment of Claims Representative Article 41

An auto liability insurance company shall appoint its representative for settlement of claims in respect of such type of insurance contracts in all the European Union member states (hereinafter referred to as authorized representative).

The appointment of the authorized representative in a European Union member state shall not influence the substantive law applied in the processing of compensation claims nor shall it alter court jurisdiction.

An insurance company shall designate as the authorized representative a natural person or a legal entity with residence, or registered office in such country, incapacitated to resolve any issues that may arise with regard to the compensation claim in the language officially used in the country for which the authorized representative has been appointed and shall be responsible for processing, settling and payment of compensation claims in respect of damage incurred by the persons insured by the company that appointed him to persons with residence in the member state for which he is appointed.

The authorized representative may work for several insurers.

In the procedure in respect of the compensation claim the authorized representative shall collect all the required information in order to establish the cause of the insured event, the amount of the loss incurred, and undertake other actions aimed at settlement of the compensation claim and fulfilment of obligations arising from such request.

Appointment of the authorized representative shall not limit the right of the person suffering damage to directly submit the compensation claim to the liable company at its registered office or the seat of its branch.

Paragraphs 1 to 5 of this Article shall also apply to activities of authorized representative who is, for the territory of Montenegro, appointed by insurance companies with registered offices in the European Union member states.

The register of authorized representatives of insurance companies from Montenegro shall be kept by the Association.

V. INSURANCE FOR AIRCRAFT OWNERS OR USERS AGAINST LIABILITY FOR DAMAGE CAUSED TO THIRD PARTIES AND PASSENGERS

Insurance Obligation Article 42

Aircraft owners or users shall enter into a liability insurance contract against damage caused to third parties and passengers by using such aircraft.

The third party from paragraph 1 hereof shall mean any person, other than passengers and flight and cabin crew of the aircraft on duty during the flight.

The passenger from paragraph 1 hereof shall mean any person traveling in the aircraft, with the consent of the aircraft owner or user, other than flight and cabin crew of the aircraft on duty during the flight.

The insurance contract referred to in paragraph 1 hereof shall also cover damages to cargo and luggage as well, except for aircrafts not used for commercial purposes.

The insurance contract referred to in paragraph 1 hereof shall also cover damages caused by the risk of war and terrorism, except for aircraft with MTOM of less than 500 kg.

The owner or user of a foreign aircraft entering the airspace of Montenegro shall be insured against liability for damage referred to in paragraph 1 hereof, unless the compensation of damages has otherwise been secured or unless otherwise provided by international treaties.

Notwithstanding paragraph 6 hereof, the owner or user of aircraft which is not registered in Montenegro and whose operations do not include landing at or taking off from the territory of Montenegro, but only flights in the airspace of Montenegro, need not have damages to passengers, cargo and luggage covered by the contract on insurance from paragraph 1 hereof.

The owner or user of aircraft, registered in the Montenegro Civil Aircraft Register, when obtaining or extending the validity of the aircraft airworthiness certificate, shall be obliged to submit the insurance contract from paragraph 1 hereof to the independent legal person performing public authorities in the field of air transport.

Operator of the unmanned aircraft system or model aircraft shall be obliged, when performing air operations with the unmanned aircraft or model aircraft of operative mass of 250 grams or more, or when performing flight operations that an independent legal person exercising public authorities in the area of air traffic issues permission, approval or any equivalent document, to hold an insurance liability contract for damage incurred to third parties by the use of the unmanned aircraft or model aircraft.

Amount of the Sum Insured Article 43

The liability of an insurance company in respect of the contract referred to in Article 42 of this Law shall be limited to the sum insured applicable as of the loss event date, unless the insurance contract stipulates a higher sum insured.

The minimum sum insured for insurance referred to in Article 42 of this Law shall be:

- 1) for damage caused to third parties for aircrafts with MTOM of:
 - from 250 gr to 900 gr, SDR 3,000,
 - from 901 gr to 4 kg, SDR 5,000,
 - from 4.01 to 25 kg, SDR 10,000,
 - from 25.01 kg to 150 kg, SDR 20,000,
 - from 150.01 kg to 500 kg, SDR 750,000,
 - from 500.01 kg to 1,000 kg, SDR 1,500,000,
 - from 1,000.01 kg to 2,700 kg, SDR 3,000,000,
 - from 2,700.01 kg to 6,000 kg, SDR 7,000,000,
 - from 6,000.01 kg to 12,000 kg, SDR 18,000,000,
 - from 12,000.01 kg to 50,000 kg, SDR 150,000,000,
 - from 50,000.01 kg to 200,000 kg, SDR 300,000,000,
 - from 200,000.01 kg to 500,000 kg, SDR 500,000,000,
 - over 500,000.01 kg, SDR 700,000,000;
- 2) for individual passenger, 250,000 SDR;
- 3) for registered luggage per passenger, 1,288 SDR and
- 4) for cargo transported per kg, 22 SDR.

Notwithstanding paragraph 2 item 5 of this Article, the minimum sum insured determined by the insurance contract from Article 42 of this Law for damages incurred to third parties, amounts to 128,821 SDR for:

- foot-launched flying machines, including powered paragliders and hang gliders, and
- aircrafts, including gliders, with the maximum take off mass (MTOM) of less than 500 kg and microlight used for non-commercial purposes and microlights used for local flight instruction which does not entail the crossing of international borders, insofar as the insurance obligations relating to the risks of war and terrorism are concerned.

Notwithstanding paragraph 2 item 2 of this Article, the lowest sum insured per a loss event specified by the insurance contract referred to in Article 42 of this Law for aircrafts with MTOM of 2,700 kg or less that are not used for commercial purposes, shall amount to SDR 128,821 per individual passenger.

The minimum sum insured determined by the insurance contract from Article 42 paragraph 9 of this Law for unmanned aircrafts or model aircrafts of operative mass of 250 grams or less, when performing flight operations that requires permission, approval or any equivalent document issued by an independent legal person exercising public authorities in the area of air traffic, shall amount to 3,00 SDR.

The decision regarding the increase of the sum insured referred to in paragraph 2 of this Article shall be passed by the Government at proposal of the Regulatory Authority.

Application of Provisions with respect to Liability

Article 44

The provisions of this Law that refer to the compensation of damage caused to third parties and passengers by the use of a vehicle and provisions of the law governing

contracts and property-legal relations in air traffic shall be applied accordingly to the liability of owners or authorized users of aircrafts for the damage caused to third parties, unless otherwise regulated by the provisions of Articles 42 and 43 of this Law.

VI THIRD PARTY LIABILITY INSURANCE OF OWNERS OF WATERCRAFTS

Insurance Obligation Article 45

An owner or authorized user of a watercraft that must be registered into the watercrafts register or record in accordance with the regulations on watercraft registration or entry, shall be obliged to sign a liability insurance contract for damages that use of the watercraft may cause to third parties by inflicting bodily injuries, impairing health or death.

The damage referred to in paragraph 1 of this Article shall also be the damage caused to a third party by dropping or ejecting things from the watercraft.

The owner or authorized user of a foreign watercraft must be covered by liability insurance for the damage referred to in paragraph 1 of this Article prior to obtaining the license for sailing into internal sea waters and territorial sea of Montenegro, or who sails in internal sea waters and territorial waters of Montenegro, unless other guarantee for damage compensation is provided or if otherwise stipulated by an international treaty.

The issuance of watercraft licenses for sailing and extension of the license may be performed only with the evidence of signed insurance contract referred to in this Article submitted to the competent authority.

The owner of the watercraft that is not subject to compulsory annual examination shall be obliged to sign the insurance contract referred to in paragraph 1 of this Article prior to obtaining the sailing license whose validity exceeds one year and renew the insurance until the expiry date of the sailing license.

The insurance contract from paragraph 1 hereof shall be valid for the period of one year.

The use of a watercraft in maritime traffic shall not be permitted without a concluded insurance contract.

Amount of the Sum Insured Article 46

The liability of an insurance company shall represent sums insured as of the loss event date, unless the insurance contract stipulates a higher sum.

The lowest sum insured, which the insurance referred to in Article 45 paragraph 1 of this Law may be agreed on, shall be as follows:

- 1) for ships:

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- | | |
|---|---------------|
| - size up to 1000 BRT | 100,000 Euro; |
| - size from 1001 up to 10000 BRT | 200,000 Euro; |
| - size from 10001 up to 20000 BRT | 300.000 Euro; |
| - size from 20001 up to 30000 BRT | 400.000 Euro; |
| - size over 300001BRT | 500.000 Euro; |
| 2) for other watercrafts for sport and recreation: | |
| - motor boats | 50,000 Euro; |
| - hydro-motorboats, light motorboats, motor scooters and motorboats | 200.000 Euro; |
| - yachts | 800,000 Euro. |

The decision regarding the increase of the sum insured referred to in paragraph 2 of this Article shall be passed by the Government at proposal of the Regulatory Authority.

Application of Provisions with respect to Liability Article 47

The provisions of this Law that refer to the compensation of damage caused to third parties by the use of a vehicle shall be applied accordingly to the liability of owners or authorized users of watercrafts for the damage caused to third parties, unless otherwise regulated by Articles 45 and 46 of this Law.

VII ASSOCIATION OF INSURANCE COMPANIES CARRYING OUT COMPULSORY TRAFFIC BUSINESS

Association of Insurance Companies Article 48

Insurance companies carrying out compulsory insurance business in Montenegro shall become members of the Association in order to implement the activities specified by this law and pursue their joint interests.

The Association shall carry out the activities referred to in paragraph 1 of this Article within the Guarantee Fund, Green Card Bureau and Information Centre.

In addition to the activities referred to in paragraph 2 of this Article, the Association shall carry out activities of the Compensation Bureau.

The Association shall have the capacity of a legal entity, with rights and obligations identified by law and the Charter of the Association.

The Charter of the Association shall regulate the internal organization, business, operations and functioning of the bodies of the Association, funding and other matters of relevance for the work of the Association.

The Charter of the Association shall be subject to the consent of the Regulatory Authority.

Association Membership

Article 49

An insurance company may carry out compulsory insurance activities established by this Law only if it is a member of the Association.

In case that an insurance company fails to meet the obligations under the compulsory insurance contract or pursuant to international agreements signed by the Association, the Association shall, without delay, inform the Regulatory Authority thereof.

The Regulatory Authority shall forward the information referred to in paragraph 2 of this Article to competent supervision authorities in the country in which such insurance company has a registered office, and may also apply other measures, in accordance with the law.

The membership of an insurance company with the Association shall terminate on the day of termination of compulsory traffic insurance activities, i.e., on the day of receipt of the notice in which the supervision authority of the country where registered office is located informs the Regulatory Authority about the termination of insurance activities in Montenegro or in the country of the registered office.

Association Resources

Article 50

Insurance companies shall provide resources required for performance of activities of the Association as established by the law.

The resources referred to in paragraph 1 of this Article shall include contributions for operations of the Association, regular contributions for the Guarantee Fund and other contributions envisaged by the Charter of the Association.

Association's Activities

Article 51

In performance of the activities referred to in Article 48 of this Law, the Association shall perform, including but not limited to:

- 1) represent insurance companies in international professional organizations;
- 2) process, calculate, settle claims and make recourse requests with respect to paid claims:
 - in relation to international agreements on compulsory traffic insurance, for losses incurred in the country and abroad (green card),
 - incurred on the territory of Montenegro by the use of uninsured vehicles, aircrafts and watercrafts,
 - in cases when the owner of the vehicle used in public transport of passengers has not concluded the contract from Article 21 of this Law,
 - by unknown vehicles, aircrafts, watercrafts or other means of transport for causing death, bodily injury or impaired health,
 - in relation to request of claimants who were not able to compensate the damage, due to the revoking of the license of the insurance company or initiating of a bankruptcy or liquidation procedure over the insurance

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- company they were insured with;
- 3) prescribe and print forms of international insurance card (green card) for its members;
 - 4) manage the organizational parts referred to in Articles 48 paragraphs 2 and 3 of this Law;
 - 5) collect, keep and process data and prepare reports in accordance with this Law;
 - 6) propose to the Regulatory Authority:
 - criteria for determining the amount of regular contributions for the Guarantee Fund;
 - amounts of deposits and guarantees of banks by which the insurance companies secure the settlement of obligations under the responsibility of the Association;
 - 7) determine the tariff for the calculation and payment of loss adjustment expenses referred to in item 2 of this paragraph;
 - 8) perform other activities for which it has been authorized by insurance companies and the Regulatory Authority;
 - 9) prepare business plans and financial operating reports;
 - 10) cooperate with competent authorities and organizations of other countries with respect to more complete and comprehensive exercise of insured parties' rights, claimants and members of the Association;
 - 11) establish the Code of Ethics for compulsory insurance business;
 - 12) publish its rules of procedure;
 - 13) carry out other tasks as established by this Law.

The Regulatory Authority shall determine the criteria and amounts of deposits and guarantees of banks referred to in item 6 paragraph 1 of this Article.

The Association shall, without delay, inform the Regulatory Authority if it comes in the possession of any information indicating that an insurance company has been in the breach referred to in Article 65 of this Law and provide evidence it has available along with the notice.

Reporting on the Association's Operations

Article 52

The Association shall prepare annual plans and annual financial statements.

A special annual plan and annual financial statement of the Guarantee Fund shall be prepared as a part of the annual plan and annual financial statements.

The financial statements referred to in paragraphs 1 and 2 of this Article shall be subject to audit, regarding of which an audit report shall be prepared.

In addition to the reports referred to in paragraphs 1 to 3 of this Article, the Association shall prepare other reports and information of relevance for supervision, if requested by the Regulatory Authority.

More detailed content, manner and deadlines for submission of reports and information referred to in this Article shall be determined by the Regulatory Authority.

Supervision over the Activities of the Association
Article 5

The activities of the Association shall be supervised by the Regulatory Authority.

The provisions of the law regulating insurance business shall be accordingly applied to the supervision over the activities of the Association, unless otherwise regulated by this Law.

The Association shall ensure access to the Regulatory Authority to all information it is to keep pursuant to the law.

If the Association fails to carry out activities in line with this Law, the Government may temporarily transfer the activities of the Association to another legal entity or Regulatory Authority until the performance of the activities has been harmonized with this Law.

Guarantee Fund
Article 54

The Guarantee Fund shall be established to ensure economic protection of passengers in public transport and third parties suffering damage where the damage has been caused by the use of uninsured or unknown means of transport, as well as where the insurance company liable for compensation of damage has been revoked its license or against which liquidation or bankruptcy proceedings were initiated, and damages arising from the green card.

The resources of the Guarantee Fund shall be provided from the funds referred to in Article 55 of this Law and the funds collected in respect of recourse requests in cases envisaged by this Law.

Regular Contributions to the Guarantee Fund
Article 55

The insurance company shall pay to the Association regular contributions from the compulsory traffic insurance premiums, proportionally to the premium realized in particular type of compulsory insurance in the previous year.

The amount of the regular contribution referred to in paragraph 1 of this Article shall be determined by the Association, pursuant to the criteria referred to in Article 51 paragraph 2 of this Law, by 1st of December of the current year for the following business year.

The Association shall submit the act referred to in paragraph 2 of this Article to the Regulatory Authority for approval.

Provided the Guarantee Fund resources in respect of regular contributions are not sufficient to cover the obligations referred to in Article 54 of this Law, the missing resources shall be provided by additional contribution that is determined in the manner and under the procedure specified for regular contributions to the Guarantee Fund.

If an insurance company fails to meet the obligation of regular contribution to the Guarantee Fund, the Association shall, without delay, inform the Regulatory Authority thereof.

Management of Guarantee Fund Resources **Article 56**

The Guarantee Fund resources shall be kept on a special account of the Association, which shall be responsible for managing and disposing of such resources.

Financial resources of the Guarantee Fund shall be invested in the manner that entirely ensures security, quality, liquidity and profitability of the portfolio.

Purpose of Guarantee Fund Resources **Article 57**

The resources of the Guarantee Fund shall be used for payment of the sum insured or compensation of damage to claimants, as follows:

- 1) caused by the use of vehicle, aircraft, watercraft or any other means of transport where the compulsory insurance contract has not been signed in the context of this Law;
- 2) due to the death, bodily injury or impaired health caused by the use of unknown vehicle, aircraft, watercraft or any other means of transport;
- 3) caused by the use of vehicle, aircraft, watercraft or any other means of transport where the compulsory insurance contract has been signed with the insurance company whose license has been revoked and over which bankruptcy or liquidation proceedings have been initiated;
- 4) in cases referred to in Articles 34, 38 and 40 of this Law.

The Guarantee Fund resources shall also be used for compensation of loss adjustment expenses and payment of compensation claims that are due from the Guarantee Fund.

If an unknown vehicle causes death or significant bodily injuries, the Guarantee Fund shall also pay the compensation for the damage on property, if the damage exceeds EUR 500.

In case of dispute between the Association and an insurance company with regard to the competence for payment of the compensation, the compensation shall be paid by the party which received the compensation claim first. If it is subsequently established that the other party was liable for compensation of the damage, the party that has paid the compensation shall be entitled to recourse of the full paid amount including pertaining interest.

Guarantee Fund's Right to Recourse
Article 58

After the payment referred to in Article 57 paragraph 1 items 1, 2 and 4 and paragraph 2 of this Law, the Guarantee Fund shall have the right to recourse in relation to the party liable for the damage, for the amount of the paid claim, interest and other loss adjustment expenses and expenses of the claim payment.

The amount of compensation from paragraph 1 hereof, from a natural person responsible for the incurred damage, shall not exceed the amount of 24 average net salaries in Montenegro according to the most recent official data from the authority competent for statistics affairs.

After the payment of the compensation referred to in Article 57 paragraph 1 item 3 of this Law, the Association shall have the right to recourse from the liable company, or in case of bankruptcy or liquidation, from the bankruptcy estate of the company which is subject to initiation of a bankruptcy procedure, according to the order of settlement prescribed by a special law.

Claims Compensation Bureau
Article 59

The claimant with residence in Montenegro may file to the Claims Compensation Bureau (hereinafter referred to as Bureau) a compensation claim for the damage that was caused in the territory of the European Union member state or third country that is a signatory to a multilateral agreement by a vehicle that is insured, or is normally in the territory of the European Union member state.

The compensation claim may be filed to the Bureau, if:

- 1) the liable company or authorized representative of such insurance company in Montenegro fails to pay the compensation or deliver a reasoned response within the prescribed time frame;
- 2) the liable person fails to appoint an authorized representative on the territory of Montenegro;
- 3) within 60 days from the submission date of the compensation claim it is not possible to identify a liable insurer, or the vehicle that has caused the accident.

The Bureau shall not make a decision with regard to the compensation claim if the claimant has initiated court proceedings in respect of such claim directly against the liable person, or liable company.

The Bureau shall pay the compensation referred to in this Article out of the resources of the Guarantee Fund.

Acting of the Bureau in respect of a Compensation Claim
Article 60

The Bureau shall settle the compensation claim within 60 days from the date of receipt.

The Bureau shall, without delay, inform the following about the receipt of the claim referred to in paragraph 1 of this Article and its intention to act in the appropriate way within the deadline referred to in paragraph 1 of this Article:

- 1) liable company or authorized representative of such company;
- 2) compensation organization in the state where the liable company has its registered office;
- 3) person responsible for the accident, if his/her identity and address are known.

The Bureau shall terminate the compensation procedure if the claimant is paid the compensation prior to the expiry of the deadline for settlement of the compensation claim, by the person who caused the damage, the liable company or third party, or if the liable company or its representative provide a reasoned response to the claimant by the deadline referred to in paragraph 1 of this Article.

The procedure referred to in paragraph 3 of this Article shall not be terminated if the claimant is paid the compensation in respect of life insurance policy or accident insurance policy.

Bureau's Right to Recourse **Article 61**

In the cases of payment of the compensation to the claimant referred to in Article 59 paragraph 1 of this Law, the Bureau shall have the right to recourse for the amount of the compensation and costs paid from the claims compensation organization of the European Union member state where the vehicle that caused the accident is insured.

In the cases of damage caused by an unknown or uninsured vehicle, the Bureau shall have the right to recourse of the amount of the compensation and costs paid from:

- 1) the Guarantee Fund of the European Union member state where the vehicle that caused the accident is normally located, if a liable company cannot be identified;
- 2) the Guarantee Fund of the European Union member state where the accident took place, if the vehicle cannot be identified;
- 3) the Guarantee Fund of the European Union member state where the accident took place, if the damage is caused by a vehicle that is normally in a third country.

In line with international agreements, the Bureau shall compensate the paid amount of the claim to the claims compensation organization of the European Union member state, in case of an obligation in respect of an auto liability insurance contract concluded with the insurance company registered in Montenegro.

Legal entities that, in accordance with the law, exceed the rights of claimants in relation to the person who has caused the accident or its insurance company and the person referred to in Article 18 of this Law, shall have no right to compensation from the Bureau.

Information Centre

Article 62

Information Centre shall be organized within the Association, for the purpose of efficient exercise of rights in respect of compensation claims in case of damages caused by the use of vehicles.

The Information Centre shall:

- 1) collect data of significance for exercise of rights in respect of compensation claims and keep the register of such data;
- 2) enable review of the data referred to in item 1 of this paragraph;
- 3) provide assistance to the person suffering damage in collecting data from the register referred to in item 1 of this paragraph and the registers of information centers from the European Union member states.

The register referred to in paragraph 2 item 1 of this Article shall include the data on:

- 1) registration markings, types, brands and the types and serial numbers of chassis of vehicles registered in Montenegro;
- 2) auto liability insurance policy reference numbers for the vehicles referred to in item 1 of this paragraph;
- 3) duration of the insurance coverage under the auto liability insurance contracts;
- 4) business name and address of the registered office of the insurance company offering insurance cover under the insurance contracts referred to in item 3 of this paragraph;
- 5) name and surname, birth date, permanent residence and/or registered office of the insured party;
- 6) name and permanent residence or registered offices of authorized representatives appointed by an insurance company from Montenegro in the European Union member states;
- 7) a list of vehicle owners in Montenegro exempt from the obligation of auto liability insurance.

The data referred to in paragraph 3 of this Article shall be collected from insurance companies and the records of vehicles registered in Montenegro and shall be kept in the manner specified in Article 19 paragraph 4 of this Law.

At request of the person suffering damage, the Association shall also obtain the data referred to in paragraph 3 of this Article from the registers of information centers of the European Union member states.

An insurance company and a body authorized to keep records of vehicles registered in Montenegro shall regularly forward the data referred to in paragraph 3 hereof to the Association.

The data referred to in paragraph 3 items 1 to 5 of this Article shall be kept on file by the Information Centre for the period of no less than seven years after the deregistration of a vehicle or after the expiry of an insurance policy.

To provide assistance in collecting data referred to in paragraph 2 item 3 of this Article, the Information Centre shall cooperate with information centers of the European Union member states.

Provision of Information to Claimants

Article 63

The Information Centre shall, without delay, enable access to the following data from its register during the period of seven years after the traffic accident:

- 1) business name and registered office of the liable insurance company;
- 2) reference number of the insurance policy issued by the company referred to in item 1 of this paragraph;
- 3) name and surname and/or business name and permanent residence and/or registered office of the authorized representative appointed in Montenegro by the liable insurance company.

Upon the request of the claimant, the Information Centre shall collect data on the name and surname and/or business name and permanent residence and/or registered office of the owner or user of the vehicle, if the claimant has a legitimate legal interest in obtaining such information.

The data referred to in paragraph 1 of this Article shall be also collected from registers of information centers of the European Union member states.

The data referred to in paragraphs 1 and 2 of this Article shall be collected from persons referred to in Article 62 paragraph 4 of this Law and other persons.

The Information Centre shall collect for the claimant data on the name and surname and/or business name and permanent residence and/or registered office of the person liable for the damage caused by the use of the vehicle exempt from the obligation of auto liability insurance.

VIII SUPERVISION

Article 64

The operations of the insurance companies shall be supervised by the Regulatory Authority in accordance with this Law and the law regulating insurance business.

Supervision over the application of Articles 6, 7 and 8 in conjunction with Art. 25, 28, 29 and 36 of this Law shall be carried out by the authority competent for supervision and control of road traffic safety.

Supervision over the application of Art. 6, 7 and 8 in conjunction with Article 42 shall be carried out by independent legal person exercising public authorities in the field of air-traffic.

Supervision over the application of Art. 6, 7 and 8 in conjunction with Article 45 shall be carried out by the authority competent for maritime affairs.

IX PENALTY PROVISIONS

Article 65

A pecuniary fine ranging from 1,000 to 20,000 Euros shall be imposed on a legal entity – insurance company for the offence, if it:

- 1) fails to enter in the compulsory insurance contract in accordance with Article 7 of this Law;
- 2) fails to provide the Regulatory Authority with the insurance terms and conditions, no later than 60 days envisaged for commencement of their application, for the purpose of verification of their compliance with the law and insurance professional rules (Article 10 paragraph 2 this Law);
- 3) fails to provide the premium tariffs or premium system with technical bases for calculating tariff to the Regulatory Authority no later than 60 days prior to the date envisaged for commencement of their application, for the purpose of verification of their compliance with the law, actuarial principles and insurance profession rules (Article 10 paragraph 3);
- 4) fails to provide to the person suffering damage a reasoned proposal for compensation or reasoned reply within the time frame of 60 days from the day of the claim receipt (Article 12 paragraph 3);
- 5) fails to offer and pay to the claimant the undisputable portion of the compensation as an advance (Article 13 paragraph 1);
- 6) fails to pay the established amount of the compensation fully within eight days from the day of the decision in accordance with Article 12 and 13 of this Law, or the day of conclusion of the agreement on compensation (Article 15 paragraph 1);
- 7) fails to establish the rules of the procedure for settlement of compensation claims, in accordance with this Law (Article 17 paragraph 1);
- 8) fails to publish the procedure rules from Article 17 paragraph 1 of this Law (Article 17 paragraph 3) on its website and in other suitable way;
- 9) fails to compensate the actual damage to the funds for health, pension and disability insurance within the limits of obligations undertaken by the insurance contract (Article 18 paragraph 1);
- 10) fails to collect, keep or process statistical and other data in line with Articles 19 and 20 of this Law;
- 11) fails to provide to the Regulatory Authority the requested data referred to in Article 19 of this Law (Article 19 paragraph 6);
- 12) fails to issue to the person who has concluded the auto liability insurance contract a certificate on the existence and number of claims that third parties submitted in relation to such vehicle, for the period of the previous five years preceding the entering into the contractual relation (Article 27 paragraph 3);
- 13) fails to hand in to the insured party, along with the policy, a copy of the European Accident Report that the insured party is to keep in the vehicle and present to an authorized person if requested (Article 28 paragraph 1);
- 14) fails to appoint an authorized representative in line with Article 41 of this Law;
- 15) fails to pay the funds required for performance of the legally envisaged activities of the Association (Article 50 paragraph 1);
- 16) fails to regularly submit to the Association the data referred to in Article 62 paragraph 3 of this Law (Article 62 paragraph 6).

For the offence referred to in paragraph 1 of this Article a responsible person in the legal entity shall be fined with 500 to 2,000 Euro.

Article 66

A pecuniary fine ranging from 1,000 to 15,000 Euro shall be imposed on a legal entity – the Association for the offence, if it:

- 1) fails to provide to the person suffering damage a reasoned proposal for compensation or reasoned reply within the time frame of 60 days from the day of the claim receipt (Article 12 paragraph 3);
- 2) fails to offer and pay to the claimant the undisputable portion of the compensation as an advance (Article 13);
- 3) fails to pay the established amount of the compensation fully within eight days from the day of the decision in accordance with Articles 12 and 13 of this Law, or the day of conclusion of the agreement on compensation (Article 15 paragraph 1);
- 4) fails to establish the rules of the procedure for settlement of compensation claims in accordance with this Law (Article 17 paragraph 1);
- 5) fails to publish the procedure rules from Article 17 paragraph 1 of this Law (Article 17 paragraph 3) on its website and in other suitable way
- 6) fails to collect, keep or process statistical and other data in line with Articles 19 and 20 of this Law;
- 7) fails to submit the data prescribed by Article 19 of this Law (Article 19 paragraph 6) to the Regulatory Authority
- 8) fails to inform the authority competent for internal affairs on recognition of the validity of document from Article 35 paragraph 1 of this Law (Article 35 paragraph 6);
- 9) fails to keep the register on authorized representatives of insurance companies from Montenegro (Article 41 paragraph 8);
- 10) fails to inform the Regulatory Authority, without delay, about non-fulfilment of obligations under the compulsory insurance contract by the insurance company (Article 49 paragraph 2);
- 11) fails to carry out activities referred to in Article 51 of this Law;
- 12) fails to provide or provides information to the Regulatory Authority in an improper way (Article 52 paragraphs 4 and 5);
- 13) fails to enable access to all data that it is legally obliged to keep for the Regulatory Authority (Article 53 paragraph 3);
- 14) fails to perform obligation from Article 55 of this Law;
- 15) fails to manage Guarantee Fund resources in the manner determined in Article 56 of this Law;
- 16) fails to make payments from the Guarantee Fund resources in the manner prescribed in Article 57 of this Law;
- 17) fails to keep the data maintained under the information center in the manner prescribed by Article 62 of this Law; and
- 18) fails to enable the claimant access to data in accordance with Article 63 of this Law.

The responsible person in the legal entity shall be imposed a pecuniary fine from EUR 500 to 2,000 for the offence referred to in paragraph 1 of this Article.

Article 67

Pecuniary fine ranging from EUR500 to 2,000 shall be imposed on legal entity – owner of the means of transport for an offence, if it:

- 1) fails to conclude a compulsory traffic insurance contract in accordance with Article 7

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- of this Law, in conjunction with Art. 25, 42 and 45 of this Law;
- 2) fails within 15 days from the publication date of the decision on liquidation or petition for opening the bankruptcy proceedings over the insurance company to conclude a compulsory insurance contract with another insurance company for the remaining period of registration validity or until registration expiry (Article 8 paragraph 1);
 - 3) fails to extend the auto liability insurance contract for the motor vehicle that is not subject to the annual registration obligation (Article 29 paragraph 2).

The responsible person in the legal entity shall be imposed a pecuniary fine from EUR 100 to 2,000 for the offence referred to in paragraph 1 of this Article.

An entrepreneur shall be imposed a pecuniary fine from EUR 150 to 6,000 for the offence referred to in paragraph 1 of this Article.

A natural person shall be imposed a pecuniary fine from EUR 50 to 2,000 for the offence referred to in paragraph 1 of this Article.

Article 68

A driver of a means of transport shall be imposed a pecuniary fine from EUR 50 to 200 for an offence, if he:

- 1) acts in contravention of Article 6 of this Law;
- 2) fails to keep the European Accident Report in the vehicle or present it to an authorized person if requested (Article 28 paragraph 1);
- 3) when entering the territory of Montenegro by a vehicle with foreign registration, fails to conclude the border insurance (Article 36 paragraph 1).

X TRANSITIONAL AND FINAL PROVISIONS

Harmonization of Insurance Terms and Conditions and Premium Tariffs Article 69

Article 10 paragraphs 4 to 6 of this Law shall apply after the expiry of five year from the date this Law enters into force.

By the commencement of the application of Article 10 paragraphs 4 to 6 of this Law, insurance companies shall, as the members of the Association, prepare a joint proposal of terms and conditions and premium tariff as well as technical bases for calculation of the premium in line with actuarial principles, insurance profession rules and general principles regulating insurance business and submit the same to the Regulatory Authority for approval within 180 days from the date this Law enters into force.

The Association shall submit the request for approval referred to in paragraph 2 of this Article.

Regulatory Authority shall make the decision in respect of the request referred to in paragraph 3 of this Article within 60 days from the date of submission of the request.

The decision on approval, the terms and conditions and premium tariff referred to in paragraph 4 of this Article shall be published in the Official Gazette of Montenegro by the Regulatory Authority.

The companies referred to in paragraph 1 of this Article shall harmonize the insurance terms and conditions and premium tariff with this Law within six months from the date this Law enters into force.

Article 69a

As of the date of Montenegro's accession to the European Union, the provisions of Article 10 paragraphs 3 to 6 and Article 11 of this Law shall cease to be in force".

Harmonization of Sums Insured Article 70

Article 33 of this Law shall be applied after the expiry of three years from the day this Law enters into force.

Insurance companies shall apply the following lowest sums insured upon the expiry of one year after this Law enters into force:

- 1) for loss due to death, bodily injury or impaired health:
 - for buses and cargo vehicles - EUR 400,000,
 - for other motor and unknown vehicles – EUR 250,000,
 - for vehicles transporting hazardous substances - EUR450,000;
- 2) for loss due to destruction or material damage of things:
 - for buses and cargo vehicles – EUR 200,000,
 - for other motor vehicles – EUR 150,000,
 - for vehicles transporting hazardous substances – EUR 250,000.

Insurance companies shall apply the following lowest sums insured upon the expiry of two years from the date this Law enters into force:

- 1) for loss due to death, bodily injury or impaired health:
 - for buses and cargo vehicles - EUR 550,000,
 - for other motor and unknown vehicles – EUR 400,000,
 - for vehicles transporting hazardous substances - EUR 600,000;
- 2) for loss due to destruction or material damage of things:
 - for buses and cargo vehicles - EUR300,000,
 - for other motor vehicles – EUR 220,000,
 - for vehicles transporting hazardous substances – EUR400,000.

For the purpose of the harmonization referred to in paragraphs 1 to 3 of this Article, the Association shall provide the proposal auto liability insurance terms and conditions and tariff to the Regulatory Authority no later than 90 days prior to the expiry of the deadlines referred to in paragraphs 1 to 3 of this Article.

Delayed Application of the Insured Sums Article 70a

Insured sums from Article 33 paragraph 2 of this Law shall apply from the date of Montenegro's accession to the European Union.

Before commencement in application of the insured sums from Article 33 paragraph 2 of this Law, the following lowest sums insured shall apply:

- 1) for loss due to death, bodily injury or impaired health:
 - for buses and cargo vehicles, 750,000 Euro;
 - for other and unknown vehicles, 550,000 Euro; and
 - for vehicles transporting hazardous substances, 800,000 Euro.
- 2) for loss due to destruction or material damage of things:
 - for buses and cargo vehicles, 500,000 Euro;
 - for other and unknown vehicles, 300,000 Euro; and
 - for vehicles transporting hazardous substances, 550,000 Euro.

The Government of Montenegro, upon proposal of the Regulatory Authority, may pass a decision on the increase of sum insured from paragraph 2 hereof, up to the amount specified by Article 33 paragraph 2 of this Law

Harmonization of the Association's Operations **Article 71**

The Association shall harmonize the organization and operations with this Law within 180 days from the date this Law enters into force.

Harmonization of Business Operations **Article 71a**

Insurance companies and the Association shall harmonize their organization and business operations with this Law within 90 days from the day this Law has come into force.

Deadline for Adoption of Enabling Regulations of This Law **Article 72**

Enabling regulations and rules for the enforcement of this Law shall be adopted within 180 days as of the day this Law enters into force.

Until the regulations referred to in paragraph 1 of this Article have been adopted, the regulations adopted based on the Law on Compulsory Traffic Insurance (Official Gazette of the Republic of Montenegro 46/07) shall be applied.

Delayed Application **Article 73**

The provisions of Article 4 paragraph 2, Article 26, Article 36 paragraph 3, Article 37 paragraph 2, Article 41, Article 49 paragraph 3, Article 57 paragraph 3 and Art. 59 to 61, Article 62 paragraph 2 item 3, paragraph 3 items 6 and 7 and paragraphs 5 and 8 and

Article 63 paragraph 2 of this Law shall be applied as of the date of Montenegro's accession to the European Union.

The provision of Article 35 paragraph 3 of this Law shall apply as of the date specified by the act on signing of the Multilateral Agreement.

Cease of Validity of the Law
Article 74

On the day this Law enters into force, the Law on Compulsory Traffic Insurance (Official Gazette of the Republic of Montenegro 46/07) shall be rescinded.

Coming into Force of the Law
Article 75

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

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Podgorica, 29 December
2021

Parliament of Montenegro
– 27th Term
President,
Aleksa Bečić, m.p.