

*The Consulting Firm “Dikke International” Ltd.*

# **Law of Georgia**

## **“On Insurance”**

*19, Lermontov Str., Tbilisi, 380007*

*Phone: + 995 8832 93 20 76, 93 59 65*

*Fax: +995 (32) 001127 or +995 (32) 001077*

*E-mail: [dikke@dikke.com.ge](mailto:dikke@dikke.com.ge)*

# Law of Georgia

## On Insurance

### Chapter I

#### General Provisions

##### **Article 1. Relations Regulated by the Law**

1. The present Law regulated relations in the sphere of insurance between insurance organizations and legal and natural persons as well as between insurance organizations proper, establishes basic principles of the state regulation of insurance activity.
2. Relations in the sphere of insurance are regulated under the Constitution of Georgia, the Civil Code, the present Law, other Georgian laws and bylaws.
3. Provided an international treaty or agreement to which Georgia is a party sets rules other than those specified in this Law, the provisions of the international treaty or agreement shall prevail.
4. The effect of this Law shall not apply to the state social and the state compulsory medical insurance.

##### **Article 2. Basic Definitions Used in the Law**

The definitions used in this Law have the meaning as follows:

- a) **Insurance** is the relations established for the protection of personal and property interests of natural and legal persons at the expense of cash funds formed by insurance contributions (insurance premiums) and other sources allowed under law upon occurrence of certain circumstances (insurance incident);
- b) **Insurance** activity is the activity associated with the registration and implementation of insurance and reinsurance contracts;
- c) **Insurer** is a legal person in the organizational and legal form of a limited liability or a joint stock company which has been set up to implement insurance activity and which has under the provisions of the present Law secured a license to a certain type of insurance;
- d) **Policyholder** is a natural or legal person who has signed an insurance contract with an insurer;
- e) **Insurant** is a natural or legal person for whose benefit the insurance contract has been concluded. The insurant may concurrently be the policyholder unless otherwise provided by the insurance contract;
- f) **Beneficiary** is a natural or legal person who, in compliance with the insurance contract or insurance legislation, receives the insurance indemnity;

- g) **Insurance agent** is a natural or legal person who acts on assignment and on behalf of the insurer within the powers assigned to him/her by the insurer;
- h) **Insurance broker** is a natural or legal person who, in accordance with the license, carried out intermediary activities in the sphere of insurance as a type of his/her entrepreneurship activity;
- i) **Insurance risk** is an event comprising the features of its occurrence possibility and fortuity and against which the insurance is taken;
- j) **Insurance occurrence** is an event upon which occasion the insurance contract provides for the insurance indemnity payment;
- k) **Insurance policy** is the insurance or reinsurance contract issued by the insurer representing a document evidencing the covered insurance and giving the policyholder the right to demand the insurance indemnity or the sum insured;
- l) **Reinsurance** is an operation between two insurance companies during which under the insurance (reinsurance) contract one of the parties undertakes part of the risk instead of payment of the insurance premium.

### **Article 3. Concept of Insurance**

1. Insurance is the relations for the purpose of protection of personal and property interests of natural and legal persons upon occurrence of a certain circumstance (insurance incident) at the expense of cash funds formed by the insurance contributions (insurance premiums) paid by these persons or other sources allowed under Law.
2. Insurance activity is the insurer's activity associated with the conclusion and implementation of insurance and reinsurance contracts.

### **Article 4. Object of Insurance**

1. The object of insurance may be any property or personal non-property interests which do not contradicts the legislation of Georgia, including:
  - a) insurance associated with the insurant's life, health, ability to work, pension security and other personal interests (personal insurance);
  - b) insurance associated with the property ownership, alienation and use (property insurance);
  - c) insurance associated with the damage incurred to a third (natural or legal) party or his/her property (liability insurance).

### **Article 5. Forms of Insurance**

1. Insurance is provided in the form of either mandatory or voluntary insurance.

2. Voluntary insurance is implemented on the basis of a contract concluded between the insurer and the policyholder. Types, terms and rules of voluntary insurance implementation are established under a contract concluded between the insurer and the policyholder.
3. Voluntary insurance is carried out by any licensed insurance organization of Georgia.
4. Mandatory insurance is such a form of insurance where an object of insurance, its types and implementation rules are established under law and are mandatory in concluding the insurance contract between the insurer and the policyholder.
5. During mandatory insurance the insurer shall be liable to conclude a contract with the policyholder under established legislation. The insurer is entitled to offer the policyholder more advantageous terms than the ones established under law for the latter.
6. Mandatory insurance is carried out by any licensed insurance organization of Georgia.

**Article 6. Results of Violation of Mandatory Insurance Rules**

1. If a person subject to mandatory insurance on the strength of law is not insured, he has the right to demand in legal form the implementation of insurance from the insurer who has assumed liabilities for his insurance.
2. If the policyholder failed to conclude the insurance contract or concluded it on terms aggravating the insured's situation as compared with the terms established under law, the policyholder shall be liable upon occurrence of the insurance incident to compensate to the policyholder the damage in the amount which the policyholder would have received in the presence of said insurance.
3. The policyholder has the right to demand in legal form from the insurer the implementation of insurance pursuant to item 5 of Article 5 of this Law.

**Article 7. Activities of Foreign Natural or Legal Persons in the Sphere of Insurance on the Territory of Georgia**

1. A foreign national, a stateless persons, a legal person established on the territory of Georgia with the participation of foreign capital, foreign legal person's subsidiary and representation conducting their activity in Georgia shall implement insurance in compliance with laws of Georgia.
2. The persons as per item one of this Article shall have the same rights and liabilities in the sphere of insurance on the territory of Georgia as Georgian nationals and legal persons.
3. A foreign natural person, a stateless person, a foreign legal person (including foreign insurance and reinsurance companies) shall be entitled to a participation in Georgian insurance and reinsurance companies.
4. Participation of the persons as per item 3 of this Article in the authorized capital of Georgian insurance and reinsurance companies shall not exceed 49 per cent in the aggregate.

5. Activities of a foreign insurance company in Georgia as an immediate insurer shall be prohibited.
6. An insurance company of Georgia may independently conclude the insurance contract directly with one or several foreign reinsurers.
7. The implementation of an insurance broker's functions by a foreign legal person on the territory of Georgia shall be allowed only to an insurance company of Georgia in the sphere of reinsurance of its risk assumed abroad. A foreign legal person may carry out functions of an insurance broker in Georgia through a subsidiary or representation, which has been registered under established procedure, or directly on the basis of a contract signed with legal persons of Georgia.
8. An insurance company of Georgia in connection with the reinsurance of its risk abroad may make direct use of a foreign broker company's services.

## **Chapter II**

### **Participants in Insurance Relations**

#### **Article 8. Policyholder**

1. Policyholder is a person who enters into an insurance contract with an insurer.
2. The policyholder may be both a legal and natural person.
3. The policyholder shall be free in choosing an insurer in concluding both the voluntary and mandatory insurance contract.

#### **Article 9. Insurer**

1. Insurer is a legal person established to implement insurance activity having under the provisions of the present Law received the right to write appropriate insurance. Registration of the insurer as an organization shall be carried out under the procedure established in Georgia for registration of a legal person.
2. Insurance company may operate only as a limited liability company or a joint stock company. Budgetary organizations are not allowed to found an insurance company and act as founders of an insurance company.
3. The name of a licensed insurance company must include the word «insurance».
4. The reorganization or liquidation of an insurance company shall be effected under law.
5. Insurance companies shall enjoy equal rights in implementing their activities.
6. The monopoly and any other activity aimed at the limitation of competition on the definite insurance market, the provision or gaining advantage by the insurer (insurers) over other insurer (insurers) shall be prohibited.

#### **Article 10. Insurant**

1. Insurant is a person for whose benefit the insurance contract is concluded. The insurant may concurrently be the policyholder unless otherwise provided by the insurance contract.
2. The policyholder may become liable under the mandatory insurance legislation to insure a third party. In voluntary insuring the policyholder may indicate a third party in the insurance contract as the insurant; in such a case the object of insurance will be the insurance and his/her associated interests (personal insurance) or the insurant's property and its associated interests (property insurance).
3. In insuring property, the insurant who is not the policyholder shall have the property presentation interest.
4. During mandatory insurance the third party's consent for conclusion of the contract where he is to be indicated as the insurant shall not be necessary. During voluntary insurance the refusal of the party to conclude said contract will lead to the impossibility of its conclusion or to its alteration or termination if the contract has been already concluded.
5. In insuring property, the policyholder shall be liable to inform his intention to a third party, insure his property or its associated interests with the precise indication of the objects of insurance.
6. If the policyholder is liable to insure a third party, the latter may demand from the policyholder the submission of his liability performance report or a document evidencing insurance in the cases provided for in law. If the policyholder fails to perform his liability or performs it improperly with regard to a third party's insurance, the latter may resort to the rights as provided in items one and two of Article 6 of the present Law.
7. The implementation of a minor insurant's rights shall be carried out under the procedure established by law.
8. The conclusion of the contract in favour of the insurant shall not release the policyholder from meeting the liabilities under the contract.
9. Insurance of a third party shall be implemented at the policyholder's expense. Liabilities of the insurant who is not the policyholder as well as the liabilities of the policyholder arising upon occurrence of the insurance incident shall be specified under the insurance contract. The policyholder shall be liable to notify the insurant about the liabilities as specified under the insurance contract.
10. Should the insurant refuse from getting the insurance indemnification which belongs to him under the insurance contract, the right to the indemnification shall be transferred to the policyholder.
11. Upon death of the insurant, unless he is the policyholder, the insurance contract shall be terminated if the replacement of the insurant is not specified under law or the insurance contract.
12. Should the insurant's death be the insurance occurrence provided for in the insurance contract, the contract shall be terminated upon its completion.
13. Upon death of the insurant, unless he is the policyholder, and in whose favour the property insurance contract has been signed, the rights and liabilities of the insurant which are the

object of insurance shall, at the policyholder's consent, be transferred to the late insurant's heir unless otherwise provided by law and the contract.

14. If the policyholder is against the replacement of the late insurant, or if the heirs are against assuming the late insurant's rights and liabilities, the contract shall be terminated.

### **Article 11. Beneficiary**

1. Beneficiary is a natural or legal person who, in compliance with the insurance contract or insurance legislation, receives the insurance indemnification.
2. Beneficiary may be determined during both the personal and property insurance.
3. Determination of the beneficiary during mandatory insurance shall take place under legislation governing the given type of insurance, while the voluntary insurance beneficiary is determined by the policyholder.
4. The insurant is the beneficiary unless otherwise provided under mandatory insurance legislation or the insurance contract.
5. The beneficiary is the insurant unless the beneficiary is specified in the contract.
6. The property insurance contract in favour of the beneficiary may be concluded without indication of the beneficiary's name or title. In concluding such contract the beneficiary shall be given the insurance certificate (policy, etc.) to bearer. In this case the beneficiary will be the one who submits said document to the policyholder.
7. If the policyholder is not the insurant, then upon the death or renouncement of his rights the latter's rights shall be transferred to the policyholder with the consequences as per item 10 of Article 11 of this Law.
8. The conclusion of a contract in favour of the beneficiary shall not release the policyholder from performance of the liabilities under the contract.

### **Article 12. Insurance Agent and Insurance Broker**

1. The policyholder may implement insurance activity through insurance agents and insurance brokers.
2. An insurance agent is a legal or natural person who enters into insurance contracts in the name and on assignment of the insurer within the powers assigned to him by the insurer.
3. An insurance broker is a legal or natural person who, in accordance with a license, carried out intermediary activity in the sphere of insurance as a type of his entrepreneurship activity.
4. Relations of the insurance broker with the insurer and the policyholder shall be defined by the contract concluded between them.
5. The insurer, the insurance agent or the insurance broker shall not be authorized to enter into insurance contracts on behalf of a foreign insurance company, except the car owner's civil liability insurance contract which is used only beyond Georgia.

6. The insurance broker and insurance agent shall be liable, while concluding the insurance contract, to notify the insurer about all the circumstances known to them which are important for the terms specified under the insurance contract.

### **Chapter III**

#### **Securing Insurer's Financial Stability**

##### **Article 13. Terms of Securing Insurer's Financial Stability**

The basis for securing the insurer's financial stability is the availability of the authorized capital, insurance reserves and the system of reinsurance.

##### **Article 14. Economic Limits and Standards**

1. The insurer and the insurance broker shall be liable to observe the economic limits established by the state supervision service as follows:
  - a) the minimum amount of the authorized capital (including in cash) in obtaining a license;
  - b) rules of allocation and investment of insurance reserves and funds;
  - c) boundary correlation of assets and assumed liabilities;
  - d) boundary correlation of financial opportunities and own capital.

##### **Article 15. Insurance Reserves and Funds of Insurer**

1. For the purpose of fulfilling the assumed liabilities the insurer shall, on the basis of insurance contributions, form necessary reserves to indemnify expected insurance expenses. A list of insurance reserves and funds as well as their forming procedure shall be specified by the state insurance service of Georgia.
2. Insurance reserves formed by the insurer shall not be subject to taxation.
3. The rules of allocation and investment of insurance reserves shall be established by the state insurance supervision service.

##### **Article 16. Insurer's Solvency Guarantee**

1. In order to safeguard his solvency, the insurer shall be liable to preserve the standard correlation of the assets and the insurance liabilities assumed. The methods of determining the correlation and its standard amount shall be established by the state insurance supervision service of Georgia.
2. The allocation of insurance reserves by the insurer shall be carried out on the basis of diversification, returnability, applicability and liquidity. The necessary correlation during allocation of reserves shall be determined by the state insurance supervision service of Georgia.

**Article 17. Insurer's Accounting and Reporting**

Indicators and forms of insurance operations, insurance reports and their submission dates shall be determined by the state insurance supervision service in accordance with law.

**Chapter IV****State Supervision of Insurance Operations****Article 18. State Insurance Supervision Body**

1. The state supervision over insurance operations shall be exercised by the state insurance supervision service of Georgia which is an independent structural division of the executive power and is financed from the central budget. The purpose of the state insurance supervision service is: the protection of the Georgian legislation concerning insurance, the effective development of the insurance services, the protection of the interests of insurers, policyholders, other concerned persons and the state.
2. Head of the state insurance supervision service of Georgia shall be appointed by President of Georgia.

**Article 19. Functions of State Insurance, Supervision Service of Georgia**

1. Functions of the state insurance supervision service of Georgia are as follows: carrying out of the state policy in the sphere of insurance, protection of consumers' interests and rights, ensurance of capability of insurance institutions for which purpose it shall carry out the following activities:
  - a) insurance, including licensing of broker operations in the sphere of insurance;
  - b) maintenance of the register of insurers, insurance brokers, non-commercial insurance institutions;
  - c) establishment of the rules of forming and allocating insurance reserves and funds;
  - d) creation of standard and methodological documents on the matters of insurance activity which, in accordance with the Law, fall within competence of the state insurance supervision service of Georgia as well as the explanation of these matters to insurers, policyholders and other persons at their request;
  - e) generalization of the insurance activity practice, drafting of laws and other enactments regulating insurance relations and making alterations and addenda in the existing ones to contribute to the development and perfection of insurance activities, concern for the Georgian market development.

**Article 20. Powers of State Insurance Supervision Service of Georgia**

1. The state insurance supervision service of Georgia shall be empowered:

- a) to check observance of standard and methodological documents by insurers and insurance brokers and the accuracy of their accounts and reports, for which purpose it will demand and receive the established accounts and reports;
- b) if violations of the insurance law are discovered in the operations of the insurer, to indicate the measures of their elimination, and in the case of non-observance of the given instructions to suspend the license until the revealed violation is eliminated or make decision on revocation of the license.

**Article 21. Licensing of Insurance Activity**

1. Intermediary operations in the sphere of insurance activity and insurance shall be carried out only subject to the availability of an appropriate license.
2. The insurance activity license may be issued only to the legal person whose purpose is insurance and related activities, a list of which shall be made out by the state insurance supervision service of Georgia.
3. A license shall be issued for the execution of personal, property and liability insurance in both the mandatory and voluntary form as well as for reinsurance provided the object of the insurer's activity is insurance only, at the same time the license shall bear indication of the type of insurance to which the insurer is entitled.
4. The insurance activity license shall be issued to a concrete insurer. Its transfer to other legal person is not allowed.
5. The license is unlimited and valid on the whole territory of Georgia.
6. Legal persons shall acquire the status of the insurer (reinsurer), the insurance broker and the right to insurance activity only after obtaining a license.
7. Licensing is not necessary for the insurance agent's activities as well as for the activity associated with the assessment of insurance risk, extent of damage and the incident reliability, the consultation and research activity in the sphere of insurance.
8. A license to the insurer shall be issued on the basis of an application to be supplemented with the documents as follows:
  - a) copies of the foundation documents;
  - b) a copy of the state registration document according to which the insurer is a legal person;
  - c) certificates on the stated authorized capital;
  - d) data on company managers;
  - e) a business plan worked out in compliance with the standards established by the state supervision service, terms by types of insurance with insurance contracts (insurance certificates, policies and insurance tariffs) enclosed.
9. The insurer (applicant) shall be responsible for accuracy of the documents submitted for licensing.

10. The form of a license shall be specified by the state insurance supervision service of Georgia.
11. If any alternations are made in the documents submitted by the insurer (applicant) for licensing, the insurer shall within 7 days inform so the state insurance supervision service, enclosing the documents evidencing the alteration made in the above-mentioned documents.
12. The state insurance supervision service of Georgia shall publish the data on the insurance company to which the license has been issued as follows:
- a) the company name and legal address of the insurance institution;
  - b) the organizational and legal status of the insurance institution;
  - c) the license number, date of issue as well as the type of insurance on which the license has been issued.

**Article 22. Term of Consideration of License Application**

The license application shall be considered by the state insurance supervision service of Georgia within one month.

**Article 23. License Fee**

The procedure for payment and amount of the license fee shall be determined under laws of Georgia.

**Article 24. Refusal to Issue License**

1. A license will not be issued if:
  - a) the documents submitted for obtaining a license do not meet the requirements of Article 21 of this Law;
  - b) a license is requested by the legal person, who, according to this Law, is not entitled to insurance activity on the territory of Georgia;
  - c) in regard to the insurance institution's manager there is a decision of the court prohibiting his insurance activity.
2. In the case of refusal to issue a license the applicant will be provided with the substantiated reply in writing with indication of the refusal grounds.
3. In the case of refusal to issue a license the applicant may appeal against the decision.

**Article 25. Suspension of Validity of License**

1. The validity of a license shall be suspended by the state insurance supervision service of Georgia.
2. The license validity suspension shall entail the prohibition of conclusion by the insurer of any insurance contract for the license suspension period.
3. The license validity may be suspended for the period of six months in the cases as follows:
  - a) for the non-performance of the instructions concerning the elimination of legislation violations;
  - b) for non-observance by the insurer of solvency guarantees specified under law;
  - c) for conclusion by the insurer of a mandatory insurance contract on terms which provide the policyholder, insurant or the beneficiary with the conditions worse than those stipulated in the mandatory insurance legislation;
  - d) for conclusion of an illegal insurance contract;
  - e) for regular violation or non-performance by the insurer of the liabilities assumed under the insurance contract;
  - f) for refusal to submit the documents falling within the competence of the state insurance supervision service of Georgia to the latter;
  - g) for provision of deliberately incorrect information by the insurer to the state insurance supervision service of Georgia;
  - h) for creation of the conditions which, according to Article 24 of this Law, would serve as grounds for refusal to issue a license.
4. The insurer shall be empowered to apply against the decision made by the state insurance supervision service concerning the license validity suspension in court.
5. Upon elimination of the circumstances on which ground the license validity was suspended, the insurer may address the state insurance supervision service for prior renewal of the license validity.
6. The above said address shall be considered in the state insurance supervision service within one month after its submission, while the decision concerning the prior renewal of the license validity shall be forwarded to the insurer in writing.

**Article 26. License Withdrawal and Revocation**

1. In the case of non-performance by the insurer of the liabilities within the fixed terms, which constitutes grounds for termination of a license, the state insurance supervision service of Georgia shall be entitled to make a decision on a license withdrawal.
2. From the moment of making a decision on license withdrawal or revocation the insurer shall not be entitled to carry out the prohibited insurance activities, except the liabilities assumed

earlier in compliance with the insurance contract, until they are valid, after which he shall surrender the license within seven days.

**Article 27. Results of Insurance Company's Reorganizations and Making Amendments to Its Charter**

1. In reorganizing a legal person having an insurance activity license, his right to a license shall be transferred to the latter's successor in title, at the same time a respective license shall be issued to the successor in title to replace the former one.
2. The application for license replacement shall be accompanied with:
  - a) a decision on the legal person's reorganization;
  - b) a copy of the state registration document of the insurer's successor in title.
3. If amendments are made to the foundation documents of the legal person which do not require the legal person's re-registration, the copies of said documents shall be forwarded to the state insurance supervision service of Georgia.

**Article 28. Preservation of Trade and Insurance Secrets by Officials of the State Insurance Supervision service of Georgia**

1. Any official of the state insurance supervision service of Georgia shall not be entitled to disclosed in any form the data constituting the insurer's trade secret as well as the data on the policyholder, the insurant, the beneficiary which belong to the insurance secrets and became known to him in the course of his operations, irrespective of whether the person currently occupies the above-mentioned position or not.
2. In the case of disclosure of the above secrets, the officials of the state insurance supervision service of Georgia shall bear responsibility under law.

**Article 29. Appeal Against Decisions of State Insurance Supervision Service of Georgia**

Decisions of the state insurance supervision service of Georgia may be appealed against in court.

**Article 30. Advisory Council at State Insurance Supervision Service of Georgia**

An advisory council may be organized on social principles at the state insurance supervision service of Georgia comprising representatives of the insurers, representatives of the policyholders from different sectors of economy, economists engaged in insurance activity. In making important decisions the state insurance supervision service of Georgia shall consider the recommendations issued by the advisory council.

## Chapter V

### Responsibility for Violation of Insurance Legislation

**Article 31. Responsibility for Violation of Insurance Legislation**

Responsibility for violation of the insurance legislation shall be established in accordance with laws of Georgia.

**Chapter VI****Transitional Provisions****Article 32. Concept of Insurance Contract**

1. In accordance with the insurance contract the policyholder shall be liable to ensure due payment of the insurance contribution (premium), while the insurer shall be liable upon the occurrence of an insurance incident to pay out to the policyholder or other person to whose benefit the insurance contract has been signed the insurance indemnity (benefit).
2. In agreement with the parties the insurance contract may also contain other conditions.

**Article 33. Form of Insurance Contract**

1. An insurance contract shall be concluded in writing in the forms as listed below:
  - a) by drawing up one document by the parties;
  - b) by merger of the policyholder with standard conditions independently worked out by the insurer (merger contract);
  - c) by transfer of the insurance certificate (policy, etc.) by the insurer to the policyholder;
  - d) by other procedure enabling documentary attestation of the parties' willingness to conclude a contract and the consent thereof to all the contractual conditions.
2. The contract's form shall be determined by the insurer or in agreement with the parties.

**Article 34. Contents of Insurance Contract**

1. Insurance contract or policy must include:
  - a) the name of the document;
  - b) the name of the insurer, his legal address and bank requisites;
  - c) the name or title of the policyholder, his address;
  - d) the indication of the object of insurance;
  - e) the definition of the insurance risk;
  - f) the amount of the sum insured;
  - g) the amount, payment rules and terms of insurant payments (premiums);
  - h) the data on the insurant or the policyholder provided they participate in the contract;
  - i) the duration of the contract;

- j) rules of amendment or evocation of the contract.
- 2. In agreement of the parties the contract may include other conditions as well.
- 3. If the insurance contract provides for the policyholder the conditions worse than those as established under legislation, the conditions as established under legislation shall prevail.

**Article 35. Validity of Insurance Contract**

- 1. Insurance contract shall be valid from the date of payment of the insurance premium, or from the date of payment of the first insurance premium in the case of the deferred payment, unless the legislation or the contract provide otherwise.
- 2. The insurance contract validity shall cease upon occurrence of the first insurance incident from the date of full payment of the insurance premium, unless the contract or legislation provides otherwise.
- 3. The insurance territory shall coincide with the territory of Georgia, unless the nature of the object of insurance or the contract provides otherwise.

**Article 36. Insurer's Liabilities**

- 1. Insurer shall be liable:
  - a) to acquaint the policyholder with terms of the insurance contract (policy);
  - b) upon occurrence of an insurance incident, to make insurance payment as per item 3 of Article 40 of the present Law;
  - c) to reimburse to the insurant expenses within the sum insured which the latter undertook to avoid or lessen damage to the insurant's property if these expenses were necessary and were covered in agreement with the insurer, irrespective of whether the expenses yielded any result or not; at the same time, the expenses must not exceed the extent of the inflicted damage. The insurer shall be released from payment of the insurance benefit in the part of damage caused by deliberate non-taking of measures for lessening the consequences of the insurance incident;
  - d) not to furnish data obtained as a result of insurance concerning the policyholder, the insurant or the beneficiary, their health and material status. This information may only be furnished to the policyholder, the insurant or the beneficiary, or to judicial, investigation bodies and taxation services at the court's decision.

**Article 37. Policyholder's Liabilities**

- 1. Policyholder shall be liable:
  - a) to make insurance payments as per item 3 of Article 39 of the present Law;
  - b) in concluding the insurance contract, to inform the insurer about all known to him circumstances being of significance during the occurrence of an insurance incident and for

- the assessment of the probability of damage resulting from the incident as well as about the risk increase, following the contract's conclusion;
- c) to take measures for the salvage and preservation of the property, notify the insurer within fixed dates in an established form on the insurance incident and safeguard the realization of the right of recourse against the person responsible for damage, while insuring property;
  - d) in coinsuring the property, to inform the insurer about other insurance contract's action to this object.
2. The insurance contract may provide for other insurance liabilities as well.

**Article 38. Insurance Occurrence**

1. Insurance occurrence is an event upon which occasion the insurant contract provides for payment of the insurance benefit.
2. In mandatory insuring, types of the insurance occurrence are defined pursuant to the insurance legislation, or in agreement with the parties in the case of voluntary insurance.
3. The event considered as the insurance occurrence must include the signs of possibility and fortuity.
4. Justification of the insurance occurrence and damage resulting from this occurrence shall be assigned to the insurer.

**Article 39. Insurance Premium**

1. Insurance premium is the sum for insurance to be paid by the policyholder to the insurer.
2. The insurance premium payment liability may not be assigned either by legislation or the contract to the insurant, unless he is the policyholder, or during mandatory insurance of the beneficiary the insurance premium may not be in excess of the sum as established by Law.
3. The amount of the insurance premium, rules and term of payment during voluntary insurance shall be specified by the contract, or under legislation in the case of mandatory insurance.
4. In defining the insurance premium, the parties may make the use of the insurance tariffs as worked up by the insurer to determine the amount of the benefit being calculated as the determined amount per unit of the sum insured with regard for the nature of the object of insurance and the insurance risk.
5. The contract may provide for deferred payment of the insurance premium.
6. Non-payment of the insurance premium at fixed dates shall entail the termination of the contract, unless the contract provides otherwise.

7. The insurance premium represents operational expenses for entrepreneurs and is ascribed to the cost price, while in regard to non-entrepreneurs it will be excluded from the taxed sum.

**Article 40. Sum Insured and Insurance Benefit**

1. Sum insured is the sum of money defined by the insurance contract and representing, in accordance with legislation, the marginal rate of the insurer's liability upon occasion of an insurance occurrence on the basis of which the insurance premium and the insurance benefit are defined.
2. Insurance benefit is the indemnification within the limits of the sum insured to be paid by the insurer upon occasion of an insurance occurrence to the benefit of the policyholder.
3. The extent of the sum insured and the insurance benefit shall be defined under the contract and may not be less than the amount as established by law in the case of mandatory insurance.
4. The rules and term of payment of the insurance benefit shall be defined under the contract.
5. In insuring property, the sum insured shall not exceed the cost of the property (insurance value) when the contract is concluded. The parties may not enter into an argument with regard to the cost of insurable property as defined by the contract, except the cases where the insurer justifies that he was led into error by the policyholder. If the sum insured as established by the contract exceeds the cost of insured property, the insurance contract shall be void in the part of the sum insured by which it exceeds the cost of property at the moment of conclusion of the insurance contract.
6. In insuring property or liability, the insurance benefit shall not exceed the extent of the actual damage to the policyholder (the insurant) resulting from the insurance occurrence.
7. If the sum insured is less than the cost of insurable property, the insurance benefit shall be reduced proportionally to the ratio of the cost of insurable property to its insurance value, unless the insurance contract provides otherwise.
8. The property insurance contract may provide for the replacement of the insurance benefit with (complete or partial) compensation for damage in kind at decision of the insurer (within the insurance benefit) or the compensation for damage in kind, in general.
9. In personal insuring, the insurance sum shall be defined by mutual agreement of the policyholder and the insurer. In personal insuring, the policyholder (insurant, beneficiary) shall be paid the insurance benefit, irrespective of whether he is entitled to the sum under social insurance, other insurance contract or the procedure for compensation for damage or not.

**Article 41. Rules and Terms of Insurance Benefit Payment**

1. The insurer shall pay the insurance benefit in accordance with the contract or law. Grounds for making the insurance benefit payment decision shall be the policyholder's application

and the official survey (survey report), unless the contract or law provides otherwise. The official survey shall be drawn up by the insurer or his assignee. If necessary, the insurer shall be authorized to demand data associated with the insurance occurrence from law-enforcement bodies, medical institutions and other establishments, enterprises and organizations who possess the information concerning the insurance occurrence circumstances. The insurer shall also be authorized to independently clear out causes and circumstances of the insurance occurrences.

2. Enterprises, establishments and organizations shall be liable to provide the insurer with the data related to the insurance occurrence at request of the latter, including the data which constitute a trade secret; at the same time, the insurer shall be held responsible for disclosing in any form this secret, except the cases as provided for by law.
3. The insurer shall be liable to ensure payment of the insurance benefit in the time stipulated in the contract upon occasion of the insurance occurrence.

#### **Article 42. Refusal to Pay Insurance Benefit**

1. The insurer shall be empowered to refuse complete or partial payment of the insurance benefit to the policyholder, if the insurance incident occurred:
  - a) through action of the policyholder, the insurant, the beneficiary which facilitated the occurrence of an insurance incident, with the exception of the action effected in the circumstances excluding liability;
  - b) through action of the policyholder, the insurant, the beneficiary which by court's decision were regarded as a deliberate crime or administrative offense and which is in the cause-and-effect relation with the insurance occurrence;
  - c) through military operations and related military events recognized as such by law, unless the contract provides for insurance against war risks.
2. The insurer may also refuse to pay the insurance benefit:
  - a) if the policyholder provided the insurer with false data on the object of insurance, the insurance occurrence and the circumstances thereof;
  - b) if the policyholder deliberately did not take measures upon occurrence of the insurance incident for salvage of the object of insurance;
  - c) if, in insuring property, the corresponding damage was compensated to the policyholder by the persons responsible for the damage;
  - d) if the policyholder offered resistance to the insurer in clearing up circumstances of the insurance occurrence and in determination of the extent of damage incurred to the object of insurance by the insurance occurrence;
  - e) in the cases as prescribed by item 2 of Article 43 of the present Law;
  - f) in other cases provided for in Law.

3. The insurer's release from payment of the insurance benefit to the policyholder on the grounds of illegal action of the latter, as specified in the Law, shall concurrently release the insurer from payment of the insurance benefit to the insurant or the beneficiary.
4. The insurance contract may provide for other conditions of refusal to pay the insurance benefit as well, unless they contradict law.
5. A decision to refuse to pay the insurance benefit shall be made by the insurer who shall notify the policyholder in writing about the grounds of the refusal with substantiated reasons.
6. The insurer's refusal to pay the insurance benefit may be appealed against in court.

**Article 43. Right of Recourse**

1. The insurer, who during the property insurance paid the insurance benefit, shall have the right of recourse against the person responsible for damage within the insurance benefit. The policyholder (insurant) shall be liable upon receipt of the insurance benefit to transfer all the documents available to him which are necessary for implementing this claim.
2. The policyholder's abandonment of the claims and rights of the person responsible for damage which ensure meeting of the claims to him as well as refusal to provide the insurer with the documents required for applying to the right of recourse shall release the insurer from payment of the insurance benefit in the amount which he might have received from the person responsible for damage by way of recourse. The transfer of this right to the insurer may be specified in the insurance contract.
3. The policyholder shall be authorized to assign the right of recourse against the person responsible for damage to the insurer in excess of the insurance benefit as well as transfer other rights against the person. The transfer of this right to the insurer may be specified in the insurance contract.
4. The policyholder may, upon occurrence of the insurance incident, by permission of the insurer transfer to the latter his rights to the insured property and receive the indemnity in the full amount of the sum insured.

**Article 44. Termination of Insurance Contract**

1. In addition to instances specified under the Civil Code, an insurance contract will also terminate, if:
  - a) the contractor's term has expired;
  - b) the insurer has complied with the liabilities assumed under contract towards the policyholder in full;
  - c) the insurance object's existence has ceased;
  - d) the insurant, who is not the policyholder, has died, unless he was replaced;
  - e) the policyholder has failed to pay the full insurance premium or the next insurance premium in due time, unless the contract provides otherwise;

- f) the policyholder has alienated the object of insurance because the insurer refused the policyholder's replacement, while the contract or legislation does not provide otherwise;
  - g) the insurance contract has been recognized as void by court;
  - h) the insurer has gone bankrupt.
2. The insurance contract may be terminated before time at request of the policyholder or the insurer if provided for in the contract.
  3. The parties shall notify each other about their intent to terminate the insurance contract before time in advance of 30 days at least, unless the contract provides otherwise.
  4. In the case of termination of the insurance contract before time at request of the policyholder, the insurer shall return to the policyholder the paid-in insurance premiums, less the overhead expenses already born by the insurer. If the termination of the insurance contract results from violation of the insurance contract provisions, the insurer shall return the paid-in insurance premium in full.
  5. In the case of termination of the insurance contract before time at request of the insurer, the insurer shall be obliged to return to the policyholder the paid-in insurance premiums born him in full, less the expenses born. If the policyholder's demand for terminating the insurance contract is stipulated by the insurer's violation of the insurance contract, the insurer's violation of the insurance contract, the insurer shall return the insurance premiums of the corresponding remaining insurance time, less the expenses born.

**Article 45. Void of Insurance Contract**

1. In addition to general principles of void of transactions stipulated in the Civil Code, an insurance contract will be void from the date of its conclusion, if:
  - a) in concluding the contract, the object of insurance did not exist;
  - b) the object of insurance is the illegal interest of the policyholder;
  - c) the object of insurance is the property which is subject to seizure on the basis of the respective, lawful and effective decision of the court;
  - d) the object of insurance is the property acquired in the criminal way, or which is being used for criminal activity;
  - e) the insurance occurrence is an event which occasion is devoid of the signs of possibility or fortuity (item 3 of Article 38 of this Law) and which occasion is objective and inevitable of which the parties or the policyholder - in the worst - were aware beforehand;
  - f) in concluding the agreement, the policyholder was guided by the principle of deriving illegal profit;
  - g) the insurance contract was concluded after the insurance occurrence.

**Article 46. Replacement of Policyholder**

1. Upon the death of the policyholder who concluded the property insurance contract, his rights and liabilities shall be transferred to the persons inheriting the property. In other cases of the property transfer, the rights and liabilities of the policyholder will transfer to a new owner, unless the contract or legislation provides otherwise.
2. Upon the death of the policyholder who concluded the personal insurance contract to the benefit of the insured, the rights and liabilities stipulated in the contract shall be transferred to the insured with the latter's consent.
3. If during the contract's validity the policyholder is declared insolvent by court, his rights and liabilities shall be transferred to his trustee, concurrently the liability insurance for the third party shall be terminated as soon as the citizen is declared insolvent.
4. In reorganizing the policyholder as a legal person within the insurance contract's validity, his rights and liabilities shall, with the insurer's consent, be transferred to the respective successor in title under the procedure established by law.

**Article 47. Replacement of Insured**

1. In insuring civil liability, where insured is liability of the person who is not the policyholder, the policyholder may at any time prior to the insurance occurrence replace the insured with other person. The insurer shall be notified thereupon, unless the contract provides otherwise.
2. The insurer, who is not the policyholder and who is indicated in the personal or property insurance contract, may be replaced with other person only subject to the insured's and the policyholder's consent.
3. If the third party's insurance proceeds from the mandatory insurance legislation, the replacement of the insured shall be effected under the procedure established by said legislation and the legislation-based contract.

**Article 48. Replacement of Beneficiary**

1. The policyholder shall, at the insured's request, be authorized on the basis of the advance written notification at any time prior to the occasion of an insurance occurrence to replace with another person the indicated in the insurance contract beneficiary who is not the policyholder.
2. The policyholder may not be replaced with another person after fulfilling certain liabilities as stipulated in the insurance contract existing between the insured and the beneficiary as well as after the beneficiary has lodged an insurance claim to the insurer.

**Article 49. Double (Multilateral) Insurance**

1. Double insurance is insurance of one and the same object with one or several insurers, where the total amount of the sum insured exceeds the insurance value.
2. In the case of double property insurance, both insurers shall pay out to the policyholder the insurance benefit pursuant to the contract concluded with him, however the total amount of the insurance benefit to be received by the policyholder from both insurers shall not exceed the actual damage.
3. The policyholder shall be authorized to receive within the extent of the sum insured as stipulated in the contract concluded with the insurer the insurance benefit from any insurer. Where the received insurance benefit does not cover the actual damage, the policyholder shall be authorized to receive the remaining sum from another insurer.
4. The insurer, who is completely or partially released from payment of the insurance benefit for the reason that the damage has been compensated by other insurer, shall be obliged at request of the policyholder to return to the latter the corresponding part of the insurance premiums, less the expenses born.
5. In the case of double insurance of one and the same object of insurance with different insurers, the insurance liability upon occurrence of an insurance incident shall be assigned to the insurer whose contract covers the occurred insurance incident.
6. In the case of double personal insurance, each insurer shall, independently from one another, perform his insurance liability before the policyholder, irrespective of the fact that other insurers also perform the same liability.

**Article 50. Collective Insurance**

1. In the case of collective insurance, one contract covers several insureds.
2. Collective insurance may be either personal or property, personalized or depersonalized, and cover a certain category of persons.
3. In the case of depersonalized insurance, the circle of policyholders shall be so concretized in the insurance contract as may be necessary for individualization of the insurance occurrence and establishment of the consequences thereof.
4. A collective insurance employer may insure his employees only on the basis of a personal insurance contract.

**Article 51. Coinsurance**

1. The object of insurance may be insured by several insurers under one contract (coinsurance). At the same time, the contract must indicate the rights and liabilities of all the insurers according to their share in the insured risk.
2. Coinsurers may enter into a contract pursuant to which one of them - the leader of coinsurers - shall represent all the coinsurers in relations with the policyholders. At the same time, the leader of coinsurers shall be responsible for insurance only within his share.

**Article 52. Insurance Unions and Partnerships**

1. Insurers may establish unions (associations) with the purpose of coordination of the activities thereof, protection of their members' interests and accomplishment of joint programmes, unless it contradicts legislation.
2. Unions of insurers are public organizations and are not authorized to directly carry out insurance activity.
3. Following the state registration of unions, they shall notify so to the State insurance supervision service of Georgia.
4. Insurers may set up contractual associations (partnerships) which are not legal persons and operate on the basis of joint liability of the contractual association members in accordance with the liabilities assumed under the contract.

**Article 53. Reinsurance**

1. Insurer has the right for complete or partial performance of his liabilities towards the policyholder, for ensuring the risk cover from other insurers (reinsurers) by means of reinsurance.
2. Insurer, despite the concluded reinsurance contract, is responsible before the policyholder with the whole extent of the insurance contract.
3. Terms of reinsurance are defined under the contract concluded between the insurer and the reinsurer. The reinsurance contract shall meet the requirements associated with the insurance contract which are stipulated in this Law.
4. The reinsurance of risk, both in Georgia and foreign insurance institutions, is possible under the Law-established procedure.
5. Per the purpose of organization of reinsurance, insurers may, on the basis of joint activity contract, unite into reinsurance partnership.
6. The reinsurance of risks is possible with both the Georgian and foreign insurers (reinsurers) under the Law-established procedure.

**Article 54. Consideration of Disputes Arising from Insurance Contract**

All disputes concerning the insurance contract or arising from it shall be considered by court in accordance with the procedure established under Law.

**Article 55. Validity of Articles 32-54**

Upon the entry into force of the new Civil Code of Georgia Articles 32 to 54 shall become invalid.

---

**Chapter VII**

**Final Provisions****Article 56. List of Invalid Acts**

1. Upon the entry into force of this Law the following legislation become invalid:
  - a) Georgian Code of Civil Proceedings, 2<sup>nd</sup> part of Article 193, 4<sup>th</sup> of Article 195 and Chapter 32 (Bulletin of the Georgian SSR Supreme Soviet, Art. 662, No. 36, 1964);
  - b) Resolution of the Cabinet of Ministers of the Republic of Georgia «On Mandatory Insurance of Passengers», No. 747, 20 October 1993;
  - c) Resolution of the Cabinet of Ministers of the Republic of Georgia «On Mandatory Insurance from Industrial Accidents of Factory and Office Workers at the Expense of Enterprises and Organizations (Except Budgetary Ones)», No.941, 27 December 1993;
  - d) Resolution of the Cabinet of Ministers of the Republic of Georgia «On Introduction of State Mandatory Insurance of the Property of the State Enterprises, Associations and Organizations», No. 154, 16 March 1994;
  - e) Resolution of the Cabinet of Ministers of the Republic of Georgia «On Introduction of Mandatory Insurance of Agricultural Crops», No.523, 26 August 1995;
  - f) Resolution of the Cabinet of Ministers of the Republic of Georgia «On Launching a Campaign for Registration for Registration of the Population of Georgia, Foreign Nationals and Stateless Persons Permanently Residing in Georgia and Issuing to them Identify Cards, Residence Certificates and Georgian Passports to Travel Abroad, Accordingly», paragraph 12, No. 512, 5 August 1994.
2. Upon the entry into force of the present Law all legal acts or part thereof shall be invalid.

**Article 57. Entry into Force of Law**

This Law shall enter into force upon its promulgation.

*President of Georgia*

*Eduard Shevardnadze*

*Tbilisi*

*May 2, 1997*