

INSURANCE LAW

I. GENERAL PROVISIONS

Article 1.

This Act regulates the terms and conditions of performing insurance business in companies dealing with personal and property insurance as well as the supervision of the companies' business operations.

Article 2.

Insurance business is taken to mean the following: contracting personal and property insurance and fulfillment of contractual obligations, reinsurance contracting, activities of carrying out measures for the prevention and reduction of risks with regard to insured persons and property and measures for the prevention and reduction of damage and other insurance business.

Article 3.

Other insurance business is taken to mean the following: mediation in insurance contracting, representation in insurance, risk monitoring, damage assessment, sale of remaining damaged goods covered by insurance, provision of legal assistance and other professional services with regard to insurance business.

Activities referred to in the above paragraph of this Article are performed by legal and natural persons on behalf of the insurance company or the insured person pursuant to the Contract.

Article 4.

Insurance business is performed by insurance companies which include the following: joint stock insurance companies, mutual insurance companies, private insurance companies and public insurance companies.

Article 5.

The insurance company may perform life and non-life insurance business, namely reinsurance business.

Life insurance business shall include life insurance and old-age pension insurance.

Non-life insurance business shall include: insurance of persons, industry insurance, comprehensive automobile insurance, automobile liability insurance, general liability insurance, crop insurance, livestock insurance, insurance of goods in transit - cargo insurance, hull insurance, liability insurance in transportation, credit insurance, legal protection insurance, accident insurance, and health insurance whereby occupational hazards and diseases are covered.

The insurance company may perform one or more classes of insurance business referred to in Paragraph 2. and 3. of this Article, namely reinsurance business.

Reinsurance business may not be performed by private insurance companies and mutual insurance companies.

Article 6

Personal and property insurance is considered non-compulsory, however, cases where personal and property insurance may be compulsory are regulated by the law.

Property and persons are insured by insurance companies having their seat in the Republic of Croatia.

The Government of the Republic of Croatia shall stipulate which property and persons and under which conditions may be insured or co-insured by a foreign insurer.

Article 7.

The insurance company shall operate according to the economic principles and rules of the insurance and actuary profession.

The insurance company shall cover excessive risk which is beyond its capacity by reinsurance. The referred excessive risk, which is beyond reinsurance in the home country, may be reinsured abroad.

Article 8.

The Insurance Companies Supervision Directorate shall issue authorizations for the performance of insurance business by insurance companies and shall supervise insurance companies' business operations and their compliance with this Act and other regulations.

Article 9.

Insurance activities established by the international agreement on liability insurance for the owner, namely the user of a motor vehicle in traffic, as well as the representation of Croatian insurance companies in international institutions, are performed by the Croatian Insurance Office.

Article 10.

This Act shall not apply to:

1. associations of persons providing assistance to their members, as well as to relief organizations and associations classified as professional associations, including trade unions and employers' organizations,

2. public law bodies and institutions which directly, according to the law, establish insurance relations or where insurance relations are to be established due to the force of the law.

II. INSURANCE COMPANIES

1. Joint stock insurance companies

Article 11.

A joint stock insurance company may be established by legal or natural persons provided that they comply with the conditions of this Act.

Article 12.

The minimum equity capital required to establish a joint stock insurance company shall not be less than the domestic currency equivalent of:

- 1. 1,000,000 DEM, if the company is established to perform life insurance business.**
- 2. 1,000,000 DEM, if the company is established to perform one of the following insurance activities:**
 - insurance of persons, industry insurance and general liability insurance,**
 - comprehensive automobile insurance and automobile liability insurance,**
 - insurance of goods in transit- cargo insurance, hull insurance, in transit liability insurance**
 - credit insurance, and**
 - accident and health insurance.**
- 3. 500,000 DEM, if the company is established to perform one of the following insurance activities:**
 - crop insurance**
 - livestock insurance**
 - legal protection insurance**
- 4. 2,000,000 DEM, if the company is established to perform various classes of insurance.**
- 5. 2,000,000 DEM, if the company is established to perform reinsurance business.**

Article 13.

Authorizations for the performance of insurance business by joint stock insurance companies are issued by the Insurance Companies Supervision Directorate.

The request for the issuance of referred authorization shall be submitted by the company's founder or a person or persons appointed on behalf of the founder.

Persons referred to in Paragraph 2. of this Article shall, along with the request for the issuance of referred authorization, submit to the Supervisory Directorate for Insurance Companies the following:

- the company's Statute, including founders' signatures,**
- a certificate proving that funds in the amount of the minimum required capital are ensured,**
- business policy documents (especially those referring to the terms and conditions of insurance, price list of premiums for all classes of insurance for which the insurance company is established, technical basis and and tables of maximum coverage**
- the company's business plan for the subsequent three years of business activity**
- the number of employees and their qualifications relevant for the opening of the company's business activity**
- proposals for the appointment of the mathematical reserve manager, if the company is established to perform life insurance business.**

Article 14.

The business plan shall specifically include the following: expected income from premiums, expected damage, costs of the insurance business performance, anticipated profit and other information concerning the permanent possibility of future liabilities settlement.

Article 15.

The Insurance Companies Supervision Directorate shall, within 60 days after the request and the documentation referred to in Article 13. Paragraph 3 have been submitted, issue a decree whereby accepting the request for the authorization or claiming the correction or amendment of the request referred to in Article 13. of this Act.

Upon the issuance of the authorization for the performance of insurance business, the documentation referred to in Article 13. Paragraph 3 of this Act is considered to be accepted.

The Decree, issued by the Insurance Companies Supervision Directorate, referred to in Paragraph 1. of this Article is final and administrative lawsuit may be brought against it.

2. Mutual insurance companies

Article 16.

Mutual insurance companies are companies wherein their members, by paying their share (contribution) mutually guarantee that the damage caused by the realization of contractual risks shall be covered according to the principle of mutual benefit and solidarity.

Mutual insurance companies shall not operate for the purpose of profit-making, however shall collect funds by means of contributions only to the extent relevant for the fulfillment of obligations to insured persons and for the creation of guarantee reserves.

Insured persons, managing the company themselves, shall decide on the utilization of the company's funds.

Article 17.

A mutual insurance company may be established by domestic natural and legal persons. For the establishment of a mutual insurance company, it is essential that the contract on mutual insurance against the same risks be made among at least 250 people.

Article 18.

A mutual insurance company may be established as a company with unlimited or limited contributions.

A mutual insurance company with unlimited contributions may, without restriction, request from each insured person to pay the additional contribution necessary for the settlement of uncovered damage.

A mutual insurance company with limited contributions may request from each insured person to pay additional contribution which shall not be greater than his whole preliminary paid contribution, in case the damage and other expenses are greater than the preliminary paid contributions and other company's income.

Article 19.

For the establishment of a mutual insurance company with unlimited members' contribution, the founders shall pay a minimum of 30% of the company's equity capital, and if the company is established with limited members' contribution, its members shall pay a minimum of 50% of the company's equity capital referred to in Article 12. of this Act, depending on whether the company is established for a single or various classes of insurance.

Article 20.

The company's foundation contract shall contain the following: names, namely the names of the founders, name of the company, its seat and scope of activity, amount of the company's equity capital, amount of the individual founder's share in equity capital, number of individual foundation shares subscribed by the company's founders, provisions concerning terms and conditions of foundation share payments or any subsequent payments and refunds of paid-in foundation shares with interest, business management, procedures for the establishment and utilization of funds and reserves, consequences with regard to the Statute amendments, general terms and conditions of insurance and decrees issued with regard to the termination of insurance contracts, company's business operations, procedures whereby members of the company guarantee damages to a single member of the company, methods of establishing or terminating membership to a mutual insurance company and other issues relevant to the foundation and business operations of mutual insurance companies.

Article 21.

The Statute shall particularly regulate the following: procedures for determining contribution (share) payments and terms and conditions of contribution payments; a right to the damage compensation, provisions concerning unlimited, namely limited contribution (share); liability to pay additional contribution (share) to cover the loss or the possibility of covering the loss by reducing compensation to all members; terms and conditions of profit allocation (refund of a part of the contribution or its transfer to the following year, namely to the guarantee reserve); provisions concerning the establishment and termination of the company's membership, rights and obligations of the members who terminate their membership.

Article 22.

Founders of a mutual insurance company, namely, a person or persons appointed by the founders, shall request from the Insurance Companies Supervision Directorate the issuance of authorization for the establishment of a mutual insurance company.

Along with the request for the issuance of the authorization referred to in Paragraph 1. of this Article, the founders of a mutual insurance company shall submit documentation proving compliance with the terms and conditions relevant to the establishment of the mutual insurance company, which shall include the following:

- mutual insurance company's foundation contract**
- mutual insurance company's Statute**
- documentation proving the payment of preliminary amounts to the guarantee fund.**

Article 23.

The Insurance Companies Supervision Directorate shall issue a decree whereby regulating the request referred to in Article 22. of this Act, within 60 days of the date the request and the documentation referred to in Article 22. of this Act have been submitted.

The Decree, issued by the Insurance Companies Supervision Directorate referred to in Paragraph 1. of this Article, is final and an administrative lawsuit may be brought against it.

Article 24.

A mutual insurance company is a legal entity with rights, duties and responsibilities regulated by this Act and the company's foundation contract.

Article 25.

A mutual insurance company is managed by its members.

The managing body, its structure and work methodology, are regulated by the company's Statute, depending on the amount of contribution (share) paid-in the company.

Public liability company regulations are adequately applied to the company management.

3. Private insurance companies

Article 26.

Legal entities, having a significant volume of business operations, greater assets and a large number of employees, may establish their own private insurance company, for the purpose of insuring their property and employees, as well as for the purpose of insuring property and employees in the company in which they have more than half of all equity shares, namely a share which is greater than half of all equity shares.

A private insurance company may be established as a joint stock company or a public liability company.

The amount of minimum equity capital required to establish a private insurance company shall not be less than half of the minimum amount of equity capital referred to in Article 12. of this Act.

The provisions of this Act, concerning the issuance of authorizations for the performance of insurance business by joint stock insurance companies, shall adequately apply to the issuance of referred authorizations for private insurance companies.

4. Public insurance companies

Article 27.

The Republic of Croatia, district, county or town may establish public insurance companies, for the purpose of providing insurance against risks for which compulsory insurance has been established or for the purpose of public property insurance.

Article 28.

Public insurance companies may operate in the territory of the Republic of Croatia, namely in the territory of a district, county or town where they have been established

Article 29.

Public insurance company's founders shall ensure the minimum amount of equity capital regulated by Article 12. of this Act and regarding the issuance of authorizations for the performance of insurance business, the provisions concerning the issuance of referred authorizations to joint stock insurance companies shall be applied.

If the founder of the public insurance company guarantees through subsidiary for the company's liabilities when the company is established, funds in the amount of 50% of those referred to in Paragraph 1. of this Article shall be ensured by the founder.

5. Mutual insurance and reinsurance pool

Article 30.

Two or more joint stock insurance companies referred to in Article 11 of this Act may, due to the mutual coverage of excessive risks, establish a public liability company for mutual insurance and reinsurance of the referred risks (POOL).

The company referred to in Paragraph 1. of this Article shall operate on its behalf and for the account of the founder and the company's founders are responsible for the company's liabilities, complying with the terms and conditions regulated by the company's foundation contract and the Statute.

The provisions referred to in Article 12. of this Act, concerning the amount of equity capital, shall not apply to the foundation of the company referred to in Paragraph 1. of this Article.

III. INSURANCE COMPANY BUSINESS OPERATIONS

Article 31.

An insurance company shall perform insurance and reinsurance business on its behalf and for its own account.

An insurance company may perform insurance business referred to in Article 2. of this Act on its own behalf and for another persons' account or on behalf and for the account of other persons, or may act as intermediary in the referred business.

Article 32.

An insurance company shall be responsible for the settlement of insurance and reinsurance contractual liabilities.

Insured persons guarantee with their own funds, pursuant to the company's foundation contract, the compensation of the total amount of damage incurred and other mutual insurance company liabilities, which cannot be covered by the company's funds.

Article 33.

The insurance company's funds for the performance of insurance business shall include the following: funds of the company's equity capital, insurance premiums, technical reserves, prevention funds, guarantee reserves and other company's funds.

Article 34.

The insurance premium shall contain a functional premium and a part of the premium intended for the performance of insurance business.

The functional premium shall contain a technical premium and may also contain a part of the premium intended for prevention purposes, if the referred part is calculated in the premium.

The technical premium is a part of the premium assigned for the settlement of insurance liabilities.

Article 35.

The insurance company's technical reserves shall include the following: transferable premiums and damage reserves, mathematical reserve for life insurance, reserves intended for the refund of premiums depending or independently of the result, statutory reserves for damage fluctuations, other insurer's or non-insurer's technical reserves.

Article 36.

An insurance company shall deposit funds realized by life insurance business on a special account and the referred funds may not be neither utilized nor cleared for the settlement of company's liabilities other than for the settlement of life insurance liabilities.

Funds realized by life insurance business are considered to be savings.

Article 37.

An insurance company must establish the mathematical reserve for life insurance using life insurance funds.

Compulsory life insurance reserves are considered to be the difference between the current value of all future life insurance contractual liabilities and the current value of all future insurance contractor's liabilities.

The term life insurance, as stated in this Act, shall include all types of long-term personal insurance contracts whereby savings funds or funds intended for the coverage of greater risks in later years of insurance (old-age pension insurance, disability benefit insurance) are accumulated.

Article 38.

An insurance company dealing with life insurance business must, when establishing, issue the regulation concerning the formation, management and utilization of mathematical reserve.

Article 39.

The insurance company's income shall be realized from insurance premiums, active mutual insurance and reinsurance business premiums and other insurance business income, participating interests and other investment income, other business income and exceptional - irregular income.

Article 40.

The term expenses, as stated in this Act, shall include expenses for the payment of damage and premiums, with regard to mutual insurance and reinsurance business, expenses for prevention purposes, other insurance business expenses, and expenses for the implementation of insurance and reinsurance business.

Expenses intended for the settlement of damages with regard to insurance, mutual insurance, and reinsurance and the contracted amounts, are regulated pursuant to the contract, namely general insurance company regulation. Expenses for the coverage of damage incurred shall also include damage assessment expenses, damage compensation expenses, legal expenses, loss assessment expenses and other expenses related to the damage coverage.

Article 41.

The insurance company's expenses shall also include the following:

- 1. allocations from life insurance premiums for the mathematical reserve of life insurance,**
- 2. allocations at the end of accounting period related to the following: period of insurance duration, namely reinsurance in the following period (transferable premiums), insurance, namely reinsurance liabilities fallen due but outstanding (damage reserved), reserves intended for massive and disastrous damage in the longer period, as well as the reserves for the settlement of liability and accident insurance compensations.**

Allocations referred to in Paragraph 1. Item 2. of this Article are considered to be income in the following year.

Unreported damage, the amount of which is established in accordance with the insurance company regulation, is considered to be a fallen due but outstanding liability.

The method of calculating and the amount of a part of the insurance or reinsurance premium allocated on behalf of transferable premiums, damage reserve and reserves for massive and disastrous damage, as well as the method of calculating mathematical reserve, is regulated by the general insurance company regulation.

Article 42.

An insurance company shall provide the financial report on business activity and disclose general details from the balance sheet which are stipulated by the Insurance Companies Supervision Directorate.

Article 43.

Part of the insurance company's income which is, according to the annual statement, left after the settlement of expenses shall be reported as realized profit.

Profit referred to in Paragraph 1. of this Article shall be used, pursuant to the decree issued by the authorized insurance companies supervision body, as follows:

- 1. to cover losses from the previous year,**
- 2. to allocate funds for guarantee reserves,**
- 3. to pay a part of the profit to shareholders, namely to investors and company employees and with mutual insurance companies to pay a refund of the part of invested funds to its members (insured persons),**
- 4. to allocate a share in profit of contractual life insurance amounts**
- 5. to allocate funds for other company reserves,**
- 6. retained profit.**

Article 44.

The insurance company which has established guarantee reserves in the minimal amount of half of the average realized insurance premiums in the previous two years, whereby the premium from the previous year is increased by retail price index, taking into account the year for which the realized profit is being allocated, is not liable to allocate funds from the profit for guarantee reserves.

Article 45.

If, according to the annual statement, the insurance company's income is insufficient for the coverage of expenses, the insurance company shall report a business loss.

Article 46.

The insurance company shall cover the loss referred to in Article 45. of this Act from the following funds:

- 1. retained profit,**
- 2. additional contributions (insured person's share in a mutual insurance company),**
- 3. guarantee reserves,**
- 4. prevention fund, if regulated by an authorized body of the company,**
- 5. other reserves.**

If the insurance company fails to cover the entire loss in the way referred to in Paragraph 1. of this Article, the company's equity capital shall be reduced to cover the loss.

Article 47.

The insurance company shall, in the course of the subsequent financial year, settle uncovered losses from the previous year and shall provide funds to the guarantee fund, if those funds are utilized for the coverage of loss and reduced below the amounts regulated by Article 12. of this Act.

Article 48.

An insurance company which performs life insurance business shall separately report profits, namely losses for this class of insurance.

An insurance company which performs insurance and reinsurance business shall separately report profits, namely losses for these types of insurance and shall report a single result.

Article 49.

If the insurance company which performs life insurance business and other classes of insurance is likely to go into liquidation or bankruptcy, and legal conditions for the establishment of the life insurance company have been met, life insured persons may, by utilizing the funds of the company, establish a new life insurance company.

If the conditions referred to in Paragraph 1. of this Article have not been met, all life insurance arrangements with the funds shall be handed over to another insurance company, if accepted by latter.

In the cases referred to in Paragraph 1. and 2. of this Article, the contractual obligations towards insured persons shall not be modified.

If conditions for the establishment of a new life insurance company have not been met, namely conditions for handing over of life insurance contracts to other companies for the purpose of establishing a new life insurance company or handing over these insurance arrangements to other insurance companies, the contractual insurance amounts may be reduced.

For the purpose of issuing a decree with regard to the establishment of a new company, namely the decree of handing over insurance business referred to in Paragraph 1. and 2. of this Article, life insured persons shall establish a committee to take all preliminary steps with regard to the establishment of a new life insurance company, in accordance with the provisions of this Act or for the purpose of handing over life insurance arrangements to other insurance companies.

The committee referred to in Paragraph 5. of this Article shall, for the purpose of establishing a new life insurance company and the reduction of insurance amounts, request professional opinion from the Insurance Companies Supervision Directorate.

IV. FUNDS RELEVANT FOR THE INSURANCE COMPANY BUSINESS OPERATIONS

Article 50.

An insurance company must permanently dispose of its own funds - guarantee fund sufficient for the permanent settlement of the company's insurance contractual liabilities.

The company's own funds - guarantee fund shall include the following:

- 1) paid-in equity capital deducted by the book value of its own equities in the company's ownership,**
- 2) guarantee reserves,**
- 3) profit carried forward.**

Article 51.

The company's guarantee funds shall not include less than:

- a) 3.5% of life insurance mathematical reserve and 5% of technical premiums of all life insurance risks at the minimum, for which the mathematical reserve is not calculated, and the calculation base is reduced by the part paid -in the reinsurance, up to 15% at the most,**
- b) 12% of the total technical premium at the minimum for health insurance,**

c) the greater amount realized by the application of one of the following criteria for other classes of insurance and reinsurance:

- 12% of the gross insurance, namely reinsurance premium, reduced by premium taxes and fees and cancelled or written-off premium amounts and for premiums carried over to co-insurers and re-insurers, whereby the reduction may amount to 50% at the most, and for overseas ships, nuclear plants, and the liability of the ship owner, nuclear entrepreneur and aviation insurance the reduction may amount to 85% at the most,

- 20% of the average damage amount which is calculated in such a way that gross insurance payments of incidents insured for the previous three years are increased by the gross damage reserve at the end of the previous year and are reduced by collected damage compensations for the previous three years and the damage reserve at the beginning of that period. The calculated amount is then multiplied by the rate obtained from the proportion of insurance payments for incidents insured which are performed for the private account and gross insurance payments for incidents insured in the last year. If the rate obtained in the above mentioned manner represent less than 50%, the rate of 50% shall be applied.

In order to calculate the amount of private funds referred to in item 2, Paragraph 1. of this Article, the insurance company shall revalue by the retail price index the damage paid, compensations collected and the damage reserve at the beginning of the, which shall be used for the calculation of allocations, if the retail price increase in one or two of the previous years has been greater than 10%.

Article 52.

The company's own funds - guarantee fund shall not, in the course of business activity, be less than the amounts stipulated in Article 12. of this Act.

Article 53.

An insurance company must, in the course of business activity, take into account the matching of the company's own funds referred to in Article 51. of this Act and the amount of self-retained premium.

If the company's own funds are reduced by 25% of the stipulated amount referred to in Article 51. of this Act, the insurance company shall take measures whereby, within a period of 12 months, business activity will be co-ordinated in order to ensure that the stipulated amount of the company's own funds have been provided. In case the company's own funds are reduced by more than 25%, the insurance company shall match the business activity within a period of 18 months.

If the amount of the company's own funds referred to in Article 51. of this Act is not provided within the period referred to in Paragraph 2. of this Article, the insurance company shall in the following six months match the volume of premium income and the amount of self-retained premium.

Article 54.

The funds referred to in Article 50. of this Act shall be kept by the insurance company on the accounts and in placements in the Republic of Croatia, and the company must, while performing business with the referred funds, take into account the security of placements, namely investments, in order to ensure their value and its proper liquidity for the purposes of covering its liabilities.

Investments in real estate, equipment and maintenance of business premises, private shares in the insurance company and other companies shall not exceed 50% of all available company's funds.

Investment in certain type of real estate, which may be considered as one investment, shall not exceed 10% of the company's available funds.

Investments in mortgage loans on real estate and movable property or in loans with a guarantee on the total amount of the loan plus interest, which are issued by the bank, state, county, town or district, shall not exceed 40% of the company's available assets, whereby the amount of the mortgage loan shall not exceed 60% of the exchange value of the property on which the mortgage has been subscribed.

Investments in equity securities and other marketable securities, such as bonds, equity shares in investment funds and other capital and money market instruments, which are traded in regulated markets, shall not exceed 40% of the company's available assets.

Investments in securities referred to in Paragraph 5. of this Article, which are not traded in regulated capital and money markets, shall not exceed 10% of the company's available assets.

The insurance company's investment in equity securities or shares in enterprises and loans shall not exceed 5% of the company's assets.

As an exception to Paragraph 7. of this Article, the investment of the company's funds in government securities and the approval of loans to the government may amount to 10% of the company's available assets.

Advance payments and loans, approved by the company in accordance with general insurance terms and conditions and the submission of its own policies, shall not be greater than 10% of the company's available assets.

Loans to insured persons, artisans, agriculturiers or self-employed secured by real estate and movable property mortgage shall not exceed 20% of the company's available assets. Individual company's' investments in loans of this type shall exceed 3% of the company's available assets.

Insurance funds may be, without restriction, provided that they are permanently liquid, used for the approval of credits to banks or legal entities, for which the repayment of principle and interest must be adequately guaranteed.

The Insurance Companies Supervision Directorate shall stipulate the procedures for determining assets available for the investment, and the relationship between funds and placements in respect of their maturity. The Supervision Directorate may approve investments which are not referred to in this Article or which do not comply with the

conditions stated above, if by approving such investments the insured person's interests are satisfied.

As an exception to Paragraph 1. of this Article and in accordance with foreign exchange regulations, the insurance company may, with the approval of the Insurance Companies Supervision Directorate, hold part of its funds in bank accounts abroad.

V. SUPERVISION OF INSURANCE COMPANY'S BUSINESS OPERATIONS

Article 55.

The Insurance Companies Supervision Directorate referred to in Article 8. of this Act shall issue authorization for the performance of insurance business and shall supervise the insurance company's business operations in accordance with the economic principles and rules of the insurance profession.

The Insurance Companies Supervision Directorate has the status of a legal person.

The Directorate's head office is in Zagreb.

The Directorate shall be independent in performing business activities regulated by this Act and shall be accountable to the Government of the Republic of Croatia.

Funds for the settlement of the Directorate's costs in the amount of 10% are projected in the government budget and 90% of the funds are allocated by insurance companies, whereby the allocated funds must exceed 0.8 0/00 (the thousandth part) of the invoiced insurance premium.

Article 56.

The Directorate's Board of Governors shall issue the Directorate's Statute, acknowledged by the Government of the Republic of Croatia, as well as the annual work programme and shall monitor the realization of the referred plan, shall prepare the Directorate's budget revenues and expenses, shall establish the amount of funds which insurance companies shall allocate for the financing of the Directorate, shall confirm the reports submitted to the Government of the Republic of Croatia by the Directorate and shall decide upon other issues regulated by the Directorate's Statute.

Article 57.

The Directorate's Board of Governors shall consist of five members who are appointed and released by the Government of the Republic of Croatia.

The members of the Board of Governors are appointed for a period of four years.

Article 58.

The Director, who manages the Directorate, is appointed and released by the Government of the Republic of Croatia, on the proposal of the Minister of Finance.

The Director is appointed for a period of four years.

Article 59.

The Directorate shall be managed and represented by the Director who is responsible for the Directorate's work, as well as for the organization and the provision of legal and effective work performance within the Directorate's scope of activity. The Director shall propose to the Board of Governors to issue regulations within its authority, and shall execute the Board's decisions and perform other activities which are placed within his authority by this Act, the Directorate's Statute or other Directorate's documents.

Article 60.

In the framework of the rights and duties regulated by this Act, the Insurance Companies Supervision Directorate shall establish classes of insurance business and shall divide risks among classes of insurance, and supervise whether equity capital has been provided in the annual accounts of the insurance company in accordance with the provisions of Article 50 and Article 51 of this Act and whether the company's equity capital has been invested in accordance with the provisions of Article 54 of this Act. The Supervision Directorate shall issue its opinion on the following :

- the rules concerning the procedures of determining transferable premiums, damage reserves, and reserves for massive and disastrous damage and the application of the referred rules in the annual accounts,**
- the application of Article 7 of this Act,**
- the technical basis, terms of insurance, premium tariffs, regulation concerning the establishment of compulsory reserves and its application with life insurance, as well as with old-age pension insurance, disability and health insurance (long term insurance),**
- terms of insurance and premium tariffs with all compulsory insurance,**
- terms of insurance with other classes of insurance except with insurance of goods in transit and credit insurance,**
- the soundness of annual financial reports.**

Article 61.

The insurance company must, when establishing or when making any amendments to the company legislation, seek advice from the Insurance Companies Supervision Directorate.

The Insurance Companies Supervision Directorate shall issue its opinion, with annual accounts, on the application of the referred regulations and the sufficiency of equity capital and its investment, as well as on the complete soundness of the annual accounts.

Article 62.

Due to the protection of data relevant for the insurance control, actuary businesses, calculation of the technical basis and premium tariffs, the insurance company must submit to the Insurance Companies Supervision Directorate statistical and other data, classified according to groups and classes of insurance, in the manner stipulated by the Directorate.

Article 63.

The Insurance Companies Supervision Directorate may transfer certain supervisory activities to institutions and professional persons authorised for the referred activities (authorised actuary, auditor or other professional persons).

Minister of Finance shall stipulate detailed conditions for the issuance of the authorisation to perform actuary activities.

Minister of Finance shall issue the certificate proving the compliance with the conditions referred to in Paragraph 2. of this Article and the authorization to perform actuary activities.

Article 64.

The Supervision Directorate has a right to carry out the control at any time over the insurance company's business activity and to issue directives in order to:

- ensure that the business activities are performed in accordance with legal provisions and business plan,**
- eliminate the risks which may threaten policy owner's interests or the breach of the provisions of regular business activity.**

The directives shall, depending on individual cases, include the following:

- certain financial measures (for example: to set up a solvency business plan in order to re-establish sound financial position in case the insurance company's non-allocated funds are no longer in the amount of its own funds or to set up a financial plan whereby essential equity capital shall be ensured in a short period or to limit free management of the company's funds),**
- to summon the company's Board of Directors,**
- the request for the modification of the company's business plan, which may also relate to the existing terms and conditions of insurance and price list of premiums.**

Article 65.

If the insurance company fails to comply with the conditions under which the authorization to perform insurance business has been issued or in the case of severe violations, the Insurance Companies Supervision Directorate may :

- revoke the authorization to perform certain classes of insurance**
- submit a request for the declaration of bankruptcy with regard to the position of company's funds,**
- claim the reduction of insurance payments and prohibit payments for the purpose of avoiding bankruptcy,**
- claim amendments to the existing terms and conditions of insurance, premium price lists and other company's regulations,**

- prohibit business activity, namely, bring legal action against the unauthorised continuation of business activities,
- prohibit the execution of decisions made by the company and other company's rules which are, according to the opinion of the Supervision Directorate, contrary to the company's regulations and Statute.

Article 66.

The Insurance Companies Supervision Directorate may revoke the authorization for the performance of certain or all classes of insurance, if the insurance company fails to comply with the conditions for the issuance of the authorization, violate to the great extend its legal liabilities or liabilities undertaken by the business plan or if the breach is to the extend that it may threaten the insured persons' interests or if the company fails to operate in accordance with its own regulations.

The Insurance Companies Supervision Directorate may revoke the authorization for all business activities, if the company fails to carry out measures, in the prescribed period of time, which are envisaged in the solvency plan or in the financial plan.

If the authorization is revoked, further policy issuance and the increase of policy amounts, as well as the prolongation of issued policies shall be prohibited.

In the case the authorization is revoked, the Supervision Directorate shall take measures to protect the insured persons' interests and it may limit or prohibit free management of the company's funds.

In the case of mutual insurance companies, revocation of authorizations for all business activities shall have the same effect as the decision on the termination of the company.

The revocation of the authorization shall be recorded in the Register of Companies based on the notification issued by the Supervision Directorate.

The decision on the revocation of the authorization, made by the Insurance Companies Supervision Directorate, is final and a company may bring an administrative lawsuit against it.

Article 67.

The insurance company may transfer its portfolio to another insurance company, only if its assets and liabilities are also transferred.

The insurance company may transfer its portfolio to another insurance company voluntarily or by the Supervision Directorate's order, in the case of the authorization to perform insurance business is revoked.

If the insurance company fails to comply with the Directorate's order to transfer its portfolio to another insurance company, the Directorate may authorise a separate commissioner who will undertake the responsibilities of authorised bodies in the company.

Once the portfolio has been transferred by the Directorate's order, the policy owners are not entitled to lodge a complaint against it.

Article 68.

In the case of declaring liquidation, the insurance company must not sign new insurance contracts.

The process of liquidation and the cancellation of existing insurance contracts shall be supervised if the insurance company arbitrarily terminates its business activity or if its further business activity has been prohibited or if its work authorization has been revoked.

Article 69.

In the case of the insurance company liquidation, policy holders and policy beneficiaries shall have a preferential right to the following:

- with all personal insurance, policy holders or policy beneficiaries have the right to the funds allocated in the technical reserve before all other creditors,**
- with other classes of insurance, a part of the transferable premium (which implies the part concerning the period after the contracts have been cancelled due to the company's insolvency) and all the claims from the period before the proclamation of insolvency are considered to be priority debts.**

VI. COMPULSORY INSURANCE

Article 70.

In accordance with this Act, compulsory insurance refers to the following persons:

- 1) passengers insured against accidents on public transport**
- 2) owners, namely, users of motor vehicles insured against liabilities for the damage incurred to third parties,**
- 3) owners, namely users of aircraft insured against liabilities for the damage incurred to third parties,**
- 4) owners, namely users of motor boats insured against liabilities for the damage incurred to third parties.**

Article 71.

Owners of vehicles to whom the provisions of this Compulsory Insurance Law are applicable must make a compulsory insurance contract with an authorised insurance company.

Insurance companies and the members of the Croatian Insurance Office that are engaged in automobile liability insurance shall issue common terms and the premium system with unique base of the part of the premium used for damage compensation.

The Croatian Insurance Office shall issue common terms and premium tariffs.

The insurance company referred to in Paragraph 1. of this Article may not decline the proposal to sign the insurance contract, if the proposer accepts the terms of insurance under which compulsory insurance is performed.

Article 72.

The provisions of the Compulsory Insurance Law shall not refer to vehicles in the Croatian armed forces.

1. Insurance of passengers against accidents on public transport

Article 73.

The owners, namely the users of vehicles for public transport must make a passenger insurance contract against accidents.

The contract referred to in Paragraph 1. of this Article must be made by the owners, namely the users of :

- 1) buses used for public transport in cities, long - distance and international line and non-line traffic
- 2) taxis - automobiles and rent-a-car vehicles when rented with a driver
- 3) buses used for transport of commuters
- 4) rail carriages for transport of passengers
- 5) all types of maritime, lake and river vessels, including ferries and rafts which freely transport passengers on regular routes, including cruising and tourist transport,
- 6) all types of rental vessels referred to in Paragraph 5. of this Article, which are rented with at least one crew member.
- 7) aircraft used for public transport of passengers on regular routes or free flights,
- 8) tourist aircraft used for short and panoramic flights and the rental of aircraft with a pilot
- 9) buses used by travel agents for the transport of tourists,
- 10) all other types of vehicles, regardless of the type of driving power, by which passengers are transported, with the collection of transport charges depending on the type of transport.

Article 74.

Passengers are considered to be persons who are, due to travel, found in one of the many types of public transport, whether or not they have bought tickets, and persons who are at or nearby stations, terminals, ports, airports or close to the means of transport before embarkment, namely disembarkment, persons who intend to travel or actually travelled by a certain means of transport, except persons who are employed in public transportation.

Passengers referred to in Paragraph 1. of this Article are also considered to be persons who are entitled to travel free of charge.

Article 75.

The minimum amount which must be provided by the insurance contract for a single passenger in case of death or permanent disability is stipulated by the Republic of Croatia on the proposal of the Insurance Companies Supervision Directorate.

Article 76.

In the case of an accident, which results in death or permanent disability, a passenger, namely a contracted beneficiary is entitled to seek payment from the insurance company with which the insurance contract was made.

If the passenger carrier who made the insurance contract is responsible for the damage incurred, the damage compensated by the carrier shall not include the amount which has been paid by the insurance company as compulsory insurance for passengers on public transport.

If the owner, namely the user of a vehicle fails to make a contract for the insurance of passengers in accordance with the provisions of this Act and an accident has occurred, the passengers, namely the persons who would be insurance beneficiaries had a contract been made, may claim the insurance payment from any insurance company which is engaged in this class of insurance in the Republic of Croatia.

The insurance company, that the person referred to in Paragraph 3. of this Article has contacted, shall treat the insurance contract as if it had been made in the amount referred to in Article 75. of this Act.

The insurance company referred to in Paragraph 3. of this Article, which has paid the insured amount, is entitled to claim compensation for the amount paid, interest and costs from the owner of the vehicle, namely the person responsible for the damage incurred.

If the insurance company may not get the compensation referred to in Paragraph 5. of this Article neither by legal proceeding nor by the termination of the company's operations, it is entitled to claim unsettled amounts from other insurance company engaged in this class of insurance proportionate to the premium realised by compulsory insurance for passengers on public transport in relation to the total premium realised in the territory of the Republic of Croatia.

In the case of the termination of an insurance company, the person referred to in Paragraph 1. of this Article may claim compensation for the damage from the insurance company referred to in Paragraph 3. of this Article.

2. Liability insurance of the owner, namely the user of a motor vehicle against damage incurred to third parties

Article 77.

The owner, namely the user of a motor vehicle and a trailer must make the insurance contract against the liability for the damage which may be incurred to third parties when using a motor vehicle, (hereinafter: automobile liability insurance), the damage which

may include death, physical injuries, deterioration of health, demolition or damage of objects.

Damage incurred when using a motor vehicle shall also include the damage incurred to a third party by objects which have fallen off a motor vehicle or a trailer.

Article 78.

Motor vehicles and trailers, in terms of this Act, are considered to be all motor vehicles which utilise public roads and other traffic surfaces, and which must be registered in accordance with road traffic regulations.

The owners, namely the users of motor vehicles and trailers which run on tracks are exempt from the obligation of making a liability insurance contract.

The registration of motor vehicles and trailers, which is stipulated by registration regulations, registration extension and the issuance of temporary number plates may be performed after the authorised body for registration, namely the authorised body for the issuance of temporary number plates receives evidence that an insurance contract has been made.

Article 79.

The following persons shall not be entitled to claim compensation for the damage based on automobile liability insurance for damage incurred to third parties:

- 1) the driver of a vehicle
- 2) the owner, co-owner and any other user of the vehicle in case of damage incurred to objects.

Article 80.

The insurance company's liability for the compensation of damage incurred based on the automobile liability insurance shall not, for an individual incident of damage, exceed the amount stipulated by the Government of the Republic of Croatia on the Insurance Companies' Supervision Directorate's proposal, if a greater amount is not established by the insurance contract.

The amount referred to in Paragraph 1. of this Article shall be separately established for the damage incurred to persons and objects.

If the damage has been incurred to more than one person, and the total damage compensation exceed the amount referred to in Paragraph 1. of this Article, rights of the persons to whom the damage has been incurred shall be proportionally reduced.

The insurance company which has paid to a person a greater amount than the amount to which that same person is entitled to, given the proportional reduction of the damage compenstion, due to the lack of information about the existence of other persons to whom the damage has been incurred, must only pay out to these persons the amounts referred to Paragraph 1. of this Article.

Article 81.

When a legal entity, engaged in health, disability and old-age pension insurance, makes a compensation claim, the insurance company must, in the framework of its obligations to insured persons, pay compensation in the amount of medical treatment costs and other relevant costs which occurred in accordance with health insurance regulations, namely the proportional amount of health and pension contributions.

The proportional amount of health and pension contributions shall be established in the capitalized amounts, according to the remaining working period and the age of a natural person relevant for the right to the old-age pension.

Article 82.

If the person to whom the damage has been incurred claims compensation directly from the insurance company, the insurance company shall not object to such a claim, however it could object on the basis of the law or term of insurance to insured persons who fails to comply with the law or the terms of automobile liability insurance.

The insurance company, which has paid the compensation for the damage incurred to a person, and it has not been liable to do so according to the terms and conditions of automobile liability insurance, shall be entitled to claim, from the person responsible for the damage incurred, the total amount of the damage paid, including interest and costs.

Article 83.

In accordance with the provisions of this Act, automobile liability insurance shall include the damage caused, when driving a vehicle, by a person who was not authorized to do so by the owner of the vehicle.

In terms of this Act, an unauthorized user of a vehicle shall be:

- 1) a person who drives a motor vehicle without the driver's licence,**
- 2) a person who, without an authorised person or instructor, practices driving the motor vehicle in traffic,**
- 3) a person who, without the knowledge and permission of the owner, namely the driver of the vehicle utilizes that vehicle,**
- 4) a person who illegally comes into the possession of a motor vehicle.**

The insurance company which has compensated the damage referred to in Paragraph 1. of this Article shall be entitled to claim compensation for damage paid, including interest and costs from the person responsible for the damage incurred.

Article 84.

If the owner or driver of a motor vehicle is changed during the insurance period, rights and obligations from the automobile liability insurance contract may be transferred to the new owner, namely the driver and are valid until the end of the current insurance period.

Article 85.

An insurance company, with which the owner of a vehicle has made an automobile liability insurance contract, must compensate the damage caused when using the vehicle in a country where green card insurance system is in place and which exceed the amount of damage referred to in Paragraph 1. of Article 80. of this Act, to a third party up to the amount stipulated by the liability insurance regulations of the country in which the damage has been incurred.

Article 86.

An injured party, to whom the damage has been incurred by using a vehicle whose owner, namely the driver has not been insured against automobile liability, shall submit a compensation claim to one of the companies engaged in automobile liability insurance.

The insurance company referred to in Paragraph 1. of this Article shall claim from the Fund for the Compensation of Damage within the Croatian Insurance Office the amount paid for the damage incurred, as well as the processing costs

A person, who is not a citizen of the Republic of Croatia and to whom the damage has been incurred in the Republic of Croatia by a vehicle whose owner, namely the user has not been insured against automobile liability, shall be entitled to claim compensation for the damage pursuant to Paragraph 1. of this Article only if it is stipulated by the law of the country of which he is the citizen that Croatian citizens are entitled to the compensation of the damage incurred by uninsured vehicles.

The Croatian Insurance Office is entitled to claim refund of the amount paid for the damage, including interests and other costs, from the person who is responsible for the damage incurred.

Article 87.

An injured party, to whom the damage has been incurred by an unknown motor vehicle, shall have a right to claim compensation for the damage due to death, physical injury or deterioration of health and shall submit a compensation claim to the one of many companies engaged in automobile liability insurance.

The insurance company referred to in Paragraph 1. of this Article shall claim from the Fund for Compensation of Damage within the Croatian Insurance Office the amount paid for the damage, as well as the processing costs.

A person, who is not a citizen of the Republic of Croatia and to whom the damage has been incurred by an unknown motor vehicle in the Republic of Croatia, shall have a right to claim the compensation of the damage pursuant to Paragraph 1. of this Article, only if, the law of that country stipulates that Croatian citizens are entitled to the compensation of damage incurred by an unknown motor vehicle.

If the vehicle by which the damage has been incurred is found, the Croatian Insurance Office has a right to claim compensation for the amounts paid, including interests and

costs from the insurance company with which the automobile liability insurance contract has been made.

Article 88.

The damages paid for uninsured vehicles referred to in Article 86, damage incurred by unidentified vehicles referred to in Article 87., damage referred to in Article 100. Paragraph 1. of this Act, as well as the damage for which injured parties may not claim compensation due to the termination of the insurance company, shall be covered by all insurance companies which are engaged in automobile liability insurance businesses proportionally to the premium for that class of insurance.

The Fund for the Compensation of Damage within the Croatian Insurance Office is engaged in calculating all paid damages.

Article 89.

A person who enters the Republic of Croatia with a motor vehicle registred abroad must provide a valid international document concerning the automobile liability insurance which is valid in the Republic of Croatia or any other document proving that type of insurance, whereby the damage minimum in the amount referred to in Article 80., Paragraph 1. of this Act shall be covered.

Border police and custom officials must supervise whether all conditions referred to in Paragraph 1. of this Article have been met.

Article 90.

International documents and certificates referred to in Article 89. Paragraph 1. of this Act are considered to be those documents which are acknowledged as valid by the Croatian Insurance Office.

The Croatian Insurance Office shall acknowledge valid international documents and certificates in advance and give notice to the Ministry of Internal Affairs and Customs Administration.

The acknowledgement of international documents and certificates as valid shall also include the Croatian Insurance Office's guarantee for liabilities established by these documents and certificates up to the amount referred to in Article 80. Paragraph 1. of this Act.

Article 91.

Persons who do not possess a valid international certificate referred to in Article 89. Paragraph 1. of this Act must make an automobile liability insurance contract with a local insurance company at the border, which is valid in the Republic of Croatia.

Article 92.

An injured party, to whom the damage was incurred by a vehicle registered abroad with valid international automobile liability insurance documents or certificates referred to Article 89. Item 1. of this Act, shall submit a compensation claim to the Croatian Insurance Office

The Croatian Insurance Office may assign the processing and payment of such damages to its members or specialised organisations for the processing of the above mentioned damages, which must process and settle compensation claims in accordance with the international agreement on the insurance of motor vehicles within a period of 60 days.

If the Croatian Insurance Office or a person referred to in Paragraph 2. of this Article fails to pay compensation for the damage within a period of 60 days from the day the compensation claim was submitted with all required documentation, the injured party may take legal action against the Croatian Insurance Office.

Article 93.

Damage incurred by vehicles registered abroad which have been insured by the insurance company referred to in Article 91. of this Act shall be covered by that same insurance company in accordance with the provisions of this Act, which are valid for vehicles registered in the Republic of Croatia.

Article 94.

Compensation for the damage incurred by vehicles registered abroad without valid documents or certificates of international automobile liability insurance shall be covered pursuant to the provisions of Article 86. of this Act.

Article 95.

The owner, namely the user of a motor vehicle must, at the request of an authorised person from the Ministry of Internal Affairs, submit a valid automobile liability insurance policy, as well as the European report on the accident.

Article 96.

The insurance company must issue, together with the automobile liability insurance policy, a European report on the accident.

Witnesses who were present when the accident occurred must complete and sign the European report on the accident, if the investigation has not been carried out by an authorised body of the Ministry of Internal Affairs.

The bodies of Ministry of Internal Affairs, as well as judicial and other bodies which are engaged in traffic accident investigation proceedings, must at the request of the insurance company provide information concerning traffic accidents.

3. Liability insurance of owners, namely users of aircraft against the damage incurred to third parties

Article 97.

The owner, namely the user of an aircraft must be insured against the liability for the damage incurred by an aircraft to a third party.

Foreign aircraft, which enter Croatian airspace, must have the insurance against the liability for the damage referred to in Paragraph 1. of this Article, if no other insurance for the compensation of damages does not exist or if not otherwise regulated by an international agreement.

Article 98.

The Government of the Republic of Croatia shall stipulate, on the proposal of Insurance Companies Supervision Directorate, the minimum amount for certain types of aircraft to be insured.

The liability of insurance companies to compensate the damage referred to in Article 97. of this Act is limited to the amount referred to in Paragraph 1. of this Article, if a greater amount is not projected in the insurance contract.

4. Liability insurance of owners, namely users of motorboats against the damage incurred to third parties

Article 99.

The owner, namely the user of a motorboat, registered for sport and leisure in the Register of Motorboats, must be insured against the liability for damage which may be incurred by a motorboat to a third party, and which include physical injuries, damage to health or death.

A motorboat, registered in a foreign register of motorboats entering the coastal or inland waters of the Republic of Croatia, must have insurance against the liability for the damage referred to in Paragraph 1. of this Article, if no other adequate liability insurance for the damage exists or if not otherwise regulated by an international agreement.

Owners of motorboats, which are registered as motorboats with an engine power up to 15 kW, shall be exempt from making a liability insurance contract when registering or extending the registration of a motorboat.

An insurance company's liability to compensate the damage referred to in this Article shall be limited to the amount stipulated by the Government of the Republic of Croatia on the proposal of the Insurance Companies Supervision Directorate, if a greater amount is not projected in the insurance contract.

The provisions of this Act, regarding the insurance of the owner, namely the user against the liability for the damage incurred to third parties, shall be applicable if the damage is incurred by an unknown, uninsured or foreign motor vehicle, and shall also be

adequately applicable for the liability to compensate the damage incurred by an unknown, uninsured or foreign motorboat.

VII. THE CROATIAN INSURANCE OFFICE

Article 100.

Apart from the activities referred to in Article 9. of this Act, the Croatian Insurance Office is engaged in the activities of co-ordinating, supervising and mutually settling damage incurred by unknown motor vehicles, namely motorboats or motor vehicles and motorboats for which the owner, namely the user has not made an insurance contract and has not provided the assessment and payment of damages which injured parties could not collect due to the termination of the insurance company's business operations.

For the purpose of performing activities referred to in Paragraph 1. of this Article, the Fund for the Compensation of Damage has been established within the Croatian Insurance Office.

The Croatian Insurance Company may assign one of its members to assess and compensate the damage referred to in Paragraph 1. of this Article, which was not settled due to the termination of the insurance company's business operations.

The Croatian Insurance Office is also engaged in other activities which are of mutual and common interest for the performance of insurance activities.

Article 101.

The Croatian Insurance Office is a legal entity and has the status of a legal entity after being registered in the Register of Companies.

Article 102.

All members of the Croatian Insurance Office shall allocate funds referred to in Article 100., Paragraph 2. of this Act and finance the costs of the Croatian Insurance Office.

The Statute of the Croatian Insurance Office shall regulate its organisation, activities, financing and the calculation and mutual settlement of damages referred to in Article 100., Paragraph 1. of this Act.

In case a member of the Croatian Insurance Office fails to comply with the financing duties regulated by the Statute, the Insurance Companies Supervision Directorate shall, on the proposal of the Croatian Insurance Office, revoke the authorization issued to the insurance company for the purpose of performing insurance activities.

VIII. PENALTIES

Article 103.

An insurance company shall be punished with a fine of 5,000 to 50,000 DEM paid in the local currency if the company:

- 1) invests funds contradictory to the intended purpose and without the instruments to guarantee for the refund of capital, as well as contradictory to the proportions referred to in Article 54. of this Act,
- 2) fails to invest life insurance funds on a separate account and if the funds are utilized to cover other insurance, namely reinsurance liabilities or any other company liabilities (Article 36),
- 3) fails to cover, in the course of the following financial year, uncovered losses from the previous year and fails to compensate funds projected in the guarantee fund (Article 47),
- 4) fails to record the life insurance profit, namely the loss separately and fails to report other results according to the class of insurance and reinsurance (Article 48),
- 5) fails to provide and permanently hold private funds at least in the amount regulated by Article 12. and Article 51. of this Act,
- 6) fails to, in the case of a reduction of owners funds up to 25% from the amount referred to in Article 53. of this Act, take measures to settle its business activities in order to reinsure the stipulated amount of owners funds in a period of 12 months; or the company fails to, in the case of a reduction of owners funds above 25%, take measures to re-establish the volume of income from premiums, namely the amount of self-retained premiums in a period of 18 months or in the following 6 months (Article 53.),
- 7) fails to apply general conditions and a premium system referred to in Article 71. of this Act,
- 8) fails to provide statistical and other data according to the class of insurance as stipulated by the Insurance Companies Supervision Directorate (Article 62.),
- 9) fails to pay the fee to the Insurance Companies Supervision Directorate (Article 55.) and to the Croatian Insurance Office (Article 102.),
- 10) undertakes the activity of an insurance broker or insures persons or property contradictory to the provisions of this Act,

Responsible persons employed by the insurance company shall also be punished with a fine of 100 to 3,000 DEM paid in the local currency for violations referred to in Paragraph 1. of this Article.

Article 104.

Responsible persons shall be punished with a fine of 50 to 1,000 DEM paid in the local currency if they :

- 1) fail to sign a compulsory insurance contract with an insurance company before utilizing a vehicle in traffic (Article 77. and Article 78.),
- 2) fail to sign a liability insurance contract for the damage incurred by an aircraft (Article 97.) or a motorboat (Article 99.),
- 3) fail to present the insurance policy and the European report on the accident to an authorised body of the Ministry of Internal Affairs (Article 91.),

Article 105.

Fines referred to in Article 103. and 104. of this Act shall be calculated in the local currency in accordance with the average exchange rate of the National bank of Croatia for DEM, on the day the fine is enforced.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 106.

Insurance companies must match their business activities with the provisions of this Act in a period of 12 months from the day this Act takes effect.

Article 107.

The Insurance Companies Supervision Directorate shall begin to perform the activities regulated by this Act in a period of three months from the day this Act takes effect.

The Ministry of Finance shall, in accordance with this Law, authorise and supervise insurance companies for their insurance business activities until the Insurance Companies Supervision Directorate begins operating.

Article 108.

The Law on Property and Life Insurance (Government Gazette, No.53/57.), The Law on General Issues of the Property and Life Insurance System (Government Gazette, No.53/91.), and the Decree on the Minimum Amount of Initial Security Funds and Total Deposits when establishing a Joint Stock Insurance Company (Government Gazette, No.17/93.) are no longer valid when this Act takes effect.

Article 109.

This Act shall take effect on the eighth day after its publication in the official gazette of the Republic of Croatia.

**Class: 453-02/93-01/02
Zagreb, January 27, 1994.**

**CHAMBER OF DEPUTIES (LOWER HOUSE)
OF THE CROATIAN PARLIAMENT**

**Chairman of the Chamber of Deputies
Stjepan Mesiaè**

The Law took effect on 18 February, 1994.