

The Law of Ukraine

On Insurance

As amended by laws of Ukraine
of 4 June 1997 No. 306/97-VR,
of 21 October 1997 No. 589/97-VR,
of 3 December 1997 No. 684/97-VR,
of 11 December 1998 No. 312-XIV,
of 22 February 2000 No. 1489-III,
of 6 April 2000 No. 1642-III,
of 8 June 2000 No. 1807-III,
of 14 September 2000 No. 1937-III,
of 19 October 2000 No. 2056-III,
of 18 January 2001 No. 2245-III,
of 12 July 2001 No. 2664-III,
of 12 July 2001 No. 2665-III,
of 4 October 2001 No. 2745-III

(in accordance with Law of Ukraine of 04.10.2001 No. 2745-III, the Law is formulated in a new wording),
of 15 November 2001, No. 2775-III,
of 13 December 2001, No. 2893-III,
of 10 January 2002, No. 2921-III

In addition refer to
Resolution of Verkhovna Rada of Ukraine
of 7 March 1996 No. 86/96-VR,
of 20 March 1997 No. 150/97-VR

This Law regulates relationships in the sphere of insurance and is aimed at creating the market of insurance services, strengthening of insurance protection of property interests of enterprises, agencies, organizations and citizens.

This Law does not apply to the state social insurance.

Chapter I. GENERAL PROVISIONS

Article 1. The concept of insurance

Insurance is a kind of civil – legal relationships that concerns protection of property interests of citizens and legal entity in the situations where certain events (insurance events) arise, as specified in an insurance agreement or by existing legislation, at the expense of monetary funds, which are formed by way of citizens and legal persons' making insurance payments (insurance contributions, insurance premiums) and incomes from placement of the money of these funds.

Article 2. Insurers

Insurers are defined as financial entities created in the form of stock, full, commandite companies or companies with additional responsibility in accordance with Law of Ukraine "On business companies" with taking into account peculiarities specified by this Law, and which also have received in accordance with the established procedure a license to carry on an insurance activity. An insurer is required to have at least three participants. Insurance activities in Ukraine may be performed only by insurers – residents of Ukraine.

In particular cases, specified by legislation of Ukraine, insurers may be state organizations, which are created and operate in accordance with this Law. In this case using words "state", "national" or other words derived from these in the name of an insurer shall be allowed only if the state is the only owner of this insurer.

Words "insurer", "insurance company", "insurance organization" and their derivatives may be used as part of the name only by those legal persons, which have a license to carry on an insurance activity.

The total contribution of an insurer to statutory funds of other insurers in Ukraine may not exceed 30 percent of one's own statutory fund, and the size of the contribution to the statutory funds of a separate insurer may not exceed 10 percent. These requirements do not apply to an insurer that carries out kinds of insurance other than life insurance, of such an insurer makes contributions to the statutory fund of an insurer that engages in life insurance.

In the case of creation of an insurer or an increase of a registered statutory fund, the statutory fund must be provided only in the form of money. It is allowed to form a statutory fund of an insurer by valuable papers issued by the state, at the nominal value of such papers in accordance with procedure established by the special authorized central body of executive power for issues of supervision of insurance activities (hereinafter referred to as the Authorized body), but not greater than 25 percent of the total amount of the statutory fund.

It is prohibited to use for purposes of forming a statutory fund promissory notes, money of insurance reserves, and also money received as a credit, loan or on the basis of a security, and contribute intangible assets.

The subject of an immediate activity of an insurer may be only insurance, re-insurance and a financial activity relating to formation, placement and management of insurance reserves.

It is allowed to engage in the specified activities in the form of provision of services for other insurers on the basis of the executed civil – legal agreements, provision of services (performance of works), if this is directly related to the said activities, and also in any transactions carried out to meet own business needs of the insurer.

Insurers, which engage in life insurance, may provide credits to insurers that have signed life insurance agreements.

Procedure and terms of provisions and amounts of credits and the procedure for formation of a reserve to cover possible losses shall be established by the Authorized body on the basis of the approval of the National Bank of Ukraine.

Legal persons that do not meet the requirements of this Article are not allowed to engage in an insurance activity.

Enterprises, agencies and organizations may not become insurers by way of introducing changes to statutory documents provided that before that they were engaging in other activity, even though provisions of this Article are followed.

Legislation of Ukraine may specify authorized insurers to carry out particular kinds of insurance, provided that certain legal relations require use of budget funds, currency reserves of the state, guarantees of the Cabinet of Ministers of Ukraine. An obligatory condition for determining the authorized insurers is to have an open tender with its terms, results being publicized in mass media, and to have participation of representatives of voluntary associations of insurers. In other cases any authorization of insurers to carry out particular kinds of insurance on the part of the state shall be prohibited.

Article 3. The insured

The insured may be legal persons and legally capable citizens, which have signed with insurers agreements on insurance, or are insured in accordance with legislation of Ukraine.

The insured may enter agreements with insurers on insurance of third persons (insured persons) only on their consent, except for cases specified in existing legislation. Insured persons may acquire rights and duties of the insurer in accordance with the insurance agreement.

The insured may, when entering personal insurance agreements, authorize, upon consent of an insured person, citizens or legal persons (beneficiaries) to receive insurance payments, and also replace them before an insurance event occurs, unless otherwise is provided by the insurance agreement.

The insured may, when entering agreements on insurance other than personal insurance agreements, appoint citizens or legal persons (beneficiaries), which may incur losses as a result of an insurance event, to receive an insurance compensation, and also replace them before an insurance event occurs, unless otherwise is provided by the insurance agreement.

Article 4. Objects of insurance

Objects of insurance may be property interests that do not conflict with the legislation of Ukraine, relating to:

Life, health, capacity to work and additional pension of the insured or an insured person (personal insurance);

possessing, using and managing property (property insurance);

compensating by the insured for the damage caused to a person or the person's property, as well as property damage caused to a legal person (insurance responsibility).

Article 5. Forms of insurance

Insurance may be voluntary or obligatory.

Obligatory kinds of insurance, which are established by laws of Ukraine, must be included in this Law. It is prohibited to carry out obligatory kinds of insurance that are not specified in this Law.

Article 6. Voluntary insurance and kinds of voluntary insurance

Voluntary insurance is insurance that is carried out on the basis of an agreement between the insurer and the insured. General terms and procedure for carrying out voluntary insurance are determined by rules of insurance that are specified by the insurer in accordance with requirements of this Law. Specific terms of insurance are to be established at the time of execution of an insurance agreement in accordance with legislation.

Voluntary insurance with a particular insurer may not be an obligatory precondition for fulfilling other legal relationships.

Kinds of voluntary insurance that are subject to licensing, shall be determined in accordance with the insurance rules (terms) adopted by the insurer and registered by the Authorized body.

Kinds of voluntary insurance include:

- 1) life insurance;
- 2) accident insurance;
- 3) medical insurance (continuous health insurance);
- 4) health insurance in the case of sickness;
- 5) railroad transport insurance;
- 6) insurance of ground transportation (except railroad);
- 7) air transport insurance;
- 8) insurance of water transport (in-country marine and other kinds of water transport);
- 9) shipment and cargo insurance;
- 10) fire and natural disaster risk insurance;
- 11) insurance of property (other than specified in items 5 - 9 of this Article);
- 12) civil liability insurance of owners of ground transport (including responsibility of carriers);

- 13) liability insurance of owners of air transport (including responsibility of carriers);
- 14) liability insurance of owners of water transport (including responsibility of carriers);
- 15) liability insurance to third persons (other than specified in items 12 - 14 of this Article);
- 16) insurance of credits (including the responsibility of the borrower for failure to return the credit);
- 17) insurance of investments;
- 18) insurance of financial risks;
- 19) insurance of court expenses;
- 20) insurance of given guarantees and received guarantees;
- 21) insurance of medical guarantees;
- 22) other kinds of voluntary insurance.

Characteristics and classification attributes of kinds of voluntary insurance shall be specified by the Authorized body.

Life insurance – it's a kind of personal insurance, which provides for the obligation of the insurer to make an insurance payment in accordance with the insurance agreement in the case of death of the insured person, and also, if the insurance agreement provides so, in the event that the insured person reaches the age specified in the agreement or is alive at the end of the agreement. Terms of an agreement of life insurance may require the insurer to make an insurance payment in the case of an accident that happened to the insured person, or in the case of sickness of the insured person. If in the case of the insurance event the agreement provides for regular annuity insurance payments (annuity pension insurance), the agreement must provide for insurance against the risk of death of the insured person during the period between the beginning of the insurance agreement and the first annuity insurance payment. In other cases taking into account the risk of death of the insured person is obligatory during the entire period of the life insurance agreement.

Insurers may engage only in those kinds of voluntary insurance that are specified in the license.

Article 7. Kinds of obligatory insurance

The following kinds of obligatory insurance are carried out in Ukraine:

- 1) medical insurance;
- 2) personal insurance of medical and pharmaceutical employees (except those who work in organizations and agencies funded from the State budget of Ukraine) in the case of contraction of the HIV in the line of professional duty;
- 3) personal insurance of employees of agency (except those that work in the agencies and organizations funded from the State budget of Ukraine) and rural fire fighting services and members of voluntary fire fighting teams;
- 4) insurance of sportsmen of higher categories;
- 5) insurance of life and health of specialists of veterinary medicine;
- 6) personal insurance against transport accidents;
- 7) aviation insurance of civil aviation;
- 8) insurance of responsibility of a maritime carrier and performer of works relating to servicing maritime transports, with respect to compensation for damages to passengers, luggage, mail, shipment, other users of maritime transport and to the third persons;

9) civil liability insurance of transport vehicle owners;

10) insurance of means of water transport;

11) insurance of agricultural and perennial crops by the state agricultural enterprises, grain and sugar beet crops by agricultural enterprises of any ownership form;

12) civil liability insurance of an operator of a nuclear facility for damage that may be caused as a result of a nuclear accident

(clause 12 of part one of Article 7
as specified in Law of Ukraine of 12.13.2001, No. 2893-III);

13) insurance of employees (except those that work in the agencies and organizations funded from the State budget of Ukraine) that take part in provision of psychiatric assistance, or take of persons who suffer mental disorders;

14) civil liability insurance of business persons for damages that may be caused by fires and accidents at high-risk facilities, including fire and explosive facilities, the business activity at which may lead to accidents of ecological and sanitary – epidemiological nature;

15) civil liability insurance of an investor, including for damage caused to environment, health, on the basis of the produce distribution agreement, unless otherwise is provided by this agreement;

16) insurance of property risks under an agreement on produce distribution in cases specified in Law of Ukraine "On agreements on produce distribution";

17) financial liability insurance, life and health insurance of a temporary administrator and liquidator of a financial entity;

18) insurance of property risks in the case of development of oil and natural gas deposits in cases specified by Law of Ukraine "On oil and natural gas";

19) insurance of medical and other employees of state and communal medical establishments and state scientific institutions (except those working in agencies and organizations funded from the State budget of Ukraine) against contraction of infectious diseases in connection with their performing professional duties in conditions of high risk of contraction of contagious diseases;

20) liability insurance of the exporter and a person who is responsible for utilization (removing) of dangerous waste, to indemnify for damage that may be caused to human health, property and environment at the time of cross-border movement and utilization (removing) of dangerous waste;

21) insurance of personnel of nuclear facilities, sources of ionizing radiation, and also state inspectors overseeing nuclear and radiation safety directly at nuclear facilities against the risks of ionizing radiation at the expense of money of licensees;

22) insurance of objects of cosmic activity (ground infrastructure), the list of which is to be approved by the Cabinet of Ministers of Ukraine on the basis of the proposal of the National Space Agency of Ukraine;

23) civil liability insurance of subjects of space activity;

24) insurance of objects of space activity (space infrastructure), which are property of Ukraine, against risks relating to the preparation to space craft launches from launching sites, launches and exploitation of such craft in the cosmic space;

25) liability insurance against risks, relating to the preparation to space craft launches from launching sites, launches and exploitation of such craft in the cosmic space;

26) liability insurance of subjects of transportation of hazardous cargoes against the case of negative effects that occur during the transportation of hazardous cargoes;

27) insurance of professional liability of persons, whose activities may cause damage to the third persons, in accordance with the list established by the Cabinet of Ministers of Ukraine;

- 28) liability insurance of owners of dogs (in accordance with the list of breeds specified by the Cabinet of Ministers of Ukraine) with respect to damage that may be caused to the third persons;
- 29) civil responsibility insurance of citizens of Ukraine who own or otherwise lawfully possess weapon, for damage that may be caused to the third person or the third person's property as a result of possessing, storing or using this weapon;
- 30) insurance of animals against death, destruction, forced slaughter, from illnesses, natural disasters in cases and in accordance with the list of animals established by the Cabinet of Ministers of Ukraine;
- 31) liability insurance of subjects of travel activities against damage caused to life or health of a tourist of his property;
- 32) liability insurance of a sea vessel owner;
- 33) insurance of electric power lines and electricity transforming equipment against damages due to natural disasters or technological catastrophes and against unlawful actions of the third persons.
- 34) insurance of liability of producers (suppliers) of animal farming products, veterinary drugs and substances for damages caused to third persons.

(sub-clause 34 is added to part one of Article 7
in accordance with Law of Ukraine of 11.15.2001, No. 2775-III)

To carry out an obligatory insurance the Cabinet of Ministers of Ukraine shall establish the procedure and rules for carrying out such activities, forms of model agreements, special terms of obligatory insurance licensing, amounts of insurance payments and maximum amounts of insurance tariffs or the methodology of actuary computations.

Article 8. Insurance risks and insurance events

Insurance risk – a certain event, for the case of which insurance is carried out and which has characteristics of likelihood and probability of happening.

Insurance event – an event that is specified in an insurance agreement or by legislation and that has happened and thus has caused the insurer's obligation to disburse insurance amounts (insurance indemnification) to the insured or other third person.

Article 9. Insurance amount, insurance disbursement, insurance indemnification and franchise

Insurance amount – the amount of money within which the insurer, in accordance with terms of insurance, is required to disburse a payment if the insurance event takes place.

Insurance disbursement – the amount of money that is paid by the insurer in accordance with terms of the insurance agreement when the insurance event takes place.

Insurance disbursements under life insurance agreements are made in the amount of the insurance amount (its part) and (or) in the form of regular, successive disbursements of the specified in the insurance agreement amounts (annuities).

The amount of the insurance amount and (or) amounts of insurance disbursements shall be specified through an agreement between the insurer and the insured at the time of preparing or amending the insurance agreement, or in cases specified by legislation.

The insurance amount may be established for a separate insurance event, a group of insurance events, or for the entire insurance agreement.

Insurance amount is not established for insurance events that entail regular successive insurance payments in the form of annuity.

The amount of investment income specified in a life insurance agreement must not exceed four percent a year.

A life insurance agreement must provide for increasing the insurance amount and (or) amount of insurance indemnification by the amounts (bonuses), which are determined by the insurer once a year on the basis of the investment income received from placement of the life insurance reserves less expenses on the insurance case in the amount of 15 percent of the received investment income and obligatory payments into mathematical reserves of the part of the investment income, which corresponds to the amount of investment income, which is used for purposes of computation of insurance tariffs under this insurance agreement and in the case of indexing of the insurance amount and (or) amount of insurance payments on the basis of the official inflation rate, transferring to the mathematical reserves the part of the investment income that corresponds to such indexing.

A life insurance agreement may also provide for an increase of the insurance amount and (or) amount of insurance disbursements by amounts (bonuses) that are specified by the insurer once a year based on other financial results of his activity (participation in profits of the insurer).

The additional insurance obligations assumed by the insurer are to be communicated to the insured in writing and may not be subsequently reduced under a unilateral procedure.

If an insurer fails to pay a subsequent insurance contribution in the amount and in terms specified by rules and a life insurance agreement, such an agreement may also provide for the insurer's right to unilaterally reduce the insurance amount and (or) insurance disbursements.

A life insurance agreement may provide for an indexing (adjustment) on the basis of the official inflation rate of the insurance amount and (or) insurance disbursements during the life insurance agreement on condition of respective indexing (adjustment) of the amount of the insurance payment (insurance contribution, insurance premium). A procedure and terms of indexing are to be established under the rules and the insurance agreements.

Insurance disbursements under agreements of personal insurance are established regardless of the amount that is to be received by the recipient in accordance with the state social insurance and social welfare, and the amount that is payable to him as an indemnification for losses.

The insurance amount is to be determined in accordance with the insurance agreement or existing legislation at the time of executing or amending the insurance agreement. If in the case of an insurance event it is envisaged to make successive annuity insurance payments, the insurance agreement is to specify the amounts of such successive insurance payments, and the insurance amount shall not be established for such cases.

When it is property that is insured, the amount of insurance is established within the limits of the value of the property on the basis of prices and tariffs effective on the day the insurance agreement was executed, unless the insurance agreement provides otherwise.

Insurance indemnification – Insurance disbursement that is carried out by the insurer in the amount of the insurance amount in accordance with property insurance and liability insurance agreements in the case of an insurance event.

Insurance indemnification may not be greater than the amount of direct loss suffered by the insured. Indirect losses are considered insured if the insurance agreement provides so. If an insurance amount constitutes a certain part of the value

of insured item, the insurance indemnification shall be paid in the same proportion to the losses determined for the insurance event, unless the insurance agreement provides otherwise.

Franchise – part of losses that is not to be indemnified by the insurer in accordance with the insurance agreement.

If a property is insured by several insurers and the total insurance amount exceeds the actual value of the property, then the total indemnification payable by all insurers may not be greater than the actual value of the property. In this case each insurer disburses a payment proportionately to the amount of insurance in accordance with the insurance agreement signed with him.

Article 10. Insurance payments, insurance tariff

Insurance payment (insurance contribution, insurance premium) – payment for insurance that the insured is required to pay the insurer under the insurance agreement.

Insurance tariff – the rate of an insurance contribution per unit of insurance amount for a specified insurance period.

Insurance tariffs in the case of a voluntary form of insurance are to be computed by the insurer - actuary (mathematically) on the basis of respective statistics of insurance event occurrences, and in the case of life insurance agreements – also with taking into account the amount of the investment income, which must be specified in the insurance agreement. A specific level of insurance tariffs is to be specified in an insurance agreement by mutual agreement of the parties.

Actuary computations may be performed by persons that have necessary qualification in accordance with requirements, established by the Authorized body and which is supported by the relevant certificate.

Article 11. Co-insurance

Object of insurance may be insured under one insurance agreement and by consent of the insured – by several insurers (co-insurance). In this case the agreement must specify rights and duties of each insurer.

If there is a necessary agreement between co-insurers and the insured, one co-insurer may represent all other co-insurers in relationships with the insured, being responsible to him only in the amount of his share.

Article 12. Reinsurance

Reinsurance - insurance by one insurer (assignor) under the specified in the agreement terms of performing his share of his duties to the insured, with another insurer (reinsurer) – resident or non-resident, which has the status of the insurer or reinsurer, under the legislation of the country in which he is registered.

Reinsurance with a nonresident insurer (reinsurer) shall be carried out in accordance with requirements and procedures established by the Cabinet of Ministers of Ukraine.

The insurer (assignor) is required to notify the reinsurer on all changes in its agreement with the insurer.

The insurer (assignor) who has entered with the re-insurer a reinsurance agreement, shall remain responsible to the insurer in the full amount under the in accordance with the insurance agreement.

If amounts of insurance payments that are transferred into reinsurance to non-residents, exceed 50 percent of their total amount received from the beginning of the calendar year, the assignor shall submit to the Authorized body the declaration for the reporting period in accordance with the form established by the Cabinet of Ministers of Ukraine.

In the declaration the insurer (assignor) is required to provide information on risks and objects of insurance, which are being reinsured by nonresidents, information on non-residents - reinsurers and on reinsurers- brokers, other information, specified by the Cabinet of Ministers of Ukraine.

The Authorized body may carry on topical examinations of insurers on the basis of analysis of submitted declarations.

Article 13. Groupings of insurers

Insurers may create unions, associations and other groupings to coordinate their activities, protect the interests of their members and carry out joint programs, on condition that their creation does not violate the legislation of Ukraine. Such associations may not engage in insurance activities.

Associations of insurers function on the basis of statutes and acquire the rights of legal persons after their state registration. The body that carries out registration of associations of insurers, is required to notify the Authorized body of such registration within the ten day period from the date of registration.

Insurers, which are allowed to carry out insurance of liability of owners of transport vehicles for damages caused to the third persons, and in accordance with conditions specified in international agreements of Ukraine on the said insurance, are required to create a Motor (transport) insurance bureau, which is a legal person that is maintained at the expense of the money of the insurers.

The Motor (transport) insurance bureau is the sole association of insurers, which carry out the obligatory civil liability insurance of transport vehicle owners for damages caused to the third persons. Participation of insurers in the Motor (transport) insurance bureau is the condition for carrying out an activity relating to the obligatory civil liability insurance of transport vehicle owners.

Principal objectives of the Motor (transport) insurance bureau are:

Fulfilling insurance obligations concerning the indicated in this Article kind of obligatory insurance of insurers - its members in the event of their insolvency;

Making payments from the centralized insurance reserve funds in the amounts, specified by conditions of carrying out the specified in this Article kind of obligatory insurance, paying compensations for damages caused to life and health of victims of road accidents, which occurred because of the drivers of the unidentified vehicles; where the guilty party died and did not have an effective agreement on such obligatory insurance; in other cases and on conditions specified by the Cabinet of Ministers of Ukraine;

Ensuring privileged insurance for particular categories of automobile owners at the expense of money of centralized insurance reserve funds in cases and on conditions specified by the Cabinet of Ministers of Ukraine.

The Motor (transport) insurance bureau, which has disbursed compensations, within the limits of actual expenses, acquires the right to the claim, which a victim or other person, which received such compensation, has to persons responsible for the caused damage.

The Motor (transport) insurance bureau maintains membership of Ukraine in the international system of auto-insurance "Green Card" and fulfillment of generally recognized obligations to similar authorized organizations of other countries – members of this system.

The Motor (transport) insurance bureau is an organization that guarantees compensation for damages in the territory of the countries – members of the international system of auto-insurance "Green Card", caused by owners (users) of the registered in Ukraine transport vehicles, if such owners (users) provided respective foreign organs with the insurance certificate "Green Card", issued on behalf of insurers - members of the Motor (transport) insurance bureau; in the territory of Ukraine, caused by drivers -nonresidents, on conditions and in amounts specified by the legislation on obligatory civil liability insurance of transport vehicle owners and on the principles of mutual settlement of damages in the territories of the countries – members of the international system of auto-insurance "Green Card"; in other circumstances, on conditions specified by the existing legislation on civil liability of owners of transport vehicles.

If the Motor (transport) insurance bureau, in accordance with the rules of the international system of auto-insurance "Green Card," provided a compensation for the insurer – member of the association or for the owner (user) of the registered in Ukraine transport vehicle, which used abroad the forged or unlawfully changed insurance certificate

"Green Card" and caused a road accident, respective expenses of the Motor (transport) insurance bureau must be compensated by such persons in full amount.

Financing the fulfillment of guarantee functions and objectives of the Motor (transport) insurance bureau is carried out from the centralized insurance reserve funds, the organs of management of which are this association of insurers.

The Motor (transport) insurance bureau, upon the agreement with the Authorized organ, shall establish the unified model form of insurance certificates (policies), which are a form of an agreement on obligatory civil liability insurance of owners of transport vehicles.

Legislation of Ukraine may give the Motor (transport) insurance bureau the right to pass decisions which are obligatory for insurers - members of the Motor (transport) insurance bureau in the part of unification of the procedure for executing and performing agreements on obligatory civil liability insurance of owners of transport vehicles.

Insurers, which are allowed to engage in insurance of aviation risks, and insurers, which are allowed to engage in insurance of marine risks, may create the Aviation insurance bureau and Marine insurance bureau, which are to be legal persons maintained at the expense of money of insurers.

Insurers that have a permit to insure liability of operators of nuclear facilities for damages that may be caused as a result of a nuclear accident, are required to create a nuclear insurance pool, which is to a legal person maintained at the expense of money of the insurers.

Article 14. Mutual insurance companies

Citizens and legal persons, for purposes of insurance of protection of their property interests may establish mutual insurance companies in accordance with procedures and terms specified by legislation of Ukraine.

Article 15. Intermediary activity in the sphere of insurance

Insurance activity in Ukraine may be carried out with participation of insurance intermediaries. Insurance intermediaries may be insurance or reinsurance brokers, insurance agents.

Intermediary activity of insurance and reinsurance of brokers in insurance and reinsurance is carried out as an exclusive kind of activity and may include consulting, expert-information services, work relating to preparation, execution and implementation (follow-up) of agreements on insurance (reinsurance), including with respect to regulating losses in the part of receipt and transfer of insurance payments, insurance disbursements and insurance indemnification in accordance with the agreement with the insurer or reinsurer, respectively, other intermediary services in insurance and reinsurance in accordance with the list specified by the Authorized body.

Insurance brokers - legal persons or citizens, which are registered in accordance with the established procedures as subjects of entrepreneurial activities and carry out for a compensation an intermediary activity in insuring in one's own name on the basis of the broker agreement with the person who has a need in insurance as an insured. Insurance brokers - citizens, who are registered in accordance with the established procedure as subjects of entrepreneurial activities, may not receive and reinsure insurance payments, insurance disbursements and insurance indemnification s.

Reinsurance brokers – legal persons, which carry out for compensation an intermediary activity in insuring in one's own name on the basis of the broker agreement with the insurer which has the need in the reinsurance as an reinsurer.

There shall be allowed to perform the activities of insurance and reinsurance broker by one legal person on condition that this person meets the requirements concerning insurance and reinsurance broker activities.

A procedure for registration of insurance and reinsurance brokers shall be established by the Authorized body.

Insurance agents – citizens or legal persons, which act in the name and on behalf of the insurer and fulfill part of his insurance activities, specifically: execute insurance agreements; receive insurance contributions, perform works,

relating to insurance disbursements and insurance indemnification. Insurance agents are representatives of the insurer and act in his interests for a consideration on the basis of the authorization agreement with the insurer.

An intermediary activity in the territory of Ukraine involving execution of agreements with foreign insurers shall not be allowed, except agreements on reinsurance with requirements of Article 30 of this Law being met.

Nonresident insurance or reinsurance brokers may provide services only through permanent local offices in Ukraine, which are required to be registered as taxpayers in accordance with legislation of Ukraine and included in the state registry of insurance or reinsurance brokers.

Chapter II. INSURANCE AGREEMENTS

Article 16. Insurance agreement

Insurance agreement – a written agreement between the insured and the insurer, in accordance with which the insurer assumes the obligation to make an insurance disbursement to the insured in the case of the insurance event, or to another person specified in the insurance agreement, for the benefit of which the insurance agreement is executed (provide an assistance, perform a service, etc.), and the insured is obligated to pay insurance payments in specified terms and meet other conditions of the agreement.

Insurers, which engage in life insurance, are required to keep individual records of agreements on life insurance in accordance with procedures and conditions specified by the Authorized body.

Insurance agreements are to be executed in accordance with the rules of insurance.

An insurance agreement must specify:

name of the document;

name and address of the insurer;

full name or title of the insurer and the insured persons, their addresses and dates of birth;

full name or title of the beneficiary, his address and date of birth;

object of insurance;

the amount of insurance under the agreement on insurance other than life insurance;

amount of insurance and (or) amounts of insurance disbursements in accordance with the life insurance agreement;

list of insurance events;

amounts of insurance contributions (payments, premiums) and terms of their payment;

insurance tariff (insurance tariff shall not be specified for insurance events for which insurance amounts have not been established);

a term of the agreement;

procedure for amending and terminating the agreement;

terms of insurance disbursement;
 reasons for refusing to make an insurance disbursement;
 rights and obligations of the parties and responsibility for failure to satisfy terms of the agreement;
 other conditions agreed to by the parties;
 signatures of the parties.

The Authorized body may establish additional requirements to agreements on life insurance and agreements on insurance of property of citizens.

In accordance with the international insurance systems that require application of uniform terms of insurance, agreements on insurance are to be executed in accordance with such terms of insurance, with requirements of this Law taken into account.

In the case where the registered in Ukraine auto-transport vehicle enters the territory of another country – member of the international system of auto-insurance "Green Card", the owner of such transport vehicle is required to execute an agreement of obligatory civil insurance of the owner (user) of the auto-transport vehicle's liability to the third persons, which applies to these countries, and to receive from the insurer – full member of the Motor (transport) insurance bureau the insurance certificate "Green Card" of the unified form accepted in all countries – members of this international system of insurance.

Article 17. Rules of insurance

Rules of insurance are formulated by the insurer for each particular kind of insurance separately and are subject to registration with the Authorized body at the time of issuance of the license for the right to engage in the relevant kind of insurance.

Rules of insurance must specify:

a list of objects if insurance;
 procedure for determination of insurance amounts and (or) amounts of insurance disbursements;
 insurance risks;
 exceptions from the insurance events and limitations of insurance;
 a term and locality where the agreement on insurance is effective;
 procedure for execution of the agreement on insurance;
 rights and obligations of the parties;
 actions of the insurer in the case the insurance event occurs;
 a list of documents that substantiate the happening of the insurance event and the amount of losses;
 procedure and terms for making insurance disbursements;
 a term for passing a decision on making or refusing to make insurance disbursements;
 reasons for refusing to make an insurance disbursement or disburse an insurance indemnification;
 conditions of termination of the agreement on insurance;
 a procedure for dispute resolution;
 insurance tariffs in accordance with insurance agreements other than agreement on life insurance;

insurance tariffs and methodology of their computation in accordance with life insurance agreements;
special conditions.

If the insurer introduces new rules of insurance or if changes and (or) additions are made to the rules of insurance, the insurer is required to submit these new rules, changes and (or) additions for registration to the Authorized body.

The Authorized body may refuse to issue a license and register the rules or changes and (or) additions to them, if the submitted rules of insurance or changes or additions to them are inconsistent with the existing legislation, violate or limit the rights of the insured or do not meet the requirements of this Article.

Article 18. Execution and coming into force of an agreement on insurance

To execute an agreement on insurance, the insured is to submit to the insurer a written application the form of which is to be established by the insurer, or in other way notifies of one's intention to execute an agreement on insurance.

When executing an agreement on insurance, the insurer may request the insured to produce a balance sheet or financial statement verified by an auditor (auditing firm), and other documents that the insurer needs to assess the insurance risk.

The fact of execution of an agreement on insurance may be certified by an insurance certificate (police), which is a form of an agreement on insurance.

An agreement on insurance comes into force as of the moment when the first insurance payment is made, unless the agreement on insurance provides otherwise.

An agreement on life insurance may be executed either by way of preparing one document (the agreement on insurance), signed by the parties, or by way of exchange by letters, documents, signed by the party which sends them. If the insured submits a written application in the form established by the insurer, which expresses the intention to execute the agreement on insurance, such agreement may be executed by way of sending to the insurer a copy of the rules of insurance and issuing to the insured an insurance certificate (police), which contains no deviations from the submitted application. The application is to be prepared in two copies, a copy of the application is to be sent to the insured and must be marked by the insurer or his authorized representative to indicate that the proposed terms of insurance are accepted.

Article 19. Currency of insurance

The insured, in accordance with the executed agreements on insurance, have the right to make payments only in the monetary unit of Ukraine, and the insured nonresidents – in a foreign freely convertible currency or in the monetary unit of Ukraine in cases specified by the existing legislation of Ukraine, taking into account provisions of part four of this Article as agreements on life insurance are entered.

If an agreement on insurance applies to the foreign territory in accordance with agreements executed with foreign partners, then the procedure for currency payments shall be regulated in accordance with requirements of legislation of Ukraine on currency regulation.

Insurance disbursements are to be made in currency specified in the agreement on insurance, unless otherwise is provided by legislation of Ukraine.

Monetary obligations of parties of agreements on life insurance, if they agree so, may be denominated either in the national currency of Ukraine, or in a freely convertible currency or conventional units, which specify the actual amount of obligations of the insurer on the date when such obligations arise or are fulfilled.

Article 20. Duties of an insurer

An insurer is required to:

- 1) inform the insured about the terms and rule of insurance;
- 2) within two working days, as soon as it becomes known that an insurance event took place, take measures to prepare all necessary documents for a timely insurance disbursement or insurance indemnification to the insured;
- 3) as the insurance event takes place, make an insurance disbursement or pay an insurance indemnification in the term specified in the agreement. The insurer bears property responsibility for late insurance disbursements (insurance indemnifications) by way of paying to the insured a fine (penalty, interest) in the amount specified by terms of the agreement on insurance;
 - 4) compensate for losses incurred by the insured in the case of an insurance event in connection with prevention or reduction of losses, if so is provided by the terms of the agreement;
 - 5) on the basis of the application of the insured, in the event he took measures that reduced the insurance risk or increased the value of the property, re-execute the agreement on insurance with him;
- 6) prevent disclosure of information on the insured and his property status except in cases specified in legislation of Ukraine.

Terms of an agreement on insurance may also provide for other duties of the insurer.

Article 21. Duties of the insured

The insured is required to:

- 1) timely make insurance payments;
- 2) when entering an agreement on insurance, provide information to the insurer on all known to him circumstances which are essential for evaluation of insurance risks, and subsequently inform him of any changes in the insurance risk;
- 3) notify the insurer of other effective agreements on insurance relating to this object of insurance;
- 4) take measures to prevent and reduce losses caused as a result of an insurance effect;
 - 5) inform the insurer about the insurance event within the period specified in the terms of the insurance.

Terms of an agreement on insurance may also provide for other duties of the insured.

Article 22. Changing the insured – citizen in the agreement on insurance

In the event of death of the insured - citizen, who entered an agreement on property insurance, the rights and duties of the insured shall be assumed by the persons who inherited this property. The insurer or any of the heirs may initiate the re-execution of the agreement on insurance.

In other cases rights and obligations of the insured may be transferred to another citizen or legal persons only on the basis of the consent of the insurer, unless otherwise is provided by the agreement on insurance.

In the event of the death of the insured which had entered an agreement on personal insurance in the interest of the third persons, his rights and obligations may be transferred to either these persons, or to the persons who are obligated by existing legislation to protect rights and legitimate interests of the insured.

Article 23. Consequences of the insured losing the rights of a legal person

If the insured – legal person is terminated and its legal successors are established, the rights and duties of the insured assumed by the successor.

Article 24. Consequences of the insured citizen's losing his legal capability

If a court decides that the insured citizen is legally incapable, his duties under the agreement on insurance shall be transferred to his guardian, and the civil liability insurance agreement is terminated as of the date of the establishment of legal incapability.

If a court decides that the insured citizen's legal capability is limited, he will fulfill his rights and obligations under the agreement on insurance only on condition of approval of the guardian.

Article 25. Procedure and terms for carrying out insurance disbursements and insurance indemnifications

The insurer shall carry out insurance disbursements and insurance indemnifications in accordance with the agreement on insurance or legislation on the basis of the application of the insured (his legal successors or third persons, specified by the terms of insurance) and the insurance act (accident certificate), which is to be prepared by the insurer or the authorized person (accident commissioner) in the form specified by the insurer.

Accident commissioner – persons that engage in determination of causes of insurance events and of the amount of losses, qualification requirements to which are established by the acts of the existing legislation of Ukraine.

The insurer and the insured may hire at their own expense an accident commissioner to investigate the circumstances of the insurance event. The insurer may not refuse to the insured to carry out an investigation and is required to inform the accident commissioner with all circumstances of the insurance event, provide all necessary material evidence and documents.

If necessary the insurer or the Motor (transport) insurance bureau may make inquiries concerning information relating to the insurance event, addressing law enforcement organs, banks, medical institutions and other enterprises, agencies and organizations that possess information related to the circumstances of the insurance event, and also may independently determine causes and circumstances of the insurance event.

Enterprises, agencies and organizations are required to send responses to the insurers and the Motor (transport) insurance bureau in response to inquiries about information related to the insurance event, including data that constitute a commercial secret. In such a case the insurer and the Motor (transport) insurance bureau bear the responsibility for their disclosure in any form, except cases specified by legislation of Ukraine.

Article 26. Rejection to make insurance disbursements or insurance indemnification

The grounds for rejection to make insurance disbursements or insurance indemnification are:

- 1) willful actions by the insured or persons, in the interest of which the agreement on insurance is entered, aimed at making the insurance event happen. The said provision does not apply to actions related to their performing their civil or service duties, in the state of necessary self-defense measures (without exceeding the limits of sufficient self-defense) or protection of property, life, health, honor, dignity and business reputation. Qualification of actions by the insured or persons, in the interest of which the agreement on insurance was entered, shall be established in accordance with existing legislation of Ukraine;
- 2) commitment by the insured citizen or other person in the interest of which the agreement on insurance was executed, of the willful crime, which resulted in the insurance event;
- 3) intentional submission by the insured of misleading information about the object of insurance or about the fact of occurrence of the insurance event;
- 4) receipt by the insured of complete indemnification for losses under property insurance from persons involved in causing these losses;
- 5) late notification of the insurer of the insurance event without serious reasons for doing so, or creating difficulties for the insurer in determining circumstances, nature and amounts of losses;
- 6) other cases specified by legislation of Ukraine.

Terms of the agreement on insurance may provide for other grounds for rejection of insurance disbursements, if this is consistent with legislation of Ukraine.

A decision to reject an insurance disbursement must be made by the insurer within a term that is not larger than the specified by the rules of insurance and must be communicated to the insured in writing with explanation of grounds for the rejection.

The insurer's rejection to make insurance disbursements may be appealed by the insured in court.

A negative financial condition may not be a basis for insurer's rejection to make insurance disbursements or indemnification (or parts thereof) to the insured.

Article 27. The insurer's acquiring the rights of the insured with respect to persons responsible for loss

The insurer, which has paid an insurance indemnification in accordance with the property insurance agreement, within the limits of actual expenses acquires the right to a claim that the insured or other person, which has received the insurance indemnification, has against the persons responsible for causing the loss.

Article 28. Terminating an agreement on insurance

An agreement on insurance is terminated and is no longer valid by agreement of the parties, and also in the event of:

- 1) the end of the term of the agreement;
- 2) fulfillment by the insurer of the full scope of his obligations to the insured;
- 3) the insured's failure to make timely insurance payments in terms specified in the agreement. In this case the agreement is considered terminated early if the first (or a successive) insurance payment was not made despite the written demand of the insurer during ten working days after the demand was serviced to the insured, unless otherwise is provided by the terms of agreement;
- 4) liquidation of insured legal person or death of the insured citizen or his legal disability, except in cases specified in Articles 22, 23 and 24 of this Law;
- 5) liquidation of the insurer in accordance with procedure established by legislation of Ukraine;

6) the court passing the decision on recognizing the agreement on insurance invalid;

7) in other cases specified by legislation of Ukraine.

An agreement on insurance may be terminated early on the basis of the demand of the insurer or the insured, if so is provided by terms of the agreement on insurance. An agreement on personal insurance may not be terminated by the insurer early if the insured does not agree to it and complies with all the conditions of the agreement on insurance, if the terms of the agreement and legislation of Ukraine do not provide otherwise.

Either party is required to notify of its intent to terminate an insurance agreement early no later than 30 calendar days before the date of the end of the agreement on insurance, unless it provides otherwise.

In the event of the early termination of an agreement on insurance, except in case of a life insurance agreement, following the demand of the insured, the insurer returns to him the insurance payments for the period that is left until the end of the agreement, less normative expenses to maintain the case, determined at the time of computation of the insurance tariff, actual disbursements of insurance amounts and insurance indemnification, which were carried out in accordance with this agreement on insurance. If the demand of the insured is caused by the insurer's violation of the terms of the agreement on insurance, the latter returns to the insured all the insurance payments made in full.

In the event of the early termination of an agreement on insurance, except in case of a life insurance agreement, following the demand of the insurer, the insurer returns to the insured all the insurance payments made by the insured. If the demand of the insurer is caused by the insured's violation of the terms of the agreement on insurance, then the insurer returns to him the insurance payments for the period that is left until the end of the agreement, less normative expenses to maintain the case, determined at the time of computation of the insurance tariff, actual disbursements of insurance amounts and insurance indemnification, which were carried out in accordance with this agreement on insurance.

In the event of the early termination of an agreement on life insurance, the insurer pays to the insured the buy-out amount that is the property right of the insured in accordance with the life insurance agreement.

If the demand of the insurer is caused by the failure of the insurer to meet the terms of the agreement on insurance, the insured shall receive the buy-out amount.

The buy-out amount – the amount that is payable by the insurer in the case of early termination of an agreement on life insurance and that is computed mathematically on the date of termination of the agreement on life insurance depending on the period during which the agreement on life insurance was in effect, in accordance with the methodology, which is to be examined by the Authorized body, implemented by the actuary and is an inalienable part of life insurance rules. The Authorized body may set forth requirements to the methodology of computation of the buy-out amount.

It shall not be allowed to return money in cash if payments were made in the non-cash form, in the case of early termination of the agreement on insurance.

Article 29. Invalid agreements on insurance

An agreement on insurance shall be considered invalid from the moment of its execution in cases specified in the Civil Code of Ukraine.

In accordance with this Law, the agreement on insurance is recognized invalid and is not subject to implementation also in the case if:

- 1) if it was executed after the insurance event;
- 2) if an object of agreement on insurance is the property that is to be confiscated on the basis of the court order or a decision that has acquired the status of law.

An agreement on insurance is recognized invalid in accordance with the court procedure.

Chapter III. ENSURING SOLVENCY OF INSURERS

Article 30. Conditions for ensuring solvency of insurers

Insurers are required to follow the following conditions for ensuring solvency:

Availability of the paid-in statutory fund and availability of the guarantee fund of the insurer;

Creation of insurance reserves, sufficient for future insurance disbursements and indemnifications;

The excess of the actual reserve of solvency of the insurer over the calculated normative reserve of solvency.

The minimum size of the statutory of the insurer, which engages in insurance activities other than life insurance, shall be established in the amount equivalent to 1 million Euro, and for the insurers engaging in life insurance, - 1.5 million Euro under the exchange rate of the currency of Ukraine.

The guarantee fund of the insurer consists of additional and reserve capitals, and also the amount of undistributed profits.

Insurers may create free reserves at the expense of the undistributed profit.

Free reserves – part of the insurer's own money, which is reserved for the purpose of ensuring solvency of the insurer in accordance with the adopted methodology of insurance activity.

To ensure that insurers meet their obligations relating to particular kinds of obligatory insurance, insurers may create centralized insurance reserve funds and organs that carry out management by these funds. The Authorized body shall approve the regulations on these funds.

Sources for creating the centralized insurance reserve funds may be part of receipts of insurance payments, contributions of the insurer's own money, and also incomes from placement of money of centralized insurance reserve funds.

Insurers, in accordance with volumes of the insurance activity, are required to maintain the proper level of actual reserve of solvency (net assets).

Actual reserve solvency (net assets) of the insurer is determined by reducing the value of the property (total assets) of the insurer the amount of intangible assets and total liabilities, including insurance liabilities. Insurance liabilities are taken equal to the level of the insurance reserves, which the insurer is required to form in accordance with procedure provided by this Law.

On any date the actual reserve of solvency of the insurer must exceed the computed normative reserve of solvency.

The normative reserve of solvency of the insurer, which carried out kinds of insurance other than life insurance, on any date equals the greater of the following values:

The first – is computed by way of multiplying the amount of the amount of insurance premiums for the past 12 months by 0.18 (the last month shall consist of the number of days on the date of computation). In this case the amount of insurance premiums is to be reduced by 50 percent of the insurance premiums that belong to re-insurers;

The second - is computed by way of multiplying the amount of the amount of insurance disbursements for the past 12 months by 0.26 (the last month shall consist of the number of days on the date of computation). In this case the amount of insurance premiums is to be reduced by 50 percent of the insurance disbursements that are compensated by the re-insurer in accordance with the executed agreements on reinsurance.

A normative reserve of solvency of the insurer, which engages in life insurance, on any date, equals the value, which is determined by way of multiplying the total amount of the reserve of long-term liabilities (mathematical reserve) by 0.05.

The total amount of the reserve of long-term liabilities (mathematical reserve) equals the sum of reserves of long-term liabilities (mathematical reserve), which are determined on any date separately for each agreement on life insurance.

If the insurance amount for each object of insurance is greater than 10 percent of the amount of paid-in statutory fund and the formed free reserves and insurance reserves, the insurer is required to execute a reinsurance agreement.

Insurers, which have assumed insurance obligations in amounts that exceed their capacity to meet them at the expense of their own assets, are required to reinsure the risks of fulfilling the said obligations with reinsurers that are residents or non-residents.

To cover insurance obligations relating to life insurance and medical insurance, the insurers are to form separate reserves at the expense of their receipts of insurance payments and incomes from investing the money of the formed reserves for these kinds of insurance.

The Cabinet of Ministers of Ukraine may change the procedure for determination of the actual and normative reserve of the solvency and structure of the guarantee fund.

Article 31. Insurance reserves

Insurance reserves are created by insurers for the purpose of ensuring the future disbursements of insurance amounts and insurance indemnification depending on kinds of insurance (reinsurance).

Insurance reserves in amounts that do not exceed technical reserves, and for insurance companies engaged in life insurance – the mathematical reserves, shall be created in those currencies in which responsibility is borne in connection with their insurance obligations.

Insurance reserves can be technical reserves and life insurance reserves (mathematical reserves).

Formation of reserves from insurance of life, medical insurance and obligatory kinds of insurance is to be carried out separately from other kinds of insurance.

Insurers are required to keep records of agreements on insurance and claims (applications) of the insured regarding disbursements of insurance amounts or insurance indemnification in the form which will ensure the receipt of information that is necessary for taking into account as insurance reserves are formed. The Authorized body may establish a procedure and form for keeping records of agreements on insurance and claims (applications) of the insured regarding disbursements of insurance amounts or insurance indemnifications.

Insurers are required to form and keep records of the following technical reserves by kinds of insurance (except life insurance):

Unearned premiums (premium reserves), which include parts of receipts of insurance payments (insurance contributions, insurance premiums), which correspond to insurance risks that haven't passed on the reporting date;

losses, which include the reserved unpaid insurance amounts and insurance indemnification for known claims of the insured, with respect to which no decision has been made either to agree to disburse insurance amounts or insurance indemnification, or reject them.

The amount of the reserves of unearned premiums on any reporting date shall be established depending on the parts of proceeds of the amounts of insurance payments (insurance contributions, insurance premiums), which may not be less than 80 percent of the total amount of proceeds of insurance payments (insurance contributions, insurance premiums), from respective kinds of insurance in every month from the previous nine months (payment period) and shall be computed in accordance with the following procedure:

Part of proceeds of insurance payments (insurance contributions, insurance premiums) for the first three months of the payment period shall be multiplied by one fourth;

Part of proceeds of insurance payments (insurance contributions, insurance premiums) for the following three months of the payment period shall be multiplied by one half;

Part of proceeds of insurance payments (insurance contributions, insurance premiums) for the last three months of the payment period shall be multiplied by three-fourths;

The received proceeds are to be added.

In this case the last month of the payment period shall consist of the number of days on the date of payment.

Insurers may pass a decision to introduce from the beginning of the calendar year in accordance with the established by the Authorized body methodology for formation and keeping records of such technical reserves for kinds of insurance, other than life insurance:

Reserve of unearned premiums;

Reserve of declared but not paid losses;

Reserve of losses that have occurred but haven't been declared;

Reserve for catastrophes;

Reserve for loss fluctuations.

Insurers are required to notify in writing the Authorized organ of introduction of formation and accounting of the specified technical reserves for kinds of insurance, other than life insurance, no later than 45 days before the beginning of the calendar year.

To cover insurance obligations relating to life insurance and medical insurance, insurers shall form separate reserves at the expense of proceeds of insurance payments and incomes from investing the money of the formed reserves for these kinds of insurance.

The money of the life insurance reserves are not property of the insurer and must be separated from his other properties. The insurer is required to account for the money in life insurance reserves in a separate balance account and keep their accounting records separately.

Money of the life insurance reserves may not be used by the insurer for paying any liabilities, except those that correspond to the assumed obligations under agreements on life insurance, and may not be included in the liquidation mass in the event of bankruptcy of the insurer or his liquidation for other reasons, and are subject to transfer to other insurer on the basis of the consent of the insurer and the insured persons, or are subject to transfer to the insured person.

A separate list of reserves for medical insurance, and also the procedure for formation and accounting of such reserves may be determined by the respective normative – legal acts.

Insurers are required to create and keep records of the following life insurance reserves:

Long-term liabilities (mathematical reserves);

Insurance amounts payable.

The amount of reserves of long-term liabilities (mathematical reserves) shall be computed actuarially separately for each agreement in accordance with the methodology of formation of life insurance reserves with taking into account the pace of growth of inflation. The methodology for formation of life insurance reserves, amounts of insurance obligations depending on kinds of agreements on life insurance, and also minimum terms of life insurance agreements shall be established by the Authorized body.

The Cabinet of Ministers of Ukraine may change the list of insurance reserves and procedure for their computations.

Money of the insurance reserves must be placed with taking into account security, profitability, liquidity, diversification and must be represented by the assets of the following categories:

Money in the current account;

(paragraph two of part eighteen of Article 31
as amended according to the Law of Ukraine No. 2921-III of January 10, 2002)

Bank deposits;

Currency deposits in accordance with the currency of the insurance;

Immovable property;

shares, securities;

valuable papers issued by the state;

rights of claim to reinsurers;

investments in the economy of Ukraine by sectors specified by the Cabinet of Ministers of Ukraine;

bank metals;

credits to insured citizens that have entered agreements on life insurance, within the limits of the buy-out amount at the time of provision of the credit, and with the buy-out amount being a security for the credit. In this case the credit may not be given earlier than one year after the insurance agreement took effect, and for the period, which exceeds the period that remains until the end of the term of the insurance agreement;

cash held in a cash register in the amount of the limits on cash balance established by the National Bank of Ukraine.

Money of life insurance reserves may be used for long-term crediting for housing construction, including individual developers, in accordance with procedure established by the Cabinet of Ministers of Ukraine.

Insurers are prohibited to carry out any other kinds of credit activities.

Article 32. Funds of insurance guarantees

To ensure additional coverage of insurance obligations, insurers may create, on the basis of an agreement, the Fund of insurance guarantees, which is a legal person. The state registration of the Fund shall be carried out in accordance with procedure established for state registration of subjects of entrepreneurial activities. The organ that carries out registration of the Fund is to notify the Authorized body of it in 10 days following the date of registration.

Sources for creation of the Fund of insurance guarantees are voluntary transfers of part of proceeds of insurance payments and incomes from placements of this money. The amount of transfers to the Fund of insurance guarantees and procedure for using the money of this Fund shall be established by the insurers, which take part in it.

The Cabinet of Ministers of Ukraine may pass a decision on creation of funds of insurance guarantees by categories of insurance.

Article 33. Peculiarities of accounting and reporting of insurers

Insurers are required to quarterly submit to the Authorized body financial reporting documents and other reporting data in the form established by the Authorized organ, approved by the owner (or an organ authorized by the owner) of the insurer, and also provide necessary explanations regarding reporting data in response to requests of the Authorized body.

Article 34. Publication by insurers of their annual financial statements

Insurers shall publish their annual financial statements in the form and in accordance with procedure established by the Authorized organ.

Completeness and accuracy of the annual financial statement of insurers must be verified by the auditor (auditing firm).

Chapter IV. STATE SUPERVISION OF INSURANCE ACTIVITIES IN UKRAINE

Article 35. State supervision of insurance activities

The state supervision of insurance activities is carried out for the purpose of meeting the requirements of legislation of Ukraine on insurance, effective development of insurance services, prevention of insolvency of insurers and protection of interests of the insured.

The state supervision of insurance activities in the territory of Ukraine is carried out by the Authorized body and its local organs.

Article 36. Functions of the special authorized central organ of executive power in matters relating to supervision of insurance activity

Principal functions of the Authorized body are:

- 1) maintaining the unified state registry of insurers (reinsurers) and the state registry of insurance and reinsurance brokers;
- 2) issuing licenses to insurers to carry out insurance activities and conducting examinations of their conformity with the issued license;
- 3) issuing certificates on including insurance and reinsurance brokers in the state registry of insurance and reinsurance brokers and carrying out examination of their compliance with legislation on intermediary activities in insurance and reinsurance and accuracy of their reporting documents;
- 4) conducting examinations of correctness of application by insurers (reinsurers) and insurance intermediaries of legislation on insurance activity and accuracy of their reporting documents;
- 5) developing normative and methodological documents on issues of insurance activity, which is included by this Law in the competence of the Authorized body;
- 6) generalizing the practice of the insurance activity and intermediary activities on the insurance market, preparing and submitting in accordance with the established procedure the proposals relating to development and improvement of legislation of Ukraine on insurance and intermediary activities in insurance and reinsurance;
- 7) adopting, within the limits of one's competence, the normative legal acts on issues of insurance and intermediary activity in insurance and reinsurance;
- 8) carrying out an analysis of compliance with legislation by associations of insurers and insurance intermediaries;
- 9) carrying out control of solvency of insurers in accordance with insurance obligations to the insured they assumed;
- 10) ensuring the carrying out of research – methodological work on issues of insurance and intermediary activity in insurance and reinsurance, increasing efficiency of state supervision of insurance activities;
- 11) establishing rules for creating, accounting and placing insurance reserves and reporting indicators;
- 12) conducting and coordinating in accordance with the established by Law procedure for educating, training and retraining personnel and establishing qualification requirements to persons that carry out an activity on the insurance market, organizing meetings, seminars, conferences on issues of insurance activity;
- 13) participating in cooperation in the sphere of insurance and intermediary activities in insurance and reinsurance, studying, generalizing, expanding of international experience, organizing implementation of international agreements of Ukraine on these issues;
- 14) providing organizational – methodological support for ensuring the carrying out of actuary computations.

The Authorized body may perform other functions necessary for accomplishing the assigned to it tasks.

Article 37. Rights of the special authorized central body of executive power for matters of supervision of insurance activity

The Authorized body may:

- 1) receive in accordance with the established procedure from insurers the reporting documents on insurance activity, information about their financial position and necessary explanations regarding reporting data, and from enterprises, agencies (including banks), organizations and citizens – the information necessary for accomplishing the assigned to it tasks;
- 2) carry out examinations of correctness of application by the insurers of legislation of Ukraine on insurance activity and accuracy of their reporting documents with respect to indicators that characterize the implementation of agreements on insurance, no more than once a year to order the carrying out at the expense of the insurer of an additional obligatory auditing examination and specify the auditor;
- 3) issue directives to insurers to eliminate the discovered violations of requirements of legislation on insurance activity, and in the event of failure to follow these directions to suspend or limit the application of the licenses of these insurers until the discovered violations are eliminated or to pass a decision to revoke the licenses and exclude the insurers from the state registry of insurers (re-insurers);
- 4) conduct topical examinations of activities of the insurer in cases where it is necessary to verify facts described in complaints, statements, and claims of the insured, accuracy of the reporting indicators, meeting the requirements of earlier issued directions, upon the authorization of law-enforcement bodies or bodies of the state power, repeat examinations of accuracy and correctness of the executed agreements on insurance and reinsurance and in the case of receipt of information from the insured about violations;
- 5) receive from insurance and reinsurance brokers the established reporting documents on their activity and information on the executed agreements, as well as necessary explanations concerning these data;
- 6) issue directions to insurance intermediaries to eliminate the discovered violations of legislation, and in the event of failure to follow these directions to pass a decision on excluding the insurance or reinsurance broker from the state registry of insurers and reinsurance brokers;
- 7) receive in accordance with the established procedure from accident commissioners the information, including the information on circumstances and reasons of the occurrence of the insurance event and the caused damage;
- 8) create commissions and work groups to carry out examinations of the activity of insurers and insurance intermediaries;
- 9) carry out control of accuracy and completeness of information, which is provided to the participants of the insurance market;
- 10) receive free-of-charge from organs of executive power information and statistical reports, necessary for accomplishing the assigned to it tasks;
- 11) appeal to the court with a claim regarding revocation of the registration of the insurer (reinsurer) or insurance intermediary in cases specified by Law.

Article 38. Licensing an insurance activity

The Authorized organ issues to insurers licenses to carry out specific kinds of insurance.

Insurers, which have received a license for life insurance, may not engage in other kinds of insurance. Licenses to carry out life insurance shall be issued without specifying the term of their validity in them. The Cabinet of Ministers of Ukraine shall establish the amount of payment for the issuance of licenses to carry out specific kinds of insurance.

Managers of the insurer (head of the executive organ and chief accountant of the insurer) must be legally capable physical persons. Head of the executive organ of the insurer or his first deputy must have higher economic or legal education, and the chief accountant of the insurer must have higher economic education.

To obtain a license, the insurer is to submit to the Authorized body an application with the following attached:

Copies of the statutory documents and the copy of registration certificate;

Information note from banks or conclusions of auditing firms (auditors), which verify the size of the paid-in statutory fund;

Information note on financial position of the founders of the insurer, verified by the auditor (auditing firm), if the insurer is created in the form of full or commandite company, or a company with additional liability;

rules (terms) of insurance;

feasibility studies of the planned insurance (reinsurance) activity;

information on participants of the insurer, head of the executive organ and his deputies, a copy of the diploma of head of the executive organ of the insurer or his first deputy verifying higher economic or legal education, a copy of the diploma of the chief accountant of the insurer verifying the higher economic education, information on availability of respective certificates in cases specified by the Authorized body.

The Authorized body is required to consider the application of the insurer for the issuance of the license within the term that does not exceed 30 calendar days from the moment of receipt of all specified in this Article documents.

The insurer is required to inform the Authorized body of the changes to the specified in this Article documents within the 10-day period following registration of such changes in accordance with the established procedure.

Article 39. Rejection to issue a license to carry out insurance activity and review of disputes over revocation of a license

The ground for rejection in issuing to a legal person a license to carry out an insurance activity may be the inconsistency of the documents that are submitted with the application with the requirements of existing legislation of Ukraine.

The Authorized body shall notify the legal person of the rejection to issue a license in writing and with indication of reasons for the rejection.

Disputes over rejection to issue a license or revocation of a license shall be considered in accordance with the court procedure.

Article 40. Insurance confidentiality

Officials of the Authorized body shall be held responsible as provided by legislation if they disclose in any form the information that constitutes the insurance secret.

Confidential information concerning activities and financial position of the insured – client of the insurer, which became known to him in the course of relationships with a client or third persons during the carrying out of an activity in the sphere of insurance, disclosure of which may cause material or moral damage to the client, is the insurance secret.

Information concerning legal and natural persons, which constitutes an insurance secret, shall be provided by the insurer in the following cases:

In response to a written inquiry or on the basis of the written permission of the owner of such information;

In response to written demands of the court or to the court order;

To organs of the Prosecutor's Office of Ukraine, Security service of Ukraine, Ministry of Internal Affairs of Ukraine, tax militia of the State Tax Administration of Ukraine, in response to their written demand with respect to transactions of insurance of a specific legal or natural person under a specific agreement on insurance in the case a criminal case with respect to this natural or legal person is initiated.

Limitations regarding receipt of information, which constitutes an insurance secret, shall not apply to employees of the Authorized body, which, within the limits of powers provided by this Law, carry out state supervision of insurance activities.

Article 41. Relationship between the insurer and the state

Insurer is not responsible for obligations of the state, and the state – for obligations of the insurer.

Shall not be allowed, except for obligatory kinds of insurance, life insurance, insurance of property of citizens, reinsurance, insurance of export-import supplies on the basis of the state guarantees and activities of insurance intermediaries, any centralized regulation (unification, limitations, requirements, etc.) of amounts of insurance payments (tariffs) and insurance indemnification, terms of execution of insurance agreements, relationships between the insurer and the insured, if such do not contradict legislation of Ukraine.

Article 42. Guarantees of rights and legitimate interests of insurers

The state guarantees fulfillment and protection of property and other rights and legitimate interests of insurers, conditions of free competition in carrying out insurance activities.

Interfering with the activity of insurers on the part of state and other bodies is prohibited, if such interfering is not related to the powers of organs that carry out the state supervision and control of activities of insurers.

Article 43. Liquidation, reorganization and enhancement of an insurer

The Authorized body may order to carry out a forcible enhancement of the insurer if:

The insurer fails to meet his obligations to the insured during three months;

The insurer fails to reach the established by law amount of statutory fund;

Other cases specified by the existing legislation of Ukraine occur.

Forcible enhancement involves:

Conducting a complex examination of financial – business activity of the insurer, including an obligatory auditing examination;

Designating by the Authorized body a managing person, without approval of which the financial, business and personnel management of the insurer may not be carried out;

Imposing a ban on a free use of the property of the insurer and assumption of insurance obligations without permission of the Authorized body;

Setting an obligatory schedule of making payments to the insured;

Passing a decision on liquidation or reorganization of the insurer. Liquidation of the insurer shall be carried out in accordance with procedure established by existing legislation of Ukraine.

Reorganization of the insurer upon the decision of the Authorized body involves:

Reorganization of the insurance intermediary in accordance with normative acts that regulate activities of insurance intermediaries;

Merging several insurers and setting a procedure for transferring insurance obligations on condition owners of the insurers agree to that;

Adding to participants of the insurer other insurers (including foreign insurers) on condition that they make all payments under obligations and debts of the insurer, the terms of payments of which have already passed.

If the insurer is liquidated when the participants of the insurer have passed such a decision and the insurer does not have liabilities to the insured, the Authorized body passes the decision on exclusion of the insurer from the Unified state registry of insurers (reinsurers).

Liquidation of an insurer that has liabilities to the insured in the case of his bankruptcy shall be carried out in accordance with procedure specified by law.

Excluding the insurer from the state registry of subjects of entrepreneurial activities by the state power bodies and organs of local self-government in connection with its liquidation or reorganization can be carried out only after respective changes are made to the Unified state registry of insurers (reinsurers).

Reorganization of the insurer (merger, acquisition, division, separation, transformation) shall be carried out in accordance with procedure established by existing legislation of Ukraine, taking into account peculiarities of ensuring legal succession with respect to execution of agreements on insurance, established by the Authorized body.

Article 44. Insuring foreigners, persons without citizenship and foreign legal persons in the territory of Ukraine

Foreigners, persons without citizenship and foreign legal persons in the territory of Ukraine have equal rights to insurance with citizens and legal persons of Ukraine.

Article 45. Dispute resolution

Disputes, relating to insurance, shall be resolved in accordance with procedure established by the existing legislation of Ukraine.

Article 46. International agreements

If an international agreement of Ukraine, the agreement to the mandatory status of which was given by Verkhovna Rada of Ukraine, establishes rules other than those provided in this Law, then in the territory of Ukraine the rules of the international agreement shall apply.

Chapter V. FINAL PROVISIONS

1. This Law comes into force as of the date of its publication.
2. Until legislation is brought in conformity with this Law, laws and other normative – legal acts shall apply in the part that is consistent with this Law, taking into account paragraph six of item 10 of this Chapter.
3. Insurers are required to form their statutory funds in accordance with requirements of Article 30 this Law in accordance with the following procedure:

Insurers, which engage in kinds of insurance other than life insurance, during two years from the date of enactment of this Law - 500 thousand Euros, during three years from the date of enactment of this Law - 1 million Euros;

Insurers, which engage in life insurance, - 750 thousand Euros during two years from the date of enactment of this Law and 1.5 million Euros during three years from the date of enactment of this Law.

Requirements of this item do not apply to insurers that will be created after enactment of this Law. Such insurers are required to have the statutory fund paid in the amount specified in Article 30 of this Law.

4. The Authorized body shall revoke insurance licenses and exclude from the state registry of insurers (reinsurers) of the insurers, which haven't complied with requirements of Article 30 of this Law, taking into account peculiarities specified in item 3 of this Chapter.

5. During the first year after the enactment of this Law insurers may set indicators of normative reserve of solvency taking into account that the amount of proceeds of insurance premiums is reduced by 90 percent of insurance premiums that belong to reinsurers, and the amounts of made insurance disbursements are reduced by 90 percent of the disbursements that are indemnified by reinsurers.

During the second year from the date of enactment of this Law insurers may set indicators of normative reserve of solvency taking into account that the amount of proceeds of insurance premiums is reduced by 75 percent of insurance premiums that belong to reinsurers, and the amounts of made insurance disbursements are reduced by 75 percent of the disbursements that are indemnified by reinsurers.

During the third year from the date of enactment of this Law insurers may set indicators of normative reserve of solvency taking into account that the amount of proceeds of insurance premiums is reduced by 60 percent of insurance premiums that belong to reinsurers, and the amounts of made insurance disbursements are reduced by 60 percent of the disbursements that are indemnified by reinsurers.

6. Insurers may pass a decision to introduce from the beginning of the calendar year in accordance with the established by the Authorized body methodology of formation and accounting of technical reserves for kinds of insurance other than life insurance, in accordance with part nine of Article 31 of this Law beginning in 2003.

7. Requirements of Article 38 of this Law in the part of the head of the executive organ of the insurer or his first deputy having higher economic or legal education and concerning the chief accountant of the insurer having higher economic education for insurers that were created before the enactment of this Law, shall begin to apply three years after the date of enactment of this Law.

8. Item 54 of Article 9 of Law of Ukraine "On licensing particular kinds of economic activities" (Vidomosti Verkhovnoyi Rady Ukrainy, 2000, No. 36, Art. 299, No. 45, Art. 377; 2001, No. 11, Art. 45, No. 16, Art. 76, No. 22, Art. 105 with changes introduced by Law of Ukraine of 11 July 2001 No. 2628-III) shall be deleted.

9. Paragraph four of sub-item "a" of item 4 of Article 5 of the Decree of the Cabinet of Ministers of Ukraine of February 19, 1993, No. 15-93 "On the system of currency regulation and currency control" (Vidomosti Verkhovnoyi Rady Ukrainy, 1993, No.17, Art. 184) shall have the following words added "and in accordance with agreements (insurance policies, certificates) on life insurance".

10. The Cabinet of Ministers of Ukraine in the four-month period from the date of publication of this Law shall:
prepare and submit for consideration to Verkhovna Rada of Ukraine the proposals regarding bringing laws of Ukraine in conformity with this Law;
bring its normative – legal acts in conformity with this Law;
ensure adoption of normative – legal acts necessary for implementation of this Law;
ensure that ministries, other central organs of executive power bring their normative-legal acts in conformity with this Law.

The Cabinet of Ministers of Ukraine in one-month term after the passage of this Law shall submit to Verkhovna Rada of Ukraine the draft law of Ukraine that provides for replacement of obligatory state insurance by the immediate payment to the injured of indemnification from the State budget of Ukraine by chief managers of budget funds as target payments at the place of work of the injured. Until such law is passed, with respect to such categories of employees shall be valid the provisions established by laws of Ukraine and other normative – legal acts that regulate the issue of state protection of these categories of employees.

11. The National Bank of Ukraine in one-month term shall prepare a procedure for providing individual licenses to insurers engaging in life insurance with respect to investing the formed in accordance with the procedure established by the legislation of Ukraine part of the mathematical reserves in freely-convertible currency outside Ukraine, and provide for a possibility of provision of such license for the specified term in the amount, which is not exceeding the said part of the mathematical reserves of the insurer, with quarterly declaration of the results of investment activities.

President of Ukraine

L. KUCHMA

Kyiv

March 7, 1996

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