

The New Draft Insurance Law Prepared by the National Bank of Serbia

In May 2014 National Bank of Serbia (the "NBS") has published a draft of Insurance law (the "draft Law") which has been put for public discussion with the view to enter parliamentary procedure until autumn 2014.

According to the NBS the draft law is intended to bring the insurance regulation more in line with the EU regulation, with Serbia being a candidate for EU membership and having in mind that the pre-accession negotiations have started in 2013.

Pursuant to the applicable law, the insurance services are to be provided only by local insurance companies which have been licensed by the NBS as the industry regulator whereas reinsurance coverage is available only with locally registered reinsurers.

In that regard, one of the changes the draft law is intended to introduce is liberalisation in provision of insurance services as well as the freedom of foreign insurance companies to establish local branch offices. Also reinsurance services should be liberalised and local insurance companies shall be free to obtain reinsurance cover above their self retention directly with foreign insurance companies or their local branches. This liberalisation step however is intended to take effect only upon Serbia becoming a member of the EU and WTO.

The issue of local composite insurance companies i.e. those dealing with both life and non-life insurance, should be finally resolved as well.

The draft law, in accordance with EU directives, provides that the newly established insurance companies shall be permitted to perform either life or non-life insurance, while the composites will be allowed to continue operation in the existing form provided that the life and non-life assets, liabilities and equity, within of one year as from the date of the draft law coming into force. They shall be entitled however to continue to perform certain related activities jointly.

The applicable law did also envisage for the mandatory separation of life and non-life activities which has on several consecutive occasions prolonged up until today.

The other significant changes include provisions enabling insurance company to be established by a single shareholder whereas existing law required at least two physical/legal entities as the founders as well as amendments to the required level of monetary share capital depending on the type of insurance activities the company shall engage in.

Important amendment in the field of insurance agency/intermediations relates to the abolishment of the requirement that insurance agents/intermediaries are employed under the labour agreement which has been criticised by the industry in particular insurance companies employing insurance agents.

It is expected that the draft Law shall also significantly improve the position of consumers as well through the mandatory obligation to provide information applicable to both insurers and insurance agents/intermediaries, the supervisory function of the NBS and the overall intention of the draft law to ensure adequate protection of consumers.

It should be noted that the draft law is still at the early stage and therefore may be subject to further change in the course of public discussion and by the Serbian Parliament once it enters parliamentary procedure.

Given the huge interest of the insurance industry and other parties there have been also proposals that the public discussion be extended during the summer as well.

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