

INSURANCE ACT

(Zakon o zavarovalnitvu (ZZavar))

1. GENERAL PROVISIONS

Insurance undertaking

Article 1

(1) An insurance undertaking shall be a legal entity with its head office in the territory of the Republic of Slovenia that has been granted an authorisation to perform insurance business by the Insurance Supervision Agency.

(2) The name 'insurance undertaking' or any derivatives thereof may not be entered in the companies' register if the legal entity in question fails to meet the conditions for performing insurance business.

Insurance business

Article 2

(1) Insurance business pursuant to this Act shall involve the conclusion and implementation of contracts on both non-life insurance and life assurance or reinsurance, with the exception of compulsory social insurance.

(2) With regard to the main risks to be covered, insurance shall be broken down into the following classes of insurance:

1. Accident insurance (including industrial injuries and occupational diseases) shall, in the event of death or loss of health due to injury, be insurance covering:

- the payment of agreed pecuniary indemnities, compensations and repayments in one-off amounts;
- instalment payments of agreed pecuniary indemnities;
- a combination of payments pursuant to the preceding indents;
- payments due to injury, injury to health or death of passengers.

2. Sickness insurance shall be insurance covering:

- one-off pecuniary disability benefits;
- the repayment of treatment expenses;
- a combination of payments pursuant to the preceding indents.

3. Land motor vehicle insurance shall be insurance covering all damage to or loss of:

- self-propelled land motor vehicles, other than railway rolling stock;
- non-self-propelled land vehicles.

4. Railway rolling stock insurance shall be insurance covering all damage to or loss of railway rolling stock.

5. Aircraft insurance shall be insurance covering all damage to or loss of aircraft.

6. Ship insurance shall be insurance covering all damage to or loss of sea,

river and lake vessels.

7. Goods in transit insurance shall be insurance covering all damage to or loss to goods in transit, including luggage, regardless of transport type.

8. Fire and natural forces insurance shall be insurance covering all damage to or loss of property (other than damage to property included in items 3 to 7 hereunder) due to:

- fire;
- explosion;
- storm;
- natural forces other than storms;
- nuclear energy;
- sinking and sliding ground.

9. Other damage to property insurance shall be insurance covering all damage to or loss of property (other than damage to property included in items 3 to 7 hereunder) due to hail or frost, and causes other than those included in item 8 hereunder (e.g. theft).

10. Motor vehicle liability insurance shall be insurance covering all liabilities arising from the use of self-propelled land motor vehicles (including carrier's liability).

11. Aircraft liability insurance shall be insurance covering all liabilities arising from the use of aircraft (including carrier's liability).

12. Liability for ship insurance shall be insurance covering all liability arising from the use of sea, river and lake vessels (including carrier's liability).

13. General liability insurance shall be insurance covering types of liability other than those mentioned under items 10 to 12 hereunder.

14. Credit insurance shall be insurance covering:

- risk of non-payment (or late payment) due to insolvency or other events (actions or facts);
- export credits and other risks related to export, trade and investment in foreign and domestic markets;
- credits with instalment repayment;
- mortgages and lombard loans;
- agricultural credits;
- other credits and loans.

15. Suretyship insurance shall be insurance covering and directly or indirectly guaranteeing the meeting of debtors' obligations:

16. Miscellaneous financial loss insurance shall be insurance covering financial loss arising from:

- employment risks;

- insufficient income (general);
- bad weather;
- loss of benefit;
- unforeseen general expenses;
- unforeseen trading expenses;
- loss of market value;
- loss of rent or revenue;
- indirect trading losses other than those mentioned in the preceding indents;
- other financial loss (non-trading);
- other forms of financial loss.

17. Legal expenses insurance shall be insurance covering legal expenses and costs of litigation.

18. Tourist assistance insurance shall be insurance covering assistance provided to persons encountering problems when travelling or at other events of absence from home or permanent residence.

19. Life assurance (other than insurance referred to in items 20 - 23 hereunder).

20. Marriage assurance or birth assurance.

21. Life assurance related to investment fund units shall be assurance whereby insured persons assume the investment risk with regard to changing the value of investment coupons or other investment fund securities.

22. Tontine shall be assurance whereby associations of subscribers are set up with a view to jointly capitalising their contributions and subsequently distributing the assets thus accumulated among the survivors upon completion of certain age or among the beneficiaries of the deceased.

23. Capital redemption insurance shall be insurance based on actuarial calculations whereby, in return for single or periodic payments, insured persons receive commitments of a specified duration and amount.

(3) Insurance business involving several classes of insurance shall be classified in the following insurance subgroups:

1. Accident and health insurance shall cover the classes of insurance referred to in items 1 and 2 of the second paragraph hereunder.

2. Motor vehicle insurance shall cover the classes of insurance referred to in the fourth indent of item 1 and items 3, 7 and 10 of the second paragraph hereunder.

3. Marine and transport insurance shall cover the classes of insurance referred to in the fourth indent of item 1, and items 4, 6, 7 and 12 of the second paragraph hereunder.

4. Aviation insurance shall cover the classes of insurance referred to in the fourth indent of item 1, and items 5, 7 and 11 of

the second paragraph hereunder.

5. Insurance against fire and other damage to property shall cover the classes of insurance referred to in items 8 and 9 of the second paragraph hereunder.

6. Liability insurance shall cover the classes of insurance referred to in items 10 to 13 of the second paragraph hereunder.

7. Credit and suretyship insurance shall cover the classes of insurance referred to in items 14 and 15 of the second paragraph hereunder.

8. Damage to property and accident insurance shall cover the classes of insurance referred to in items 1, 3 to 13, and 16 of the second paragraph hereunder.

(4) Insurance business involving several classes of insurance shall be joined in the following groups:

1. Non-life insurance shall cover the classes of insurance referred to in items 1 to 18 of the second paragraph hereunder.

2. Life assurance shall cover the classes of insurance referred to in items 19 to 23 of the second paragraph hereunder.

(5) Reinsurance shall mean insurance of the excess over the level of the own equalling of risks by an insurance undertaking at another insurance undertaking.

(6) Compulsory insurance in transport shall mean insurance business governed by the Act regulating Compulsory Insurance against Civil Liability in Transport (Official Gazette of the RS, No. 70/94).

(7) Co-payment health insurance shall mean voluntary health insurance covering the difference, or part thereof, between the total costs of health services and the costs covered by compulsory health insurance pursuant to the act regulating healthcare and health insurance (Official Gazette of the RS, Nos. 9/92, 13/93, 6/96, and 29/98).

Pursuit of insurance business

Article 3

(1) Insurance business may be performed by:

1. an insurance undertaking with its head office in the Republic of Slovenia, authorised by the Insurance Supervision Agency to carry out the said operations;

2. a branch of a foreign insurance undertaking authorised by the Insurance Supervision Agency to carry out these operations;

3. a Member State insurance undertaking which, pursuant to this Act, establishes a branch in the territory of the Republic of Slovenia or, pursuant to this Act, is authorised to directly carry out insurance operation in the territory of the Republic of Slovenia.

(2) The entities referred to in the first paragraph hereunder shall only be permitted to carry out the said operations within

those classes of insurance for which they were granted an authorisation by the competent authority.

Prohibition from performing insurance business

Article 4

No entity, other than those referred to under Article 3 of this Act, shall be authorised to perform insurance business.

Application of the Act with regard to domestic insurance undertakings

Article 5

(1) This Act shall apply to insurance undertakings with their head offices in the Republic of Slovenia (hereinafter: insurance undertakings).

(2) The provisions of this Act shall also apply to insurance undertakings performing exclusively reinsurance business (hereinafter: reinsurance undertakings), unless otherwise stipulated with regard to individual cases. Notwithstanding the provisions of the preceding sentence, the provisions of Articles 80 to 86, 125 to 133, and 208 to 213 of this Act shall not apply to reinsurance business.

(3) The provisions of this Act shall also apply to:

1. the Health Insurance Institute of Slovenia, pursuant to the Health Care and Health Insurance Act (Official Gazette of the RS, Nos. 9/92, 13/93, 6/96, and 29/98),
 2. the Supplementary Pension Insurance Fund, established on the basis of the Pension and Disability Insurance Act (Official Gazette of the RS, Nos. 12/92, 56/92, 13/93, 43/93, 67/93, 5/94, 67/94, 7/96, 1/97, 29/97, 7/98 and 54/98),
 3. the Slovene Export Corporation, established on the basis of the Company for Securing and Financing Slovene Exports Act (Official Gazette of the RS, Nos. 32/92, 13/93, 37/95, 34/96 and 31/97),
- unless otherwise stipulated by the Act regulating the operations of the above-mentioned legal entities.

Application of the Act with regard to insurance undertakings of Member States

Article 6

(1) This Act shall apply to insurance undertakings which have their head office in the territory of the Member States of the European Communities acting within the framework of the European Union (hereinafter: Member States insurance undertakings), if:

1. they establish a branch in the Republic of Slovenia, or
2. if, in the Republic of Slovenia or in another Community Member State, they underwrite policies covering risks in the Republic of Slovenia (hereinafter: direct business in insurance).

(2) Insurance shall be deemed to cover risks in the Republic of Slovenia:

1. In the event of non-life insurance:

- when insuring risks relating to land and buildings and to any movables situated in those buildings insured by the same insurance contract, if the said real property is situated in the territory of the Republic of Slovenia;
- when insuring vehicles, if those vehicles are registered in the territory of the Republic of Slovenia;
- when insuring risks relating to travelling and holidaying, when the insurance contract is valid for four months at the most, if the legal act resulting in the conclusion of the insurance contract was performed in the territory of the Republic of Slovenia.

2. In the event of non-life insurance other than the insurance referred to in item 1 of this paragraph, and in the event of life assurance:

- when the policy-holder is a natural person, if the said person has residence in the territory of the Republic of Slovenia;
- when the policyholder is a natural person, if the property of the person to which the insurance relates is located in the territory of the Republic of Slovenia.

(3) A Member State entity pursuant to this Act shall be a legal entity whose head office is situated in the territory of a Member State, or a natural person with residence in the territory of a Member State.

Application of the Act with regard to foreign insurance undertakings

Article 7

(1) This Act shall apply to insurance undertakings whose head office is situated in foreign countries if they conclude insurance contracts in the Republic of Slovenia or if their services are advertised in any way in the Republic of Slovenia.

(2) In the case under the first paragraph hereunder, it shall be deemed that an insurance contract was concluded in the Republic of Slovenia even if the policyholder is a natural person with residence in the Republic of Slovenia provided that the insurance contract is concluded through a professional intermediary or adviser, regardless of the type of intermediation.

(3) A foreign country referred to in the first paragraph hereunder shall be deemed to be the territory of a country other than a Member State.

(4) A foreign entity pursuant to this Act shall be a legal entity whose head office is situated in the territory of a foreign country, or a natural person with residence in the territory of a foreign country.

(5) Special provisions of this Act regarding insurance undertakings with their head office in the Swiss Confederation

(hereinafter: Swiss insurance undertakings) and the branches of these insurance undertakings shall only apply to non-life

insurance.

Application of the Act to other persons

Article 8

The provisions of this Act shall apply to persons who, in the territory of the Republic of Slovenia, in any way intermediate in the underwriting of policies covering risks in the Republic of Slovenia.

Participation and qualifying holding

Article 9

(1) Pursuant to this Act, an individual entity shall participate in another entity if it holds a direct or indirect holding, shares or other rights on the basis of which it participates in the management of another entity or in its capital with a share of 20% or more.

(2) A qualifying holding pursuant to this Act shall be a direct or indirect holding, holding of shares or other rights on the basis of which the holder acquires 10% of the voting rights or holdings in the capital of a certain legal entity.

Related entities and indirect investments

Article 10

(1) Related entities pursuant to this Act shall be legally independent entities related in terms of either management, capital or other aspects, so that they either, due to the said relations, jointly formulate their business policy and perform concerted actions so as to attain joint business objectives, or one of the entities can direct the other or exert significant influence upon its decision-making process as regards financing and business, or the operations of one entity or its business results significantly influence the operations or business results of another entity.

(2) Related entities pursuant to this Act shall, in particular, be entities mutually related:

1. as close relatives;
2. by an entity or entities deemed to be related entities pursuant to other items hereunder which participate in another entity either jointly, directly or indirectly;
3. by the same entity or entities deemed to be related entities pursuant to other items hereunder which participate in the two entities in question;
4. by constituting a group of companies pursuant to the Companies Act (Official Gazette of the RS, Nos. 30/93, 29/94, 82/94 and 20/98 – hereinafter: CA);
5. as members of either the board of directors or supervisory board, or as persons employed on the basis of an employment contract to which the tariff section of the collective agreement is not applicable, related to the company in which they

perform such a function or in which they are employed, and the close relatives of such a person.

(3) Close relatives of an individual person pursuant to this Act shall be:

1. that person's spouse or a person with whom they cohabit in a long-term domestic community that, under the law governing marital union and family relations, is equivalent in status to marital union;
2. children or adoptive children of a person lacking full business capacity;
3. other persons lacking full business capacity and being under the person's guardianship.

(4) Controlled company and controlling company pursuant to this Act shall be controlled company and controlling company under Article 462 of the CA.

(5) Controlling pursuant to this Act shall be the relationship between a controlled company and a controlling company, or a similar relationship between any natural person and legal entity.

(6) Should this Act stipulate that an insurance undertaking must not hold investments in a certain legal entity, this prohibition shall apply to both direct and indirect investments.

(7) Indirect investments shall be investments in those entities related to a certain legal entity referred to in the sixth paragraph hereunder.

Indirect acquisition

Article 11

(1) An indirect holder of shares, holdings or other rights ensuring participation in the management of capital shall be a person for whose account another person, as a direct holder, has acquired the said shares, holdings or other rights ensuring participation in management.

(2) An individual person shall be considered to be an indirect holder of shares, holdings or other rights ensuring participation in management or other securities, whose direct holder is a person related to the person in question.

Adjustment of monetary amounts

Article 12

The Minister of Finance shall adjust the cash amounts laid down in Articles 110, 112, 237 and 338 of this Act, if the value of the tolar against the euro according to the Bank of Slovenia's exchange rate changes by over 10%.

2. STATUS PROVISIONS

2.1. Common provisions

Legal organisational form

Article 13

(1) An insurance undertaking may be set up in the form of either an insurance public limited company or a mutual insurance

company.

(2) Notwithstanding the provision of the first paragraph hereunder, reinsurance undertaking may only be organised as a public limited company.

Activities of insurance undertakings

Article 14

(1) An insurance undertaking shall only be allowed to perform insurance business.

(2) An insurance undertaking shall be allowed to perform insurance business within an individual class of insurance or group; several insurance business may only be performed within one of the following groups or subgroups:

1. life assurance;
2. non-life insurance.

(3) Notwithstanding the provision of the second paragraph hereunder, an insurance undertaking performing insurance business under an insurance group that involves life assurance may also perform insurance business under the classes of insurance involving accident and health insurance referred to in items 1 and 2 of Article 2 of this Act, provided probability tables and calculations similar to life assurance apply to them.

(4) Notwithstanding the provision of the first paragraph hereunder, an insurance undertaking may also perform operations directly related to insurance business.

(5) The following, in particular, shall be deemed to be operations referred to in the fourth paragraph hereunder:

1. futures operations, option dealings and dealings in similar financial instruments, if they are used as security against risks due to fluctuations in exchange rates and interest rates, and are in conformity with the provisions of Article 124 of this Act (securing investments against market risks);
2. intermediation in the sale and the sale of damaged property which, during the settlement process, has become the property of the insurance undertaking;
3. the taking of measures for the prevention and elimination of risks threatening persons and property insured;
4. assessment of exposure rate relating to the insurance object, and loss assessment;
5. the performance of other intellectual and technical services with regard to insurance business.

(6) Notwithstanding the provision of the first paragraph hereunder, an insurance undertaking performing operations under an insurance group that involves life assurance may, in accordance with the act governing pension funds, also engage in the

management of pension funds, if it meets the requirements stipulated by the said act.

(7) With regard to the underwriting of reinsurance, insurance business may only be performed by reinsurance undertakings. Notwithstanding the provision of the second paragraph hereunder, reinsurance undertakings may perform insurance business with regard to the underwriting of reinsurance under all groups of insurance.

(8) An insurance undertaking granted an authorisation to perform insurance business under one or several classes of insurance that involve non-life insurance may also perform insurance business under those classes of insurance involving non-life insurance for which it has not acquired an authorisation, provided the following conditions are satisfied:

1. the insurance in question covers a risk
 - relating to the risk covered by insurance under the class of insurance for which the insurance undertaking has obtained authorisation (hereinafter: main risk),
 - relating to the same object as the main risk,
 - covered by the same insurance contract;
2. a risk is involved which, in relation to the main risk, is of auxiliary significance;
3. a risk covered by insurance referred to in items 14 and 15 of the second paragraph of Article 2 of this Act is not involved;
4. regarding insurances referred to in item 17 of the second paragraph of Article 2 of this Act, if the following conditions are satisfied:
 - if the main risk is covered by insurance referred to in item 18 of the second paragraph of Article 2 of this Act, or
 - if the main risk is related to the use of ocean-going vessels.

(9) The supplementary health insurance referred to in the seventh paragraph of Article 2 of this Act represents the Republic of Slovenia's public interest and shall be conducted in accordance with the principle of inter-generation mutuality. All insurance undertakings engaged in the said insurance shall be compulsorily included in the equalisation schemes designed to equalise, among insurance undertakings, differences relating to the costs of health services arising from the differences in the age structure, sex structure and structure of seriously ill insured persons in the portfolios of individual insurance undertakings. Detailed arrangements regarding the implementation of equalisation schemes shall be regulated by a special act.

2.2. Insurance public limited companies

2.2.1. General provisions

Definition

Article 15

(1) An insurance public limited company shall be a public limited company which has been granted an authorisation to perform insurance business by the Insurance Supervision Agency.

(2) An insurance public limited company must have a supervisory board.

(3) Unless otherwise provided by this Act, the provisions of the CA shall apply to insurance public limited companies.

2.2.2. Share capital and shares

Share capital

Article 16

The minimum amount of the share capital of an insurance public limited company shall equal the amount of the guarantee fund referred to in Article 112 of this Act.

Shares

Article 17

(1) The shares of an insurance public limited company may only be registered shares.

(2) The shares of an insurance public limited company must, prior to the entry in the companies register of either its foundation or an increase in its share capital, be fully paid in cash .

(3) The shares of an insurance public limited company must be issued in book-entry form.

(4) The provision of the second paragraph hereunder shall not apply in the event of the merging or division of insurance undertakings.

2.2.3. Qualifying holdings

Authorisation to acquire qualifying holdings

Article 18

(1) The acquisition of shares in an insurance undertaking, whereby a person directly or indirectly achieves or exceeds the qualifying holding (hereinafter: qualifying holder) in the insurance undertaking, shall be subject to the authorisation of the Insurance Supervision Agency (hereinafter: authorisation to acquire a qualifying holding).

(2) A person having been granted the authorisation referred to in the first paragraph hereunder shall be obliged, for any further acquisition of the insurance undertaking' s shares, whereby 20, 33 or 50% of voting rights or participation in its capital are either achieved or exceeded or whereby the person becomes its controlling company, to acquire the authorisation of the Insurance Supervision Agency.

(3) Should a person who has been granted the authorisation referred to in the first and second paragraphs hereunder intend to dispose of the shares, which would result in the holding being reduced below

the limit for which the authorisation was granted, the person in question shall be obliged to notify the Insurance Supervision Agency.

(4) The Insurance Supervision Agency shall specify the method of notification referred to in the third paragraph hereunder.

(5) The Insurance Supervision Agency shall, prior to taking the decision on granting the authorisation to acquire qualifying holdings or the holdings referred to in the second paragraph hereunder, be obliged to notify the competent supervisory authority of an individual Member State, if the prospective qualifying holder is one of the following entities:

1. an insurance undertaking which has the right to perform insurance business in the same Member State;
2. a controlling or controlled company of the insurance undertaking referred to in item 1 of this paragraph;
3. an entity controlled by the same entity or entities which control the insurance undertaking referred to in item 1 of this paragraph.

(6) If the prospective qualifying holder is a Member State insurance undertaking or a foreign insurance undertaking, the application for the authorisation to acquire a qualifying holding must also include the approval or opinion of the competent supervisory authority.

Taking decisions with regard to granting an authorisation to acquire a qualified holding

Article 19

(1) An entity wishing to acquire a qualifying holding (hereinafter: prospective qualifying holder) shall be obliged to furnish the application for the authorisation to acquire a qualified holding with the documents referred to in items 4 or 5 of Article 66 of this Act.

(2) The Insurance Supervision Agency shall refuse to grant an authorisation to acquire a qualified holding if the data presented shows that:

1. with regard to activities or operations performed by the prospective qualifying holder or its related entities, or with regard to actions carried out by the prospective qualifying holder or its related entities, the operation of the insurance public limited company may be threatened in accordance with the rules on risk management;
2. with regard to activities or operations performed by the prospective qualifying holder or its related entities, or with regard to the type of relations between those entities, the exercise of supervision of the insurance public limited company would be made impossible or considerably hindered.

(3) The Insurance Supervision Agency shall refuse to grant an authorisation to

acquire a qualifying holding to a foreign prospective qualifying holder if, with regard to the regulations valid in such an entity's state and with regard to the practice of the application and implementation of regulations in such an entity's state, it is likely that the exercise of supervision pursuant to the provisions of this Act will be made impossible or considerably hindered.

(4) The Insurance Supervision Agency shall be obliged, prior to taking a decision on the basis of the second or third paragraphs hereunder, to grant the entity in question a deadline no shorter than 15 and no longer than 30 days by which to provide clarifications of the reasons for refusing the authorisations.

(5) If a legal entity has lodged an application for an authorisation to perform insurance business, the procedure of adopting a decision with regard to the authorisation referred to in the first paragraph hereunder shall be joined with that of the adoption of a decision with regard to the authorisation to perform insurance business.

Sanctions for violations

Article 20

(1) Should an entity acquire or hold shares in contravention of the first or second paragraphs of Article 18 of this Act, no voting rights shall arise from those shares of an insurance public limited company which account for the participation in the management of the insurance public limited company in that portion which constitutes a contravention of the said provisions.

(2) The voting rights referred to in the first paragraph hereunder shall, for the period during which the holder does not enjoy any voting rights arising from the shares acquired in contravention of the first or second paragraphs of Article 18 of this Act, be added to the voting rights enjoyed by other shareholders of the insurance public limited company in proportion to their participation in the share capital of the said insurance public limited company, so that the holder may only participate in the voting on the basis of shares other than those acquired in contravention of the first or second paragraphs of Article 18 of this Act.

Withdrawal of the authorisation to acquire a qualifying holding

Article 21

(1) The Insurance Supervision Agency shall withdraw the authorisation to acquire a qualifying holding in the following cases:

1. if the authorisation was obtained by stating false data;
2. if, with regard to activities or operations performed by the qualifying holder or its related entities, or with regard to actions

carried out by the qualifying holder or its related entities, the operation of the insurance public limited company was threatened in accordance with the rules on risk management;

3. if, with regard to activities or operations performed by the qualifying holder or its related entities, or with regard to the type of relations between those entities, the exercise of supervision of the insurance public limited company was made impossible or considerably hindered;

4. in the case of a foreign qualifying holder: if, with regard to the regulations valid in such an entity's state and with regard to the practice of applying and implementing regulations in such an entity's state, it is likely that the exercise of supervision pursuant to the provisions of this Act is made impossible or considerably hindered;

5. if the qualifying holder repeatedly violates the obligation to report or repeatedly hinders the exercise of supervision of the insurance group in any other way.

(2) Upon the entry into force of the decision to withdraw the authorisation to acquire a qualified holding, the holder of the qualifying holding shall lose voting rights arising from the shares on the basis of which its participation in the voting exceeds 10%.

2.2.4. Board of directors of an insurance public limited company

Board of directors of an insurance public limited company

Article 22

(1) The board of directors of an insurance public limited company must comprise at least two members jointly acting as agent and representative of the insurance public limited company in legal transactions. Neither of the the members of the board of directors of the insurance public limited company or the procurator may be empowered to individually act as agent and representative of the insurance public limited company for the entire volume of business within its operations.

(2) The members of the board of directors of the insurance public limited company must have permanent and full-time employment in that insurance public limited company.

(3) At least one of the the members of the board of directors must have a good command of the Slovene language. At least one of the the members of the board of directors must regard the Republic of Slovenia as a centre for attaining their life objectives.

(4) The board of directors shall be obliged to perform the operations of the insurance public limited company in the Republic of Slovenia.

(5) Notwithstanding the legal provisions regulating the participation of

worker- directors in the board of directors of the undertaking, the worker- director in an insurance public limited company may not be a member of the board of directors in that insurance public limited company.

Members of the board of directors' employment contracts

Article 23

(1) On the day an extraordinary board of directors is appointed, all special benefits enjoyed by the members of the board of directors and other employees of an insurance public limited company on the basis of employment contracts to which the tariff section of the collective agreement is not applicable shall cease to be valid.

(2) Any provision laid down in an employment contract of a member of the board of directors or other employee of an insurance public limited company which is in contravention of the first paragraph hereunder shall be null and void.

(3) The special benefits referred to in the first paragraph hereunder shall be benefits which, in accordance with personal income tax regulations, are deemed bonuses.

Conditions for members of the board of directors of an insurance public limited company

Article 24

(1) The position of a member of the board of directors may be assumed by any person meeting the following conditions:

1. adequate professional qualifications, characteristics and experience needed to manage the operations of an insurance undertaking;

2. a record of no final sentence of imprisonment of over three months which has not yet been deleted.

(2) The condition referred to in item 1 of the first paragraph hereunder shall be met if the person in question has sufficient theoretical and practical knowledge with regard to the management of insurance business. It shall be deemed that the person in question has met the condition referred to in item 1 of the first paragraph hereunder if they have at least four years' experience in managing business in a company of comparable size and activity, or other comparable operations.

Authorisation to assume the function of a member of the board of directors

Article 25

(1) Only a person who has been granted an authorisation to assume the function of a member of the board of directors of an insurance public limited company may be appointed as the member of the board of directors of an insurance public limited

company.

(2) The application for the authorisation referred to in the first paragraph hereunder must comprise supporting documents proving the meeting of conditions referred to in Article 24 of this Act.

(3) The Insurance Supervision Agency may decide that, during the procedure of taking decisions with regard to granting an authorisation, the applicant must present his/her concept of managing the operations of an insurance public limited company.

(4) The Insurance Supervision Agency shall grant the authorisation referred to in the first paragraph hereunder if it appears from both the supporting documents referred to in the second paragraph hereunder and the presentation referred to in the third paragraph hereunder that the applicant meets the conditions set for member of the board of directors of an insurance public limited company.

(5) The Insurance Supervision Agency may refuse to grant the authorisation if it appears from the supporting documents that, with regard to activities performed by the person or with regard to actions carried out by that person, the operation of the insurance public limited company could be threatened in accordance with the rules on risk management.

(6) If a person was granted an authorisation to assume the function of member of the board of directors, he/she shall be obliged, prior to appointment to the same function with another insurance undertaking, to acquire the authorisation of the Insurance Supervision Agency. The provisions of the third, fourth and fifth paragraphs hereunder shall reasonably apply to the granting of the said authorisation.

(7) If a legal entity lodged an application for the authorisation to perform insurance business, the procedure of adopting a decision with regard to the authorisation referred to in the first paragraph hereunder shall be joined with that of the adoption of a decision with regard to the authorisation to perform insurance business.

Obligations of members of the board of directors of an insurance public limited company

Article 26

(1) Members of the board of directors of an insurance public limited company shall be obliged to ensure that the insurance public limited company operates in accordance with the rules on risk management as set forth in both this Act and the regulations issued on the basis thereof, or with other laws regulating the operations of the insurance public limited company and the regulations issued on the basis thereof.

(2) Members of the board of directors of an insurance public limited company

shall be obliged to ensure the monitoring of risks to which the operations of the insurance public limited company are exposed, and adopt adequate measures designed to manage the said risks.

(3) Member of the board of directors shall be obliged to facilitate the setting-up of both the internal control system in all the areas of the insurance public limited company's operations and internal audit, and ensure their operation pursuant to this Act and the regulations issued on the basis thereof.

(4) Member of the board of directors of an insurance public limited company shall be obliged to ensure that the insurance public limited company keeps its books of account and other records and business documentation, drafts book-keeping documents, values book items, compiles accounting and other reports, and reports to the Insurance Supervision Agency pursuant to this Act and the regulations issued on the basis thereof.

Reporting to the supervisory board

Article 27

(1) The board of directors of an insurance public limited company shall be obliged to immediately report in writing to the supervisory board of the insurance public limited company on the following events:

1. if either the liquidity or solvency of the insurance public limited company is threatened;
2. if reasons occur for the revocation or withdrawal of the authorisation to perform insurance business and for the prohibition of the performance of individual insurance business;
3. if the financial standing of the insurance public limited company changes so that the insurance public limited company fails to achieve the minimum capital referred to in Article 110 or 111 of this Act.

(2) A member of the board of directors of an insurance public limited company shall be obliged to immediately report in writing to the supervisory board on the following:

1. appointment or expiry of term of office in supervisory boards of other legal entities;
2. legal transactions on the basis of which either the member of the board of directors him/herself or his/her close relatives directly or indirectly acquired shares or holdings in a legal entity on the basis of which the member of the board of directors, together with his/her close relatives, achieved or exceeded the qualifying holding in the said legal entity or the said holding was reduced under the qualifying holding limit.

Withdrawal of authorisation

Article 28

(1) The Insurance Supervision Agency shall withdraw the authorisation to assume the function of member of the board of directors of an insurance public limited company:

1. if the authorisation was obtained by stating false data;
2. if the member of the board of directors in question acts in severe contravention of the obligations referred to in Articles 26 and 27 of this Act.

(2) If proceedings for the withdrawal of the authorisation to assume the function of member of the board of directors were initiated against a member of the board of directors as a result of violations due to which the proceedings for the withdrawal of the authorisation to perform insurance business were initiated against the insurance public limited company, the Insurance Supervision Agency may join both proceedings.

2.2.5. Supervisory board of an insurance public limited company
Supervisory board members of an insurance public limited company

Article 29

(1) The following persons cannot be appointed supervisory board members of an insurance public limited company:

1. persons related to legal entities in which the insurance public limited company holds more than 5% of voting rights or a holding in their share capital;
2. members of supervisory boards or boards of directors in other insurance undertakings.

(2) Notwithstanding the legal provisions regulating employee participation, insurance public limited companies shall have between one member and one third of supervisory board members acting as workers' representatives.

(3) Those supervisory board members acting as workers' representatives shall not participate in the adoption of decisions by the supervisory board relating to the matters referred to in Article 30 and the first paragraph of Article 31 of this Act.

(4) The restriction referred to in item 2 of the first paragraph hereunder shall not be applicable to persons who are supervisory board members or members of the board of directors of the controlling company in an insurance group.

Competences of the supervisory board of an insurance public limited company

Article 30
In addition to the responsibilities of a supervisory board pursuant to the CA, the supervisory board of an insurance public limited company shall have the following responsibilities:

1. approving the board of directors' s decisions regarding the business policy of the insurance public limited company;
2. approving the board of directors' s decisions regarding the financial plan

of the insurance public limited company;

3. approving the board of directors' s decisions regarding the setting- up of the internal control system;

4. approving the board of directors' s decisions regarding the framework annual workplans for internal audit;

5. adopting decisions on other matters stipulated by this Act.

Obligations of supervisory board members of an insurance public limited company

Article 31

(1) Supervisory board members of an insurance public limited company shall be obliged to:

1. supervise the adequacy of procedures applied and efficiency gained through internal audit;

2. discuss the findings of the Insurance Supervision Agency, tax inspection and other supervisory authorities in the procedures of supervision of the insurance public limited company;

3. review annual and other financial reports of the insurance public limited company and draw up a substantiated opinion;

4. explain to the general meeting of shareholders their opinion on the internal auditors' annual report and on the board of directors' s annual report.

(2) The supervisory board members of an insurance public limited company shall be jointly liable to the insurance public limited company for any loss incurred due to an omission of their obligations pursuant to the first paragraph hereunder, unless they prove that their obligations were performed with all due care, conscience and honesty.

(3) The supervisory board member of an insurance public limited company shall be obliged to immediately report to the supervisory board on the following:

1. appointment or expiry of term of office in supervisory or boards of directors of other legal entities;

2. legal transactions on the basis of which either the supervisory board member him/herself or his/her close relatives directly or indirectly acquired shares or holdings of a legal entity on the basis of which the supervisory board member, together with his/her close relatives, achieved or exceeded a qualifying holding in the said legal entity or the said holding was reduced below the limit of the qualifying holding.

2.2.6. Regular liquidation of an insurance public limited company

Resolution of the general meeting of shareholders to initiate liquidation proceedings

Article 32

(1) The general meeting of shareholders may adopt a resolution to dissolve the

insurance public limited company.

(2) Unless otherwise stipulated in this Section, the provisions of the CA on the liquidation of a public limited company on the basis of a resolution of the general meeting of shareholders shall apply to the liquidation of the insurance public limited company on the basis of the resolution referred to in the first paragraph hereunder.

(3) The provisions of this Section shall also reasonably be applied when the general meeting of shareholders of an insurance public limited company adopts a resolution whereby the activities of the insurance public limited company are changed in such a way that the insurance public limited company ceases to perform insurance business.

Liquidator of an insurance public limited company

Article 33

Only a natural person meeting the criteria set for the appointment of the member of the board of directors of an insurance public limited company may be appointed as the liquidator of an insurance public limited company.

Restrictions to the authorisation to perform insurance business

Article 34

(1) The board of directors of an insurance public limited company shall be obliged to notify the Insurance Supervision Agency of the resolution referred to in the first paragraph of Article 32 of this Act the next working day after the adoption of the resolution.

(2) On the basis of the notification referred to in the first paragraph hereunder, the Insurance Supervision Agency shall issue a decision whereby:

1. the validity of the authorisation to perform insurance business is restricted to operations required to conclude the liquidation of the insurance public limited company;
2. the scope of the rules on risk management to be applied to the insurance public limited company undergoing liquidation is stipulated.

(3) Upon initiation of the liquidation, the insurance public limited company may only be allowed to perform those insurance business laid down in the decision referred to in the second paragraph hereunder.

Repeated obtaining of the authorisation to perform insurance business

Article 35

(1) Should the general meeting of shareholders of an insurance public limited company decide that the insurance public limited company shall continue to operate, the insurance public limited company may only resume insurance business if the

authorisation to perform insurance business is granted anew by the Insurance Supervision Agency.

(2) The proposal to enter the resolution referred to in the first paragraph hereunder in the companies' register must be furnished with the new authorisation to perform insurance business granted by the Insurance Supervision Agency.

2.3. Mutual insurance companies

2.3.1. General provisions

Definition

Article 36

(1) A mutual insurance company shall be a legal entity which, in accordance with the principle of mutuality, performs insurance business for its members, and which has obtained an authorisation from the Insurance Supervision Agency.

(2) A mutual insurance company may also perform insurance business for non-members, should this be stipulated in its bylaws.

(3) A mutual insurance company may perform all insurance business other than reinsurance business.

Application of provisions

Article 37

The provisions referred to in chapters one to six of the first part of the CA shall reasonably apply to mutual insurance companies, unless otherwise stipulated in this Section.

Firm name

Article 38

The firm name of a mutual insurance company must contain an element implying that it is a mutual insurance company ("d. v. z. ").

2.3.2. Founding of a mutual insurance company

Founding

Article 39

A mutual insurance company shall be founded by the founders by adopting and signing the bylaws, and paying the initial capital.

Bylaws

Article 40

(1) The bylaws of a mutual insurance company must be drawn up in the form of a notarial deed.

(2) The bylaws of a mutual insurance company must lay down the following:

1. the firm name and head office;
2. the type of insurance business to be performed by the mutual insurance company;
3. the form and method of announcing the facts relevant to the company or its

members;

4. the beginning of membership;
5. the amount of initial capital;
6. the terms and conditions, and the method of paying the funds by the members;
7. the amount and method of forming contingency reserves;
8. the terms and conditions, and the method of using profits and covering loss;
9. the number of members of the board of directors and supervisory boards;
10. the minimum number of members participating in the general meeting who can exercise minority rights.

(3) In addition to the cases under Article 68 of this Act, the Insurance Supervision Agency may refuse to grant the mutual insurance company an authorisation to perform insurance business if the members' interests are endangered due to the provisions of the bylaws.

Entry in the companies' register

Article 41

(1) A mutual insurance company shall acquire legal personality upon being entered in the companies' register.

(2) With regard to mutual insurance companies, the data laid down in Article 4 of the Companies' Register Act (Official Gazette of the Republic of Slovenia, No. 13/94 – hereinafter: CRA), other than the data referred to in item 7 of Article 4 of the CRA and the data laid down in item 1 of the first paragraph of Article 5 of the CRA, shall be entered in the companies' register.

(3) In addition to the data referred to in the second paragraph hereunder, the amount of the initial capital of the mutual insurance company shall also be entered in the companies' register.

2.3.3. Relations between a mutual insurance company and its members

Membership of a mutual insurance company

Article 42

(1) Membership of a mutual insurance company shall be related to the existence of an insurance contract entered into by the company.

(2) A mutual insurance company may, if this is explicitly stipulated in its bylaws, also enter into insurance contracts in such a way that by making the contract the policy holder does not acquire the status of a member of the mutual insurance company.

Rights, obligations and responsibilities of members

Article 43

(1) Members shall not be responsible for the mutual insurance company's obligations.

(2) A member may not offset his/her obligations to the mutual insurance

company as regards the payment of contributions and subsequent payments with his/her claim on the mutual insurance company.

(3) Contributions and subsequent payments of the members, as well as the obligations of the mutual insurance company in relation to its members, may only be determined upon equal assumptions and by applying the same criteria.

2.3.4. Liabilities of a mutual insurance company

Initial capital

Article 44

(1) Upon the founding of a mutual insurance company, the initial capital must be formed to cover start-up costs, organisational costs and other costs relating to the start-up of operations. Unless otherwise stipulated in the bylaws, the initial capital may also be used to form contingency reserves.

(2) The minimum initial capital of a mutual insurance company shall be equal to the guarantee fund referred to in the second paragraph of Article 112 of this Act.

(3) The bylaws must lay down the terms and conditions and the method of repaying the funds paid to form the initial capital. Should it be stipulated in the bylaws that the funds paid to form the initial capital shall not be repaid, the method of using the said funds must be laid down.

(4) When, following its foundation, a mutual insurance company applies for the authorisation to perform insurance business with regard to additional classes of insurance, the Insurance Supervision Agency shall be obliged to require, as a condition for granting the authorisation, an appropriate increase in the initial capital, if the expenses relating to the start-up of operations with regard to the new classes of insurance cannot be covered otherwise.

Paying and repaying the initial capital

Article 45

(1) A mutual insurance company may only start its operations when the initial capital has been paid in cash.

(2) The funds paid to form the initial capital may only be repaid from the profits of individual business years. Repayments in an individual year may not exceed the amount allocated to form contingency reserves in that year.

(3) Persons providing the funds for the formation of the initial capital, other than members of the mutual insurance company, shall not have the right to the repayment of those funds prior to meeting the conditions referred to in the second paragraph hereunder. The bylaws may stipulate that the said persons have the right to participate in the management of the mutual

insurance company or the right to receive interest on annual receipts and to participate in the profits disclosed in the annual report.

Premiums and subsequent payments

Article 46

(1) The bylaws must lay down the terms and conditions and the method of providing the funds for financing the mutual insurance company's operations by its members. The funds needed to finance the mutual insurance company's operations in an individual year shall be provided by previously-determined contributions (premiums) paid by the members.

(2) Should the remaining assets of the mutual insurance company not suffice to cover losses, the bylaws must lay down whether and to what a degree the members are obliged to make subsequent payments. Should the assets of the mutual insurance company not suffice to cover the losses, the bylaws may, instead of or in addition to subsequent payments, stipulate that the insurance undertaking's obligations be reduced.

(3) Should the bylaws stipulate the obligation of subsequent payments, those subsequent payments must also be made by the person acquiring membership during the year and the persons whose membership expired during the year, which shall be made in proportion to the duration of membership in that year. Should contributions (premiums) or insurance sums serving as the basis for determining the volume of subsequent payments be changed during the business year, subsequent payments shall be measured with regard to the higher basis.

Contingency reserves

Article 47

The bylaws must lay down the method of forming the reserves intended to cover operating losses (contingency reserves), and stipulate which contributions (premiums) shall annually be set aside to form contingency reserves and the minimum amount of the said contingency reserves.

Additional capital

Article 48

On the basis of an approval from the general meeting, a mutual insurance company may raise additional capital by issuing the subordinate debt instruments referred to in the third paragraph of Article 107 of this Act.

Use of the profit for the year

Article 49

(1) The profits disclosed in the annual report may be distributed to the members or brought forward to the next business year, up to the portion which is not required to:

1. form contingency reserves or any other reserves laid down in the bylaws;
2. repay the initial capital or make other repayments laid down in the bylaws (third paragraph of Article 45 of this Act).

(2) The bylaws must stipulate the criteria according to which the profits are distributed among the members and, in particular, whether the profits are also to be distributed to the persons whose membership expired during the year.

2.3.5. Bodies of a mutual insurance company

Bodies of a company

Article 50

The bodies of a mutual insurance company shall be the board of directors, the supervisory board and the general meeting.

Board of directors of a mutual insurance company

Article 51

(1) The board of directors of a mutual insurance company shall be appointed by the supervisory board.

(2) The provisions of Articles 246 to 260 of the CA and the provisions of Articles 22 to 28 of this Act shall reasonably apply to the board of directors of the mutual insurance company.

Supervisory board of a mutual insurance company

Article 52

(1) A mutual insurance company must have a supervisory board consisting of at least three members. The bylaws may stipulate that the supervisory board has more than three members but not more than twenty members.

(2) The provisions of Articles 243 to 279 of the CA and the provisions of Articles 29 to 31 of this Act shall reasonably apply to the supervisory board of the mutual insurance company.

General meeting of a mutual insurance company

Article 53

(1) The members of a mutual insurance company shall exercise their rights in the mutual insurance company by means of a general meeting, unless otherwise stipulated by law.

(2) The general meeting of shareholders may be organised as a general meeting of all the members (meeting of members) or as a meeting of representatives, who themselves must be members (representatives' meeting). Should the bylaws stipulate that the general meeting of a mutual insurance company be organised as a representatives' meeting, they must also lay down the composition of the general meeting and the procedure of appointing representatives.

(3) The general meeting shall adopt decisions with regard to the issues for which it is explicitly stipulated by law or the bylaws that decisions relating to them must be adopted by the general meeting.

Decisions regarding the management of operations may only be adopted by the general meeting if this is required by the board of directors or if this, in the case under the fourth paragraph of Article 274 of the CA, is required by the supervisory board.

(4) If the provisions of the CA applying to the general meeting of a mutual insurance company pursuant to this Act stipulate the minority rights of members whose joint holdings reach a certain share in the equity, the bylaws must lay down an appropriate number (minority) of members of the general meeting.

Convening the general meeting and adopting decisions

Article 54

(1) With regard to convening the general meeting of a mutual insurance company, participation in the general meeting, the minutes of the general meeting and the right of the members to information, the provisions of the second paragraph of Article 281, the first paragraph of Article 282, Article 283, Article 284, the first paragraph of Article 285, Article 286, Article 288, Article 289, and Articles 292 to 294 of the CA shall be reasonably applied. If the abovementioned provisions refer to shareholders, these shall, when reference is made to a mutual insurance company, be deemed to be members of the general meeting.

(2) During the general meeting, a list of the members present and their representatives shall be compiled, stating their names and addresses. The list, to be signed by the chairman, shall be made available to the participants of the general meeting for inspection before voting.

(3) In order for the general meeting to pass a resolution, a majority of the votes cast shall be required (simple majority), unless a higher majority is stipulated by law or the bylaws. The bylaws may lay down different requirements for voting.

(4) Should the general meeting be organised as a meeting of members, the members' voting rights may be exercised by their representatives. Proxy forms must be made in writing and shall remain with the company.

(5) A member of the general meeting shall not be allowed, either in his/her own name or as a proxy or representative of another member, to participate in adopting a decision with regard to either him/her being relieved of his/her obligations or a claim by the company being filed against him/her.

Extraordinary and special audits

Article 55

With regard to extraordinary and special audits of a mutual insurance company, the provisions of Articles 67 to 78 of the

Takeovers Act (Official Gazette of the Republic of Slovenia, No. 47/97) shall be reasonably applied. When the abovementioned provisions refer to shareholders, these shall, when reference is made to extraordinary or special audits of a mutual insurance company, be deemed to be members of the general meeting. Rendering resolutions adopted by the general meeting null and void

Article 56

With regard to the annulling or voiding of resolutions adopted by the general meeting of a mutual insurance company, the provisions of the third to sixth indents of the first paragraph of Article 359, the second paragraph of Article 359, Articles 360 to 368 and Article 370 of the CA shall be reasonably applied. Where the abovementioned provisions refer to shareholders, these shall, when reference is made to the annulling or voiding of resolutions adopted by the general meeting of a mutual insurance company in the cases under the second paragraph of Article 268 of the CA, be deemed to be members of a mutual insurance company, whereas in other events they shall be deemed to be members of the general meeting.

2.3.6. Dissolution of a mutual insurance company

Reasons for dissolution

Article 57

(1) A mutual insurance company shall be dissolved:

1. upon the expiry of the period for which it was founded;
2. on the basis of a resolution of the general meeting (voluntary liquidation);
3. if either bankruptcy proceedings or the compulsory liquidation of the company is concluded.

(2) A three-quarters majority of votes cast shall be required for the adoption of a resolution on the dissolution of the company by the general meeting.

(3) The approval of the Insurance Supervision Agency shall be required for the resolution referred to in the second paragraph to be valid. The Insurance Supervision Agency shall only be allowed to refuse to grant an approval if, in the event of the dissolution of the mutual insurance company, the interests of the insured persons are not sufficiently safeguarded.

Voluntary Liquidation

Article 58

(1) On the basis of a valid resolution on the dissolution of the company adopted by the general meeting, the company shall carry out liquidation proceedings.

(2) During liquidation proceedings, the mutual insurance company shall be subject to the same regulations as were valid prior

to the commencement of liquidation, unless otherwise stipulated by the provisions of this Act or the purpose of the liquidation.

(3) During liquidation proceedings, the company shall be allowed neither to effect new insurances nor to increase and prolong existing policies.

(4) The funds paid to form the initial capital may only be repaid after the remaining obligations of the company to its members arising from insurance have been met or adequate security has been provided to meet the said obligations.

(5) The assets left after the obligations referred to in the fourth paragraph hereunder have been met or adequate security have been provided shall be distributed to persons having the status of members of the mutual insurance company at the moment the resolution to dissolve the company was adopted. The distribution shall be subject to the criteria laid down by the bylaws with regard to the distribution of profits to members.

(6) With regard to receivers, the provisions relating to the board of directors of a mutual insurance company shall be reasonably applied.

(7) Unless otherwise stipulated in the preceding paragraphs, the provisions of Articles 374 to 376, Article 381, Articles 383 to 386, the second paragraph of Article 387, Article 388, and Articles 390 to 393 of the CA and Articles 32 to 35 of this Act shall reasonably apply to the voluntary liquidation of a mutual insurance company.

Transfer of insurance contracts

Article 59

(1) In order to transfer insurance contracts, the approval of the general meeting shall be required, in addition to the terms and conditions laid down in Articles 80 to 82 of this Act. Unless no higher majority is laid down by the bylaws, a three-quarter majority of all the votes cast shall be required for the resolution to transfer insurance contracts to be adopted by the general meeting.

(2) The Insurance Supervision Agency may also refuse to grant an authorisation to transfer insurance contracts if, due to the transfer of insurance contracts, the members' interests arising from their membership of the mutual insurance company are not sufficiently safeguarded.

Amalgamation

Article 60

(1) Two or more mutual insurance companies may amalgamate, whereby:
1. the assets of one or several companies (acquired company) are transferred to another company (acquiring company),

whereby members of the acquired companies become members of the acquiring company (acquisition);

2. a new mutual insurance company is established, to which the assets of acquired companies are transferred, whereby members of the acquired companies become members of the newly-established acquiring company (merger).

(2) In order to amalgamate, an approval of the general meetings of the amalgamating companies shall be required. Unless no higher majority is laid down by the bylaws, a three-quarters majority of all the votes cast shall be required for the resolution on amalgamation to be adopted by the general meeting.

(3) Unless otherwise provided in the preceding paragraphs, the provisions of the first to third and the fifth to eighth indents of Article 512, Articles 513, 514, 516, 517, 520, the first and the third to fifth paragraphs of Article 521, Articles 522 to 527, Articles 529 and 530 of the CA shall reasonably apply to amalgamations of mutual insurance companies. If the abovementioned provisions refer to shareholders or shares, these shall be deemed to be members or the rights and obligations of members.

Transfer of assets to an insurance public limited company
Article 61

(1) The total assets of a mutual insurance company may, without preceding liquidation, be transferred to an insurance public limited company.

(2) With regard to the transfer of the assets of a mutual insurance company to an insurance public limited company, the provisions of Articles 512 to 529 of the CA shall be reasonably applied. The mutual insurance company shall be deemed to be an acquired company and the insurance public limited company an acquiring company.

(3) Unless no higher majority is laid down by the bylaws, a three-quarters majority of all votes cast shall be required for the resolution approving the acquisition contract to be adopted by the general meeting of the mutual insurance company.

Transformation into a public limited company
Article 62

(1) A mutual insurance company may be transformed into a public limited company on the basis of a resolution adopted by the general meeting. Unless no higher majority is laid down in the bylaws, a three-quarters majority of all votes cast shall be required for the resolution to be adopted by the general meeting.

(2) Each member may, by the end of the third day prior to the general meeting, object to transformation by sending a

registered letter.

(3) The board of directors shall be obliged, no later than by the time the general meeting is convened, to inform all members of the contents of the proposed resolution on transformation according to the method of the company's notifications laid down in the bylaws. By means of the said notification, the members must be informed of the right to object (the second paragraph hereunder) and the rights arising from the objection lodged.

(4) The approval of the Insurance Supervision Agency shall be required for transformation. The Insurance Supervision Agency shall refuse to grant the said approval if, through transformation, the members' interests are endangered.

Resolution on transformation

Article 63

(1) A resolution on transformation must lay down the share capital, the amounts for which the shares will be issued, and other amendments to the bylaws necessary for the transformation. The nominal amount of the share capital must not exceed the value of the mutual insurance company's assets decreased by its obligations. The amounts for which the shares are issued must be equal to the minimum amount for which the shares may be issued pursuant to the CA.

(2) Unless otherwise stipulated by the resolution on transformation, the members of the mutual insurance company shall participate in the share capital. When no provision is made in the resolution as to the fact that all members of the mutual insurance company participate with equal holdings, the holding of an individual member may only be determined on the basis of one or several criteria as follows:

1. the amount of the insurance sum;
2. the amount of the contribution (premium);
3. the amount of coverage required in the event of life assurance;
4. the criteria for the distribution of profits;
5. the period of membership.

(3) Should the participation of an individual member not reach the minimum nominal amount of a share, his/her holding in the share capital shall be disregarded. Other holdings shall be rounded out so as to be divisible by the minimum nominal amount of a share, whereby the entire share capital shall be divided.

(4) Should the nominal amount through which a member participates in the share capital of the public limited company exceed the holding stipulated on the basis of the first or second paragraphs hereunder, the amount in excess must be paid to the public limited company by the member. Should the nominal amount through which a member participates in the share

capital of the public limited company be lower than the holding stipulated on the basis of the first or second paragraphs hereunder, or should a member not participate in the share capital of the public limited company, the difference or the holding must be paid to the member by the public limited company.

Carrying-out of transformation

Article 64

(1) Unless otherwise stipulated by this Act, the provisions of Article 187, Article 188, Articles 193 to 195, and Article 548 of the CA shall reasonably apply to the transformation of a mutual insurance company into a public limited company.

(2) A public limited company shall exist from the moment of its entry in the companies' register. From that moment on, members of the mutual insurance company shall also be shareholders pursuant to the resolution on transformation.

(3) Any member who, according to the method referred to in the second paragraph of Article 62, has lodged an objection against transformation may make his/her shares available to the company. In such an event, the provision referred to in Article 550 of the CA shall be reasonably applied.

3. PERFORMANCE OF INSURANCE BUSINESS

3.1. Authorisations relating to the performance of insurance business

3.1.1. Types of authorisation

Types of authorisation

Article 65

(1) An insurance undertaking shall be obliged, prior to its founding being entered in the companies' register, to obtain an authorisation to perform insurance business from the Insurance Supervision Agency (hereinafter: authorisation to perform insurance business).

(2) Should an insurance undertaking merge with another insurance undertaking or legal entity, the acquiring insurance undertaking shall be obliged, prior to the entry in the companies' register of the acquiring company's resolution on acquisition or merger, to obtain an authorisation from the Insurance Supervision Agency (hereinafter: authorisation to amalgamate).

(3) An insurance undertaking shall be obliged, prior to establishing a branch abroad, to obtain an authorisation from the Insurance Supervision Agency (hereinafter: authorisation to establish a branch abroad).

(4) An insurance undertaking shall be obliged, prior to transferring its insurance contracts to another insurance undertaking,

to obtain an authorisation from the Insurance Supervision Agency.

(5) In order to enter into an agreement whereby a significant portion of its operations is transferred to another insurance undertaking or legal entity, an insurance undertaking shall be obliged to obtain an authorisation from the Insurance Supervision Agency (hereinafter: authorisation for outsourced operations).

(6) Decisions regarding the authorisations referred to in the second paragraph hereunder shall be taken by the Insurance Supervision Agency, together with decisions with regard to the authorisation to perform insurance business, unless an application for the authorisation referred to in the second paragraph hereunder was made after the acquiring insurance undertaking obtained an authorisation to perform insurance business.

3.1.2. Authorisation to perform insurance business

Application for an authorisation to perform insurance business

Article 66

(1) An application for an authorisation to perform insurance business must be accompanied with the following:

1. a scheme of operations;
2. the bylaws of the insurance undertaking in the form of an authenticated notarial deed;
3. a list of shareholders, stating names, surnames and addresses or company names and head offices, the total nominal amounts of shares held, and the percentages of participation in the share capital of the insurance undertaking;
4. with regard to shareholders—legal entities who are holders of qualifying holdings:
 - a copy from the companies' register or other relevant public register;
 - if the shareholder in question is a public limited company, a copy from the shareholders' register shall also be needed or, if bearer shares were issued, an authenticated copy of the notarial attestation of the last general meeting; with regard to those shareholders being foreign legal entities, the abovementioned documents must be presented as authenticated translations;
 - financial statements for the last two business years;
5. a list of persons related to the holders of qualifying holdings, including a description of the types of relation;
6. outsourcing agreements, if the insurance undertaking intends to authorise other entities to perform individual operations;

(2) An application for an approval to perform insurance business must be accompanied with a confirmation from the certified actuary stating that the insurance undertaking will, with regard to the type and volume of operations to be performed, be able to ensure capital adequacy.

Taking decisions with regard to granting an authorisation to perform insurance business

Article 67

(1) The Insurance Supervision Agency shall decide on granting an authorisation for each class of insurance within which the insurance undertaking will be allowed to perform insurance business.

(2) The Insurance Supervision Agency shall grant an authorisation to perform insurance business within an individual class of insurance if it is established that the insurance undertaking meets the conditions for performing insurance business within the class of insurance in question.

(3) In the operative provisions, the Insurance Supervision Agency shall explicitly state the classes of insurance to which the authorisation applies. Should the authorisation apply to all classes of insurance under an individual insurance subgroup, the Insurance Supervision Agency, when granting the authorisation, may state the insurance subgroup.

(4) Notwithstanding the provisions of the first to third paragraphs of this Article, the Insurance Supervision Agency shall adopt decisions with regard to authorisation to perform insurance business involving reinsurance for all classes of insurance, explicitly stating that the authorisation only applies to reinsurance business.

Refusal to grant an authorisation to perform insurance business

Article 68

(1) The Insurance Supervision Agency shall refuse to grant an authorisation to perform insurance business if:

1. the shareholders who are holders of qualifying holdings do not have the authorisation referred to in the first paragraph of Article 18 of this Act;
2. the members of the board of directors do not have the authorisation to assume the function of the member of the board;
3. it is evident from the insurance undertaking's bylaws and other documentation that it is not organised in accordance with this Act;
4. it is evident from the insurance undertaking's bylaws and other documentation that the conditions for the operation of the insurance undertaking as stipulated by this Act and the regulations issued on the basis thereof were not established;
5. if it is evident from the documents and other circumstances known that the insurance undertaking will not be qualified, in terms of personnel, organisation and technical matters, to perform the volume of insurance business envisaged in its scheme of operations;

6. if the provisions of the insurance undertaking' s bylaws are in contravention of either the provisions of this Act or the provisions of the regulations issued on the basis thereof;
7. if the calculated premiums and provisions do not suffice for permanent and full coverage of the insurance undertaking' s obligations arising from insurance contracts;
8. if the insurance undertaking fails to meet other conditions laid down by this Act, another act or any regulations issued on the basis thereof which refer to the performance of insurance business or to the performance of insurance business within the class of insurance to which the application for authorisation refers.

(2) Notwithstanding the provision of the first paragraph hereunder, the Insurance Supervision Agency shall refuse to grant an authorisation to perform insurance business in the section relating to compulsory insurance in transport or supplementary health insurance if general or special policy conditions are in contravention of the act regulating compulsory insurance in transport or supplementary health insurance.

Expiry of an authorisation to perform insurance business

Article 69

- (1) An authorisation to perform insurance business shall expire:
1. if the insurance undertaking does not make use of that authorization within six months of the granting;
 2. if the insurance undertaking discontinues the performance of insurance business for over one year;
 3. upon the initiation of bankruptcy proceeding or compulsory liquidation;
 4. upon the conclusion of the regular liquidation of the insurance undertaking;
 5. upon the transferral of all insurance contracts to another insurance undertaking.

(2) Should any of the reasons referred to in the first paragraph hereunder arise, the Insurance Supervision Agency shall issue a resolution establishing that the authorisation has expired.

(3) An insurance undertaking shall not be allowed to make any new deals with regard to the performance of insurance business:

1. in cases under items 1 and 2 of the first paragraph hereunder, from the day the resolution referred to in the second paragraph hereunder was served;
2. in the case under item 3 of the first paragraph hereunder, from the day the notice announcing the commencement of bankruptcy proceeding is put on the noticeboard or from the day the insurance undertaking is served the decision whereby the Insurance Supervision Agency decides to commence compulsory liquidation;
3. in the case under item 4 of the first paragraph hereunder, from the day the

resolution referred to in the first paragraph of Article 32 of this Act is adopted;

4. in the case under item 5 of the first paragraph hereunder, from the day the insurance undertaking obtains the authorisation to take over insurance contracts to be granted by the Insurance Supervision Agency.

Scheme of operations

Article 70

(1) The scheme of operations referred to in item 1 of the first paragraph of Article 66 of this Act must contain:

1. the basic features of business policy;
2. an indication of individual classes of insurance within which the insurance undertaking intends to perform insurance business;
3. the guiding principles as to reinsurance, including the tables of maximum coverage for all classes of insurance;
4. a calculation of the minimum capital amount referred to in Articles 110 and 111 of this Act;
5. the planned volume of set-up costs, organisational costs and development expenses, and the sources of financing those expenses;
6. a liquidity assessment and the financial resources intended to meet obligations and to ensure capital adequacy.
7. an expert report on the planned business results with regard to the insurance operations in question for a period of at least three years, in particular on the planned premium income, indemnities or benefits, costs of commission and other operating costs, as well as technical provisions and the reserves to be set aside.

(2) If the scheme of operations in question refers to insurance business involving reinsurance, it must only include the components referred to in items 1, 4, 5 and 7 of the first paragraph hereunder.

(3) If the insurance undertaking plans to deal in compulsory insurance in transport or supplementary health insurance, its scheme of operations must also include general and special policy conditions, premium systems and other insurance bases for the calculation of insurance premiums and the formation of technical provisions.

(4) If the insurance undertaking plans to deal in insurance business involving the class of insurance referred to in item 18 of the second paragraph of Article 2 of this Act, its scheme of operations must also include the specification of funds available to the insurance undertaking which are necessary to meet the non-pecuniary obligations (provision of assistance) of the

insurance undertaking arising from this class of insurance.

Commencement of insurance business within individual classes of insurance

Article 71

An insurance undertaking must inform the Insurance Supervision Agency of the commencement or termination of insurance business within the individual classes of insurance for which it obtained the authorisation.

Extension of business to other classes of insurance

Article 72

(1) An insurance undertaking which has been granted an authorisation to perform insurance business with regard to certain classes of insurance shall be obliged, if it intends to commence operations within other classes of insurance, to obtain an authorisation from the Insurance Supervision Agency to extend its business to other classes of insurance.

(2) With regard to the authorisation to extend business to other classes of insurance referred to in the first paragraph hereunder, the provisions of Articles 66 to 70 of this Act shall be reasonably applied.

(3) The Insurance Supervision Agency shall refuse to grant an authorisation to extend business to other classes of insurance:

1. if it is established that, by extending operations to the class of insurance to which the application refers, the operation of the insurance undertaking could be threatened in accordance with the rules on risk management;
2. if the insurance undertaking fails to meet other criteria for performing insurance business within the class of insurance to which the application refers.

3.1.3. Certified actuaries

Certified actuaries

Article 73

(1) A certified actuary shall be a person holding an authorisation to perform the tasks of certified actuary to be granted by the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall grant an approval to perform the tasks of certified actuary if the following conditions are met:

1. the applicant has passed a proficiency examination which tests the expertise required to perform the tasks of certified actuary;
2. the applicant has not been given a final non-suspended prison sentence of at least three months for a criminal offence against property and the economy.

(3) The Insurance Supervision Agency shall lay down the conditions for acquiring and testing the expertise required to

perform the tasks of certified actuary.

(4) The Insurance Supervision Agency shall withdraw authorisation to perform the tasks of certified actuary in the following cases:

1. if the authorisation was obtained by stating false data;
2. if the certified actuary has been given a final non-suspended sentence of at least three months for a criminal offence against property and the economy;
3. if the certified actuary severely violates the rules of the actuarial profession.

(5) The Insurance Supervision Agency shall be obliged to inform the insurance undertakings for which the person from whom the authorisation was withdrawn performs the tasks of certified actuary of the withdrawal of the authorisation.

(6) Supervision of certified actuaries shall be carried out by the Insurance Supervision Agency. The provisions of Articles 172, 173, 174, 175, 177, 179, 180, 183 and 184 of this Act shall reasonably apply to the supervision of certified actuaries.

Appointment of certified Actuary

Article 74

(1) An insurance undertaking which has obtained an authorisation to perform insurance business shall be obliged to appoint a certified actuary.

(2) A person either performing the function of board of directors member or the procurator of the insurance undertaking, or participating directly or indirectly in the insurance undertaking, may not be appointed certified actuary.

(3) The insurance undertaking shall be obliged to inform the Insurance Supervision Agency of the appointment of a certified actuary.

(4) If the insurance undertaking either fails to appoint a certified actuary within three months or appoints a person who does not meet the conditions for appointment as a certified actuary, the certified actuary shall be appointed by the Insurance Supervision Agency.

Discharge of a certified actuary

Article 75

(1) If, after a certified actuary is appointed, the person appointed has his authorisation to perform the tasks of certified actuary withdrawn by the Insurance Supervision Agency, or if, with regard to the person appointed, the circumstances referred to in the second paragraph of Article 74 of this Act arise, the insurance undertaking shall be obliged to appoint a new certified actuary.

(2) If, in the case under the first paragraph hereunder, the insurance undertaking fails to appoint a new certified actuary, the Insurance Supervision Agency shall, by issuing a decision on the remedy of violations, request the insurance undertaking to appoint a new certified actuary by a deadline which must not be shorter than sixty days.

(3) If the insurance undertaking fails to appoint a new certified actuary by the deadline referred to in the second paragraph hereunder, a certified actuary shall be appointed by the Insurance Supervision Agency.

Tasks of certified actuary

Article 76

(1) A certified actuary shall be obliged to examine whether premiums are calculated and technical provisions set aside in accordance with the regulations, and whether they are calculated or set aside so as to ensure the long-term meeting of all the insurance undertaking's obligations arising from the insurance contracts.

(2) The board of directors shall be obliged to provide the certified actuary with all the data needed to perform the tasks referred to in the first paragraph hereunder.

(3) A certified actuary shall be obliged to submit to the supervisory boards and boards of directors, together with the opinion on the annual report referred to in Article 158 of this Act, a report on the findings of the certified actuary with regard to the supervision carried out in the preceding year pursuant to the first paragraph hereunder. The said report must, in particular, include the reasons for issuing a favourable opinion, an opinion with a reservation or an unfavourable opinion of a certified actuary on the annual statements.

(4) If it is established by a certified actuary in performing the tasks referred to in the first paragraph hereunder that the premiums have not been calculated or the technical provisions not set aside in accordance with the regulations, or they are calculated or set aside in such a way that the long-term meeting of the insurance undertaking's obligations arising from the abovementioned insurance contracts is threatened, he/she shall be obliged to immediately report to the board of directors of the insurance undertaking. If the board of directors fails to take into consideration the certified actuary's report in an appropriate manner, the certified actuary shall be obliged to immediately inform the Insurance Supervision Agency accordingly.

3.1.4. Outsourced operations

Agreement on the outsourced operations

Article 77

(1) An agreement on outsourced operations shall be an agreement whereby an insurance undertaking transfers a significant portion of its operations to another insurance undertaking or legal entity.

(2) The agreements referred to in the first paragraph hereunder shall, in particular, be deemed to be agreements whereby the following operations:

1. agency services with regard to concluding insurance contracts;
2. management of the insurance undertaking's assets covering technical provisions or assets covering mathematical provisions;
3. handling of cases involving damages;
4. accounting;

are transferred, for an unspecified or longer period of time, by an insurance undertaking to another insurance undertaking or entity in full or to a considerable extent (hereinafter: outsourced operations).

(3) An agreement on outsourced operations must stipulate that the entity accepting outsourced operations is obliged to provide the insurance undertaking with the data referred to in the second paragraph of Article 79 of this Act, which the insurance undertaking may only use for the purpose referred to in the second paragraph of Article 79.

Authorisation for outsourced operations

Article 78

(1) The Insurance Supervision Agency shall refuse to grant an authorisation for outsourced operations if, with regard to the type and volume of outsourced operations, the interests of insured persons could be threatened or if, due to outsourced operations, the carrying-out of supervision of the insurance business performed by the insurance undertaking would be rendered impossible or considerably hindered.

(2) The Insurance Supervision Agency may make the validity of the authorisation dependent on certain conditions, if this is necessary to safeguard the interests of insured persons.

Supervision of the performance of outsourced operations

Article 79

(1) The provisions of this Act referring to the supervision of insurance undertakings shall reasonably apply also to entities performing outsourced operations.

(2) An insurance undertaking shall be obliged, at the request of the Insurance Supervision Agency, to provide the latter with all data on the legal status, financial standing and operations of the entity with which the agreement on the outsourced operations was entered into.

(3) The Insurance Supervision Agency shall withdraw the authorisation for outsourced operations:

1. if the circumstances referred to in the first paragraph of Article 78 of this Act arise;
2. if the insurance undertaking fails to meet the criteria stipulated pursuant to the second paragraph of Article 78 of this Act.

3.1.5. Transfer of insurance contracts

Transfer of insurance contracts

Article 80

(1) An insurance undertaking may, by means of an agreement, transfer to another insurance undertaking (hereinafter: accepting insurance undertaking) insurance contracts within an individual group or class of insurance (hereinafter: insurance portfolio) together with the assets covering technical provisions equalling the provisions to be set aside for the insurance portfolio being transferred or the assets covering mathematical provisions to be set aside for the insurance portfolio being transferred.

(2) The approval of the policy holders shall not be required to transfer insurance contracts.

(3) The agreement referred to in the first paragraph hereunder shall take effect on the day the insurance undertaking obtains an authorisation from the Insurance Supervision Agency for transfer of insurance contracts. Prior to this, the transfer of the insurance portfolio to the accepting insurance undertaking shall not be permitted.

(4) The accepting insurance undertaking shall be obliged to inform policy holders of the transfer of insurance contracts by means of announcements in the mass media in the territory in which risks are covered by the insurance contracts being transferred.

(5) An insurance undertaking may transfer insurance contracts to the following:

1. another insurance undertaking with its head office in the Republic of Slovenia;
2. its branch or a branch of another insurance undertaking with its head office in the Republic of Slovenia, provided the branch has its head office in a Member State;
3. a Member State insurance undertaking or its branch in the Republic of Slovenia or another Member State;
4. a branch of a foreign insurance undertaking, provided the head office of the branch is in the Republic of Slovenia;
5. a branch of a foreign insurance undertaking, provided the head office of the branch is in a Member State and that the contracts being transferred only cover the risks situated in that Member

State.

Application for authorisation to transfer insurance contracts

Article 81

An application for authorisation to transfer insurance contracts must contain:

1. a list of insurance contracts according to the individual groups or classes of insurance to be transferred, together with general policy conditions with regard to the said insurance contracts and the relevant calculations relating to provisions;
2. a list of assets covering technical provisions or assets covering mathematical provisions, stating their values and the data on the basis of which it is possible to examine the calculation of the said volumes;
3. in the cases referred to in items 1, 2 and 4 of the fifth paragraph of Article 80 of this Act: amendment to the scheme of operations of the accepting insurance undertaking which is necessary due to the transfer of insurance contracts;
4. an agreement on the transfer of insurance contracts.

Taking decisions with regard to granting an authorisation to transfer insurance contracts

Article 82

(1) The Insurance Supervision Agency shall refuse to grant an authorisation to transfer insurance contracts if the volume of the assets covering technical provisions or assets covering mathematical provisions is lower than that of the provisions to be set aside for the insurance portfolio to be transferred, or if there exist other reasons due to which the interests of policy holders could be threatened.

(2) In the cases referred to in items 1, 2 and 4 of the fifth paragraph of Article 80 of this Act, the Insurance Supervision Agency shall also refuse to grant an authorisation if the accepting insurance undertaking fails to meet the conditions for performing insurance business within groups or classes of insurance to be transferred or if, due to the taking-over of the portfolio, the operation of the accepting insurance undertaking may be threatened according to the rules on risk management.

(3) If the insurance undertaking transfers insurance contracts to its branch in a Member State, the Insurance Supervision Agency shall be obliged, prior to making a decision on granting the authorisation, to request an opinion from the competent supervisory authority of the Member State. If, within three months of the receipt of the request, the competent supervisory authority of the Member State does not respond, it shall be deemed that it does not object to the transfer of insurance contracts.

(4) In the case referred to in item 3 of the fifth paragraph of Article 80 of this Act, the Insurance Supervision Agency may only grant an authorisation to transfer insurance contracts if the competent supervisory authority of the Member State in question issues a confirmation according to which the Member State insurance undertaking would also achieve minimum capital adequacy after the insurance contracts have been transferred.

(5) If, in the case referred to in the fourth paragraph hereunder, the insurance in question also covers risks situated in another Member State, the Insurance Supervision Agency may only grant an authorisation to transfer insurance contracts if the competent supervisory authority of that Member State approves. If, within three months of the receipt of the application for approval, it does not adopt a decision with regard to the approval, it shall be deemed that it approves of the transfer.

(6) The provisions of the fourth paragraph hereunder shall also apply reasonably if insurance contracts are transferred to the branch of a Swiss insurance undertaking in the Republic of Slovenia.

(7) If, in order to transfer insurance contracts of its Member State branch, a foreign insurance undertaking requires the approval of the Insurance Supervision Agency, the Insurance Supervision Agency shall be obliged to adopt a decision with regard to such an approval.

(8) If a Member State insurance undertaking plans to transfer insurance contracts to its branch in the Republic of Slovenia, the Insurance Supervision Agency shall be obliged, within three months of the receipt of the application for an opinion, to inform the competent supervisory authority of the Member State about possible objections against the transfer.

(9) If confirmation from the Insurance Supervision Agency within the meaning of the fourth paragraph hereunder is required with regard to the transfer of insurance contracts of a Member State insurance undertaking, the Insurance Supervision Agency shall be obliged to issue an appropriate confirmation or to adopt a decision to refuse to issue such a confirmation.

(10) If an insurance undertaking of one Member State plans to transfer insurance contracts to an insurance undertaking of another Member State, where the transferred insurance contracts also cover risks situated in the Republic of Slovenia, the Insurance Supervision Agency may refuse to grant an approval within the meaning of the fifth paragraph hereunder if the interests of policy holders under the transfer are not sufficiently safeguarded. A decision to refuse to grant an approval must be adopted within three months of the receipt of the notification by the competent supervisory authority of the Member State

with regard to the planned transfer.

3.2. Policy conditions and notification of policy holders

Insurance contracts and general policy conditions

Article 83

(1) If an insurance covers risks situated in the Republic of Slovenia, the respective insurance contract must, in particular, contain provisions regarding:

1. events on the basis of which the insurance undertaking' s obligation to pay the benefit arising from the insurance contract, and cases in which, due to special reasons, the insurance undertaking' s obligation is excluded;
2. the performance, and the volume and maturity of the insurance undertaking' s obligations;
3. the fixing and payment of the premium, and the legal consequences if it is not paid;
4. the duration of an insurance contract, stating in particular:
 - whether and how the insurance contract is tacitly renewed;
 - whether, how and when the insurance contract may be cancelled or partly or fully terminated, and the insurance undertaking' s obligations in such an event;
5. the forfeiture of claims arising from insurance contracts in the event of missing deadlines;
6. with regard to life assurance, the terms and conditions, as well as the volume of prepayments and loans as per an insurance policy, the terms and conditions governing the participation of policy holders in the insurance undertaking' s profits, together with the criteria for calculating the said participation, and the conditions and methods of calculating redemption value and redemption.

(2) When the entity in question is a mutual insurance company, the obligatory provisions referred to in the first paragraph hereunder may be included in the bylaws and not in insurance contracts.

(3) The provisions of an insurance contract referred to in the first paragraph hereunder may only derogate from the general policy conditions to the disadvantage of the policy holders:

1. if solid grounds exist with regard to the subject matter insured and
2. if written consent to the said derogation was given by the insured person in question.

(4) In the event of the legal expenses insurance referred to in item 17 of the second paragraph of Article 2 of this Act , the insurance contract must not stipulate that the insurance undertaking shall only cover the costs of legal representation through a lawyer or another person to be appointed by the insurance undertaking.

(5) Insurance contract must not contravene the compulsory provisions of other

acts regulating insurance contract or individual types of insurance contract.

Notification of policy holders when concluding insurance contracts

Article 84

(1) Should the policy holder in question be a natural person, the insurance undertaking or shall be obliged, when concluding the insurance contract referred to in Article 83 of this Act, to notify the former in writing of the following data:

1. the company name, legal form of organisation, head office and address of the insurance undertaking, and the branch through which the insurance contract is being concluded;
2. the general policy conditions applying to the relationship of insurer and insured, and the law regulating the insurance contract;
3. when general policy conditions do not apply to the relationship of insurer and insured: the performance, and the volume and maturity of the insurance undertaking's obligations;
4. the duration of the insurance contract;
5. the amount of the premium, together with a breakdown of premiums according to individual risks (if risks pertaining to several classes of insurance are covered by the contract), and the amounts of contributions, taxes and other charges incurred in addition to the premium, and the total amount to be paid;
6. the time period in which the provider of the service is bound by the offer;
7. the right to cancel or terminate;
8. the title and address of the supervisory authority responsible for the supervision of the insurance undertaking to which complaints about insurance undertaking or insurance broker may be filed.

(2) Where life assurance or accident insurance with the right to a refund of one part of the insurance premium are concerned, the notification of policy holders must, in addition to the data referred to in the first paragraph hereunder, also include data with regard to:

1. the bases and criteria for participation in profits;
2. the table of surrender values;
3. the minimum insurance sum necessary for switching to paid-up insurance (capitalisation) and the rights arising from the said insurance;
4. where insurance in which investment risk is borne by the insured person are concerned: the assets covering mathematical provisions set aside for the said insurance, and the investment structure of those assets covering mathematical provisions;
5. the fiscal regulation applicable to insurance.

Notification of policy holders during the period of validity of an insurance contract

Article 85

(1) During the period of validity of the insurance contract referred to in Article 83 of this Act, the insurance undertaking shall be obliged to notify policy holders of the following:

1. any change to the company name, the legal form of organisation, the head office or address of the insurance undertaking, or the branch through which the insurance contract was concluded;
2. any change to the data referred to in items 3 to 5 of the first paragraph of Article 84 of this Act or the data referred to in items 1 to 4 of the second paragraph of Article 84 of this Act, if the changes in question are due to amended regulations;

(2) During the period of validity of the insurance contract referred to in the second paragraph of Article 84 of this Act, the insurance undertaking or insurance broker shall be obliged, once a year, to notify policy holders of their participation in profits.

Contents of general policy conditions and notifications

Article 86

The texts of the general policy conditions and notifications referred to in Articles 84 and 85 of this Act must be unequivocally compiled, clearly organised, understandable and in the Slovene language.

3.3. Performance of insurance business outside the territory of the Republic of Slovenia

Performance of insurance business in Member States

Article 87

(1) An insurance undertaking may perform the insurance business for which it was granted an authorisation by the Insurance Supervision Agency in the territory of a Member State, either through a branch or directly, if it meets the requirements stipulated in the regulations of the country in question.

(2) If an insurance undertaking underwrites insurance policies covering risks situated in a Member State, it shall be deemed that it performs insurance business in that Member State.

(3) In determining the Member State in which risks are covered, the second paragraph of Article 6 of this Act shall be reasonably applied.

Commencement of insurance business in Member States

Article 88

(1) An insurance undertaking which intends to start performing insurance business in a Member State shall be obliged to notify the Insurance Supervision Agency accordingly, stating the Member State to which its intentions refer. The said notification must include a description of the insurance business to be

performed, together with their types and volume in terms of individual classes of insurance. Notification must be provided with the amended scheme of operations and confirmation containing the information referred to in the second paragraph of Article 66 of this Act. Should the insurance undertaking plan to establish a branch in the Member State, the notification must also contain:

1. the names of the persons authorised to manage the branch's operations;
2. the address of the branch in the Member State at which it will be possible to obtain the documentation on the branch.

(2) The Insurance Supervision Agency shall be obliged, no later than within one month, to submit the notification referred to in the first paragraph hereunder to the competent supervisory authority of the Member State, and to notify the insurance undertaking accordingly.

(3) Together with the notification referred to in the second paragraph hereunder, the Insurance Supervision Agency shall be obliged to submit to the competent supervisory authority of the Member State the following:

1. a statement that the insurance undertaking in question meets the required minimum capital adequacy;
2. data on the classes of insurance within which, pursuant to the authorisation to perform insurance business, the insurance undertaking is allowed to perform insurance business.

(4) The insurance undertaking shall be allowed to start performing insurance business upon expiry of a two-month period, counted from the day of receipt of the notification of the Insurance Supervision Agency referred to in the second paragraph hereunder.

(5) Notwithstanding the provision of the second paragraph hereunder, the Insurance Supervision Agency shall refuse to submit the notification to the supervisory authority of the Member State if it is established, on the basis of the data presented and the documentation referred to in the first paragraph hereunder, and taking into account the planned volume of business, that the insurance undertaking in question does not meet the required minimum capital adequacy or that upon commencement of the said insurance business in the Member State the operation of the insurance company could be threatened in accordance with the rules on risk management.

(6) The Insurance Supervision Agency shall prohibit an insurance undertaking from performing insurance business in the Member State if the circumstances referred to in the fifth paragraph hereunder arise.

Changes with regard to data specified in the notification

Article 89

(1) The provision referred to in Article 88 of this Act shall also be reasonably applied if an insurance undertaking which, pursuant to the fourth paragraph of Article 88 of this Act, has started to perform insurance business in a Member State intends to extend its business to other classes of insurance which were not mentioned in the notification referred to in the first paragraph of Article 88 of this Act or if other circumstances or conditions are changed of which the competent supervisory authority of the Member State must be informed through the notification referred to in the second paragraph of Article 88 by the Insurance Supervision Agency.

(2) Notwithstanding the provision of the first paragraph hereunder, the Insurance Supervision Agency shall immediately inform the competent supervisory authority of a Member State if an insurance undertaking fails to achieve minimum capital adequacy.

Supervision of the performance of insurance business in Member States Article 90

(1) The Insurance Supervision Agency shall supervise the branch of an insurance undertaking in the Member State or the direct performance of insurance business in the Member State.

(2) The Insurance Supervision Agency may request that the competent supervisory authority of the Member State in which the insurance undertaking in question performs insurance business examine the branch's operations in that Member State if the procedure of supervision is thereby accelerated or simplified, or if this is in accordance with the requirements on the efficiency, effectiveness and economy of the procedure or reduced costs. Authorised persons of the Insurance Supervision Agency may, under the same conditions, participate in the supervision performed by the competent supervisory authority of the Member State.

(3) Should an insurance undertaking performing insurance business in the Member State, despite an admonition from the competent supervisory authority of the Member State, continue to violate the regulations of that Member State, the Insurance Supervision Agency shall take supervisory measures pursuant to this Act. The Insurance Supervision Agency shall be obliged to immediately notify the competent supervisory authority of the Member State of the measures taken.

(4) Should the Insurance Supervision Agency withdraw the authorisation to perform insurance business from an insurance undertaking, it shall be obliged to immediately inform accordingly the

responsible supervisory authorities of the Member States in which the insurance undertaking in question is performing insurance business.

Reporting on insurance business in Member States

Article 91

(1) An insurance undertaking performing insurance business in a Member State shall be obliged to report to the Insurance Supervision Agency on insurance business in individual Member States. Reports shall be made separately for those insurance business performed through its branch and those performed directly.

(2) The report referred to in the first paragraph hereunder must contain data on the amounts of premiums, claims and commissions, without reinsurance reductions.

(3) The detailed contents of reports and the methods of and deadlines for reporting shall be laid down by the Insurance Supervision Agency.

(4) At the request of the competent supervisory authority of the Member State, the Insurance Supervision Agency shall submit aggregate information on the contents of the reports referred to in the first paragraph hereunder to the competent supervisory authority of the Member State.

Performance of insurance business in foreign countries

Article 92

(1) An insurance undertaking may only perform insurance business in a foreign country through a branch.

(2) In order to establish a branch abroad, an insurance undertaking shall be obliged to obtain an authorisation from the Insurance Supervision Agency.

(3) In taking decisions with regard to granting an authorisation to establish a branch abroad, the provisions referred to in the first and the fourth to sixth paragraphs of Article 88 of this Act shall reasonably apply.

(4) The Insurance Supervision Agency may also refuse to grant an authorisation to establish a branch abroad if, taking into account the regulations of the country in which the insurance undertaking in question intends to establish a branch or taking into account the practice usually pursued in implementing the said regulations, it is likely that the performance of supervision under the provisions of this Act will be hindered.

3.4. Free performance of insurance business by Member State insurance undertakings

Member State insurance undertakings

Article 93

(1) An insurance undertaking entitled to perform insurance business within individual classes of insurance in Member States

shall also be allowed to perform insurance business in the said classes of insurance in the territory of the Republic of Slovenia, either through a branch or directly.

(2) The insurance undertaking referred to in the first paragraph hereunder or its branch in the territory of the Republic of Slovenia shall be regulated by the following provisions of this Act and the regulations issued on the basis hereof:

1. Articles 83 to 86;
2. Article 227;
3. the provisions of the Acts referred to in the sixth and seventh paragraphs of Article 2 of this Act.

Commencement of insurance business

Article 94

(1) A branch of a Member State insurance undertaking may start to perform insurance business in the Republic of Slovenia if the competent supervisory authority of the Member State in question undertakes the following with regard to the Insurance

Supervision Agency:

1. it notifies the Insurance Supervision Agency of the data referred to in the first paragraph of Article 88 of this Act, of which it was notified by the Member State insurance undertaking in question;
2. it declares that the Member State insurance undertaking in question has the necessary capital at its disposal.

(2) A branch of a Member State insurance undertaking may start to perform insurance business in the Republic of Slovenia upon expiry of a two-month period, counted from the day the Insurance Supervision Agency receives notification from the competent supervisory authority of the Member State referred to in the first paragraph hereunder.

(3) Item 2 of the first paragraph and the second paragraph hereunder shall reasonably apply to any change in the classes of insurance in which the Member State insurance undertaking in question performs insurance business.

(4) A branch of a Member State insurance undertaking shall be obliged to terminate its insurance business in the Republic of Slovenia in the following cases:

1. if the competent supervisory authority of the Member State decides that the Member State insurance undertaking in question does not have sufficient capital at its disposal for the further performance of insurance business through the branch;

or

2. if the Member State insurance undertaking's authorisation to perform insurance business has expired.

(5) Notwithstanding the provision of the first paragraph hereunder, the Member

State insurance undertaking may start to perform compulsory insurance in transport when it submits to the Insurance Supervision Agency a document, to be issued by the Slovene Insurance Association, stating that the Member State insurance undertaking in question:

1. is a member of the Slovenian Insurance Association;
2. has joined the guarantee fund intended to cover losses caused by drivers of unknown and uninsured motor vehicles.

(6) Notwithstanding the provision of the first paragraph hereunder, the Member State insurance undertaking may only start to perform compulsory insurance in transport or supplementary health insurance if it obtains an approval from the Insurance Supervision Agency concerning the general and special policy conditions with regard to these insurances.

Supervision of insurance business performed by Member State insurance undertaking

Article 95

(1) Supervision of a Member State insurance undertaking performing insurance business in the territory of the Republic of Slovenia shall be carried out by the competent supervisory authority of the Member State.

(2) The competent supervisory authority of the Member State or persons authorised by it may, in the territory of the Republic of Slovenia, examine the operations of the insurance undertaking of that Member State.

(3) In the case under the first paragraph hereunder, the competent supervisory authority or persons authorised by it shall have the same responsibilities as the Insurance Supervision Agency under the provisions of Articles 276 to 281 of this Act.

(4) The Insurance Supervision Agency shall be obliged, at the request of the competent supervisory authority of the Member State, to carry out supervision of the operations of the insurance undertaking of that Member State in the territory of the Republic of Slovenia.

(5) Notwithstanding the provisions of the preceding paragraphs hereunder, the Insurance Supervision Agency shall be obliged to carry out supervision of the operations of the insurance undertaking of that Member State in the territory of the Republic of Slovenia pursuant to the provisions of Articles 301 to 306 of this Act, in order to supervise operation in accordance with the provisions of the second paragraph of Article 93 of this Act.

Supervisory measures to be taken with regard to Member State insurance undertakings

Article 96

(1) Should a Member State insurance undertaking violate the provisions of the second or paragraph of Article 93 of this Act in the territory of the Republic of Slovenia, the Insurance Supervision Agency shall, by issuing an order, impose a remedy of violations.

(2) Should the Member State insurance undertaking fail to comply with the decision referred to in the first paragraph hereunder by the deadline determined in the said decision, the Insurance Supervision Agency shall inform the competent supervisory authority of that Member State.

(3) For violations committed by the Member State insurance undertaking in the territory of the Republic of Slovenia, the Insurance Supervision Agency may take an additional measure of prohibiting the concluding of new insurance contracts if the conditions laid down in item 10 of the second paragraph of Article 181 of this Act are met.

(4) Prior to taking the measure referred to in the third paragraph hereunder, the Insurance Supervision Agency shall be obliged to inform the competent supervisory authority of the Member State accordingly.

(5) Notwithstanding the provision of the fourth paragraph hereunder, the Insurance Supervision Agency may temporarily prohibit the Member State insurance undertaking from concluding new insurance contracts without prior notification to the competent supervisory authority of the Member State, if this may not be delayed in order to safeguard the interests of the insured persons.

(6) The Insurance Supervision Agency shall be obliged to inform the responsible supervisory body of the Member State and the European Commission of a temporary prohibition from making insurance contracts as soon as possible.

3.5. Performance of insurance business by foreign insurance undertakings

Performance of insurance business by foreign insurance undertakings

Article 97

(1) A foreign insurance undertaking may only perform insurance business in the territory of the Republic of Slovenia through a branch.

(2) A branch of a foreign insurance undertaking must meet the following conditions:

1. the business of the branch must be managed by two managers, to which the provisions of Articles 22 to 26 and 28 of this Act shall reasonably apply;

2. the branch must be adequately staffed and technically equipped in order to perform insurance business;

3. the branch must have sufficient equity at its disposal; the provisions of Articles 110 or 111 of this Act shall reasonably apply to the branch' s equity;

4. a branch shall be obliged, in the territory of the Republic of Slovenia, to deposit an amount of money or other adequate financial assets as security to meet the obligations arising from insurance contracts concluded in the territory of the Republic of Slovenia or covering risks situated in the Republic of Slovenia, amounting to one quarter of the branch' s equity (hereinafter: guarantee deposit).

(3) With regard to branches of foreign insurance undertakings, the following provisions of this Act and the regulations issued on the basis hereof shall apply:

1. Articles 83 to 86;
2. Article 227;
3. the provisions of the Acts referred to in the sixth and seventh paragraphs of Article 2 of this Act;
4. the provisions of Chapters 5, 7 and 8.

(4) With regard to the supervision of a foreign insurance undertaking and a branch established by it in the territory of the Republic of Slovenia, the provisions of Chapter 11 of this Act shall reasonably apply.

Authorisation to establish a branch

Article 98

(1) A foreign insurance undertaking shall be allowed to establish a branch in the territory of the Republic of Slovenia if it is granted an authorisation by the Insurance Supervision Agency.

(2) An application for an authorisation to establish a branch must include:

1. the articles of association of a branch;
2. a copy from the companies' register or other relevant register kept in the country where the holding insurance undertaking' s head office is located;
3. the bylaws or regulations of the holding insurance undertaking;
4. audited business reports of the holding insurance undertaking for the last three business years;
5. if the copy referred to in item 2 does not state the owners of the holding insurance undertaking: an appropriate document giving an authentic record of the owners and their shares in the management of the holding insurance undertaking;
6. a copy from the companies' register or other relevant register kept in the country where the head offices of those legal entities are located which participate in the management of the holding insurance undertaking with holdings of more than 10%;
7. the scheme of operations, containing the contents referred to in Article 70

of this Act;

8. a statement that the branch in question will record and keep all documents relating to the branch's operation at the head office of that branch;

9. supporting documents with regard to the provision of sufficient equity and guarantee deposit;

10. documents on the basis of which it is possible to establish whether the branch in question is qualified, in terms of personnel, technical matters and organisation, to perform the services referred to in the application for authorisation.

(3) The Insurance Supervision Agency shall, in the authorisation to establish a branch of a foreign insurance undertaking, lay down the method of providing guarantee deposit.

(4) With regard to taking decisions on the authorisation to establish a branch of a foreign insurance undertaking, Articles 66 to 68 of this Act shall reasonably apply.

(5) The Insurance Supervision Agency shall also refuse to grant an authorisation to establish a branch of a foreign insurance undertaking

1. if, taking into account the regulations of the country in which that insurance undertaking's head office is located or taking into account the practice usually pursued in implementing the said regulations, it is likely that the performance of supervision under the provisions of this Act will be hindered; or

2. if insurance undertakings with head offices in the Republic of Slovenia cannot perform insurance business in that country or if, due to the regulations of that country or the practice usually pursued in implementing the said regulations, they do not have competitive possibilities in performing insurance business equal to those of domestic insurance undertakings.

Special provisions for branches of Swiss insurance undertakings

Article 99

(1) With regard to branch of Swiss insurance undertaking in the territory of the Republic of Slovenia, the following provisions of this Act shall not apply:

– item 7 of Article 68 in relation to the fourth paragraph of Article 98 of this Act;

– items 3 and 4 of the second paragraph of Article 97 of this Act;

– item 2 of the fifth paragraph of Article 98 of this Act.

(2) Prior to taking a decision to grant an authorisation to establish a branch of a Swiss insurance undertaking, the Insurance Supervision Agency shall be obliged to notify the competent supervisory authority of the Swiss Confederation and request its opinion. If, within three months of the receipt of the application, the

responsible authority of the Swiss Confederation does not reply, it shall be deemed that it does not object to the establishment of a branch.

(3) Prior to taking a decision to withdraw an authorisation to establish a branch of a Swiss insurance undertaking, the Insurance Supervision Agency shall be obliged to notify the competent supervisory authority of the Swiss Confederation and request its opinion. If, prior to obtaining the opinion referred to in the preceding sentence, the Insurance Supervision Agency prohibits the branch of the Swiss insurance undertaking from concluding insurance contracts, it shall be obliged to immediately inform the competent supervisory authority of the Swiss Confederation accordingly.

4. COOPERATION WITH SUPERVISORY AUTHORITIES AND BODIES OF THE EUROPEAN COMMUNITIES

Cooperation of domestic supervisory authorities

Article 100

(1) The Insurance Supervision Agency and the bodies responsible for the supervision of other financial organisations shall be obliged, at the request of an individual supervisory authority, to submit to that authority all data with regard to an insurance undertaking or other financial organisation which is needed during the procedures relating to the supervision of the financial organisation, the granting of authorisations, and the adoption of decisions in other individual matters.

(2) Supervisory authorities shall be obliged to notify each other of any irregularities discovered during supervision, if those findings are relevant to the work of other supervisory authorities.

(3) Detailed contents and the method of the supervisory authorities' cooperation shall, on the basis of the prior opinion of supervisory authorities, be stipulated by the Minister of Finance.

(4) Data acquired in accordance with the preceding paragraphs hereunder or through an exchange of data between the supervisory authorities of both the Member States and foreign countries must be protected as confidential and may only be used for the purposes for which it was acquired.

Data-processing and submission of information

Article 101

(1) The Insurance Supervision Agency shall be obliged to collect and process data with regard to the facts and circumstances relevant to its tasks and responsibilities stipulated in this Act.

(2) Data with regard to the following shall, in particular, be deemed to be the data referred to in the first paragraph hereunder which is relevant to the Insurance Supervision Agency's tasks and

responsibilities stipulated by this Act:

1. authorisations to perform insurance business, and other authorisations granted by the Insurance Supervision Agency in accordance with this Act;
2. members of the board of directors and supervisory boards of insurance undertakings, their organisation, and the operation of internal audits;
3. branches or direct insurance business by insurance undertakings in the Member States, and branches or direct insurance business by Member State insurance undertakings in the Republic of Slovenia;
4. branches of insurance business undertakings in foreign countries and branches of foreign insurance undertakings in the Republic of Slovenia;
5. compliance with the provisions on risk management referred to in Chapters 5 and 6 of this Act, and the regulations issued on the basis thereof;
6. the reports referred to in Article 140 of this Act;
7. the holders of qualifying holdings referred to in Article 18 of this Act;
8. the audited annual reports referred to in Article 167 of this Act;
9. the implemented supervisory measures referred to in Article 178 of this Act;
10. information acquired by the Insurance Supervision Agency through the exchange of information with the responsible supervisory authorities of Member States.

(3) The Insurance Supervision Agency shall be allowed to submit the data referred to in the second paragraph hereunder to:

1. domestic supervisory authorities within the framework of cooperation under Article 100 of this Act;
2. the responsible authorities of Member States, if this is necessary for their work as regards the supervision of insurance operations and if those authorities are obliged to protect confidential data to the extent laid down in the fourth paragraph of Article 100 of this Act;
3. the competent supervisory authorities of foreign countries, if this is necessary for their work as regards the supervision of insurance operations on conditions of reciprocity, and if those authorities are obliged to protect confidential data to the extent laid down in the fourth paragraph of Article 100 of this Act;
4. the court of justice, if this is necessary for bankruptcy proceedings;
5. the Slovenian Institute of Auditors, if this is necessary for the supervision of the auditing house by which the financial statements of the insurance undertaking in question were audited.

(4) Notwithstanding the provision of the third paragraph hereunder, the Insurance Supervision Agency may only submit the

data referred to in item 10 of the second paragraph hereunder if this was expressly allowed by the authority which submitted the data to the Insurance Supervision Agency.

Informing the European Commission of refusals to submit notification
Article 102

The Insurance Supervision Agency shall be obliged to inform the European Commission of refusals to submit the notification referred to in the fifth paragraph of Article 88 of this Act.

Informing the European Commission of relations with foreign countries
Article 103

(1) The Insurance Supervision Agency shall be obliged to inform the European Commission of:

1. any authorisation granted to an insurance undertaking whose direct or indirect controlling company is a legal entity whose head office is located in a foreign country;
2. any authorisation to acquire qualifying holdings granted on the basis of which a foreign entity becomes the controlling company of the insurance undertaking in question.

(2) The Insurance Supervision Agency shall inform the European Community of any significant obstacle which the insurance undertaking came across in performing insurance business in foreign countries.

(3) Should the European Commission decide that the supervisory authorities of Member States should halt or suspend the adoption of decisions with regard to matters relating to entities from individual foreign countries, the Insurance Supervision Agency shall be obliged, by issuing a resolution, to suspend the procedure for up to three months, if the decisions to be adopted refer to:

1. applications for an authorisation to be issued to an insurance undertaking whose direct or indirect controlling company is a legal entity whose head office is situated in the foreign country to which the decision of the European Commission refers;
2. applications for authorisation to acquire qualifying holdings on the basis of which a foreign entity whose head office is located in the foreign country to which the decision of the European Commission refers becomes the controlling company of the insurance undertaking in question.

(4) During the period of suspension under the third paragraph hereunder, the period of time allowed for adopting the decision referred to in the first paragraph of Article 329 of this Act shall not run.

(5) Should the European Council decide that the halt or suspension of procedures referred to in the third paragraph hereunder should be prolonged, the Insurance Supervision Agency shall be obliged, by issuing a resolution, to prolong the halting of the procedure referred to in the third paragraph hereunder for a period stipulated

in the decision of the European Council.

(6) The measures referred to in the third and fifth paragraphs hereunder shall not apply:

1. to the setting-up of an insurance undertaking as a controlled company of the insurance undertaking which, at the moment of adopting the decision referred to in the third or fifth paragraphs hereunder, is entitled to perform insurance business in the Member State, or controlled companies of the insurance undertaking in question;

2. to the acquisition of qualifying holdings whose prospective holder will be the insurance undertaking which, at the moment of adopting the decision referred to in the third or fifth paragraphs hereunder, is entitled to perform insurance business in a Member State, or a controlled company of the insurance undertaking in question.

(7) The Insurance Supervision Agency shall be obliged, at the request of the European Commission, to inform the European Commission of any application for an authorisation referred to in the first paragraph hereunder or of any application for the acquisition of qualifying holding on the basis of which a foreign holder will become the controlling company of the insurance undertaking in question, if the European Commission requires that data for establishing the facts relevant to the adoption of the decision referred to in the third or fifth paragraphs hereunder.

5. RISK MANAGEMENT

5.1. General provisions

Risk management

Article 104

(1) An insurance undertaking must ensure that at any point in time it disposes of adequate capital with regard to both the volume and type of insurance business performed, and the risks to which it is exposed in performing those operations (capital adequacy).

(2) An insurance undertaking shall be obliged to operate so as to provide that the risks to which it is exposed in its individual or all types of insurance business never exceed the restrictions stipulated in this Act and in the regulations issued on the basis thereof.

(3) An insurance undertaking shall be obliged to operate so as to be able, at any point in time, to settle debts due (liquidity) and to meet all its obligations permanently (solvency).

5.2. Capital of insurance undertakings

Capital of insurance undertaking

Article 105

In order to establish whether the provisions with regard to risk management are complied with, an insurance undertaking's capital (hereinafter: capital) shall be calculated in accordance with the methodology stipulated in the following articles of this Section.

Core Capital

Article 106

(1) In calculating the core capital of an insurance undertaking, account shall be taken of the following items:

1. paid-up share capital or initial capital and paid-in capital surplus, excluding the paid-up share capital and paid-in capital surplus arising from cumulative preferred shares;
2. the reserves of the insurance undertaking;
3. the retained profit brought forward;
4. the profit for the year, however up to 50% of that profit after tax and other levies charging the profit have been deducted, if the amount of the profit was confirmed by a certified auditor;
5. other items which, according to their characteristics, are identical to the items referred to in items 1 to 3 of this paragraph.

(2) In calculating core capital, the following items shall be considered to be deduction items:

1. own shares;
2. intangible long-term assets;
3. the retained loss brought forward and the loss for the year;
4. other items which, according to their characteristics, are identical to the preceding items of this paragraph.

(3) The core capital must, at all points in time, equal at least the guarantee fund referred to in Article 112 of this Act.

Additional capital

Article 107

(1) In calculating the additional capital of an insurance undertaking, account shall be taken of the following items:

1. share capital and capital surplus paid on the basis of cumulative preferred shares;
2. subordinated debt instruments;
3. other items which, according to their characteristics, are identical to the preceding items of this paragraph.

(2) In calculating additional capital, the items referred to in the first paragraph hereunder shall only be taken into account to the extent stipulated in the regulation referred to in Article 109 of this Act, whereby the amount of core capital shall be taken into account.

(3) Subordinated debt instruments shall be securities and other financial instruments which, in the event of the bankruptcy or

liquidation of the issuer, are repayable only after other debts of the issuer have been satisfied, or which, with regard to their maturity and other characteristics, are appropriate for covering possible losses due to risks to which the insurance undertaking is exposed.

Calculation of capital

Article 108

(1) In calculating the insurance undertaking's capital, the sum of core capital and additional capital shall be reduced by the following items:

1. the insurance undertaking's investments in shares and subordinated debt instruments issued by other insurance undertakings or other financial organisations in which the insurance undertaking in question holds a stake of over 10%, as well as other investments in those entities which, in establishing the capital adequacy of those entities, are included in the calculation of their capital;
2. the insurance undertaking's investments in shares and subordinated debt instruments issued by insurance undertakings or financial organisations other than those referred to in item 1 hereunder, to a volume exceeding 10% of the insurance undertaking's capital calculated prior to deducting the items referred to in item 1 hereunder and in this item;
3. illiquid assets.

(2) Illiquid assets shall be the insurance undertaking's investments in the shares of the Stock Exchange, the Clearing and Depository Corporation, claims arising from payments in the guarantee fund kept by the Clearing and Depository Corporation, claims arising from payments in other funds intended for mutual guarantee in meeting the obligations of several entities, and other assets which cannot be turned into money within the period needed to satisfy debts due in time.

Risk management regulations

Article 109

The Insurance Supervision Agency shall issue a detailed method of calculating capital and capital requirements, whereby the following shall be stipulated:

1. the method and extent of considering individual items in calculating the insurance undertaking's capital and its capital adequacy;
2. detailed features and types of items to be taken into account in calculating the insurance undertaking's capital and its capital adequacy;
3. detailed features of both the subordinated debt instruments referred to in

the third paragraph of Article 107 of this Act and the illiquid assets referred to in the second paragraph of Article 108 of this Act;

4. detailed rules relating to the calculation of the insurance undertaking's minimum capital referred to in Articles 110 and 111 of this Act;

5. detailed rules and the minimum standards relating to the calculation of technical provisions;

6. detailed types and features of assets covering technical provisions and assets covering mathematical provisions, and detailed rules relating to the spreading and limiting of those investments, and their valuation and balancing;

7. the method of calculating the insurance undertaking's own shares in the tables of maximum coverage, and the method of establishing the maximum probable loss;

8. the detailed method of calculating liquidity ratios and the minimum liquidity which the insurance undertaking is obliged to provide;

9. the detailed contents of the reports referred to in Article 140 of this Act, as well as deadlines and methods of reporting.

5.3. Capital adequacy

Minimum capital of insurance undertaking dealing in non-life insurance Article 110

(1) The capital of insurance undertaking dealing in non-life insurance and that of reinsurance undertaking must, at any point in time, equal at least the capital requirements calculated by using the premium ratio or claims ratio, whichever is higher.

(2) By using the premium ratio, capital requirements shall be calculated in the following manner:

1. the sum of insurance premiums achieved in the last business year up to SIT 2,000,000,000 shall be multiplied by 0.18,

whilst the amount exceeding SIT 2,000,000,000 shall be multiplied by 0.16;

2. the sum of both products referred to in item 1 hereunder shall be multiplied by the last business year's share equalling the ratio between:

– the total amount of claims regarding payment of indemnities in that year, excluding claims covered by reinsurance;

– the total amount of claims regarding payment of indemnities in that year, including claims covered by reinsurance, however, by not less than 0.5.

(3) By using the loss ratio, capital requirements shall be calculated in the following manner:

1. the annual sum of claims regarding payment of indemnities, including claims covered by reinsurance, up to SIT

1,400,000,000 shall be multiplied by 0.26, whilst the sum exceeding SIT

1,400,000,000 shall be multiplied by 0.23;

2. the sum of both products referred to in item 1 hereunder shall be multiplied by the last business year's ratio between:

- the total amount of claims regarding payment of indemnities in that year, excluding claims covered by reinsurance; and

- the total amount of claims regarding payment of indemnities in that year, including claims covered by reinsurance,

however, by not less than 0.5.

(4) In calculating the annual amounts of claims regarding payment of indemnities referred to in item 1 of the third paragraph hereunder, the arithmetical average for the last three business years shall be taken into account.

(5) Notwithstanding the provision of the fourth paragraph hereunder, the arithmetical average for the last seven years shall be

applied in calculating the annual amounts of claims regarding payment of indemnities in cases where an insurance

undertaking, either exclusively or predominantly, underwrites insurance policies covering risks arising from credit, storm,

hail or frost..

(6) Notwithstanding the provision of the first paragraph hereunder, capital requirements with regard to health insurance to

which probability tables and calculations similar to life assurances apply shall be equal to one third of the capital

requirements referred to in the first paragraph hereunder or equal to the capital requirements calculated under the second

paragraph of Article 111 of this Act, provided they are higher and that the following conditions are met:

1. if insurance premiums are calculated on the basis of probability calculations, using actuarial bases;

2. if, with regard to these insurance, special old-age provisions are set aside by the insurance undertaking;

3. if premiums include a safety supplement;

4. if, after the expiry of a three-year period at most, the insurance undertaking has lost the right to terminate the insurance

contract in question;

5. if the insurance contract in question stipulates the possibility of raising premiums or decreasing the insurance undertaking's obligations.

(7) Notwithstanding the provision of the first paragraph hereunder, capital requirements for the first year of an insurance

undertaking's operation shall be calculated by applying the premium ratio.

(8) Notwithstanding the provision of the first paragraph hereunder, the capital of an insurance undertaking must never be

below the amount of the guarantee fund referred to in Article 112 of this Act.

(9) In calculating the total amount of claims regarding payment of indemnities referred to in the third paragraph hereunder, reported claims as well as assessed claims for which, pursuant to Article 116 of this Act, a claims outstanding is set aside shall be taken into account.

Minimum capital of insurance undertaking dealing in life assurance Article 111

(1) The capital of insurance undertaking dealing in life assurance must, at any point in time, equal at least the capital requirements calculated as the sum of the results referred to in the second and third paragraphs hereunder.

(2) The first result shall be calculated in the following manner:

1. the amount of mathematical provisions as at the last day of the preceding business year, including mathematical provisions with regard to insurance covered by reinsurance, shall be multiplied by 0.04;
2. the product referred to in item 1 hereunder shall be multiplied by the last business year' s ratio between:

– the total amount of mathematical provisions as at the last day of the preceding business year, excluding mathematical provisions with regard to insurance covered by reinsurance; and

– the total amount of mathematical provisions as at the last day of the preceding business year, including mathematical provisions with regard to insurance covered by reinsurance;

however, by not less than 0.85.

(3) The second result shall only be calculated with regard to those types of insurance in which risk capital is not negative, as follows:

1. the amount of risk capital as at the last day of the preceding year, including risk capital relating to those types of insurance covered by reinsurance, shall be multiplied by 0.003;

2. the product referred to in item 1 hereunder shall be multiplied by the last business year' s ratio between:

– the total amount of risk capital as at the last day of the preceding business year, excluding the amount of risk capital with regard to those types of insurance covered by reinsurance;

– the total amount of risk capital as at the last day of the preceding business year, including the amount of risk capital with regard to those types of insurance covered by reinsurance;

however, by not less than 0.5.

(4) Notwithstanding the provision of item 1 of the third paragraph hereunder, in calculating capital requirements with regard to life assurance in the event of death, the amount referred to in item 1 of the third paragraph hereunder shall be multiplied by 0.001 if the insurance contract is made for up to three years, or by 0.0015 if the insurance contract is made for over three and

less than five years.

(5) Notwithstanding the provision of the first paragraph hereunder, capital redemption insurance referred to in item 23 of the second paragraph of Article 2 of this Act shall equal the first result referred to in the second paragraph hereunder.

(6) Notwithstanding the provision of the first paragraph hereunder, capital requirements with regard to the class of insurance referred to in item 21 of the second paragraph of this Act shall be calculated in the following way:

1. if the insured person is entitled to a guaranteed minimum payment, capital requirements shall equal the first result referred to in the second paragraph hereunder;

2. if the investment risk is fully borne by the insured person, capital requirements shall be calculated according to the method referred to in the second paragraph hereunder, whereby the amount referred to in item 1 of the second paragraph hereunder shall be multiplied by 0.01;

3. if the risk of death is borne by the insurance undertaking, the result referred to in the third paragraph hereunder shall be added to the result referred to in items 1 or 2 hereunder.

(7) Notwithstanding the provision of the first paragraph hereunder, capital requirements with regard to tontine referred to in item 22 of the second paragraph of Article 2 of this Act shall be equal to 0.01 of the value of redeemed assets.

(8) The risk capital referred to in the third paragraph hereunder shall be the difference between the insurance sum in the event of death and the mathematical provisions set aside.

(9) Notwithstanding the provision of the first paragraph hereunder, the capital of an insurance undertaking must never be below the amount of the guarantee fund referred to in Article 112 of this Act.

Guarantee fund Article 112

(1) The guarantee fund shall account for one-third of the minimum capital referred to in Articles 110 or 111 of this Act.

(2) Notwithstanding the provision of the first paragraph hereunder, the guarantee fund of an insurance undertaking engaged in insurance business within the class of non-life insurance must never be lower than:

1. SIT 160,000,000, if policies underwritten by the insurance undertaking cover all or several risks from the classes of insurance referred to in items 10, 11, 12, 13 and 15 of the second paragraph of Article 2 of this Act;

2. SIT 120,000,000, if policies underwritten by the insurance undertaking cover all or several risks from the classes of

insurance referred to in items 1, 2, 3, 4, 5, 6, 7, 8, 16 and 18 of the second paragraph of Article 2 of this Act;

3. SIT 80,000,000, if policies underwritten by the insurance undertaking cover all or several risks from the classes of insurance referred to in items 9 and 17 of the second paragraph of Article 2 of this Act;

4. SIT 560,000,000, if policies underwritten by the insurance undertaking cover all or several risks from the classes of insurance referred to in item 14 of the second paragraph of Article 2 of this Act, with the exception of the case under item 5 hereunder;

5. SIT 160,000,000, if policies underwritten by the insurance undertaking cover all or several risks from the classes of insurance referred to in item 14 of the second paragraph of Article 2 of this Act, and if the respective insurance premiums achieved in each of the last three business years did not reach SIT 500,000,000, or 0.04 of insurance premiums for all contracts concluded by the insurance undertaking in that period.

(3) Notwithstanding the provision of the first paragraph hereunder, the guarantee fund must never be less than SIT 320,000,000, provided the policies underwritten by the insurance undertaking cover either all or some risks of the group of insurance involving life assurance.

(4) Notwithstanding the provision of the first paragraph hereunder, the guarantee fund of a reinsurance undertaking must never be less than SIT 320,000,000.

(5) If non-life insurance underwritten by the insurance undertaking cover risks from several classes of insurance, those risks shall be decisive in determining the minimum capital under the second paragraph hereunder whose minimum guarantee fund is the highest.

5.4. Technical provisions

Technical provisions

Article 113

(1) Insurance undertaking shall be obliged, with regard to all insurance business performed, to form appropriate technical provisions intended to meet future obligations arising from insurance contracts and cover possible losses on account of risks relating to insurance business performed.

(2) Insurance undertaking shall be obliged to form the following types of technical provision:

1. provisions for unearned premium;
2. provisions for bonuses discounts, and cancellations;
3. the claims outstanding;
4. the equalisation reserve;

5. other technical provisions.

(3) An insurance undertaking underwriting life assurance policies or other policies to which probability tables and calculations apply which are similar to life assurance shall be obliged, with regard to those insurance contracts, to form mathematical provisions as well.

(4) An insurance undertaking underwriting policies in which the investment risk is borne by the insured person shall be obliged, with regard to those insurance policies, to set aside special provisions as well.

Provisions for unearned premium

Article 114

Provisions for unearned premium with regard to individual types of insurance shall be formed in the amount of that part of the premium paid which refers to insurance coverage for an insurance period following the conclusion of the accounting period for which provisions are calculated.

Provisions for bonuses and discounts

Article 115

Provisions for bonuses and discounts shall be formed up to an amount equalling the payments which insured persons are entitled to receive and which arise from:

1. the right to participate in profits arising from their insurance or other rights on the basis of the insurance contract (bonuses);
2. the right to a partial reduction in premiums (discounts),
3. the right to reimbursement of one part of the premium relating to the unused insurance period due to an early termination of insurance (cancellation).

Claims outstanding

Article 116

(1) A claims outstanding shall be formed in the amount of the assessed obligations which the insurance undertaking is obliged to settle on the basis of those insurance contracts where the event insured against occurred by the end of the accounting period, irrespective of whether such an event was reported, including all the fees and charges arising from those contracts and charged to the insurance undertaking.

(2) A claims outstanding must, in addition to assessed obligations involving reported damages which occurred but have not been settled, also include assessed obligations involving damages which occurred but have not been reported.

Mathematical provisions

Article 117

(1) Mathematical provisions shall be set aside in the amount of the present value of the assessed future obligations of the insurance undertaking arising from insurance contracts reduced by the present assessed value of future premiums to be paid on the basis of those contracts.

(2) Mathematical provisions shall be calculated by means of appropriate actuarial valuation, taking into account all future obligations of the insurance undertaking arising from individual insurance contracts, including the following:

1. payments guaranteed to which insured persons are entitled;
2. bonuses to which an insured person is entitled either individually or together with other insured persons, irrespective of the form of those bonuses;
3. all rights from which the insured person is allowed to choose on the basis of the insurance contract;
4. charges, including commissions.

(3) In selecting the methods of actuarial valuation, account must also be taken of the methods of valuating the assets covering technical provisions which the insurance undertaking applies.

(4) Mathematical provisions must be calculated for each insurance contract individually. Appropriate approximations or generalisations may only be applied when it is likely that the result arrived at by means of them will be approximately the same as that of an individual calculation.

(5) When, on the basis of the insurance contract, the insured person has the right to the payment of the surrender value, the mathematical provisions formed with regard to that insurance contract must not be below the surrender value.

(6) Insurance undertakings shall be obliged, in an appendix to the annual reports, to provide an explanation of the bases and methods applied in calculating mathematical provisions.

Equalisation reserve

Article 118

(1) The equalisation reserve shall be formed on the basis of the portion of damages by which the actual obligations of the insurance undertaking resulting from events insured against which occurred during the accounting period exceed the assessed obligations of the insurance undertaking which served as a basis for fixing the insurance premium.

(2) The equalisation reserve shall refer to temporal equalisation due to uneven loss frequency. The equalisation reserve shall be formed by the insurance undertaking in those classes of insurance where, on the basis of statistical data, considerable fluctuations in loss occurrence have been established which, however, are not equalised through an individual year's

insurance premium or reinsurance. The insurance undertaking shall form the equalisation reserve on the basis of the degree to which the loss ratio in the current accounting period differs from the average loss ratio in the period observed.

(3) The insurance undertaking shall be obliged to form the equalisation reserve within an individual class of insurance:

1. if the standard deviation of the loss ratio in question from the average loss ratio in the period observed equals at least 5 percentage points; and
2. if, at least once in the period observed, the loss ratio increased by the average loss expense ratio exceeds 100 per cent.

(4) The period observed must include a period of at least ten years prior to the year with regard to which the equalisation reserve is calculated.

(5) The loss ratio for an individual year shall be calculated as a ratio between loss expenses and earned premiums. In establishing the loss expenses, any change in the balance of technical provisions referred to in Articles 115, 117 and 119 of this Act, together with accrued interest, shall also be taken into account. The average loss ratio shall be the arithmetical average of loss ratios recorded in the individual years of the period observed.

(6) The percentage of loss expenses for an individual year shall be calculated as a ratio between the operating expenses, increased by the costs of appraisals, and total earned premiums. The average amount of expenses shall be the arithmetical average of expenses in the last three years of the period observed. The percentage of loss expenses shall be calculated together for all classes of insurance. Notwithstanding the preceding sentence, the percentage of loss expenses for those insurance with regard to which the insurance undertaking is obliged to set aside assets covering mathematical provisions shall be calculated separately for each individual insurance.

(7) With regard to credit insurance and the insurance of crops against hail and frost, the upper limit of obligations relating to the equalisation reserve to be formed by insurance undertakings shall be the sixfold amount, while with regard to all other classes of insurance it shall be the fourfold amount of the standard deviation of the average loss ratio in the period observed, multiplied by own percentage of insurance premium for the current year.

(8) The insurance undertaking shall be obliged, on an annual basis and regardless of the claim ratio, to increase its equalisation reserve by 3.5% of the upper limit calculated pursuant to the seventh paragraph hereunder, until the equalisation

reserve reaches the upper limit or if it was reduced on the basis of the eleventh paragraph hereunder, again reaches the upper limit.

(9) The insurance undertaking shall be obliged to further increase the equalisation reserve, if the loss ratio in the current year is below the average loss ratio in the period observed. The increase shall be calculated by multiplying the difference between both ratios by own percentage of the premium for the current year.

(10) If an increase in accordance with the eighth and ninth paragraphs hereunder has resulted in the equalisation reserve exceeding the upper limit referred to in the seventh paragraph hereunder, the equalisation reserve shall only increase to such an extent that it reaches the upper level.

(11) The insurance undertaking shall be obliged to reduce its equalisation reserve if the loss ratio in the current year is above the average loss ratio in the period observed. The reduction shall be calculated by multiplying the difference between both ratios by own percentage of the premium for the current year.

(12) The provisions of the seventh to eleventh paragraphs hereunder shall only apply until the obligation exists to form an equalisation reserve under the third paragraph hereunder. If the obligation to form an equalisation reserve expires, the insurance undertaking shall, in the next five years, reduce its equalisation reserve; accordingly, the said equalisation reserve shall be reduced each year by one fifth of the balance of the equalisation reserve as of the day the obligation for its formation expired.

Other technical provisions

Article 119

Other technical provisions shall be formed with regard to the anticipated future obligations and risks of major damages arising from insurance covering nuclear damage liability and pharmaceuticals producers' liability, earth-quake, flood, as well as other obligations and risks for which none of the provisions referred to in items 1 to 4 of the second paragraph, and the third and fourth paragraphs of Article 113 of this Act are formed.

5.5. Assets covering technical provisions

5.5.1. General provisions

Assets covering technical provisions

Article 120

(1) The assets covering technical provisions shall be the insurance undertaking's assets intended to cover future obligations arising from policies underwritten by the insurance undertaking, and possible losses on account of risks with regard to insurance business performed by the insurance undertaking and for which the

insurance undertaking is obliged to form technical provisions.

(2) Insurance undertaking shall be obliged to place assets equalling at least the value of the statutory technical provisions (assets covering technical provisions) pursuant to both the provisions of this Section and the regulation issued on the basis of item 6 of Article 109 of this Act.

(3) In selecting the types of investment of the assets covering technical provisions, the insurance undertaking shall be obliged to take into account the types of insurance operation performed so as to ensure the safety, profitability and tradability of investments, as well as appropriate investment diversity and risk spread.

Types of investment permitted

Article 121

(1) Assets covering technical provisions may only be in the form of the following investments:

1. securities issued by the Republic of Slovenia, the Bank of Slovenia, a Member State, an OECD Member State, an international financial organisation or an entity for which one of the former acts as guarantor;
2. bonds or other debt securities traded on an organised securities exchange in the Republic of Slovenia, a Member State or an OECD Member State;
3. bonds or other debt securities not traded on an organised securities exchange, if they are issued by a legal entity whose head office is in the Republic of Slovenia, a Member State or an OECD Member State;
4. shares traded on an organised securities exchange in the Republic of Slovenia, a Member State or an OECD Member State;
5. shares not traded on an organised securities exchange, if they are issued by a legal entity whose head office is in the Republic of Slovenia, a Member State or an OECD Member State, and if they are issued as securities;
6. investment coupons of mutual funds or shares of investment companies which only place their assets in securities in order to spread and restrict risks;
7. claims arising from loans collateralised by a mortgage on real estate, if the lien is entered in a land register or other public register in the Republic of Slovenia or a Member State, and if the claim does not exceed 60% of the value of real estate as appraised by an expert appraiser or in any other appropriate manner;
8. claims arising from loans given to banks whose head offices are in the Republic of Slovenia, a Member State or an OECD Member State and whose payment, including interest, is guaranteed by a bank

- whose head office is in the Republic of Slovenia, a Member State or an OECD Member State;
9. claims arising from loans collateralised by a lien on securities referred to in items 1, 2 and 4 hereunder;
 10. claims arising from other loans collateralised appropriately;
 11. advance payments with regard to the surrender value on the basis of insurance policies and loans collateralised by the surrender value of the insurance policy;
 12. immovable property and other real rights to immovable property (for instance, right to erect a building):
 - if they are entered in a land register or other public register in the Republic of Slovenia or a Member State;
 - if they are performing, or it is expected that they will be performing in the future;
 - if the purchase price was determined on the basis of an appraisal by an expert appraiser or in any other appropriate way;
 13. investments in deposits held in a bank whose head office is in the Republic of Slovenia, a Member State or an OECD Member State;
 14. cash in hand or sight deposits.

(2) By issuing a regulation on the basis of item 6 of Article 109 of this Act, the Insurance Supervision Agency may also lay down other types of investment appropriate for assets covering technical provisions in terms of safety, profitability and tradability.

(3) The Insurance Supervision Agency may, with especially well-substantiated grounds and at the request of an individual insurance undertaking, allow the latter to place its assets covering technical provisions in investments other than those allowed under the first paragraph hereunder and the regulation issued on the basis of item 6 of Article 109 of this Act. The validity of the authorisation must be limited for a time period to be determined by the Insurance Supervision Agency, taking into account the reasons leading to the issuing of the authorisation.

Restrictions on individual investments

Article 122

(1) The value of individual types of investment of the assets covering technical provisions must not exceed the following portions of the total technical provisions, including technical provisions with regard to those classes of insurance covered by reinsurance which are planned to be covered by the assets covering technical provisions:

1. investments in securities of the same issuer referred to in items 2 to 5 of the first paragraph of Article 121 of this Act, and claims arising from the loans referred to in items 7 to 9 of the first

paragraph of Article 121 must not, in total, exceed 5% of technical provisions;

2. investments in securities of the same issuer referred to in item 3 of the first paragraph of Article 121 of this Act must not exceed 1% of technical provisions;

3. investments in securities referred to in items 3 and 5 of the first paragraph of Article 121 of this Act must not, in total, exceed 10% of technical provisions;

4. investments in securities referred to in items 4 and 5 of the first paragraph of Article 121, and investments in those investment coupons of mutual funds or investment companies referred to in item 6 of the first paragraph of Article 121 of this Act which, according to the rules of the fund, must have more than one-half of investments in securities not having a guaranteed return, must not, in total, exceed 30% of technical provisions;

5. investments in securities of the same issuer referred to in item 5 of the first paragraph of Article 121 of this Act must not exceed 1% of technical provisions;

6. investments in securities referred to in item 5 of the first paragraph of Article 121 of this Act must not, in total, exceed 5% of technical provisions;

7. investments in those investment coupons of mutual funds or investment companies referred to in item 6 of the first paragraph of Article 121 of this Act which, according to the rules of the fund, must have more than one-half of investments in securities having a guaranteed return must not, in total, exceed 40% of technical provisions;

8. investments in claims arising from those loans to individual borrowers referred to in item 10 of the first paragraph of Article 121 of this Act must not exceed 2% of technical provisions, whilst total claims arising from those loans must not exceed 5% of technical provisions;

9. investments in a single real estate item or in several real estate items which, according to their proximity, constitute a single investment must not exceed 10% of technical provisions, whilst total investments in real estate and other real rights referred to in item 12 of the first paragraph of Article 121 of this Act must not exceed 30% of technical provisions;

10. investments in deposits referred to in item 13 of the first paragraph of Article 121 of this Act must not, in total, exceed 30% of technical provisions, whereby investments in deposits in an individual bank must not exceed 10% of technical provisions;

11. cash in hand or sight deposits referred to in item 14 of the first

paragraph of Article 121 of this Act must not, in total, exceed 3% of technical provisions.

(2) The Insurance Supervision Agency may, with especially well-substantiated grounds and at the request of an individual insurance undertaking, allow the latter, with regard to individual types of investment, to exceed the restrictions set forth in the first paragraph hereunder and in the regulation issued on the basis of item 6 of Article 109 of this Act. The validity of the authorisation must be limited for a time period to be determined by the Insurance Supervision Agency, taking into account the reasons leading to the issuing of the authorisation.

Localisation of the assets covering technical provisions

Article 123

(1) In investing their assets covering technical provisions in the territories of the Republic of Slovenia, a Member State or an OECD Member State, insurance undertakings must take into due consideration the country in the territory of which the risks covered by policies underwritten by them are situated.

(2) The Insurance Supervision Agency may, with especially well-substantiated grounds and at the request of an individual insurance undertaking, allow the latter to invest its assets covering technical provisions in contravention of the first paragraph hereunder.

Matching of investments

Article 124

(1) Insurance undertaking shall be obliged to match their investments regarding assets covering technical provisions which are exposed to risks of possible losses due to changed interest rates, exchange rate fluctuations and other trading risks with their obligations arising from insurance contracts whose extent is dependent on the same changes.

(2) When making investments regarding assets covering technical provisions, insurance undertakings shall be obliged to take account of the maturity of their obligations arising from insurance contracts.

(3) Notwithstanding the provision of the first paragraph hereunder, the insurance undertaking may match its investments relating to assets covering mathematical provisions with its obligations arising from insurance contracts whose amounts are dependent on fluctuations in the exchange rates of foreign currencies only up to 80%.

5.5.2. Assets covering mathematical provisions

Assets covering mathematical provisions

Article 125

(1) Assets covering mathematical provisions shall be those assets covering technical provisions intended to cover an

insurance undertaking' s obligations arising from those classes of insurance for which mathematical provisions must be formed.

(2) The use of assets covering mathematical provisions shall only be permitted for settling claims arising from those classes of insurance for which assets covering mathematical provisions were formed.

Required cover

Article 126

(1) Required cover shall comprise mathematical provisions. With regard to health insurance and life assurance, including life assurance where the investment risk is borne by the insured person, required cover shall, in addition to mathematical provisions, also comprise provisions for unearned premium, the claims outstanding, and provisions for bonuses and discounts.

(2) Required cover must be calculated separately for each class of insurance referred to in the second paragraph of Article 127 of this Act.

Obligation to set aside assets covering mathematical provisions

Article 127

(1) An insurance undertaking which underwrites policies in those classes of insurance for which mathematical provisions must be formed shall be obliged to set aside assets covering mathematical provisions and to manage assets covering mathematical provisions separately from other assets.

(2) For each of the following classes of insurance, an insurance undertaking shall be obliged to set aside separate assets covering mathematical provisions for:

1. life assurance other than that referred to in item 2 hereunder;
2. life assurance where the investment risk is borne by the insured person, excluding unearned premium, the claims outstanding and additional technical provisions for guaranteed minimum payment;
3. health insurance;
4. other types of insurance for which mathematical provisions must be formed.

(3) When, pursuant to the second paragraph hereunder, an insurance undertaking forms several funds of assets covering mathematical provisions, the provisions of this Act referring to assets covering mathematical provisions and payments to be made from assets covering mathematical provisions shall apply separately to each of the funds of assets covering mathematical provisions set aside by the insurance undertaking.

(4) The value of the assets covering mathematical provisions must, at all points in time, be at least equal to the level of

required coverage.

(5) Insurance undertaking shall be obliged to ensure that the value of the assets covering mathematical provisions is, at all points in time, at least equal to the level of required coverage. At the end of each quarter, insurance undertakings shall be obliged to acquire additional assets for assets covering mathematical provisions if this is required in order to match the value of the assets covering mathematical provisions with the amount of required cover.

Investments with regard to assets covering mathematical provisions

Article 128

(1) The provisions of Article 121 to 124 of this Act shall apply to investments with regard to assets covering mathematical provisions.

(2) The restrictions on individual investments laid down in Article 122 of this Act and in the regulation issued on the basis of item 6 of Article 109 of this Act shall apply separately to each fund of assets covering mathematical provisions set aside by the insurance undertaking.

Special provisions with regard to insurance where the investment risk is borne by the insured person

Article 129

(1) When the rights insured persons enjoy on the basis of their insurance contracts are directly dependent on the value of one unit of a mutual or investment fund, investments relating to assets covering mathematical provisions set aside by the insurance undertaking with regard to those insurance contracts must, to the greatest extent possible, involve investments in investment coupons or other securities representing units of assets of that mutual or investment fund.

(2) When the rights insured persons enjoy on the basis of their insurance contracts are directly dependent on the changing of the index of securities or another reference value, investments relating to assets covering mathematical provisions set aside by the insurance undertaking with regard to those insurance contracts must, to the greatest extent possible, involve investments in appropriate securities which, in terms of their characteristics and tradability, correspond to those serving as the basis for determining the index or other reference value.

(3) The provision of Article 128 of this Act shall not apply to insurances referred to in the first or second paragraphs hereunder.

(4) Notwithstanding the provision of the third paragraph hereunder, with regard to the insurance contracts referred to in the first and second paragraphs hereunder, in the event that insured persons'

rights also involve the minimum guaranteed payment to which insured persons are entitled, irrespective of the changes in the reference value referred to in the first or second paragraphs hereunder, the provision of Article 128 of this Act shall apply to that portion of investments relating to assets covering mathematical provisions corresponding to the amount of technical provisions which the insurance undertaking is obliged to form with regard to those guaranteed payments. Separating assets covering mathematical provisions from assets of the insurance undertaking

Article 130

(1) The insurance undertaking shall be obliged to separate assets covering mathematical provisions from its own assets in accordance with the method which, according to the type of those assets, is laid down in the following articles of this Act.

(2) An execution on assets covering mathematical provisions referred to in the first paragraph hereunder shall only be allowed with regard to insurance or the settling of an insured person's claim arising from an insurance contract for which assets covering mathematical provisions was set aside.

(3) As regards life assurance and those types of health or accident insurance to which similar probability tables and calculations apply as apply to life assurance, execution on assets covering mathematical provisions shall be restricted to that portion of assets covering mathematical provisions whose value:

1. is in equal relation to the required coverage with regard to that insurance from which the claim arises, as is the relation between the total assets covering mathematical provisions and required coverage for all policies underwritten by the insurance undertaking within the class of insurance for which assets covering mathematical provisions was set aside;
2. does not exceed the required coverage with regard to the insurance from which the claim arises.

Separating investments in securities

Article 131

(1) The insurance undertaking shall be obliged to enter into an agreement with the Clearing and Depository Corporation, on the basis of which it becomes a member of the Clearing and Depository Corporation and enjoys, with regard to both the securities traded on an organised securities market and those not traded on an organised securities market if they were issued in book-entry form, at least the following rights:

- direct insight into the balance of securities kept on the accounts of covers of assurance managed by it;

- the direct meeting of the obligation with regard to the transfer of securities on the basis of deals made by the insurance undertaking on behalf of covers of assurance, or by a stockbroking company authorised by it or an entity which, on the basis of the agreement on the performance of outsourced operations, manages investments in securities for the insurance undertaking.

(2) The insurance undertaking shall be obliged to ensure that a special account be opened by the Clearing and Depository Corporation for each individual asset covering mathematical provisions managed by the insurance undertaking, in which balances shall be kept separately for the securities referred to in the first paragraph hereunder relating to assets covering mathematical provisions.

(3) With regard to those securities which are not traded on an organised securities market and were issued as written documents, the insurance undertaking shall be obliged, by entering into an agreement with a bank which was granted an authorisation for safekeeping securities which were not offered publicly, to authorise that bank to keep safe those securities on behalf of individual covers of assurance managed by it.

(4) With regard to the safekeeping referred to in the third paragraph hereunder, the provisions of the first and second paragraphs hereunder shall be reasonably applied.

(5) The Clearing and Depository Corporation or the bank referred to in the third paragraph hereunder shall be obliged, at the request of the Insurance Supervision Agency, to inform the latter of the balance of securities kept on behalf of covers of assurance and to allow their inspection.

Investments in bank deposits or loans

Article 132

(1) With regard to investments relating to assets covering mathematical provisions in the form of bank deposits or loans, an insurance undertaking shall be obliged to enter into an agreement with a bank or creditor in its own name and on behalf of the assets covering mathematical provisions. It must be evident from the said agreement that it is made on behalf of the assets covering mathematical provisions.

(2) If the loan referred to in the first paragraph hereunder is collateralised by a mortgage on real estate, the insurance undertaking shall be obliged to ensure that the lien be entered in the land register to the credit of the assets covering mathematical provisions as pledgee.

(3) If the loan referred to in the first paragraph hereunder is collateralised by a mortgage on securities issued in book-entry

form, the insurance undertaking shall be obliged to ensure that the lien be entered in the central register of securities in bookentry form to the credit of the assets covering mathematical provisions as pledgee. (4) In all other types of collateral relating to the loan referred to in the first paragraph hereunder which are not regulated by the second and third paragraphs hereunder, the pledge must be established to the credit of the assets covering mathematical provisions as pledgee in accordance with the rules applying to the establishment of lien on assets pledged.

Special account of assets covering mathematical provisions

Article 133

The insurance undertaking shall be obliged, with regard to each fund of assets covering mathematical provisions to be set aside, to open a special account at the bank or organisation responsible for payment transactions. Through that account all payments shall be made relating to the assets covering mathematical provisions, and the said assets shall be kept.

5.6. Other measures of risk management

Obligation to reinsure

Article 134

The insurance undertaking shall be obliged to reinsure that portion of risks underwritten which, according to the tables of maximum coverage, exceed the shares in equalising risks.

Programme of planned reinsurance

Article 135

(1) An insurance undertaking shall be obliged, for each business year, to adopt a programme of planned reinsurance.

(2) The programme of planned reinsurance must include:

1. calculated own shares by individual class of insurance;
2. a table of maximum coverage compiled on the basis of the calculations referred to in item 1 hereunder;
3. procedures, bases and criteria for establishing the highest probability of loss with regard to individual risks underwritten.

(3) In the calculations referred to in item 1 of the second paragraph hereunder, the insurance undertaking shall take into account in particular:

1. the volume of capital and minimum capital;
2. the total volume of business;
3. charged insurance premiums within groups and classes of insurance;
4. portions of insurance in individual classes of insurance according to the bases referred to in items 2 and 3 hereunder;
5. adjustments due to deviations within individual classes of insurance.

Coinurance

Article 136

An insurance undertaking must not co-insure a volume of risks exceeding its own portions as per individual classes of insurance in accordance with the tables of maximum coverage referred to in item 2 of the second paragraph of Article 135 of this Act.

Statistical standards in insurance

Article 137

(1) In the statistical processing of policies underwritten, risk covered by them, events insured against and claims, insurance undertakings shall be obliged to adhere to insurance statistical standards.

(2) Insurance statistical standards shall be adopted by the Slovene Insurance Association, in agreement with the Insurance Supervision Agency.

Liquidity management

Article 138

(1) An insurance undertaking shall be obliged to manage its assets and liabilities so as to be able, at any point in time, to settle debts due.

(2) In order to secure against liquidity risk, an insurance undertaking shall be obliged to devise and implement the policy of regular liquidity management, which involves:

1. the planning of both known and possible cash outflows and sufficient cash inflows;
2. the regular monitoring of liquidity;
3. the adoption of appropriate measures to prevent or eliminate causes of non-liquidity.

(3) An insurance undertaking shall be obliged to calculate the liquidity ratios of funds on a daily basis.

Calculating and establishing

Article 139

An insurance undertaking shall be obliged to quarterly calculate and monitor:

1. the amount of capital;
2. capital requirements;
3. capital adequacy;
4. the amount of technical provisions;
5. the value of the assets covering technical provisions;
6. the types, spreading, adjustment and localisation of investments of the assets covering technical provisions or the assets covering mathematical provisions;
7. statistical insurance data.

Report on measuring risks

Article 140

An insurance undertaking shall be obliged to report to the Insurance Supervision Agency on the data referred to in Article 139 of this Act.

Prohibition from distributing profits

Article 141

In the following cases, an insurance undertaking shall not be allowed to distribute the profits either as interim or final dividends or payments arising from participation in the profits of the board of directors, supervisory board or employees:

1. if the insurance undertaking' s capital is below the minimum capital laid down in Articles 110 or 111 of this Act;
2. if, on account of dividend payout, the insurance undertaking' s capital would decrease under the minimum capital laid down in Articles 110 or 111 of this Act;
3. if the insurance undertaking fails to achieve the minimum liquidity stipulated by the regulation referred to in item 8 of Article 109 of this Act;
4. if, on account of dividend payout, the insurance undertaking was not able to achieve the minimum liquidity stipulated by the regulation referred to in item 8 of Article 109 of this Act;
5. if the Insurance Supervision Agency demanded that the insurance undertaking eliminate the inappropriate disclosure of items on the assets and liabilities sides of the balance sheet whose appropriate disclosure would affect the insurance undertaking' s profit-and-loss account, whereupon the insurance undertaking failed to comply with the decision on the elimination of violations.

Board of directors measures to ensure minimum capital

Article 142

(1) If the insurance undertaking' s capital fails to achieve the minimum capital referred to in Articles 110 or 111 of this Act on account of increased capital requirements or other causes, the board of directors of the insurance undertaking shall be obliged to adopt immediately those measures for ensuring minimum capital within its responsibility or to propose measures within the responsibility of other bodies of the insurance undertaking.

(2) The board of directors shall be obliged to report on the measures or proposed measures referred to in the first paragraph hereunder to the Insurance Supervision Agency within the report referred to in Article 140 of this Act.

6. SUPERVISION OF INSURANCE GROUPS

Additional control

Article 143

(1) Supervision of an insurance undertaking constituting an insurance group shall also be performed by the Insurance Supervision Agency to the extent stipulated in this Chapter.

(2) The Insurance Supervision Agency shall also supervise insurance holdings, joint-venture insurance holdings, and entities in which the insurance undertaking participates or which participate in an insurance undertaking whose head office is in the Republic of Slovenia or a Member State.

Insurance groups

Article 144

(1) An insurance group under this Act shall be deemed to exist when an insurance undertaking, insurance holding or joint-venture insurance holding whose head office is in the Republic of Slovenia is a controlling undertaking (hereinafter: controlling insurance undertaking, insurance holding or joint-venture insurance holding) of one or several insurance undertakings whose head office is in the Republic of Slovenia or a Member State (hereinafter: controlled insurance undertakings).

(2) An insurance undertaking, insurance holding or joint-venture insurance holding shall be deemed to be a controlling undertaking pursuant to the second paragraph hereunder if, in relation to the controlled insurance undertakings referred to in the first paragraph hereunder, it:

1. directly or indirectly participates with a major holding;
2. has a direct or indirect majority of voting rights;
3. has the right to appoint the majority of the management or supervisory boards;
4. has the right to exert a controlling influence;
5. actually exerts a controlling influence;
6. has the right, on the basis of an agreement with one or several other shareholders or partners of the controlled undertaking, to exercise their voting rights, so that together with its own voting rights it has the majority required to appoint the majority of the management or supervisory board members.

(3) An insurance group shall also be deemed to exist if an insurance or joint-venture insurance holding has its head office in a Member State and if it controls at least one insurance undertaking with its head office in the Republic of Slovenia, in accordance with one of the items of the second paragraph hereunder.

(4) Participation through a direct holder of shares or voting rights in which the controlling company participates with a holding of shares or voting rights amounting to at least 20% shall be deemed to be indirect participation under the second paragraph hereunder.

(5) Notwithstanding the second paragraph hereunder, an insurance undertaking with its head office in the Republic of Slovenia which is also controlled by another insurance undertaking with its

head office in the Republic of Slovenia shall not be deemed to be a controlling undertaking in an insurance group.

Terms relating to an insurance group

Article 145

(1) An insurance holding shall be a legal entity which:

1. is not an insurance undertaking;
2. controls only or predominantly insurance undertakings or reinsurance undertakings, whereby the criterion for determining the predominance of controlled companies shall not be their number but the volume of capital, the book value of holdings, and other economic criteria.

(2) A joint-venture insurance holding shall be a legal entity which:

1. is not an insurance undertaking;
2. controls at least one insurance undertaking.

Obligations of an insurance undertaking in an insurance group

Article 146

(1) Insurance undertakings constituting an insurance group shall be obliged to inform the controlling insurance undertaking, insurance holding or joint-venture holding of all data and information which the latter requires in order to meet its obligations to the Insurance Supervision Agency or a Member State supervisory authority in relation to the supervision of the insurance group.

(2) Insurance undertakings constituting an insurance group shall be obliged to ensure appropriate internal controls of correctness of the data and information referred to in the first paragraph hereunder.

(3) At the request of a Member State supervisory authority, the Insurance Supervision Agency shall be obliged to audit the insurance undertaking's operations and check the data referred to in the first paragraph hereunder which is required by the Member State supervisory authority in supervising the insurance group.

Reporting on business operations within an insurance group

Article 147

(1) In order to supervise whether business operations within an insurance group are performed under normal market conditions, insurance undertakings constituting an insurance group shall be obliged to report to the Insurance Supervision Agency on important operations made within the insurance group or between an insurance undertaking and the following entities:

1. legal entities controlled by the insurance undertaking;
2. legal entities controlling the insurance undertaking;
3. legal entities controlled by the legal entities referred to in item 2

hereunder;

4. natural persons participating in:

- the insurance undertaking or legal entities in which insurance undertaking participates;
- legal entities participating in the insurance undertaking;
- legal entities participating in the legal entities referred to in the second indent of this subparagraph.

(2) The following, in particular, shall be deemed to be the important operations referred to in the first paragraph hereunder:

1. loans and credits;
2. guarantees and other operations resulting in off-balance liabilities;
3. legal transactions relating to investments in securities, other financial instruments and real property;
4. other legal transactions considerably influencing the calculation of adjusted capital requirements.

(3) The Insurance Supervision Agency shall be allowed to audit the operations performed by the entities referred to in the first paragraph hereunder in order to check the data relating to those operations.

(4) The audit referred to in the third paragraph hereunder shall also be carried out by Insurance Supervision Agency at the request of the Member States supervisory authority, whereby the data will be checked which the Member State supervisory authority requires in exerting supervision of the insurance group. Adjusted capital requirements with regard to controlling insurance undertakings

Article 148

(1) The controlling insurance undertaking of an insurance group shall also be obliged to calculate the adjusted capital requirements and compile annual reports on adjusted capital requirements.

(2) Controlled insurance undertakings and controlled insurance holdings shall be obliged to submit to the controlling insurance undertaking all data required by it to calculate adjusted capital requirements.

(3) The controlling insurance undertaking of an insurance group shall be obliged to report to the Insurance Supervision Agency on adjusted capital requirements.

(4) The provisions of Chapter 10 of this Act relating to the auditing of annual reports of insurance undertakings shall reasonably apply to the auditing of annual reports on the adjusted capital requirements of the controlling insurance undertaking.

Adjusted capital requirements with regard to controlling insurance holdings

Article 149

(1) The controlling insurance holding of an insurance group shall also be

obliged to calculate adjusted capital requirements and compile annual reports on adjusted capital requirements.

(2) Controlled insurance undertakings shall be obliged to submit to the controlling insurance holding of the insurance group all the data required by it to calculate adjusted capital requirements.

(3) The controlling insurance holding of an insurance group shall be obliged to report to the Insurance Supervision Agency on adjusted capital requirements.

(4) The provisions of Chapter 10 of this Act relating to the auditing of annual reports of insurance undertakings shall reasonably apply to the auditing of annual reports on the adjusted capital requirements of the controlling insurance holding.

Reporting to the Insurance Supervision Agency and the disclosure of data
Article 150

(1) Insurance undertakings shall be obliged to regularly inform the Insurance Supervision Agency of any fact or circumstance relevant to the process of establishing whether the entity in question is an insurance group under this Act.

(2) The insurance undertaking of an insurance group shall be obliged to compile a special annex to the annual report disclosing the data on controlled or controlling undertakings of the insurance group.

Regulation on the supervision of insurance groups
Article 151

The Insurance Supervision Agency shall prescribe:

1. the detailed contents of the reports referred to in the first paragraph of Article 147 of this Act, as well as deadlines and methods of reporting;

2. the method of calculating adjusted capital requirements with regard to the controlling insurance undertakings referred to in the first paragraph of Article 148 of this Act, and with regard to the controlling insurance holdings referred to in the first paragraph of Article 149 of this Act;

3. the detailed contents of the reports referred to in the third paragraph of Article 148 and the third paragraph of Article 149, as well as deadlines and methods of reporting.

7. PROTECTION OF CONFIDENTIAL DATA

Confidential data

Article 152

Insurance undertakings shall be obliged to protect all data, facts and circumstance with which they become familiar in the course of providing their services to individual policy holders or insured persons or other beneficiaries of insurance as confidential data .

Obligation to protect confidential data

Article 153

(1) Members of the insurance undertaking's bodies, its shareholders, employees and other persons who, in their work or provision of services for the insurance undertaking, have access to the confidential data referred to in Article 152 of this Act shall not be allowed to submit that data to third parties, make use of it themselves or enable third parties to do so.

(2) The obligation to protect confidential data shall not apply in the following cases:

1. if a policy holder agrees expressly and in writing that individual pieces of confidential data may be submitted;
2. if information is required to establish facts in criminal proceedings and if the submission is required in writing by the competent court;
3. in cases stipulated by the law governing the prevention of money laundering;
4. if information is required to determine the legal relations between an insurance undertaking and its policy holder or insured person or other beneficiary of insurance during legal proceedings;
5. if information is required in probate proceedings and if submission is required or ordered by the competent court;
6. if information is required with regard to execution on the estate of a policy holder or insured person or other beneficiary of insurance, and if the submission is required or ordered in writing by the competent court;
7. if information is required by the Insurance Supervision Agency or another supervisory body for the purposes of supervision carried out within its responsibilities;
8. if information is required by a tax authority in proceedings held within its jurisdiction;
9. in the cases laid down in the act regulating obligatory insurance against civil liability in traffic (Official Gazette of the RS, No. 70/94).

(3) The Insurance Supervision Agency or other supervisory bodies and courts shall only be allowed to use the data acquired pursuant to the second paragraph hereunder for the purposes for which it was acquired.

Obtaining, maintaining and using personal databases

Article 154

(1) Insurance undertakings and the Slovene Insurance Association shall collect, process, store, provide and use personal data which is necessary for underwriting policies and for settling claims arising from any insurance made pursuant to this Act in accordance with the act regulating personal data protection and with special

regulations relating to databases in the field of insurance.

(2) Insurance undertakings and the Slovene Insurance Association may establish, keep and maintain the following databases:

1. database on policy holders;
2. database on loss events;
3. database intended to assess insurance cover and level of indemnity.

(3) In the database referred to in item 1 of the second paragraph hereunder, the following personal data shall be collected:

1. name and surname, date and place of birth, permanent and temporary residence of the policy holder;
2. name of insurance undertaking, number of policy, period of insurance, insured item and insurance cover.

(4) In the database referred to in item 2 of the second paragraph hereunder, the following personal data shall be collected:

1. name and surname, date and place of birth, permanent and temporary residence, nationality of persons involved in a loss event and of witnesses;
2. criminals offences and violations relating to loss events;
3. type of loss event;
4. place, time and the course of loss event;
5. description of the loss relevant to the loss event.

(5) In the database referred to in item 3 of the second paragraph hereunder, the following data shall be collected:

1. name and surname, date and place of birth, permanent or temporary residence of the insured person with regard to which the insurance cover is being established, and that of the claimant;
2. transient injuries and health condition, type of physical injury, duration of treatment, and consequences for both the insured person and claimant;
3. income of the insured person and claimant;
4. retirement (regular and disability), retraining and degree of disability of the insured person and claimant;
5. costs of medical treatment, medicinal products and orthopaedic products for the insured person and claimant.

(6) Personal data referred to in the third, fourth and fifth paragraphs hereunder shall be collected in the following way:

1. as a rule, directly from the individual to which they relate;
2. from other persons (witnesses to loss occurrences);
3. the data referred to in the third paragraph hereunder may also be collected from databases kept by individual insurance undertakings and the Slovene Insurance Association;
4. the data referred to in items 1, 3, 4 and 5 of the fourth paragraph hereunder may also be collected from databases kept by

the ministry responsible for the interior;

5. the data referred to in item 2 of the fourth paragraph hereunder may also be collected from databases kept by judicial authorities;

6. the data referred to in the fifth paragraph hereunder may also be collected as follows:

– the data referred to in items 2 and 5, from databases kept by health institutions;

– the data referred to in item 3, from databases kept by the employer, the Institute of Pension and Disability Insurance, and social security departments;

– the data referred to in item 4, from databases kept by the Institute of Pension and Disability Insurance.

(7) Bodies, organisations and individuals holding data or keeping databases referred to in the preceding paragraphs shall be obliged to submit, upon written request, such data to the insurance undertaking or the Slovene Insurance Association.

(8) The data referred to in item 1 of the second paragraph hereunder shall be stored for ten years after the expiry of the insurance contract or, if there was a loss event, for ten years after the loss event was concluded. The data referred to in items 2 and 3 of the second paragraph hereunder shall be stored for ten years after the loss event was concluded. After the expiry of the abovementioned storage period, data from the databases referred to in the second paragraph hereunder shall be deleted.

8. BOOKS OF ACCOUNT AND BUSINESS REPORTS

General provision

Article 155

Insurance undertakings shall be obliged to keep books of account, compile book-keeping documents, value book-keeping items and compile accounting reports pursuant to the Companies Act and other regulations, and shall adhere to the accounting and financial standards and principles, and general accounting assumptions, unless otherwise stipulated in this Chapter.

Keeping of books of account, records and documentation

Article 156

Insurance undertaking shall be obliged to organise operations and regularly keep books of account, business documentation, and other administrative or business records so as to enable, at any point in time, supervision as to whether the rules regarding risk management are being complied with.

Chart of accounts and forms of financial statements

Article 157

(1) Insurance undertaking shall classify accounting data in accordance with the chart of accounts designed for insurance undertakings.

(2) In compiling their financial statements, insurance undertaking shall use the forms of financial statements designed for insurance undertakings.

Annual reports

Article 158

(1) Insurance undertaking shall compile financial statements and business reports for each business year, which shall be the same as the calendar year.

(2) Insurance undertaking shall be obliged to submit to the Insurance Supervision Agency unaudited financial statements within three months of the end of the calendar year.

(3) Notwithstanding the provision of the second paragraph hereunder, insurance undertaking dealing in reinsurance shall be obliged to submit unaudited financial statements within four months.

Opinion of a certified actuary on annual reports

Article 159

(1) The annual report of insurance undertakings must include the report of the certified actuary referred to in the third paragraph of Article 76 of this Act, together with his/her opinion on whether premiums and technical provisions were calculated in accordance with the regulations.

(2) With regard to the certified actuary's opinion, the provisions of the act governing auditing which refer to the certified auditor's opinion shall reasonably apply.

Regulation on books of account and business reports

Article 160

The Insurance Supervision Agency shall prescribe:

1. the chart of accounts for insurance undertakings;
2. the types and forms of financial statements for insurance undertakings;
3. the detailed contents of annual business reports of insurance undertakings, and the annexes to those reports;
4. the detailed method of valuating balance-sheet items and compiling financial statements;
5. the detailed contents of the certified actuary's report referred to in the third paragraph of Article 76 of this Act.

9. INTERNAL AUDIT

Internal audit

Article 161

(1) An insurance undertaking must organise its internal audit as an independent organisational unit to be directly subordinated to the board of directors of the insurance undertaking, and

functionally, as well as organisationally, separated from other organisational units of the insurance undertaking.

(2) The board of directors of an insurance undertaking shall determine the internal audit operating rules with the consent of the supervisory board.

Tasks of internal audit

Article 162

(1) Internal auditors shall perform the ongoing and complete supervision of the insurance undertaking's operations with the purpose of verifying whether the insurance undertaking:

1. is carrying out insurance operations correctly and in compliance with this Act, and with the regulations issued on the basis thereof, and in compliance with the internal rules regulating the operation of the insurance undertaking;
2. keeps books of account, prepares accounting documents, evaluates bookkeeping items, and prepares accounting and other reports in compliance with this Act and the regulations issued on the basis thereof, and with internal rules regulating the operation of the insurance undertaking.

(2) Internal auditors shall carry out internal audits of operations in accordance with professional principles and internal auditing standards, the code of professional ethics of internal auditors, and the rules of operation of internal audits, which shall be adopted by the board of directors of the insurance undertaking with the consent of the supervisory authority.

(3) Internal auditors must harmonise their methods of work with the work of external auditors of the insurance undertaking who examine annual financial statements or perform an extraordinary audit at the request of the Insurance Supervision Agency, or a special or extraordinary audit on the basis of the provisions of the Takeovers Act (Official Gazette of the Republic of Slovenia, No. 47/97).

Internal audit employees

Article 163

1. To carry out internal audit tasks, an insurance undertaking shall be obliged to employ at least one person who has attained the title of an auditor and who is a certified internal auditor in accordance with the law governing auditing.

2. Persons carrying out internal audit tasks may not carry out any other tasks in the insurance undertaking.

3. Members of the insurance undertaking's board of directors may not carry out internal audit tasks.

Annual work programme for internal audits

Article 164

(1) The board of directors of the insurance undertaking, with the consent of the supervisory board, shall adopt the annual work programme for internal audit.

(2) The annual programme must comprise:

1. the areas of operation where internal auditors will perform an examination of operations;
2. a description of the content of the planned operational audits in individual areas.

(3) The board of directors of the insurance undertaking shall adopt a more detailed work plan for internal audit.

Internal audit report

Article 165

(1) Internal auditors shall be obliged, at least twice a year, to prepare a report on the internal audit, which shall contain:

1. a description of all examinations of operation carried out;
2. the appropriateness and effectiveness of the operation of internal control systems;
3. violations and irregularities which the internal audit have discovered during an individual examination of operation, and proposed measures for the elimination of such violations and irregularities;
4. findings related to the elimination of violations and irregularities established by the internal auditors.

(2) Internal auditors shall be obliged to prepare an annual report on internal auditing, which shall contain:

1. a report on the realisation of the annual work programme;
2. a summary of the more significant findings of the examination of operation carried out.

(3) Semi-annual and annual reports must be submitted by internal auditors to the board of directors and supervisory board.

(4) The board of directors shall be obliged to put the annual report on internal auditing, along with the opinion of the supervisory board, on the agenda of the general meeting of shareholders, together with the audited annual report of the insurance undertaking.

Notification of the board of directors and supervisory board of insurance undertaking

Article 166

(1) If during the examination of operation internal auditors discover that the insurance undertaking has violated the rules on risk management and is therefore threatened with illiquidity or insolvency, or the safety of either the undertaking's operation or policy holders is thereby endangered, it must immediately notify the board of directors of the insurance undertaking of this.

(2) If during the examination of operation the internal auditors discover that the board of directors of the insurance undertaking has violated the rules regarding risk management, it must immediately notify the supervisory board of this as well.

10. AUDITING

Annual report audit

Article 167

(1) The annual report of an insurance undertaking must be audited by a certified auditor.

(2) An insurance undertaking shall be obliged to submit to the Insurance Supervision Agency an audited annual report within eight days of receiving the auditor's report, or within six months of the end of the calendar year at the latest.

(3) Notwithstanding the provision of the second paragraph hereunder, a reinsurance undertaking shall be obliged to submit an audited annual report within seven months of the end of the calendar year.

Reporting to the Insurance Supervision Agency

Article 168

If during the examination procedures the auditor finds out that the insurance undertaking or a person related to the insurance undertaking has violated the risk management rules, and the insurance undertaking is for this reason threatened by illiquidity or insolvency, or the safety of either its operation or insured persons is endangered, the auditor must immediately inform the Insurance Supervision Agency of this.

Insurance undertakings' obligation to provide information

Article 169

(1) The board of directors of an insurance undertaking must provide an auditor with all necessary documents and enable him/her to inspect books of account, correspondence and computer printouts. An insurance undertaking must allow the auditor access to business and working areas during normal business hours.

(2) In order to perform audit procedures, the insurance undertaking must make appropriate premises and resources available to the audit company. If entries or data-saving was performed using computer-processing, the insurance undertaking shall be obliged, at its own expense, to make available to the auditor, within an appropriate allotted time, the resources necessary for the reading of documents and, if necessary, provide legible permanent excerpts to the number of copies required.

Contents of audit examinations

Article 170

(1) An auditor shall examine and report primarily on:

1. the balance sheet;
2. the income statement;
3. the funds statement of changes in financial position;
4. the balance of and changes to technical provisions;
5. the balance and structure of investments of assets covering technical provisions;
6. the balance and structure of investments of assets covering mathematical provisions managed by the insurance undertaking;
7. the fulfilment of risk management rules;
8. internal audit operations;
9. the method of managing books of account;
10. the quality of the information system in the insurance undertaking;
11. the correctness and completeness of notifications and reports to the Insurance Supervision Agency;
12. an evaluation of balance-sheet and off-balance-sheet items, and of accounting policies.

(2) The Insurance Supervision Agency shall prescribe the more detailed form, minimum scope and contents of the audit examination and of the auditors' report.

(3) The Insurance Supervision Agency may require additional explanations concerning the audit examination from the auditor.

(4) If the audit examination or auditors' report are not performed or prepared in compliance with the first and second paragraphs hereunder, the Insurance Supervision Agency shall reject the report and request that the audit examination be carried out by another certified auditor, at the expense of the insurance undertaking.

Announcement of audited annual report summary

Article 171

(1) An insurance undertaking shall announce in the daily press or the professional financial press published at least once a week a summary of the audited annual report, including the auditors' opinion, within 15 days of its adoption by the meeting of shareholders, but no later than eight months after the end of the calendar year.

(2) The Insurance Supervision Agency shall prescribe in more detail the contents of the summary under the first paragraph hereunder.

11. SUPERVISION OF INSURANCE UNDERTAKINGS

11.1 General provisions

Supervision of insurance undertakings

Article 172

(1) The Insurance Supervision Agency shall conduct the supervision of insurance undertakings for the purpose of verifying whether the insurance undertakings follow the rules on risk management, other rules stipulated in this Act and the regulations issued on the basis thereof, or by other laws regulating the operation of an insurance undertaking and the regulations issued on the basis thereof.

(2) The Insurance Supervision Agency shall also conduct supervision of legal entities related to the insurance undertaking, if this is necessary for the supervision of the insurance undertaking's operation.

(3) If the authorisation to supervise an individual company under the second paragraph hereunder lies with another supervisory authority, the examination of operation of the company concerned shall be carried out by the Insurance Supervision Agency, in co-operation with the competent supervisory authority.

(4) If an insurance undertaking engages in the insurance business referred to in item 18 of the second paragraph of Article 2 of this Act, the Insurance Supervision Agency shall also conduct supervision of the technical qualifications of the persons providing assistance.

Method of exercising supervision

Article 173

The Insurance Supervision Agency shall conduct the supervision of insurance undertakings by:

1. monitoring, collecting and verifying reports and notifications by insurance undertakings and other entities which are obliged to submit reports to the Insurance Supervision Agency or notify it of individual facts and circumstances;
2. carrying out examinations of operation of insurance undertakings;
3. determining measures of supervision in compliance with this Act.

Annual fees for exercising supervision

Article 174

(1) For exercising the supervision specified in items 1 and 2 of Article 173 of this Act, insurance undertakings shall pay a fee for supervision, to be set by the tariff with regard to the paid premiums to be adopted by the Insurance Supervision Agency.

(2) The Insurance Supervision Agency may fix the fee referred to in the first paragraph hereunder at a maximum amount, whereby the total fee that all insurance undertakings are obliged to pay for a particular year shall not exceed the actual costs of the supervision referred to in items 1 and 2 of Article 173 of this Act for that year.

(3) If an insurance undertaking fails to pay the fee by the deadlines

stipulated by the tariff in the first paragraph hereunder, the Insurance Supervision Agency shall charge the payment to the insurance undertaking with a decision.

(4) The final decision referred to in the third paragraph hereunder shall have the power of an executory title.

Costs of supervision

Article 175

(1) When a measure of supervision in compliance with this Act is imposed on an insurance undertaking, the insurance undertaking must pay a lump-sum fee to the Insurance Supervision Agency for the costs of the procedure stipulated in the tariff to be adopted by the Insurance Supervision Agency.

(2) The decision for the fee relating to the costs of supervision under the first paragraph hereunder shall be made by the Insurance Supervision Agency by means of an order or decision imposing the measure of supervision.

(3) An administrative dispute against the decision for the payment of the costs under the second paragraph hereunder shall be allowed even if the administrative dispute of an order or decision imposing a measure of supervision is not permitted.

(4) The final decision under the third paragraph hereunder shall have the power of an executory title.

11.2. Reporting

Regular reporting and reporting required by the Insurance Supervision Agency

Article 176

(1) An insurance undertaking shall be obliged to submit reports to the Insurance Supervision Agency on the following facts and circumstances:

1. changes to data entered in the companies' register;
2. the convening of the general meeting of shareholders and all resolutions adopted at the meeting;
3. shareholders of the insurance undertaking, and purchases of or changes in the qualifying holdings referred to in Article 18 of this Act;
4. the appointment and dismissal of the members of the board of directors;
5. intended opening, transfer, closing or temporary cessation of a branch or representative office, or changes in the types of operations performed by the branch;
6. investments on the basis of which the insurance undertaking indirectly or directly obtained a qualifying holding in another legal entity, and on each further investment in this legal entity;
7. major changes in capital structure;
8. cessation of the performance of particular insurance operations.

(2) An insurance undertaking shall be obliged to notify the Insurance Supervision Agency of general and special policy

conditions, tariffs and forms or other printed matters used by it in operation with policy holders, insured persons or other beneficiaries of insurance.

(3) The board of directors of the insurance undertaking must immediately notify the Insurance Supervision Agency of the following events:

1. if the liquidity or solvency of the insurance undertaking becomes endangered;
2. if grounds exist for the cessation or withdrawal of the authorisation to perform insurance operations;
3. if the financial position of the insurance undertaking changes to such an extent that the insurance undertaking no longer attains the minimum capital under Articles 110 or 111 of this Act.

(4) At the request of the Insurance Supervision Agency, an insurance undertaking must submit reports and information on all issues relevant to the performance of supervision, or the exercise of other responsibilities and tasks of the Insurance Supervision Agency.

Regulation on reporting

Article 177

The Insurance Supervision Agency shall prescribe in greater detail the content of reports and notifications referred to in the first to third paragraphs of Article 176 of this Act, and the method of and deadlines for reporting or notifications.

11.3 Measures of supervision

11.3.1. General provision

Measures of supervision

Article 178

The measures of supervision of an insurance undertaking in compliance with this Act shall be as follows:

1. the ordering of the elimination of violations;
2. the imposition of additional measures;
3. the withdrawal of the authorisation;
4. extraordinary administration;
5. the compulsory liquidation of the insurance undertaking;
6. the adoption of decisions on the reasons for the bankruptcy of an insurance undertaking.

11.3.2. Elimination of violations

Order on the elimination of violations

Article 179

(1) The Insurance Supervision Agency shall issue an order on the elimination of the violations if it is discovered during the supervision process of an insurance undertaking that:

1. a member of the board of directors does not have the authorisation under

Article 25 of this Act;

2. an insurance undertaking does not fulfil the conditions for performing insurance business;
3. an insurance undertaking performs activities which, in compliance with this Act, it should not perform;
4. an insurance undertaking violates risk management rules;
5. an insurance undertaking violates rules on maintaining books of account and business reports, on internal audits, or on the auditing of the annual accounts;
6. an insurance undertaking violates obligations regarding reporting and providing information;
7. an insurance undertaking violates other provisions of this Act or the regulations issued on the basis thereof, or other laws regulating the operation of insurance undertakings.

(2) The Insurance Supervision Agency shall, by issuing the order referred to in the first paragraph hereunder, stipulate a deadline for the elimination of violations.

Report on the elimination of violations

Article 180

(1) An insurance undertaking shall, by the deadline determined in the second paragraph of Article 179 of this Act, eliminate the violations discovered and submit to the Insurance Supervision Agency a report in which it shall describe the measures taken to eliminate the violations. The report must have attached to it documents and other evidence showing that the identified violations have been eliminated.

(2) If the report referred to in the first paragraph hereunder and the attached evidence show that the violations have been eliminated, the Insurance Supervision Agency shall issue a decision whereby it shall state that the violations have been eliminated. The Insurance Supervision Agency may, before issuing the decision, carry out another examination of operation within the scope necessary to find out whether the violations have been eliminated.

(3) If the report is incomplete or the report and the attached evidence do not prove that the discovered violations have been eliminated, the Insurance Supervision Agency shall, with an order, impose on the insurance undertaking the obligation to complete the report and determine a deadline for completion.

(4) The Insurance Supervision Agency shall issue the decision or order referred to in the second or third paragraphs hereunder within 30 days of receiving the report on the elimination of violations. Otherwise, it shall be deemed that the violations have been eliminated.

Additional measures for the implementation of risk management regulations

Article 181

(1) If, in exercising supervision, the Insurance Supervision Agency establishes that an insurance undertaking has seriously violated risk management rules, it may, with an order to eliminate the violations, also order the following additional measures:

1. impose on the board of directors of the insurance undertaking the obligation to adopt a plan of measures to ensure the minimum capital of the insurance undertaking;
2. impose on the board of directors of the insurance undertaking and the supervisory board the obligation to convene a general meeting of shareholders and to propose the adoption of appropriate resolutions, such as:
 - a resolution to increase the initial capital of the insurance undertaking through new investments;
 - a resolution to increase the initial capital of the insurance undertaking by means of profit;
3. prohibit the insurance undertaking from entering into new insurance contracts in individual or all classes of insurance;
4. prohibit the insurance undertaking from realising particular types of payments or from realising payments to particular entities;
5. prohibit the insurance undertaking from engaging in transactions with individual shareholders, members of the board of directors, members of the supervisory board, related companies or investment funds managed by a management company which is an entity related to the insurance undertaking;
6. impose on the board of directors of the insurance undertaking the adoption and implementation of measures relating to:
 - improving risk management procedures;
 - changing the business fields of the insurance undertaking;
 - restricting the granting of loans;
 - improving procedures for collecting overdue receivables of the insurance undertaking;
 - the correct valuation of balance-sheet and off-balance-sheet items;
 - improving the accounting information system;
 - improving the procedures of internal controls and internal auditing;
 - other measures necessary for the implementation of risk management rules;
7. prohibit or restrict the insurance undertaking from having free use of assets covering technical provisions and of assets of funds covering mathematical provisions managed by the insurance undertaking.

(2) It shall be deemed that an insurance undertaking is seriously violating risk management rules if:

1. it does not attain the minimum capital referred to in Articles 110 or 111 of this Act, or the minimum scope of liquidity stipulated in the regulation referred to in item 8 of Article 109 of this Act;
2. it failed to organise its operation or to regularly keep books of account, business documents, and other administrative and business records in a manner which, at any point in time, makes it possible to verify whether it is operating in compliance with the management risk regulations;
3. it fails to adopt measures and to establish the rules for the adequate valuation of balance-sheet and off-balance-sheet items, or if it values these items contrary to the provisions of this Act or the regulations issued on the basis thereof;
4. it performs activities which should not be performed in compliance with this Act;
5. it violates the provisions referred to in Articles 120 to 133 of this Act;
6. it pays out dividends in contravention of Article 141 of this Act;
7. it frequently violates the obligations of timely and correct reporting prescribed by this Act or the regulations issued on the basis thereof;
8. it realises fictitious transactions with the purpose of incorrectly disclosing the financial standing of the insurance undertaking;
9. it performs other business which may threaten its liquidity or solvency;
10. it constantly violates the provisions of Articles 83 to 86, or Article 228 of this Act.

(3) The Insurance Supervision Agency shall order the supervisory board of the insurance undertaking to dismiss a member or several members of the board of directors and appoint a new member or several members of the board of directors if:

1. the insurance undertaking fails to act in compliance with the order on the elimination of violations; or
2. the board of directors of the insurance undertaking fails to eliminate the additional measures referred to in the first paragraph hereunder which were ordered by it; or
3. the insurance undertaking constantly violates its obligation of timely and correctly reporting, or providing information to the Insurance Supervision Agency, or if it obstructs the supervision of its operations in any other way.

11.3.3. Withdrawal of authorisation

Reasons for withdrawal of authorisation to perform insurance business
Article 182

(1) The Insurance Supervision Agency shall withdraw an authorisation granted to an insurance undertaking to perform

insurance business in the following cases:

1. if the authorisation was obtained by providing false data;
2. if an additional measure was imposed on the insurance undertaking as defined in the third paragraph of Article 181 of this Act and the supervisory board failed to dismiss a member or several members of the board of directors and appoint the new ones within the allotted time determined for the execution of the additional measure, or if the newly appointed members of the board of directors did not ensure the elimination of violations or the execution of the additional measures which were the reason for an additional measure as defined in the third paragraph of Article 181 of this Act within two months of their appointment;
3. if grounds exist for the withdrawal of an authorisation to acquire a qualifying holding for an entity which is indirectly or directly a controlled company of the insurance undertaking as defined in the first paragraph of Article 21 of this Act.

(2) Notwithstanding the provision of the first paragraph hereunder, the Insurance Supervision Agency shall withdraw an authorisation to perform insurance business in individual classes of insurance if the reasons from the first paragraph only refer to the insurance business in those classes of insurance.

Conditional withdrawal of authorisation

Article 183

(1) Together with the decision to withdraw an authorisation, the Insurance Supervision Agency may also decide that the withdrawal of the authorisation shall not be implemented if the insurance undertaking, within the allotted time determined by the Insurance Supervision Agency (which, however, may not be shorter than six months and not longer than one year – the trial period), does not commit another violation due to which it is possible to withdraw the authorisation.

(2) When the Insurance Supervision Agency issues a conditional withdrawal of the authorisation, it may decide that a withdrawal of the authorisation shall also be implemented if the insurance undertaking, within the allotted time, does not eliminate the violations due to which the conditional withdrawal of the authorisation was issued. The deadline for complying with these obligations shall be determined by the Insurance Supervision Agency within the limits of the trial period.

Revocation of conditional withdrawal of authorisation

Article 184

The Insurance Supervision Agency shall revoke a conditional withdrawal of the authorisation and shall definitely withdraw

the authorisation if, during the trial period, the insurance undertaking commits a new violation owing to which it is possible to withdraw the authorisation, or if it fails to fulfil the additional conditions specified in the second paragraph of Article 183 of this Act.

11.3.4. Extraordinary administration

Decision on extraordinary administration

Article 185

(1) The Insurance Supervision Agency shall issue a decision on extraordinary administration in the following cases:

1. if it ordered an insurance undertaking to take the additional measures referred to in the first paragraph of Article 181 of this Act and the insurance undertaking has neither begun implementing nor has implemented these measures by the deadlines set for the implementation of such additional measures;
2. if the insurance undertaking, despite having implemented the additional measures, has not attained the minimum capital as defined in Articles 110 and 111 of this Act;
3. if the further operations of the insurance undertaking could endanger its liquidity or solvency or the security of insured persons.

(2) With a decision on extraordinary administration, the Insurance Supervision Agency shall determine the time period of extraordinary administration, which may not exceed one year.

Members of extraordinary administration

Article 186

With the decision on extraordinary administration, the Insurance Supervision Agency shall appoint two or more extraordinary administrators, who shall be members of the extraordinary administration of an insurance undertaking, and shall define the types and extent of operations managed by an individual extraordinary administrator.

Entry in the companies' register

Article 187

(1) The issuing of the decision on extraordinary administration shall be entered in the companies' register. At the same time, the appropriate change of the persons authorised to act for the insurance undertaking shall also be recorded.

(2) The proposal to enter the data referred to in the first paragraph hereunder must be made by extraordinary administration within three days of the receipt of the decision. The proposal must have attached to it the decision of the Insurance Supervision Agency on extraordinary administration.

Legal effects of extraordinary administration

Article 188

(1) During the period of extraordinary administration, the competences of the supervisory board shall be assumed by the Insurance Supervision Agency.

(2) Notwithstanding the first paragraph hereunder, the Insurance Supervision Agency shall be entitled to give an extraordinary administrator instructions for the management of the insurance undertaking, which for him shall be mandatory.

(3) The provisions of this Act referring to a member of the board of directors shall also apply to an extraordinary administrator, unless otherwise stipulated by the Insurance Supervision Agency in the instructions referred to in the second paragraph hereunder.

(4) As of the day of issuing of the decision on extraordinary administration, all the responsibilities and competencies of the members of the board of directors and supervisory board of the insurance undertaking, and the competencies of the general meeting of shareholders, shall cease, except for the competencies referred to in Article 191 of this Act.

Authorisations during the period of extraordinary administration Article 189

(1) The members of the board of directors shall be obliged to immediately allow extraordinary administration access to all business and other documents of the insurance undertaking, and to prepare a report on the transfer of operations.

(2) The members of the board of directors of the insurance undertaking must, upon request, provide extraordinary administration or an individual extraordinary administrator with all explanations or additional reports on the operations of the insurance undertaking.

(3) An extraordinary administrator shall be entitled to dismiss a person who hinders his work and, depending on the circumstances of the case, also to request the assistance of the authority responsible for internal affairs.

Reports of extraordinary administration Article 190

(1) The extraordinary administration shall be obliged, at least every three months, to prepare and submit to the Insurance Supervision Agency a report on the financial position and operating conditions of the insurance undertaking under extraordinary administration.

(2) Within nine months of the appointment of extraordinary administration, the extraordinary administration shall be obliged to prepare and submit to the Insurance Supervision Agency a report on the financial position and operating conditions of the

insurance undertaking under extraordinary administration, together with an evaluation of the economic stability of the insurance undertaking and of the possibility of the further operation of the insurance undertaking, which shall include:

1. an evaluation and the effects of the assumption of the losses incurred by the insurance undertaking by its shareholders;
2. possibilities for the allocation and dispersion of the remaining losses of the insurance undertaking;
3. unforeseen expenses which can affect the obligations of the insurance undertaking;
4. an evaluation of the possible measures to eliminate the financial difficulties of the insurance undertaking, together with the transfer of insurance contracts, with an evaluation of the costs relating to the implementation of these measures;
5. an evaluation of the conditions for the compulsory liquidation or bankruptcy of the insurance undertaking.

Increase in the initial capital for the purpose of ensuring the economic stability of an insurance undertaking

Article 191

(1) If the Insurance Supervision Agency assesses, on the basis of the report of the extraordinary administration of the insurance undertaking under the first or second paragraphs of Article 190 of this Act, that, for the purpose of ensuring the minimum equity of the insurance undertaking or for the purpose of eliminating the causes of the illiquidity or insolvency of the insurance undertaking, it is necessary to appropriately increase the initial capital of the insurance undertaking through new financial stakes, it shall order the extraordinary administration to convene a general meeting of shareholders of the insurance undertaking and propose that it adopt a decision regarding such an increase in the initial capital.

(2) The extraordinary administration shall be obliged to announce the convening of the general meeting of shareholders for the purpose of deciding on the increase in the initial capital in compliance with the first paragraph hereunder no later than eight days after the receipt of the order of the Insurance Supervision Agency under the first paragraph hereunder.

(3) In convening the general meeting of shareholders, the attention of shareholders must be drawn to the legal effects arising from item 2 of the first paragraph of Article 193 of this Act.

Evaluation of the results of extraordinary administration

Article 192

(1) The Insurance Supervision Agency must, at least once every three months, evaluate the results of extraordinary administration.

(2) The Insurance Supervision Agency must adopt a final evaluation of extraordinary administration no later than three months after the receipt of the report referred to in the second paragraph of Article 190 of this Act.

(3) If the Insurance Supervision Agency assesses that the financial position of the insurance undertaking has improved during the period of extraordinary administration to such an extent that the insurance undertaking has attained the minimum capital referred to in Articles 110 or 111 of this Act and that it regularly fulfils its due obligations, the Insurance Supervision Agency must issue a decision on the cessation of extraordinary administration and on the dismissal of the extraordinary administrators.

(4) If the Insurance Supervision Agency estimates that during the period of extraordinary administration the condition of the insurance undertaking has not improved to such an extent that the insurance undertaking has attained the minimum capital referred to in Articles 110 or 111 of this Act, or that it would be capable of currently fulfilling its due obligations, it shall issue a decision to initiate liquidation or to determine the conditions for the initiation of the bankruptcy of the insurance undertaking.

(5) In the case under the fourth paragraph hereunder, the Insurance Supervision Agency may also issue a decision to extend extraordinary administration for no more than six months if the conditions for the initiation of the bankruptcy of the insurance undertaking do not exist, and if the Insurance Supervision Agency evaluates that the insurance undertaking would be able to attain the minimum capital defined in Articles 110 or 111 of this Act within the following six months.

11.3.5. Compulsory liquidation

Grounds for the initiation of compulsory liquidation

Article 193

(1) The Insurance Supervision Agency shall issue a decision for the initiation of compulsory liquidation in the following cases:

1. if, on the basis of the report referred to in the second paragraph of Article 190 of this Act, it assesses that, during the period of compulsory administration, the financial position has not improved to such an extent that the insurance undertaking would attain the minimum capital as defined in Articles 110 and 111 of this Act and there exist no grounds for the initiation of bankruptcy proceedings;
2. if the general meeting of shareholders refuses the proposal of the decision

referred to in the first paragraph of Article 190 of this Act, or if the first sale of shares on the basis of a decision adopted by the general meeting of shareholders, upon the proposal referred to in the first paragraph of Article 190 of this Act, is not successful;

3. if the authorisation of the insurance undertaking to perform insurance business has been withdrawn;

4. if an authorisation to perform the function of member of the board of directors has been finally withdrawn, or if a member has been dismissed, or if a member of the board of directors has not performed the function of a member of the board of directors for more than six months and the supervisory board has, within a period of three months, not appointed a new member of the board of directors in compliance with this Act and, for this reason, the insurance undertaking does not have at least two members of the board of directors.

(2) The Insurance Supervision Agency must issue a decision for the initiation of compulsory liquidation within eight days, which shall run :

1. in the case under item 1 of the first paragraph hereunder, from the expiry of the deadline for the receipt of the final report on the evaluation of extraordinary administration as defined in the second paragraph of Article 192 of this Act;

2. in the case under item 2 of the first paragraph hereunder, from the day the general meeting of shareholders refused the proposal referred to in the first paragraph of Article 191 of this Act, or from the day of expiry of the period for the subscription and payment of the shares on the basis of the unsuccessful first sale;

3. in the case under item 3 of the first paragraph hereunder, from the day of issuing of the decision to withdraw the authorisation;

4. in the case under item 4 of the first paragraph hereunder, from the expiry of the three-month allotted time period for the appointment of a new member of the board of directors.

Liquidators

Article 194

By issuing a decision on the initiation of compulsory liquidation, the Insurance Supervision Agency shall appoint two or more liquidators, and define the type and scope of functions to be performed by an individual liquidator.

Legal effects of compulsory liquidation

Article 195

(1) As of the date of issuing of the decision on compulsory liquidation, all responsibilities and authorisations of the members

of the board of directors and the supervisory board of the insurance undertaking, as well as the authorisations of the general meeting of shareholders, with the exception of the competencies based on the provisions of item 1 of Article 196 of this Act, shall expire.

(2) During compulsory liquidation proceedings, the competencies of the supervisory board of the insurance undertaking and those of the general meeting of shareholders shall be executed by the Insurance Supervision Agency, the exception being the competencies laid down in item 1 of Article 196 of this Act.

Compulsory liquidation proceedings

Article 196

Unless otherwise stipulated in this Subsection, the following provisions shall reasonably apply to compulsory liquidation proceedings:

1. Article 374, Article 376, Article 380, Article 381, Article 384, the first paragraph of Article 385, Article 386, Article 387, Article 388, Article 389, Article 390 and Article 393 of the CA;
2. Article 187, the third paragraph of Article 188 and Article 189 of this Act.

Prohibition from entering into new deals

Article 197

During compulsory liquidation proceedings, the insurance undertaking may not enter into any new deal, except those which are necessary for the realisation of the assets in liquidation.

Occurrence of the grounds for bankruptcy

Article 198

If the liquidators determine that the assets of the insurance undertaking do not suffice for the settlement of all claims of the creditors of the insurance undertaking, or that the insurance undertaking does not have sufficient liquid funds for the settlement of the claims of the creditors on maturity, they must immediately inform the Insurance Supervision Agency of this.

12. BANKRUPTCY

12.1. Common provisions

Prohibition of compulsory settlement

Article 199

The initiation of the proceedings of compulsory composition against an insurance undertaking shall not be permitted.

Application of provisions relating to bankruptcy proceedings

Article 200

Unless otherwise provided by this Act, the provisions of the Compulsory Settlement, Bankruptcy and Liquidation Act

(Official Gazette of the Republic of Slovenia, Nos. 67/93 and 39/97 – hereinafter: LFSBL) shall apply to the bankruptcy proceedings against an insurance undertaking.

Reasons for bankruptcy

Article 201

The Insurance Supervision Agency shall issue a decision on the establishment of the grounds for initiating bankruptcy proceedings in the following events:

1. if, on the basis of the report defined in the second paragraph of Article 190 of this Act, it assesses that the situation has not improved during the period of extraordinary administration, and that the insurance undertaking is not able to currently fulfil its due obligations;
2. if, in exercising supervision of the insurance undertaking, it establishes that the assets of the insurance undertaking are insufficient for the settlement of all claims of the creditors of the insurance undertaking.

Initiation of bankruptcy proceedings

Article 202

(1) The Insurance Supervision Agency must file with the competent court a petition for the initiation of bankruptcy proceedings on the first working day after the issuing of the written copy of the decision on the establishment of the grounds for the initiation of bankruptcy proceedings. It must attach to the proposal the decision on the establishment of the grounds for the initiation of bankruptcy proceedings.

(2) The court shall issue a decree on the initiation of bankruptcy proceedings, without re-examining the grounds for the initiation of bankruptcy proceedings, within three working days of the filing of the petition under the first paragraph hereunder.

(3) No appeal shall be possible against the decree on the initiation of bankruptcy proceedings under the second paragraph hereunder.

Receiver

Article 203

(1) The receiver shall be appointed by the court, at the proposal of the Insurance Supervision Agency. The Insurance Supervision Agency may only propose as a receiver a person who fulfils the conditions for exercising the function of a receiver.

(2) If there are reasons for dismissing the receiver, the court must, prior to the decision to dismiss him/her, inform the Insurance Supervision Agency of the reasons for his/her dismissal and invite it to make a statement regarding the reasons by

a deadline not shorter than three and not longer than eight days.

Announcement of the initiation of bankruptcy proceedings

Article 204

In addition to data which must be included in the announcement, in compliance with the LFSBL, an announcement of the initiation of bankruptcy proceedings against an insurance undertaking must also comprise:

1. a warning to insured persons regarding the legal effects of the initiation of bankruptcy proceedings against an insurance undertaking as defined in Articles 205 or 210 of this Act;
2. the name, surname and address of the curator, if one was appointed.

Termination of insurance contracts

Article 205

The validation of insurance contracts made by the insurance undertaking shall expire by the end of the period of 30 days following the announcement of the initiation of bankruptcy proceedings against an insurance undertaking made in the Official Gazette of the Republic of Slovenia.

Opinion of the Insurance Supervision Agency

Article 206

1. When the court, pursuant to the LFSBL, adopts decisions regarding the realisation of the bankrupt's estate on the basis of a preliminary opinion of the board of creditors, it shall also be obliged, in the event of the bankruptcy of the insurance undertaking, to obtain an opinion from the Insurance Supervision Agency.
2. The provisions of the LFSBL on the opinion of the board of creditors shall reasonably apply to the opinion of the Insurance Supervision Agency referred to in the first paragraph hereunder.

Informing the Insurance Supervision Agency

Article 207

A copy of the reports of the receiver on the conduct of bankruptcy proceedings shall also be submitted to the Insurance Supervision Agency.

Preferential payment of claims arising from insurance contracts

Article 208

1. Payments of claims arising from insurance contracts from the bankrupt's estate shall be chargeable to the expense of bankruptcy proceedings before payments are made to the creditors referred to in the second and third paragraphs of Article 160 of the LFSBL.
2. The claims referred to in the first paragraph hereunder shall be paid in

accordance with the following order of precedence:

1. claims arising from the class of insurance referred to in the second paragraph of Article 211 of this Act in the amount of the required cover regarding the insurance from which the claim arises and which could not be paid from assets covering mathematical provisions;
2. claims arising from the class of insurance referred to in the fourth paragraph of Article 211 of this Act which could not be paid from assets covering mathematical provisions;
3. claims arising from non-life insurance and other classes of insurance for which mathematical provisions have not been set aside, for the payment of indemnity for damages caused which emerged prior to the initiation of bankruptcy proceedings;
4. claims arising from non-life insurance and other classes of insurance for which mathematical provisions have not been set aside, to the compensation of part of the premium for the period following the termination of insurance.

12.2 Special provisions relating to the payment of claims arising from those classes of insurance for which mathematical provisions must be set aside

Application of provisions

Article 209

The provisions of this Section shall apply to life assurance and accident and health insurance to which probability tables and calculations similar to life assurances apply.

Termination of insurance contracts

Article 210

As of the day of initiation of bankruptcy proceedings against an insurance undertaking, the insurance contracts referred to in Article 209 of this Act shall be terminated.

Right to separate payment from assets covering mathematical provisions

Article 211

(1) As of the day of initiation of bankruptcy proceedings, claimants with regard to the classes of insurance referred to in Article 209 of this Act shall obtain the right to separate satisfaction with regard to the assets covering mathematical provisions for the payment of their claims arising from this insurance.

(2) Claimants of assurance and claimants from accident and health insurance in which life assurance regulations apply to the liabilities of the insurance undertaking shall be entitled to obtain payment from assets covering mathematical provisions before other claims in an amount equal to the required cover relating to the insurance from which the claim originates.

(3) If assets covering mathematical provisions do not suffice for complete

payment of the claims referred to in the second paragraph hereunder, the claims concerned shall be paid in an amount equalling the proportion of the required cover relating to the classes of insurance from which the claim originates, as the proportion between the total value of assets covering mathematical provisions and the required cover for total insurance underwritten by the insurance undertaking in that class of insurance for which assets covering mathematical provisions were set aside.

(4) Other claims arising from the classes of insurance referred to in Article 209 of this Act shall be paid from those assets covering mathematical provisions which shall remain after the claims referred to in the second paragraph hereunder have been satisfied.

(5) If the assets covering mathematical provisions do not suffice for complete payment of the claims referred to in the fourth paragraph hereunder, the claims concerned shall be paid proportionally.

(6) The balance as of the day of initiation of bankruptcy proceedings shall be relevant for determining the amount of a claim and for determining the total amount of the required cover.

Separate account of monetary assets in bankruptcy

Article 212

(1) In addition to the general account of the bankruptcy debtor, a receiver shall be obliged to open a special cash account for each fund of assets covering mathematical provisions, which shall be kept with an organisation responsible for payment transactions.

(2) A receiver shall be obliged to manage the entire operations with cash obtained from the asset realisation of assets covering mathematical provisions through a special cash account for assets covering mathematical provisions.

(3) In addition to the receiver, each authorisation for payment to be made from a special cash account for assets covering mathematical provisions must also be authorised by the curator.

Curators

Article 213

(1) In order to safeguard the interests of claimants referred to in the first paragraph of Article 211 of this Act, the bankruptcy court shall, by issuing an order on the initiation of bankruptcy proceedings by the curator, appoint a curator at the proposal of the Insurance Supervision Agency.

(2) A person fulfilling the conditions for appointment as a receiver and having adequate knowledge and experience in the field of insurance may be appointed as curator.

(3) A receiver must enable the curator to inspect books of account and other

records, as well as the documentation of the insurance undertaking, within the scope necessary for determining the scope of assets covering mathematical provisions, the registration of claims of claimants and the realisation of other competencies granted to the curator in compliance with this Act.

(4) Where the LFSBL determines that it is necessary to obtain the consent of the board of creditors, an opinion or the consent of the curator regarding assets covering mathematical provisions must also be obtained.

(5) The provisions valid for receiver shall reasonably apply in respect of remuneration for curators, and their competencies and responsibilities.

Registration and inspection of claims
Article 214

(1) The allotted time for the registration of claims referred to in the first paragraph of Article 211 of this Act shall be three months from the publication of the announcement of the initiation of bankruptcy proceedings in the Official Gazette of Republic of Slovenia.

(2) A curator shall be obliged, on behalf and for the account of claimants, to register the claims referred to in the first paragraph of Article 211 of this Act, and to inform the claimants of the registration. The claimants may also register their claims themselves.

(3) The claims registered by the curator in bankruptcy proceedings with regard to an insurance undertaking shall be deemed to be established, and the provisions of the LFSBL on the examination of claims shall not apply to them.

(4) If a claim has been registered by the curator as well as the claimant, the registration made by the claimant shall be taken into consideration and examined only in the part in which it exceeds the claim registered on behalf of and for the account of the claimant by the curator.

13. INSURANCE AGENTS AND BROKERS

13.1. Insurance agents

Insurance agents

Article 215

(1) An insurance agent shall be a person authorised to enter into insurance contracts on behalf and for the account of the insurance undertaking on the basis of employment or any other legal relation with the insurance undertaking.

(2) The authorisation of an insurance agent to enter an insurance contract shall also include an authorisation to amend or prolong the contract, and an authorisation to accept statements made by an

insured person upon his withdrawal from the contract.

Insurance agencies

Article 216

(1) An insurance agency shall be a legal entity performing, as a commercial activity, services related to the representation of insurance undertakings in the making of insurance contracts.

(2) The provisions of this Act referring to insurance agencies shall also reasonably apply to an individual entrepreneur, in compliance with the CA, who performs services related to the representation of insurance undertakings in making insurance contracts as his/her commercial activity.

Obligations of agents and responsibilities of insurance undertakings

Article 217

(1) The provisions of Articles 83 to 86 of this Act shall also apply to insurance agents.

(2) An insurance undertaking shall be responsible for the activities of an insurance agent as it is responsible for its own activities.

Restriction with regard to the authorisations of an agent

Article 218

(1) If the authorisation of an agent is restricted to a particular area, the agent shall be obliged to perform the legal transactions referred to in Article 215 of this Act only in relation to those classes of insurance relating to property located in this area or persons living in the area concerned.

(2) If an authorisation for agency services is restricted either in such a way that an agent is not authorised to perform all the legal transactions referred to Article 215 of this Act or in a way defined in the first paragraph hereunder, the restriction of authorisation for agency services shall have an effect on the insured person only if his restriction was unknown to him/her, or if it could not have remained unknown to him/her.

(3) It shall only be deemed that the restriction of the authorisation of an agent could not have remained unknown to the insured person in compliance with the second paragraph hereunder if he/she did not become familiar with the restriction due to gross negligence.

13.2. Insurance brokers

Insurance brokers

Article 219

(1) An insurance broker shall be a person who intermediates in making insurance contracts for one or more insurance undertakings.

(2) The intermediation referred to in the first paragraph hereunder shall be a service the subject of which is an effort to get the policy holder in touch with the insurance undertaking in order to negotiate entry into an insurance contract.

(3) The general regulations of the contract law applying to agreements on intermediation shall apply to insurance negotiations, except for the rules on brokerage ledgers and brokerage lists, unless otherwise stipulated in this Act.

Insurance brokerage companies

Article 220

(1) An insurance brokerage company shall be a legal entity which, as a commercial activity, performs services related to intermediation in making insurance contracts.

(2) The provisions of this Act relating to an insurance brokerage company shall also reasonably apply to an individual entrepreneur under the CA who performs the services related to intermediation in making insurance contracts as his/her commercial activity.

Protection of clients' interests

Article 221

(1) In performing his/her insurance intermediation, an insurance broker shall be obliged to protect the interests of policy holders in particular.

(2) In relation to the insurance undertaking, an insurance broker must protect those interests of the insurance undertaking to which an insured person must also pay attention before or after entering into an insurance contract. An insurance broker must, in particular, inform insurance undertakings, in the preparation of an insurance contract, of all the indirect risks which are or which should be known to him/her.

Obligations of insurance brokers

Article 222

(1) An insurance broker's obligation to safeguard the interests of the policy holder referred to in the first paragraph of Article 221 of this Act shall also include explanations and advice to be provided to policy holders with regard to all the circumstances relevant to their decisions, with regard to entering into insurance contracts for certain classes of insurance, or for certain insurance undertakings.

(2) In order to fulfil the obligation referred to in the first paragraph hereunder, an insurance broker shall, in particular, be obliged to:

1. prepare an adequate risk analysis and adequate provisional cover for a policy holder;
2. prepare an evaluation of the capital adequacy of an insurance undertaking

- for a policy holder on the basis of the professional information available to him/her;
3. intermediate, for a policy holder, in underwriting a policy which, with respect to the circumstances related to a particular case, provides the insured person with the best protection, in which case this obligation may only be limited to particular insurance products, if the insurance broker explicitly informs the policy holder of this;
 4. inform the insurance undertaking of the proposal of a policy holder to enter into an insurance contract; and submit to the insured person the policy conditions, informing him of the regulations on premium determination;
 5. check the contents of the insurance policy;
 6. provide assistance to policy holder during the term of validity of the insurance contract both prior to and after the occurrence of the event insured against, and in particular ensure that legal activities relevant to retaining and exercising the rights arising from the insurance contract are performed by policy holders by the deadlines determined with regard to such legal activities;
 7. constantly check insurance contracts made by the policy holder on the basis of his/her intermediation, and prepare proposals for modifications of these insurance contracts for the purpose of providing better security.

Clash of interests

Article 223

(1) An insurance broker must disclose to the policy holder all the legal and economic relations with a particular insurance undertaking which may affect the impartiality of an insurance broker in fulfilling the obligations towards a policy holder, and especially the obligations defined in items 3 and 7 of the second paragraph of Article 222 of this Act.

(2) The legal and economic relations under the first paragraph hereunder shall be considered to be, in particular, the provisions of agreements on intermediation with an insurance undertaking on the basis of which an insurance broker is :

1. obliged to intermediate exclusively in making insurance contracts with this insurance undertaking;
2. entitled to a special commission (performance commission), or to a higher commission for intermediating in particular classes of insurance.

Commission

Article 224

(1) An insurance broker shall not be entitled to require the payment of

commission or any other payment from a policy holder, unless otherwise and in writing stipulated in an agreement on intermediation made with the policy holder.

(2) If it is stipulated explicitly and in writing by the agreement on intermediation made with the policy holder that an insurance broker is entitled to commission, he/she shall obtain a right to commission when the insurance contract for which he/she is intermediating enters into force.

Compulsory provisions

Article 225

(1) The obligations of brokers referred to in the first paragraph of Article 221 and in Article 222 of this Act can be neither excluded nor limited with a contract.

(2) Any provision of an agreement on intermediation which is contrary to the first paragraph hereunder or to the second paragraph of Article 224 of this Act shall be null and void.

Prohibition of intermediating

Article 226

(1) An insurance broker shall not be permitted to intermediate in making a contract with an insurance undertaking, with a Member State insurance undertaking or with a foreign insurance undertaking if, by entering into an insurance contract, the provision of Article 3 of this Act is violated.

(2) An insurance broker shall not be allowed to intermediate in making a contract which would be contrary to Article 83 of this Act.

13.3. Terms and conditions for performing the activity of insurance agency services or brokerage

13.3.1. Common provisions

General provisions

Article 227

(1) Services related to insurance agency services or brokerage may be performed only by those insurance agencies or brokerage companies which have obtained an authorisation to provide services related to insurance agency services or brokerage.

(2) No person other than those defined in the first paragraph hereunder may perform services related to insurance agency services or brokerage.

(3) Business related to insurance agency services or brokerage which are provided by individuals on the basis of employment in an insurance undertaking or company defined in the first paragraph hereunder shall not be deemed to be services in compliance with the first paragraph hereunder.

(4) Notwithstanding the provision of the first paragraph hereunder, insurance

agency services may also be provided by other entities, provided policies are underwritten which are directly related to the main service provided by them (for instance, tourist agencies, freight forwarders and persons engaged in tests of vehicle roadworthiness).

(5) Notwithstanding the provision of the first paragraph hereunder, insurance brokerage may also be performed by banks which have obtained appropriate authorisations from the Bank of Slovenia. The Bank of Slovenia shall grant an authorisation on the basis of the prior opinion of the Insurance Supervision Agency.

Obligations of insurance undertakings

Article 228

An insurance undertaking shall be obliged to ensure that services related to insurance agency services or brokerage are only performed for it by the entities defined in the first, fourth and fifth paragraph of Article 227 of this Act.

Insurance agencies' association

Article 229

(1) Insurance agency and brokerage undertakings shall be associated within the insurance agencies' association, organised as a commercial interest association.

(2) The insurance agencies' association shall

1. keep the register referred to in the first paragraph of Article 231 of this Act; and
2. perform tasks of common interest to insurance agency and brokerage undertakings, as stipulated in the agreement on its establishment or other acts relating to the association.

Authorisation to perform businesses relating to insurance agency services or brokerage

Article 230

(1) Businesses related to insurance agency services or brokerage may be independently performed within insurance undertakings, insurance agencies or insurance brokerage companies or the banks referred to in the fifth paragraph of Article 227 of this Act only by individuals granted an authorisation from the supervisory authority for performing businesses related to insurance agency services or brokerage.

(2) The Insurance Supervision Agency shall grant a licence for performing businesses related to insurance agency services or brokerage if the person meets the following conditions:

1. he/she has successfully passed the examination of expertise necessary for performing businesses related to insurance agency services or brokerage;
2. he/she has obtained one year's experience in the area of insurance

businesses;

3. he/she has a good command of the Slovenian language; and

4. he/she has not been given a final non-suspended prison sentence of at least three months for a criminal offence against property or the economy. (3) The Insurance Supervision Agency shall withdraw the authorisation for performing businesses

related to insurance agency services or brokerage if:

1. it was obtained on the basis of a statement of false data;

2. the insurance agent or broker has been given a final non-suspended prison sentence of at least three months for a criminal offence against property or the economy;

3. an insurance agent repeatedly violates the provisions of this Act defined in the first paragraph of Article 217 of this Act;

4. if an insurance broker repeatedly violates the provisions of Article 225 of this Act,

5. if an insurance agent or broker, in providing insurance agency or brokerage businesses, seriously violates the code of good practice.

(4) A proposal to withdraw authorisation to provide insurance agency or brokerage businesses may be given by the insurance agencies' association.

Register of insurance agents and brokers

Article 231

(1) The Slovene Insurance Association shall keep the register of insurance agencies and insurance brokerage companies authorised to perform businesses related to insurance brokerage on the territory of Slovenia in compliance with this Act.

(2) An insurance undertaking must keep a register of insurance agents performing businesses related to insurance agency services on the basis of employment in the insurance undertaking.

(3) An insurance agency or brokerage company must keep a register of insurance brokers or agents performing businesses related to insurance agency services or insurance brokerage on the basis of employment in the insurance agency or insurance brokerage company.

(4) The registers referred to in the previous paragraphs hereunder shall be public.

(5) The supervisory authority shall regularly inform the Slovene Insurance Association of:

1. the granting and withdrawal of authorisations for performing activities related to insurance agency services or insurance brokerage;

2. notifications of insurance agencies or insurance brokerage companies related to insurance agency services or insurance brokerage;

3. the granting or withdrawal of licences for establishing a branch of a foreign insurance agency or insurance brokerage company.

Supervision

Article 232

(1) Supervision of insurance agents or brokers and insurance agencies or insurance brokerage companies shall be conducted by the Insurance Supervision Agency. Supervision of banks referred to in the fifth paragraph of Article 227 of this Act shall be conducted by the Insurance Supervision Agency, in cooperation with the Bank of Slovenia.

(2) The provisions of Articles 172, 173, 175, 177, 179, 180, 183 and 184 of this Act shall reasonably apply to supervision defined in the first paragraph hereunder. Article 174 shall also apply to the supervision of insurance agencies or insurance brokerage companies.

Regulations on insurance agents and brokers

Article 233

The Insurance Supervision Agency shall prescribe:

1. detailed conditions for obtaining and examining the expertise necessary for performing businesses related to insurance agency services or brokerage from item 1 of the second paragraph of Article 230 of this Act;
2. detailed regulations on the method of keeping the register referred to in Article 230 of this Act, the data entered in these registers, and the method of public access to this data;
3. the detailed contents of the reports referred to in Article 239 of this Act, as well as the deadlines and methods of reporting.

13.3.2. Insurance agencies or brokerage companies

Application of provisions

Article 234

Unless otherwise stipulated in this Act, the provisions of the CA shall apply to insurance agencies and insurance brokerage companies.

Legal organisational forms

Article 235

(1) An insurance agency or insurance brokerage company may be organised as a company or an independent entrepreneur in compliance with the CA.

(2) Where an independent entrepreneur performing services related to insurance agency services or insurance brokerage as his/her commercial activity is not entered in the companies' register, the provisions of this Act shall reasonably apply to his/her entry in another register of independent entrepreneurs.

Activities of insurance agencies or insurance brokerage companies

Article 236

(1) An insurance agency or insurance brokerage company may only perform services related to insurance agency services or insurance brokerage.

(2) Notwithstanding the provisions of the first paragraph hereunder, an insurance agency or insurance brokerage company may also perform:

1. services related to credit intermediation, or services related to investment coupons of mutual funds or other similar financial products, if they fulfil the conditions for performing these services defined in laws or any other regulations covering the provision of the services concerned,
2. services referred to in items 2 to 5 of the fifth paragraph of Article 14 of this Act.

Insurance of the liability of an insurance brokerage company

Article 237

An insurance brokerage company shall be obliged to insure its liability to policy holders in the event of violation of the agreement on insurance brokerage to an insurance sum which, in relation to an individual case insured, must not be less than SIT 60,000,000 or, in relation to all cases insured in an individual year, must not be less than SIT 120,000,000.

Authorisation to perform services relating to insurance agency services or brokerage

Article 238

(1) Prior to establishment in the companies' register or prior to the entry of any appropriate modification in the companies' register, an insurance agency or insurance brokerage company shall be obliged to obtain an authorisation from the Insurance Supervision Agency to perform activities relating to insurance agency services or insurance brokerage.

(2) The provisions of items 2 to 6 of the first paragraph of Article 66 of this Act shall reasonably apply to applications for an authorisation to perform activities related to insurance agency services or insurance brokerage. An insurance agency or insurance brokerage company must also enclose with the application evidence proving that it fulfils all the conditions laid down in Articles 234 to 237 of this Act.

(3) The Insurance Supervision Agency shall grant an authorisation for activities related to insurance agency services or insurance brokerage if an insurance agency or insurance brokerage company fulfils the conditions determined in Articles 234 to 237 of this Act.

(4) Before rejecting the application for an authorisation to perform

activities related to insurance agency services or insurance brokerage, the Insurance Supervision Agency must give the insurance agency or insurance brokerage company a deadline of not less than 15 and not more than 30 days in order to present its views regarding the reasons for rejecting the authorisation referred to in the fourth paragraph hereunder.

(5) The provisions of the first to third paragraph hereunder shall also apply reasonably to the opinion of the Insurance Supervision Agency referred to in the third paragraph of Article 227 of this Act.

Reporting

Article 239

An insurance brokerage company must also report to the Insurance Supervision Agency on:

1. any change to data entered in the companies' register;
2. the structure and scope of brokerage services by insurance undertakings which were performed in a particular fiscal year for these insurance undertakings;
3. the legal and economic relations referred to in the second paragraph of Article 223 of this Act.

13.3.3. Insurance agencies or insurance brokerage companies of Member States

Article 240

(1) An insurance agency or insurance brokerage company which, in a Member State, has the right to perform activities related to insurance agency services or insurance brokerage may perform activities related to insurance agency services or insurance brokerage either through branches or directly in the territory of the Republic of Slovenia.

(2) The provisions of Articles 215 to 232 of this Act shall apply to the insurance agencies or insurance brokerage companies referred to in the first paragraph hereunder.

Commencement of the performance of activities related to insurance agency services or insurance brokerage

Article 241

(1) An insurance agency or insurance brokerage company referred to in the first paragraph of Article 240 of this Act may begin performing activities related to insurance agency services or brokerage in the Republic of Slovenia after it has informed the Insurance Supervision Agency of the commencement of the performance of the activity concerned.

(2) The opinion or statement of the competent supervisory authority of a Member State from which it originates that it is entitled to perform activities related to insurance agency services or

insurance brokerage in the Member State concerned must be enclosed with the notification referred to in the first paragraph hereunder.

13.3.4. Foreign insurance agencies or insurance brokerage companies
Branch of a foreign insurance agency or insurance brokerage company
Article 242

(1) On the territory of the Republic of Slovenia, a foreign insurance agency or insurance brokerage company may perform activities related to insurance agency services or insurance brokerage only through a branch.

(2) The provisions of Articles 214 to 239 of this Act shall apply to a foreign insurance agency or insurance brokerage company which has established a branch in the territory of the Republic of Slovenia.

Authorisation to establish a branch
Article 243

The provisions of the second to fourth paragraphs of Article 19 and of Articles 98 and 238 of this Act shall reasonably apply to the granting of an authorisation to establish a branch defined in the first paragraph of Article 242 of this Act, and to the withdrawal of such authorisation.

14. SUPERVISION OF OTHER ENTITIES

Supervision of other entities
Article 244

(1) The Insurance Supervision Agency shall also supervise those entities which, in addition to other activities or as a sole activity, perform:

1. insurance services without obtaining an authorisation from the Insurance Supervision Agency for performing the activities concerned;
2. activities related to insurance agency services or insurance brokerage without obtaining an authorisation from the Insurance Supervision Agency for performing the activities concerned.

(2) Unless otherwise stipulated in Article 245 of this Act, the provisions of Articles 172, 173, 175, 177, 179 and 180 of this Act shall reasonably apply to the supervision defined in the first paragraph hereunder.

Measures of supervision
Article 245

(1) If data available to the Insurance Supervision Agency shows that an entity is performing insurance businesses or activities related to insurance agency services or insurance brokerage without obtaining an authorisation from the Insurance Supervision Agency for performing the activities concerned, the supervisory authority shall issue an order for this entity

whereby it shall order it to cease performing the businesses or activities concerned.

(2) In a case under the first paragraph hereunder, the Insurance Supervision Agency may examine the books of account and other documentation before issuing the order, and collect other evidence in order to discover whether the entity is performing insurance businesses or activities related to insurance agency services or insurance brokerage.

(3) In the order defined in the first paragraph hereunder, the Insurance Supervision Agency shall order the entity to submit a report within the allotted time, which should not be shorter than eight days and not longer than 15 days, in which it shall describe measures performed in respect of the termination of insurance businesses, or activities related to insurance agency services or insurance brokerage, and in which the entity concerned makes a statement regarding the reasons for the issuing of the order. An entity must enclose with the report evidence proving that it performed the measures in respect of terminating insurance businesses or activities related to insurance agency services or insurance brokerage.

(4) If a legal entity under supervision fails to act in compliance with the order defined in the first paragraph hereunder, the Insurance Supervision Agency shall issue an order through which it shall establish that reason exists for liquidating the entity concerned.

(5) The order defined in the fourth paragraph hereunder must be explained.

(6) On the basis of the final decision defined in the fourth paragraph hereunder, the competent court shall begin liquidation proceedings at the request of the Insurance Supervision Agency.

15. Insurance Supervision Agency

15.1. Status of the Insurance Supervision Agency

Status of the Insurance Supervision Agency

Article 246

(1) The Insurance Supervision Agency shall be established pursuant to this Act.

(2) The Insurance Supervision Agency shall be a legal entity.

(3) The Insurance Supervision Agency shall be autonomous and independent in implementing its tasks and responsibilities.

(4) The head office of the Insurance Supervision Agency shall be in Ljubljana.

Rules of procedure of the Insurance Supervision Agency

Article 247

The Insurance Supervision Agency shall have rules of procedure stipulating in detail the internal organisation and operation of the Insurance Supervision Agency.

Stamp

Article 248

The Insurance Supervision Agency shall have a stamp with the name "Insurance Supervision Agency" and the coat of arms of the Republic of Slovenia.

Reporting on the state in the insurance field

Article 249

(1) The Insurance Supervision Agency shall draw up annual reports for the National Assembly of the Republic of Slovenia on the state and circumstances in the field of insurance.

(2) The report referred to in the first paragraph hereunder must contain data on the volume of insurance business by classes of insurance.

(3) The report referred to in the first paragraph hereunder relating to the previous year must be submitted by the Insurance Supervision Agency to the National Assembly by 30 June of the current year.

Annual report on work performed

Article 250

(1) The Insurance Supervision Agency shall draw up annual reports for the National Assembly of the Republic of Slovenia on work performed.

(2) The report referred to in the first paragraph hereunder must contain data on measures taken by the Insurance Supervision Agency in accordance with the supervisory procedures performed, authorisations to perform insurance business granted and other authorisations granted by the Agency, as well as data on the cooperation of the Agency with other local and foreign supervisory authorities.

(3) The report referred to in the first paragraph hereunder relating to the previous year must be submitted by the Insurance Supervision Agency to the National Assembly by 30 June of the current year.

15.2. Bodies of the Insurance Supervision Agency

Bodies of the Insurance Supervision Agency

Article 251

The bodies of the Insurance Supervision Agency shall be the council of experts and the director of the Insurance Supervision Agency.

Composition of the council of experts

Article 252

The council of experts shall consist of a president and six members.

Appointment and dismissal of the members and president of the council of experts

Article 253

(1) The members and president of the council of experts shall be appointed and dismissed by the Government of the Republic

of Slovenia at the proposal of the minister responsible for finance.

(2) The members and president of the council of experts shall be appointed for a period of five years and may be reappointed.

Conditions for the appointment of the members and president of the council of experts

Article 254

(1) A person must meet the following criteria in order to be appointed member or president of the council of experts:

1. he/she is a national of the Republic of Slovenia;
2. he/she holds a university degree;
3. he/she is a renowned expert from the fields of insurance, finance or commercial law;
4. he/she has an as-yet-undeleted record of no final sentence of imprisonment of over three months.

(2) The members and president of the council of experts must not have any contractual relations, employment or equity holdings in legal entities to which the Insurance Supervision Agency grants authorisation or approval with regard to operation, and must not perform tasks in bodies of political parties.

Dismissal of the members and president of the council of experts

Article 255

A member or president of the council of experts may be dismissed early if they:

1. request this themselves;
2. are sentenced to a prison term of over three months;
3. lose the capacity to work;
4. violate the obligation to protect confidential data (Article 260);
5. violate the prohibition referred to in the second paragraph of Article 254 of this Act.

Competences of the council of experts

Article 256

The council of experts:

1. shall adopt decisions with regard to authorisations, approvals and other individual matters on which, pursuant to law, decisions are taken by the Insurance Supervision Agency, unless otherwise stipulated in this or another Act;
2. shall adopt regulations when the law determines that such acts be adopted by the Insurance Supervision Agency;
3. shall adopt the rules of procedure of the Insurance Supervision Agency;
4. shall adopt reports on the state in the field of insurance and annual reports on the work performed by the Insurance Supervision Agency;
5. shall adopt annual timetables of work with regard to expert services of the Insurance Supervision Agency and reports on

the work of the Insurance Supervision Agency;

6. shall perform other tasks within the competences of the Insurance Supervision Agency, unless it is stipulated by law that another body of the Insurance Supervision Agency is competent for those tasks. Council of experts' decision-making with regard to issuing regulations
Article 257

(1) The council of experts shall adopt valid decisions on issuing regulations for which the Insurance Supervision Agency is competent if the majority of its members are present at the session.

(2) A regulation shall be adopted when the majority of members of the council of experts vote in favour of it.

Publication of regulations

Article 258

Regulations issued by the Insurance Supervision Agency shall be published in the Official Gazette of the Republic of Slovenia.

Director of the Insurance Supervision Agency

Article 259

(1) The director of the Insurance Supervision Agency shall be appointed and dismissed by the Government of the Republic of Slovenia, at the proposal of the minister competent for finance, for a period of five years from among members of the council of experts.

(2) The director of the Insurance Supervision Agency shall manage the operation of the Insurance Supervision Agency and shall organise its work.

Protection of confidential data

Article 260

(1) The members and president of the council of experts and the employees of the Insurance Supervision Agency shall be obliged to protect data relating to entities supervised by the Insurance Supervision Agency, and other data relating to facts and circumstances with which they became familiar in performing their work, excluding that data which, pursuant to the provisions of this Act, is public. The above obligation shall also exist after the expiry of their function or employment.

(2) Those employed at the Insurance Supervision Agency may not be members of bodies of insurance undertakings or other legal entities supervised by the Insurance Supervision Agency, and may not perform individual tasks for those legal entities.

15.3. Funds for work

Tariffs and session fees

Article 261

(1) The Insurance Supervision Agency shall publish a tariff laying down the fees for adopting decisions in individual matters

and for issuing copies from registers kept by it, and the annual fees and lump-sum fees which legal entities are obliged to pay for the supervision performed by the Insurance Supervision Agency pursuant to this or other acts.

(2) The tariff published by the Insurance Supervision Agency or amendments and supplements thereto shall become effective when the Insurance Supervision Agency acquires approval of tariffs or supplements and amendments granted by the Government of the Republic of Slovenia.

(3) The session fees to which the president and members of the council of experts are entitled shall be determined by the council of experts, in agreement with the Government of the Republic of Slovenia.

Resources for work

Article 262

(1) Resources for the work of the Insurance Supervision Agency shall be provided from:

1. fees and charges;
2. other income generated by the Insurance Supervision Agency through its operation.

(2) One portion of the surplus of income over operating expenses shall be allocated to the reserve of the Insurance Supervision Agency, in the amount determined by the financial plan of the Insurance Supervision Agency; the remaining surplus shall be paid into the Budget of the Republic of Slovenia.

Surplus of operating expenses over income

Article 263

(1) The surplus of operating expenses over income of the Insurance Supervision Agency shall be covered by the reserves of the Insurance Supervision Agency; if the reserve funds do not suffice, the surplus of expenses over income shall be covered from the Budget of the Republic of Slovenia.

(2) Funds may only be allocated from the Budget of the Republic of Slovenia if the operation of the Insurance Supervision Agency would otherwise be seriously threatened.

Financial plan and annual statement of account

Article 264

(1) The council of experts shall be obliged, no later than by 31 March of each year, to adopt the annual statement of account for the previous year and the financial plan for the next year.

(2) Prior to the adoption of the financial plan of the Insurance Supervision Agency, supervision of the Agency shall be financed according to the resolution on temporary financing to be adopted by the council of experts.

(3) Annual statement of account of the Insurance Supervision Agency must be reviewed by the chartered auditor.

(4) The Insurance Supervision Agency shall be obliged to submit to the minister competent for finance the annual statement of account, together with the auditor's report and the financial plan, no later than ten days after their adoption. The annual statement of account and financial plan shall be given for approval by the Government of the Republic of Slovenia.

15.4. Control of expenditure of funds

Control of expenditure of funds

Article 265

Control of the lawfulness, appropriateness, cost-effectiveness and efficiency of use of the funds of the Insurance Supervision Agency shall be performed by the Court of Auditors.

16. PROCEDURE OF ADOPTING DECISIONS IN INDIVIDUAL MATTERS

BY THE Insurance Supervision Agency

16.1. General provision

Application of procedural provisions

Article 266

(1) The Insurance Supervision Agency shall adopt decisions regarding individual matters for which it has competence under this Act in accordance with the procedure established in this Chapter, unless otherwise provided in other chapters of this Act or in another law.

(2) Unless otherwise stipulated in this Act, the provisions of the Act regulating the general administrative procedure shall be used by the Insurance Supervision Agency in the procedure of adopting decisions.

(3) Notwithstanding the provision of the second paragraph hereunder, in the procedure of adopting decisions the Insurance Supervision Agency shall neither be able to revert to the previous status nor to file extraordinary legal remedies.

(4) Notwithstanding the provision of the third paragraph hereunder, it shall be possible to retry a case in the procedure of withdrawing an authorisation previously granted by the Insurance Supervision Agency, provided there exist new facts and evidence and provided the proposal to retry the case is made within one year of the final decision on withdrawal of authorisation.

16.2. Procedural bodies and their competencies

Procedural bodies

Article 267

The procedural bodies shall be the chamber and the president of the chamber.

Composition and competencies of the chamber

Article 268

(1) The chamber shall be composed of members of the council of experts, whereby one member shall be president of the chamber.

(2) The chamber shall adopt decisions on all matters other than those which the president of the chamber shall decide on according to this Act.

(3) The chamber shall adopt decisions with regard to objections to orders adopted by the president of the chamber.

Competence of the president of the chamber

Article 269

(1) The competence of the president of the chamber in managing the procedure and in making decisions with regard to individual matters shall be performed by the member of the council of experts appointed under the scheme of work of the Insurance Supervision Agency.

(2) The president of the chamber shall:

1. issue orders in the supervisory procedure;
2. adopt decisions on issues relating to the procedure and arising as marginal issues in the course of the procedure, with regard to which decisions are adopted; and
3. adopt decisions on other issues, if so stipulated by law.

(3) Individual procedural tasks prior to the issuing of a decision or order which are the responsibility of the president of the chamber may also be performed by an expert from the Insurance Supervision Agency, if he/she has been authorised accordingly by the president of the chamber.

16.3. Procedure prior to adopting a decision

Statements of the parties

Article 270

(1) The parties shall make their statements in writing.

(2) In the case under the second paragraph of Article 272 of this Act, the parties may also make their statements orally at the hearing.

Possibility of making a statement

Article 271

(1) Prior to the issuing of the decision which the Insurance Supervision Agency issues ex officio and against which an objection is not allowed, it must invite the party to make a statement regarding the facts and circumstances which are relevant to the decision, to such an extent that the law in an individual case shall not require another manner of providing to the party the possibility of making a statement.

(2) The invitation under the first paragraph hereunder must contain:

1. a specific statement of the facts and circumstances regarding which the

party is to make a statement, and the evidence from which these facts proceed;

2. the deadline for the statement, which may not be less than eight days;

3. instructions to the party that it must attach to the statement documentary evidence, if the party refers to it, and that it will not have the right, after the expiry of the deadline, to provide new facts and submit new evidence.

(3) In the statement, the party may refer to those facts which show that the facts and circumstances referred to in the invitation under the first paragraph hereunder have not been given, and may submit evidence whereby it substantiates the existence of the stated facts. If the party in the statement refers to documentary evidence, it must attach these documents to the statement.

(4) If the party does not attach documentary evidence to the statement, the provisions of the law regarding incomplete applications shall not apply, but the Insurance Supervision Agency shall take into consideration only that evidence which is attached to the statement.

(5) After the expiry of the deadline, the party shall have no right either to refer to new facts or submit new evidence.

Adopting decisions

Article 272

(1) The Insurance Supervision Agency shall make decisions without a hearing.

(2) Notwithstanding the first paragraph hereunder, the president of the chamber may call an oral hearing if he/she assesses that this is necessary for clarification or determination of the crucial facts.

16.4. Decisions of the Insurance Supervision Agency and decision-making

16.4.1. Common provisions

Types of decision taken by the Insurance Supervision Agency

Article 273

(1) The Insurance Supervision Agency shall issue decisions in the form of decisions, resolutions and orders.

(2) There shall be no objection against the decisions of the Insurance Supervision Agency.

Sessions of the chamber

Article 274

(1) The chamber shall adopt decisions, after discussion, by voting. The session shall not be public.

(2) The chamber shall adopt valid decisions if the majority of its members are present at the session.

(3) The president of the chamber shall chair the discussion and the voting, and shall be the last to cast his/her vote. It is his/her duty to ensure that all issues are thoroughly discussed from all

points of view.

(4) If the votes with regard to individual issues being voted on are divided between various opinions so that none of them has the necessary majority, the issues shall be separated and the voting repeated until a majority is reached. If no majority is thus reached, the decision shall be made by adding the votes which are the least favourable for the subject of supervision to those which are less unfavourable until the required majority is reached.

(5) The members of the chamber shall not be allowed to refuse to vote on issues put before them by the president of the chamber. However, any member of the chamber who has voted for the termination of the procedure for withdrawal of an authorisation and remained in a minority shall not be obliged to vote on the sanction. If he/she does not vote, it shall be deemed that he/she agrees with the vote which is the most favourable for the subject of supervision.

(6) A valid decision shall be adopted, provided the majority of chamber members present at the session have voted in favour of it.

(7) Notwithstanding the sixth paragraph hereunder, a decision on withdrawal of authorisation shall be adopted if the majority of the chamber members have voted in favour of it.

Minutes on discussion and voting

Articles 275

(1) Special minutes shall be drawn up with regard to discussion and voting.

(2) The minutes on discussion and voting shall contain the course of voting and the adopted decision.

(3) If they are not referred to in the minutes, any special opinions shall be enclosed with the minutes on discussion and voting.

(4) The minutes shall be signed by all chamber members and the recording secretary.

(5) The minutes on discussion and voting shall be sealed in a special envelope. These minutes may only be inspected by the Supreme Court when ruling in the procedure of judicial protection. In such an event, the Supreme Court shall be obliged to reseal the minutes in a special envelope, adding a note to the effect that it inspected the minutes.

Correspondence sessions

Article 276

(1) Notwithstanding the provision of Article 274 of this Act, the chamber shall be allowed to adopt decisions with regard to the granting of authorisations or approvals in a correspondence session, provided that none of the chamber members objects

to decision-making in a correspondence session.

(2) Correspondence sessions shall be convened by the president of the chamber by sending invitations to chamber members.

(3) The invitation referred to in the second paragraph hereunder must include the following:

1. the contents of the application for authorisation or approval;
2. an objection to the chamber member to vote either for or against the granting of an authorisation or approval;
3. the deadline for voting, both date and hour, by which the chamber member is obliged to submit to the Agency in writing his/her decision on the voting or to state that he/she objects to the correspondence session.

(4) A valid decision in the correspondence session shall be adopted if the majority of all chamber members have cast their votes by the deadline and if, by the same deadline, none of the chamber members have stated that they object to the correspondence session.

(5) If a valid decision is adopted in a correspondence session, the voting ballots shall be subject to the treatment laid down in the fifth paragraph of Article 275 of this Act.

(6) If no valid decision is adopted in the correspondence session, the president of the chamber shall be obliged to put the matter on the agenda of the very next session.

16.4.2. Decisions

Decisions

Article 277

By issuing a decision, the Insurance Supervision Agency shall decide on granting or withdrawing an authorisation and on other matters for which the Act does not determine that they shall be decided on with a resolution or order.

Form of decisions and their serving

Article 278

(1) A decision shall be issued in writing.

(2) The original copy of the decision shall be signed by the president of the chamber.

(3) An authenticated copy of the decision shall be served on the relevant party.

Constituent parts of decisions

Article 279

(1) Each decision must include an introduction, operative provisions and instructions on legal remedy.

(2) In addition to the data which must be contained in the introduction to the decision pursuant to the General Administrative Procedure Act, the decision of the Agency must also include the name and surname of the president and members of the

chamber who issued the decision.

(3) The decision must be provided with an explanation, unless otherwise stipulated by law. The explanation must also contain those decisions against which no special procedure of judicial protection is allowed.

16.4.3. Resolutions

Resolution

Article 280

(1) By issuing a resolution, the Insurance Supervision Agency shall decide on issues referring to the procedure or appearing in respect of the procedure.

(2) A resolution must be explained and must comprise an instruction on legal remedy only if a special procedure of judicial protection is allowed against the resolution.

(3) The provisions of Articles 278 and 279 shall reasonably apply to resolutions.

16.5. Procedure of judicial protection

16.5.1. Common provisions

Procedure of judicial protection

Article 281

(1) Judicial protection against decisions taken by the Insurance Supervision Agency shall be provided by the procedure laid down in this Act (hereinafter: procedure of judicial protection).

(2) In the procedure of judicial protection under the first paragraph hereunder, the provisions of the Administrative Disputes Act (Official Gazette of the Republic of Slovenia, No. 50/97) shall apply as appropriate, unless otherwise provided by this Act.

Right to judicial protection

Article 282

(1) The procedure of judicial protection may be initiated against decisions of the Insurance Supervision Agency.

(2) Notwithstanding the provision of the first paragraph hereunder, no special procedure of judicial protection shall be allowed against the following decisions:

1. decisions whereby the Insurance Supervision Agency adopts decisions regarding objections against orders, and refuses, rejects, or modifies them;

2. against a decision whereby the Insurance Supervision Agency initiates a procedure for the revocation of an authorisation.

(3) A decision under item 1 of the second paragraph hereunder may be contested through a suit within the procedure of judicial protection against a decision issued by the Insurance Supervision Agency because the subject of supervision has not

acted in compliance with the order of the Insurance Supervision Agency.

(4) A decision under item 2 of the second paragraph hereunder may be contested through a suit within the procedure of judicial protection against the decision regarding the revocation of an authorisation.

Jurisdiction and composition of the court

Article 283

Decisions in the procedure of judicial protection shall be made by the Supreme Court sitting in a panel of five judges.

Suit and statement of defence

Article 284

(1) The suit must be filed within eight days.

(2) The deadline for a statement of defence shall be eight days.

New facts and evidence

Article 285

The plaintiff in a procedure of judicial protection may not cite new facts or introduce new evidence.

Limits of trial

Article 286

The court shall try the decision of the Insurance Supervision Agency within the limits of the demands of the suit and within the limits of the grounds stated in the suit, and shall, ex officio, pay attention to fundamental violations of the provisions under the third paragraph of Article 25 of the Administrative Disputes Act.

Sessions

Article 287

The court shall make a ruling without a prior trial.

Legal remedies

Article 288

There shall be no appeal against a judgement or decree handed down in the procedure of judicial protection.

16.5.2. Procedure of judicial protection against a decision on the winding-up of an insurance undertaking

Application of provisions

Article 289

The provisions of this Subsection shall be used in the procedure of judicial protection against a decision regarding the initiation of compulsory liquidation and against a decision regarding grounds for the initiation of bankruptcy (hereinafter: decision on the winding-up of an insurance undertaking).

Plaintiffs

Article 290

(1) The suit against the decision on the dissolution of an insurance undertaking may be filed by:

1. The insurance undertaking,

2. The shareholders whose total shares amount to at least one-tenth of the initial capital or to the nominal amount of SIT 100,000,000.

(2) If the plaintiff is the insurance undertaking, it shall be represented in the proceeding of judicial protection by the board of directors whose other authorities and competencies have ceased due to the decision on the winding-up of the insurance undertaking.

New facts and evidence

Article 291

(1) Notwithstanding the provision of Article 285 of this Act, the plaintiff may state in the suit new facts and new circumstances against the winding-up of the insurance undertaking. If in the suit he refers to documentary evidence, he must attach this evidence to the suit.

(2) The Insurance Supervision Agency may, in its reply to the suit, produce new facts and new circumstances. If it refers in its reply to documentary evidence, it must attach this evidence to the reply.

(3) If the plaintiff or the Insurance Supervision Agency does not attach to the suit the documentary evidence to which it refers, the provisions on incomplete petitions shall not apply but the court shall, in adopting a decision, take into consideration only that evidence which has been attached to the suit or the reply.

(4) After the expiry of the deadline for filing the suit or the statement of defence, the parties shall have no right to state new facts or produce new evidence.

Main trial and session

Article 292

(1) The court shall hand down its ruling after the main trial.

(2) The court may hand down its ruling without a main trial if it establishes in the preliminary procedure that the factual situation in the procedure for the issuing of the decision on the winding-up of the insurance undertaking has been established completely and correctly, or that this is not disputable.

Adopting decisions

Article 293

(1) If the court establishes that grounds exist on which it could annul the administrative act under Article 61 of the Administrative Disputes Act and decide the matter by judgement, the court shall not annul the decision on the winding-up of the insurance undertaking but shall, in its judgement, only establish that the decision on the winding-up of the insurance undertaking was illegal and that there existed no conditions for the

initiation of compulsory liquidation or bankruptcy.

(2) The judgement under the first paragraph hereunder shall not affect the course of the procedure for compulsory liquidation or bankruptcy.

(3) In the case under the first paragraph hereunder, the shareholders may enforce any eventual compensation claims against the supervisory authority by litigation.

(4) Notwithstanding the provision of Article 288 of this Act, an appeal against a judgement by which the court rules in the procedure of judicial protection against a decision on the winding-up of the insurance undertaking may be lodged, upon which the Supreme Court, sitting in a panel of seven judges, shall rule.

16.6. Procedures of supervision

16.6.1. General provisions

Application of provisions

Article 294

(1) The provisions of this Section on procedures of supervision shall apply in all procedures of supervision conducted by the Insurance Supervision Agency on the basis of the provisions of this Act, insofar as the law does not provide otherwise for an individual procedure of supervision.

(2) If this section contains no specific provisions, the general provisions of the chapter on the procedure of adopting decisions taken by the Insurance Supervision Agency shall apply.

Party to the procedure of supervision

Article 295

(1) The party to the procedure of supervision shall be the person over which the Insurance Supervision Agency conducts supervision (hereinafter: subject of supervision).

(2) Parties to the procedure of supervision of an insurance undertaking shall also be the members of the board of directors of the insurance undertaking.

Serving of documents

Article 296

(1) A document shall be served on the subject of supervision who is a legal person or individual entrepreneur by delivering it to a person authorised to accept it, or to an employee found in the office or on the premises.

(2) The serving of documents to the members of the board of directors of an insurance undertaking shall be carried out by delivery to the insurance undertaking. It shall be considered that, by delivery to the insurance undertaking, delivery to the members of the board of directors of the insurance undertaking shall also be accomplished.

(3) When a party to the procedure of supervision is represented by an

attorney, it shall be considered that the serving of a document has been accomplished if the document is delivered to the attorney or an employee in the attorney's office.

(4) To a subject of supervision other than persons under the first, second or third paragraphs hereunder, a document shall be served by handing it to him at his residence or in the business premises of the person by whom he is employed.

Substitute personal serving of documents

Article 297

(1) If the serving of a document which needs to be served personally cannot be accomplished as prescribed in Article 296 of this Act and it has not been established that the person to whom the document had to be served is absent, the server shall serve it to the Insurance Supervision Agency. At the door or in the mailbox of the residence or business premises of the addressee or of the person by whom he is employed, the server shall leave a written notice stating where the document is located and the deadline of eight days by which the addressee must pick it up. The server shall state in the notice and in the document itself the reason for such an action and the date on which he left the notice at the door or in the mailbox of the addressee or the person by whom he is employed, and shall sign it.

(2) If the addressee does not pick up the document within eight days, it shall be considered that the serving was accomplished on the day the notice was left at the door or in the mailbox of the locations under the preceding paragraph, of which the addressee must be advised in the notice itself.

Indirect serving of documents

Article 298

If the serving of a document which need not be served personally cannot be accomplished as provided in Article 296 of this Act, the server shall leave the document at the door or in the mailbox of the residence or business premises of the addressee or of the person by whom he is employed. The server shall state on the document the reason and the date of such delivery and shall sign it. It shall be deemed that the serving of the document has thereby been accomplished.

16.6.2. Conducting supervision

Conducting supervision

Article 299

The Insurance Supervision Agency shall conduct supervision:

1. by monitoring, collecting and verifying the reports and information of the insurance undertakings and other persons required by the provisions of this Act or other laws to report to the

Insurance Supervision Agency or to inform it of individual facts and circumstances;

2. by conducting examinations of the operations of subjects of supervision.

Authorised persons

Article 300

(1) Examinations of the operations of insurance undertakings shall be conducted by an expert of the Insurance Supervision Agency, who shall be authorised by the director of the Insurance Supervision Agency to conduct the examination (hereinafter: inspector of the Insurance Supervision Agency).

(2) For conducting individual tasks in connection with the examination of operations, the director of the Insurance Supervision Agency may authorise a certified auditor or other professionally qualified person.

(3) Authorised persons under the second paragraph hereunder shall have, in connection with the examinations for which they have been authorised by the director of the Insurance Supervision Agency, the same competencies as the Insurance Supervision Agency on the basis of Articles 301 to 306 of this Act.

Extent of examination

Article 301

(1) The insurance undertaking must make it possible for an authorised person to examine all books of account, documents and other documentation.

(2) At the request of the Insurance Supervision Agency, the insurance undertaking must produce computer printouts or copies of evidence, or other books of account and documents.

(3) Members of the board of directors and the employees of the insurance undertaking must provide the authorised person, at his request, with reports and information regarding all matters of importance for the examination of operations of the insurance undertaking.

(4) The authorised person may also conduct an examination of operations of legal persons connected with the insurance undertaking if this is necessary for a complete examination of operations of the insurance undertaking.

Reports and information

Article 302

(1) During the conduct of supervision, the Insurance Supervision Agency may request from the subject of supervision the records and information on all matters which are, in view of the purpose of each supervision, of importance for judging whether the subject of supervision is observing the provisions of the law or the regulations issued on the basis thereof.

(2) The reports and information under the first paragraph hereunder may also

be requested by the Insurance Supervision Agency from members of the board of directors of the subject of supervision, and from persons employed by the subject of supervision.

(3) The Insurance Supervision Agency may request the persons under the second paragraph hereunder to provide, by a deadline which may not be shorter than three days, a written report on the matters under the first paragraph hereunder, or to make an oral statement on these matters.

Examinations of operations

Article 303

(1) The subject of supervision must enable the inspector of the Insurance Supervision Agency, at his request, to conduct an examination of operations at the headquarters of the subject of supervision, and at other locations in which the subject of supervision or another person, with his authorisation, performs activities and business in connection with which the Insurance Supervision Agency is conducting supervision.

(2) The subject of supervision must enable the inspector of the Insurance Supervision Agency, at his request, to examine the books of account, business documents, and administrative or business evidence to the extent necessary for the conduct of an individual supervision or to the extent prescribed by the law regulating individual supervision.

(3) The subject of supervision must produce, for the inspector of the Insurance Supervision Agency and at his request, computer printouts or copies of books of account, business documents, and administrative or business evidence.

(4) The examination of operations under the first and second paragraphs hereunder shall be conducted by the Insurance Supervision Agency on working days between the hours of 8 am and 6 pm. When necessary, because of the extent or nature of the examination, the Insurance Supervision Agency may also conduct the examination of operations after 6 pm or on nonworking days.

(5) The Insurance Supervision Agency must conduct its examination in such a manner as to only hamper the normal operations of the subject of supervision to the extent necessary for the conduct of the examination in accordance with the purpose of each supervision.

Request for an examination of operations

Article 304

(1) The request for an examination of operations must be delivered to the subject of supervision at least eight days prior to the

start of the examination of operations.

(2) Notwithstanding the provision of the first paragraph hereunder, the authorised person may deliver the request for an examination of operations as late as the beginning of the conduct of the examination of operations if it would otherwise not have been possible to achieve the purpose of an individual supervision.

(3) The request for an examination of operations must contain a specific list of the books of account, business documents, and administrative or business evidence which are the subject of the examination.

(4) In the case under the third paragraph of Article 303 of this Act, a request for an examination must contain a specific list of books of account, business documents, and administrative or business evidence which it will be necessary to submit in the form of computer print-outs or copies, and the deadline for their submission.

(5) The request for an examination of operations must also contain legal advice on the legal consequences which may occur if the subject of supervision fails to act in accordance with the request for the examination of operations or fails to enable the Insurance Supervision Agency to conduct an examination of operations in the manner prescribed in Article 303 of this Act.

(6) The Insurance Supervision Agency may, during the conduct of the examination of operations, supplement the request for an examination of operations. The third and fourth paragraphs hereunder shall apply to the supplementing of the request as appropriate.

Conditions for conducting an examination

Article 305

(1) The subject of supervision must provide authorised persons of the Insurance Supervision Agency with an appropriate area in which they can conduct the examination of operations undisturbed and without the presence of other persons.

(2) The subject of supervision must ensure that, at the request of an authorised person of the Insurance Supervision Agency during the time in which the authorised persons of the Insurance Supervision Agency are conducting the examination of operations in the area under the first paragraph of Article 303 of this Act, authorised persons of the subject of supervision who can provide explanations regarding the books of account, business documents, and administrative or business evidence which are the subject of examination are present in the area.

Conditions for the examination of computerised books of account and records

Article 306

(1) The subject of supervision that processes data by computer or keeps books of account and other evidence on computer must, at the request of the authorised person of the Insurance Supervision

Agency, provide the appropriate assistance for the inspection of books of account and record, and for testing the appropriateness of the data processed by computer.

(2) The subject of supervision must provide the supervisory authority with documents from which a complete description of the operation of the accounting system is evident. The documents must clearly show the subsystems and data banks. The documents must provide an insight into:

1. computer solutions;
2. procedures relating to computer solutions;
3. controls which ensure correct and reliable data-processing;
4. controls which prevent unauthorised additions or changes to, or the deletion of, saved computer entries.

(3) Every change to the computer solution (computer programmes) under the first paragraph hereunder must be documented according to the time sequence of the creation of the changes, together with the date of the change. The documents must also show every change to the form of databases.

Imposing measures of supervision

Article 307

(1) The measures of supervision pursuant to this Act shall be imposed ex officio by the Insurance Supervision Agency.

(2) Notwithstanding the provision of the first paragraph hereunder, the Insurance Supervision Agency may also impose a measure when proposed by a member of the board of directors or supervisory board, or by shareholders whose total shares amount to at least one-tenth of the initial capital of the insurance undertaking, or the nominal amount of SIT 100,000,000.

16.6.3. Elimination of violations

Orders

Article 308

If the Insurance Supervision Agency finds, during the course of its audit, violations of this Act, of regulations issued on the basis thereof, or of other provisions regulating the operations of insurance undertakings, it shall impose on the subject of supervision an order to eliminate the violations or irregularities, or to perform or omit the performance of specific acts (hereinafter: elimination of violations).

Contents of orders

Article 309

(1) The operative provisions of an order must contain:

1. a specific description of the violations whose elimination is required by the order;
2. the deadline by which the subject of supervision must eliminate the

violations and submit a report on the elimination of violations;

3. the manner of elimination of violations, where the Insurance Supervision Agency has ordered the subject of supervision to eliminate violations in a specific manner;

4. documents on or evidence of the elimination of violations, where the Insurance Supervision Agency orders the subject of supervision to submit specific documents or other evidence on the elimination of violations.

(2) Grounds must be provided for the order.

Submission of reports on the elimination of violations by the certified auditor

Article 310

If the Insurance Supervision Agency finds violations in the keeping of books of account or in the administrative and other record which the insurance undertaking is required to keep, or considerable violations in the operations of the insurance undertaking, it may order the insurance undertaking additionally to submit a report on the elimination of violations containing the positive opinion of the authorised auditor that the established violations have been eliminated.

Objection against an order

Article 311

(1) The subject of supervision shall have the right to file an objection against the order within eight days of service.

(2) If the entitled person has filed an objection on time, the deadline for the elimination of violations set by the order shall be extended for the duration of the period from the filing of the objection to the issuing of the decision regarding the objection.

(3) Notwithstanding the second paragraph hereunder, the Insurance Supervision Agency may, by order, decide that the objection shall not delay its execution when, because of the nature of the violation, its execution cannot be delayed.

(4) The Insurance Supervision Agency shall be obliged to decide on the objection against an order no later than 15 days after receipt of the objection.

Grounds for objection

Article 312

An objection against an order shall be allowed on the following grounds:

1. if the order was issued by a person not authorised to issue orders;
2. if the violation whose elimination is required by the order does not exist;
3. if the act or omission which provided grounds for the issuing of the order does not have the characteristics of a violation;
4. if the order cannot be executed, or cannot be executed in the manner defined by the order;

5. if the execution of the order would cause an act which is contrary to the enforcing provisions;
6. if the order required the execution of the elimination of violations of a person the audit of which does not lie within the competencies of the Insurance Supervision Agency;
7. if the order requires, contrary to law, the submission of a report on the elimination of violations by the certified auditor;
8. if the actual situation is stated erroneously or incompletely in the order.

Contents of an objection

Article 313

(1) An objection must contain:

1. a statement regarding the order against which it is filed;
2. a statement as to whether the order is being objected against in its entirety or with regard to a specific part;
3. the grounds for the objection;
4. other information which must be contained in every petition.

(2) In the objection, the subject of supervision may state facts showing that the violations whose elimination was required by the order do not exist, and may submit evidence whereby he proves the existence of the facts stated. If the subject of supervision refers to documentary evidence in the statement, he must attach this evidence to the objection.

(3) If the subject of supervision does not attach documentary evidence to the objection, the provisions regarding incomplete petitions shall not apply, but the supervisory authority shall use in its adoption of decisions only that evidence which has been attached to the statement.

(4) After the expiry of the deadline for objection, the subject of supervision shall not have the right to state new facts and attach new evidence.

Limits on the testing of an order

Article 314

The Insurance Supervision Agency shall test the order with regard to that part in which it is contested in the objection, and within the limits of the grounds stated and explained in the objection.

Adopting decisions with regard to objections

Article 315

(1) The Insurance Supervision Agency shall adopt a decision on the objection by issuing a decision.

(2) In adopting a decision on the objection, the Insurance Supervision Agency may refuse or reject the objection, change the order or invalidate it.

(3) The Insurance Supervision Agency shall reject the objection if an objection is not allowed, if it is too late, or if it has not

been filed by a legitimate person.

(4) If the Insurance Supervision Agency establishes that the grounds under items 1, 2, 3 or 6 of Article 312 of this Act exist, it shall annul the order.

(5) If the Insurance Supervision Agency establishes that the grounds under items 4, 5, 7 or 8 of Article 312 of this Act concerning the nature of the violation exist, it shall annul the order or change it. In adopting its decision on the objection, the Insurance Supervision Agency may not change the order to the detriment of the subject of supervision.

Reports on the elimination of violations

Article 316

(1) The subject of supervision must, by the deadline set in the order, eliminate the violations found and submit a report to the Insurance Supervision Agency in which he describes the measures for the elimination of the violations. He must attach documents and other evidence to the reports which show that the discovered violations have been eliminated.

(2) In the case under Article 310 of this Act, the subject of supervision must attach to the report on the elimination of violations a report by the certified auditor as well.

(3) If it is evident from the report under the first paragraph hereunder and the evidence attached thereto, or from the report under the second paragraph hereunder, that the violations have been eliminated, the Insurance Supervision Agency shall issue a decision whereby it establishes that the violations found in the order have been eliminated.

16.6.4. Withdrawal of authorisation

Initiation of the procedure for withdrawing authorisation

Article 317

(1) The Insurance Supervision Agency shall initiate the procedure for withdrawing an authorisation previously granted if the information at its disposal indicates that there exists a well-founded suspicion of the existence of any of the grounds for the withdrawal of the authorisation defined by law.

(2) The Insurance Supervision Agency shall adopt a decision to initiate the procedure for withdrawing an authorisation by a decision (hereinafter: decision to initiate the procedure for withdrawing an authorisation).

(3) The decision to initiate the procedure for withdrawing an authorisation shall contain:

1. a specific description of the actions, activities or circumstances which are supposed to be the grounds for initiating the procedure;
2. a citation of the documents and other evidence on the basis of which the

Insurance Supervision Agency established the existence of a well-founded suspicion under the first paragraph hereunder;

3. an explanation of the decision to initiate the procedure.

(4) In the decision to initiate the procedure for withdrawing an authorisation, the Insurance Supervision Agency shall set the deadline, which may not be shorter than 15 or longer than 30 days, counting from the day of the serving of the decision on the subject of supervision, during which time the subject of supervision may make a statement regarding the grounds for the initiation of the procedure (hereinafter: statement regarding the grounds for withdrawing an authorisation).

Statement regarding the grounds for withdrawing an authorisation
Article 318

(1) In the statement regarding the grounds for withdrawing an authorisation, the subject of supervision may state facts which show that there are no grounds for withdrawing the authorisation, and submit evidence substantiating the existence of the stated facts. If the subject of supervision refers to documentary evidence in his statement, he must attach this evidence to the statement.

(2) If the subject of supervision does not attach documentary evidence to the statement regarding the grounds for withdrawing an authorisation, the provisions regarding incomplete requests shall not apply but the Insurance Supervision Agency shall, in adopting decisions, only use that evidence which has been attached to the statement.

(3) After the expiry of the deadline for the statement regarding the grounds for withdrawing an authorisation, the subject of supervision shall not have the right to state new facts and submit new evidence.

Adopting a decision regarding the withdrawal of an authorisation
Article 319

(1) The Insurance Supervision Agency must adopt a decision regarding the withdrawal of an authorisation within 30 days of the receipt of the statement regarding the grounds for the withdrawal of an authorisation, or after the expiry of the deadline set for such a statement.

(2) The Insurance Supervision Agency may adopt a decision regarding the withdrawal of an authorisation only because of those actions, activities or circumstances on the basis of which it issued the decision on the initiation of the procedure for the withdrawal of an authorisation, and only on the basis of those documents and other evidence which were cited in the decision on the initiation of the procedure and which the subject of supervision had

attached to the statement regarding the grounds for the withdrawal of an authorisation.

Termination of procedure

Article 320

The Insurance Supervision Agency shall terminate the procedure for the withdrawal of an authorisation:

1. if it concludes on the basis of the evidence under the second paragraph of Article 319 of this Act that the action, activity or circumstance because of which it issued the decision regarding the initiation of the procedure for the withdrawal of an authorisation have no characteristics of grounds for the withdrawal of an authorisation;
2. or if it concludes, on the basis of the evidence under the second paragraph of Article 319 of this Act, that it has not been proved that the subject of supervision committed the act or that there existed the circumstances because of which it issued the decision regarding the initiation of the procedure for the withdrawal of an authorisation.

Adopting decisions with regard to the withdrawal of an authorisation

Article 321

(1) The decision regarding the withdrawal of an authorisation must contain:

1. the operative provisions of the decision regarding the withdrawal of an authorisation, including the number and date of issue of the authorisation;
2. the name of the company and its head office, or the first and last name and date of birth of the subject of supervision whose authorisation has been withdrawn;
3. a specific description of the actions, activities or circumstances which are supposed to be the grounds for the withdrawal of authorisation.

(2) The decision regarding the withdrawal of authorisation must be explained.

Revocation of a suspended withdrawal of authorisation

Article 322

For the revocation of a conditional withdrawal of authorisation, the provisions of this Subsection on the procedure for the withdrawal of authorisation shall apply as appropriate.

16.7. Procedure of adopting decisions with regard to the granting of authorisations or consent

Application of provisions

Article 323

(1) The provisions of this Section shall apply to the procedure of adopting decisions regarding the granting of an authorisation or consent upon the basis of which the Insurance Supervision Agency adopts a decision, unless otherwise stipulated in the law regulating individual procedures for granting an

authorisation or consent.

(2) Unless this section contains specific provisions, general provisions regarding the procedure of adopting decisions taken by the Insurance Supervision Agency shall apply to the procedure of adopting decisions with regard to the granting of an authorisation or consent.

Fee for the adoption of a decision

Article 324

For the adoption of a decision regarding requests for the granting of an authorisations or consent, the filers must pay the fee stipulated in the tariff of the Insurance Supervision Agency.

Parties to the procedure

Article 325

(1) A party to the procedure shall be the filer of the application for the granting of an authorisation or consent (hereinafter: applicant).

(2) A party to the procedure shall also be a person whose legal interest might be affected by the decision of the Insurance Supervision Agency, if it declares its participation in the procedure in writing.

(3) Each party shall bear its own costs relating to the procedure.

Initiation of the procedure

Article 326

(1) The procedure shall be initiated upon the filing of an application for the granting of an authorisation or consent (hereinafter: application).

(2) The Insurance Supervision Agency shall initiate the procedure ex officio or at the request of another responsible authority only when so provided by law.

Contents of application

Article 327

(1) An application must contain:

1. the company name, head office and identification number of the applicant;
2. the specific application for the granting of an authorisation or consent;
3. other information required by law.

(2) The documents required by law and other documents substantiating the application for the granting of the authorisation, and evidence of payment of the fee for the adoption of a decision shall be attached to the application.

Procedural assumptions for the adoption of decisions

Article 328

(1) In the procedure of the preliminary testing of the application, the supervisory authority shall test whether the procedural preconditions for the adoption of decisions in the matter have been fulfilled:

1. whether the application was filed by a legitimate person;
2. whether the application contains all required information;
3. whether all the required documents have been attached to the application;
4. whether evidence of payment of the fee for the work of the Insurance Supervision Agency has been attached to the application;
5. whether all other procedural assumptions which must be fulfilled for a decision to be made on the application have been fulfilled.

(2) If the Insurance Supervision Agency finds that the procedural assumptions for the adoption of a decision on the application have not been fulfilled and the deficiencies involved cannot be eliminated, it shall reject the application by issuing a decision.

(3) If the Insurance Supervision Agency finds that the procedural preconditions for decision-making have not been fulfilled and the deficiencies can be eliminated, it shall request, with a decision, that the applicant eliminate the deficiencies. In the decision it shall set the deadline for the elimination of the deficiencies, which may not be shorter than eight or longer than 15 days.

(4) If the applicant referred to in the third paragraph hereunder fails to eliminate the deficiencies, the Insurance Supervision Agency shall reject the application by issuing a decision.

(5) There shall be no specific administrative dispute against the decision under the third paragraph hereunder.

(6) If the application concerns the granting of an authorisation to provide insurance activities or for a merger, the Insurance Supervision Agency must issue the decision under the third paragraph hereunder within two months of the receipt of the application and, in all other cases, within 30 days of the receipt of the application.

Deadline for adopting decisions

Article 329

(1) The Insurance Supervision Agency must adopt its decision on the application for the granting of an authorisation to provide insurance businesses, or for a merger, within three months of the receipt of the application for the granting of an authorisation; for all other applications, the supervisory authority must adopt its decision within two months of receiving the application.

(2) If the Insurance Supervision Agency has issued the decision under the sixth paragraph of Article 328 of this Act, the period of time referred to in the first paragraph hereunder shall not run from the delivery of the decision to the expiry of the

period for the elimination of deficiencies or to the receipt of the supplement to or correction of the application, if such is completed within the period stipulated by the decision.

16.8. Execution of decisions by the supervisory authority

Decisions imposing the meeting of financial obligations

Article 330

Final decisions of the Insurance Supervision Agency that impose the meeting of a monetary obligation shall be executed by

the court, at the proposal of the Insurance Supervision Agency.

Order to eliminate violations

Article 331

An order to eliminate violations cannot be executed compulsorily.

17. INSURANCE AND REINSURANCE POOLS

Insurance and reinsurance pools

Article 332

(1) Two or more insurance undertakings may found an insurance or reinsurance pool in order to perform insurance and reinsurance business covering the risks of major property damages, damages resulting from the liability for nuclear damage, producers' liability for pharmaceutical products, or any other major damages.

(2) The provisions of the CA regarding commercial interest associations shall apply to insurance or reinsurance pools, unless otherwise defined in this Article.

(3) The provisions of the third chapter, and of the fifth to twelfth chapters, excluding the provision of the first paragraph of Article 163 of this Act, shall apply to an insurance or reinsurance pool, as appropriate.

18. SLOVENIAN INSURANCE ASSOCIATION

Slovenian Insurance Association

Article 333

(1) Insurance undertakings shall associate within the Slovenian Insurance Association.

(2) The provisions of the CA regarding commercial interest associations shall apply to the Slovenian Insurance Association, unless otherwise stipulated in this Article.

(3) The Slovenian Insurance Association shall:

1. conduct business assumed under adopted international agreements on insuring the civil liability of owners of motor vehicles (Green Card) and represent insurance undertakings in international organisations of insurance undertakings in respect of this business;

2. adopt insurance statistical standards;

3. perform tasks relating to the guarantee fund providing compensation for the damages caused by drivers of unknown and

non-insured motor vehicles and trailers, and non-insured aircrafts;

4. perform tasks which are of mutual significance for insurance undertakings, defined in the articles of association or bylaws, or tasks for which it is authorised by its members.

(4) The Slovenian Insurance Association shall organise training and carry out an examination of the expertise necessary to perform business related to insurance agency services or brokerage referred to in item 1 of the second paragraph of Article 230 of this Act.

(5) The provisions of Article 70, Article 116, the first paragraph of Article 137, and of the eighth, tenth and eleventh chapters of this Act shall apply, as appropriate, for the performance of the business of the Slovenian Insurance Association referred to in item 3 of the third paragraph hereunder.

(6) In the case referred to in the fourth paragraph hereunder, the provisions of Articles 172, 173, 175, 177, 179 and 180 of this Act shall apply, as appropriate, to supervision of the organisation of training and the carrying-out of examinations of expertise.

19. LAW APPLYING TO INSURANCE CONTRACTS

Application of provisions

Article 334

(1) The provisions of this Chapter shall apply in determining the law to apply to insurance contracts with an international element, when the insurance covers risks situated in the Republic of Slovenia or in a Member State.

(2) Unless otherwise stipulated in this Chapter, the provisions of the general law regulating the regulations on determining the law for relations with an international element shall apply in determining the law for the insurance contracts defined in the first paragraph hereunder.

(3) The provisions of this chapter shall not apply to reinsurance contracts.

Reference to substantive law provisions of foreign law

Article 335

(1) If provisions contained in this Chapter refer to foreign law, only those substantive law provisions of this law shall be applied which regulate the contents of a legal relation and not the provisions of that law referring to other laws.

(2) If a particular country whose law is to be applied involves several parts in which various provisions from the first paragraph hereunder are valid, each such part shall be considered to be an independent country in respect of the application of the provisions referred to in this Chapter.

Foreign law in contravention of compulsory regulations

Article 336

The provisions of this Chapter shall not exclude the application of the provisions of this or another law which, in a compulsory manner, arrange the contents of the legal relation on the basis of an insurance contract, irrespective of the law applied.

Autonomy of parties in selecting the law for non-life insurance

Article 337

In the case of non-life insurance, the law selected by the contracting parties shall apply to entry into an insurance contract if the selection of the law is in compliance with Article 338 of this Act.

Restriction of autonomy of parties in selecting the law for non-life insurance

Article 338

(1) If a policy holder has his/her head office or residence in the Republic of Slovenia, and if the non-life insurance covers risks situated in the Republic of Slovenia, the law of the Republic of Slovenia shall apply to the insurance contract in question.

(2) If a policy holder has his/her head office or residence in a Member State and if the non-life insurance covers risks in that country, the parties may, for making an insurance contract, apply the law of another country, if the law of the Member State allows another law to be selected.

(3) If a policy holder has his/her head office or residence in a Member State and if the non-life insurance covers risks situated in the Republic of Slovenia, the parties may, for making an insurance contract, apply either the law of the Republic of Slovenia or the law of the Member State in which the policy holder has his/her head office or residence, unless the law of this country allows another law to be selected.

(4) If a policy holder has his/her head office or residence in the Republic of Slovenia, and if the non-life insurance covers risks situated in the Member State, the parties may, for making an insurance contract, apply either the law of the Republic of Slovenia or the law of the Member State in which the non-life insurance covers risks, unless the law of this country allows another law to be selected.

(5) If the non-life insurance covers risks related to an economic activity performed by the policy holder and the insurance covers risks situated in more than one Member State, or in the Republic of Slovenia and in one Member State at least, the parties may, for making an insurance contract, apply the law of any Member State in which the insurance covers risks, or of the Republic of Slovenia, unless the law of at least one Member State in which the insurance covers risks allows another law

to be selected.

(6) Notwithstanding the provisions of the first to fifth paragraphs hereunder, the parties may, for making an insurance contract and in the case of non-life insurance, select the law of any country in the following cases:

1. for the classes of insurance referred to in items 4 to 7, 11, and 12 of the second paragraph of Article 2 of this Act;
2. for the classes of insurance referred to in items 14 and 15 of the second paragraph of Article 2 of this Act, if the policy holder performs an economic activity and the risks covered by the class of insurance in question refer to the activity concerned;
3. for the classes of insurance referred to in items 3, 8, 9, 10, 13, and 16 of the second paragraph of Article 2 of this Act, if the policy holder fulfils at least two of the following conditions:
 - his/her balance sheet total exceeds SIT 1,240,000,000;
 - his/her annual income exceeds SIT 2,560,000,000;
 - the number of employees by him exceeds 250.

Law applied to non-life insurance if the parties did not select the law
Article 339

If the parties did not select the law to be applied to insurance contracts in the case of non-life insurance, or if they applied the law concerned in contravention of Article 338 of this Act, the following shall apply to the insurance contract:

1. the law of the Member State in which the risks covered are situated, if the policy holder also has his/her head office or residence in the country concerned;
2. in other cases, the law of the country which is most closely connected with the insurance concerned; in this respect it shall be deemed that the law of the country in which the risks covered were situated at the time the contract was made is the most closely connected.

Law applied to life assurance
Article 340

(1) If a policy holder has his/her residence in the Republic of Slovenia, the law of the Republic of Slovenia shall apply in making an insurance contract for life assurance.

(2) If a policy holder has his/her residence in a Member State, the law of that Member State shall apply in making an insurance contract for life assurance.

(3) Notwithstanding the provisions of the first or second paragraphs hereunder, the parties may, for making an insurance contract, apply the law of the country of which the policy holder is the citizen.

(4) Notwithstanding the provisions of the second paragraph hereunder, the

parties may, for making an insurance contract, apply the law of another country, if the law of the Member State in which the policy holder has residence allows another law to be selected.

20. PENAL PROVISIONS

Major violations by insurance undertakings

Article 341

(1) A fine of between SIT 20,000,000 and 100,000,000 shall be imposed on an insurance undertaking for an economic offence:

1. if, in contravention of Article 14, it performs activities other than insurance businesses;
2. if it performs insurance businesses with regard to classes of insurance without having obtained an authorisation from the supervisory authority (first paragraph of Article 67);
3. if it begins performing insurance businesses in a Member State in contravention of Article 88 of this Act;
4. if it establishes a foreign branch without having obtained an authorisation from the supervisory authority for the establishment of the branch (second paragraph of Article 92);
5. if it does not make a report to the supervisory authority on measuring risks with the contents, within the allotted time and in the manner prescribed by a regulation issued on the basis of item 9 of Article 109 of this Act;
6. if it invests assets covering technical provisions in contravention of the provisions of Articles 120 to 124 of this Act, or of a regulation issued on the basis thereof;
7. if it fails to set aside assets covering mathematical provisions, or if it manages assets covering mathematical provisions in contravention of the provisions of Articles 125 to 133 of this Act, or of a regulation issued on the basis thereof;
8. if it fails to report the data defined in the first paragraph of Article 146 of this Act to the controlling insurance undertaking, or controlling insurance or joint-venture insurance holding in the insurance group;
9. if it fails to report to the supervisory authority on operations within the group in compliance with Article 147 of this Act or with a regulation issued on the basis thereof;
10. if, as a controlling insurance undertaking in the insurance group, it fails to prepare reports on adjusted capital requirements, or if it fails to report to the supervisory authority in compliance with Article 148 of this Act or with regulations issued on the basis thereof;
11. if it keeps books of account, prepares bookkeeping statements, evaluates

bookkeeping entries or prepares financial statements in contravention of Articles 155 to 159 of this Act, or in contravention of the regulations issued on the basis of Article 160 of this Act;

12. if it fails to organise an internal audit in compliance with Articles 161 to 166 of this Act;

(2) A fine of between SIT 250,000 and 1,500,000 shall be imposed on the responsible person of an insurance undertaking who commits an economic offence defined in the first paragraph hereunder. Minor violations by insurance undertakings

Article 342

(1) A fine of between SIT 2,000,000 and 20,000,000 shall be imposed on an insurance undertaking for an economic offence:

1. if it fails to report to the Insurance Supervision Agency in compliance with the first or third paragraphs of Article 176 of this Act, or with regulations issued on the basis of Article 177 of this Act;

2. if it fails to enable an authorised person to conduct supervision in the manner prescribed in Articles 301 to 306 of this Act;

3. if it fails to submit the unaudited annual report to the Insurance Supervision Agency within two months of the end of a calendar year (second paragraph of Article 158);

4. if it fails to submit the audited annual report to the Insurance Supervision Agency by the deadline defined in the second paragraph of Article 167 of this Act;

5. if it violates the provisions of Articles 83 to 86 of this Act;

6. if it violates the provisions of Article 228 or of the first paragraph of Article 229 of this Act.

(2) The responsible person of an insurance undertaking who has committed an economic offence defined in the first paragraph hereunder shall be fined between SIT 100,000 and 750,000.

Violations by a management or supervisory board member

Article 343

(1) A fine of between SIT 100,000 and 750,000 shall be imposed on a member of the board of directors of an insurance undertaking for an economic offence:

1. if he/she fails to inform the supervisory board of the insurance undertaking at once of the circumstances specified in Article 27 of this Act;

2. if he/she fails to inform the Insurance Supervision Agency at once of the circumstances specified in the third paragraph of Article 176 of this Act.

(2) A fine of between SIT 100,000 and 750,000 shall be imposed on a member of the supervisory board of an insurance undertaking for an economic offence if he/she fails to inform the Insurance Supervision Agency at once of the circumstances

specified in the third paragraph of Article 31 of this Act.

Violations by insurance agencies

Article 344

(1) A fine of between SIT 500,000 and 3,000,000 shall be imposed on an insurance agency for an economic offence:

1. if it violates the provisions of Articles 83 to 86 of this Act;
2. if it violates the provisions of Article 228 or of the first paragraph of Article 230 of this Act.

(2) A fine of between SIT 100,000 and 750,000 shall be imposed on the responsible person of an insurance agency who has committed an economic offence defined in the first paragraph hereunder.

Violations by insurance brokerage companies

Article 345

(1) A fine of between SIT 2,000,000 and 20,000,000 shall be imposed on an insurance brokerage company for an economic offence:

1. if it violates the provisions of Articles 221 to 226 of this Act;
2. if it fails to report to the supervisory authority on the data defined in the Article 239 of this Act, with the contents, within the allotted time and in the manner prescribed by a regulation issued on the basis of item 3 of Article 233 of this Act.

(2) A fine of between SIT 500,000 and 3,000,000 shall be imposed on an insurance brokerage company for an economic offence:

1. if it violates the provisions of Articles 83 to 86 of this Act;
2. if it violates the provisions of Article 228 or of the first paragraph of Article 230 of this Act.

(3) A fine of between SIT 250,000 and 1,500,000 shall be imposed on the responsible person of an insurance brokerage company for an economic offence who commits an economic offence defined in the first paragraph of this Act.

(4) A fine of between SIT 100,000 and 750,000 shall be imposed on the responsible person of an insurance brokerage company for an economic offence who commits an economic offence defined in the second paragraph of this Act.

Violations by insurance holdings

Article 346

(1) A fine of between SIT 20,000,000 and 100,000,000 shall be imposed on an insurance holding for an economic offence:

1. if it fails to report to the Insurance Supervision Agency on operations in the group in compliance with Article 147 of this Act or with a regulation issued on the basis thereof;
2. if, as a supervisory insurance undertaking in the insurance group, it fails to prepare reports on adjusted capital

requirements, or if it fails to report to the Insurance Supervision Agency in compliance with Article 149 of this Act or with a regulation issued on the basis thereof.

(2) A fine of between SIT 250,000 and 1,500,000 shall be imposed on the responsible person of an insurance undertaking who commits an economic offence defined in the first paragraph hereunder.

Violations by other parties

Article 347

(1) A fine of between SIT 2,000,000 and 20,000,000 shall be imposed on a legal entity for an economic offence:

1. if it performs insurance businesses in contravention of the prohibition referred to in Article 4 of this Act;
2. if it performs services related to insurance agency services or insurance brokerage in contravention of the prohibition referred to in the second paragraph of Article 227 of this Act.

(2) A fine of between SIT 100,000 and 750,000 shall be imposed on the responsible person of a legal entity for an economic offence who commits an economic offence defined in the first paragraph of this Act.

(3) A fine of between SIT 100,000 and SIT 750,000 shall be imposed on an individual:

1. if he/she performs insurance businesses in contravention of the prohibition referred to in Article 4 of this Act;
2. if he/she performs services related to insurance agency services or insurance brokerage in contravention of the prohibition referred to in the second paragraph of Article 227 of this Act.

Violations by auditors

Article 348

A fine of between SIT 250,000 and 1,500,000 shall be imposed on an auditor for a violation if he/she fails to notify the Insurance Supervision Agency at once of the circumstances defined in Article 168 of this Act.

Violations by certified actuaries

Article 349

A fine of between SIT 250,000 and 1,500,000 shall be imposed on a certified actuary for a violation if he/she fails to notify the Insurance Supervision Agency at once of the circumstances defined in the fourth paragraph of Article 76 of this Act.

Violations by extraordinary administrators

Article 350

(1) A fine of between SIT 250,000 and 1,500,000 shall be imposed on an extraordinary administrator:

1. if he/she fails to submit to the Insurance Supervision Agency a report on the financial position and terms of operations of an insurance undertaking under an extraordinary administrator within three

months of his/her appointment (first paragraph of Article 190);

2. if he/she fails to submit to the Insurance Supervision Agency the report defined in the second paragraph of Article 190;

3. if, in a case under the first paragraph of Article 191 of this Act, he/she fails to announce a call for a general meeting with the agenda and by the deadline defined in the second paragraph of Article 191 of this Act.

Violations with regard to the protection of confidential data
Article 351

(1) A fine of between SIT 2,000,000 and 20,000,000 shall be imposed on an insurance undertaking which has violated the obligation to maintain confidential data referred to in Article 153 of this Act.

(2) A fine of between SIT 100,000 and 750,000 shall be imposed on the responsible person of an insurance undertaking for an economic offence who commits an economic offence defined in the first paragraph hereunder.

(3) A fine of between SIT 100,000 and 450,000 shall be imposed on an individual for an economic offence defined in the first paragraph of Article 153 of this Act who has violated the obligation to protect confidential data.

21. TRANSITIONAL AND FINAL PROVISIONS

Insurance Supervision Agency

Article 352

(1) The Insurance Supervision Agency shall start performing its tasks and competences under this Act upon the appointment of the president and members of the council of experts and the director by the Government of the Republic of Slovenia.

(2) The minister competent for finance shall be obliged, within one month of the entry into force of this Act, to propose to the Government of the Republic of Slovenia the appointment of the president and members of the council of experts and the director. The Government of the Republic of Slovenia shall be obliged to adopt its decision with regard to the appointment within one month of receipt of the proposal.

(3) On the day of appointment referred to in the first paragraph hereunder, the Office for Insurance Supervision of the Republic of Slovenia shall cease to exist.

(4) The staff of the Office for Insurance Supervision of the Republic of Slovenia shall continue to work at the Insurance Supervision Agency.

(5) After the president and members of the council of experts have been appointed, the Insurance Supervision Agency shall

be responsible for adopting decisions with regard to all applications for authorisation on which no decision has been adopted by the Office for Insurance Supervision of the Republic of Slovenia.

(6) The ministry competent for finance shall provide financial, technical and other material conditions required for the commencement of operations of the Insurance Supervision Agency.

Harmonisation of insurance undertakings

Article 353

(1) Insurance undertakings which, on the day this Act enters into force, possess an authorisation to conduct operation shall continue to operate as insurance undertakings in compliance with this Act within the restrictions of operations based on the existing authorisation.

(2) Insurance undertakings specified in the first paragraph hereunder shall be obliged, within one year of the entry into force of this Act, to:

1. adjust their shares in line with the first and third paragraphs of Article 17 of this Act, if organised as insurance public limited companies;
2. ensure that the members of the board of directors obtain authorisations from the Insurance Supervision Agency for performing the functions of member of the board of directors, or appoint as a member of the board of directors a person who has obtained such authorisation;
3. adjust their operation in line with other provisions of this Act, unless the fourth and fifth paragraph hereunder provides for a longer deadline for harmonisation with specific provisions.

(3) Notwithstanding the provision of item 2 of the preceding paragraph, it shall be deemed with regard to a person who, as of the day this Act enters into force, is performing the function of board of directors member of an insurance public limited company and who has been performing this function for at least four years prior to the entry into force of this Act, that he/she has obtained an authorisation to perform this function on the day this Act enters into force.

(4) Notwithstanding the provision of the second paragraph, the insurance undertaking to which the provisions of the act regulating the ownership transformation of insurance undertakings apply shall be obliged to adjust its operation to the provisions of this Act relating to equity within one year of the entry in the companies register of any legal consequence of the ownership transformation of this insurance undertaking.

(5) Insurance undertakings must be harmonised with the following provisions of this Act by the following deadlines:

1. with item 4 of Article 139, by 1 January 2002; by that date, the amounts of

- technical provisions must be calculated semiannually;
2. with the first paragraph of Article 122 of this Act, by 1 January 2003;
 3. with Article 228, by the deadline defined in Articles 356 or 357 of this Act;
 4. with the first paragraph of Article 230 of this Act, within one year of the Insurance Supervision Agency issuing the regulation referred to in item 1 of Article 233 of this Act.

(6) Insurance undertakings referred to in the first paragraph hereunder shall be obliged to submit to the Insurance Supervision Agency, within one year of the entry into force of this Act, a report on the harmonisation defined in the second paragraph hereunder, enclosing:

1. a bylaw in the form of a certified notary record;
2. a list of shareholders from the central register of securities in book-entry form for holders of the qualified holdings;
3. a description of the organisation of internal audits and the rules of operation of internal audits;
4. other evidence of harmonisation required by the Insurance Supervision Agency.

(7) If the insurance undertaking acts in contravention of the second or sixth paragraphs hereunder, the Insurance Supervision Agency may initiate compulsory liquidation proceedings in compliance with the provisions of this Act.

(8) If the report referred to in the sixth paragraph hereunder and the evidence attached to the report show that the insurance undertaking has become harmonised with the provisions of the second paragraph hereunder, the Insurance Supervision Agency shall grant the insurance undertaking an authorisation to perform insurance business, with the contents specified in Article 67 of this Act.

Harmonisation of insurance undertakings engaged in life assurance and non-life insurance

Article 354

(1) Notwithstanding the provision of the second paragraph of Article 353 of this Act, an insurance undertaking which, as of the day this Act enters into force, performs insurance business within the group of life assurance and non-life insurance on the basis of an existing authorisation shall not be obliged to adjust its operations with the second paragraph of Article 14 of this Act.

(2) If, pursuant to the first paragraph hereunder, the insurance undertaking performs insurance business within the group of life assurance and non-life insurance, the provisions of this Act shall apply to it as follows:

1. the guarantee fund shall be calculated as a sum of the guarantee fund for non-life insurance (second paragraph in relation to the fourth paragraph of Article 112 of this Act) and the guarantee fund for life assurance (third paragraph of Article 112 of this Act);

2. the insurance undertaking shall be obliged to keep books of account and compile financial statements and business reports separated for non-life insurance and life assurance in which it engages.

Harmonisation of operations of the Slovene Export Corporation Article 355

(1) The Slovene Export Corporation shall be obliged to adjust its operations to this Act within two years of the entry into force of this Act.

(2) Prior to the expiry of the period referred to in the first paragraph of this Act, the provisions of Articles 1 to 5, 8, 13 to 15, 65 to 72, 74 to 91, 104, 109, 110, 112 to 116, 118, 119, 134 to 141, 154 to 171, 175 to 183, 214 to 240, Articles 331 to 332, 352, and 359 to 361 of this Act shall apply, as appropriate, to the business performed by the Slovene Export Corporation pursuant to the act referred to in item 3 of the third paragraph of Article 5 of this Act.

Harmonisation of insurance agencies Article 356

(1) Insurance agencies which, on the day this Act enters into force, perform services related to insurance agency services must adjust their operations to other provisions of this Act within six months, unless the next paragraph hereunder provides for a longer deadline for harmonisation with specific provisions.

(2) Insurance agencies must be harmonised with the first paragraph of Article 230 of this Act within one year of the Insurance Supervision Agency issuing the regulation defined in item 1 of Article 233 of this Act.

(3) The provisions of the sixth to eighth paragraphs of Article 352 of this Act shall reasonably apply to insurance agencies referred to in the first paragraph hereunder.

Harmonisation of insurance brokerage companies Article 357

(1) Insurance brokerage companies which, on the day this Act enters into force, perform services related to insurance brokerage services must adjust their operation to the provisions of this Act within one year, unless the next paragraph hereunder provides for a longer deadline for harmonisation with specific provisions.

(2) Insurance brokerage companies must be harmonised with the first paragraph of Article 230 of this Act within one year of

the Insurance Supervision Agency issuing the regulation referred to in item 1 of Article 233 of this Act.

(3) The provisions of the sixth to eighth paragraphs of Article 353 of this Act shall reasonably apply to insurance brokerage companies referred to in the first paragraph hereunder.

Insurance agents and brokers

Article 358

With regard to persons who, as of the day this Act enters into force, have completed three years of service as an insurance agent or broker, it shall be deemed that they have obtained the authorisation to perform insurance agency or brokerage services pursuant to this Act.

Certified actuaries

Article 359

With regard to persons who, prior to the entry into force of this Act, have obtained the title of certified actuary in accordance with the regulations in force prior to the entry into force of this Act, it shall be deemed that they have obtained the title of certified actuary pursuant to this Act.

Procedures

Article 360

All procedures for obtaining authorisations and approvals that have been initiated before the entry into force of this Act, and for which the Insurance Supervision Agency is responsible pursuant to the fifth paragraph of Article 352 of this Act, shall be completed in compliance with the provisions of this Act.

Issuing of regulations

Article 361

(1) The Insurance Supervision Agency shall be obliged, within six months of the appointment of the president and members of the council of experts and of the director, to issue regulations based on this Act.

(2) Until the issuing of regulations on the basis of this Act, the regulations issued on the basis of the law defined in the first paragraph of Article 362 shall apply as appropriate.

Nullification of regulations

Article 362

(1) As of the day this Act enters into force, the Insurance Undertakings Act (Official Gazette of the Republic of Slovenia, Nos. 64/94, 35/95 – corr., and 22/97) shall be nullified.

(2) As of the day this Act enters into force, the regulations issued on the basis of the provisions of the act referred to in the first paragraph hereunder shall be nullified.

Commencement of application of individual provisions

Article 363

(1) The provisions of the fifth paragraph of Article 18, items 2 to 4 of the fifth paragraph of Article 80, the third to tenth paragraphs of Article 82, Articles 87 to 91, Articles 93 to 96, Article 99, item 2 of the third paragraph of Article 101, Article 102, Article 103, Article 240 and Article 241 of this Act shall begin to apply on the day the Republic of Slovenia attains full membership of the European Communities.

(2) Until the application of the provisions of the first paragraph hereunder:

1. the third paragraph of Article 19 of this Act shall apply to decisions regarding an authorisation to acquire qualifying holdings to be granted to a person of a Member State;
2. the provision of Article 92 of this Act shall apply to the performance of business of insurance undertakings in Member States;
3. the provisions of Articles 97 to 98 of this Act shall apply to the provision of services by Member States insurance undertakings in the Republic of Slovenia;
4. the provision of item 3 of the third paragraph of Article 101 of this Act shall apply to the communication of information to the supervisory authorities of the Member States;
5. the provisions of Articles 242 and 243 of this Act shall apply to the provision of services of insurance agencies or insurance brokerage companies of Member States.

Entry into force

Article 364

This Act shall enter into force on the fifteenth day after its publication in the Official Gazette of the Republic of Slovenia, unless otherwise stipulated in Article 363 of this Act.

No. 460-01/99-6/3

Ljubljana, 27 January 2000

President

of the National Assembly
of the Republic of Slovenia
Janez Podobnik, M. D.



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