



Pursuant to Article 35, paragraph 1.1 of the Law No.03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77/16 August 2010), and Articles 3.3 and 12 of Regulation No.2001/25 on Licensing, Supervision and Regulation of Insurance Companies and Insurance Intermediaries, the Board of the Central Bank of the Republic of Kosovo at the meeting held on October 30, 2014, approved the following:

REGULATION ON LICENSING OF THE INSURANCE COMPANIES AND BRANCHES OF FOREIGN INSURANCE COMPANIES

Article 1

Purpose and Scope

1. This Regulation determines the terms and conditions, requirements and procedures to be followed for the application and granting of a license for every insurance company and branch of a foreign insurance company, which will be referred to in this regulation as *insurance companies*, except in the cases when specifically is addressed to the insurance company established as a subsidiary or a branch of foreign insurance company.
2. This Regulation shall apply to all applicants for a license from the CBK to engage in insurance business in the Republic of Kosovo.

Article 2

Definitions

1. All terms used in this Regulation are as defined in Article 1 of Regulation No. 2001/25 on Licensing, Supervision and Regulation of Insurance Companies and Insurance Intermediaries (hereinafter: *Regulation No. 2001/25*) and as further defined herein for the purpose of this Regulation:
 - a) **Subsidiary**- means particular legal person established by the insurance company or legal person that is under common control with the insurance company.
 - b) **Branch of foreign insurance company** - means a person licensed by CBK to perform insurance activities in the Republic of Kosovo as a branch of foreign insurance company, which company has its headquarters and holds a license to conduct insurance activities in jurisdiction other than the Republic of Kosovo.
 - c) **Principal shareholder** – means a person who owns a significant interest in the insurance company as defined with Article 1 of Regulation No. 2001/25.

- d) **Senior Manager**- means chief executive officer, chief financial officer, chief officer of the insurance acquisition, chief insurance company officer for evaluating the damages, and every other person that: reports directly to the board of directors or participates or has the authority to participate in main policy-making functions of the insurance company; or is appointed as a senior manager by the CBK. In the case of the branch of foreign insurance company, chief branch manager, chief officer of the insurance acquisition, chief insurance company officer for evaluating the damages and the chief financial officer are considered senior managers of the branch.

Article 3

Application Requirements

1. All applicants for an insurance company license must meet all requirements set by Regulation 2001/25, this regulation and other regulatory instruments issued by the CBK.
2. The applicant may request the necessary application form and instructions from the CBK.
3. The application is signed by all founding shareholders and submitted in person to the CBK by a representative of the founding shareholders or a foreign company in cases where they are interested in opening a branch in the Republic of Kosovo. The application shall be accompanied by the complete documentation required by the Regulation No. 2001/25, by this Regulation and other regulatory instruments issued by the CBK.
4. Requirements for licensing to establish and operate with an insurance company or a branch of foreign insurance company shall be accompanied by the following documents:
 - a) Notarised copy of the founding act and statute, as well as the headquarters address in the Republic of Kosovo;
 - b) Business registration certificate at the Kosovo Business Registration Agency;
 - c) List of shareholders, classes of shares, data for nominal values of shares, the percentage of participation in the share capital and potential related persons or parties;
 - d) Name, nationality, residence, qualifications and experience of directors and senior managers of the proposed company, including business and professional background for last five (5) years, while for a branch of foreign insurance company the requirement of this sub-paragraph is applied only for senior managers;
 - e) The amount of authorized and owned capital of the proposed company or the branch of the foreign insurance company, including paid amount and the sources of capital;

- f) Business plan that includes, among others, planning for the organizational structure of the proposed insurance company or branch of a foreign insurance company; products, premiums and their calculations; internal audit function; risk management function; internal control systems; information technology systems; type of insurance activities envisaged; envisaged financial statements for three (3) years and if there are audited financial statements and annual report for three (3) years. CBK may issue internal procedures for evaluating the business plan;
- g) Name, nationality, residence, business and professional background for last five (5) years and audited financial statements for last three years under other applicable laws to any principal shareholder of the proposed insurance company;
- h) For any director or senior manager or principal shareholder of the proposed insurance company, or branch of a foreign insurance company, official testimony from the Court that reveals any penalty for the criminal offense by a Competent Court, personal bankruptcy files, disqualification from exercising the occupation or previous or actual involvement in a managing function of any corporation or other entrepreneur body, that is under insolvency proceedings, if any;
- i) Draft contracts, including general and specific terms of the insurance contract that is in compliance with the insurance class for which the licence has been asked;
- j) Planned program for reinsurance;
- k) Program for implementation of measures for prevention of money laundering and financing of terrorism;
- l) In any case where the applicant is a foreign insurance company that proposes the establishment of a subsidiary or a branch in Kosovo, should provide a statement from the supervisory authority of the home country that there is no objection for the start of proposed activities in Kosovo and exercises global consolidated supervision of foreign insurance company business including subsidiary or branch of a foreign insurance company that requests to be licensed in Kosovo;
- m) Proof of payment for licensing;
- n) Additional information that may be required by the CBK.

5. Provided documentation shall be in one of the two official languages of the Republic of Kosovo, either in original or legalized/notarized copy. In the case of the documentation issued by the competent authorities of a foreign country, the documentation must be legalized by the responsible authorities of that foreign country, and in compliance with the provisions of the respective legal acts applicable in the Republic of Kosovo.

Article 4
Evaluating Procedure of the Application for License

1. CBK reviews the submitted application in accordance with the requirements of the Regulation 2001/25, this regulation and other regulatory instruments issued by the CBK.
2. Within three (3) months from the date of receipt of a completed application, the CBK shall issue a decision by which preliminarily approves or rejects the license. CBK shall notify the applicant in writing about the decision. In the notice of refusal shall explain the reasons on which the refusal of the licence was based on.
3. For the purposes of the paragraph 2 of this Article, the application is considered complete from the date when CBK assesses that the application is complete in accordance with the requirements of the Regulation No. 2001/25, this regulation and other regulatory instruments issued by the CBK. The applicant shall be notified from CBK in writing for this date.
4. Within 10 working days after the day of receipt of the application, CBK reviews it together with the accompanied documentation and notifies in written the applicant whether the application is or is not completed, as well as for other requirements that may be considered necessary for evaluation of application by the CBK.
5. If the submitted application and documentation are not completed, CBK notifies the applicant for the deficiencies and requests the completion of the application and/or additional clarification.
6. If within 15 working days after the CBK notice according to paragraph 5 of this Article, the applicant does not complete the documentation and/or does not provide additional clarification, CBK terminates application reviewing procedures and decides to reject the application for license. If within 15 working days, the applicant completes the documentation and/or provides additional clarification requested by CBK under paragraph 5 of this Article, then CBK notifies in written the applicant that the application is considered complete and from that moment starts the period under paragraph 2 of this Article for evaluation and decision for the application for license.
7. During the period of evaluation of the application, upon written notice to the applicant that the application is complete, CBK may require additional clarification information regarding the application documents. In this phase, the request for additional information will not affect in the extension of the period of three (3) months to decide on the application for license.
8. In each phase prior to granting the license, CBK may request the change of the proposed name for the insurance company if it considers that such a name may create confusion to the public or to the insurance industry.
9. After the application for license is completed, CBK assesses data in application and submitted documentation and verifies them as needed;

10. If deeming necessary, CBK may organize meetings with authorized representatives of the applicant to discuss the CBK requirements, which may relate with the envisaged market strategy, presented applicant objectives, envisaged business plan, proposed policies for risk management, and other issues that CBK considers necessary for the evaluation of this application.

Article 5

Preliminary Approval or Refusal of the license

1. CBK preliminary approves the license if the following conditions are met:
 - a) If the business plan is based on accurate analysis and reasonable assumptions;
 - b) If the organizational structure of the proposed insurance company or branch of a foreign insurance company will allow the CBK to perform effective and consolidated supervision;
 - c) Calculated premiums and technical/mathematical provisions are sufficient and justify coverage of envisaged activities and risks of the insurance company;
 - d) Proposed company will perform in accordance with all provisions of Regulation No. 2001/25 and other internal legal acts;
 - e) Qualifications, experience and the integrity of its directors or senior managers are suitable for the business plan of the proposed insurance company and insurance activities;
 - f) Principal shareholders, directors and senior managers of the proposed insurance company are suitable and proper;
 - g) Subparagraphs e) and f) of this paragraph are applied for the branches of foreign insurance companies only to senior managers.

2. Besides the conditions set in Article 1, preliminary approval of license regarding a subsidiary or a branch of a foreign insurance company is done only if:
 - a) Foreign insurance company is licensed to engage in insurance activity in the jurisdiction where its headquarter is located;
 - b) The supervisory authority of the country where the foreign insurance company has its headquarter, has given written approval for granting of such a license; and
 - c) CBK assesses that the foreign insurance company is supervised adequately on a global consolidated basis by the responsible supervisory authority in the home country. The supervisory authority from the home country, must receive in writing that is aware of issuing new license and agrees to provide information to the CBK on its request.

3. In case of preliminary approval of an application for license, CBK sets all the conditions for the insurance company to which the license is granted for the start of its operations. These conditions may include:

- a) Payment of initial capital that shareholders must do for the insurance company;
- b) Employment and training of the insurance company personnel;
- c) Purchase of the operation equipment and determining the operating systems;
- d) Renting, purchasing or possession of the insurance company premises;
- e) Calculated premiums and technical or mathematical provisions are sufficient to justify the coverage of insurance company responsibilities;
- f) Conditions of the final contract of the insurance company, including general and specific conditions in compliance with the class of insurance for which the licence was requested;
- g) Engagement of an external auditor and an actuary;
- h) Any other condition that CBK deems necessary.

4. If the insurance company within a (1) year fails to comply with the conditions for granting the license to start the business, preliminary approval of the request will be revoked.

5. CBK will refuse a license, if the criteria set by Regulation No. 2001/25 and this Regulation are not met or the applicant has intentionally provided false documentation, and if it assesses that the issuance of such license will:

- a) Risk the financial stability of the proposed insurance company or the insurance industry in general;
- b) Risk the interests of policyholders of the proposed insurance company; or
- c) Substantially reduce the competition.

Article 6

The Final License

1. Insurance company that was granted the preliminary license, within the period prescribed by Regulation No. 2001/25 and conditions prescribed with the decision for the preliminary license.

2. CBK, prior to the approval of the license, shall carry out an on-site examination of technical conditions and safety of the premises in which the applicant shall perform insurance activities. The purpose of this examination is to assess whether the entity in question has created conditions to meet the obligations set by the technical conditions for the start of the activity.

3. If CBK determines that conditions are met with the Decision for preliminary license, will grant the final license which is not limited in time and is non-transferable.

4. License is granted for classes of insurance for which the applicant applied to be licensed and has met the criteria set by the Regulation No. 2001/25 and this regulation.

Article 7
Branches and additional offices

1. The Insurance Company or the branch of a foreign insurance company must obtain prior written approval from the CBK before opening, closing or relocating a branch, sub-branch or office in Kosovo.
2. The insurance company must obtain prior written approval from the CBK before it establishes or opens a branch or representative office in another jurisdiction outside Kosovo.
3. CBK may issue guidance through which establishes procedures for obtaining a prior written approval as well as form and content of the application regarding the opening and closing of branches, sub-branches and representative offices inside and outside Kosovo.

Article 8
**Transforming of the branch of foreign insurance company
into a subsidiary**

1. Foreign insurance company which carries out insurance activity in the territory of the Republic of Kosovo through its branch, based on the license issued by the CBK, may transform its branch into a subsidiary
4. Transforming of the branch of foreign insurance company into a subsidiary, can be done at the request of the branch of foreign insurance company itself or if deemed necessary by the CBK.
5. CBK may require from the foreign insurance company that is licensed to operate as branch in Kosovo, to transform the branch into subsidiary of foreign insurance company if:
 - a) There is a material change in ownership of foreign insurance company or its organizational structure to which CBK has reasonable grounds for concern;
 - b) There is a material decline in the financial situation of the foreign insurance company or is subject to sanctions by the supervisory authority of the home country responsible for material breach of law;
 - c) Considers that the operations of the branch of a foreign insurance company in Kosovo, could jeopardize the financial stability of the insurance sector;
 - d) Considers that the supervision by the supervisory authority of the home country is inadequate.
4. Procedure for transforming of the branch of foreign insurance company into subsidiary is carried out same way as with the application for license of an insurance company, in accordance with the provisions of this Regulation, with the exception of prior approval procedure which does not apply in these cases.

5. The decision to transform the branch of a foreign insurance company when transformation is requested by the foreign insurance company should be granted by the General Assembly or other competent authority of the insurance company.
6. In case the insurance company requests to transform the branch into subsidiary, the insurance company must obtain the written consent from the supervisory authority of the country where the parent insurance company is established.
7. After the approval for transformation the conversion and the issuance of the new license, all rights and obligations of the foreign branch of the insurance company pass to offspring dependent entity.
8. Successor entity shall make necessary changes to the business registry and to other bodies.
9. Successor entity must inform the policyholders of the change, by notifying them of being the successor of the branch of foreign insurance company and that this change will not have any consequences for the existing company policyholders.

Article 9

Revocation of Licence

1. CBK may revoke the license of an insurance company, except as provided in Article 15 of Regulation No. 2001/25, in the following circumstances as well:
 - a) If the license is issued based on false information and documentation;
 - b) If it ceased to engage in the insurance activities for more than 3 (three) months.
 - c) If there was a change of the principle shareholders without the CBK approval.
 - d) If the licensee is a branch of a foreign insurance company and foreign insurance company has lost the right to exercise insurance activity in the country where its headquarters are located;
 - e) If union, merging or sale of the majority of assets of the insurance company has occurred;
2. The decision of CBK to revoke the license shall be communicated in written to the insurance company, giving the reasons for the decision.

Article 10

The Charter Capital

1. Charter capital of each insurance company licensed to exercise the insurance activities in Kosovo for life and non-life insurance may not be lower than € 3'000'000. (three million euro).

2. Applicant for license of insurance company in order to exercise the insurance activity in the Republic of Kosovo, prior to receiving the final license, by this article shall deposit for this purpose to the CBK the required amount of charter capital.

Article 11

Sources of Capital

1. Shareholders of insurance company shall give CBK the information of the source of capital paid for founding of the insurance company, as well as any additional capital during the exercise of the insurance activity.

2. To validate the source of money for charter capital and addition to this capital in CBK, the following documents are submitted:

a) For legal entities:

- Evidence on the source of generation of the capital, report of independent external auditor, annual financial statements, donations/gifts or other sources intended to be used for the purchase of shares of the insurance company;
- Certificate issued by the competent authorities, which provides data for the balance of legal entity and the fulfilment of tax liabilities.

b) For natural persons:

- Evidence for the source of generation of capital as purchase or sale, donations/gifts, wages, monetary deposits in banks or other proof of the source and generation of capital;
- Certificates that prove the fulfilment of tax liabilities;

3. Contributions to the capital of an insurance company must not derive from bank loans and other loans, or funds, whose origin cannot be verified and /or is illegal.

4. In order to prevent money laundering, CBK, for assessment and verification of documents submitted by the shareholders, can cooperate with the Financial Intelligence Unit of Kosovo or any other authority in the field of rule of law in the Republic of Kosovo. CBK may request additional information from the shareholders during the verification of the source of capital.

5. If the origin of charter capital is not clear to CBK, this constitutes grounds for refusal of license.

Article 12

Suitability of Shareholders

1. The CBK shall assess the suitability of the prospective principal shareholders, in respect of a new application for an insurance company license. During the application process, the applicant must disclose the list of all founding shareholders, as well as beneficiary owners, if

different. The source of funds invested in company by the shareholders must be disclosed to the CBK in all cases.

2. Each prospective shareholder must be able to demonstrate financial soundness. This includes evidence of prompt satisfaction of past financial liabilities and an existing sound financial condition. Each proposed shareholder shall submit legal documentation certifying timely payment of tax obligations. Such a document shall be issued by the tax competent authorities not earlier than 30 days from the date of application.

3. The CBK shall independently verify the data for the suitability of shareholders who control the insurance companies. This authorization shall include collection of evidence and documents in formal proceedings under appropriate administrative procedures.

Article 13

Requirement for suitable and appropriate

1. Each principal shareholder, director, senior manager and actuary of insurance company shall fulfil the requirements for 'suitable and appropriate', in relation to the relevant position and must be approved by the CBK before being engaged by the insurance company.

2. The CBK assesses if a person is suitable and appropriate to hold the relevant position in the company, based on the following criteria:

- a) Criminal background check;
- b) Integrity, honesty and commitment in fulfilling his/her duties;
- c) Competence, professional skills and sound judgement in fulfilling his/her duties;
- d) Independence in order not to violate the interests of the insurance company from conflict of interest that may arise while on duty.
- e) Requirements for suitable and appropriate are applicable for persons specified in paragraph 1 of this Article at all time of their stay in positions concerned of the insurance company.

Article 14

Qualification of Directors and Senior Managers

1. Each Director or Senior Manager of the insurance company shall be capable and appropriate with good reputation, who must meet the criteria set by the CBK regarding the qualifications, experience and integrity.

2. A person shall not be considered appropriate if he/she:

- a) Has been convicted of a criminal offence by a final judgement with imprisonment for six months or more, and does not meet the requirements of CBK to be suitable and appropriate;
- b) Is removed from the position of an insurance company by the CBK.

- c) By decision of the competent bodies his/her right to exercise the profession has been revoked or suspended;
- d) Has been a Director or Senior Manager of an insurance company, whose license has been revoked by the inability of payment of liabilities or in an insurance company liquidated during his/her term.

3. Directors and senior managers should have a university degree in any of the following fields: economy, finance, insurance, jurisprudence or other relevant field, and have at least three years of experience in the field of insurance management, management of financial institutions or any business of the same size.

4. The CBK in special cases may request to interview the individual in question. CBK also assesses the suitability of the Board of Directors as a whole and not only its individual members. Also, the CBK assesses the competence of senior management team, and if each member is suitable and appropriate.

5. Once the insurance company is aware of the circumstances indicating that any director or senior manager may not be suitable and appropriate person, must promptly notify the CBK.

Article 15

Appointment of Directors, Senior Managers and Actuaries

1. No person may exercise the function of a member of the board of directors, senior manager or actuary of an insurance company if prior written approval has not been granted by CBK.

2. Paragraph 1 of this Article applies to the branch of foreign insurance company only in relation to senior managers and actuary in cases when the branch of foreign insurance company appoints separate actuary for the branch in Kosovo.

Article 16

Abrogation

Upon the entry into force of this Regulation, it shall abrogate the Rule 4 on amendment of the Rule on Licensing of General Insurance Companies and Life Insurance, adopted on June 23, 2005 and any other provisions that may be in conflict with this Regulation.

Article 17

Entry into Force

This Regulation shall enter into force 15 days after the approval by the Board of Central Bank of the Republic of Kosovo.

The Chairman of the Board of Central Bank of Kosovo

Bedri Peci