

Pursuant to Article 90 paragraph 2, Articles 91 and 94 and Article 95 paragraph 3 of the Law on Insurance (Official Gazette of the Republic of Montenegro No 78/06, and Official Gazette of Montenegro, No 45/12 and 06/13), the Ministry of Finance hereby adopts the

RULEBOOK ON RESTRICTIONS RELATED TO DEPOSITING AND INVESTING TECHNICAL RESERVE FUNDS AND CAPITAL FUNDS OF THE INSURANCE COMPANY

(Official Gazette of Montenegro, No 46/13 of 2 October 2013)

Article 1

This Rulebook governs types of assets wherein technical reserves funds and funds of capital of an insurance company may be deposited and invested, restrictions to depositing and investing technical reserves and capital funds, as well as amount of funds that insurance companies may deposit and invest abroad.

Article 2

Value of assets wherein the technical reserves funds are deposited and invested must be at all times at least equal to the amount required to cover future liabilities from concluded insurance contracts.

The type of asset and amount of depositing and investing shall be selected in accordance with principles of safety, yield and marketability of the asset.

Article 3

The principle of safety referred to in Article 2 paragraph 2 of this Rulebook shall be met if economical and legal aspects of safety are complied with

Economical aspect of safety shall mean:

- Diversification and dispersion of selected types of assets (by value, owner, yield, correlation with other types of investments);
- Selection of asset having a value that does not vary significantly, valued with a reliable and prudential method and which could be traded on a regulated market.

Legal aspect of safety shall mean a possibility of unrestricted disposal with the asset.

Article 4

The principle of yield shall be met, at the time of selection of the asset to deposit and invest technical reserves funds and capital, if the objective is to generate yield in accordance with market developments.

Article 5

Principle of marketability shall be met, at the time of selection of the asset to deposit and invest technical reserves funds and capital, if such assets may be substituted with money or monetary equivalent within a short timeframe.

Article 6

In addition to assets referred to in Article 90 paragraph 1 of the Law on Insurance, the technical reserves funds shall also be invested and deposited in:

- 1) Immovable property, provided that:
 - the ownership of such immovable property is recorded in the immovable property cadastre in Montenegro for the benefit of the insurance company,
 - it generates revenue,
 - the value of the immovable property is determined in accordance with the international accounting standards,
 - there are no encumbrances against the immovable property;
- 2) Debt securities issued by another country or central bank of the EU Member State or OECD Member State or international financial organisation, or securities guaranteed for by another country or central bank of the EU Member State or OECD Member State, if their credit rating awarded by the credit rating agencies Standard & Poor's or Fitch - IBCA is not less than "BBB", or "Baa3" if awarded by Moody's;
- 3) Debt securities of foreign legal persons traded on a stock exchange market in countries where they are registered, provided that their credit rating awarded by the credit rating agencies Standard & Poor's or Fitch - IBCA is not less than "A", or "A2" if awarded by Moody's;
- 4) Shares of foreign legal persons provided that they have been listed on a stock exchange for at least previous two years and if their credit rating awarded by the credit rating agencies Standard & Poor's or Fitch - IBCA is not less than "A", or "A2" if awarded by Moody's;
- 5) Interests of reinsurers in technical reserves.

In addition to the assets referred to in paragraph 1 of this Article, the mathematical reserves funds may also be invested in advances and loans to insured up to the amount of the surrender value of insurance based on a life insurance contract.

Notwithstanding paragraph 1 item 1 of this Article, insurance companies may also invest the technical reserve funds and funds of capital in immovable property where revenue could be expected if such immovable property meets requirements referred to in paragraph 1 indents 1, 3, and 4 of this Article.

Article 7

The technical reserve funds shall be deposited and invested in assets referred to in Article 90 of the Law on Insurance and Article 6 of this Rulebook up to a certain amount, and so as follows:

- 1) for total deposits and investments:
 - up to 25% in bonds, or other debt securities traded in an organized securities market in Montenegro;
 - up to 30% in shares traded in an organized securities market in Montenegro;
 - up to 10% in bonds, or other debt securities not traded in an organized securities market, if the issuer is a legal person having its registered office in Montenegro;
 - up to 100% in deposits with banks having their registered offices in Montenegro;
 - up to 30% in immovable property;
 - up to 15% in total in the assets referred to in Article 6 paragraph 1 items 2 to 4 of this Rulebook and in securities issued by a central bank or government of foreign country having rating not less than “A” or its equivalent, issued by a generally internationally accepted credit rating agency;
 - up to 3% in the business account of the insurance company.
- 2) for individual investments and deposits:
 - up to 5% in bonds, or other debt securities of a single issuer traded in an organized securities market in Montenegro;
 - up to 5% in shares of a single issuer traded in an organized securities market in Montenegro;
 - up to 1% in bonds, or other debt securities of a single issuer not traded in an organized securities market, if the issuer is a legal person having its registered office in Montenegro;
 - up to 20% in deposits with a single bank having its registered office in Montenegro;
 - up to 10% in a single immovable property or several immovable properties inter-related and representing a single investment, and if they meet requirements referred to in Article 6 of this Rulebook.

Article 8

Notwithstanding Article 7 of this Rulebook, when investing the mathematical reserves funds restrictions on the total level shall be:

- up to 25% in shares traded in an organized securities market in Montenegro;
- up to 40% in immovable property;
- up to 30% in advances and loans issued to insured up to the amount of the surrender value of insurance based on a life insurance contract.

The restrictions referred to in paragraph 1 of this Article shall also apply to total technical reserves created by a life-insurance company.

Article 9

The restrictions referred to in Articles 7 and 8 of this Rulebook shall not refer to:

- bonds and other debt securities issued by the State of Montenegro, and
- bonds and other debt securities guaranteed by the State of Montenegro.

Article 10

The capital funds referred to in Articles 92 and 93 of the Law on Insurance shall be deposited and invested:

- for non-life insurances, in accordance with Articles 7 and 9 of this Rulebook, and
- for life insurances, in accordance with Articles 8 and 9 of this Rulebook.

In addition to assets referred to in paragraph 1 of this Article, the capital funds for non-life insurances may also be invested in receivables from insured resulting from premiums not exceeding 60 days and up to a maximum of 10% of the capital funds.

Article 11

Provision of Article 6 paragraph 3 of this Rulebook shall apply until 31 December 2015.

Article 12

As of the day of commencement of application of this Rulebook, the Rulebook on restrictions related to depositing and investing technical reserve funds and guarantee funds of insurance companies (Official Gazette of Montenegro, No 38/09 and 43/09) shall cease to have effect.

Article 13

This Rulebook shall enter into force on the eighth day following the day of its publication in the Official Gazette of Montenegro, and shall apply from 1 January 2014.

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Minister,
Radoje Žugić, PhD, m.p.