

OPERATIONAL MEMORANDUM OF UNDERSTANDING
BETWEEN
INSURANCE SUPERVISION AGENCY OF MONTENEGRO
AND
INSURANCE SUPERVISION AGENCY OF SLOVENIA

**concerning their co-operation in the field of
insurance supervision**

The Insurance Supervision Agency of Montenegro (hereinafter: ISAM), represented by Mr Vladimir Kavarić, President, and The Insurance Supervision Agency of Slovenia (hereinafter: ISA), represented by Mr Mihael Perman, Director, express their willingness to co-operate on the basis of mutual trust and understanding and agree to base their co-operation in the field of insurance supervision on the principles and procedures outlined in this Memorandum of Understanding (hereinafter: memorandum). In the following text of the memorandum ISAM and ISA will be also referred to as the Parties.

The Parties desire to establish a formal basis for mutual cooperation and coordination and to provide the exchange of information and experiences relevant to each others in the field of supervisory, regulatory and examination responsibilities.

The general framework of this memorandum are the Insurance Core Principles for Effective Insurance Supervision issued by the International Association of the Insurance Supervisors (IAIS) (hereinafter: Core Principles).

Article 1 [The Parties]

ISAM is responsible for insurance supervision under the Law on Insurance (Official Gazette of the Republic of Montenegro, No 78/06 from the 22nd December 2006), Law on Traffic Compulsory Insurance (Official Gazette of the Republic of Montenegro, No. 46/07 as of July 31, 2007), Law on Bankruptcy and Liquidation of Insurance Companies (Official Gazette of Montenegro, number 11/07 dated 13th December 2007).

ISA is responsible for insurance and pension insurance supervision under the Insurance Act-IA-UPB2 (Official Gazette of the RS, No 109/06-official consolidated text, 114/06, 9/2007, 102/07, 69/08, 19/09 and 49/09), Compulsory Motor Third-Party Liability Act – CMTLA-UPB3 (Official Gazette of the RS, No 93/07 – official consolidated text), Health Care and Health Insurance Act – HCHIA-UPB3 (Official Gazette of the RS, No 72/06 – official consolidated text, 114/06, 91/07, 71/08 and 76/08) and Pension and Invalidity Insurance Act – PIIA-1-UPB4 (Official Gazette of the RS, No 109/06 – official consolidated text, 112/06, 114/06, 17/07, 5/08, 10/08, 73/08 and 53/09) and other special laws.

Article 2 [Definitions]

For the purpose of the memorandum, the following expressions shall have the following meaning:

Cross-Jurisdiction Establishment:

A branch incorporated and licensed in one jurisdiction that is established by a head office of a company incorporated and licensed in the other jurisdiction, or a subsidiary incorporated and licensed in one jurisdiction that is directly or indirectly controlled by a parent company incorporated and licensed in other jurisdiction.

Branch:

The organizational unit incorporated and licensed in one jurisdiction of a company that is incorporated and licensed in the other jurisdiction.

Subsidiary:

A company incorporated and licensed in one jurisdiction that is directly or indirectly controlled by a parent company incorporated and licensed in the other jurisdiction.

Home supervisor:

The Party supervising the head office of a company in the case of a branch, or supervising the parent company in the case of subsidiary.

Host supervisor:

The Party supervising a branch or a subsidiary within their respective jurisdiction.

Article 3 [Professional Secrecy]

Compliance with the obligations of professional secrecy by all employees and officials who receive information from the respective other jurisdiction in the course of their activities is a necessary condition for successful co-operation between the Parties.

ISAM is subject to the fulfilment of the professional secrecy requirements to the extent specified in accordance with Article 189 of the Law on Insurance.

ISA is subject to the fulfilment of the professional secrecy requirements to the extent specified in accordance with Article No 260 of the Insurance Act.

The Parties will not disclose any confidential information to third parties without prior written consent of the Party that has provided this confidential information.

If the disclosure of confidential information to a home government agency (e.g. The Court, Tax Administration etc.) is required by law applicable in Montenegro or in Slovenia, the Parties will promptly notify each other.

Article 4 [Exchange of information, Cooperation, Scope/Content, Form]

Bilateral cooperation can take place in all areas which directly or indirectly fall under the responsibility of the respective Parties.

The Parties endorse a broad principle of exchange of information between each other to support and facilitate their respective supervisory tasks. The Parties underline the willingness to share the information on events concerning Cross-Jurisdiction Establishments and also their parent companies regulated by ISAM and ISA.

In broad terms this means that there will be contact, in writing or orally, whenever the Home or Host Supervisor considers this useful or necessary on the basis of relevant facts or developments for his own or each other's supervisory purposes. In particular, the Host Supervisor will alert the Home Supervisor promptly of any event concerning the Branch or Subsidiary which might jeopardise the stability of the company as a whole. Parties will inform each other of administrative penalties imposed or other actions

taken on a Branch or Subsidiary or a company as a whole, in so far as they are aware of such action and the penalty or other actions which can be deemed to be of material importance.

In addition, there will be communication between Parties regarding any substantial changes in the respective domestic supervisory regulations and policies.

The communication and the exchange of information shall be carried out by the persons authorised from both Parties.

Parties shall expand and facilitate the exchange of knowledge, experience and expertise between representatives of the Parties and where appropriate between other relevant institutions involved in insurance supervisory matters.

The cooperation described above can take the form of any of the following activities:

- Consulting visits of experts of the respective Parties;
- Participation in seminars, workshops and conferences in the country of either Party;
- Exchange of documentation;
- Any other form of cooperation that may be mutually decided upon.

Article 5 [Licensing, Ownership control and Management]

If a company incorporated in one of the jurisdictions applies to the Party of the other jurisdiction to establish a Branch or Subsidiary, the later shall inform the Home Supervisor without delay. If the adequacy of home supervision is a statutory prerequisite, which the Host Supervisor needs to address in the licensing procedure, it would contact the Home Supervisor to settle any question in this regard.

The Home Supervisor informs the Host Supervisor of the amount of own funds and the solvency position of the parent company, and whether it is fully subject to and complies with domestic regulations, and whether it is expected in the light of its administrative structure and internal control to run the Cross-Jurisdiction Establishment in an orderly and proper manner. The Home Supervisor discloses any piece of information available to the Host Supervisor, which might give rise to doubts as to whether prospective managers of the Cross-Jurisdiction Establishment are fit and proper.

The Parties shall consult before granting authorization for any acquisition of a holding in a domestic company by a company within the jurisdiction of the other Party.

Article 6 [On-site examination]

Recognizing the importance of consolidated supervision, the Parties agree that their co-operation is particularly useful in assisting each other in carrying out on-site inspections of Cross-Jurisdictions Establishments.

The Host Supervisor shall allow the Home Supervisor representatives to participate as observers in performing on-site examinations of branches and subsidiaries in the host jurisdiction.

To the extent permitted by law, The Home Supervisor can request from the Host Supervisor relevant information's on the results of such on-site examinations in order to facilitate the performance of their respective duties and to promote safe and sound functioning of supervised institutions with Cross-Jurisdiction Establishments within their respective territories.

Each Party will keep confidential any information passed under this Article to the same degree as provided by law in the country of other Party.

Article 7 [Laws and Regulations]

The Parties will advise each other upon request on any aspect of their regulatory system and notify each other of any major change in their domestic rules and regulations, in particular about those changes which have significant bearing on the activities of Cross-Jurisdiction Establishments, on the operation of laws and regulations that concern the insurance sector, and other information about insurance sector developments in Montenegro and Slovenia.

Article 8 [Ongoing supervision and Corrective action]

The Parties will inform each other, in good time and to the extent reasonable, about any event, which has the potential to endanger the stability of a company having Cross-Jurisdiction Establishments in the respective other jurisdiction, in particular:

- any incipient crisis,
- any serious violation of the laws and regulations of prudential operations,
- a decline in capital adequacy to a limit under the minimal limit set by Parties on solo and consolidated basis,
- the carrying out of businesses in a way that impairs the interest of the policyholder of the company or threatens the safety and stability of the insurance system,
- or other information of serious nature.

They also notify each other of administrative penalties, which they have imposed or any other action, which they have taken on Cross-Jurisdiction Establishment as Host Supervisor or on the parent company as Home Supervisor, if the information on their judgment is possibly important to the Parties, in particular:

- limiting and cancelling some activities stated in the license,
- requesting changes in the management or supervisory board of the company,
- establishing appropriate amounts of provisions and reserves,
- lowering the initial capital of the company,
- implementing forced administration,
- revoking a license and
- any other measures of supervision of serious nature.

The Parties shall discuss between each other any significant information on companies having Cross-Jurisdiction Establishments in Montenegro or in Slovenia.

The representatives of the Parties will convene ad-hoc meetings to promote the resolution of supervisory problems concerning a Cross-Jurisdiction Establishment in Montenegro or in Slovenia, whenever one Party deems it necessary.

Article 9– [Applicability]

This memorandum serves as a basis for cooperation between the Parties. Neither does it intend to create any legally binding obligations, nor supersede any laws or regulatory requirements in force in Montenegro or in Slovenia. This Memorandum does not create any rights enforceable by third parties.

The enforcement of the provisions of this memorandum shall be consistent with the national laws and regulations of the respective countries of the Parties and shall not be contrary to the public interest of the country of any of the requested Parties.

Each Party shall bear the costs arising from any form of cooperation and assistance based on this memorandum. However, any Party can cover financial costs of other Party, based on its voluntary decision and with respect to their national legislation, if these costs were created by cooperation on the basis of this memorandum.

Article 10– [Consultations]

The Parties will consult periodically with each other regarding this memorandum about matters of common concern with a view to improving its operation and resolving any issues that may arise.

Article 11 – [Entry into force and Amendments of Memorandum]

This memorandum shall become effective on the date upon the signing of both signatories.

This memorandum may be amended at any time with the mutual written consent of both Parties, including in addition of new parties.

After the signing of this memorandum, the Parties shall exchange lists of authorized personnel with full contact details. The list of authorized personnel will be updated on a regular basis or if the list is changed.

After the signing of this memorandum, the Parties will exchange lists of licensed companies which are subject to this memorandum in their jurisdictions. These lists will be updated on a regular basis.

The Parties agree that there should be regular meetings to discuss various questions relating to prudential insurance and pension supervision established in both jurisdictions and on developments of their regulatory and supervising system on an annual basis.

The Parties will use their best efforts to settle amicably any dispute that may arise in connection with the implementation of this memorandum.

Article 12 – [Termination]

This memorandum shall be concluded for an unlimited period and is valid as long as both Parties find mutual interest. In the opposite, it can be denounced by any of the Parties at any time by notifying the other Party in writing it wishes to revise, amend or withdraw from the memorandum. One month notice of any such action will be given. In the event of termination of this memorandum, the information obtained under this memorandum will continue to be treated confidentially.

Signed in 4 copies in Ljubljana, Slovenia, on July 29 2009..

For the Agency of Insurance
Supervision of Montenegro
Vladimir Kavarić, President of the Council

For the Insurance Supervision
Agency of Slovenia
Mihael Perman, PhD, Director
