THE HOUSE OF REPRESENTATIVES OF THE CROATIAN NATIONAL PARLIAMENT

Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby pass the following:

DECISION

ON THE PROMULGATION OF THE LAW ON PENSION INSURANCE COMPANIES AND PAYMENT OF PENSION ANNUITIES BASED ON INDIVIDUAL CAPITALISED SAVINGS

I hereby promulgate the Law on Pension Insurance Companies and Payment of Pension Annuities Based on Individual Capitalised Savings adopted by the House of Representatives of the Croatian National Parliament at its session of 1 October 1999.

Number: 01-081-99-1645/2
Zagreb, 7 October 1999.

President of the Republic of Croatia
Dr. Franjo Tuđman

THE LAW

ON PENSION INSURANCE COMPANIES AND PAYMENT OF PENSION ANNUITIES BASED ON INDIVIDUAL CAPITALISED SAVINGS

CHAPTER I.
GENERAL PROVISIONS
Article 1

This Law shall regulate:

- the establishment and operation of pension insurance companies paying out pension annuities under the compulsory pension insurance system based on individual capitalised savings, as well as pension annuities under the voluntary pension insurance system based on individual capitalised savings,
- pension annuities and their payment under the pension insurance system based on individual capitalised savings.

Article 2.

(1) Pension annuity, payment of which is based on the provisions hereof, shall be determined and paid as per total capitalised contributions of a fund member paid into a compulsory or voluntary pension fund until the fund member becomes entitled to receive pension annuities.

(2) Payment of pension annuities as referred to in Paragraph 1 of this Article shall be made by the pension insurance company in such a way that one company may pay to one pensioner a pension annuity on the basis of contributions paid into

only one compulsory pension fund. The same insurance company may pay out pension annuities receivable on the basis of contributions paid into one or more voluntary pension funds.

(3) The amount of pension annuities payable hereunder shall depend on the amount of capitalised paid-in contributions of fund members and the term of annuity payout and shall be determined, based on the principle of mutuality and principle of defined contribution, by way of pension agreements concluded between fund members and pension insurance companies.

(4) Whenever the amount of pension annuities payable hereunder is being determined, the following shall be taken into account: the fund member's age on the entitlement date, the total amount of capitalised paid-in contributions, the type and form of pension annuities to be paid out and other elements for actuarial calculation.

Article 3

With regards to the issues not regulated hereby, the provisions of Companies Act shall, as appropriate, apply on pension insurance companies.

Article 4

In this Law the following expressions have the following meanings:

1. *pension insurance company* – shall mean a joint-stock company or a limited liability company providing pension plans in the pension market and paying out pension annuities to members of compulsory or voluntary pension funds,

2. *voluntary pension plan* – shall mean a representation of an insurer whereby he undertakes to provide to members of a voluntary pension fund pensions and other types of pension annuities of voluntary pension insurance, which representation shall contain a procedure for determining the pension annuities, the frequency and duration of payment, a fee for the termination of membership in a pension plan, as well as other information on the pension plan relevant for an individual’s decision to join a voluntary pension plan.

3. *pension company* – shall mean a compulsory pension company or a voluntary pension company,

4. *compulsory pension company* – shall mean a joint-stock company or a limited liability company managing a compulsory pension fund,

5. *voluntary pension company* – shall mean a joint-stock company or a limited liability company managing a voluntary pension fund,

6. *pension fund* – shall mean a compulsory pension fund or a voluntary pension fund,

7. *compulsory fund* – shall mean a compulsory pension fund established and managed by a compulsory pension company,

8. *voluntary fund* – shall mean a voluntary pension fund established and managed by a voluntary pension company,

9. *fund member* – shall mean an insured person registered in a compulsory fund or a person who has joined a voluntary fund on the basis of an agreement,

10. *pension annuity* – shall mean a life monthly cash benefit or a life periodic cash benefit paid by a pension insurance company to a person entitled to it under a pension agreement,

11. *floating pension annuity* – shall mean a life monthly cash benefit or a life periodic cash benefit paid by a pension insurance company to a person entitled to it under a pension agreement which changes with the variations in the value of the technical reserves earmarked for the payment of said annuities,

12. *annuity certain* – shall mean a periodic pension annuity paid during a guarantee period by a pension insurance company to a beneficiary entitled to it under a pension agreement,

13. *pensioner* – shall mean a person receiving an annuity from a pension insurance company under a pension agreement,

14. *pension annuity agreement* – shall mean an agreement for the provision of an annuity entered into between a pension insurance company and a pension fund member,

15. *remittance* – shall mean a transfer of amounts from the individual account of a pension fund member to the account of a pension insurance company,

16. *named beneficiary* – shall mean a person entitled to receive benefits under a pension annuity agreement,

17. *retirement date* – shall mean the date on which a member of a compulsory pension fund becomes entitled to receive pension annuities pursuant to the Pension Insurance Act,

18. in relation to any legal or natural person hereunder (hereinafter referred to as “entity”) *affiliated person* – shall mean:

- a stockholder or a group of stockholders owning stock or share in excess of 5% of issued capital or, even when owning less, is in position to influence, directly or indirectly, the decisions made by such entity;
- any entity in which the first entity owns, directly or indirectly, stock or share in excess of 5% of capital or, even when owning less, is in position to influence, directly or indirectly, the decisions made by such entity;
- any other entity in which a stockholder or shareholder owns, directly or indirectly, stock or share in excess of 5% of capital, if at the same time this stockholder or shareholder owns, also directly or indirectly, more than 5% of stock or share in the first entity;
- any natural person or persons who may, directly or indirectly, influence such entity's decisions;

- any member of an entity's management board, supervisory board or other body which makes decisions or exercises supervision;
- in relation to any person mentioned above, any spouse or a relative, including relatives twice removed.

19. *technical reserves fund* – shall mean a separate fund created by using remittances received by a pension insurance company, reduced by amounts deducted to cover costs related to the activities of the pension insurance company performed by that company,

20. *The Central Registry of Insured Persons* – shall mean an institutuion established pursuant to the Law on Compulsory and Voluntary Pension Funds.

21. *The Agency* – shall mean The Agency for Supervision of Pension Funds and Insurance, established pursuant to the Law on Compulsory and Voluntary Pension Funds.

CHAPTER II.

PENSION INSURANCE COMPANY

Article 5

(1) A pension insurance company is a company established pursuant to the Companies Act as a joint-stock company or a limited liability company (hereinafter referred to as: insurance company).

(2) If an insurance company has been established as a joint-stock company it may only issue registered shares and they may not be converted into bearer shares.

(3) An insurance company may not issue preference shares.

(4) An insurance company shall treat all stockholders and shareholders as being equal and shall not award any additional rights or privileges to certain stockholders, nor limit their rights or impose on them additional responsibilities.

Article 6.

(1) The registered name of an insurance company shall contain the words “pension insurance company”.

(2) Only insurance companies established in compliance with this Law shall be entitled to use in their names the words indicated in paragraph 1 of this article.

(3) An insurance company shall not engage in any other type of insurance business.

Article 7

(1) insurance companies shall have minimum share capital of at least 5 million kuna.

(2) Insurance companies shall increase the amount of the share capital referred to in Paragraph 1 of this Article by one million kuna for each one thousand of new pensioners.

(3) If the number of the pensioners referred to in Paragraph 2 of this Article decreases, the company's share capital may be decreased, subject to the Agency's consent.

(4) The share capital shall be paid up in cash (kuna) only.

(5) The share capital referred to in Paragraph 1 of this Article shall be paid in fully prior to registration in the Register of Companies.

(6) The share capital of the company may not be increased through public subscription.

(7) The share capital may not originate from loans or credits or be encumbered in any way.

Article 8

(1) One legal or natural person may be a stockholder or shareholder in only one insurance company.

(2) Affiliated persons may be stockholders or shareholders only of one insurance company.

(3) In the case of a merger or a takeover of two or more legal persons where before such merger or take-over each entity was the shareholder of a separate company and where the entities which were shareholders of separate companies have become affiliated persons, the Agency may agree to waive the restrictions specified in paragraph 1 or 2 of this article for a period of up to six months to enable the entity ensuing from such merger or takeover, or entities which have become affiliated persons, to harmonise their activities with the provisions of this Law.

Article 9

(1) The Agency's consent shall be required for any transaction with stocks or shares and for any change of owner or ownership structure of any insurance company. Any transaction violating this requirement shall be void.

(2) An application for obtaining the consent referred to in Paragraph 1 of this Article shall be submitted by the insurance company on behalf of the entity wishing to make such transaction with stocks or shares.

(3) The Agency shall issue its consent to transactions with stocks or shares within sixty days from submission of the application, provided that such the entity on

whose behalf the insurance company has submitted the application meets the conditions hereof.

(4) In the event the Agency does not issue its consent to such transaction with stocks or shares within the time referred to in Paragraph 3 of this Article, such consent shall be deemed issued.

Article 10

(1) The bodies of insurance companies shall be the management board, the supervisory board and the general meeting.

(2) A member of the management or supervisory board of an insurance company shall be a person who satisfies the requirements of Companies Act and the following additional requirements:

- has a university degree;
- has expert knowledge necessary for managing an insurance company and experience in managing companies of comparable size and type of business.

(3) A member of the management board of an insurance company shall be a person who has the required level of education and who has passed the exam for an insurance company management licence.

(4) On the basis of such passed exam as referred to in Paragraph 3 of this Article or an appropriate licence issued by any OECD country, the Agency shall issue an insurance company management licence.

(5) The foregoing licence shall be renewed every five years. No renewal requirement shall be applicable to persons working in the management board of an insurance company for ten years.

(6) The length and curriculum of training and exam for an insurance company management licence shall be determined by the Agency.

(7) All members of the management board of an insurance company shall be full-time employees of such insurance company.

Article 11

(1) A member of the management or of supervisory board of an insurance company shall not be a person who is a management or a supervisory board member:

1. of any other insurance company;
2. of any affiliated person in relation with the entities indicated in Item 1 of this Paragraph.

(2) A member of the supervisory board of one insurance company may not be a member of any other supervisory board.

(3) A member of the management or supervisory board of an insurance company shall not be a person:

- sentenced for the crime of causing bankruptcy, of breach of the obligation to keep business records, of either causing loss to or favouring creditors, of misconduct during compulsory settlement or bankruptcy proceedings, of unauthorised disclosure and obtaining of a business or production secret, or of fraud as specified in the Criminal Code of the Republic of Croatia, for a period of five years after the sentence has become final, excluding from that period the time during which such sentence was served;

- against whom the safety measure of prohibition of conduction such professional work which is fully or partly included in the business activities of the company during the period of such prohibition;

- sentenced for an offence pursuant to the Law on the Securities Issuance and Trade at least five years after the sentence has become final.

(4) The prohibitions referred to in Paragraphs 1 and 3 of this Article shall also apply on any person being employed or in a relationship based on commission or other similar relationship with the entities referred to in such Paragraphs.

Article 12

(1) At least half of the members of the supervisory board of an insurance company shall be appointed from among persons who are neither stockholders nor shareholders of that insurance company.

(2) All appointments to supervisory boards of insurance companies shall be approved by the Agency.

Article 13

(1) Any information relating to the activities of an insurance company shall be treated as being a business secret by the following persons:

1. members of the management or supervisory board of such insurance company;
2. any persons employed by such insurance company;
3. any natural or legal persons retained by such insurance company under a temporary service contract;
4. any employee of any entity doing business with such insurance company as specified in Item 3 of this Paragraph.

(2) For the purposes of Paragraph 1 of this Article, the following information shall be deemed to constitute a business secret: any information on remittances to an insurance company, annuity entitlements of pensioners or annuity certain beneficiaries, investments of such insurance company and other information whose disclosure could adversely affect the interests of such insurance company or its pensioners or beneficiaries.

(3) The provisions of Paragraph 1 of this Article shall not apply where information is made available to an authorised body investigating a suspected offence, or upon request of an authorised body of the competent government authorities in connection with proceedings being conducted in relation to the activities of such

insurance company, including any request made by the Agency in the exercise of its supervision of the activities of such company.

Article 14

(1) Before an insurance company is inscribed in the Register of Companies, the founders of such insurance company shall obtain a operating licence from the Agency.

(2) An insurance company shall submit an application for inscription in the Register of Companies within six months from receipt of advice on the issuance of such operating licence, after which time such licence shall become void.

(3) An insurance company may start operations hereunder only when inscribed in the Register of Companies.

Article 15

The application for obtaining the licence specified in Article 14, paragraph 1 of this Law shall be accompanied with:

1. the articles of association of the insurance company together with a document providing the basis for the passing of such articles if the insurance company is established as a joint-stock company, or the company's memorandum of association or representation on foundation, if the insurance company is established as a limited liability company,

2. by-laws of the insurance company particularly regulating the manner of preventing disclosure of any information classified as confidential,

3. the list of founders along with information as to whether they are affiliated persons and as to the nature of their connections and documents confirming the legal status and the origin of the funds for paying up the share capital of the insurance company,

4. the list of members of the management and supervisory boards of the insurance company along with representations by the members as to their agreement to perform these functions and as to the absence of circumstances contrary to the provision of Paragraph 2, Article 239 of the Companies Act, as well as a description of their qualifications and their prior professional activities,

5. documents presenting the financial standing of all the company's shareholders for the last five years preceding the date of submission of the application, including documents confirming that they have no tax arrears;

6. organisational and financial plan of activities of the insurance company for the next five years,

7. by-laws of the insurance company on pension annuities to be paid under compulsory pension insurance based on individual capitalized saving and pension plans under voluntary pension insurance based on individual capitalized saving.

Article 16

(1) Not later than 15 days upon receipt of the application for operating licence, the Agency may require additional documents and information from the founders, which the founders shall submit to the Agency within 15 days.

(2) If it deems necessary, the Agency may review the facts relating to the application for licence. In doing so, it may:

- co-operate with authorised bodies of the state administration,
- collect documents and information from other sources.

Article 17

(1) The Agency shall consider the licence application and may issue or withhold licence not later than 15 days upon receipt of the last document and information.

(2) By issuing its licence, the Agency shall be deemed as having approved the articles of association and by-laws of such insurance company.

Article 18

(1) The Agency shall withhold, by way of a ruling, its licence for an insurance company:

1. if the requirements set out in Article 15 hereof are not satisfied,

2. if it estimates that such insurance company's operations will not be conducted with due care and dilligence and in keeping with sound business practice.

(2) The ruling issued by the Agency referred to in Paragraph 1 of this Article shall be final and may be conteded by way of an administrative suit.

Article 19

Any amendment to the articles of association or memorandum of association or representation on foundation of an insurance company shall be subject to the Agency's prior approval.

Article 20

An insurance company shall:

1. prepare and offer to the market pensions under compulsory pension insurance based on individual capitalised savings, as well as pension plans under voluntary pension insurance based on individual capitalised savings;

2. pay pensions and other pension annuities;

3. perform other activities under contracts with pension companies and in accordance with the law and Agency regulation.

Article 21

An insurance company may, under a voluntary pension insurance plan, pay out annuities based on direct lump-sum payments remitted by a natural person or by an employer for his employees at the time of their retirement.

Article 22

(1) An insurance company shall pass a plan of business operations, containing in particular:

1. pensions and annuities that the insurance company offers to the pensions market,

2. description of premises for protection of the pensioners of an insurance company and assessment of such insurance company's permanent capability of honouring its obligations to the pensioners;

3. calculation bases, and principles and formulas for the calculation of pensions and annuities, such as probability tables, interest rates and foreseeable surpluses and deficits.

(2) An insurance company's business plan shall be made by the company's management and shall be approved by the Agency.

Article 23

(1) No insurance company shall offer any additional payments or privileges to any person to persuade such person to conclude a pension annuity agreement.

(2) No insurance company shall offer any additional payments to an employer or affiliated persons of such employer for the purpose of inducing or rewarding such employer to persuade any of his employees to conclude pension annuity agreements with such insurance company.

(3) No insurance company shall offer any additional payments to a trade union or other legal person or affiliated person of such trade union or legal person in order to induce or reward such entity to persuade or require its members to conclude pension annuity agreements with such insurance company.

(4) Privileges or additional payments shall mean any benefits such as additional fees, payment of consideration for early termination of agreement with another insurance company or gifts of physical property other than benefits that ensue naturally and directly from the status of a pensioner.

Article 24

(1) No insurance company or its affiliated person, or their agents and employees shall shall make, in regard to a given insurance company, any representations or issue statements, either orally, by advertising, through other promotion material, or in the form

of information given to fund members, which are misleading or convey false information.

Article 25

The Agency may pass regulation determining additional conditions concerning the marketing of pensions and other annuities.

Article 26

(1) Each insurance company shall employ an independent actuary.

(2) Such actuary shall countersign the insurance company's business plan, annual budget and final statement in the part related to the pensions such company pays out to beneficiaries hereunder, as well as its actuarial statistical report, technical reserves report, rules of pension plans, and performs other tasks for the company requiring the application of insurance mathematics.

(3) The actuary referred to in Paragraph 1 of this Article shall not provide services for any other insurance company.

Article 27

(1) An insurance company's actuary shall be certified by the Agency.

(2) The Agency shall issue its certificate on the basis of an actuarial licence issued by the Ministry of Finance.

(3) The Agency may make the issuance of its certificate conditional upon special professional training on the calculation of pensions and other annuties hereunder. The curriculum and method of performing such training shall be regulated by the Agency.

CHAPTER III.
PENSION PLANS

Article 28

(1) An insurance company paying pension annuity as a part of compulsory pension insurance based on individual capitalised savings (hereinafter: "compulsory pension insurance"), shall offer the following pension plans:

1. life monthly old - age pension or early retirement old - age pension,
2. life monthly disability pension in the case referred to in Article 47, Paragraph 2 of the Law on Compulsory and Voluntary Pension Funds,
3. family monthly pension in the case referred to in Article 48, Paragraph 2 of the Law on Compulsory and Voluntary Pension Funds

(2) The family pension referred to in Item 3, Paragraph 1 of this Article shall be determined as a single pension for family members pursuant to Article 2 hereof.

(3) For the purpose of calculating the family pension referred to in Paragraph 2 of this Article, the family shall include as members the following persons: spouse and children (born in or out of wedlock or adopted children or maintained step-children) up to the age of 18.

(4) The pension annuities referred to in Paragraph 1 of this Article may be paid out only upon entitlement has been realised under the Pension Insurance Law.

(5) Any insurance company paying put pension annuities under voluntary pension insurance based on individual capitalised saving (hereinafter: voluntary pension insurance) shall offer life old-age pensions and may also offer term old-age pensions, floating pension annuities, partial lump sum refund and other pension benefits under its plans.

(6) Term old-age pension shall be a periodical benefit which may not be written for a period of less than five years.

(7) Partial lump sum refund shall be a pension benefit amounting to a maximum of 30% of remittance less the amount of the fee referred to in Article 53 hereof.

(8) Life old-age pension and term old-age pension under the plan referred to in Paragraphs 5 and 6 of this Article may shall be available at the age of 50 at the earliest.

Article 29

(1) An insurance company paying benefits under compulsory pension insurance shall conclude a pension annuity agreement with each member of compulsory fund who chooses such company. The same shall apply to the family members of a deceased fund member.

(2) A compulsory fund member may conclude a pension annuity agreement with only one insurance company.

(3) Family members entitled to a family pension after the death of a compulsory fund member, may conclude an agreement with only one insurance company for payment of pension annuities.

Article 30

(1) An insurance company shall provide pension annuities under compulsory pension insurance only in the following forms:

1. life annuity paid to a pensioner
2. joint-life and survivorship annuity.
3. life annuity certain, guaranteeing income to the insured and, in the case of the insured's death within the guarantee period, to a named beneficiary for the remainder of the guarantee period.
4. survivorship life insurance with a guarantee period, paid to the insured person or to the surviving spouse for life, and, should both spouses die within the guarantee

period, to the named beneficiary or beneficiaries for the remainder of the guarantee period. Entitlement of such named beneficiaries shall be valid ony on the basis of consent by both spouses.

(2)The guarantee period referred to in Items 3 and 4 of Paragraph 1 of this Article shall start from the pensioner's retirement date and last for a period agreed upon between the company and the pensioner and set out in the pension annuity agreement, provided that such period is not less than five years.

(3) If at the time of concluding a pension annuity agreement an insured person chooses products under Items 3 or 4 of Paragraph 1 of this Article, the insurance company shall instruct such insured person to nominate a beneficiary or beneficiaries in writing.

(4) In the case of annuities under Items 2 or 4 of Paragraph 1 of this Article, the amount of an annuity payable to the surviving spouse shall not be less than 60% of the annuity paid to the insured person.

(5) In the case of annuities under Items 3 and 4 of Paragraph 1 of this Article, the amount of the benefit payable to a named beneficiary until the end of the guarantee period shall not be less than 50% of the annuity paid to the insured person.

(6) In the cases referred to in Paragraphs 4 and 5 of this Article, the insurance company paying annuities to the insured person shall, upon request of the spouse or named beneficiary, shall remit such benefits to the bank accounts of such spouse or beneficiary.

(7) Benefits and annuities certain payable to pensioners shall be payable monthly, no later than the date stipulated in the pension annuity agreement. If the amount of monthly income is lower than 10% of the average net salary in the Republic of Croatia in the previous year, payments may be made quarterly. A company may switch from monthly to quarterly mode of payment only with prior approval of the beneficiary.

(8) A benefit shall be payable also for the month during which the insured person died, while annutiy certain benefit shall be payable to a beneficiary until the end of the last month of the guarantee period.

(9) An annuity shall be paid to a pensioner in a manner specified in a pension annuity agreement.

Article 31.

An insurance company paying pension annuities under compulsory pension insurance shall adjust the benefits to the rate of change in the cost of living index not less than twice a year for the previous six months. Changes in the cost of living index shall be determined on the basis of State Statistics Bureau data.

Article 32

(1) A pensioner may at any time revoke his or her nomination in writing or nominate another beneficiary with his or her spouse's consent.

(2) If a pensioner at the time of concluding a pension agreement has minor children (born in or out of wedlock or adopted children or maintained step-children), such pensioner shall nominate such children as beneficiaries until they reach 18.

(3) The provision of Paragraph 2 of this Article shall not apply to pensions under voluntary pension insurance.

(4) In the event that a named beneficiary receiving benefits dies before the guarantee period has elapsed, the monies due to that beneficiary shall form part of his or her estate.

(5) If no eneficiary is nominated by a pensioner, the benefit such beneficiary would have been entitled to shall be payable in equal parts to the spouse and the children of the deceased, and if there is no spouse or children, to the parents and grandchildren of the deceased. If there are no parents or grandchildren of the deceased, the payment shall be made in equal parts to the siblings of the deceased.

Article 33

In the event that a pensioner has chosen an annuity under Article 30, Paragraph 1, Item 4 hereof and subsequently dies, the surviving spouse may revoke any nomination of a beneficiary previously made by such pensioner, except in the case such named beneficiaries are minor children of the deceased pensioner.

Article 34

(1) If an insurance company liable to pay annuities or benefits to a person entitled to such income and such person cannot be located at the address submitted to the company, or when the company has no details of such person’s bank account, the company shall forthwith seek to receive free of charge from the Registry information on such person's address or bank account.

(2) If a named beneficiary cannot be located within a year of first becoming eligible for benefits but is subsequently located, such beneficiary shall not be eligible for any arrears and shall only be eligible for income accruing from the date when he or she was located or when the details of his or her bank account were determined.

Article 35

(1) The Registry shall have access to the registries of births, deaths and marriages for the purpose of obtaining information on pensioners, their families and named beneficiaries.

(2) The Registry shall notify the company of the information referred to in Paragraph 1 of this Article within 10 business days of first becoming aware of such fact.

Article 36

(1) A person may choose an annuity under Article 30, Paragraph 1, Item 1 or 3 hereof if at the time of retirement such person has no spouse.

(2) If on the day of entering a pension annuity agreement such pensioner's spouse is under the age of 50, such pensioner may not conclude an agreement providing for annuities under Article 30, Paragraph 1, Items 2 and 4 hereof.

(3) In the case referred to in Paragraph 2 of this Article, a pensioner shall choose the life annuity certain contract referred to in Article 30, Paragraph 1, Item 3 hereof and nominate his or her spouse as named beneficiary.

(4) If at the time of retirement a pensioner has a spouse above the age of 50 who is not gainfully employed and has no other regular income, such pensioner shall chose the type of annuity referred to in Article 30, Paragraph 1, Item 2 or 4 hereof. If such spouse is gainfully employed or has other regular income, such pensioner may choose between the types of annuity referred to in Article 30, Paragraph 1, Items 1 or 3 hereof only with such spouse's consent.

Article 37

Once a person has concluded a pension agreement, such person may not terminate it or conclude a pension agrrement with any other insurance company or choose another type of annuity, unless otherwise stipulated hereby.

Article 38

(1) Insurance companies shall deliver to the Agency information on proposed unit amounts for annuities and benefits to named beneficiaries at least one day before their introduction. Such information shall be accompanied by a detailed explanation of the underlying economic and actuarial parametres of such proposed unit amounts.

(2) The information delivered pursuant to Paragraph 1 of this Article shall specify the monthly (annual) unit amounts of annuities and benefits per each 1,000.00 kuna transferred to an insurance company. Such annual unit amounts of annuities and benefits to beneficiaries shall be stated separately for different types of annuities and different age groups.

(3) The provision of Paragraph 1 of this Article shall apply also to any change in unit amounts of annuities or benefits.

Article 39

(1) Unit amounts of annuities and benefits may vary only by type and form of annuity, method of adjustment, age group and duration of guarantee period. Such unit amounts shall equally apply to all persons wishing to conclude pension annuity agreements.

(2) Unit amounts of annuities and benefits under voluntary pension insurance may vary by the pensioner's gender and the duration of term old-age annuity.

Article 40

(1) A company may change its proposed unit amount of annuity and benefits at any time, provided that such change affects all persons wishing to conclude pension annuity agreements in the same manner.

(2) No insurance company may alter any information on proposed unit amounts of annuities and benefits delivered to a person wishing to conclude a pension annuity agreement for five business days after such delivery.

Article 41

(1) An insurance company shall make a lump-sum payment to pensioners of a part of the annual surplus of funds constituting its compulsory pension insurance technical reserves fund, if such surplus may be distributed pursuant to Article 66, Paragraph 1 or 2 hereof.

(2) An insurance company may make a lump-sum payment to pensioners of a part of the annual surplus of funds constituting its voluntary pension insurance technical reserves fund, if such surplus may be distributed pursuant to Article 67, Paragraph 1 or 2 hereof.

Article 42

(1) Persons entitled to annuities and other annuity benefits may empower their authorised representative to receive annuity income and other benefits on their behalf.

(2) The authorisation referred to in Paragraph 1 of this Article shall be valid for one year.

Article 43

Persons entitled to annuities and other annuity benefits or their authorised representative, as the case may be, shall notify their insurance company of any change having occurred in respect to their objective or subjective circumstances that have an effect on the payment fo annuities or other benefits (change of address, opening of a current account, change of authorised representative, etc.) within 15 days.

Article 44

Annuities and other benefits may be subject to execution orders, whereby no more than one half of such annuities or benefits may be awarded to settle maintenance claims or one third to settle other claims.

CHAPTER IV.

PENSION ANNUITY AGREEMENT

Article 45

(1) An insurance company shall have a standard form of pension annuity agreement for all types of annuities payable by it.

Article 46

A pension annuity agreement shall include, in particular, the following:

1. registered name of the insurance company and persons representing the company,
2. the pensioner's full name and surname,
3. the pensioner's address,
4. name, surname and address of spouse and named beneficiary,
5. name, surname and address of the guardian of named beneficiaries of the family annuity referred to in Article 28, Paragraph 2 hereof,
6. other data material for identifying a pensioner, spouse and named beneficiary (ID number, etc.),
7. the amount of annuity and benefits, duration of the guarantee period and amounts payable to the spouse or named beneficiaries upon the death of the insured person,
8. annuity adjustment method,
9. the pensioner's and named beneficiaries' bank account numbers,
10. annuity payment method,
11. other data material for payment of annuities and other benefits.

Article 47

(1) Each company shall deliver a copy of its proposed standard form of pension annuity agreement to the Agency at least two months before using them.

(2) Within one month after receiving a proposed standard form of pension annuity agreement, the Agency shall advise the company applying such proposed standard form of pension annuity agreement of its objections in the event such form may mislead prospective pensioners or fails to comply with the conditions hereof.

(3) In the case specified in Paragraph 2 of this Article, the Agency shall instruct such insurance company to amend such form within 30 days.

(4) Insurance companies shall be obliged to comply with Agency objections and instructions.

(5) In the event an insurance company fails to observe Agency objections, agreements it has concluded shall be void.

Article 48

Insurance companies shall advise the Agency of any changes made in its standard form of pension annuity agreement. If the Agency voices no objections to such changes within 30 days upon the receipt thereof, the insurance company may conclude pension annuity agreements on such an amended standard form.

Article 49

(1) Not earlier than two months prior to the retirement date, each member of a compulsory pension insurance fund may enter into a pension annuity agreement with such insurance company as he may select at his own discretion.

(2) Not later than fifteen days after the execution of such pension annuity agreement, entered into in compliance with Paragraph (1) of this Article 49, each pensioner shall personally deliver a copy thereof to the Central Registry of Insured Persons, which shall, upon the expiry of the period within which such agreement may be terminated under Article 50(1) hereof and having verified the retirement date, issue the relevant compulsory pension company with an instruction to remit funds the selected insurance company.

(3) Any failure to comply with the time-limit specified in Paragraph (2) of this Article 49 shall constitute grounds for the termination of the relevant pension annuity agreement.

(4) The Agency shall issue regulations specifying:

(i) procedures for the delivery of pension annuity agreements to the Central Registry;

(ii) the contents of instructions issued by the Central Registry to compulsory pension companies in connection with any remittance to be effected thereby to insurance companies.

Article 50

(1) Any person who has entered into a pension annuity agreement with a insurance company may withdraw such agreement from the Central Registry of Insured Persons within fifteen days from its execution. The withdrawal of any pension annuity agreement shall be equivalent to its termination by the party who has withdrawn such agreement, and shall be deemed effective as from the date of delivering a withdrawal notice to the Central Registry of Insured Persons.

(2) Each pension annuity agreement shall contain a provision on the possibility of withdrawing such agreement from the Central Registry of Insured Persons under Paragraph (1) of this Article 50.

Article 51

(1) A compulsory pension company managing a compulsory pension fund whose member has entered into a pension annuity agreement with an insurance company shall remit funds to such insurance company not later than five business after such compulsory pension company received an instruction from the Central Registry of Insured Persons.

(2) Each remittance from a compulsory pension company to an insurance company shall comprise all such funds as may be accumulated on the account of the concerned pension fund member and shall not be subject to any claim of the fund, in compliance with the Law on Compulsory and Voluntary Pension Fund.

Article 52

(1) If outstanding contributions payable to the personal account of a compulsory fund member have not been paid in due time, the concerned contribution payer shall meet his obligation by paying the outstanding amount, together with any

such interest as may have accrued thereto, to the insurance company with which such fund member has entered into a pension annuity agreement.

(2) In the event described in Paragraph (1) of this Article 52, the insurance company shall conclude an Annex to the Pension Annuity Agreement with the concerned pensioner, whereby it shall determine a new amount of pension annuity in accordance with such unit amounts of pension annuities as may be effective on the date of such Annex to the Pension Annuity Agreement, subject, as appropriate, to the provisions of Article 53 hereof.

Article 53

(1) For the purpose of covering their operating costs, insurance companies shall not deduct more than 5 percent of any remittance or lump-sum payment received.

(2) Following the deduction referred to in Paragraph (1) of this Article 53, insurance companies shall use any remittance and lump-sum payment to form their technical reserve funds and make payments under pension annuity agreements.

(3) Insurance companies may not charge pensioner or named beneficiaries with any fee apart from that referred to in Paragraph (1) of this Article 53.

Article 54

Should a compulsory pension company fail to remit funds within the period specified in Article 51(1) hereof, the amount of such remittance shall be payable together with a default interest, charged at a statutory rate.

Article 55

(1) An insurance company shall not enter into any pension annuity agreement if its financial statements show a shortfall in its technical reserve funds, or if an actuary notifies the insurance company that any such shortfall is likely to occur, or if legal grounds exist for the cessation of operation of such insurance company.

(2) Should a pension annuity agreement be concluded in spite of the existence of any circumstance referred to in Paragraph (1) of this Article 55, such agreement shall be deemed null and void.

Article 56

Funds remitted to insurance companies and serving as a basis for the determination of pension annuities under this Law shall, upon their transfer to insurance companies, be exempt from any and all taxes or any such other equivalent or similar charges.

CHAPTER V
FINANCIAL MANAGEMENT OF INSURANCE COMPANIES

Article 57

(1) Each insurance company shall have its own funds to an amount not lower than the solvency margin.

(2) The Agency shall pass regulations specifying the method of calculation and the level of solvency margin.

Article 58

(1) The liable capital shall constitute two thirds of the solvency margin.
(2) The level of such liable capital shall be determined by the Agency.

Article 59

Together with its annual balance sheet, each insurance companies shall submit to the Agency a calculation of the solvency margin and all such evidence as may be required to prove the possession of its own funds to an amount covering the solvency margin.

Article 60

(1) Insurance companies shall submit to the Agency their quarterly and annual financial statements signed by their respective management boards and actuaries.
(2) Annual financial statements shall also include actuarial valuations.
(3) Quarterly and annual financial statements shall be submitted to the Agency not later than three business days after their execution.
(4) Each insurance company shall submit its annual financial statements to the Agency:
(i) not later than three business days after the execution of, and together with, the respective audit report; and
(ii) not later than three business days after their adoption by the general meeting of such insurance company.
(5) The Agency shall pass regulations specifying:
(i) the principles of preparing quarterly and annual financial statements submitted to the Agency, the contents of such statements, and the format to be used by the management boards of insurance companies in certifying their accuracy;
(ii). the principles of preparing actuarial valuations to be contained in annual financial statements.

Article 61

(1) Should the amount of funds possessed by any insurance company fall short of:
(i) the required solvency margin, such insurance company shall notify the Agency thereof and, upon its request, submit thereto a plan for attaining such solvency margin;
(ii) the required liable capital, such insurance company shall forthwith notify the Agency thereof and provide it, within fifteen days, with a short-term plan containing proposals for methods to increase its own funds to the required level.
(2) The Agency shall review any plan submitted thereto under Paragraph (1) (i) and (ii) of this Article 61 and present its opinion to the concerned insurance company within fifteen days from the receipt of such plan.
(3) In its opinion delivered to an insurance company, the Agency may request modifications in any such proposal as may contained in the concerned plan. In that case, the insurance company shall submit an amended plan within fifteen days from the receipt of such opinion.

(4) If an insurance company fails to submit its short-term plan for increasing its funds, or if the Agency concludes that the proposals contained in any such plan are inappropriate and refuses to approve the plan, or if the implementation of any such plan proves unsuccessful, then the Agency may appoint an administrator, subject, as appropriate, to the provisions of Articles 75 through 78 and Article 80 hereof.

(5) The administrator shall have the right to decide on any such issue as may fall within the jurisdiction of the insurance company's management bodies in accordance with this Act or the company's articles of association.

(6) The administrator shall prepare, and consult with the Agency about, a plan to increase the funds of the concerned insurance company to the required level, and shall take all such steps as may be needed to ensure an appropriate implementation of the plan and report to the Agency, whenever it may so request, but at least once in every three months, on the progress of this task.

Article 62

(1) Each insurance company shall have its technical reserve funds under compulsory pension insurance and voluntary pension insurance, and shall be obliged to form its emergency reserves in accordance with the regulations of the Agency.

(2) Each insurance company may form its special reserves as determined in its articles of association, memorandum of association or representation on incorporation.

Article 63

(1) Technical reserve funds shall be formed from the payments made under Article 53(2) of this Law.

(2) Technical reserve funds under compulsory pension insurance shall be maintained separately from those under voluntary pension insurance.

(3) Technical reserve funds shall be used to cover current and future liabilities under pension annuity agreements.

(4) Technical reserve funds shall be increased by the yield of any investment of such funds.

(5) The Agency shall issue regulations specifying the principles of forming technical reserve funds and the types of technical reserves.

Article 64

(1) The required amount of technical reserve funds shall be calculated by the actuary of each insurance company during the preparation of its quarterly and annual financial statements.

(2) The Agency shall stipulate methods to be used by actuaries while establishing parameters for actuarial assumptions to be applied while determining the amount of technical reserves of insurance companies, as well as the frequency of calculating the required technical reserves at any such intervals as may be shorter than those specified in Paragraph (1) of this Article 64.

Article 65

A statement made by the actuary of an insurance company confirming that the value of its technical reserve funds is lower than the value of all current and future liabilities under pension annuity agreements entered into by the insurance company shall be deemed a shortfall in the technical reserve funds of such insurance company.

Article 66

(1) Should any shortfall occur in its technical reserve funds, each insurance company shall, within fifteen days, notify the Agency thereof and prepare a plan for an immediate coverage of such shortfall by using its own funds.

(2) Upon the receipt of the plan referred to in Paragraph (1) of this Article 66, the provisions of Article 61(2), (3) and (4) hereof shall apply as appropriate.

Article 67

(1) If the actuary of an insurance company confirms in its annual financial statement that the value of such company's technical reserve funds under compulsory pension insurance exceeds 110 percent of the value of all current and future liabilities under pension annuity agreements entered into by such insurance company, the latter may allocate any amount in excess of such value in accordance with Paragraphs (3) and (4) of this Article 67.

(2) If the value of an insurance company's technical reserve funds under compulsory pension insurance exceeds 115 percent of all current and future liabilities under pension annuity agreements entered into by such insurance company, the latter shall be obliged to allocate any amount in excess of such value in accordance with Paragraphs (3) and (4).

(3) Insurance companies shall allocate any amount in excess of the levels specified in Paragraphs (1) and (2) of this Article 67 by increasing their emergency reserves by one fourth of such amount, while the balance shall be allocated for the coverage of liabilities under Article 41(1) hereof.

(4) The portion of any such excess amount earmarked for payouts shall be allocated to pensioner in proportion to the amount of their life pension annuities.

(5) Insurance companies shall pay any such excess amount to pensioner within sixty days from the adoption of their annual financial statements by their general meetings.

Article 68

(1) Insurance companies shall invest their technical reserve funds into the following assets:

(i) treasury bills of the Ministry of Finance and the Croatian National Bank;

(ii) government bonds;

(iii) other government securities or securities guaranteed by the Republic of Croatia, and loans granted or guaranteed by the Republic of Croatia;

(iv) bonds issued by local self-government units or local administration and self-government units;

(v) bonds issued by legal entities other than those specified under Items (i) through (iv) of this Paragraph, which are traded on organised markets;

(vi) mortgage bonds;

(vii) real estate;

(viii) shares traded on organised markets;

(ix) bank deposits;

(x) shares in closed-end and stocks of open-end investment funds;

(xi) price-indexed government bonds;

(xii) price-indexed bonds issued by local self-government units and local administration and self-government units;

(xiii) price-indexed bonds issued by legal entities other than those specified under Items (i) through (iv) of this Paragraph, which are traded on organised markets, and price-indexed mortgage bonds;

(2) The Agency shall pass regulations providing for other types of assets in which insurance companies may invest their technical reserve funds, provided that the total value of such investments shall not exceed five percent of the value of technical reserve funds.

Article 69

(1) Each investment of technical reserve funds in any of the assets specified in Items (i) through (xiii) of Article 68(1) shall be subject to the following restrictions:

(i) not more than 10 percent of technical reserve funds may be invested in the assets specified in Item (iii) of Article 68(1) hereof;

(ii) the value of technical reserve funds invested into a single issue of mortgage bonds under Item (vi) of Article 68(1) hereof shall not exceed 50 percent of the value of the real estate based on which such mortgage bonds have been issued;

(iii) not more than 5 percent of technical reserve funds may be invested in a single real estate unit under Item (vii) of Article 68(1);

(iv) not more than of 5 percent of technical reserve funds may be invested in bank deposits under Item (ix) of Article 68(1) hereof, if such deposits are held with a single bank, and not more than 7.5 percent of technical reserve funds may be invested in bank deposits under Item (ix) of Article 68(1) hereof, if such deposits are held with several banks which constitute affiliated entities;

(v) not more than 20 percent of technical reserve funds may be invested in assets under Item (x) of Article 68(1) hereof, of which not more than 5 percent may be invested in a single investment fund;

(vi) not more than 5 percent of technical reserve funds may be invested in securities issued by a single issuer or several issuers constituting affiliated entities;

(vii) not less than 50 percent of technical reserve funds under compulsory pension insurance shall be invested in the assets specified in Item (xi) of Article 68(1) hereof;

(viii) not more than 20 percent of technical reserve funds under compulsory pension insurance may be invested in assets under Item (xii) of Article 68(1) hereof; and

(xi) not more than 20 percent of technical reserve funds under compulsory pension insurance may be invested in assets under Item (xiii) of Article 68(1) hereof.

(2) The value of technical reserve funds invested in the assets specified in Items (i) through (x) and Items (xii) and (xiii) of Article 68(1) hereof shall not exceed the share capital referred to in Article 7(1) and (2) of this Law.

(3) Prior to any additional investment of technical reserve funds in the assets referred to in Paragraph (2) of this Article 69, the share capital shall be increased by the amount of such additional investment.

(4) The provision of Paragraph (2) of this Article 69 shall not apply to the value of technical reserve funds used for the payment of floating pension annuities.

(5) The Agency shall pass regulations specifying the maximum portion of an insurance company’s technical reserve funds which may be invested in specific categories of assets under Article 68(2) of this Law.

(6) The Agency shall pass regulations on the investment of technical reserve funds outside the Republic of Croatia, including the specific terms and conditions of such investment.

Article 70

Technical reserve funds shall not be invested in:

(i) shares or other securities issued by insurance companies; and

(ii) shares or other securities issued by entities affiliated with insurance companies.

Article 71

(1) In case of any divergence from the restrictions set forth in Articles 68, 69 and 70 hereof caused by:

- any change in market prices constituting a basis for the valuation of technical reserve funds;
- any change in exchange rates;
- any change in organisational or economic relations among the entities in which technical reserve funds have been invested; or
- any other circumstance over which an insurance company has no direct control,

such insurance company shall then undertake all such measures as may be required to ensure the compliance of its activities related to the investment of technical reserve funds with the provisions of this Law;

(2) The compliance of activities related to the investment of technical fund reserves shall be ensured not later than six months after any restriction on investment was transgressed, or after the date on which, following the valuation of technical reserve funds, it was confirmed that such transgression had occurred, whichever may occur earlier.

(3) Should this be required to protect the interests of pensioners, the Agency may extend the period specified in Paragraph (2) of this Article 71 upon a request to be submitted thereto by the concerned insurance company not later than 30 days after any transgression occurred or after the occurrence of any transgression was confirmed.

Article 72

(1) No insurance company shall sell its assets to;

(i) any member of its management or supervisory board;

(ii) any of its employees;

(iii) the spouses, narrow family and kinship to the eight degree of any of the persons specified in Items (i) and (ii) of this Article 72(1);

(iv) its stockholders or shareholders; and

(v) any legal entity constituting an affiliated person in relation to such insurance company.

(2) No insurance company shall buy assets from any of the individuals and legal entities specified in Paragraph (1) of this Article 72.

(3) No insurance company shall grant loans and issue guarantees.

CHAPTER VI
GROUNDS FOR THE CESSATION OF OPERATIONS OF INSURANCE COMPANIES

Article 73

Any insurance company shall cease to operate if:

(i) its operating licence has been revoked;

(ii) it is taken over by or merges or with another insurance company; or

(iii) bankruptcy or winding-up proceedings have been instituted against such insurance company, or in any such other case as may be stipulated by law.

Article 74

(1) The Agency shall revoke the operating licence of any insurance company under Article 73(i) hereof:

(i) when losses of such insurance company from the preceding year or its uncovered losses from the previous years reach the level of its share capital; or

(ii) if such insurance company fails to operate with due care and diligence, in accordance with sound business practices and in the interest of pensioners;

(2) Before passing its decision to revoke any operating licence, the Agency shall issue the concerned insurance company with a written instruction to rectify any deficiency in its operations within a specified period.

(3) If any insurance company fails to comply with the provision of Paragraph (2) of this Article 74, the Agency shall pass a decision revoking its operating licence.

(4) The Agency's decision to revoke an operating licence shall be deemed final. An administrative suit may be instituted against any such decision.

(5) The revocation of any operating licence shall be entered into the Companies Register, pursuant to the Agency's notification thereof.

Article 75

(1) In the event referred to in Article 74(3) hereof, the Agency shall, by its written decision, appoint an administrator.

(2) Such administrator shall be appointed for a maximum period of six months, but the Agency may extend his term of office by passing a separate decision thereon.

(3) All duties of an administrator, the time-limits for the accomplishment of specific tasks, as well as any fee payable to such administrator shall be determined by the Agency's decision on his appointment.

(4) The appointment of any such administrator shall be entered into the Companies Register.

Article 76

Upon the delivery of a decision on the appointment of an administrator, all powers of the management bodies, supervisory board and general meeting of the concerned insurance company shall be terminated and, at the same time, temporarily assumed by such administrator.

Article 77

(1) Administrators shall have access to and control over the assets, offices, business records and other documents of insurance companies.

(2) Administrators shall be obliged to protect technical reserve funds and take all such steps as may be required to ensure a regular payment of pension annuities under agreements concluded with insurance companies.

(3) Following the appointment of an administrator, the insurance company in question shall not enter into any additional agreement on pension annuities or any such other annuity benefit.

Article 78

The powers of an administrator shall be terminated:

(i) upon the expiry of any such period as may be specified in the decision on his appointment; or

(ii) upon the revocation of the decision on his appointment.

Article 79

(1) The Agency shall, within 15 days from the effectiveness of its decision to revoke an operating licence, address to the existing insurance companies a public invitation to submit, within 15 days, their bids to take over pensioners under pension annuity agreements concluded on the basis of compulsory pension insurance.

(2) In any such public invitation, the Agency shall specify all such methods as may be used to cover any shortfall in technical reserve funds and all such sources as may be available for the coverage of such shortfall, as well as the amount of any such compensation as may be payable to the insurance company in question.

(3) Following the submission of bids under Paragraph (1) of this Article 79, the Agency shall select an insurance company to which it shall, pursuant to its decision, assign all of the available assets. Such insurance company shall take over all of the agreements and proceed with the payment of pension annuities to the existing pensioners.

(4) If, following a public invitation under Paragraph (1) of this Article 79, no insurance company submits its bid to take over pensioners, the Agency shall select an insurance company in favour of which it shall cover any shortfall in technical reserve funds, pay any such compensation as may be payable thereto and, pursuant to its decision, assign all of the available assets.

(5) The insurance company referred to in Paragraphs (3) and (4) of this Article 79 may take over all of the existing agreements or enter into new pension annuity agreements, provided that such new agreements shall not contain any less favourable term or condition.

Article 80

The Agency may decide to initiate winding-up proceedings against any insurance company in any of the following events:

(i) The Agency has established that such company performs its activities in any such manner as may be contrary to the provisions of this Law, its articles of association, memorandum of association or representation on incorporation, or in any such manner as may constitute a threat to the interests of its pensioners;

(ii) The Agency has established that such insurance company fails to pay pension annuities or any such other annuity benefits, or pays them only in part;

(iii) The event described in Article 61(4) has occurred, but the administrator appointed by the Agency has failed to establish an appropriate financial situation in such insurance company; or

(iv) The insurance company has failed to cover a shortfall in its technical reserve funds by such date as may be specified therefor.

Article 81

Prior to passing any decision to institute winding-up proceedings, the Agency may give to the insurance company in question a specific time-frame within which the latter has to ensure the compliance of its activities with appropriate standards, provided that such time-frame shall not exceed six months.

Article 82

(1) Each insurance company shall forthwith notify the Agency of the occurrence of any event constituting grounds for a voluntary winding-up, and provide it with detailed data on its liquidator.

(2) The Agency may appoint a liquidator *ex officio*, in addition to that referred to in Paragraph (1) of this Article 82.

Article 83

(1) While an insurance company undergoes winding-up proceedings, its technical reserve funds shall not be used to settle any claims apart from those arising from pension annuity agreements entered into by such insurance company.

(2) Should a shortfall in technical reserve funds be identified during winding-up proceedings against an insurance company whose funds possessed by are not sufficient for covering such shortfall, the liquidator shall request from the competent court to declare the bankruptcy of such insurance company and, at the same time, notify the Agency thereof.

Article 84

If winding-up proceedings are instituted against an insurance company for reasons other than those specified herein, and if its liquidator has reasonable grounds to believe that a shortfall in technical reserve funds may have occurred, such liquidator shall request from the Agency to appoint an independent actuary for the purpose of assessing the actual situation.

Article 85

(1) The bankruptcy of any insurance company shall be subject to the effective bankruptcy regulations, unless otherwise stipulated by this Law.

(2) Before considering any proposal to institute bankruptcy proceedings against an insurance company, the Commercial Court shall seek an opinion from the Agency. If the Agency fails to offer any opinion within 15 days from the submission of such proposal, the Agency shall be deemed to have given a positive opinion.

(3) If bankruptcy proceeding have been instituted against any insurance company, the commercial court shall, having consulted the Agency appoint an official

receiver to represent, in particular, the interests of pensioners and other beneficiaries during the course of such bankruptcy proceedings.

(4) Technical reserve funds shall not be included into any bankruptcy estate.

Article 86

Should an insurance company cease to operate as a result of its winding-up or bankruptcy, the provisions of Article 79 hereof shall, as appropriate, apply to the take-over of all pensioners under pension annuity agreements concluded on the basis of compulsory pension insurance.

Article 87

(1) Any insurance company may be taken over by or merge with another insurance company.

(2) An insurance company may be taken over or merge with another pension insurance company subject to a prior approval to be obtained from the Agency and the Anti-Trust Agency.

(3) The approval referred to in Paragraph (2) of this Article 87 shall be requested by both insurance companies in question.

(4) The Agency may stipulate special terms and conditions for mergers and take-overs of insurance companies.

Article 88

Insurance companies shall announce the contents of any approval for merger or take-over in any such daily newspaper as may be distributed throughout the territory of the Republic of Croatia.

CHAPTER VII
GUARANTY FUND
Article 89

(1) A guaranty fund shall be established to ensure a regular payment of pension annuities to any member of a compulsory pension fund or any member of the family of a deceased fund member in cases where the insurance company which undertook to pay pension annuities is no longer able to pay such pension annuities on a regular basis and to such monthly amount as may be specified in the concluded pension annuity agreement.

(2) Such guaranty fund shall be a special fund maintained with the Croatian National Bank.

(3) All instructions for the use of monies from the guaranty fund shall be issued by the Agency.

Article 90

(1) The amount of pension annuities payable under Article 89 hereof shall be equal to any such amount of pension annuities as may be agreed upon and adjusted under the provisions of this Law.

(2) The Republic of Croatia shall guarantee a full payment of pensions annuities from the guaranty fund and the central budget.

Article 91

(1) The guaranty fund shall consist of contributions paid by insurance companies and any such interest as may accrue thereon.

CHAPTER VIII
SUPERVISION

Article 92

(1) The operations of insurance companies shall be supervised by the Agency.
(2) In exercising such supervision, the Agency shall in particular:
(i) supervise the operations of insurance companies and the payment of pension annuities and other pension benefits to pensioners hereunder;
(ii) revoke operating licences;
(iii) supervise the investment of insurance companies' funds;
(iv) monitor the application of this Law and report thereon to the Ministry of Labour and Social Welfare, the Government of the Republic of Croatia and the Croatian National Parliament at least once per year;
(v) provide expert assistance to insurance companies; and
(vi) perform all such other tasks as may be required by this Law and the Law on Compulsory and Voluntary Pension Funds.
(3) No information or knowledge obtained or acquired by the Agency in the performance of tasks falling within its jurisdiction shall be used for private purposes or disclosed in public if such information or knowledge constitutes a business secret of any insurance company.

Article 93

In exercising supervision under this Law, the Agency shall take all such steps as may be required to protect the interests of pensioners.

Article 94

(1) In exercising supervision, the Agency shall have the right and authority:
(i) to request from any insurance company all documents related to the activities thereof; and
(ii) to request any information from or interview with any member of the management board, supervisory board or any employee of an insurance company;
(2) Any person authorised by the Agency's director shall have the right to enter the premises of any insurance company in order to establish whether such insurance company operates in compliance with law, its articles of association, memorandum of association or representation on incorporation.
(3) The person referred to in Paragraph (2) of this Article 94 shall have the right:
(i) to inspect any book, document or other records;
(ii) to request a copy of any such document or records;

(iii) to request any information from the management members and employees of the insurance company undergoing supervision;

(4) Each insurance company shall take all such steps as may be required to ensure that any person authorised to carry out inspection has access to all such books, documents and other records related to the activities of such insurance company as may be kept by third parties to whom some of the activities have been entrusted under special contracts.

(5) The Agency's director shall, as appropriate, decide on the conduct of any inspection.

(6) After the person authorised to carry out inspection prepares a protocol, the Agency shall notify the inspected insurance company of any irregularity as may have been identified and set a time-limit for its rectification.

(7) If the insurance company in question fails to rectify any such deficiency or irregularity by the specified time-limit, the Agency may revoke its operating licence. Should any conduct or act punishable by law be discovered, the Agency's director may, as appropriate, report such conduct or act to the competent government authority.

Article 95

(1) Each insurance company shall notify the Agency of:

(i) any change in its corporate name, registered office, by-laws, or articles of association;

(ii) any of its shareholders or members as soon as it learns that his stocks or share in the company exceeds 5 percent;

(iii) any change in its share capital; and

(iv) its decision to cease to operate.

(2) Insurance companies shall send all notifications under Paragraph (1) of this Article 95 not later than eight days after the occurrence of any such change to which they may pertain.

Article 96

(1) For the purpose of exercising an appropriate supervision over any insurance company, the Agency may request such insurance company to convene a meeting of its management board and put on the agenda any such matter as the Agency may deem necessary.

(2) In the event described in Paragraph (1) of this Article 96, the Agency shall appoint a representative to participate in the meetings of the management board of the insurance company in question, and such representative shall have the right to take part in the discussion on any such matter as may be placed on the agenda.

Article 97

(1) Each pensioner or named beneficiary may lodge a complaint with the Agency if he believes that his insurance company fails to comply with the pension annuity agreement.

(2) Pursuant to any such complaint, the Agency shall investigate the state of affairs and take all such measures as may be necessary, notifying thereof the complainant.

CHAPTER IX
INDEMNIFICATION
Article 98

(1) Each insurance company shall have the right to be indemnified by any party which has unauthorisedly received any cash payment therefrom.

(2) The provisions of the Obligations Law Act shall, as appropriate, apply to the determination of any indemnification under Paragraph (1) of this Article 98.

CHAPTER X
PENALTY CLAUSES
Article 99

(1) An insurance company shall be deemed to have committed an offence:

(i) if, contrary to the provision of Article 5(4) hereof, it awards additional rights or privileges to certain stockholders or shareholders, or limits their rights, or imposes additional obligations thereon;

(ii) if, contrary to the provision of Article 6(2) hereof, it deals with other insurance products,

(iii) if it fails to increase its share capital pursuant to the provisions of Articles 7(2) and 69(3) hereof;

(iv) if, prior to any transaction involving its stocks or shares, it fails to seek an approval from the Agency pursuant to the provision of Article 9 hereof;

(v) if it employs any member of its management board or appoint any member of its supervisory board contrary to the provisions of Articles 10, 11 and 12 hereof;

(vi) if, contrary to the provisions of Article 23 hereof, it offers any additional payment or privilege to any person, employer, trade union or other legal entity, or any such party as may be affiliated therewith.

(vii) if, contrary to the provision of Article 24 hereof, it makes any representation or issue any statement, either orally, through advertisements or other promotional materials, or in the form of information given to fund members, which may be misleading or convey false information;

(viii) if it employs any actuary contrary to the provisions of Articles 26 and 27 hereof;

(ix) if it refuses to enter into a pension annuity agreement with any member of a compulsory pension fund or with any member of the family of a deceased fund member contrary to the provision of Article 29 hereof;

(x) if it fails to furnish the Agency with all data on the proposed unit amounts of pension annuities and guaranteed payments to pensioners, and notify the Agency of any such change as may occur therein pursuant to the provisions of Article 38 hereof;

(xi) if it fails to define a standard form for its pension annuity agreements or uses such standard form contrary to the provisions of Articles 45, 46, 47 and 48 hereof;

(xii) if, for the purpose of covering its costs, it deducts an excessive percentage from any remittance or lump-sum payment received or charges pensioners or named beneficiaries with any other fee contrary to the provisions of Article 53 hereof;

(xiii) if its enters into a pension annuity agreement contrary to the provision of Article 55(1) hereof;

(xiv) if it fails to supply the Agency with its quarterly or annual financial statements within the periods specified in Article 60 hereof;

(xv) if it fails to notify the Agency of the position of its own funds in the events and within the periods specified in Article 61 hereof;

(xvi) if it fails to maintain its technical reserve funds under compulsory pension insurance separately from its technical reserve funds under voluntary pension insurance, or uses such funds contrary to the provisions of Article 63 hereof;

(xvii) if it fails to notify the Agency of any shortfall in its technical reserves within the stipulated period and fails to prepare a plan for an immediate coverage of such shortfall pursuant to the provisions of Article 66 hereof;

(xviii) if it fails to allocate any surplus of its technical reserve funds pursuant to the provision of Article 67(1) hereof;

(xix) if it invests its technical reserve funds contrary to the provisions of Articles 68, 69, 70 and 71 hereof;

(xx) if it disposes of its assets or acquires any assets contrary to the provisions of Article 72 hereof;

(xxi) if, following the appointment of an administrator, it enters into any additional pension annuity agreement contrary to the provision of Article 77(2) hereof;

(xxii) if it fails to ensure the compliance of its activities with appropriate standards within any such time-frame as may be set by the Agency pursuant to the provision of Article 81 hereof;

(xxiii) if it fails to notify the Agency of the occurrence of any event constituting grounds for its voluntary winding-up pursuant to Article 82 hereof;

(xxiv) if it fails to take all such steps as may be required to ensure that any person authorise to carry out inspection has access to all books, documents and other records, and to rectify-limit any deficiency or irregularity by such time-limit as may be specified therefor pursuant to the provisions of Article 94 hereof; or

(xxv) if it fails to notify the Agency of any change in such insurance company pursuant to Article 95 hereof;

(2) Insurance companies shall be liable to a fine ranging from HRK 20,000 to 100,000 for any offence under Paragraph (1) of this Article 99.

(3) The responsible officers (i.e. management members or directors) of insurance companies shall be liable to a fine ranging from HRK 10,000 to 50,000 for any offence under Paragraph (1) of this Article 99.

(4) Should an insurance company repeatedly commit any offence under Paragraph (1) of this Article 99, such insurance company shall be liable to the revocation of its operating licence.

(5) In addition to any such fine as may be imposed for the offence described in Paragraph (1)(v) of this Article 99, the person in question shall be liable to a prohibitive measure preventing such person from discharging any duties of a management or supervisory board member during a period of two years.

(6) Persons convicted of any offence under Paragraph (1) of this Article 99 shall not act as responsible officers (management members or directors) in insurance companies during a period of two years following the execution of any such penalty as may have been imposed thereon.

Article 100

A pensioner shall be liable to a fine ranging from HRK 1,000 to 10,000:

- if he fails to indicate in his pension annuity agreement accurate data on his spouse or minor child as the named beneficiary, or fails to enter therein any of such data (Articles 32(2), 36(2) and 46).

- if he enters into a pension annuity agreement contrary to the provisions of Article 36(3) of this Law.

CHAPTER XI
TRANSITIONAL AND FINAL PROVISIONS

Article 101

By way of derogation from the provisions of Article 10(3) hereof, all members of insurance companies' management boards shall obtain their licences to manage insurance companies by 31 December 2000.

Article 102

The Agency shall, by the effective date of this Law, pass all such regulations governing the application hereof as may fall within its jurisdiction.

Article 103

(1) Insurance companies which have, until the entry into force of this Law, dealt with compulsory pension insurance under the provisions of the Insurance Act (as published in *Narodne novine* /Official Gazette of the Republic of Croatia/, no. 90/94, 46/97 – consolidated text and 50/99), shall harmonise their organisation and operations with the provisions of this Law by 31 December 2000.

(2) While performing any of their business transactions, the insurance companies referred to in Paragraph (1) of this Article 103 shall, pending their registration into the Companies Register, clearly indicate the following words: "The company is not under the supervision of the Agency for Supervision of Pension Funds and Insurance".

Article 104

This Law shall enter into force eight days after the date of its publication in *Narodne novine* (Official Gazette) and become effective as from 1 January 2000.

Class: 453-02/99-02/01
Zagreb, 1 October 1999

CROATIAN NATIONAL PARLIAMENT
HOUSE OF REPRESENTATIVES
Vlatko Pavletić, Academy Member (singed)
President of the House of Representatives of
the Croatian National Parliament

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