

# INSURANCE SECTOR

1.04

## WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
<b>INSURANCE CONTRACT LAW</b>				
The enactment of a special Insurance Contract Law that would consolidate the provisions of the contractual insurance law. Creation of a working group of prominent lawyers in this field (distinguished professors, experts, people from the insurance industry, lawyers specialized in insurance law, etc.) who know both theory and practice, but also tendencies in the European countries and who would make a significant contribution to the development of the insurance market in our country. A good basis can be the Draft Insurance Contract Law prepared by the UOS which fully protects the rights and interests of insurance service consumers in line with the highest EU standards.	2022			√
<b>MEDIATION AS A MANDATORY STEP BEFORE THE INSURANCE COURT DISPUTE</b>				
Stipulate insurance mediation as a mandatory step before proceeding to litigation.	2022			√
<b>LIFE INSURANCE – EXEMPTION FROM TAXABLE INCOME OF PERSONAL INSURANCE FEES</b>				
Amendment of Article 9, paragraph 1, items 6) and 7) of the Law on Personal Income Tax which stipulate the exemption from taxable income the earnings of natural persons in respect of certain types of insurance benefits, extending the application of the stipulated exemption from taxation of all benefits from personal insurance and the deletion of Article 84, related to the taxation of a natural person's income generated from personal insurance, as follows: - In Article 9, paragraph 1, item 6) after the wording "except salary compensation", the following wording should be added "benefits from property insurance and benefits from personal insurance in accordance with the law regulating voluntary insurance;" - Article 9, paragraph 1, item 7) – to be deleted. - Article 84 – to be deleted.	2021			√
<b>ELIMINATION OF DOUBLE TAXATION FOR UNIT LINK PRODUCTS AND INVESTING IN INVESTMENT FUNDS</b>				
Since the insurance company only has formal ownership of the investment fund units, i.e. cannot freely dispose of them and the payment of insurance benefit to a natural person (difference between the insured sum obtained from the sale of the fund units by the insurance company and paid premiums) represents a taxable income of a natural person, the Law on Corporate Profit Tax should be amended in a way that would exempt the income generated by the sale of investment units linked to life insurance from the calculation of capital gains in the tax balance sheet of the insurance company. In this way, double taxation is not completely eliminated, but the income generated from the sale of this type of investment units is only excluded from the calculation of capital gains, but it is nevertheless included in the insurance company's taxable profit as its "regular income".	2021			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Corporate Profit Tax Law should be amended as follows: - in Article 27, paragraph 1, item 4), after the wording "in accordance with the law regulating investment funds", the following wording should be added "except in the case of purchase of investment units to which life insurance is linked in accordance with the law regulating voluntary insurance".	2021			√
<b>LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM</b>				
Article 4 of the Law by adding a new paragraph 4 after paragraph 3 should be amended to read: "Notwithstanding the provisions of paragraph 1, item 6) of this Article, insurance companies that have a license to engage in life insurance, insurance brokerage companies when performing life insurance brokerage activities, insurance agencies, insurance agents and banks that have a license to perform the activities of life insurance shall not be considered entities liable for due diligence under this Law with regard to life insurance contracts that do not have a savings component (do not cover the risk of pure endowment)."	2021			√
Article 8 of the Law should be supplemented by adding a new paragraph 3 after paragraph 2 which reads: "Notwithstanding paragraph 1 of this Article, the liable entity from Article 4, paragraph 1, item 6) of this Law is not required to perform the measures from Article 7 of this Law when concluding a new life insurance contract when the insurance premium is paid from the insured amount or mathematical reserve or its part, based on expiration or surrender of the existing life insurance contract during the conclusion of which the liable entity has already performed the actions and measures of customer due diligence in accordance with the Law, provided that under the new insurance contract, the policyholder and beneficiary do not change."	2021			√
Article 18 of the Law should be amended in order to define the conditions for establishing customer identity via qualified electronic signature which are technically feasible in practice.	2020			√
<b>AUTO INSURANCE MARKET</b>				
Allow the possibility of issuing the compulsory auto liability insurance policy in electronic form as an e-Document.	2019			√
<b>LAW ON ROAD TRAFFIC SAFETY</b>				
Article 7 of the Law on Road Traffic Safety should be amended to include a definition of electric scooters in paragraph 1, item 34a: „an electric scooter is a motor vehicle with two wheels, with its own electric drive“.	2021		√	
Obligation of third-party liability insurance should be introduced for electric scooter owners.	2021			√
<b>LAW ON TRANSPORTATION OF CARGO IN ROAD TRAFFIC</b>				
Article 7 of the Law on Transport of Cargo in Road Traffic should be amended to stipulate insurance policy of the carrier's professional liability as a mandatory requirement for obtaining a transport license.	2021			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
<b>HEALTHCARE LAW</b>				
Enable health care providers by the Healthcare Law to diagnose or prescribe treatment by telephone or online consultations.	2021			√
<b>LAW ON HEALTH INSURANCE</b>				
Amendment to the Law on Health Insurance so that:	2021			
a) the text of the current Article 179 should be amended to read: “The contract on voluntary health insurance shall be concluded based on a previous offer for concluding a contract on voluntary health insurance (hereinafter: the Offer) given by an insurer to the person wishing to conclude a contract on voluntary health insurance. The offer referred to in paragraph 1 of this Article shall contain relevant information on voluntary health insurance policyholders, insurance start date, insurance waiting period, as well as the insurance end date, amount and deadlines for payment of insurance premium, maximum contracted amounts per coverage risks and other elements of importance for insurance contracting.”				√
Relevant information on the voluntary health insurance policyholders from paragraph 2 of this Article shall be: 1. name and surname, 2. Personal identification number, or registration number for foreign citizens. In the case of collective insurance, an insurer may submit a single consolidated offer containing the data from the previous paragraph of this article on each individual to be covered by collective insurance. The offer referred to in paragraph 1 of this Article, as well as the consolidated offer from paragraph 4 of this Article shall also contain as relevant the data on previous health condition of the voluntary health insurance policyholder which are necessary for the insurer to assess the insurance risk. Notwithstanding the provisions of this Article, when the insurance company concludes with a policyholder a contract on collective voluntary health insurance of employees, where the insured persons are entitled to the payment of insurance indemnity directly from the insurance company and where the paid indemnity does not cover treatment costs, the insurance contract can be concluded based on official records of employed insurance policyholders.				√
b) the text of the existing paragraph 1 of Article 182 should be amended to read: „An insurer shall issue a voluntary health insurance document to any voluntary health insurance policyholder who does not use his insurance rights directly at the insurer on the date of issuing the policy and no later than 60 days from the date of issuing the policy.”				√
Amend the Law on Insurance – introduce penalty clauses for all persons engaged in insurance activities or underwriting activities against a fee without a prior permission obtained from the competent authorities.	2022			√
If the NBS considers the existing penalty clauses sufficient, introduce reinforced control of compliance with these clauses and their implementation if it is established that a person not holding a relevant permit is engaged in the insurance activities or underwriting activities.	2022			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
<b>LAW ON INJURIES AT WORK</b>				
Occupational Safety and Health Directorate should propose the adoption of the Law on Insurance against Occupational Injuries, Occupational Diseases and Diseases Related to Work.	2022			√
<b>LAW ON PUBLIC PROCUREMENT ("RS OFF. GAZETTE", NO. 91/2019) AND PUBLIC PROCUREMENT PORTAL</b>				
The following provisions of the Law on Public Procurement should be amended/supplemented: Article 114, Article 116 and Article 132 as follows:	2022			√
In Article 114, a new paragraph 6 should be added after paragraph 5, which would read: "Economic entities that perform activities that is the subject of public procurement on the basis of a special permit (license) of the competent authority on the territory of the Republic of Serbia shall be considered to meet all criteria for the selection of economic entities from paragraph 1 of this Article and the contracting authority for the public procurement of such services may not set special criteria when drafting public invitations and tender documents".				√
In Article 114, a new paragraph 7 should be added after paragraph 6, which would read: "If special regulations for certain areas stipulate conditions that business entities should meet, the contracting authority may not set special requirements from these areas as selection criteria."				√
In Article 116, a new paragraph 8 should be added after paragraph 7: "Financial and economic capacity shall only be assessed on the basis of financial and economic criteria of economic entities and not some other indicators and parameters that are unrelated to the financial and economic domain."				√
In Article 132, a new paragraph 3 should be added after paragraph 2 which would read: "If a special law for some services and works stipulates a deadline for the performance of a service and/or works, the Client shall not set the deadline for the performance of such service and/or works as a criterion for determining the most economically advantageous offer".				√
<b>DATA ON COMPLAINTS AGAINST THE WORK OF INSURANCE COMPANIES AND VOLUNTARY PENSION FUNDS MANAGEMENT COMPANIES</b>				
Given that insurance companies are required to provide the NBS on a quarterly basis with data on the number of complaints received in the previous quarter, NBS already has this data and, in our opinion, they could very easily and without much additional effort publish this data in the above-mentioned report so that they would also be available to the public.	2022			√

## OVERVIEW OF THE INSURANCE MARKET 1.00

### CURRENT SITUATION

There are 20 insurance companies in Serbia. Sixteen companies exclusively engage in insurance business, while four companies are involved in reinsurance. Among insurance companies, there are four specializing in life insurance, while six companies offer non-life insurance, including both life and non-life coverage.

The market remains highly concentrated: i) the market leader, Dunav, holds a 26.43% market share. ii) the three largest insurers collectively control 57.76% of the market. iii) the top five insurance companies possess a 75.8% market share.

Companies with majority foreign ownership (15 out of 20) undoubtedly dominate the market, accounting for 73.42.3% of assets (60.05.9% in non-life insurance premium and 87.18.3% in life insurance premium).

The insurance market had a premium of 133,9 billion dinars (approximately 1.1 billion euros), which represents a 12.2% increase compared to the same period in the previous year (year-end).

Concluding from the comparative indicators for 2022 and the previous year, several noteworthy changes in the observed year include:

- The balance sheet of the insurance sector experienced a slight increase of 0.8%, reaching 336.6 billion dinars.
- Capital decreased by 11.2%, primarily due to changes in unrealized gains and losses, resulting in a total capital of 72.0 billion dinars.
- Technical reserves saw a growth of 4.8%, amounting to 229.7 billion dinars, with the entire amount of technical reserves invested in prescribed forms of property.
- The total premium increased by 12.2%, reaching 133.9 billion dinars.
- Non-life insurance continues to dominate, representing

78.6% of the total premium. Non-life insurance premium experienced a growth of 14.0%, while insurances with significant participation, such as liability insurance due to motor vehicle use and property insurance, recorded nominal increases but also real decreases.

- The share of life insurance decreased, mainly due to the higher growth of non-life insurance premiums compared to the growth of life insurance premiums.

The establishment of insurance companies and their activities are mainly regulated by the Insurance Law (Official Gazette RS, 139/2014 and 44/2021), and by the relevant by-laws of the National Bank of Serbia (NBS).

Other significant legal sources include the Law on Mandatory Traffic Insurance, the Law on Health Insurance, the Law on the Protection of Financial Service Consumers in Distance Contracts and the Law on Contracts and Torts (Law on Obligations). The lateral relevant legal source is the Law on Road Traffic Safety.

A large number of insurance companies and other insurance market participants try to adapt their services to the digital world. However, besides technical, cultural and other barriers, regulations are also an important limiting factor. Although in recent years, huge strides have been made towards creating conditions for digital business, there is still room for improvement. This primarily refers to the vehicle liability market where policies still have to be issued according to the law on predefined forms printed by the Institute for Production of Banknotes and Coins – Topčider, which practically renders digital business impossible. Also, regulations in the area of prevention of money laundering and terrorism financing are an important limiting factor, as it does not recognize the exceptions previously recommended, which would contribute to the sale of life insurance through digital channels on the market of the Republic of Serbia taking hold in practice.

The impact of the COVID – 19 virus pandemic is certainly not to be underestimated. However, remote business activities and work from home have contributed to the faster expansion of digital sale channels, as well as to an increasing level of digitalization of the insurance companies' business operations.

## INSURANCE CONTRACT LAW 1.00

### CURRENT SITUATION

Insurance contract law is regulated by the provisions of the Law on Contracts and Torts ("SFRY Off. Gazette", no. 29/78, 39/85, 45/89 – CCY decision and 57/89, "FRY Off. Gazette", no. 31/93, "SCG Off. Gazette", no. 1/2003 – Constitutional Charter and "RS Off. Gazette", no. 18/2020) from 1978 last amended 19 years ago.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

The Law on Contracts and Torts was passed more than forty years ago and was last amended nineteen years ago. Although it is one of the better laws that was taken over in all neighboring countries after the breakup of the old state, some segments simply do not correspond to the present time.

There are several reasons for passing a special Insurance Law:

- Alignment with the changed circumstances and market needs

As mentioned before, the Law on Contracts and Torts was passed and subsequently amended a long time ago. At the time, the insurance market was not as developed in our country as it is today, and the same goes for the awareness of individuals about the importance of insurance. Furthermore, some provisions of the Law on Contracts and Torts which regulated the subject matter of insurance are in some ways outdated and do not follow the needs of the market, or practice in the European Union, to which Serbia also aspires, because they do not adequately protect the rights of beneficiaries. This was also recognized by the NBS, so these provisions were included in the status Insurance Law and NBS by-laws;

- Faster and easier passing of laws and simpler amendments

We are aware that work on the new Civil Code of Serbia is currently in progress and that the idea is to also integrate the provisions of insurance contract law in the Code. However, the fact is that the passing of the Code has been ongoing

for years and it is still uncertain when it will be adopted. The needs of the insurance market, both of the insurer and the insured, require the fastest possible response by the regulator and legislator so that adequate regulations could make a good basis for the further market development. Also, changes in this legal matter require a faster response and, in our opinion, a difficult process of amending regulations should not be an obstacle to market development. During the pandemic, we witnessed a higher need for the issuance of insurance certificates instead of policies, for a higher volume of distance contracts, etc. Since the Civil Code will incorporate a larger scope of different types of civil law, it is not realistic to expect that it will be amended whenever a need for a single contract arises. We are therefore of the opinion that the subject matter of contractual insurance law should be included in a separate law.

- Harmonization with the law of the European countries

A separate Insurance Contract Law is present in legislations world-wide (it exists in Germany, France, Italy, Spain, Belgium and a number of other developed countries) and has proven to be a good solution. The tendency of our country is to follow European standards and to aspire towards the European Union, so the passing of a special Insurance Contract Law would be another step forward in that direction. In this way, we would be the first state in the region to follow developed European countries in that area. The tendency in the European Union to regulate the subject matter of insurance contracts separately is a sufficient indicator that there should also be a special law in our country regulating only the insurance contract.

- Consolidation of the matter of contractual insurance law

Certain provisions of insurance contract law can be found in other regulations and laws, and not only in the Law on Contracts and Torts (in Insurance Law as a status law, in the NBS secondary legal acts, in the Law on Consumer Protection, the Law on Health Insurance, in the Law on Mandatory Traffic Insurance and in other regulations). In our opinion, it would be good to systematize and consolidate them into one regulation. The consolidation of the subject matter of insurance contract law would make this area more accessible, while at the same time minimizing the possibility of the lack of knowledge about the regulations. The comprehensive inclusion of this subject matter in a single law would certainly minimize the possibility of legal gaps arising in practice in the future.

- The importance of insurance contract

Last, but not least, the legal and economic importance of insurance in the modern world, including our country, should not be ignored. This area is very specific, but at the same time also complex, so it should preferably be regulated by a separate *lex specialis*, which would regulate

the insurance contract in a consolidated way and ensure a higher certainty of legal transactions, reducing the possibility of legal gaps to a minimum. Furthermore, regulation of the matter of insurance contract law in one place would improve the citizens' knowledge and raise awareness on the importance of insurance precisely because the state gave it importance by passing a special law.

### FIC RECOMMENDATIONS

- The enactment of a special Insurance Contract Law that would consolidate the provisions of the contractual insurance law. Creation of a working group of prominent lawyers in this field (distinguished professors, experts, people from the insurance industry, lawyers specialized in insurance law, etc.) who know both theory and practice, but also tendencies in the European countries and who would make a significant contribution to the development of the insurance market in our country. A good basis can be the Draft Insurance Contract Law prepared by the UOS which fully protects the rights and interests of insurance service consumers in line with the highest EU standards.

## MEDIATION AS A MANDATORY STEP BEFORE THE INSURANCE COURT DISPUTE

### CURRENT SITUATION

The provisions of Article 15, paragraph 1 of the Insurance Law stipulate that the National Bank of Serbia mediates in the settlement of a compensation claim in order to prevent disputes arising from insurance, acts upon complaints of insurance service consumers regarding the work of insurance companies and protects the rights and interests of these persons. The provisions of Article 2 stipulate that the insurance service consumer has the right to complain and protect his rights and interests before the National Bank of Serbia in relation to the work of insurance brokerage companies, companies for representation in insurance, insurance agents and legal entities from Article 98, paragraph 2 of this Law, while Article 4 prescribes that the National Bank of Serbia prescribes more precisely the manner of brokerage in handling compensation claims and filing of complaints by insurance service consumers, as well as acting on these complaints.

The NBS Decision on the procedure regarding complaints of insurance service consumers stipulates that, if the insurance service consumer is dissatisfied with the response of the insurance service provider to his complaint or the response was not submitted within the deadline specified in the NBS Decision, the dispute between the insurance service consumer and insurance service provider may be resolved through mediation of the National Bank of Serbia. In addition, the Decision prescribes that the mediation procedure handled by the National Bank of Serbia is not subject to the provisions of the law regulating mediation in dispute resolution.

### POSITIVE DEVELOPMENTS

There hasn't been any improvement in terms of amending the law. However, a noticeable improvement can be observed in the market, as some insurance companies have recognized mediation as an effective method for resolving disputes. In all cases where they are actively legitimized, they initiate mediation proceedings before pursuing court actions. Additionally, there is a noticeable intention among insurance companies to resolve their disputes through the mediation process.

## REMAINING ISSUES

Provisions on mediation are contained in the article of the Insurance Law stipulating protection of the rights and interests of insurance service consumers which primarily concern complaints. Also, the NBS Decision regulating brokerage services in insurance is in fact the Decision on acting on complaints filed by insurance service consumers. Mediation as such is not given the importance it could have in this matter.

In addition to the above, the NBS Decision stipulates mediation as an option, not an obligation. Insurance service consumer may reach out to NBS before initiating a court dispute, but are not obliged to do so.

Also, the provisions of Article 149 of the Law on Consumer Protection stipulate that out-of-court settlement of consumer disputes, in terms of this Law, does not apply to consumer disputes that are the subject matter of this Law, if the out-of-court dispute settlement is regulated by a separate

law, especially in the field of providing electronic communication services, postal services, financial services, except for financial arrangements, travel services.

Accordingly, as far as the out-of-court settlement of consumer disputes is concerned, the Law on Consumer Protection does not apply to insurance (regulated by a separate law, NBS Decision, and it is also a financial service).

An increasing number of attorneys representing insurance service consumers file incomplete compensation/damage claims and when the insurance company requests a supplement because it is objectively unable to make a decision based on available documentation, they file a court case. These disputes often end quickly because the attorney provides in the court case the information that the insurance company requested as a supplement. This increases the number of court cases and costs for both insurance companies and insurance service users and creates mistrust in the insurance industry, all because of individuals who see it as an opportunity for quick and easy profit.

## FIC RECOMMENDATIONS

- Stipulate insurance mediation as a mandatory step before proceeding to litigation and amend the regulation accordingly.

## LIFE INSURANCE – INTRODUCTION OF TAX RELIEF FOR LIFE INSURANCE

### CURRENT SITUATION

The current Law on Personal Income Tax stipulates that a collective life insurance premium in case of death of employee due to illness which is paid by the employer for all employees shall not be considered as salary/wage. This legal solution is insufficient as an incentive for life insurance, given that life insurance has a social function – it provides stability and security to natural persons,

ensures long-term savings for maintaining life standard in old age, while in this way, a natural person can ensure that, in the case of unforeseen life circumstances, he or the persons close to him are materially provided for.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

The proposed amendments to the Law on Personal Income Tax should encourage the citizens of the Republic of Serbia to independently provide funds for the future during their working age by setting aside part of their funds that are paid to insurance companies in the form of insurance premiums.



In addition to the benefits for natural persons who enter into insurance contracts, there are also numerous benefits for the state, as the growth of investment in life insurance would lead to an increase in tax revenues, since insurance premiums are subject to taxation as insurance companies' profit tax. On the other hand, the payment of life insurance would lead to an improvement in the standard of living of insurance beneficiaries, an increase in income in turn leads to an increase in consumption and therefore to an increase in collection of indirect taxes (value added tax, excise duty, customs duty). This leads to an inflow of funds into the budget of the Republic of Serbia which can be used for the achievement of budget goals.

The growth of life insurance premium payments has a direct impact on the development of the insurance market as an important factor of a country's economic growth. The more developed the insurance market, the faster and greater the economic growth that a country will experience. Namely, due to increased demand for life insurance products, new jobs are created in the insurance industry (besides unemployment reduction, the

positive effect is also in the growth of funds collected in respect of income tax and contributions for mandatory social insurance). The industry's development leads to an increase in the number of insurance companies as important institutional investors on the market. Namely, insurance companies would invest the premium collected in government bonds, i.e., by issuing long-term government securities that reflect the long-term nature of life insurance contracts, while the Republic of Serbia would collect significant funds it could use to finance infrastructure and other projects of general importance for economic development. Collecting of insurance premiums achieves a mobilization of savings, which allows the reallocation of funds to projects that can generate higher returns. Likewise, raising citizens' awareness to enter into life insurance contracts and encouraging them to do so through proposed changes would also serve as a relief of social insurance funds.

There is a tendency around the world to introduce various tax incentives when it comes to taxation of insurance income.

### FIC RECOMMENDATIONS

- Introduction of tax relief for life insurance in the Law on Personal Income Tax.

## ELIMINATION OF DOUBLE TAXATION FOR UNIT LINK PRODUCTS AND INVESTING IN INVESTMENT FUNDS

### CURRENT SITUATION

Article 8, paragraph 1 of the Insurance Law ("RS Official Gazette", no. 139/2014 and 44/2021) defines classes of life insurance, specifying life insurance as a separate class of insurance linked to investment fund units. The specificity of life insurance contracts linked to investment fund units is

that the insurance contract obliges the policyholder to pay the insurance premium whose savings component is used to purchase investment units of selected investment funds. Namely, when concluding an insurance contract, the policyholder chooses a combination of investment funds from the insurance company's offer (the structure of investing of the investment premium in investment funds is defined in the offer).

At the request of the insurance contract holder, the insurance company is obliged to pay the policy surrender value if the specific contract period for which insurance premium were paid from the beginning of insurance has elapsed. The number and value of investment units are established on the day of submission of request for the payment of surrender value.

When withdrawing funds, the insurance company actually submits a request for the purchase of investment units that the open investment fund is obliged to purchase from it. Under the currently applicable provisions of the Law, when the units are purchased by the investment fund, a capital gain (loss) arises for the insurance company, determined in accordance with Articles 27-29 of the Law, which is included in the base for the calculation of the insurance company's profit tax. Capital gain is determined as the difference between the sale price paid by the investment fund for the units and the purchase price determined as the net value of the open investment fund's assets per investment unit on the date of payment, increased by the purchase fee if such fee is charged by the company managing the fund.

Also, when the insured sum is paid to the insured person, a taxable income that is subject to personal income tax

arises pursuant to the currently applicable Article 84, paragraph 2 of the Law on Personal Income Tax (LPIT). Namely, under Article 84, paragraph 2 of the LPIT, taxable income from personal insurance would represent the difference between the amount of benefit paid from personal insurance and the amount paid in respect of insurance premiums. In this particular case, if the result of multiplying the number of investment units and their value on the date of occurrence of the insured event or on the date of submission of the request for purchase in the event of termination of the contract would be higher than the sum of the paid insurance premiums, the difference between these two amounts would be subject to taxation by personal income tax at the rate of 15%.

## POSITIVE DEVELOPMENTS

None.

## FIC RECOMMENDATIONS

- Since the insurance company only has formal ownership of the investment fund units, i.e. cannot freely dispose of them and the payment of insurance benefit to a natural person (difference between the insured sum obtained from the sale of the fund units by the insurance company and paid premiums) represents a taxable income of a natural person, the Law on Corporate Profit Tax should be amended in a way that would exempt the income generated by the sale of investment units linked to life insurance from the calculation of capital gains in the tax balance sheet of the insurance company. In this way, double taxation is not completely eliminated, but the income generated from the sale of this type of investment units is only excluded from the calculation of capital gains, but it is nevertheless included in the insurance company's taxable profit as its "regular income".
- The Corporate Income Tax Law should be amended as follows:
  - in Article 27, paragraph 1, item 4), after the wording "in accordance with the law regulating investment funds", the following wording should be added "except in the case of purchase of investment units to which life insurance is linked in accordance with the law regulating voluntary insurance".

## LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

### CURRENT SITUATION

The Law on Prevention of Money Laundering and Terrorist financing began to apply on 1 April 2018, and has serious implications for the operation of insurance companies selling life insurance.

Article 8 of the Law does not recognize life insurance contracts (the so-called “risk insurance”) as exceptions from the obligation to conduct actions and measures of customer due diligence, as defined in the previous Law.

There is a significant disparity between the complex administrative procedures stipulated by the law and by-laws, on one side and the insurance company’s essential role, on the other side, in preventing the abuse of business relationships for money laundering and terrorist financing, particularly in the context of collective death insurance (group risk insurance).

Collective life insurance in the event of death is a type of insurance where the policyholder (often an employer, association, or bank) secures a life insurance policy for a large group of individuals in the event of death.

Within the realm of collective life insurance, specific products serve distinct purposes and business relationships:

- Employee insurance - serves a pronounced social function, protecting employees in the event of death, with the employer covering the premium for all employees. The insurance serves as a benefit for employees, and the employer cannot be a beneficiary under the policy.
- Pensioner insurance - allows pensioners to pay a premium to ensure the coverage of essential expenses for their family in the event of their death or disability, entailing a percentage of disability payment.
- Insurance for loan beneficiaries - serves as a security instrument for banks exclusively in the event of the loan beneficiary’s death. The product lacks a redemption val-

ue, and the insured amount can only be claimed in the event of death. In this case, the insurance safeguards the bank’s interests in case of the loan beneficiary’s demise.”

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

Insurance companies have previously had initiatives regarding the adequacy of actions and measures to know and monitor the customer when it comes to insurance risk, and a new initiative has been prepared that indicates that. With this initiative, the companies point to a principle based on risk, which they want to implement exclusively in the segment of group risk insurance in order to reduce the pronounced unnecessary spending of resources in this type of insurance, where there is an insignificant risk of the possibility of abuse for the purpose of money laundering and terrorist financing, and in order to resources directed where the risk is greater.

This initiative provides arguments for considering the simplification of prescribed actions and measures in the part of determining the real owner of the party when contracting this type of insurance.

The most important characteristics of collective life insurance, and at the same time the factors that contribute to reducing the risk of money laundering and terrorist financing are:

1. Life insurance in the event of death refers to the coverage of biometric risk only - the risk of death with the possibility of contracting supplementary insurance and coverage of the biometric risk of disability
2. There is no possibility of contracting the payment of the insured sum in the event of the expiration of the insurance, but the contracted insured sum is paid exclusively to the beneficiaries of the insurance in the event of death
3. Life insurance in the event of death does not contain a savings component, and therefore there is no possibility of accumulation of funds, nor are premium allocations linked to units of investment funds

4. Failure to meet the obligations of the policyholder regarding the payment of the premium results in the termination of the contract, without the obligation of the insurer to return the funds paid in the name of the premium
5. There is no possibility of capitalization of funds, i.e. reduction of the insured sum due to the cessation of premium payment, bearing in mind that the only consequence of non-payment of the premium is the termination of the contract
6. There is no possibility of earlier “withdrawal” of funds during the duration of the insurance contract, i.e. there is no possibility of premature termination of the contract in order to pay the funds earlier in the name of the policy’s redemption value, which is a typical right of the policyholder before the occurrence of the insured event in the case of life insurance products with savings component due to the accumulation of funds.
7. There is no possibility of payment of funds during

the term of the insurance contract in the name of an advance, which is also a typical right of the policyholder before the occurrence of the insured event in life insurance products with a savings component due to the accumulation of funds.

In the segment related to employee insurance and credit user insurance, premium payment is made through banks, i.e. premium payment is made through an account opened by the party with a bank in the Republic of Serbia.

In the case of collective insurance of pensioners, premium payment is carried out through the Pension and Disability Insurance Fund, which implements the suspension of the premium amount for life insurance from the pension based on the consent of the pensioner.

The extremely low amount of the premium, which is typical for life insurance in the event of death in our country, indicates in a practical sense the necessity of special treatment of this type of insurance from the point of view of preventing money laundering and terrorist financing.

### FIC RECOMMENDATIONS

- Based on the above, and with the aim of simplifying the measures, we suggest adding paragraph (4) to Article 6 of the Rulebook on the Methodology for Conducting Business in Compliance with the Law on Prevention of Money Laundering and Financing of Terrorism, which reads: “Exceptionally, in the case of collective life insurance in the event of death, the determination of the true owner of the party (the policyholder) is sufficient based on the party’s statement and verification of the data in the Central Register of True Owners, irrespective of other defined actions and measures.”

## AUTO INSURANCE MARKET 1.25

### CURRENT SITUATION

Auto Insurance (AI) is by far the most important segment of the insurance market (accounting for 29,1% of the total insurance premium in 2022) in Serbia, and the technical inspection facilities performing the mandatory annual inspection of all motor vehicles are definitely the most important distribution channels for these insurance policies. Articles 44 and

45 of the Law on Compulsory Traffic Insurance prohibit the payment of any commission to these technical inspection facilities – directly and/or through affiliated entities – which exceeds 5% of the gross insurance premium.

### POSITIVE DEVELOPMENTS

Increased market surveillance by the National Bank of Serbia, which resulted in the fact that insurance companies have largely adjusted their operations to the laws and by-laws in this area.

### FIC RECOMMENDATIONS

- Allow the possibility of issuing the compulsory auto liability insurance policy in electronic form as an e-Document.

## LAW ON ROAD TRAFFIC SAFETY

### CURRENT SITUATION

With the latest amendments to the Law on Road Traffic Safety (published in the 'Official Gazette of the RS' under numbers 41/2009, 53/2010, 101/2011, 32/2013 - US decision, 55/2014, 96/2015 - other law, 9/2016 - US decision, 24/2018, 41/2018, 41/2018 - other laws, 87/2018, 23/2019, 128/2020 - other laws, and 76/2023), light electric vehicles are now defined as motor vehicles with at least two wheels, mechanical steering, without a seat, a permanent rated electric motor power not exceeding 0.6 kW, a maximum design speed not exceeding 25 km/h, and a curb weight not exceeding 35 kg. The amendments also regulate the use of bicycle paths and lanes by light electric vehicles, their movement in groups, driver conduct, infrastructure usage restrictions, and the prohibition of transporting other persons on a light electric vehicle. Additionally, the law mandates the use of a protective bicycle helmet for the driver, a light-reflective vest for visibility on the road and prohibits driving a light electric

vehicle when crossing the road, except at designated bicycle or pedestrian-bicycle path crossings.

These changes aim to enhance safety for both light electric vehicle operators and others on the road. However, it's important to note that the law still does not require owners of light electric vehicles to have compulsory insurance contracts for third-party damage.

### REMAINING ISSUES

Although the use of light electric vehicles is largely regulated by the latest amendments to the Law on Road Traffic Safety, there is still a problem in practice in the event that their use causes damage to third parties. If the owner of person operating the vehicle for any reason fails to pay the damage cause, the injured persons remain deprived of any compensation. Thus, they get into an unequal position compared to persons who sustained damages from any other means of transport for which it is obligatory to contract compulsory third-party liability insurance (motorcycle, passenger car, bus).

### FIC RECOMMENDATIONS

- Obligation of third-party liability insurance should be introduced for electric scooter owners.

## LAW ON TRANSPORTATION OF CARGO IN ROAD TRAFFIC

### CURRENT SITUATION

The Law on Transportation of Cargo in Road Traffic does

not stipulate an obligation of the carrier to have a professional liability insurance policy of the carrier, as is the case in other countries.

### REMAINING ISSUES

Carriers often do not have this insurance contracted, so the

customers of transportation services cannot charge damages if caused by the carrier. This may lead to large-scale

damage for transportation service customers as the entire load may be destroyed in transportation.

FIC RECOMMENDATIONS

- Article 7 of the Law on Transport of Cargo in Road Traffic should be amended to stipulate insurance policy of the carrier’s professional liability as a mandatory requirement for obtaining a transport license.

**VOLUNTARY HEALTH INSURANCE** 1.00

**1. HEALTHCARE LAW**

CURRENT SITUATION

The current Healthcare Law does not provide for the possibility for health care providers to diagnose or prescribe treatment by telephone or through online consultation. The Rulebook on the nomenclature of health services at the primary level of health care stipulates only provision of advice in the telephone and Internet counseling service. This way of health care service provision has proved necessary, especially in the circumstances of the pandemic. Additionally, the development of technology that enables a health care worker and patient to also have visual contact and to exchange documents electronically, supports the idea that this type of treatment should be made available.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Patients, holders of both mandatory and voluntary health insurance do not have the option to receive treatment or to be diagnosed by telephone or online consultations. Therefore, they must go to health care institutions in person.

This involves additional time and costs (transportation) for the health insurance holders. In circumstances of the pandemic, there is an additional risk from infection and concern regarding this risk.

For voluntary health insurance providers this means higher costs. An insured person must first visit the doctor to be prescribed which diagnostic procedures he should perform. If telephone or online consultations were permitted, the insured person could only get in touch with the health worker in that way. In this way, the cost for the insurer would also be lower because these services are less expensive than visits in person. In addition, they provide additional convenience and more user satisfaction to the insured persons.

FIC RECOMMENDATIONS

- Enable health care providers by the Law on Health Care to diagnose or prescribe treatment by telephone or online consultations.

## 2. LAW ON HEALTH INSURANCE

### CURRENT SITUATION

The application of Article 179 of the Law on Health Insurance ("Official Gazette of the Republic of Serbia", no. 25/2019) is an obstacle to insurance companies in their daily work, primarily in the part referring to important data on the contracting parties, or holders of voluntary health insurance. The consequence is an increase in administrative costs for both insurance policyholders and insurance companies and, on the other hand, there are cases that do not meet the needs of policyholders with regard to persons whose employment was terminated or persons who entered into an employment contract during the term of the insurance contract.

Article 182 of the Law stipulates that an insurer issues a document on voluntary health insurance based on which the rights from voluntary health insurance are exercised. The issuing of the document makes sense only if the insured person exercises his/her rights from the contract directly at the health care provider in terms of coverage of the costs of treatment. In the case when an insured person is entitled to a lump sum payment from an insurer (as in the case of serious illnesses and surgical interventions), the document on voluntary health insurance is not required by an insurer as proof that the person is insured, which has been defined by the Law in the following way:

- "In the case when rights from the voluntary health insurance are exercised directly with an insurer, they are exercised based on the policy and the cover note".

It follows from the above that it is not logical to issue a document on voluntary health insurance to insured persons who do not use it to exercise their rights under the insurance contract, but the obligation to issue the document is nevertheless prescribed by the Law.

In addition to the above, the current Law on Health Insurance defines that the insurer of voluntary health insurance is the Republic Fund and the insurance company, but there are no penalty clauses for legal entities – health institutions involved in activities of voluntary health insurance taking the morbidity risks for a fee, although they are not registered for that in accordance with the regulations of the Republic of Serbia.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

The Law has also determined as important data, and thus mandatory data, the following personal data that are absolutely irrelevant for this type of insurance at the time of concluding the contract: date of birth, address of permanent or temporary residence in the Republic of Serbia (street name and number, place and municipality), contact information (phone number or email address). In the context of regulations governing the subject matter of personal data protection and especially the provision of Article 5, paragraph 1, item 3 of the Law on Personal Data Protection (Official Gazette of the Republic of Serbia number 87/2018), which as one of the principles prescribes that personal data must be "appropriate, relevant and limited to what is necessary with regard to the purpose of processing ("data minimization")", we believe that there is a justified basis for amending Article 179 of the Law on Health Insurance.

Also, in some situations, the insurance company concludes a contract with employers on collective voluntary insurance of employees, where the insured persons are entitled to insurance indemnity payment directly from the insurance company and where the indemnity paid does not cover the costs of treatment, but satisfaction. Before the entry into force of the Law, this type of insurance was concluded without compiling a list of insured persons because the coverage was contracted based on official records of employees of the insurance policy holder. In this manner, automatic coverage was provided efficiently for all persons who met the criteria for the status of insured persons (who have concluded an employment contract with the employer), without the need to register for insurance separately, while coverage automatically ceased for all persons who lost the status of the insured person during the term of the insurance contract (persons whose employment contract ceased to be valid), also without the need to deregister from the insurance separately. The current Article 179 does not allow such a possibility and, in addition to the issue described in the previous paragraph related to Article 5, paragraph 1, item 3 of the Law on Personal Data Protection ("Official Gazette of the Republic of Serbia" number 87/2018) leads to the following problems:

- increase in administrative costs both for the insurance policyholder and for the insurance company due to the

- need to update the lists of insured persons during the insurance period (registration and deregistration from insurance must be made in writing);
- Occurrence of cases that absolutely do not meet the needs of insurance policyholder that a person whose employment contract has been terminated still has the

status of an insured person if a policyholder has not sent the deregistration request to the insurance company, or that a person who has concluded an employment contract does not have the status of an insured person if the policyholder has not sent the registration application to the insurance company on time.

## FIC RECOMMENDATIONS

- Amendment to the Law on Health Insurance so that:
  - the text of the current Article 179 should be amended to read:  
“The contract on voluntary health insurance shall be concluded based on a previous offer for concluding a contract on voluntary health insurance (hereinafter: the Offer) given by an insurer to the person wishing to conclude a contract on voluntary health insurance.

The offer referred to in paragraph 1 of this Article shall contain relevant information on voluntary health insurance policyholders, insurance start date, insurance waiting period, as well as the insurance end date, amount and deadlines for payment of insurance premium, maximum contracted amounts per coverage risks and other elements of importance for insurance contracting.

Relevant information on the voluntary health insurance policyholders from paragraph 2 of this Article shall be:

1. name and surname,
2. Personal identification number, or registration number for foreign citizens.

In the case of collective insurance, an insurer may submit a single consolidated offer containing the data from the previous paragraph of this article on each individual to be covered by collective insurance.

The offer referred to in paragraph 1 of this Article, as well as the consolidated offer from paragraph 4 of this Article shall also contain as relevant the data on previous health condition of the voluntary health insurance policyholder which are necessary for the insurer to assess the insurance risk.

Notwithstanding the provisions of this Article, when the insurance company concludes with a policyholder a contract on collective voluntary health insurance of employees, where the insured persons are entitled to the payment of insurance indemnity directly from the insurance company and where the paid indemnity does not cover treatment costs, the insurance contract can be concluded based on official records of employed insurance policyholders.”

- the text of the existing paragraph 1 of Article 182 should be amended to read:  
„An insurer shall issue a voluntary health insurance document to any voluntary health insurance policyholder who does not use his insurance rights directly at the insurer on the date of issuing the policy and no later than 60 days from the date of issuing the policy.“
- Amend the Law on Insurance – introduce penalty clauses for all persons engaged in insurance activities or underwriting activities against a fee without a prior permission obtained from the competent authorities.



## INSURANCE OF EMPLOYEES AGAINST WORK INJURIES AND PROFESSIONAL DISEASES

### CURRENT SITUATION

Article 67 of the new Law on Occupational Safety and Health, published in the 'Official Gazette of RS' under number 35/2023 (hereinafter: the Law), states the following: "The employer is obligated to provide insurance for employees in case of work-related injuries and occupational diseases to ensure compensation for damages. The financial resources for this insurance, as specified in paragraph 1 of this article, are the responsibility of the employer. The conditions and procedures for insuring employees against work-related injuries and occupational diseases are regulated by law."

Additionally, the same Law includes punitive provisions for employers who fail to insure their employees in cases of work-related injuries and occupational diseases to ensure compensation for damages.

From the above, it is evident that insurance against work-related injuries and occupational diseases for employees is mandatory. However, the Law does not prescribe a minimum insured sum for such cases. This leaves the determination of the insured sum as an independent decision for the employer, which is part of the insurance contract

against work-related injuries and occupational diseases.

In this scenario, questions arise regarding whether this method of contracting insurance, where a minimum insured amount is not defined, relieves the employer of their responsibilities in the event of an employee suffering a work-related injury or contracting an occupational disease. Additionally, concerns arise about whether employees are adequately protected in accordance with this Law.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

Neither a law nor a by-law has been passed that would properly regulate mandatory insurance against work injuries and occupational diseases.

Article 67 of the Law on Safety and Health at Work does not define whether the employer's obligation stated in paragraph 1 of this article exists in the period until the passing of the law that will regulate the conditions and procedures of insurance for occupational injuries and occupational diseases. It seems that it would be expedient in this sense to amend Article 67 of the Law in the direction that the obligation of employers is not tied to the adoption of a new Law, but that it always exists. Of course, the amount of the insurance and other important elements of the insurance, until the passing of the law that would regulate this matter, would be determined by the employer himself.

### FIC RECOMMENDATIONS

- The Administration for Safety and Health at Work to propose the adoption of the Law on Insurance Against Occupational Injuries and Occupational Diseases or a by-law that would define the minimum insured sums depending on the severity of the occupational injury or occupational disease, as well as to regulate in detail the conditions and insurance procedures against occupational injuries and occupational diseases. Additionally, clearly and unambiguously specify the provision of Article 67 of the Law on Safety and Health at Work in such a way that the employer's obligation to contract this insurance for employees exists even before the adoption of the Law on Insurance against Work Injuries

## LAW ON PUBLIC PROCUREMENT AND PUBLIC PROCUREMENT PORTAL

### CURRENT SITUATION

By abusing the legal concept of selection of a business entity in public procurement procedures whose subject are insurance services, the contracting authorities distort competition and prevent the participation of insurance companies that can adequately provide the insurance service which is the subject of public procurement in these procedures. Given the fact that insurance companies perform their activities based on the license issued by the National Bank of Serbia as a supervisory authority and that insurance companies are under the constant supervision of the National Bank of Serbia as a supervisory authority, they are deemed capable of providing any insurance service on the territory of Serbia. It is especially important to underline that the Law on Insurance very strictly prescribes all requirements for the performance of insurance activities, notably: minimum capital, business policy acts, organizational, staffing and technical capacities of such companies, technical reserves, solvency margin, retention, etc.

In addition, sometimes the Contracting Authorities dis-

tort competition by setting stricter requirements as criteria in certain areas defined by special regulations (laws or by-laws – e.g., confidentiality, IT system adequacy, professional and organizational staff, environmental protection) than the regulations require which is absolutely unjustified.

We believe that it is necessary to specify that economic and financial capacity can only be assessed based on the parameters confirming economic and financial capacity and not some other business indicators. In practice, contracting authorities define as financial capacity the criteria that have no relation to the financial capacity of insurance companies.

In the case of insurance services, it is specific that the time limits for settling claims involving the payment of insurance indemnities are defined by the Law on Contracts and Torts and by the Law on Compulsory insurance in Traffic and they are quite short, so that defining longer time limits for the performance of the service would be contrary to the regulations, and defining shorter deadlines would be inexpedient and inapplicable, since the time limit for settling a claim depends on the submission of adequate documentation and reporting of the insured event.

### POSITIVE DEVELOPMENTS

None.

### FIC RECOMMENDATIONS

The following provisions of the Law on Public Procurement should be amended/supplemented: Article 114, Article 116 and Article 132 as follows:

- In Article 114, a new paragraph 6 should be added after paragraph 5, which would read: “Economic entities that perform activities that is the subject of public procurement on the basis of a special permit (license) of the competent authority on the territory of the Republic of Serbia shall be considered to meet all criteria for the selection of economic entities from paragraph 1 of this Article and the contracting authority for the public procurement of such services may not set special criteria when drafting public invitations and tender documents”.
- In Article 114, a new paragraph 7 should be added after paragraph 6, which would read: “If special regulations for certain areas stipulate conditions that business entities should meet, the contracting authority may not set special requirements from these areas as selection criteria.”

- In Article 116, a new paragraph 8 should be added after paragraph 7:  
“Financial and economic capacity shall only be assessed on the basis of financial and economic criteria of economic entities and not some other indicators and parameters that are unrelated to the financial and economic domain.”
- In Article 132, a new paragraph 3 should be added after paragraph 2 which would read:  
“If a special law for some services and works stipulates a deadline for the performance of a service and/or works, the Client shall not set the deadline for the performance of such service and/or works as a criterion for determining the most economically advantageous offer”.

## DATA ON COMPLAINTS AGAINST THE WORK OF INSURANCE COMPANIES AND VOLUNTARY PENSION FUNDS MANAGEMENT COMPANIES

### CURRENT SITUATION

The National Bank of Serbia publishes data on complaints against the work of insurance companies and voluntary pension funds management companies on a quarterly basis. The report contains the total number of complaints filed to the NBS, but does not include the total number of complaints filed to insurance companies.

### POSITIVE DEVELOPMENTS

None.

### FIC RECOMMENDATIONS

- Given that insurance companies are required to provide the NBS on a quarterly basis with data on the number of complaints received in the previous quarter, NBS already has this data and, in our opinion, they could very easily and without much additional effort publish this data in the above-mentioned report so that they would also be available to the public.

## CONTRACTING CASH LOANS FROM BANKS THROUGH INSURANCE COMPANIES

### CURRENT SITUATION

Bank services are available to citizens within the network of

branches, while through employees in charge of field work to a significantly lesser extent.

Insurance companies now do not have the possibility, in the role of bank intermediaries/representatives, to provide citizens and legal entities with certain banking services that could be realized in whole, or in part, by insurance companies. An example is the conclusion of an agreement on cash loans. This practice is already present in some European countries and is known as “insurance banking”.

## POSITIVE DEVELOPMENTS

None.

## REMAINING ISSUES

Unlike most insurance companies, banks generally do not have a significant number of salespeople responsible for fieldwork (outside branches). Moreover, certain banks do not possess an extensive distribution network, so their offerings are absent in some parts of the territory, depriving a certain number of citizens and legal entities of the opportunity to directly acquaint themselves with the terms and conditions for using a specific banking product and to conclude a contract for its use. Cash loans are one example of such products, and they have a mass character and significance for both the banking sector and clients.

If regulatory opportunities were provided, insurance companies could act as intermediaries/representatives on behalf of banks in the conclusion of cash loans. Through their branch network and their sales personnel, insurance companies could have a positive impact on the financial market and its participants:

- Additional availability of banking services in the market would be achieved, primarily significant for mass-market banking services such as cash loans. Through collaboration with insurance companies, banks without their own branches in areas covered by insurance company employees would make their services accessible to these citizens, entrepreneurs, and small to medium-sized enterprises. This would enhance competitiveness in the market, providing clients with the opportunity to consider a broader range of cash loan offerings and select the bank whose service best suits their needs;
- In this way, clients would not have to travel outside their place of residence/business location to the bank's branch for contract conclusion. It would lead to better client awareness of banking service offerings. All information would be provided through employees at insurance companies, after which clients would be able to finalize contracts. This would reduce the time required for clients to complete these tasks, and travel costs would be eliminated since they would receive the service on the spot;
- Clients could receive information directly from employees of the insurance company, even outside the usual banking branch working hours, i.e., during clients' free time. The already recognizable positive practice of providing information about insurance products and concluding them could be applied to the conclusion of cash loan agreements, thanks to the noticeable flexibility of insurance employees who primarily carry out activities in the field;
- Insurance employees could access bank web applications for calculations and generating informative offers via mobile electronic devices (phones, tablets, laptops) through the internet. This way, they could provide clients with all the necessary data about the banking service they are interested in, on the spot. This would be particularly beneficial for clients who are not inclined to obtain such information through the internet or by visiting bank websites and who do not prefer or are not proficient in using digital technology for financial services information;
- Existing clients of insurance companies - policyholders, would have access to another financial service through insurance companies, which would further facilitate their information and contracting of these financial products. This would also contribute to the enhancement of financial education and financial literacy among users of financial services;
- The additional engagement of insurance sales personnel would contribute to the cost-effectiveness of insurance companies' operations, as well as the profitability of their existing branch network.
- When selling certain insurance products with relatively higher premiums (e.g., crop insurance, etc.), it would enable quicker and more efficient approval of cash loans for the payment of insurance premiums. This would make this form of property protection even more accessible to policyholders;
- Expanding the engagement of sales employees in insurance companies and the opportunity for additional earnings would subsequently contribute to increasing the attractiveness of the insurance sector for employment and, ultimately, increasing the overall number of employees in insurance sales roles.
- Banks that expand their distribution channels through

collaboration with insurance companies would gain an additional competitive advantage in certain market segments, lower distribution costs compared to some traditional channels, and a positive market image.

The positive practice where some financial services that were traditionally exclusive to banks have become available through other financial institutions confirms the expected contribution of including insurance companies in the expansion of banking distribution channels. One example is payment services such as money transfers, which are accessible not only in banks but also through some other financial institutions.

On the other hand, banks are already allowed to engage in insurance agency services, known as bancassurance. This contributes to the accessibility of insurance services, making the loan contracting process easier for clients. In one place - at the bank's branch, and in some cases through web and mobile applications, clients can arrange certain life or non-life insurance policies intended to secure loan repayment. In this way, through the collaboration between banks and insurance companies, citizens receive comprehensive services, reducing the time required for contracting, which represents a good practice present for many years, including in Serbia.

### FIC RECOMMENDATIONS

To allow insurance companies to enable their sales employees to represent or act as intermediaries in the conclusion of cash loan agreements, the following regulatory changes could be implemented:

- **Amendment to the Insurance Law:**  
Add a provision to Article 24 of the Insurance Law stating that, in addition to insurance-related activities and other tasks specified therein, an insurance company may engage in representing/mediating cash loan agreements, subject to approval from the National Bank of Serbia.
- **By-laws of the National Bank of Serbia:**  
It is necessary to amend the Decision on the Implementation of the Insurance Law, specifically concerning the issuance of licenses for insurance/reinsurance activities and certain approvals from the National Bank of Serbia. These changes should establish the conditions under which an insurance company could engage in these activities.

## SUBSIDY FOR MANDATORY POLLUTION INSURANCE OF POLLUTERS WHOSE FACILITIES OR ACTIVITIES POSE A HIGH DEGREE OF RISK TO HUMAN HEALTH AND THE ENVIRONMENT IN CASE OF HARM CAUSED TO THIRD PARTIES DUE TO ACCIDENTS

### CURRENT SITUATION

According to the Environmental Protection Law, Article 106, it is mandated that a Polluter must obtain liability insurance in case of damage caused to third parties due to accidents if their facility or activity poses a high degree of risk to human health and the environment. Under this law, an accident is defined as a sudden and uncontrolled event that occurs through the release, discharge, or dispersion of hazardous substances, in activities related to production, use, processing, storage, disposal, or long-term inadequate containment.

The same Law also stipulates that a legal entity will be subject to a fine ranging from 1,500,000 to 3,000,000 dinars if it fails to secure insurance for damage caused to third parties. Furthermore, for the responsible individual within a legal entity for the same economic offense, a fine ranging from 100,000 to 200,000 dinars is prescribed.

### POSITIVE DEVELOPMENTS

None

### REMAINING ISSUES

The Law on Environmental Protection stipulates the obligation for the Polluter to have a liability insurance policy, as well as sanctions if he does not have one. However, the Law did not provide for the minimum amount of insurance under these policies. Bearing in mind that the legislator linked the obligation of insurance to “activity that represents a high degree of danger to human health and the environment”, it is evident that the consequences of these damages can be high and that they can cause damage to a large number of people at the same time. In this sense, it seems that it is necessary to define the minimum total amount of insurance or the minimum amount of insurance per harmful event, in order to really achieve the purpose of protection provided for in Article 106 of the Law.

On the other hand, if the minimum amount of insurance is not prescribed, we come to a situation where the obligation from Article 106 of the Law can be fulfilled by concluding a liability insurance policy with any amount of insurance (e.g. 1,000.00 euros, which fulfills the form prescribed by the Law, but not the essence of the legal provision, since these damages can be, and most often are, far greater).

Additionally, the Law on Environmental Protection does not foresee the possibility of subsidizing this type of insurance by the state, although the state’s interest is, among other things, the protection of human health and the environment. The introduction of a subsidy for this type of insurance would enable the state to better control the fulfillment of the obligation from Article 106 of the Law, and it would be an additional incentive for polluters to contract liability insurance for larger amounts of insurance.

### FIC RECOMMENDATIONS

- Amend Article 106 of the Law on Environmental Protection in such a way as to determine the minimum sum insured under liability insurance policies for damage caused to third parties as a result of an accident. By-laws define the possibility of subsidization for insurance from Article 106 of the Law on Environmental Protection, the conditions and amount of the subsidy.

## SUBSIDY FOR COMPREHENSIVE VEHICLE INSURANCE FOR ELECTRICALLY POWERED VEHICLES, AS WELL AS VEHICLES THAT UTILIZE INTERNAL COMBUSTION ENGINE AND ELECTRIC PROPULSION (HYBRID DRIVE)

### CURRENT SITUATION

In order to encourage an environmentally friendly form of transport, the Regulation on the conditions and method of implementing the subsidized purchase of new vehicles with an exclusively electric drive, as well as vehicles with a hybrid drive, was adopted, which regulates the conditions and method of implementing the subsidized purchase of these vehicles. Through this Regulation, the State has given

incentives to legal entities, entrepreneurs and natural persons to choose types of vehicles that contribute to cleaner air (because they do not release harmful substances into the environment - CO<sub>2</sub>, ozone, lead...) when purchasing new vehicles, and thus help preserve environment.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

Although the State provides incentives for the purchase of electric and hybrid vehicles, no subsidy is prescribed when contracting comprehensive insurance for these vehicles. Bearing in mind that these are vehicles that are not produced in the Republic of Serbia, that the number of authorized service centers that repair these vehicles is limited, and that the number of alternative services is also limited, as well as that any damage to such a vehicle can be very high, the introduction of a subsidy for comprehensive insurance of these vehicles, along with the already given purchase incentive, would contribute to people opting for an electric or hybrid car when buying new cars.

### FIC RECOMMENDATIONS

- The Regulation on the conditions and method of implementing the subsidized purchase of new vehicles that have an exclusively electric drive, as well as vehicles that have a hybrid drive, foresee the possibility of subsidization for comprehensive insurance in order to further encourage these environmentally friendly means of transport.

## SUBSIDY FOR INSURING APARTMENTS AND BUSINESS PREMISES IN BUILDINGS WITH ENERGY PASSPORT, AS WELL AS FOR INSURING HOUSES WITH SOLAR PANELS

### CURRENT SITUATION

An energy passport is a certificate on the energy properties of a building that contains calculated values of energy consumption within a certain category of buildings, energy class and recommendations for improving the energy properties of the building. All new buildings, as well as existing buildings that are reconstructed, adapted, rehabilitated or energetically rehabilitated, must have an energy passport, except for buildings exempted from the obligation of energy certification by the Rulebook on the conditions, content and manner of issuing certificates on the energy

properties of buildings.

The improvement of energy efficiency in buildings contributes to environmental protection and the reduction of greenhouse gas emissions resulting from the combustion of energy sources for heating, i.e. space cooling, preparation of sanitary hot water.

In addition, the state's activity in co-financing the installation of solar panels for the production of electrical energy in family houses is noticeable. The state in a generous way encourages the use of non-polluting and renewable sources of energy and other resources.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

Although the State, through recent activities aimed at determining energy efficiency and co-financing for the installation of solar panels, contributes to environmental protection and the reduction of greenhouse gas emissions, it seems that the awareness of the importance of such activities in society is still lacking. Primarily, due to insufficient information, and later due to the fact that any investments directed in this direction are still very expensive and inaccessible to many average citizens of the Republic of Serbia. In this sense, it seems that subsidizing the state when insuring apartments and business premises in buildings with an energy passport of category A+, A or B, as well as when insuring houses with solar panels, would be an additional incentive for improved energy efficiency and electricity savings.

### FIC RECOMMENDATIONS

- By-laws should provide the possibility of subvention when insuring apartments and business premises in buildings with an energy passport of category A+, A or B, as well as when insuring houses that have solar panels.

## PROPERTY/EQUIPMENT INSURANCE SUBSIDY FOR LEGAL ENTITIES REGISTERED IN THE AGENCY FOR BUSINESS REGISTRIES UNDER THE RECYCLING AND WASTE MANAGEMENT CODES

### CURRENT SITUATION

Recycling is the process of converting used materials into new ones for further use. This process involves collecting, separating, processing, and manufacturing new products

from previously used materials. Recycling old materials helps protect the environment, reduce waste, and conserve natural resources. Since awareness of recycling and its benefits is not at the desired level in Serbia, it may be useful and justified to consider subsidy measures for businesses engaged in these activities.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

In points 38 and 39 of the Regulation on Classification of Activities, specific codes of activities are defined for businesses involved in recycling and waste management (e.g., 38.32 for the reuse of sorted materials, 38.31 for dismantling of wrecks). The state has already recognized the need to allocate incentive funds for businesses engaged in these activities. However, the current legal framework does not



provide for the possibility of subsidizing property/equipment insurance for these companies. Additionally, since many of these businesses handle hazardous and toxic

materials, and their activities can be classified as high-risk operations, the need for insurance subsidies for liability insurance also exists.

### FIC RECOMMENDATIONS

- By-laws should provide the possibility of subsidizing when insuring the liability of companies that are registered in the Agency for Business Registers under the codes found in points 38 and 39 of the Regulation on Classification of Activities, as well as when insuring the property/equipment of these companies.

## SUBSIDY FOR PROPERTY/EQUIPMENT INSURANCE FOR TOURIST/ACCOMMODATION FACILITIES WITH THE LABEL “TRAVEL SUSTAINABLE LEVEL 1, 2, 3”

### CURRENT SITUATION

The criteria of the [Global Council for Sustainable Tourism](#) are based on four main themes: effective sustainable development planning, maximizing social and economic benefits for the local community, preserving cultural heritage, and reducing negative impacts on the environment. These criteria, among other things, serve as fundamental guidelines for tourist/accommodation facilities of all sizes to operate in a more sustainable manner. For a specific tourist/accommodation facility to receive the “sustainable” designation, it must actively engage in reducing plastic consumption, water consumption, food waste, energy consumption, ensuring animal welfare, and establishing a balance between sustainability and safety, and obtain certification for their tourist/accom-

modation facility.

Since all the above contributes to environmental protection, it appears that there is room to introduce subsidies for insurance of tourist/accommodation facilities with Travel sustainable level 1, 2, or 3 designations.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

The demand for sustainable accommodations is increasing year by year. Based on publicly available statistics, we have determined that 71% of travelers worldwide express a desire to travel in a more sustainable way, while 70% of global travelers have stated that they would choose sustainable accommodation, regardless of whether they actively seek such facilities or not. Furthermore, a significant 78% of travelers worldwide intend to stay in sustainable accommodations in the near future. However, awareness in this segment is still quite low, as 31% of travelers did not even know that such facilities exist, and 29% still do not know how to find them. Besides the clear lack of education in this regard, it is also evident that there is a lack of state support for individuals who choose to engage in tourism in a “healthier” way.

### FIC RECOMMENDATIONS

- By-laws should provide the possibility of subvention when insuring property/equipment for tourist/accommodation facilities that have the label Travel sustainable level 1, 2 or 3.

## SUBSIDY FOR INSURANCE OF CROPS AND ANIMALS FOR ORGANIC PRODUCTION

### CURRENT SITUATION

In the Law on Incentives in Agriculture and Rural Development, incentive is defined as “funds provided in the budget of the Republic of Serbia, as well as funds provided from other sources that are allocated to agricultural holdings and other persons in accordance with this law in order to achieve the goals of agricultural policy and rural development policy “. The law determines the types of incentives, their scope, purpose and distribution by type of incentives, as well as who exercises the right to these incentives.

Article 38 of the same law defines incentives for organic crop production, as well as for organic livestock production, with the condition that a legal entity, entrepreneur or

natural person-holder of a family farm has a certificate that its production is organic in accordance with the regulations governing organic production .

On the basis of this Law, the Government of the Republic of Serbia adopts the Decree on the distribution of incentives for each year.

### POSITIVE DEVELOPMENTS

None.

### REMAINING ISSUES

Although the Law, within the framework of support for programs related to the preservation and improvement of the environment and natural resources, included incentives for organic plant and organic livestock production, it seems that there is room for additional incentives in the form of subsidies for crop and animal insurance, in the amount of 100%. In this way, farmers would be provided with security in case of natural disasters, and the possibility to increase investments in their organic production.

### FIC RECOMMENDATIONS

- Amend the Law on Incentives in Agriculture and Rural Development in such a way that within the incentives for the preservation and improvement of the environment and natural resources, in the part related to organic production, a subsidy in the amount of 100% for the insurance of crops or animals, those legally persons, entrepreneurs or natural persons - owners of family farms who have a certificate of organic production.