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To keep you up-to-date with the latest economic and financial developments, this bulletin provides information that may affect the operation of your business in Albania.

A new law on insurance and reinsurance

The parliament of Albania recently passed a new law On Insurance and Reinsurance no. 52/2014 (the Law), which entered into force as of July 2014.

Scope of the law

The purpose of the Law is the strengthening and development of the insurance sector while focusing on the effective protection of consumers' interests. The Law sets out the principles and determines the activity and procedures in connection with establishment, organization, administration, functioning and supervision of insurance and reinsurance activity, so the insurance market may function in a safe, stable and transparent environment, as well as to protect the rights and interests of the consumer who is a party in an insurance contract.

Acquis Communautaire

The aim of the new Law is also the approximation of the insurance legal framework with the directives of the European Union related to insurance and reinsurance activity.

The Law includes new provisions with regard to conducting of insurance activity in the Republic of Albania by companies of member states (member states is a new definition introduced by the Law where are included states from the EU and EEA) through establishment of a branch or directly supply of services. However, all provisions that relate to companies of members states shall enter into force after Albania becomes a member state of the EU.

Corporate Governance

The new Law provides that insurance companies with a one level administration, where the administrative council is the only governing body, shall be composed of not less than 5 members, as well as the requirements for sound corporate governance according to the principles of OECD. In addition, the Law provides for the criteria that key decision-making persons (i.e. member of board of directors, manager, and main auditor) must meet, in order to perform their duties. The Financial Supervisory Authority assesses whether they meet the listed criteria provided by the law, and therefore to hold the relevant key position in the insurance company.

Consumers Protection

The Law dedicates a chapter to the protection of consumers by having as a purpose to guarantee an effective protection of consumers, to whom the insurance companies offer their products. Comparing to the former law, the new Law includes a special chapter where are laid down thoroughly and comprehensively provisions in connection with the obligation of the insurance company to give a complete and clear information before entering into an insurance contract and during its whole validity period. The Law brings as a novelty provisions regarding the advertising activity and the obligations of an insurance company on promoting its activity.

Audit and Risk Management

Another novelty of the new Law is the provisions governing the establishment and organization of the audit committee and risk management system. The Law requires that the insurance companies establish an internal audit system for monitoring and implementing internal policies and procedures, in order to assess the efficiency of the activity of the insurance company, as well as to monitor the compliance with the legal framework. The internal control system aims to identify and evaluate the types of risks that the company may be exposed.

Supervision

Probably the main novelty that the Law introduces is the risk oriented supervision from the Authority. For this purpose the Authority shall draft and adopt the Supervisory Manual with Risk Focus. The basic concept of the new methodology of supervision is to identify the areas of activity of the insurance company with higher risks and, when necessary, to deal with its management in order to lower the risk in acceptable levels.

This new approach aims to prevent the financial problems before they actually happen, instead of working to find a solution afterwards. Depending on the risk profile, the Authority sets the supervision priorities and the level of intervention in the company, in order to bring the risk at acceptable levels for the supervisor. The supervision shall be carried out through financial analysis and inspection at the place of activity. Regarding the latter, new provisions regulate in details the process of inspection.

Compliance

Under the Law, insurance companies are required to take all the necessary measures and steps, within a time period of 2 years, in order to comply with the provisions of this Law. With regard to agency and brokerage companies, as well as for agents and brokers, the required time frame of compliance with the new Law shall be 6 months.

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The firm maintains its commitment to quality through the skills and determination of a team of attorneys and other professionals with a wide range of skills and experience. The extensive foreign language capabilities of the team help to ensure that its international clientele have easy access to the expanding Albanian and Kosovo business environment.

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