

Pursuant to Article 88 point 2 of the Constitution of the Republic of Montenegro I hereby pass the

ENACTMENT
PROCLAIMING THE LAW ON COMPULSORY TRANSPORT INSURANCE
(Official Gazette of the Republic of Montenegro, No. 46/07 as of July 31, 2007)

I hereby proclaim the Law on Compulsory Transport Insurance, adopted by the Constituent Parliament of the Republic of Montenegro at the sixth meeting of the first regular session in 2007, held on 24 July 2007.

Number: 01-944/2
Podgorica, 26 July 2007

President of the Republic of Montenegro
Filip Vujanovic, signed

LAW ON COMPULSORY TRANSPORT INSURANCE

I GENERAL PROVISIONS

Subject of the Law
Article 1

This Law shall govern compulsory insurance in transport.

Classes of Compulsory Transport Insurance
Article 2

Classes of the compulsory transport insurance (hereinafter referred to as the compulsory insurance), in the context of this law, shall be the following insurance of:

- 1) passengers in public transport against accident;
- 2) owners or users of motor vehicles against liability for damages caused to third parties;
- 3) owners or users of aircrafts against liability for damages caused to third parties;
- 4) owners or users of vessels against liability for damages caused to third parties.

Compulsory Insurance Contract

Article 3

Owners or users of a means of transport for passengers in public transport and owners of other means of transport referred to in Article 2 above shall sign a compulsory insurance contract with the insurance company or a part of a foreign insurance company, which has obtained a license from a Regulatory authority competent for compulsory insurance supervision (hereinafter referred to as the insurance company). The insurance contract must be renewed as long as the means of transport remains in use in traffic.

The compulsory insurance contract referred to in paragraph 1 of this Article must be signed prior to the use of the means of transport in traffic.

The liability of the insurance company referred to in the insurance contract shall begin upon the expiry of the 24th hour of the day listed in the insurance document as the date of the commencement of the insurance, and shall cease upon the expiry of the 24th hour of the day listed as the expiry date in the insurance document, unless otherwise agreed.

As for the insurance contract signed for one or more years, the rights and obligations ensuing from the insurance contract shall be extended after the expiry of the insurance contract for 30 days (initial timeframe), unless the insurance company has not received, at least three days before the expiry date of the insurance, a statement from the owner or user of the means of transport stating that he does not consent to the extension of the insurance contract.

Where the insured event occurs at the initial timeframe referred to in paragraph 4 above, the owner or user of the means of transport shall pay the insurance premium for the entire following year of insurance.

The compulsory insurance contract referred to in paragraph 1 above must cover damages incurred at the territory of the Republic of Montenegro (hereinafter referred to as the Republic) and at the territory of the Green Card System Member States, unless otherwise agreed.

A person that uses means of transport must have compulsory insurance contract and shall present it upon the request of an authorized person.

If the license has been revoked to the insurance company, which the compulsory insurance contract has been signed with, or if the insurance company ceases to exist in accordance with the decision of company's Assembly, or the liquidation or bankruptcy proceedings have been commenced, the owners of the means of transport referred to in paragraph 1 above shall sign, within eight days after the notification on resolution of commencing liquidation or bankruptcy, the compulsory insurance contract with another insurance company until the expiry date of insurance or registration.

As for paragraph 8 above, the insured person is entitled to compensation for an unused portion of the paid insurance premium from liquidation or bankruptcy pool of assets of the insurance company under liquidation or bankruptcy proceedings. If the owner of means of transport does not sign the insurance contract referred to in this Article, the means of transport shall be deemed uninsured.

The insurance company shall sign the compulsory insurance contract in accordance with the prevailing insurance terms and conditions and premium tariffs.

Sum Insured Article 4

A sum insured, which cannot be lower than the sum specified by this Law, shall be determined by the compulsory insurance contract.

The sum insured specified in the compulsory insurance contract shall represent maximum liability of the insurance company per one loss event.

Insurance Terms and Conditions and Premium Tariffs Article 5

The insurance terms and conditions and premium tariffs and/or their changes and additions shall be determined by the insurance company in accordance with the bases for calculation of the premium and the premium structure (premium system) for the compulsory transport insurance, which is determined by the Association.

The bases for the calculation of the premium and premium structure shall be determined in accordance with the actuarial principles and professional rules.

A Regulatory authority that is competent for the insurance supervision (hereinafter referred to as the Regulatory authority) shall grant, within 60 days after the reception of the application, the approval for the insurance terms and conditions and premium tariffs for compulsory transport insurance.

The insurance terms and conditions and premium tariffs cannot be applied without prior approval of the Regulatory authority.

The Regulatory authority shall make public in the Official Gazette of the Republic of Montenegro the lowest premium tariffs for auto liability insurance.

Basis for Calculation of Compulsory Insurance Premiums – Premium System Article 6

The Association shall determine bases for the calculation of the premium system in accordance with the information referred to in Article 12 of this Law, including:

- 1) bases (criteria) for the calculation of the premium and premium structure for compulsory insurance;
- 2) minimum amount of the technical premium for compulsory insurance;
- 3) maximum percentage of gross premium allocated for overhead supplement;
- 4) maximum amount of compensation or fee that may be paid for insurance brokerage or agency business, as well as for insurance ancillary business;
- 5) bonuses and rebates.

The Regulatory authority shall supervise the implementation of the bases of the premium system referred to in paragraph 1 above.

Request for Compensation of Damage Article 7

An injured party shall be compensated for damage under the compulsory insurance contract by submitting the claim to the insurance company that shall indemnify for damage based on the insurance contract.

The insurance company shall record the claim referred to in paragraph 1 above in the special book of damages.

The request for compensation of damages shall be submitted to the Association for compensation of damages caused by uninsured and unknown vehicle, means of transport and vehicle and/or means of transport that has been insured by the company which license has been revoked.

If the insurance company or Association does not respond to the claim referred to in paragraphs 1 and 3 above, within 30 days after the reception of the request, an injured party may obtain its right for compensation of damage by filing a lawsuit before the competent court. The lawsuit submitted against the responsible insurer or responsible party before the expiry of timeframe referred to in this paragraph shall be deemed premature.

The insurance company and/or the Association shall submit, within 30 days in case of non-property damage and within 14 days in case of property damage after the submission of the claim, to the injured party the following:

- detailed offer for indemnification if the liability for indemnity and the amount of claim are undisputable;
- detailed response, if the liability for indemnification or amount of claim is disputable.

If the submitted claim does not contain all information required for decision-making and if the needed documentation has not been submitted along with the application, the insurance company or Association shall request, within 8 days after the reception of incomplete claim, the applicant to complete the application with the required documentation.

Notwithstanding paragraph 5 of this Article, if longer period is required for the determination of the bases and amount of indemnification based on the submitted

claim, the timeframe for decision-making may be extended up to 60 days as of the day of the reception of the claim.

Determining the Amount of Compensation of Damage

Article 8

The amount of indemnification shall be determined in accordance with the criteria for compensation of damage which shall be prescribed by the Regulatory authority upon the Association proposal.

The criteria referred to in paragraph 1 above shall be the following:

- 1) bases for determining the fair compensation for material and non material claims against persons;
- 2) bases for claim assessment against vehicles;
- 3) bases for claim assessment on movable and immovable assets;
- 4) percentages of permanent loss of general working ability (disability) as consequences of an accident.

The application of the criteria referred to in paragraph 1 shall be obligatory when deciding on the amount of compensation of damage.

The criteria for compensation of damage shall be published by the Regulatory authority in the Official Gazette of the Republic of Montenegro.

If the final amount of the compensation of damage cannot be determined using the criteria specified above, the insurance company and/or the Association shall offer to the injured party payment of the undisputable portion of its liability as an advance payment.

If the insurance company and/or the Association find no grounds for the compensation of damage, it shall inform the applicant in written form within 14 days of the reception of the orderly submitted claim.

Deadline for Payment of Claim

Article 9

An insurance company and/or the Association shall pay the claim in full amount, within 14 days after the conclusion of the indemnification agreement, unless otherwise stated by the agreement or within 8 days as of the day of deciding pursuant to Article 7 of this Law.

Objections of Insurance Company and Entitlement to Recourse

Article 10

When the injured party submits the claim to an insurance company, the insurance company may not state objections in the response to such claim which may be

stated, based on the law or insurance contract, against the insured person due to the violation of the Law or contract in accordance with the law or insurance contract.

The insurance company that indemnifies against the injured party shall be liable to the persons responsible for the damage for the amount of indemnity paid, interest on the indemnity paid and the procedure costs, if the liability of the company has not occurred against the terms and conditions of the compulsory insurance contract.

Expiry of Funds' Recourse Request

Article 11

The insurance company shall compensate for the actual damage within the liability of its insured person to the Funds that perform business of health, pension and disability insurance (hereinafter referred to as the Funds), but only within the liabilities assumed by the insurance contract.

The actual damage referred to in paragraph 1 above shall be considered all medical treatment and other necessary expenses incurred in accordance with the regulations on health care insurance, as well as proportional amount of pension of the injured party or members of their family.

The proportional amount of the pension shall be determined in accordance with the regulations on pension insurance as the difference between disability pension determined by virtue of a decision of the Pension Fund and disability pension that would be determined in case of injury at work.

The provisions of paragraphs 1 through 3 shall be applied accordingly to the recourse requests of the insurance companies for compensation of actual damage that is paid based on voluntary health, pension, annuity or similar insurance.

The Funds shall be compensated for their liabilities referred to in paragraph 1 above after the payment of the obligations of all applications of the injured parties from the same claim submitted to the insurance company.

The Funds for health, pension and disability insurance and insurance companies, as well as other natural and legal persons that have otherwise compensated directly to injured party for damage or portion of damage incurred by use of uninsured or unknown means of transport, shall have no right to recourse from the Guarantee Fund.

Collection of Statistical and Other Information

Article 12

The insurance companies and the Association shall collect, process and keep statistical and other information on insurance referred to in Article 2 of this Law.

The information referred to in paragraph 1 above shall include information on insured persons, loss events, assessment and liquidation of claims.

The insurance companies and the Association shall process the information referred to in this Article by applying the insurance statistical standards pursuant to the regulations on protection of personal information and regulations on data protection.

The content and the manner of keeping the information referred to in paragraph 1 above, as well as the manner of and timeframes for their submission shall be determined by the Association with prior approval of the Regulatory authority.

The Regulatory authority may also determine, if needed, gathering and processing of other documentation.

The Association and the insurance companies shall submit information referred to in paragraphs 1 and 2 above to the Regulatory authority upon its request.

The Manner of Gathering, Storing and Using Database of Insurance Company Article 13

The information referred to in Article 12 of this Law shall be gathered directly from the persons these data refer to and from other persons (participants and witnesses to loss event).

When the information referred to in paragraph 1 above has been kept with the corresponding competent institutions (competent authorities for interior affairs, judicial authorities, Funds for health, pension and disability insurance, health care institutions and institutions for social work), the information shall be obtained from those institutions.

The information referred to in paragraph 1 above shall be kept, upon the expiry date of the insurance contract or upon the termination of the liquidation of claim, seven years after the expiry date of the insurance contract.

The information referred to in paragraph 1 above may use injured parties, without compensation, when filing request for compensation of damage with the insurance company.

Exceptions from Compulsory Insurance Article 14

Provisions of this Law shall not refer to the means of transport of the Army of Montenegro.

Application of Provisions of the Law Governing Insurance Business Article 15

Provisions of the Law governing the insurance business shall be applied to the founding, operations and supervision of the insurance companies, unless otherwise specified by this law.

Application of Other Laws Article 16

Regulations governing obligation relations and contracts, and conditions for individual classes of insurance shall be applied to the compulsory insurance contracts, unless otherwise specified by this Law.

II INSURANCE OF PASSENGERS IN PUBLIC TRANSPORT AGAINST CONSEQUENCES OF AN ACCIDENT

Obligation of Passengers Insurance in Public Transport against Consequences of an Accident Article 17

Owners, or users of the means of transport by rental agreement, lease contract and the like (hereinafter referred to as the users) used in public transport of passengers shall conclude a contract on accident insurance of passengers in public transport.

The contract referred to in paragraph 1 above shall be concluded by owners or users of the following:

- 1) buses performing public transport in city, intercity and international line and non-line transport;
- 2) buses used in self transport;
- 3) buses used in tourist transport;
- 4) passenger taxi vehicles and rent-a-car vehicles when rented together with a driver;
- 5) railway vehicles for transport of passengers;
- 6) all kinds of sea, river and lake vessels in public transport of passengers in regular and special services transport operations, including cruising and transport of tourists;
- 7) all kinds of rent-a-car vessels referred to in point 6 above;
- 8) aircrafts performing public transport of passengers on regular and special lines (charter and air taxi flights);
- 9) tourist aircrafts used for shorter flights and panorama flights and aircrafts rented with a pilot;
- 10) all other means transport, regardless of the type of propulsion, used in public transport with payment of transport as registered business.

Insurance contract referred to in paragraph 1 above may not be signed as liability insurance contract.

The registration for using the means of transport referred to in paragraph 2 above shall be issued upon the submission of the evidence on the signed insurance contract specified in paragraph 1 above.

Passengers in Public Transport Article 18

A passenger in public transport, the context of this Law, shall be:

- 1) a person who is in public transport with an intention to travel regardless of whether such person has a valid ticket,
- 2) a person who is close to the station, pier, port, airport or nearby means of transport, prior to boarding and who has intention to travel;
- 3) a person who has traveled and left the means of transport, and who is nearby means of transport, close to the station, pier, port or airport.

Persons employed on board of the means of transport shall not be considered passengers in public transport.

Sum Insured Article 19

Sum insured specified in this Article shall represent the obligation of insurance company, unless higher insured sum is agreed in the insurance contract.

The lowest sums insured applicable to insurance of passengers in public transport against accident per one passenger shall be the following:

- 1) against death € 8,000;
- 2) against permanent loss of general working ability (disability) € 16,000;
- 3) against temporary incapacity for work for compensation of loss of income and urgent costs of passenger's treatment € 4,000.

The owner or user of the means of transport referred to in Article 17 paragraph 2 of this Law may sign the insurance contract for the amount higher than the lowest sum insured specified in paragraph 2 above.

Entitlement to Payment of Sum Insured Article 20

A passenger in public transport in case of passenger's accident, or a person specified in the insurance contract as beneficiary in case of passenger's death (hereinafter referred to as the user of insurance), shall have be entitled to claim the payment of the insurance directly from the insurance company with which the owner

of the means of transport has concluded the insurance contract referred to in Article 17 above.

If the owner of the means of transport has not concluded insurance contract referred to in Article 17 of the Law or if it has concluded insurance contract with the insurance company under the bankruptcy or liquidation proceedings, and an accident occurred, a person referred to in paragraph 1 above may require the Association to pay the insured sum from Guarantee Fund resources in accordance with the Law.

The passenger or user of insurance specified in Article 19 of this Law shall be entitled to the sum insured regardless of whether such person has the right for compensation of damage based on transporter's liability.

III THIRD PARTY LIABILITY INSURANCE OF OWNERS OF MOTOR VEHICLES

Obligation to Conclude Insurance Contract Article 21

An owner or user of a motor vehicle shall sign a liability insurance contract against loss caused to third parties due to the use of his vehicle resulting in death, bodily injury, impaired health, material damage or destruction (hereinafter referred to as auto liability insurance), except for material damage to things, which the owner has agreed to transport.

Notwithstanding paragraph 1 above, auto liability insurance shall cover to the owner of motor vehicle material damage to things, which he has agreed to transport if those things serve for personal use of the persons that have been in the vehicle.

The damage referred to in paragraph 1 above shall include the damage caused to a third party by things that have been launched from a motor vehicle set in motion.

Auto Liability Insurance Contract – Insurance Policy Article 22

Auto liability insurance contract – insurance policy shall be uniform for the territory of the Republic.

The form of the insurance contract referred to in paragraph 1 above shall be determined by the Regulatory authority.

An insurance company shall harmonize its auto liability insurance contract – policy with the form referred to in paragraph 2 above.

Provisions of Article 3 of this Law shall be applied to the auto liability insurance contract.

Motor Vehicle Article 23

Motor vehicle under this Law shall be any self-propelled vehicle, except the vehicles that are set in motion on rails and any trailer regardless of whether is attached or not.

Motor vehicle under this Law shall not be self-propelled vehicle referred to in paragraph 1 if such vehicle has been used as working vehicle outside of traffic at the time of damage occurrence.

The registration of the motor vehicle, the extension of the registration and the issuing of temporary plates may be carried out only upon presentation to the competent authority for registration of the evidence of concluded auto liability insurance contract.

The owner of the motor vehicle that is not subject to the registration every year shall sign auto liability insurance contract prior to obtaining the license that shall be renewed at least once a year for the period of its validity.

Persons Not Entitled to Compensation of Damage Article 24

The following persons shall not be entitled to compensation of damage under auto liability insurance:

- 1) an owner, co-owner and any other user of the motor vehicle causing damage or authorized possessor of the motor vehicle in case of material damage to things;
- 2) a driver of the vehicle who is responsible for the damage inflicted, and his/her legal successors in case of bodily injury, impaired health or death of the driver;
- 3) a person that has performed or participated in illegal deprivation of motor vehicle which use has caused damage, regardless of whether he has driven the vehicle at the moment of damage occurrence;
- 4) a passenger who voluntary entered the vehicle which caused damage, if the insurer proves he knew that the unauthorized driver has been operating such vehicle;
- 5) a passenger who voluntary entered the vehicle which caused damage, if the Association proves he knew that the unauthorized driver has been operating such vehicle;
- 6) a person to whom damage has been incurred:
 - due to use of a motor vehicle at officially approved car and karting competitions and parts of such competitions at roads closed, which have as their objective the achievement of the fastest speed, as well as at tests (trainings) for such events;
 - due to an earthquake;

- due to the effect of nuclear energy during the transport of radioactive materials;
- due to military operations, military maneuvers, revolts or terrorist acts, if has been proved that the damage has been incurred as a result of such events.

Loss of Entitlement to Insurance Contract Article 25

Auto liability insurance shall also cover, in accordance with this Law, damages caused by the use of motor vehicle that has been used or operated by an unauthorized person (hereinafter referred to as the unauthorized user of the motor vehicle).

The insured party shall lose its rights from insurance contract if:

- 1) the driver operates the motor vehicle without appropriate driver's license;
- 2) the driver did not use vehicle for the purpose for which it was intended;
- 3) the driver has been trained for operation of the motor vehicle in traffic without oversight of the authorized driver – instructor;
- 4) the driver uses motor vehicle without knowledge and approval of the owner or authorized user of such vehicle;
- 5) the driver has operated the vehicle under the influence of alcohol above the set limit, narcotics, psychoactive medicines or other psychoactive substances;
- 6) The driver has caused the damage intentionally;
- 7) The damage occurred because the vehicle was technically defective and the driver was aware of such circumstance;
- 8) The driver came into illegal possession of the motor vehicle.

The insurance company that compensates the damage to the injured party referred to in paragraph 1 above shall enter the rights of an injured party to a party responsible for damage for fee paid, interest from fees paid and procedure costs.

Loss of rights from insurance with respect to paragraph 2 points 1 through 8 above shall have no influence on the right of the injured party to compensation of damage, so that the injured party may file claim to the responsible insurer.

Insurance company that has paid to the injured party damage caused in cases referred to in paragraph 2 above shall be entitled to the indemnification of the paid amount of damage, interest and costs from the party responsible for the damage.

Change of Motor Vehicle Ownership Article 26

If the ownership over a motor vehicle changes during the period of insurance coverage, the rights and responsibilities arising from the auto liability insurance contract shall be transferred to the new owner and shall last until the expiry of the current insured period.

Sum Insured Article 27

The liability of an insurance company arising from auto liability insurance shall be limited to the sum insured applicable as of the day of the loss event occurrence unless the insurance contract stipulates a higher sum.

The lowest sum insured, on which auto liability insurance can be concluded, shall be the following:

A) in respect of loss due to death, bodily injury and impaired health:

- 1) buses and cargo vehicles € 250,000;
- 2) other motor and unknown vehicles € 150,000;
- 3) vehicles carrying hazardous substances € 300,000;

B) in respect of loss due to material damage or destruction:

- 1) buses and cargo vehicles € 100,000;
- 2) other motor vehicles € 80,000;
- 3) vehicles carrying hazardous substances € 150,000.

If there are more claimants, and the total compensation of damage exceeds the amount referred to in paragraph 2 above, the rights of the claimants in relation to the insurance company shall be proportionately reduced from the sum insured specified in paragraph 2 above.

The insurance company that paid one claimant an amount higher than the claimant was due to receive, since it did not know or could not know that there are also other claimants, shall reduce proportionately compensation to other claimants in accordance with paragraph 3 above, and shall remain liable to such other claimants only up to the amount referred to in paragraph 2 of this Article.

Compensation of Damage Caused Abroad Article 28

Insurance company shall issue international insurance document – international insurance registration to a person that uses the motor vehicle insured in the Republic when exiting the Republic.

The insurance company which issues international registration on auto liability insurance for risk coverage abroad to the owner or user of the vehicle shall compensate the third party for the damage caused by the use of the vehicle in foreign countries up to the amount stipulated by auto liability insurance regulations in the state in which the damage was made, in accordance with the international agreement if the international document is valid in the state in which the damage was made.

The damage that was caused under the international insurance document referred to in paragraph 1 above shall be compensated pursuant to Article 7 of this Law.

If the insurance company does not compensate for the damage in accordance with paragraph 3 of this Article, the claim request shall be submitted to the Association.

The Association shall make payment pursuant to Article 7 of this Law.

The Association shall have the right to recourse of the compensated damage from the insurance company that had the liability to pay the damage.

International Registration on Auto Liability Insurance Article 29

A person that operates the motor vehicle with foreign registration plates, when entering the territory of the Republic, must have valid international document on auto liability insurance – international insurance registration – valid at the territory of the Republic, which covers the damage at least up to the amount specified in Article 27 of this Law.

The validity of the international insurance registration shall be verified by the competent authority for interior affairs at the border crossing, during the entrance of the motor vehicle at the territory of the Republic as well as during the traffic control.

International document referred to in paragraph 1 above shall be required for the motor vehicle, which is transported to the Republic by other means of transport unless it will not be used in the Republic.

International document referred to in paragraph 1 above shall be the document which validity is recognized by the Green Card System (hereinafter referred to as the green card).

The Association shall inform the competent authority for interior affairs on the recognition of the validity of green card.

Border Insurance Article 30

Persons that do not own valid green card referred to in Article 29 above, shall sign auto liability insurance contract at the border (hereinafter referred to as the border insurance) with the local insurance company, which is valid only for the territory of the Republic.

Border insurance shall be signed during the stay at the territory of the Republic.

The amount and the structure of the premium for border insurance shall be determined by the Regulatory authority upon the Association proposal.

The approval of the amount and the structure of the border insurance premium shall be issued by the Government of the Republic of Montenegro.

Compensation of Damage from Motor Vehicle with Foreign Registration Plates

Article 31

A person to whom a damage was caused by the use of a motor vehicle with foreign registration plates with valid green card referred to in Article 29 of this Law at the territory of the Republic, shall submit a claim to the Association, insurance company or a person whom the Association has authorized to perform operations arising from international agreement on liability insurance of the owners of motor vehicles against damage caused by the use of motor vehicles in the country or abroad.

If the claim is submitted to the Association, it shall compensate the damage, within 60 days after the reception of the orderly submitted request with the supporting documentation, or it shall reach a detailed decision on denial of the request.

If the claim is submitted to the insurance company or a person referred to in paragraph 1 above, it shall compensate the damage, within 30 days after the reception of the orderly submitted request with the supporting documentation, or it shall reach a detailed decision on denial of the request.

If the insurance company or authorized person to whom the claim referred to in paragraph 1 has been submitted does not make a decision within the timeframe specified in paragraph 3 above, the injured party has the right to submit the claim to the Association that shall reach a decision and/or pay the damage within 30 days as of the day of the reception of the orderly submitted request.

If the Association acts contrary to the timeframes specified in paragraphs 2 and 4 above, the injured party may start the procedure for indemnification before the competent court.

Compensation of Damage Based on Border Insurance

Article 32

The damage caused at the territory of the Republic by the use of the motor vehicle with foreign registration plates, which owner has his auto liability insurance concluded with local insurance company, shall be compensated by such company under the provision of this law that govern the insurance of the owners of motor vehicles with local registration plates.

**Compensation of Damage from Uninsured Motor Vehicle with Foreign
Registration Plates
Article 33**

The damage caused by the use of the motor vehicle with foreign registration plates, which owner has not signed the auto liability insurance, shall be compensated by the Association from the Guarantee Fund in accordance with this Law.

**IV THIRD PARTY LIABILITY INSURANCE OF OWNERS OF
AIRCRAFTS**

**Covered Parties
Article 34**

An owner or an authorized possessor of an aircraft shall sign the insurance contract against liability for damages that the aircraft may cause to third parties.

The damage referred to in paragraph 1 above shall be the damage for which the owner or authorized possessor of the aircraft is liable due to the use of the aircraft during flight or the damage that is caused by the persons or things that dropped or have been ejected from the aircraft during flight.

The owner or the authorized possessor of the foreign aircraft entering the air space of the Republic shall be insured against damage referred to in paragraph 1 above, unless other guarantee for the compensation of damages has been provided, or unless otherwise determined by international agreement.

The registration of the aircraft and the extension of the license may be performed only upon submission of the evidence on the signed insurance contract specified in paragraph 1 above to the competent registration authority.

The owner of an aircraft that is not subject to the compulsory annual registration shall sign insurance agreement referred to in paragraph 1 above when obtaining appropriate license.

**Sum Insured
Article 35**

The liability of an insurance company shall represent sums insured referred to in this Article unless the insurance contract stipulates a higher sum.

The lowest sum insured, which the insurance has to be agreed on referred to in paragraph 1 Article 34 of this Law shall be the following:

- 1) for aircrafts used for public transport of passengers and goods in domestic and international air traffic:
 - with weight up to 2,700 kg € 150,000;
 - with weight from 2,701 kg up to 5,700 kg€ 300,000;
 - with weight from 5,701 kg up to 27,000 kg€ 500,000;
 - with weight from 27,001 kg up to 72,000 kg€1.000.000;
 - with weight over 72,000 kg€ 1.600,000.
- 2) for other aircrafts regardless of their purpose (hang-gliders, ultra light gliders, paragliders, gliders, balloons, engine power hang-gliders, ultra light engine power aircrafts, self-propelled aircrafts and other aircrafts)€ 40,000.

Application of Provisions with Respect to Compensation of Damage Article 36

The provisions of this Law that refer to the compensation of damage caused to third parties by the use of motor vehicle and provisions of the law governing obligation relations and legal and property relations in air traffic shall be applied accordingly to the owners or authorized users of aircrafts against the liability, which is not specified Articles 34 and 35, for the damage that the aircraft may cause to third parties.

V THIRD PARTY LIABILITY INSURANCE OF OWNERS OF VESSELS

Covered Parties Article 37

An owner or authorized user of a vessel that must be registered into the vessels register in accordance with the regulations on vessels registration, shall sign insurance contract against liability for damages that the vessel may cause to third parties due to bodily injuries, impaired health or death.

The damage referred to in paragraph 1 above shall be the damage, which is caused to a third party by dropping or ejection of things from the vessel.

The owner or authorized possessor of the foreign vessel shall be insured against the liability for damage referred to in paragraph 1 above prior to obtaining the license for sailing into domestic territorial waters or who sails in domestic territorial waters, if other insurance against damage has not been provided to him and/or if the international agreement has not stipulated otherwise.

The issuance of vessel licenses for sailing and extension of the license shall be performed only with the evidence on signed insurance contract referred to in this Article submitted to the competent authority.

The owner of the vessel that is not subject to compulsory annual review shall sign the insurance contract referred to in paragraph 1 above prior to obtaining the sailing license that is valid longer than one year and it shall renew the insurance until the expiry date of sailing license. The use of a vessel in sea traffic shall not be permitted without the insurance agreement.

Sum Insured Article 38

The liability of an insurance company shall represent sums insured referred to in this Article unless the insurance contract stipulates a higher sum.

The lowest sum insured, which the insurance has to be agreed on referred to in paragraph 1 Article 37 of this Law, shall be the following:

- 1) for ships:
 - size up to 1000 BRT € 100,000;
 - size from 1001 up to 10000 BRT € 200,000;
 - size from 10001 up to 20000 BRT € 300.000;
 - size from 20001 up to 30000 BRT € 400.000;
 - size over 30000 BRT € 500.000;
- 2) for other vessels for sport and recreation:
 - motor boats € 50,000;
 - yachts, light motorboats, motor scooters and motorboats € 200.000

Application of Provisions with Respect to Compensation of Damage Article 39

The provisions of this Law that refer to the compensation of damage caused to third parties by the use of motor vehicle shall be applied accordingly to the owners or authorized possessor of a vessel referred to in Article 37 paragraph 1 of this Law, which is not specified in Articles 37 and 38, for the damage caused to third parties.

VI ASSOCIATION OF INSURANCE COMPANIES PERFORMING COMPULSORY TRANSPORT INSURANCE

Association of Insurance Companies – National Bureau Article 40

The Association – National Bureau is a legal person that shall be founded for the purpose of pursuing common interests of the insurance companies performing compulsory transport insurance in the Republic.

The insurance company may perform compulsory insurance business referred to in this Law only if it is a member of the Association referred to in paragraph 1 above.

The insurance company referred to in paragraph 1 above shall provide resources required for performing legally prescribed business activities of the Association.

The organization, operations, deciding, the manner of financing and other issues relevant for the Association operations shall be governed by the Association bylaws.

The Regulatory authority shall approve the bylaws of the Association.

The Association shall perform its operations through the following basic organizational parts:

- 1) Green Card Bureau;
- 2) Guarantee Fund;
- 3) Information Center

The organizational parts shall not have a status of a legal person.

The Association shall be founded as a business organization.

Association Business Activity Article 41

The Association referred to in Article 40 above shall perform the following business activities, *inter alia*:

- 1) represents insurance companies in international insurance organizations;
- 2) processes, calculates, settles claims and makes recourse requests with respect to compensation of damage paid in relation to:
 - international agreements on compulsory transport insurance, for damage incurred in the country and abroad ("green card")
 - uninsured motor and trailer vehicles and passengers in public transport, aircrafts and vessels;
 - death, bodily injury or impaired health caused by the use of unknown motor vehicle, aircraft, vessel or other means of transport;
 - request of injured persons who were not able to compensate the damage, due to the closing of their insurance companies;
- 3) prescribes and prints forms of international insurance registration (green card) for its members;
- 4) manages Guarantee Fund in accordance with Articles 43 and 44 of this Law;
- 5) collects statistical and other data and prepares statistical reports referred to in Article 12 of this Law;
- 6) proposes:
 - criteria for determining the amount of compulsory contributions to be made by insurance companies (members of the Association) to the Association for its operations and for the Guarantee Fund, as well as timeframes for their payment;
 - deposits and guarantees of banks which the insurance companies are guaranteeing fulfillment of the obligations for which the Association is responsible;

- 7) determines the tariff for the calculation and payment of costs based on claim processing referred to in point 2 above;
- 8) performs other activities for which it has been authorized by insurance companies and Regulatory authority;
- 9) determines bases for calculation of the compulsory insurance premium and premium structure;
- 10) prepares operating plans and financial operating reports;
- 11) cooperates with the associations of other countries with respect to more complete and comprehensive entitlement of insured parties rights, injured persons and members of the Association;
- 12) adopts a code of ethics for insurance employees.

A Regulatory authority shall determine the criteria and amounts of deposits and guarantees of banks referred to in point 6 paragraph1 above upon the proposal of the Association.

Guarantee Fund Article 42

A Guarantee Fund shall be established to ensure economic protection of passengers in public transport and third injured parties where the damage has been caused by the use of uninsured or unknown means of transport, as well as where the insurance company liable for compensation of damage has ceased with its operations or as a result of its bankruptcy or liquidation proceedings, and damages arising from green card.

Guarantee Fund Resources Article 43

Guarantee Fund resources shall be provided through the compulsory regular contributions from premium funds of compulsory transport insurance and resources obtained from recourse requests in cases specified in this Law, which shall be paid by the compulsory insurance companies under this Law.

The amount of regular contribution to the Guarantee Fund shall be determined for the following business year until December 31 of the current year pursuant to the criteria referred to in point 6 paragraph1 Article 41 of this Law.

The amount of regular contribution for the following year shall be determined by the Regulatory authority upon the Association's proposal.

Provided the Guarantee Fund resources are not sufficient for the coverage of obligations referred to in Article 44 of this Law based on regular contribution, the missing resources shall be provided from additional contribution that is determined in the manner and under the procedure specified for regular contribution to the Guarantee Fund.

The Guarantee Fund resources shall be kept on a special account of the Association.

The resources of the Fund shall be managed and handled by the Association.

Purpose of Guarantee Fund Resources

Article 44

The resources of the Guarantee Fund shall be used for the payment of sum insured and/or compensation of damage to injured parties under this Law, particularly:

- 1) caused by the use of motor vehicle, aircraft, vessel or any other means of transport where the compulsory insurance contract has not been signed in the context of this Law;
- 2) due to the death, bodily injury or impaired health caused by the use of unknown motor vehicle, aircraft, vessel or any other means of transport;
- 3) caused by the use of motor vehicle, aircraft, vessel or any other means of transport where the compulsory insurance contract has been signed with the insurance company which license has been revoked and which is under bankruptcy proceedings;
- 4) in cases referred to in Articles 28, 31 and 33 of this Law;
- 5) the compensation of expenses for processing claims that should be paid by Guarantee Fund;
- 6) other expenses with respect to the Guarantee Fund activities.

Association Operating Reports

Article 45

The Association shall also make up annual plan and annual financial statement of the Guarantee Fund within its annual plan and annual financial statements.

The annual financial statements of the Association shall be subject to the audit.

The Association shall submit to the Regulatory authority a quarterly report on the condition of resources of the Guarantee Fund.

The Association shall also submit, upon the Regulatory authority request, other reports and data important for the supervisory activity.

Application and Compensation of Damage of Guarantee Fund When Compulsory Insurance Contract Has Not Been Signed and Entitlement to Recourse

Article 46

The application for compensation of damage caused by the use of motor vehicle, aircraft, vessel or any other means of transport where owner or user has not signed the compulsory insurance contract and was obliged to do so under this Law, shall be

submitted and the damage shall be compensated in the same amount and under the same conditions as if the compulsory insurance contract were signed.

The application referred to in paragraph 1 above shall be submitted to the Association in accordance with Article 7 of this Law.

The Association shall have the right to claim the recourse from the owner or user of means of transport, which has caused the damage, for the amount of paid damage, interest and other costs with respect to such damage.

**Application and Compensation of Damage of Guarantee Fund under
Compulsory Insurance Contracts Signed with Insurance Company under
Bankruptcy Proceedings
Article 47**

The application and compensation of damage under insurance agreements signed with the insurance company under the bankruptcy and liquidation proceedings shall be resolved in the manner specified in Article 46 paragraphs 2 and 3 of this Law.

The recourse request for the damage paid shall be compensated from the bankruptcy pool of assets of the company under bankruptcy proceedings by order of priority payments in accordance with the special law.

**Application and Compensation of Damage Caused by the Use of
Unknown Means of Transport
Article 48**

The application for and compensation of damage due to death, bodily injury or impaired health caused by the use of unknown means of transport (motor vehicle, aircraft, vessel) shall be compensated up to the amount specified in Article 27 paragraph 2 point A sub point 2 of this Law, which limits the liability of insurance company, under this Law, for damages caused by the use of such means of transport as of the day of the occurrence of loss event.

The application for and the compensation of damage referred to in paragraph 1 above shall be resolved in the manner prescribed by Article 46 paragraph 2 of this Law.

Provided that the means of transport that has caused the damage had the insurance contract after the settlement of claim, the Association shall submit the recourse request to the insurance company that has signed the contract.

The insurance company referred to in paragraph 3 above shall pay the resources with respect to the recourse request to the Guarantee Fund.

Supervision of the Association

Article 49

The Regulatory authority shall perform supervisory activities over the Association.

Supervision Measures

Article 50

The regulatory authority shall revoke the license for performing compulsory insurance activities to the insurance company that does not pay compulsory contribution for the Association operations and compulsory contribution to the Guarantee Fund.

The Association shall inform the Regulatory authority if the insurance company does not make payment of compulsory contributions.

Should the Association cease to perform activities specified by this Law, the Government may assign by a virtue of its decision the Association business activities to the Regulatory authority on temporary basis.

VII PENALTY PROVISIONS

Offences

Article 51

A fine ranging from 40-fold to 300-fold amount of the official minimum monthly salary in the Republic shall be imposed on a business organization or other legal person if:

- 1) it does not sign compulsory insurance contract with another insurance company within eight days as of the day of the notification of the resolution of commencing liquidation or bankruptcy proceedings of the insurance company for the remaining insurance period and/or registration period (Article 3 paragraph 8);
- 2) it does not sign the contract, as an owner or a user of a means of transport, on insurance of passengers in public transport against consequences of an accident (Article 17 with respect to Article 3 paragraphs 1 and 2);
- 3) it does not sign contract, as an owner or user of a motor vehicle, on auto liability insurance against damage caused to third parties due to the use of his vehicle resulting in death, bodily injury, impaired health, material damage or destruction, except for material damage to things, which the owner has agreed to transport (Article 21 with respect to Article 3 paragraphs 1 and 2);
- 4) it does not sign, as an owner or a user of the motor vehicle that is not subject to the registration every year, the auto liability insurance contract prior to

- obtaining the license (Article 23 paragraph 4 with respect to Article 3 paragraphs 1 and 2);
- 5) it does not have valid international document referred to in Article 29 of this Law, and if it does not sign auto liability insurance contract with local insurance company valid only for the territory of the Republic at the border (Article 30);
 - 6) it does not sign, as an owner or the authorized possessor of the aircraft, the insurance contract against liability for damages that the aircraft may cause to third parties (Article 34 with respect to Article 3 paragraphs 1 and 2);
 - 7) it does not sign, as an owner or authorized user of a vessel, the insurance contract against liability for damages that the vessel may cause to third parties due to bodily injuries, impaired health or death (Article 37 with respect to Article 3 paragraphs 1 and 2).

A responsible person in the legal entity shall also be imposed a fine ranging from 4-fold to 10-fold amount of the official minimum monthly salary in the Republic for the offences specified in paragraph 1 above.

An entrepreneur – owner of the means of transport shall be imposed a fine ranging from 10-fold to 70-fold amount of the official minimum monthly salary in the Republic for the offences specified in paragraph 1 above.

A natural person – owner or user of the means of transport shall also be imposed a fine ranging from 4-fold to 10-fold amount of the official minimum monthly salary in the Republic for the offences specified in paragraph 1 points 2, 3, 4 and 5 above.

Article 52

A fine ranging from 40-fold to 300-fold amount of the official minimum monthly salary in the Republic shall be imposed on a business organization or other legal person if:

- 1) it does not sign compulsory insurance contract pursuant to the insurance terms and conditions and premium tariffs effective at the time of concluding the insurance contracts (Article 3 paragraph 10);
- 2) it signs the compulsory insurance contract where sum insured has not been determined as prescribed by this Law or the sum insured has been determined in the amount lower than the amount prescribed by this Law (Article 4);
- 3) it applies compulsory insurance terms and conditions and premium tariffs without prior approval of the regulatory authority (Article 5);
- 4) it does not apply or incorrectly applies the bases of premium system prescribed by this Law (Article 6);
- 5) it does not record claim as of the day of the reception of the application of the claim in the special book of claims, by order of reception (Article 7 paragraph 2) and if does not make decision on claim within timeframes specified in Article 7 of this Law;
- 6) it does not fully pay the claim, within 14 days after the signing of the indemnity contract, or within the timeframes determined by settlement, or if it does not pay indemnity within eight days after the passage of the decision on bases and amount of indemnity (Article 9);

- 7) it does not collect, process and keep data on insured persons, insured means of transport, loss events and claims settlement pursuant to the compulsory insurance in accordance with Article 12;
- 8) it fails to submit data referred to in Article 12 paragraph 6 of this Law to the Regulatory authority upon its request in the manner prescribed by this Article;
- 9) it fails to harmonize auto liability insurance contract – insurance policy with the form of the insurance contract determined by the Regulatory authority (Article 22);
- 10) it does not pay compulsory contribution to the Guarantee Fund from the premiums of compulsory transport insurance (Article 43);
- 11) it does not prepare financial statements and reports on the condition of the Guarantee Fund and fails to submit them to the Regulatory authority in accordance with Article 45 of this Law.

A responsible person in the legal entity shall also be imposed a fine ranging from 4-fold to 10-fold amount of the official minimum monthly salary in the Republic for the offences specified in paragraph 1 above.

VIII TRANSITIONAL AND FINAL PROVISIONS

Harmonization of Insurance Terms and Conditions and Premium Tariffs Article 53

An insurance company shall harmonize its insurance terms and conditions and premium tariffs with this Law within six months as of the day the regulations referred to in Article 56 paragraph 1 come into force.

Statistical Records and Other Data Article 54

Statistical records and other data referred to in Article 12 of this Law shall be established within 90 days as of the day the Association determines content and form of the data (Article 12, paragraph 4).

Founding the Association Article 55

The Association shall be founded immediately after this Law becomes effective and not later than 30 days as of the day this Law becomes effective.

Timeframe for Adoption of Regulations Article 56

Enabling regulations related to this Law shall be adopted within six months after its effective date.

Until the regulations referred to in paragraph 1 above have been adopted, the regulations valid on the effective date of this Law shall be applied.

Cease of Validity of the Law Article 57

On the date this Law becomes effective, the provisions on compulsory transport insurance (Articles 73 through 101) and provisions on entrusting public authorizations (Article 143 through 146) of the Law on Insurance of Property and Persons ("Official Gazette of FRY", No. 30/96) shall cease to be valid.

Pending Procedures Article 58

Pending procedures from compulsory transport insurance before the effective date of this Law shall be completed pursuant to the provisions of the Law on Insurance of Property and Persons ("Official Gazette of FRY", No. 30/96).

Coming into Effect Article 59

This Law shall become effective on the eight day upon its publication in the ("Official Gazette of the Republic of Montenegro").

SU-SK Number 01-380/7
Podgorica
24 July 2007

Constituent Parliament of the Republic of Montenegro
President
Ranko Krivokapic, signed