Chapter I - General Provisions

Article 1 - Relations regulated by this Law

1. This Law regulates relations in the area of insurance between insurance organisations and legal and natural persons, as well as relations between insurance organisations, and defines fundamental principles for State regulation of insurance activities.

2. In the area of insurance, relations shall be regulated by the Constitution of Georgia, the Civil Code of Georgia, this Law, other laws and subordinate acts of Georgia.

3. If an international agreement or treaty, to which Georgia is a party, establishes procedures different from the ones prescribed by this Law, the procedures established by the international agreement or treaty shall be applied.

4. (Deleted).


Article 2 – Basic concepts used in the Law

The concepts used in this Law have the following meanings:

a) insurance – a relationship established for the protection of private and property interests of natural and legal persons through monetary funds created by insurance payments (insurance premiums) and other sources permitted by the legislation, upon the occurrence of certain circumstances (insured events);

b) insurance activity - activity of an insurer related to entering into and performance of insurance and reinsurance contracts;

c) insurer -

c.a) a legal person in the organisational-legal form of a joint-stock company, which is established to carry out insurance activity, and licensed, according to the procedures established by this Law, to carry out the relevant type of insurance activity;

c.b) a branch (representative office) founded in Georgia by insurance and reinsurance organisations registered in member states of the Organisation for Economic Co-operation and Development (OECD) and licensed by appropriate agencies, registered according to the procedures established by the legislation of Georgia for registration of branches (representative offices).

d) policyholder - a natural or legal person that has concluded an insurance contract with an insurer;

e) the insured - a natural or legal person covered by an insurance policy. A policyholder may also be the insured, unless otherwise provided by the insurance contract;

f) beneficiary - a natural or legal person that receives insurance policy proceeds according to an insurance contract or the legislation on compulsory insurance;

4) insurance agent - a natural or legal person that acts on behalf of and in the name of an insurer within the powers granted by the insurer;

h) insurance broker - a natural or legal person established in accordance with the legislation of Georgia, registered with a Legal Entity of Public Law – the Insurance State Supervision Service of Georgia (the Service), and independently carrying out brokerage activity in the field of insurance, as a type of its entrepreneurial activity;

i) insurance risk - an event containing signs of the possibility and fortuitousness of its occurrence, and which is the reason for insurance;

j) insured event - an event upon the occurrence of which payment of insurance policy proceeds is provided by an insurance contract;

k) insurance policy - a signed document (certificate) issued by an insurer about an insurance contract;

l) reinsurance - a transaction during which an insurer fully or partially transfers the insured risk and the associated loss to a reinsurance company, on the basis of a reinsurance contract and in consideration of the peculiarities of each such contract;

m) non-state pension scheme founder - a legal person that is defined by the Law of Georgia on Non-state Pension Provision and Insurance;

n) (deleted);

o) (deleted);

p) a significant share - 10% or more of stated or paid-in capital of an insurer held by a person through direct or indirect participation;
article 3 - concept of insurance

1. Insurance is a relationship where personal and property interests of natural and legal persons are protected upon the occurrence of a certain circumstance (an insured event) at the expense of the monetary funds created by insurance payments (insurance premiums) paid by those persons and at the expense of other sources permitted by legislation.

2. Insurance activity is an activity of an insurer and is related to the entering into and performing insurance and reinsurance contracts.

article 4 - object of insurance

1. The object of insurance may be any property or personal non-property interest not contradicting the legislation of Georgia, including:
   a) insurance related to the life, health, ability to work, pension provision and other personal interests of the insured (personal insurance);
   b) insurance related to owning, administering and using property (property insurance);
   c) insurance related to an injury that the insured causes to third persons (natural or legal) or to their property (liability insurance).

article 5 - forms of insurance

1. Insurance may be voluntary or compulsory.

2. Voluntary insurance is based on a contract concluded between an insurer and a policyholder. The types, conditions and procedures for voluntary insurance shall be defined by a contract concluded between an insurer and a policyholder.

3. Voluntary insurance may be administered by any licensed insurance organisation of Georgia.

4. Compulsory insurance is a form of insurance where the object of insurance, its types and procedures for its administration are defined by the appropriate law on compulsory insurance.

5. In the case of compulsory insurance, an insurer shall be obligated to conclude a contract with a policyholder according to the conditions defined by law. An insurer may offer to a policyholder conditions that are more favourable than those prescribed for the policyholder by law.

6. Compulsory insurance may be administered by any licensed insurance organisation of Georgia.

article 6 - consequences of violation of compulsory insurance procedures

1. If a person is subject to compulsory and statutory insurance and is not insured, he/she shall be entitled to demand in court that the policyholder carry out its obligation to insure him/her.
2. If a policyholder does not conclude an insurance contract, or conditions of the concluded contract are less favourable than those provided by the legislation, the policyholder shall be obligated to compensate the insured for the loss in the amount that the insured would have received if he/she had been insured.

3. A policyholder may demand through the court that the insurer administer insurance according to Article 5(5) of this Law.

**Article 7 - Activity of foreign natural and legal persons in the field of insurance in the territory of Georgia**

1. A foreign citizen, a stateless person, a legal person established with foreign capital in the territory of Georgia, also, a branch and a representative office of a foreign legal person that perform their activities in the territory of Georgia, shall carry out insurance in insurance organisations of Georgia, according to the legislation of Georgia.

2. The persons referred to in paragraph 1 of this article shall have all the rights and obligations as citizens and legal persons of Georgia in the field of insurance in the territory of Georgia.

3. A foreign natural person, a stateless person, a foreign legal person (including foreign insurance and reinsurance organisations) may be founders of insurance and reinsurance organisations of Georgia.

4. Activity of a foreign insurance organisation as of a direct insurer in the territory of Georgia shall be permitted only through a branch (representative office) defined in Article 2(c.b) of this Law.

4. A branch (representative office) defined in Article 2(c.b) of this Law shall carry out its activity in the territory of Georgia according to the legislation of Georgia and shall have the right to sue and be sued.

5. An insurance organisation of Georgia may independently and directly enter into reinsurance contracts with one or more reinsurers.

6. A foreign legal person shall carry out insurance brokerage activity in Georgia through a duly registered branch (representative office), based on contracts concluded with legal persons of Georgia.

7. An insurance organisation of Georgia may directly use the services of a foreign brokerage organisation to reinsure its risks abroad.


**Chapter II - Participants of Insurance Relations**

**Article 8 - Policyholder**

1. A policyholder is a person that has entered into an insurance contract with an insurer.

2. A policyholder may be either a legal or a natural person.

3. A legal person registered in Georgia may enter into an insurance contract, except for a reinsurance contract, related to activity carried out in the territory of Georgia and to property located in the territory of Georgia only with an insurance organisation licensed by the Service. A citizen of Georgia may enter into an insurance contract in the territory of Georgia only with an insurance organisation licensed by the Service.


*Law of Georgia No 5914 of 14 March 2008 - LGH I, No7, 26.3.2008, Art. 34*


*Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013*

**Article 9 - Insurer**

1. An insurer is a legal person that is established to perform insurance activity and that has obtained a license for carrying out the relevant type of insurance, according to procedures established by this Law. An insurer shall be registered as an organisation according to procedures established for registering legal persons in Georgia.

2. The only organisational and legal form of an insurance organisation shall be a joint stock company. An organisation financed from the State Budget may not found or be a founder of an insurance organisation.

3. A company name of a licensed insurance organisation shall include the word 'insurance' or any other phrase containing this word. No one shall have
4. The liquidation of an insurance organisation shall be carried out according to the procedures established by this Law, other laws and by the Service.

5. Insurance organisations shall enjoy equal rights when carrying out their activities.

6. Abuse of a dominant position or any other activity intended to significantly restrict competition on the insurance market, or give advantage to or gain an advantage by the insurer(s) with respect to other insurer(s) shall be prohibited.

7. An insurer shall be managed and its activity shall be carried out according to the guidelines, methodological documents, rules and instructions determined by the Service. If there is no procedure established by the Service for a certain type of insurance activity, the insurer shall be authorised to act according to the international insurance norms and practice.


Law of Georgia No 6149 of 8 May 2012 - website, 25.5.2012

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Law of Georgia No 4002 of 10 July 2015 - website, 20.7.2015

Article 10 – Insured

1. An insured shall be a person covered by insurance. A policyholder may also be an insured, unless otherwise defined in the insurance contract.

2. The legislation on compulsory insurance may obligate a policyholder to insure a third person. In the case of voluntary insurance, a policyholder may specify a third person as an insured in the insurance contract; in this case, the object of insurance shall be the insured person and the personal interests related to him/her (personal insurance), or property of the insured person and interests related to it (property insurance).

3. When insuring property, an insured who is not a policyholder, must have an interest in maintaining that property.

4. In the case of compulsory insurance, obtaining the consent of a third person for entering into a contract, in which he/she it will be specified as the insured, shall not be necessary. In the case of voluntary insurance, refusal of a third person to have such a contract entered into shall make entering into it impossible or, if such a contract has already been entered into, shall cause its modification or termination.

5. When insuring property, a policyholder shall be obligated to notify a third person about his/her/its intention to insure the third person’s property or related interests, accurately defining the object of insurance.

6. If a policyholder is obligated to insure a third person, the third person may request that the policyholder report on the performance of his/her/its obligations, and in the cases defined in the legislation – a document evidencing insurance. If a policyholder has not performed or improperly performed his/her/its obligation concerning the insurance of a third person, the third person shall be entitled to exercise the rights defined in Article 6(1) and (2) of this Law.

7. The rights of insured minor citizens shall be realised according to procedures established by legislation.

8. Entering into a contract in favour of the insured shall not release the policyholder from fulfilling the obligations defined in the contract.

9. A third person shall be insured at the expense of the policyholder. The obligations of an insured who is not a policyholder, as well as obligations of a policyholder, arising upon occurrence of the insured event, shall be determined by an insurance contract. The policyholder shall be obligated to notify the insured about the obligations defined in the insurance contract.

10. If an insured refuses to receive the insurance policy proceeds to which he/she/it is entitled as per the insurance contract, the right to receive the proceeds shall be transferred to the policyholder.

11. In the case of the death of an insured, if he/she was not the policyholder, the insurance contract shall be terminated, unless the legislation or the contract provides for the replacement of the insured.

12. If the death of the insured is the insured event considered in the insurance contract, the contract shall be terminated after its performance.

13. In the case of the death of an insured, if he/she was not the policyholder, and the contract of property insurance has been concluded in favour of him/her the rights and obligations of the insured for the property that is an object of insurance, shall, with the consent of the policyholder, be transferred to the heir of the deceased insured, unless otherwise defined in the legislation or in the contract.

14. If a policyholder does not agree to have the insured replaced, or if heirs do not give their consent to undertake the rights and obligations of the deceased insured, the contract shall be terminated.

Article 11 – Beneficiary

1. A beneficiary shall be a natural or legal person that receives insurance policy proceeds according to an insurance contract or the legislation on insurance.
2. A beneficiary may be designated in the case of both personal and property insurance.

3. When administering compulsory insurance, the beneficiary shall be designated according to the legislation regulating the given type of insurance.

4. The insured shall be the beneficiary, unless otherwise defined in the legislation on compulsory insurance or the insurance contract.

5. The beneficiary shall be the insured, unless the beneficiary has been designated by the contract.

6. A contract of property insurance may be entered into in favour of the beneficiary without indicating the name or title of the beneficiary. When entering into such a contract, a policyholder shall be given an insurance certificate (a policy, certificate, etc.); in this case, the beneficiary shall be the person who presents the aforementioned document to the insurer.

7. When a policyholder is not the insured, in the case of death of the latter or his/her waiver of his/her rights, his/her rights shall be transferred to the policyholder. This shall entail the results defined in Article 10(11) of this Law.

8. Entering into a contract in favour of the beneficiary shall not release the policyholder from fulfilling the obligations defined in the contract.

**Article 12 - Insurance agent and insurance broker**

1. An insurer may administer insurance activity through an insurance agent or an insurance broker.

2. An insurance agent shall be a natural or legal person that acts under instructions and in the name of the insurer, within the powers granted by the insurer. An insurance payment received by an insurance agent shall be considered to be an insurance payment received by the insurer.

3. An insurance broker shall be a natural or legal person that is established in accordance with the legislation of Georgia, is registered with the Service and independently carries out brokerage activity in the field of insurance, as a type of its entrepreneurial activity. An insurance broker shall be obligated, before starting his/her/its activity, to apply to the Service and complete registration.

4. The relations of an insurance broker with an insurer and a policyholder shall be determined by a contract concluded between them.

5. It shall be prohibited for an insurer, an insurance agent or an insurance broker to enter into an insurance contract in the name of a foreign insurance organisation, except for a civil liability insurance contract of a car owner, to be used only outside Georgia.

6. When entering into a contract, an insurance broker and an insurance agent shall be obligated to notify the insurer about any circumstances known to them and important for the conditions determined by the insurance contract.


*Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013*

**Chapter III - Ensuring the Financial Stability of the Insurer**

**Article 13 - Conditions for ensuring the financial stability of an insurer**

1. The basis for ensuring the financial stability of an insurer shall be the insurer’s capital, insurance reserves and reinsurance system.

2. An insurer shall be liable to a policyholder for all the obligations contained in the insurance contract, irrespective of a reinsurance contract.

3. An insurer shall be obligated to submit to the Service, upon its request, information about a foreign insurance organisation, with which it has concluded a reinsurance contract. The information must include data on the financial situation of the reinsurance company.

4. An insurer shall be prohibited to:

   a) issue a loan to purchase its own equities;

   b) issue a loan to purchase equities of a holder of a significant share or equities of administrator;

   c) issue a loan to purchase equities of its subsidiary.


*Law of Georgia No 5003 of 1 July 2011 - website, 15.7.2011*

*Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013*

**Article 14 - Economic limits and guidelines**

1. An insurer shall be obligated to observe the economic limits defined by the Service, listed below:

   - Article 14 - Economic limits and guidelines

   *http://www.matsne.gov.ge*
a) minimum capital requirements at all stages of insurance activity;
b) amount of insurance reserves by types;
c) a marginal ratio of assets permitted for paying up insurance reserves to insurance reserves;
d) a marginal ratio of capital to liabilities;
e) a marginal ratio of assets to liabilities.

2. The action referred to in paragraph 1 of this article shall not apply to a branch (representative office) defined in Article 2(c.b) of this Law.

3. In the period from the end of each calendar year until 15 April of the next year, an insurer shall be obliged to submit to the Service an annual audited financial report for the past year, which is prepared according to the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) and that was audited according to the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). In the case of submission of a consolidated audited report, an insurer shall be obliged to submit, as a separate entrepreneurial entity, its audited annual financial report for the previous year, which is prepared according to the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) and that was audited according to the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

4. A branch (representative office) defined in Article 2(c.b) of this Law shall be obliged to submit annual audited financial reports of a founder insurance organisation and/or a reinsurance company and/or a founder holding company, upon their publication in their respective country of origin.

5. An insurer and a branch (representative office) defined in Article 2(c.b) of this Law shall be obliged to publish the report and external audit opinion, in the form and according to procedures defined by the Service.

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013
Law of Georgia No 4002 of 10 July 2015 - website, 20.7.2015

Article 15 - Insurance reserves of an insurer

1. An insurer shall create reserves to fulfil the undertaken insurance obligations. The types of insurance reserves and the procedures for their creation shall be defined by the Service.

2. The assets permitted to cover insurance reserves shall be determined by the Service.

3. During the whole period of its activity, a branch (office) referred to in Article 2(c.b) of this Law shall have national or foreign currency and/or debt securities placed in commercial bank of Georgia, the amount of which shall be determined according to the minimum capital required by the legislation of Georgia for insurance organisations registered in Georgia.

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Article 16 - Guarantees of the solvency of an insurer

1. In order to ensure its solvency, an insurer shall be obliged to comply with economic norms and limits set out in this Law; the method for calculating the ratio and normative volume of these norms and limits shall be defined by the Service.

2. An insurer shall choose assets permitted for covering insurance reserves according to the conditions of diversification, recoverability, profitability and liquidity.

Chapter IV - State Monitoring of Insurance Activity

Article 19 - Authority exercising state monitoring over insurance activity

1. State monitoring of insurance activity shall be exercised by the Service. The authority of the Service shall be determined by this Law, and other issues related to its activity shall be regulated by the Statute of the Service, which shall be approved by the Government of Georgia.

2. The Service shall be independent in its activity and shall be accountable to the Government of Georgia. The Government of Georgia may suspend or revoke any unlawful decision of the Service.

3. A Supervisory Board shall be established at the Service. The composition of the Supervisory Board shall be determined by the relevant ordinance of the Government of Georgia. The Supervisory Board shall consist of seven members. The Board shall consist of the Chairperson of the Budget and Finance Committee of the Parliament of Georgia, the Minister of Finance of Georgia, the Minister of Economy and Sustainable Development of Georgia, the Minister of Labour, Health and Social Affairs of Georgia, the Minister of Agriculture of Georgia and of two experts from the non-governmental sector nominated by the Prime-Minister of Georgia.

31. The powers and the rules of operation of the Supervisory Board of the Service shall be determined by its Statute approved by the Supervisory Board.

4. The Service shall be run by the head of the Service, who shall be appointed for five years on the recommendation of the Supervisory Board of the Service and shall be dismissed from office by the Government of Georgia.


Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013


Article 20 - Functions of the Service

1. For the purposes of this Law, the Service shall: implement state policy in the area of insurance, promote financial stability of the insurance market, protect rights of customers within the scope of its authority, ensure efficiency and solvency of insurance organisations and create a competitive environment. In order to meet these goals, it shall generalise insurance activity, create normative and methodological base and ensure its monitoring within the scope of its authority, develop new draft laws and other projects, as well as prepare draft amendments to the existing laws.

2. State, municipal and sectoral insurance programmes initiated by state or local self-government bodies shall be agreed with the Service and shall be
Article 21 - Powers of the Service

The Service shall be authorised to:

a) issue and cancel insurance licenses; register and deregister insurance brokers;

b) monitor the performance of the requirements contained in normative and methodological documents and check those documents, also check accounting documents, components of financial reports and other materials, and for that purpose, request and receive any information from an insurer within the scope of its authority;

c) apply sanctions determined in this Law against an insurer and/or an administrator;

d) keep a register of insurers and insurance brokers;

e) determine the types of capital of an insurer, the minimum amounts of capital at each stage of insurance activity and the procedures for its calculation;

f) establish procedures for determining and creating types of insurance reserves, as well as procedures for determining assets permitted for covering insurance reserves and for determining their structure;

g) define internal accounting requirements for insurance organisations;

h) determine marginal ratio of an insurer’s assets to its undertaken liabilities;

i) determine marginal ratio of an insurer’s capital to its liabilities;

j) determine procedure for calculating a solvency margin of an insurer;

k) prepare methodological and advisory documents on issues of insurance;

l) develop and adopt instructions and normative acts on insurance activity regulation;

m) request and receive information on both direct and beneficial owners of an insurer;

n) request and receive information on the origin of an insurer’s capital;

o) define forms of and filing procedures for financial and statistical reports of an insurer;

p) cooperate with foreign supervisory bodies within the scope of its authority; the cooperation may include exchange of information and conclusion of memorandums of mutual understanding;

q) publish statistical information on the insurance market;

r) establish procedures for registration or revoking of registration insurance brokers, and reporting procedures for ensurance brokers as entrepreneurial entities independently conducting mediation activities in the field of insurance;

s) establish procedures for liquidation and bankruptcy proceedings of an insurer.
**Article 21 - Violations and sanctions**

1. The Service may apply sanctions against an insurer and/or an administrator if the insurer or the administrator:
   a) violated one of the provisions of this Law or any norm, instruction, procedure, requirement, or written instruction of the Service;
   b) violated time limits for submitting reports or submitted an incorrect report and any other inaccurate information;
   c) violated requirements of the Law of Georgia on Facilitating the Prevention of Money Laundering.

2. If violations referred to in paragraph 1 of this article are discovered, the Service may apply the following sanctions in the given order, or apply them out of order due to the seriousness of the potential risk:
   a) send a written warning;
   b) introduce special measures or issue instructions (directives) requiring the insurer to stop and prevent any further violations, and to measures to eliminate the violations in a given period of time;
   c) impose pecuniary penalties according to the procedures and in the amounts defined by the Service;
   d) suspend the signing authority of an insurer’s administrator, and request the Supervisory Board/General Meeting of the insurer to suspend or remove him/her from office;
   e) suspend or restrict the distribution of profits, issuance of dividends and material incentives, and assumption of new obligations;
   f) in exceptional cases, when interests of a policyholder and those of an insured are at risk, suspend their right to carry out specific operations, impose a compulsory administration regime;
   g) cancel an insurance incense.

3. The sanctions imposed by this article shall correspond to the seriousness of the violation and the potential hazard.

4. The amount of the pecuniary penalty imposed under this article shall be paid to the State Budget of Georgia.

5. The sanction imposed on an insurer and/or an administrator by an administrative legal act shall be referred for enforcement on the basis of a writ of execution issued according to the administrative legal act entered into force according to the procedure established by the Law of Georgia on Enforcement Proceedings.

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013
Law of Georgia No 1469 of 4 October 2013 - website, 16.10.2013*

**Article 22 – Issuing insurance licenses**

1. Insurance licenses shall be issued by the Service, according to the Law of Georgia on Licenses and Permits.

2. Insurance licenses may be issued only to legal persons the organisational-legal form of which is a joint stock company.

3. An insurance license shall be issued only for the following activities:
   a) life insurance
   b) insurance (non-life)
   c) reinsurance.

4. If an insurer intends to carry out the activity referred to in Article 3(c) and has already obtained a license for any other type of insurance, it may carry out the activity referred to in Article 3(c) for that specific type of insurance for the performance of which it has already obtained the right by the relevant license, on the basis of an appropriate license. In that case, an additional license is not required. An insurer shall be obligated to notify the Service about this fact in writing, within 10 working days after the commencement of reinsurance activity.

5. In addition to the licensing conditions set out in the Law of Georgia on Licenses and Permits, a license seeker shall be obligated to meet the following conditions:
   a) present articles of association (including a Charter);
   b) present documents verifying state/tax registration;
   c) present an appropriate document from a banking institution(s) licensed in Georgia certifying that the founders fully paid up in cash the minimum capital determined by the Service;
   d) present an appropriate document from a banking institution(s) licensed in Georgia confirming the fact that the minimum funds required by the Service have been credited to the bank account(s);
e) present identification data of both direct and beneficial owners of the insurer's significant share.
f) present documents for every administrator and for every holder of a significant share, confirming that those persons:
   f.a) (deleted - 20.3.2015, No 3389);
   f.b) (deleted - 20.12.2011, No 5528);
   f.c) have not been convicted of grave or especially grave crimes, terrorism financing and/or legalising illicit income, or any other economic crime;
   f.d) are not concurrently acting as administrators of an insurer, except where they hold the office of administrator in the insurance organisation/reinsurance company that is controlled by the given insurance organisation/reinsurance company, and/or in the insurance organisation/reinsurance company that controls the given insurance organisation/reinsurance company;
   f.e) have appropriate education and/or experience;
   f.f) has not been recognised by the court as a beneficiary of support and that the court decision does not provide otherwise;
g) an insurer shall be obligated to comply with the limits and norms defined by the Service at every stage of its insurance activity;
h) an insurer shall be obligated to use an insurance license within six months after it is granted.
6. A license seeker (applicant) that intends to carry out non-state pension insurance and provisions shall be obligated to additionally present and register non-state pension scheme procedures, according to the Law of Georgia on Non-state Pension Provision and Insurance.
7. A license seeker shall be obligated to present documents specified in paragraph 5 of this article in original or duly certified copies.
8. A branch (representative office) [of an insurance organisation] specified in Article 2(c.b) of this Law may carry out the licensable activity defined in paragraph 3 of this article on the basis of the license of its founder insurance organisation in such a way that it is not obligated to obtain an appropriate license. A license held by a founder insurance organisation shall have the same legal status as a license issued on the basis of the legislation of Georgia, and no one shall have the right to request from the branch (representative office) to obtain an appropriate license.
9. A branch (representative office) specified in Article 2(c.b) of this Law, 10 days prior to the commencement of the activity referred to in paragraph 3 of this article, shall submit to the Service the documents obtained from the relevant supervisory body confirming that the founder insurance organisation is authorised to carry out appropriate insurance activity in the country of registration and to open a branch (representative office) in Georgia.
10. An insurance license shall be issued for an indefinite term.
11. An insurance license shall be issued to a specific insurer and the license may not be transferred to another legal person.
12. A license shall not be required for the activities of insurance agents and insurance brokers, or for activities related to assessment of insurance risk, extent of losses and certainty of an event, or for the activities related to advisory and research services in the area of insurance.
13. The right to carry out insurance activity in the territory of Georgia shall be enjoyed only by a legal person licensed by the Service or by the branch (representative office) referred to in Article 2(c.b) of this Law.
14. An insurer (license seeker) shall be responsible for the accuracy of documents submitted to obtain a license.
15. If the documents submitted to obtain a license are later modified, the insurer shall be obligated to inform the Service in writing of the changes and submit the relevant documents within seven working days after the modifications are made.
16. The form of an insurance license shall be determined by the Service.

Law of Georgia No 2832 of 23 March 2010 - LGH I, No 19, 13.4.2010, Art. 106
Law of Georgia No 5003 of 1 July 2011 - website, 15.7.2011
Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013
Law of Georgia No 1469 of 4 October 2013 - website, 16.10.2013
Law of Georgia No 3389 of 20 March 2015 - website, 31.3.2015
Article 23 – (Deleted)

Article 24 - License fee
The amount and payment procedures for a license fee shall be defined by the legislation of Georgia.

Article 25 - Refusal to issue a license

1. A license shall not be issued if:
   a) documents submitted to obtain a license do not meet the requirements of Article 22 of this Law;
   b) a license seeker is a legal person that has no right to carry out insurance activity in the territory of Georgia according to this Law;
   c) there is a court decision prohibiting the administrator of an insurance organisation to carry out insurance activity;
   d) a license seeker’s license in the same licensable area has been cancelled and the reasons for cancellation are not yet eliminated;
   e) an insurer’s administrators and holders of a significant share do not satisfy the conditions defined in Article 22(5)(f) of this Law.

2. In the case of refusal to issue a license, the applicant shall be given a substantiated written response setting out the reasons for refusal.

3. If the request for a license is denied, the applicant may appeal the decision.

Article 26 – (Deleted)

Article 27 – (Deleted)

Article 27¹ - Cancellation of an insurance license

1. An insurance license may be cancelled only by decision of the Service:
   a) at the request of an insurance organisation, in cases where a license holder applies to the Service in writing for cancellation of the license;
   b) if economic limits and norms defined by the Service are repeatedly violated;

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c) if an insurer does not use the license within six months after it entered into force;
d) if an insurer carried or carries out such insurance activities that are hazardous or harmful to its financial situation, and that may cause significant damage to the policyholders/insureds;
e) if an insurer is insolvent.

2. A branch (representative office) referred to in Article 2(c.b) of this Law, shall terminate its activity, if:
   a) the legislation of Georgia on insurance is grossly and repeatedly violated;
   b) its founder insurance organisation made such decision; the Service shall be notified of the decision in the shortest time after the decision is made;
   c) its founder insurance organisation or reinsurance company is deprived of the right to carry out insurance activity in the country of registration; the branch (representative office) shall be obliged to notify the Service about this fact;
   d) insolvency (bankruptcy) proceedings are initiated against its founder insurance organisation or reinsurance company, or there is another reason for the commencement of its liquidation; the branch (representative office) shall be obliged to immediately notify the Service about it;

3. Once the Service makes a decision on cancellation of an insurance license or on termination of the activity of the branch (representative office) referred to in Article 2(c.b) of this Law, the insurer may no longer carry out the insurance activity permitted by the relevant license, except for the obligations it had undertaken earlier under insurance contracts, until such contracts expire.

4. An insurer shall return the insurance license to the Service within three days after the decision on the cancellation of the license enters into force.

5. From the moment of cancellation of an insurance license, the process of liquidation of the insurer shall begin according to this Law, other laws and the procedures established by the Service.

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Article 28 - Consequences of reorganisation of an insurance organisation and of modifications made to its Charter

1. If a legal person holding an insurance license undergoes a merger, takeover or separation, its right to the license shall be transferred to its legal successor. If required, the legal successor shall be granted a new license, instead of the old one.

2. An application for a replacement license shall be accompanied by:
   a) a decision on reorganisation of the legal person;
   b) a copy of the state registration document of the insurer’s legal successor.

3. If the articles of association of a legal person are modified in such a way that re-registration of the legal person is not required, the copies of those documents shall be sent to the Service.

4. If an insurer changes its company name, location or articles of association, its shall be obligated to submit a written notification and appropriate documents to the Service within seven working days after the change is made.

5. If an insurer intends to alienate a significant share, changes its organisational-legal form, undergoes reorganisation or founds a branch (representative office), it shall be obligated to submit a written notification and appropriate documents to the Service in advance (information about the person who is intending to purchase the share, as well as information on the conditions defined in Article 5(f) of this Law, also reasons and conditions for changing its organisational-legal form, or for its merger or separation). [In the case of refusal] the Service shall send a substantiated refusal to the insurer within 10 days after receiving a written request. The consent shall be considered to be given if the insurer does not receive a substantiated refusal within 10 days.

51. If an administrator is changed, an insurer shall be obligated to submit to the Service the documents referred to in Article 22(5)(f) of this Law.

6. A transaction on purchasing a significant share shall be void if appropriate information is not submitted to the Service, or if the transaction is executed despite a substantiated refusal received from the Service

Law of Georgia No 2832 of 23 March 2010 - LGH I, No19, 13.4.2010, Art. 106
Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Article 281 - Founding a branch (representative office), or establishing or purchasing a subsidiary abroad by an insurer

http://www.matsne.gov.ge
1. In order to carry out the activity determined in the legislation of Georgia for persons conducting monitoring under the Law of Georgia on Facilitating the Prevention of Money laundering, an insurer shall submit to the Service the following documents within 14 days after founding a branch or establishing or purchasing a subsidiary:

a) a decision of the governing body of the insurer on founding a branch or establishing or purchasing a subsidiary;

b) a statement of the governing body of the insurer stating that for the purpose of fulfilling the recommendations of the Financial Action Task Force on Money Laundering (FATF), the branch or subsidiary concerned developed a programme for combating money laundering and terrorism financing.

2. If the laws and subordinate normative acts of a foreign country where a branch or subsidiary is located do not require the fulfilment of the Financial Action Task Force (FATF) recommendations, or if the country does not combat money laundering and terrorism financing, and the recommendations of the Financial Action Task Force are not followed at all or are followed inadequately:

a) the governing body of the insurer shall undertake a written obligation that the branch or subsidiary of the insurer will take measures for combating money laundering and terrorism financing according to the requirements existing in Georgia and the recommendations of Financial Action Task Force;

b) the insurer shall notify the Service if its branch or subsidiary cannot carry out measures related to combating money laundering and terrorism financing determined by the legislation of Georgia, because it is prohibited or restricted by the legislation of the foreign country where the branch or subsidiary is located.

Law of Georgia No 2832 of 23 March 2010 - LGH I, No 19, 13.4.2010, Art. 106

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

**Article 29 - Protection of commercial, confidential and insurance secrets of an insurer by employees of the Service**

1. Information about insurance operations and transactions (including attempted transactions) carried out by a policyholder/insured/beneficiary may be released only to the policyholder/insured/beneficiary concerned and to its representative, also to the Service, within the scope of its authority, and in the cases defined by the legislation of Georgia, to the Financial Monitoring Service of Georgia.

2. Employees of the Service may not disclose in any form the commercial secrets of an insurer, or the data on a policyholder/insured/beneficiary that are subject to insurance secrecy and that become known to them in the course of their official duties. Furthermore, it does not matter whether or not the person currently holds the above position.

3. If an employee of the Service violates the requirements of this article, he/she shall be held liable under the legislation of Georgia.

4. The procedure for deeming certain information as confidential, and the procedure for releasing such information or for approving the list of confidential information shall be determined by the Head of the Service.


Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Law of Georgia No 4002 of 10 July 2015 - website, 20.7.2015

**Article 30 – (Deleted)**


**Article 31 – (Deleted)**


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**Chapter V - Liability for Violating the Insurance Legislation**

**Article 32 - Liability for violating the insurance legislation**

http://www.matsne.gov.ge
Chapter VI - Transitional Provisions

Article 33 - Validity period of Articles 32-54

Articles 32-54 of this Law shall be declared invalid upon the entrance into force of a new Civil Code of Georgia.

Chapter VI¹ - Compulsory Administration, Liquidation and Bankruptcy Proceedings of Insurers


Article 33¹ - Insurers under compulsory administration

1. If there is a risk of violation of the norms defined by the Service, and/or a risk of deterioration of the financial situation and/or a risk of non-fulfilment of insurance obligations, the Service shall be authorised to impose compulsory administration on an insurer; the decision shall be immediately published in the Legislative Herald of Georgia.

2. A decision to impose compulsory administration on an insurer shall include information on the reasons for imposing the compulsory administration, as well as information on the temporary administrator, the duration of the compulsory administration process and on the possible measures to be taken.

3. If a decision to impose compulsory administration on an insurer is appealed to a court, it shall not cause suspension of the compulsory administration process.

4. A temporary administrator of an insurer shall begin the performance of his/her duties from the date indicated in a decision on the imposition of compulsory administration.

5. From the date of making a decision on the imposition of compulsory administration, it shall be prohibited to carry out any action in the name or at the expense of the insurer without a written consent of the temporary administrator.

6. The full powers of all governing bodies of an insurer shall be transferred to the temporary administrator of the insurer; the administrator shall exercise the powers in agreement with the Service, according to the established procedures.

7. The temporary administrator of an insurer shall be obligated to submit a request, in the shortest time possible, for making necessary modifications to the list of the insurer's officials, submitted to the Service.

8. The temporary administrator of an insurer shall be obligated to carry out activities in good faith, in the interests of policyholders/insured persons/beneficiaries and of the insurer.

9. The temporary administrator of an insurer assigned by the Service shall satisfy the eligibility criteria established for the position of an insurer's administrator.

10. A temporary administrator of an insurer shall be obligated to take necessary measures for improving the financial situation of the insurer, including sale of the insurer, payment of funds or suspension of their payment.

11. A temporary administrator of an insurer shall be authorised to: reorganise the insurer that is subjected to compulsory administration, alienate its assets and liabilities (including insurance portfolio) or part of them, to another legal person. A temporary administrator shall be authorised to appoint and dismiss from office the employees of the insurer.


Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Law of Georgia No 4002 of 10 July 2015 - website, 20.7.2015

Article 33² - Cancellation of compulsory administration

1. A compulsory administration shall be cancelled:

   a) after its period of validity expires;

   b) by a well-grounded decision of the Service;

   c) if an insurer’s insurance license is cancelled.

2. A decision to cancel compulsory administration shall be immediately published in the Legislative Herald of Georgia.
Article 33³ - Liquidation of insurers

1. The cancellation of an insurance license shall cause the liquidation of the insurer. The functions of a liquidator shall be performed by a person appointed by the Service; the person shall satisfy the eligibility criteria defined for an administrator of an insurer. A person associated with this insurer may not be assigned as a liquidator. A compulsory enforcement shall be suspended as soon as liquidation proceedings commence.

2. Within three months after appointment, the liquidator shall be obligated to draw up a list of assets and liabilities, and deliver a copy to the Service for publication. A liquidator shall report to the Service according to the procedures established by the Service.

3. A liquidator may sell assets of an insurer at public auction or in any other convenient way, or transfer insurance policy claims to another insurer, or transfer claims against the insurer’s assets to another legal person or organise the transfer of liabilities.

4. From the day of appointment, a liquidator may:
   a) terminate the employment contracts of the insurer’s employees;
   b) terminate a service contract to which the insurer was a party;
   c) terminate any obligation of the insurer as lessee of immovable property, if the lessor (who must be given a 60-day notice about the insurer’s intention to use the right to cancel the lease agreement) does not have a claim on the rental fee, apart from the amount accrued as of the day of cancelling the agreement, and does not claim damages for the cancellation;
   d) transfer all or part of the assets and liabilities of the insurer (including its insurance portfolio) to another legal person (including another insurer).

5. A temporary administrator, liquidator and bankruptcy manager of an insurer may file a claim with the court and contest an action or transaction performed by an administrator of an insurer 12 months earlier before the appointment of the temporary administrator, liquidator or bankruptcy manager, and request that the action or transaction be declared void, if as a result of the action or transaction the persons related to the insurer received material benefit at the expense of the insurer or gained some kind of advantage or any other preference or privilege that caused damage to the insurer (its creditors).

6. A liquidator shall publish a decision to liquidate an insurer in the Legislative Herald of Georgia and on the official website of the Service within 15 days after the appointment; the decision shall be republished one month after its first publication.

7. In the case of an insurer’s liquidation, claims shall be satisfied on the basis of written applications of creditors, after 20 days from the submission of a list of assets and liabilities to the Service by the liquidator.

8. The unclaimed money and property of an insurer shall be considered as unclaimed assets and shall be transferred into possession of the Service for the purpose of identifying their owners.

9. A liquidator shall be obligated to act in good faith, in the interests of policyholders/insured persons/beneficiaries and other creditors.

10. In the course of liquidation and bankruptcy proceedings the assets permitted for covering reserves may be used only after the liabilities arising out of insurance contracts are paid off.


Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Article 33⁴ - Bankruptcy proceedings of insurers

1. If during the preparation of a list of assets and liabilities on the basis of Article 33³(2) of this Law, it is determined that the insurer is insolvent, the liquidator of the insurer shall be obligated to notify the Service; based on this notice the Service shall make a decision to terminate the liquidation process against the insurer and to initiate bankruptcy proceedings against it.

2. If it is determined that an insurer is insolvent, the Service may initiate bankruptcy proceedings against the insurer, without launching liquidation proceedings. In that case, a bankruptcy manager shall, first of all, exercise the powers and fulfill the obligations determined for a liquidator under Article 33³ of this Law.

3. As soon as bankruptcy proceedings against an insurer are initiated, compulsory enforcement shall be suspended.

4. By decision of the Service a bankruptcy manager shall be appointed and he/she shall satisfy the eligibility criteria defined for an insurer’s administrator.

5. A bankruptcy manager shall be obligated to:
   a) publish a statement on initiating bankruptcy proceedings against the insurer in the Legislative Herald of Georgia and on the official website of the Service, within 14 days after making the decision; the decision shall be republished one month after its first publication. The same statement shall define
5. Upon completion of bankruptcy proceedings against an insurer, the insurer shall be withdrawn from the relevant registry.

6. A bankruptcy manager may sell assets of the insurer at public auction or in any other convenient way, according to procedures established by the Service, or transfer the claim on insurance policies to another insurer, or transfer the claim on the assets of the insurer to another legal person or organise the transfer of liabilities.

7. From the day of appointment, a bankruptcy manager may:
   a) terminate employment contracts of the insurer’s employees;
   b) terminate a service contract to which the insurer was a party;
   c) transfer all or part of the assets and liabilities of the insurer (including insurance portfolio) to another legal person.
   d) satisfy the claims of the insurer’s creditors in an established order of priority, by one-off payment or payment in instalments.

8. The remuneration of a bankruptcy manager shall be commensurate with the obligations fulfilled by him/her. The remuneration of a bankruptcy manager shall be determined by the Service. The Service may cover by its own funds all expenses and remunerations related to the appointment of a bankruptcy manager and fulfilment of his/her obligations.

9. During bankruptcy proceedings against an insurer, claims shall be satisfied in the following order of priority:
   a) first order of priority - all expenses and remunerations related to the appointment of a bankruptcy manager and fulfilment of his/her obligations, as well as obligations that the insurer incurred after the cancellation of the insurance license;
   b) second order of priority - secured creditors, except for claims secured by tax lien;
   c) third order of priority - claims of the creditors that are based on life and non-state pension insurance. The amount of life insurance liabilities for cumulative and refundable types of life insurance shall be the amount of the life insurance reserve;
   d) fourth order of priority - claims of creditors that are based on accident insurance contracts;
   e) fifth order of priority - claims of all other creditors arising out of all other insurance contracts;
   f) sixth order of priority - tax arrears, including claims secured by tax lien;
   g) seventh order of priority - other claims against the insurer and late claims submitted by creditors.

10. If the existing money is not sufficient to fully cover the claims referred to in paragraph 9 of this article, then each matured claim of the respective order of priority shall be satisfied in proportion to the extent of the claim of each creditor falling within the relevant order of priority, except for claims determined in paragraph 9(a) of this article, which must be paid in full.

11. Claims of each subsequent order of priority shall be satisfied after the claims of previous order of priority are satisfied.

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013
Law of Georgia No 1469 of 4 October 2013 - website, 16.10.2013

**Article 33** - Completion of bankruptcy proceedings of insurers

1. The bankruptcy proceedings shall be completed after the assets of the insurer are realised and the money received from realisation is distributed by the bankruptcy manager according to the established procedure.

2. A bankruptcy manager shall be obligated to prepare a report on the realisation of the insurer’s assets and distribution of money received from realisation and submit to the Service a final report on the completion of bankruptcy proceedings; based on this report, the Service shall issue an administrative legal act on the completion of the insurer’s bankruptcy proceedings. This decision shall immediately be published in the Legislative Herald of Georgia.

3. Unidentified money and property of an insurer shall be considered as unclaimed assets and shall be transferred to the possession of the Service for the purpose of identifying the owner.

4. Upon completion of bankruptcy proceedings against an insurer, the insurer shall be withdrawn from the relevant registry.

Law of Georgia No 354 of 20 March 2013 - website, 4.4.2013

Chapter VII - Final Provisions
Article 34 - List of invalid acts

1. Upon entrance into force of this Law, the following shall be declared invalid:

a) Article 193(2), Article 195 (4) and Chapter 32 of the Civil Law Code of Georgia (the Official Gazette of the Supreme Soviet of the Georgian SSR, 1964, No 36, Art. 662)

b) Ordinance No 747 of 20 October 1993 of the Cabinet of Ministers of the Republic of Georgia on Compulsory State Insurance of Passengers;

c) Ordinance No 941 of 27 December 1993 of the Cabinet of Ministers of the Republic of Georgia on Compulsory State Insurance of Workers against Accidents at the Expense of Enterprises and Organisations (except for those financed from the Budget);

d) Ordinance No 154 of 16 March 1994 of the Cabinet of Ministers of the Republic of Georgia on Compulsory State Insurance of the Property of State Enterprises, Associations and Organisations;

e) Ordinance No 523 of 26 August 1995 of the Cabinet of Ministers of the Republic of Georgia on Establishing Compulsory Insurance on Agricultural Crops;

f) paragraph 17 of Ordinance No 512 of 5 August 1994 of the Cabinet of Ministers of the Republic of Georgia on Launching a Campaign for Registration of Population of Georgia, of Aliens Permanently Residing in Georgia and of Stateless Persons, and for Issuing to them Identity Cards, Residence Cards and Georgian Passports respectively.

2. After this Law enters into force, all legal acts or those parts of legal acts that do not correspond to this Law shall be considered invalid.

Article 35 - Entry into force

This Law shall enter into force upon its promulgation.

President of Georgia

Eduard Shevardnadze

Tbilisi

2 May 1997

No 690–II