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Moldova

Country Guides: Insurance

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Overview

Member of IAIS:

Yes.

Supervised by EIOPA:

No.

Solvency II Implementation:

No.

Moldovan insurance business regulation continues to be steadily upgraded, partly due to diversification of the local insurance market, and partly due to Moldova's closer, recently formalized ties to the European Union.

Regulation and operation

The National Commission for Financial Markets (the "NCFM") is the sole insurance regulator, having authority to regulate, authorize and supervise insurance market players.

Insurance (reinsurance) business is subject to licensing. Moldovan nationals are entitled to procure insurances from foreign insurers only when certain insurances are offered by Moldovan insurers.

Establishing an insurance company

Incorporation

An insurer should be established as a joint stock company and will be deemed an "entity of public interest". This qualification brings about extensive reporting and disclosure requirements.

The share capital should be paid in full upon incorporation, only in cash (in-kind contributions are disallowed). Borrowed money cannot be used to pay in the share capital.

Regulatory clearance is required for the incorporation of an insurer. The qualification criteria refer to the financial stability of the founder(s), the source of cash contributions and the fit and proper tests for significant shareholders and administrators (directors and officers).

Licensing

Since 2008, authority for insurance licensing was commissioned to the NCFM. Under the licensing process:

- An insurer must submit a licence application, accompanied by: confirmation of share capital contribution; representation that the contributions were made out of own funds; insurance terms and conditions for each class of insurances; software for calculation of insurance premiums and technical reserves; the reinsurance programme; and a three-year business plan. Significant shareholders should reveal their identity and financial position in accordance with the NCFM regulations.
- The NCFM shall examine the application and attachments and decide within 30 working days after submission of the full application package.

The licence is issued for an indefinite period of time and may be suspended or withdrawn for breaches of law. Licence suspension or withdrawal can be appealed in court.

Capital reserve requirements

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The minimum share capital for general insurance is set at MDL 15 million (approximately, 750,000 Euros), at MDL 22.5 million for life insurance and at MDL 30 million for reinsurance. As of February 2015 there were 15 licensed insurance companies.

- Insurance brokerage is subject to licensing (valid for an unlimited period of time) and to minimum capital requirements, equal to MDL 25,000 (approximately 1,250 euros). As of February 2015, as many as 69 insurance brokers held valid licences. The 2012 amendments to the Insurance Law have introduced the concept of bancassurance, under which banks, savings and loan associations, and microfinance institutions may be appointed corporate agents of an insurance company, provided they comply with the requirements set forth by the law (i.e., solvability, professional indemnity, personnel qualification).

European legislation

Harmonization of Moldovan laws with the *acquis communautaire* is on the agenda of Moldovan government. Under the EU-Republic of Moldova Association Agreement, signed on June 27, 2014, Moldova undertakes to harmonize its insurance laws to EU laws, and in particular implement the provisions of the [Directive 2009/138/EC](#) of the European Parliament and of the Council of November 25, 2009 on the taking-up and pursuit of the business of Insurance (Solvency II), within 7 years of the entry into force of the Association Agreement. After the Solvency II Directive is implemented, an EU insurance undertaking shall be allowed to carry out insurance business in Moldova based on the single EU passport and subject to the notification procedure as set forth by the Solvency II Directive.

Other EU legislation which is planned to be implemented in the national laws includes: Commission Recommendation of December 18, 1991 on insurance intermediaries (92/48/EEC); [Directive no. 2002/92/EC](#) of the European Parliament and of the Council of December 9, 2002 on insurance mediation (to be implemented within 3 years of the entry into force of the Association Agreement); [Directive No. 2009/103/EC](#) of the European Parliament and of the Council of September 16, 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (to be implemented within 3 years of the entry into force of the Association Agreement).

The Association Agreement has been ratified by the Republic of Moldova on July 2, 2014. Entry into force of the Association Agreement is pending, subject to ratification by the national parliaments of the EU member states.

Domestic laws

Core provisions

Insurance business is primarily regulated through the Law on Insurance No. 407 dated December 21, 2006 (the "Insurance Law") and the Law on Compulsory Motor Third Party Liability Insurance No. 414 dated December 22, 2006. Core provisions of the insurance legislation refer to the following:

- Acquisition of a significant (10 percent or more) equity interest in a Moldovan insurer/reinsurer is subject to prior notification to the insurance regulator (NCFM), while acquisition or increase of such interest to 20 percent, 33 percent or 50 percent (or their decrease respectively) is subject to NCFM prior consent.
- Use of actuary services by insurance businesses is compulsory and under close scrutiny of the NCFM. Actuaries are obliged to report within 15 days to the NCFM any inconsistencies or breaches by the insurer of relevant legislation.
- For transparency purposes, within 4 months from the end of each financial year, insurers are to publish in periodic, widely distributed media their balance sheet, financial statement and auditor's report.
- New prudential requirements compel insurers to lay out and comply with rules and procedures of personnel verification and training for the purpose of prevention of money laundering and terrorism financing via insurance activities, implementation of corporate governance principles, creation of internal risk management and control systems.

Voluntary and compulsory insurance

In voluntary (facultative) insurance, the terms of insurance are agreed mutually between the insurer and the insured, in accordance with the insurance conditions of the insurer. Moldovan law makes it mandatory for the insurer to produce insurance terms and conditions to the insured party in an adequate form. The law sets forth the terms of compulsory insurance.

Compulsory insurance can be divided into groups, depending on the eligible insurers:

- Insurance which can be procured from a foreign insurer where it is not available on the Moldovan market:
 - Civil liability of the carrier toward the passenger, which covers the risk of damages to the life, health and property of the passenger who travels by road, air, rail or ship transport (Law on the Mandatory Insurance of the Carriers toward the Passengers, No. 1553 of February 25, 1998). This also includes the passenger's insurance in sea transportation (Art. 193 of the Code on Commercial Maritime Navigation, No. 599 of September 30, 1999). From December 23, 2008, the Republic of Moldova became party to the Convention for the Unification of Certain Rules for International Carriage by Air (Montreal, May 28, 1999).
 - Cargo insurance by the forwarder (Art. 1079 of the Civil Code).
 - Tourist travel insurance, which covers the risks of traffic accidents, sickness, etc., during travel (Art. 21 of the Law on Organisation and Carrying-Out of Tourist Business, No. 352 of November 24, 2006).

- Professional indemnity for insurance brokers, notaries and conforming assessment bodies.
- Consumer leasing insurance, which covers the risk of fortuitous loss, damage or destruction of the leased asset.
- Insurance of life and health of patients or volunteers in clinical trials by the sponsor (the Law on Medicines, No. 1409 of December 17, 1997), etc.
- Compulsory insurance which can be procured only from Moldovan insurers (i.e., direct cross-border insurance is not allowed):
 - Internal motor third party liability insurance (Law on the Mandatory Insurance of Civil Liability against the Damages Caused by Motor Vehicles, No. 414 of December 21, 2006).
 - Military state insurance, which covers the risk of death or loss of working ability of the military (Government Resolution No. 214 of April 10, 1996).
- Compulsory state insurance, which can be procured only from the state-owned entities:
 - Social state insurance that the National House for Social Insurance offers, which covers the risks of death, temporary loss of working ability of employees and other eligible individuals due to sickness/injury, loss of employment, as well as specific events such as retiring age (social pension), birth of a child (maternity aid) and sick care (Law on the Public Social Insurance System, No. 489 of July 8, 1999).
 - Health state insurance offered by the National Company for the Medical Insurance, which assures a minimum established coverage for the risk of sickness/injury of the insured individuals (Law on the Mandatory Medical Care Insurance, No. 1585 of February 27, 1998).

Draft legislation

The NCFM has drafted several legislative pieces aimed at supplementing the existing capital markets legal framework. Some of the more notable drafts include:

- The draft Regulations on Investment Services and Activities, in line with EU Directives 2004/39/CE and 2006/73/CE, which set forth operational requirements and restrictions applicable to investment services and activities, the types of investment services and activities allowed, principles and rules of conduct, outsourcing and reporting requirements, etc.
- The draft Regulations on Regulated Markets and Multilateral Trading Facilities, which set forth the rules and procedures on creation, management and exploitation of regulated markets and MTFs, as well as specific obligations of their members (related to reputation and qualification, corporate governance, management of conflicts of interests, etc).
- The draft Regulations on Imposition of Sanctions on the Capital Market, which set forth the rules and procedures of application of sanctions by the NCFM, such as suspension or withdrawal of the qualification certificate; suspension or prohibition of capital market activity carried out by individuals; fines up to MDL 1 million (approx. EUR 50,000).

The aforementioned drafts are available on NCFM's official webpage for public consultation.

Product specific rules

Life

Life insurance business requires a separate, exclusive licence. Further, life insurance businesses are allowed to subscribe risks covered by general (accident and health) insurance without having a separate licence, provided that such risks are ancillary to the risks already insured.

General insurance

General (non-life) insurance requires a separate, exclusive license. The right to practice motor third party liability insurance (domestic and foreign, under the Green Card system) shall be granted separately.

General insurance prevails in the aggregate structure of local insurers' insurance portfolio, with a share of more than one third of the total premium subscribed.

Reinsurance

Moldovan insurers/reinsurers can cede insured risks to foreign reinsurers where the latter are licensed and supervised in their home country. The maximum liability of the reinsurer for the risk reinsured shall not exceed 25 percent of its equity and technical reserves, unless the excess is further ceded into reinsurance.

Where a Moldovan insurer transfers the risks to a foreign reinsurer, the former must retain at least 20 percent of the total exposure, provided that the above maximum liability requirements are also met.

The transfer of risks to a foreign reinsurer can be performed through an insurance broker, either resident or foreign. Retaining a broker is not mandatory though.

Enforcement and investigation

Senior management responsibilities

Under the Insurance Law, the following are deemed as 'persons in management positions': the members of the board, the executive body and the auditing committee, the chief-accountant, branch managers, and other persons vested with the disposition power on behalf of the insurer. With respect to such persons, Moldovan laws set forth a series of requirements concerning their qualification, experience, reputation, lack of criminal records and conflicts of interests, etc.

Persons in management positions shall be liable for breach of the insurance legislation, which may give rise to civil, administrative and criminal sanctions.

Further, under Section 9 of the NCFM Regulations on Requirements to Persons in Management Positions approved through the NCFM Resolution No.13/3 of April 3, 2008, persons in management positions in insurers/reinsurers shall exercise their obligations as to ensure:

- sufficiency of technical and mathematical reserves and their calculation according to actuarial principles;

- correct determination of insurance premiums;

- maintenance of solvency;

- permanent sufficiency of liquidity; etc.

Rules of regulatory investigation

Supervision of professional participants of the insurance market is generally performed through (i) control of documents; (ii) on-site analysis and field inspections; (iii) legally-permitted interventions. To this end, professional participants of the insurance market shall submit to or ensure access of the NCFM to any information or document requested and shall allow questioning of any employee.

The NCFM and its staff shall bear disciplinary, administrative, civil and criminal responsibility for decisions and actions taken which threatened without grounds the business of investigated marketed participant, or have caused damages to the latter. Furthermore, the person conducting the regulatory investigation shall be liable for disclosure of the information obtained during the control, which represents insurance (commercial) secret.

Whistle-blowing rules

While there is no specific whistleblower protection law, whistle blowing-related rules are incorporated in a series of normative acts, such as the Law on Preventing and Combating Corruption No. 90 of April 25, 2008, the Law on Conflict of Interests No. 16 of February 15, 2008, the Criminal Code of the Republic of Moldova, etc. In addition, a central role is played by the Law on the Protection of Witnesses and other Participants in Criminal Trials, No. 105 of May 16, 2008, which foresees protection of participants in criminal trials whose life, physical integrity, freedom and property are endangered due to their delivery of information to investigative bodies and courts pertaining to severe, very severe and extremely severe criminal offences.

However, whistle blowing is not widespread in Moldova, partly due to the lack of a dedicated legislation (and protection) in this regard and partly due to the lingering problems in the justice system.

Complaints procedure

Insurers are bound to establish internal complaint management systems, to ensure timely and efficient review of complaints submitted by insured parties (beneficiaries) and any third parties. Such complaints should be reviewed objectively and within the timeframe defined by the insurer. Should the party who has filed a complaint remain dissatisfied of the manner in which the complaint has been solved by the insurer, such party can subsequently address the NCFM.

*Creditor hierarchy**Insolvency*

Under the new Law on Insolvency, No. 149 of June 29, 2012 (the "Insolvency Law"), the proceeds of the insolvency estate shall cover with priority all expenses related to the insolvency proceedings and the insolvency estate. In an insolvency context, insurers shall be deemed as unsecured creditors, ranking fifth after several unsecured creditors to whom the Insolvency Law affords priority (e.g. creditors whose claims are related to health and causing of death, claims held by employees, claims related to credits extended by the Ministry of Finance, etc.), unless the insurer hold a valid security interests (pledge or mortgage) in the debtor's asset.

Notwithstanding, under Article 102 of the Insolvency Law, if the debtor's insurance contract remains in effect, insurance premiums subject to payment by the debtor must be paid in full, even if they should have been paid before commencement of insolvency proceedings. In that case, insurance premiums shall be deemed as administrative expenses (i.e. satisfied with priority, before secured creditors).

Banking resolution

A similar concept to banking resolution is provided for in the Law on Financial Institutions, No. 550 of July 21, 1995, called "special administration" and defined as a regime of administration established for a certain period of time in relation to a bank, which provides for implementation of a complex of administrative, financial, legal and organizational measures purported to create optimal conditions for preservation of the value of assets, elimination of shortcomings in the management of the bank and its estate, collection of claims, as well as assessment of financial redress opportunities, including bank restructuring or liquidation.

While the said law does not go into details concerning creditor hierarchy in the context of special administration, it does provide that the administrator is entitled to: (i) negotiate with creditors the bank's obligations and claims; (ii) terminate contracts and refuse performance of specific obligations; (iii) take financial redress actions, including bank restructuring, reorganization or sale; etc.

Note that banking resolution rules have no direct impact on the insurance companies, who enjoy separate regulation.

Data protection

Data protection is primarily regulated through the Law on Personal Data Protection No. 133 of July 8, 2011, which mirrors the EU Data Protection Directive. Under the said law, insurers shall be commonly deemed as data controllers (and/or data processors, as the case may be), which draws the obligation to register as operator with the data protection authority, the National Center for Personal Data Protection. Generally, personal data shall be processed with the consent of the personal data subject, who can exercise access, intervention and opposition rights with respect to such processing.

Financial promotion

Financial promotion, as a variety of advertising, is regulated through the Law on Advertising, No. 1227 of June 27, 1997. As per the general rules, advertising shall be loyal and honest, and shall not contain unauthentic data. Further, advertising must not be misleading or prejudice consumer interests. In particular, the following shall be prohibited in the advertising of financial, insurance and investment services: (i) any type of guarantees, promises or suppositions regarding the future efficiency (profitability) of the activity; (ii) concealing of at least one of the conditions of the contract, if the advertising conveys its conditions; etc.

Corporate Governance

Remuneration and bonuses

The Corporate Governance Code, approved through the NCFM Resolution No. 28/6 of June 1, 2007, provides a series of principles and best practices with regard to remuneration of the members of the board and of the executive body, in a manner which would ensure employment and maintenance of qualified management. Generally, if the remuneration consists of a fixed part and a variable one (e.g. bonuses), then the variable part shall be determined in relation to the achieved performance vs. the planned short-term and long-term goals. Further, the remuneration policy shall be approved by the general meeting of shareholders, and any changed thereto shall be presented in the annual reports of the company, along with other data such as descriptions of performance indicators, management stock option plans, et al.

No industry-specific Corporate Governance Code exists in the insurance sector. The insurers are bound by the NCFM Code on the 'comply-or-explain' principle.



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