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UNOFFICIAL TRANSLATION

74. The Law on Insurance and Financing of International Business Transactions (ZZFMGP)

Pursuant to the second indent of the first paragraph of Article 107 of the Constitution of the Republic of Slovenia I hereby issue

THE ORDER of promulgation of the Law on Insurance and Financing of International Business Transactions (ZZFMGP)

I hereby promulgate the Law on Insurance and Financing of International Business Transactions (ZZFMGP), adopted by the National Assembly at its session of 19 December 2003.

No. 001-22-130/03
Ljubljana, 29 December 2003

President of the Republic of Slovenia
Dr. Janez Drnovšek

**LAW ON INSURANCE AND FINANCING
OF INTERNATIONAL BUSINESS TRANSACTIONS**
**(Zakon o zavarovanju in financiranju mednarodnih gospodarskih
poslov - ZZFMGP)**
(Official Gazette of the Republic of Slovenia, No. 2/04)

I. GENERAL PROVISIONS

Art. 1
(Object of regulation)

(1) This Law regulates the foundations of the system of insurance and financing of international business transactions, as the commercial policy instruments of the Republic of Slovenia, and the role of the state in these activities, which provide the economy with appropriate security and the possibility to be competitively active in foreign markets in compliance with internationally agreed rules and conditions.

(2) The Government of the Republic of Slovenia (hereinafter: the Government) may regulate in greater detail the specific areas, insurance conditions and policy as well as for financing of international business transactions of the previous paragraph.

(3) Unless otherwise stipulated by this Law or by regulations based on this Law, the provisions of any other regulations shall also apply to the operation of the Republic of Slovenia's system of insurance and financing of international business transactions.

II. INSURANCE OF INTERNATIONAL BUSINESS TRANSACTIONS

Art. 2
(Insurance transactions)

(1) The authorised institution, selected in compliance with Art. 11 hereof (hereinafter: authorised institution), shall perform technical and professional operations, examination of insurance applications and shall, on behalf of the Republic of Slovenia, conclude and execute insurance, reinsurance and retrocession contracts; and shall issue financial instruments, whereby assuming the obligations and their fulfilment and shall provide the participants in international trade and financial institutions with partial or full coverage against business transaction risks, relating particularly to:

- accounts receivable arising from international trade, sale of goods and services, including pre-shipment cover for manufacturing and preparation for sale, as well as investments;
- goods, equipment and other assets and rights of participants in international business transactions abroad;
- financing, refinancing, downpayments or deferred payments, insurance and other securities and guarantees issued in connection with transactions of the above indents herein.

(2) Insurance of international business transactions of the previous paragraph shall cover non-marketable commercial and/or non-commercial risks. Non-marketable risks are those which, in compliance with applicable regulations, and due to their type, nature, location, duration and other characteristics, the private reinsurance sector is generally not prepared, or unable, to cover.

(3) In addition the authorised institution may, in connection with transactions of the first paragraph herein, provide auxiliary services and conclude other transactions, such as asset and risk management transactions.

Art. 3 (Powers of the authorised institution)

(1) The authorised institution shall undertake business transactions under the previous article on behalf and for the account of the Republic of Slovenia, separately from any of its other business, on the basis of a special agency contract.

(2) By conducting insurance activities, conclusion and execution of insurance business, as well as risk management operations pursuant to this Law, the authorised institution shall pursue the objectives of the economic policy of the Republic of Slovenia, safeguard the rights and interests of the state and observe the professional rules and sound insurance principles.

(3) The participants in international trade, with whom the authorised institution enters into pecuniary and other civil law relations, concludes insurance and financing transactions, or issues for their benefit financial and legal instruments pursuant to this Law, shall not settle their obligations pursuant to these contracts and instruments with the claims on the Republic of Slovenia from any other title.

(4) The provisions of a specific section of the civil code on insurance contract shall not be applied to insurance contracts, reinsurance and retrocession, which the authorised institution undertakes pursuant to this Law.

Art. 4 (Funds for insurance business)

(1) The required funds for efficient performance of insurance activities pursuant to this Law shall be provided to the authorised institution by the Republic of Slovenia in the form of monetary funds, which shall be used for building up precautionary and special precautionary reserves (hereinafter: precautionary reserves), whereby special precautionary reserves may be formed for the coverage of individual types of risks or insurance business.

(2) Precautionary reserves of the first paragraph hereof shall be formed also from premiums paid, fees, recoveries and other revenues which the authorised institution, as the representative of the state, generates through insurance, reinsurance, retrocession and other business and services which are used to provide coverage against non-marketable risks to participants in international trade. Precautionary reserves shall be formed also from assets which the authorised institution generates by managing these assets and risks underwritten, from the budget of the Republic of Slovenia, and also from other sources and assets.

(3) Precautionary reserves shall be managed by the authorised institution, while these funds shall be kept separate from the funds used for conducting other activities of the authorised institution.

(4) Precautionary reserves shall be used to settle obligations to the insured, to pay the cost of prevention and minimisation of claims and future claims, to cover losses incurred by this business and by the operations of managing these funds and risks and to pay the costs associated with the operations of the authorised institution which it performs pursuant of this Law.

(5) In compliance with the contract of the first paragraph of Article 12 herein, the funds of precautionary reserves may be used also for other purposes in compliance with the principles of security, liquidity and profitability of operations of the authorised institution.

(6) Considering the economic possibilities and needs and demand for insurance cover, considering underwritten insurance business pursuant to this Law, claims and insurance capacity in the form of precautionary reserves, the Republic of Slovenia shall ensure the solvency and liquidity of the said precautionary reserves in order to provide, in due time, the claims payments and the management of underwritten risks.

(7) If the losses cannot be indemnified with the claims paid from the funds of precautionary reserves, or if these reserves decreased by more than twenty percent, owing to claims paid from insurance contracts in the current calendar year, compared to the balance at the end of the previous year, the funds for claims payments shall be ensured from the budget of Republic of Slovenia or from other ordinary or extraordinary sources, whereas the insured shall receive claims payments indirectly from precautionary reserves.

Art. 5 (Insurance limits)

(1) The volume of all assumed commitments arising from insurance, active reinsurance and retrocession, other transactions, guarantees and other securities pursuant to Article 2 hereof, shall not exceed, at the time when these are assumed, the latest officially established value of the yearly exports of goods and services of the Slovene economy, furthermore the volume of new commitments, assumed in each calendar year, shall not exceed 1/3 of this latest officially established value of yearly exports.

(2) The maximum amount of insurance, the guarantee amounts and approved buyers', debtors' or guarantors' limits, reduced by the insured's self-retentions, in compliance with the insurance and guarantee conditions, borne, as their own shares in claims paid, by the insured or by other beneficiaries themselves, shall be included in the amounts of the volume of assumed commitments of the previous paragraph from the operations, for which insurance coverage or other guarantees and binding offers for insurance pursuant to this Law, were provided.

(3) When establishing the funds for covering the payment of claims, which are pursuant to this law guaranteed by the Republic of Slovenia, the yearly adopted law, which regulates the implementation of the budget of the Republic of Slovenia, may also specify the annual or multi-annual ceilings of total or new liabilities, which the authorised institution may assume by providing insurance under the first paragraph of Article 3 hereof.

(4) The limits established for the previous period shall remain in force until the entry into force of the yearly adopted law establishing new limits for the next period.

Art. 6
(Prudential supervision)

(1) Supervision of the implementation of this Law, in the part referring to the implementation of insurance of international business transactions, shall be, within the scope of its powers, performed by the ministry, competent for finance.

(2) The authorised institution shall keep books of account pursuant to the first paragraph of Article 3 hereof, separate from its any other business; prepare and store bookkeeping and business documents; evaluate balance sheet items and prepare financial statements, unless otherwise stipulated, in compliance with legislation on companies and in line with accounting and insurance standards and principles and general accounting assumptions.

(3) Considering the nature, location, duration, volume, dispersion and intensity of non-marketable risks and characteristics of insurance and exposure to these risks, underwritten on behalf and for the account of the state, the Agency for Insurance Supervision may, on the proposal of the minister, competent for finance, lay down to the authorised institution special rules and measures for risk management, rules for investing precautionary reserve funds, liquidity management, special insurance statistical standards, rules on periodic and annual reporting and auditing, while the provisions of insurance regulations shall be applied as appropriate to bookkeeping, reporting on operations and on these activities and to the supervision of these activities performed by the authorised institution.

III. INTERNATIONAL TRADE AND INVESTMENT FINANCING

Art. 7
(International trade and investment financing operations)

International trade and investment financing business, which is, pursuant to this Law, conducted by the authorised institution, shall be the following:

- credit transactions, by which the authorised institution provides for the participants in international trade and financial institutions the financing of international economic transactions;
- Interest Rate Equalisation Programme (hereinafter: IREP), by which the Republic of Slovenia shall guarantee to the authorised institution and other participants in the programme in financing of international business transactions the coverage of interest rate and exchange rate risks.

Art. 8
(Credit transactions)

(1) Credit transactions pursuant to this Law shall be the following:

- provision of commercial and financial credits and outward investments for partial or full financing or refinancing of international trade and investment transactions;
- other forms of financing international business transactions.

(2) Instruments which are used in connection with the transactions of the previous paragraph are the following:

- hiring loans and issuing debt securities;
- insurance against interest rate, exchange rate and other risks stemming from hired loans or issued securities and international trade financing transactions.

(3) The Republic of Slovenia may provide guarantees under the following terms and conditions for hired loans and issued debt securities of the first indent of the previous paragraph:

- the level of hired loans and the value of issued debt securities shall be set in the yearly adopted law which regulates the implementation of the budget of the Republic of Slovenia;
- tenors of credits and securities shall not exceed twenty years;
- costs and interest rates for hired loans and issued securities shall be comparable with the costs and interest rates of comparable loans taken or securities issued by the Republic of Slovenia.

(4) The authorised institution and the ministry, competent for finance, shall conclude a contract for issuing the guarantee, pursuant to this Law, to secure recourse rights of the guarantor.

Art. 9 (Interest rate equalisation programme)

(1) The authorised institution shall perform the transactions of the second indent of Article 7 hereof on behalf and for the account of the Republic of Slovenia separately from any of its other operations and on the basis of a special agreement on performing IREP and on IREP reserve funds management (hereinafter: IREP reserves).

(2) Initial funds of IREP reserves shall be provided from the budget of the Republic of Slovenia. The IEP reserves may also be supplemented in order to cover other currency risks, or special reserves shall be built up to cover such risks.

(3) IREP reserves shall be supplemented with IREP participants' payments (creditors or issuers of securities and other financial instruments) who finance international business transactions, if this is dictated by demand, and from the budget of the Republic of Slovenia or other ordinary and extraordinary sources. The funds of IREP reserves shall be used to cover any losses incurred by IREP participants due to changes in floating passive and fixed active interest rates and losses due to exchange rate and other currency risks.

Art. 10 (Prudential supervision)

(1) Supervision of the implementation of this Law in the part that applies to credit transactions, which are conducted by the authorised institution, shall be performed by the Bank of Slovenia. The provisions of regulations governing the supervision of banks shall be applied as appropriate to the supervision procedure.

(2) In respect of the borrowings for which the Republic of Slovenia issued guarantees under the third paragraph of Article 8 hereof and on the international trade financing operations and investments arising from these sources of funds, the authorised institution shall keep books of account, prepare and store bookkeeping and business documents; evaluate balance sheet items and produce financial statements, unless otherwise stipulated, in compliance with the legislation on companies and regulations applicable to banks and in line with bookkeeping and banking standards and principles and general accounting assumptions.

(3) With the consent of the Bank of Slovenia, the ministry, competent for finance, shall lay down special rules on the setting of large and maximum credit provided to a single borrower; on the total amount of all credits, other claims and guarantees to a single borrower and on the total amount of large and maximum credits; measures and steps for identifying risks and for risk management; accounting rules and standards, rules on business records, accounts, periodic and annual reports and auditing.

(4) International trade and investment financing transactions involving sources of funds for which the guarantees were provided under the third paragraph of Article 8 hereof shall not be included in the calculation of capital adequacy, exposure and reservations of the authorised institution.

(5) The provisions of banking regulations shall apply as appropriate to reporting on activities of international trade and investment financing and supervision of such transactions and financing activities pursuant to this Law.

(6) Supervision of the implementation of this Law, in the part referring to the performance of the IREP, shall be undertaken by the ministry, competent for finance.

IV. AUTHORISED INSTITUTION AND COMMISSION FOR THE PROMOTION OF INTERNATIONAL TRADE

Art. 11 (Selection of authorised institution)

The ministry, competent for finance shall publish a public bid to select the institution, which will be granted the powers to perform the tasks pursuant to this Law. In the selection of the authorised institution, the said ministry shall take into account particularly the following:

- the financial institution or a financial group (hereinafter: the institution) must have appropriate personnel, technology and information support to conduct the activities of insurance and financing of international business transactions efficiently;
- the institution must have appropriate skills for professional risk assessment, underwriting of non-marketable risks, administering insurance policies, handling claims, implementing preventive measures, minimising losses and recovering claims paid;
- the institution must have appropriate experience in the field of export credit and investment insurance against non-marketable risks and financing of international business transactions, including borrowings in international and domestic markets;
- the institution must have sound relations of cooperation with other export-credit agencies and other financial institutions and shall be a member of appropriate international organisations in the field of credit and investment insurance;
- the institution must have ongoing cooperation with Slovene exporters, investors and banks and must have sound knowledge of domestic and international legislation relating to insurance and financing of international business transactions and of appropriate financial and other markets;
- the institution must have appropriate knowledge and experience in cooperating with the Republic of Slovenia and its bodies on the implementation of the system of insurance and financing of international business transactions.

Art. 12
(Contracts)

(1) The agreement of the first paragraph of Article 3 hereof shall be concluded between the ministry, competent for finance, and the authorised institution. The agreement shall stipulate the manner of providing the services under Article 2 hereof, the compensations and fees paid to the authorised institution for the provision of the said services, compensations for costs arising from performing the tasks pursuant to this Law, the use and management of precautionary reserves funds under Article 4 hereof and reporting on the performance of these activities by the authorised institution.

(2) The agreement under the fourth paragraph of Article 8 hereof shall be concluded between the ministry, competent for finance, and the authorised institution. The agreement regulating the insurance of guarantee obligations may also stipulate other elements of the coverage relation (guarantee amount, due date, fees, reporting and similar).

(3) The agreement under the first paragraph of Article 9 hereof shall be concluded between the ministry, competent for finance, and the authorised institution. The agreement shall lay down the manner of implementing the IREP and the management of IREP reserves as well as compensations for performing the IREP.

Art. 13
(International trade promotion commission)

(1) In order to coordinate the activities of competent government and other bodies and institutions relating to the implementation of this Law and relating to the operation of the system of insurance and financing of international business transactions in the Republic of Slovenia and in order to efficiently conduct insurance and financing transactions of international trade and investments, the Government shall appoint the International Trade Promotion Commission (hereinafter: the Commission).

(2) The Commission shall be composed of the representatives of ministries as well as of the representatives of other institutions.

(3) The members of the Commission shall safeguard official, business and other confidential information of which they gain knowledge in the course of their term of office and shall submit written notice of their indirect or direct ties and interests, which could influence their decision-making relating to the Commission's competencies and may, in relation to such decision-making regarding such transactions, request that they be disqualified from considering or making decision on such matters.

Art. 14
Powers of the Commission

(1) The Commission shall regularly monitor the operations of the authorised institution in areas regulated by this Law; review reports and submit to the ministry, competent for finance, its opinion on the activity reports of the authorised institution.

(2) Pursuant to the powers of the authorised institution under the first paragraph of Article 3 and pursuant to the agency contract under the first paragraph of Article 12 hereof, the Commission shall grant its consent to the business activities of the authorised institution conducts in the following areas:

- general insurance conditions against non-marketable risks;
- country cover policy for specific countries or groups of countries;
- pricing for insurance against non-marketable risks.

(3) The Commission shall rule on the proposals of the authorised institution to conclude insurance transactions and issue binding offers for insurance under the first paragraph of Article 2 hereof exceeding EUR 5 million or its equivalent in tolar value, and on transactions, which the authorised institution conducts under the third paragraph of Article 2 hereof, exceeding EUR 10 million or their equivalent tolar value.

(4) On the authorised institution's request, the Commission shall submit opinions on the authorised institution's periodic and annual reports on business pursuant to this Law; on the authorised institution's request, the Commission also gives its opinion, consent or rules on other business which the authorised institution conducts on the basis of its powers under the first paragraph of Article 3 hereof, and that primarily regarding the adoption and implementation of special insurance conditions, cover policy, particularly regarding insurance limits, regarding the contracting and special insurance conditions for specific insurance and other contracts; management of precautionary reserves funds and underwritten risks; contracting of agreements and relations with financial and other institutions, rescheduling, debt collection and claims handling; and on undertaking other business transactions under the powers granted by the Republic of Slovenia and similar.

(5) The Commission shall give consent to the authorised institution in the following areas:

- basic business policy, including the terms and conditions for international trade and investment financing, which the authorised institution conducts by means of resources acquired on the basis of the guarantees granted by the Republic of Slovenia under the third paragraph of Article 8 hereof;
- measures and rules on the coverage and equalisation of risks arising from changes in the currency value according to the programme under the second indent of Article 7 hereof; and regulations on the utilisation and management of IREP reserves.

Art. 15 (Reporting)

(1) The Government shall report on the implementation of this Law to the National Assembly of the Republic of Slovenia on an annual basis.

(2) The opinion of the Commission on the reports of the authorised institution, which the Commission submits to the ministry, competent for finance, constitutes an integral part of the report of the previous paragraph.

V. TRANSITIONAL AND FINAL PROVISIONS

Art. 16

(Harmonisation of the system of insurance and financing of exports)

- (1) The Commission of Article 13 hereof shall be appointed by the Government within 30 days following the entry into force of this Law.
- (2) The ministry, competent for finance, shall issue, within six months following the entry into force of this Law, the regulations under the third paragraph of Article 10 hereof.

Art. 17

(Repealed regulations and interim application of the provisions of the repealed regulations)

- (1) On the day this Law enters into force, the Law on Export Insurance and Finance Corporation of Slovenia (Official Gazette of the Republic of Slovenia, Nos. 32/92, 37/95, 34/96, 31/97 and 99/99) and the Law on the Guarantees of the Republic of Slovenia for Borrowings for Export Financing (Official Gazette of the Republic of Slovenia, No. 20/98) shall expire.
- (2) The first paragraph of this article notwithstanding, the legal guarantees of the Republic of Slovenia under Article 17 of the Law on Export Insurance and Finance Corporation of Slovenia, covering the liabilities of Slovenska izvozna družba, d.d., Ljubljana (Slovene Export Corporation, Inc. - SEC) (hereinafter: SID) arising from insurance contracts and issued guarantees, which SID concluded or issued before the entry into force of this Law, shall remain valid until the expiry of obligations for which these legal guarantees were provided.
- (3) The first paragraph herein notwithstanding, the guarantees and sureties which the Republic of Slovenia issued for SID under the second paragraph of Article 17 of the Law on the Export Insurance and Finance Corporation of Slovenia and the Law on Guarantees of the Republic of Slovenia for Borrowings for Export Financing, shall remain valid until the expiry of the guarantee obligations granted.
- (4) The Export Promotion Commission, appointed under Article 27 of the Law on Export Insurance and Finance Corporation of Slovenia, shall perform its duties until the appointment of the Commission under Article 13 hereof.
- (5) The adopted regulations, terms and conditions and other acts and decisions of the Export Promotion Commission and other authorised bodies of SID, undertaking its operations for the account of the Republic of Slovenia, shall remain applicable until the entry into force of new such regulations, terms and conditions and other acts and decisions, adopted on the basis of this Law.
- (6) On the day of entry into force of this Law, SID shall continue with its business operations. On the day of entry into force of this Law, SID shall commence bringing into line its operations other than insurance business and operations other than those which are the object of regulation of this Law with regulations governing the banking business; and shall be fully harmonised no later than 31 December 2006. The Bank of Slovenia shall lay down a specific method and deadlines for the gradual alignment of SID operations with the regulations governing the banking business.

(7) The Bank of Slovenia shall supervise the alignment of SID operations with the provisions of the regulations governing the banking business. The provisions of Chapter XI and the provisions of the sixth and eighth paragraphs of Article 240 of the Banking Act (Official Gazette of the Republic of Slovenia, No. 110/2003) shall be applied as appropriate to the said supervision.

(8) SID shall bring its status and activities, relating to its own account insurance business, in line with the regulations governing the activity of insurance companies by no later than 31 December 2004.

(9) Until the alignment of SID under the sixth, seventh and eight paragraphs herein, for its operations other than those regulated by this Law shall be governed as appropriate by regulations, which applied to the above SID operations until the entry into force of this Law. Regulations which applied to SID operations under the third paragraph of Article 6 and the third paragraph of Article 10 hereof, shall be applied as appropriate until the entry into force of the regulations issued pursuant to this Law.

(10) Until the granting of powers under Article 11 hereof and pursuant to this Law, the authorised institution shall be SID. The assets of precautionary and special precautionary reserves, which SID managed pursuant to the Law on the Export Insurance and Finance Corporation of Slovenia, shall be managed, commencing with the date of entry into force of this Law, on the basis of the provisions of Article 4 hereof, and shall also be utilised for the fulfilment of rights and obligations, which SID concluded for the account of the state, prior to the entry into force of this Law.

(11) The ministry, competent for finance, shall conduct, within three years after the expiry of the deadline under the sixth paragraph hereof, a public bid under Article 11 hereof. The minister, competent for finance, shall notify SID of the intention to publish a public bid no later than two years prior to initiating the procedure of public bid.

Art. 18
(Entry into force of the Law)

This Law shall enter into force thirty days following its publication in the Official Gazette of the Republic of Slovenia.

No. 311-04/03-52/1

Ljubljana, 19 December 2003

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President of the National Assembly
of the Republic of Slovenia
Borut Pahor