

FINANCIAL SUPERVISION COMMISSION

GENERAL GOOD RULES FOR EU INSURANCE UNDERTAKINGS AND INTERMEDIARIES CARRYING OUT THEIR ACTIVITIES IN REPUBLIC OF BULGARIA

I. CODE ON INSURANCE

ORGANISATION OF THE OPERATIONS FOR SETTLEMENT OF INSURANCE CLAIMS - INSURERS (SOLVENCY II)

Internal rules

Article 104. (1) Within one month from issue of the licence for insurance, the insurer's management body shall adopt internal rules with regard to operations for the settlement of claims under insurance contracts. The rules shall not apply to settlement of claims in high risk insurances, unless otherwise provided for therein.

(2) The rules shall provide for the procedures, in pursuance of which an insurer shall accept claims under insurance contracts, collect evidence in order to establish the grounds for their existence and their amount, perform assessment of the damages incurred, specify the amounts of indemnity, make payments to insurance service consumers and examine complaints submitted by them.

(3) The above rules may not come into contradiction with the law and must guarantee the consumers' rights to swift, transparent and fair settlement of their claims.

(4) The rules, along with any subsequent amendments thereto, shall be submitted to the Commission within a seven-day period following adoption. The Commission may give binding instructions for the removal of contradictions with the law, as well as in the cases where the consumers' rights have been unreasonably restricted.

(5) The rules shall be public. Insurers shall publish them on their websites and shall secure free access thereto in their premises.

(6) By virtue of an ordinance, the Commission may stipulate additional requirements to the insurance claims settlement process, when this is necessary to comply with guidelines adopted by the European Authority.

Prohibition for taking into account sex as a factor in determining the insurance indemnity or amount

Article 105. (1) An insurer may not take into account sex in determining the insurance indemnity or amount.

(2) Costs related to pregnancy and maternity may not result in differences in determining the insurance indemnity or amount.

Filing insurance claims. Evidence

Article 106. (1) Insurance claims shall be filed with the insurer in accordance with the procedure and within the time limits provided for in accordance with the insurance contract and subject to compliance with Article 380 (1).

(2) The insurer shall be obligated to register the date of each claim filed, as well as to register the date of the subsequent receipt of any document under the claim, and to certify each of these circumstances separately or under an inventory list before the person filing the claim.

(3) Where a consumer of an insurance service is a damaged person under Third Party Liability Insurances or is a third beneficiary person under other insurances, the insurer shall notify him/her of the evidence that he/she is to submit, in order to establish the grounds for and the amount of his/her claim. Additional evidence may be required only in case the need for it may not have been envisaged on the date the claim was filed, and no later than 45 days of the date of submission of the evidence, as required under the filing under sentence one.

(4) Where the consumer of the insurance service is a party to an insurance contract, the insurer shall notify him/her of the additional evidence not later than 45 days following the submission of the evidence, as specified in the Contract and the rules of Article 104, where such evidence has not been envisaged under the insurance contract at the moment of its conclusion, and where it is necessary in order to establish the grounds for and the amount of the claim.

(5) It shall not be allowed to demand evidence, which the insurance service consumer could not obtain because of any statutory obstacle or a lack of a statutory standing to secure it, as well as such evidence that may be reasonably considered as having no substantial importance for the establishment of the claim in grounds and amount, and is intended to cause unjustified delay and prolongation of the procedure for the settlement of claims.

Cooperation from state agencies and third persons

Article 107. (1) For the purposes of establishing the existence of an insured event and of the damages thereby caused, the insurer, the person seeking to obtain indemnity, the Guarantee Fund under Article 518 or the National Bureau of Bulgarian Motor Insurers under Article 506, shall have the right to receive the information, which is kept by the agencies of the Ministry of Interior, the investigation authorities, various state agencies, the respective general practitioner, medical and health institutions and the persons who have the right to attest to the occurrence of circumstances, as well as authenticated copies of documents. Where the requested information constitutes material related to preliminary proceedings, the prosecutor shall authorise access to it.

(2) Where the information under Paragraph 1 constitutes a secret protected by the law, upon its submission, in writing and in return for a signature to the requesting persons, their obligations not to disclose it shall be explained, as well as the consequences of non-regulated disclosure.

Conclusion made by the insurer. Time limits for pronouncement and performance

Article 108. (1) The insurer shall be obligated to pronounce an opinion on the claim under insurance policies under Section I of Annex No. 1 or under Items 1 - 3, 8 - 10 and 13 - 18, Section II, Letter "A" of Annex No. 1, other than big risk insurance policies, within 15 business days of the submission of all evidence under Article 106, by:

1. assessing and paying the insurance indemnity or amount, or
2. issuing a reasoned refusal to make payment.

(2) When all the pieces of evidence under Article 106 are not submitted under the insurance policies under Paragraph 1, with the exception of Third Party Liability Insurance of Motorists, the insurer shall be obligated to make a pronouncement in one of the manners under Paragraph 1 not later than 6 months from the date of the filing of the claim.

(3) In the cases of Third Party Liability Insurance of Motorists, where not all the evidence under Article 106 has been submitted, the time limit under Article 496 (1) shall apply.

(4) The response of the insurer under Article 496, Paragraph 2, Item 2 shall be interpreted as refusal to make payment within the meaning of Paragraph 1, Item 2.

(5) In operations for settlement of claims under big risk insurance, the time limit under Paragraph 1 may not be longer than 6 months and under Paragraph 2 - not longer than 1 year. In the cases of insurance policies under Item 5, 6, 11 and 12, Section II, Letter "A" of Annex No. 1, the time limits for making a pronouncement under Sentence One and under Paragraphs 1 and 2 shall not be applied.

(6) In the event of a complaint by an insurance services consumer regarding the amount of the determined insurance indemnity, the insurer shall be obligated, within a 7-day time limit, to provide to the said consumer in writing factual and legal justification of the indemnity amount determined.

(7) When the insurance services consumer has granted his/her consent that the damages be remedied by an external contractor, the insurer shall be obligated, within the time limit under Paragraphs 1 or 5, to assign in writing to an external contractor the task to remedy the damages. In the cases under sentence one, the remedy of the damages shall be effected within a reasonable time limit for performance, unless a specific time limit has been agreed upon between the insurer and the consumer.

Peculiarities in the cases of big risks

Article 109. For the purposes of this section, a big risk is not:

1. the risk under insurance policies under Items 3 and 10, Section II, Letter "A" of Annex No. 1 - in all cases;
2. the risk under insurance policies under Items 8, 9, 13, Section II, Letter "A" of Annex No. 1 - when the insured property, the insured liability or the incurred damages are not of extraordinary nature; the property, liability or damages are of ordinary nature, when they are commensurate with a property, liability or damages under insurance policies of the same type, which do not constitute a big risk.

CONFLICT OF INTERESTS DISCLOSURE. INSURANCE SECRECY

Disclosing and avoiding a conflict of interests – INSURERS AND INTERMIDIARIES

Article 146. (1) Each member of a management or control body, each official with a governing function, as well as any other person authorised to manage and/or represent an insurer or a reinsurer respectively, shall notify in writing the management body of the insurer in case he/she enters a contract with the insurer or with the reinsurer respectively, which exceeds the insurer's or the reinsurer's regular operations or considerably deviates from the usual market conditions.

(2) The provision of Paragraph 1 shall also apply in case a party to a transaction with the insurer or with the reinsurer is:

1. a family member of a person under Paragraph 1;
2. a company, in which a person under Paragraph 1 or a member of their family holds directly or through related parties qualified participating interest under Article 68, Paragraph 1;
3. a company, in which a person under Paragraph 1 or a member of their family is a partner, a member of a management or control body, an official with governing functions, or a person authorised to manage or represent the company.

(3) Each person under Paragraph 1 shall notify in writing the management body of the insurer or of the reinsurer, at least once every 6 months, of companies in which the said person or members of their family hold directly or through related parties qualified participating interest under Article

68 (1), in which they are partners or shareholders, members of a management or control body, officials with governing functions, or persons authorised to manage or represent the company.

(4) A person under Paragraph 1 shall not participate in negotiations, discussions and the decision-making process concerning a transaction with the insurer or with the reinsurer respectively, to which the said person or a person under Paragraph 2 is a party.

(5) The insurer or the reinsurer respectively, the persons under Paragraph 1 and the other employees of the insurer or of the reinsurer respectively shall be obligated in performing their function to give preference to the interest of the insurer or the reinsurer respectively and of its insurance service consumers and assignors respective ahead of its own interests.

(6) The insurer shall be obligated to build an efficient internal organisation of its operations in a manner which prevents conflicts of interests under paragraph 7 from exerting an adverse effect on the interest of its insurance services consumers. This organisation shall be proportional to the activity performed, to the insurance products distributed and to the type of the insurance services distributor.

(7) The insurer shall take all necessary measures to identify the conflict of interest which arises in the course of the operations for distribution of insurance products between:

1. the insurer, the members of its bodies, its other employees, other persons who concluded insurance contracts on its behalf, as well as the persons related to it directly or indirectly in terms of control, on the one hand, and the insurance service consumers, on the other hand;
2. one insurance service consumer and another such consumer.

(8) When the organisation under paragraph 6 is not capable of guaranteeing with a sufficient degree of assurance that the risk of infringing on the interest of the insurance service consumer will be avoided, the insurer shall be obligated to clearly disclose to the consumer the nature and the sources of conflict of interests a sufficiently long time before entering into the insurance contract. In relation to the distribution of insurance-based investment products, the disclosure of information under sentence one shall be made on a durable medium and shall contain sufficient detail, taking into consideration the characteristics of the insurance service consumers, thus allowing them to make an informed decision on the activities of insurance distribution, with regard to which a conflict of interest arises. Article 330, paragraph 1, herein shall not apply in such cases.

Special requirements for the avoidance of conflicts of interests - INSURERS (SOLVENCY II)

Article 147. An insurer, covering risks under a Legal Expenses Insurance, shall undertake the measures necessary to avoid a conflict of interests through compliance with at least one of the following requirements:

1. it shall not permit its employees to whom the settlement of claims or the provision of legal advice in relation to a Legal Expenses Insurance has been assigned to simultaneously perform any similar operations with regard to other types of insurances under Section II of Annex No. 1 at its expense or at the expense of another insurer, with whom the above insurer has business, financial or administrative relations;
2. in case it covers risks under Legal Expenses Insurances and under other types of insurance as per Section II of Annex No. 1, it shall transfer the settlement of claims under Legal Expenses Insurances to another legal person, in accordance with the terms and conditions and the procedure of Article 110, which shall meet the condition set under Item 1 above;
3. it shall notify the insured person of his/her right to authorise a lawyer at their own discretion to defend their interests from the moment at which the insured person's right to file a claim under the insurance policy has arisen.

Delegation

Article 148. The Commission may, by an ordinance, stipulate more detailed requirements for implementation of the obligations under Article 146, Paragraph 6 - 8.

Insurance Secrecy. Safeguarding insurance secrecy – INSURERS (SOLVENCY II)

Article 149. (1) An insurer or reinsurer, members of the management and control bodies, auditors, actuaries, as well as all other persons working for an insurer or for a reinsurer respectively, including the persons with whom an insurer or a reinsurer has an agreement under Article 110, shall be obligated to keep in secret any and all information of which they have become aware in relation to the performance of their functions. The persons under Sentence One may not utilise the information acquired to their own personal benefit or in favour of another person, as well as for purposes other than the performance of their functions.

(2) The obligation under paragraph 1 shall also refer to insurance and reinsurance intermediaries and their employees, as well as to ancillary insurance intermediaries and to their employees.

(3) Upon taking office, all employees and members of management and controlling bodies of an insurer or of a reinsurer respectively shall sign a Declaration of Safeguarding Insurance Secrecy. The obligation under Sentence One shall also apply to the natural persons who represent legal persons - members of management and controlling bodies of an insurer, respectively a reinsurer and an insurance or reinsurance intermediary, and of ancillary insurance intermediaries.

(4) The insurance intermediaries, ancillary insurance intermediaries, and the persons with whom the insurer or the reinsurer respectively has an agreement under Article 110 shall sign a declaration under paragraph 3 upon entering into the agreement, by virtue of which their relations with the insurer, respectively the reinsurer are regulated. The persons under sentence one shall be obligated to acquaint their employees with the obligations under Paragraph 1.

(5) The provision of Paragraph 1 shall also apply to cases where persons under Paragraphs 1 - 4 have discontinued their legal relationships with the insurer, in relation to which the obligation to safeguard insurance secrecy had arisen.

Disclosure of insurance secrecy

Article 150. (1) Apart from disclosing information under Article 149, Paragraph 1 to the Commission, to the Deputy Chairperson and the authorised officials of the Commission's administration, the above information may only be disclosed:

1. upon express written consent of the persons to which such information refers;
2. before the judicial authorities, the public prosecution, the investigating authorities and the police authorities in pursuance of the procedure provided for in a law;
- 2a. before the Counter-Corruption and Unlawfully Acquired Assets Forfeiture Commission and the directors of territorial directorates according to the procedure established in the law;
3. before the State Agency for National Security in accordance with the terms and conditions and in accordance with the procedure provided for in the Measures Against Money Laundering Act;
4. before the Guarantee Fund and the National Bureau of Bulgarian Motor Insurers in relation to their activities in accordance with the present Code;
5. before and by the Guarantee Fund for the purposes of creation of information systems for prevention of insurance fraud and for the purposes of creation of a bonus-malus system;
6. before a director of a territorial directorate of the National Revenue Agency, where:

- a) an act of a revenue authority has established that the inspected person has prevented carrying out an aspect inquiry or audit, or failed to maintain the requisite reporting documentation, as well as that the latter is incomplete or untrustworthy;
 - b) an act of a competent state authority has established the occurrence of an accident, which has resulted in the destruction of reporting documentation belonging to the inspected persons;
 7. the minister of finance or a person authorized thereby, in the cases referred to in Article 143, paragraph 4 of the Tax and Social Insurance Procedure Code;
 8. before the Executive Director of the National Revenue Agency in relation to the implementation of Article 142b, paragraph 1, Article 143f and Article 143h of the Tax and Social Insurance Procedure Code;
 9. before a reinsurer where this is necessary in relation to conclusion and maintenance of a reinsurance contract;
 10. before the legal heirs of an insured person or of a person who is entitled to an insurance payment;
 11. before the chief inspector or an inspector of the Inspectorate at the Supreme Judicial Council.
- (2) At the request of the insuring person, the insurer may provide it with information regarding the indemnities or amounts paid under the insurance contract.

Prohibition of information on health status – INSURERS (SOLVENCY II)

Article 151. The insurer may not provide to the insuring person, when the latter is a person other than the insured person, information regarding the health status of the insured persons.

General principles for the distribution of insurance products. Prohibition to place signs, marks or other indications

Article 288 – INSURERS AND INTERMEDIARIES

- (2) When distributing insurance products, the insurer must identify itself as an insurer and the insurance intermediary or ancillary insurance intermediary must identify itself as an intermediary of the respective type. The obligation under Sentence One shall also be applied in respect of company or advertising boards, inscriptions and materials.
- (4) It shall be prohibited to place signs, marks or other indications on the motor vehicle or in a visible position inside the vehicle or other property that directly or indirectly signify the existence of an insurance contract concluded for the same vehicle or for other property.
- (5) An insurer or reinsurer may not require, in any form, the placement of signs, marks or other indications under Paragraph 4 as a condition precedent to conclude and/or cause the entry into force of the insurance contract in respect of the relevant motor vehicle or other property and/or to cover one or more risks under the insurance contract. Furthermore, no insurer or reinsurer may contract or include in the general conditions of such insurance the placement of signs, marks or other indications under Paragraph 4, as an obligation of the insured person, the insuring person or the third beneficiary person. The lack of such signs, marks or other indications may not be grounds to exclude one or more insurance risks from the coverage or to modify or terminate the insurance contract, nor may it be linked to any negative legal effects whatsoever concerning the insured person, the insuring person or the third beneficiary person.
- (6) The prohibition under Paragraph 4 shall not concern the placement of signs, marks or other indications that is explicitly regulated by a statutory act or signs, marks or other indications which advertise a natural or legal person or such person's business sign or trade mark, product, goods,

service, brand or other similar elements and they shall not be linked to the execution of the insurance contract when:

1. the person concerned owns or has taken the motor vehicle under rent, lease or another legal grounds for which the person has a contract, or
2. the placement implements a (written) advertising contract entered into with a natural or legal person who is the owner, user, renter or lessee of the motor vehicle or other property on which the relevant signs, marks or other indications are placed.

Complaints of consumers and consumer organisations – INTERMEDIARIES (IDD)

Article 290. (1) The Commission shall create and maintain organisation for considering complaints of insurance service consumers, consumer organisations and other stakeholders filed against distributors of insurance services and products. Each complaint received shall be considered and shall be replied to within a time limit of one month from the date of receiving the complaint.

(2) Each insurer and insurance broker shall create and maintain organisation for considering the complaints of insurance service consumers. The insurer or the insurance broker respectively shall be obligated to register, consider and reply to the complaint within a time limit of one month from the date of receipt thereof. The insurer or the insurance broker respectively shall be obligated to analyse the incoming complaints and to undertake measures for remedying the weaknesses in its operations found on the basis of the complaints.

(3) When an insurance agent or ancillary insurance intermediary offering insurance products as an additional business, has received a complaint from an insurance service consumer, the former shall be obligated to send it to the insurer, on behalf of which he/she is carrying out intermediation, within 3 days from the receipt thereof.

Exceptions – INTERMEDIARIES (IDD)

Article 295

(3) The insurer shall keep a list of intermediaries under paragraph 1, with whom it has concluded a contract.

Entering into the Commission's register – INTERMEDIARIES (IDD)

Article 296.

(5) No registration shall be allowed of one and the same person at the same time as:

1. an insurance agent and insurance broker;
2. an insurance agent and ancillary insurance intermediary;
3. an insurance broker and ancillary insurance intermediary.

(8) The procedure of registration under Article 7 shall be determined by an ordinance of the Commission.

Company name – INTERMEDIARIES (IDD)

Article 298. A person who has not been entered into the register under Article 30, Paragraph 1, Item 12 of the Financial Supervision Commission Act (FSCA) may not use in its name, advertising or other operations words in the Bulgarian language or in a foreign language meaning or related to performance of insurance or reinsurance intermediation. Sentence one shall not be applied to

intermediaries performing activity in the Republic of Bulgaria under the conditions of the right of establishment and of the freedom to provide services.

Avoidance of conflict of interest and safeguarding the insurance secrecy – INTERMEDIARIES (IDD)

Article 299. The insurance intermediaries shall apply Article 146, Paragraphs 5 - 8, Articles 149 - 151.

Definition and general requirements to the activity – INTERMEDIARIES (IDD)

Art.301

(2) The relations between a consumer of insurance services, an insurer or a reinsurer, respectively, and an insurance broker shall be specified in a written contract, except for intermediation in relation to the compulsory insurances under Article 461, Items 1 and 2.

(5) The insurance broker shall provide advice prepared based on a fair and personal analysis pursuant to Article 325a, paragraph 5, where this is assigned by an insurance services consumer. Upon establishing relations with an insurance services consumer, as well as with each new renewal of the assignment of performance of insurance intermediation, the insurance broker shall be obligated to inform them of their right to assign to the broker preparation of advice based on a fair and personal analysis. Obligations under sentences one and two shall also apply to insurance brokers and to other distributors of insurance services from other member states which have no contractual obligation to distribute insurance products exclusively for one or more insurer, who carry out activities in the Republic of Bulgaria under the conditions of the right of establishment or freedom of provision of services, where these distributors conclude insurance contracts with insurance services consumers, whose usual place of residence or establishment is in the Republic of Bulgaria.

Restrictions on operations – INTERMEDIARIES (IDD)

Art. 302. (1) An insurance broker may not perform operations as an insurance agent.

(2) The restriction under Paragraph 1 shall also apply to members of the management and control bodies of an insurance broker, to all other persons authorised to manage and represent an insurance broker, as well as to its employees directly involved in carrying out insurance or reinsurance intermediation.

(3) The insurance broker may not be a shareholder, a partner or a member of a management or control body of an insurance agent.

Insurance agents – INTERMEDIARIES (IDD)

Article 313. (1) An insurance agent shall be a natural person or a merchant, entered into the register under Article 30, paragraph 1, item 12 of the Financial Supervision Commission Act, who, in return for payment and upon assignment by an insurer, carries out insurance intermediation on behalf and for the account of an insurer.

(2) The insurance agent may collect premiums and effect payments to the insurance services consumers, where it authorised for this by the insurer. In these cases, the insurance agent shall be obligated to notify explicitly the insurance services consumer that it is authorised to collect insurance premiums on behalf and for the account of an insurer.

(3) The relations between an insurer and an insurance agent shall be regulated in a written contract which is contract for insurance agency.

Restrictions on operations – INTERMEDIARIES (IDD)

Article 314. (1) An insurance agent may not work for an insurance broker.

(2) A natural person performing operations as insurance agent shall be a liberal profession.

(3) An insurance agent who is a natural person may not be in employment relations with an insurer.

Special restrictions – INTERMEDIARIES (IDD)

Article 315. (1) An insurance agent may intermediate for one insurer who has obtained a licence to perform insurance operations including classes of insurance policies under Section I of Appendix No. 1, and for one insurer who has obtained a licence to perform insurance operations including classes of insurance policies under Section II of Appendix No. 1. This limitation shall not apply where the insurance agent works for insurers which are part of a group.

(2) Upon consent given by the insurers under Paragraph 1, an insurance agent may perform insurance intermediation for other insurers as well, provided he/she shall perform intermediation in respect to insurances, other than the types of insurances for which he/she has been authorised by the insurers under Paragraph 1.

(3) In the cases when the insurance broker intermediates for an insurer under Section I of Annex No. 1, which has a licence under Item 1 and/or Item 2, Letter "A", Section II of Annex No. 1, the insurance broker may intermediate for another insurer with a licence under Section II of Annex No. 1 with the exception of intermediation for insurances under Item 1 and Item 2, Letter "A", Section II of Annex No. 1

(4) When two or more persons, who are related persons or who perform operations in common premises by common means or otherwise from which a justified conclusion may be made that they are acting jointly, perform, each one separately, operation as an insurance broker for different insurers, it shall be assumed that they perform jointly operations as an insurance broker without the registration required by the law, except in the following cases:

1. when all such persons are employees of the same agent, which complies with the restrictions under Paragraphs 1 and 2, and

2. when all such persons are agents and do not violate the restrictions under Paragraph 1 by their operations.

(5) The insurance agent shall be obligated to notify the insurance services consumer for which insurers and what insurance products it is authorised to mediate. The obligation under sentence one shall be complied with for a sufficient period of time before starting an activity of offering insurance products, and in cases of permanent relations with the insurance services consumer – also in case of change in the previously disclosed circumstances.

Guarantees for the operations of an insurance agent – INTERMEDIARIES (IDD)

Article 316.

(3) The insurance under Paragraph 2 must cover the liability for damages inflicted by action or by omission to act by any person authorised to manage and represent the insurance agent, member of its management or control body or employees of its when or in connection with performing insurance or reinsurance intermediation.

(7) The requirement for opening a client account by the insurance agent shall not apply where the insurer has authorised the agent to operate with its account to which insurance premiums for the

insurer, as well as insurance indemnities or moneys for the insurance service consumer, are transferred directly.

Check-up of the compliance with requirements – INTERMEDIARIES (IDD)

Article 318. (1) Before applying for registration of an insurance agent in the register under Article 30, paragraph 1, item 12 of the Financial Supervision Commission Act, an insurer shall establish if the person meets the requirements set out in this chapter, and if the information under Article 307, paragraph 1, items 8 - 10 has been provided for him/her. The insurer may not apply for registration in the register under Article 30, paragraph 1, item 12 of the Financial Supervision Commission Act for a person where the grounds for refusal under Article 310, paragraphs 1 and 2, are in place.

(2) In case the person under Paragraph 1 has no professional liability insurance, the insurer who has signed a contract therewith, shall incur full responsibility for such person's actions in carrying out insurance intermediation under this contract.

(3) The insurer shall exercise ongoing control over the compliance with the requirements of qualification and good reputation of its insurance agents and their employees. The insurer shall also exercise ongoing control over the performance of the obligations under Article 316, paragraphs 2, 3, 5 and 6 by its insurance agents.

Entry into the register – INSURERS AND INTERMEDIARIES

Article 319. (1) An insurer shall keep a list of the persons, with whom it has concluded insurance agency contracts. Attached to the list shall also be kept the relevant documents under Article 307, on the grounds of which compliance with the requirements under Article 318, paragraph 1, was established.

(2) The insurer shall apply to the Commission for registration in the register under Article 30, paragraph 1, item 12 of the Financial Supervision Commission Act of the persons it wishes to act as insurance agents for it, and filing an application for registration shall be deemed to certify that a verification was made under Article 318, paragraph 1, and that the respective person meets the requirements under Article 318, paragraph 1. The insurance agent shall submit independently an application for entry in the register of the Commission where he/she performs intermediation for an insurer from another member state operating in the Republic of Bulgaria under the conditions of freedom to provide services, enclosing the relevant documents under Article 307 within 14 days from signing of the insurance agency contract.

(3) An insurer shall register each change in the facts and circumstances on the list under Paragraph 1 notifying the Commission thereof. In the cases under Paragraph 2, Sentence Two, notification of change in the facts and circumstances shall be made by the insurance agent.

(4) The obligation under Paragraph 3 shall be discharged within a period of 7 days of gaining knowledge of the relevant fact or circumstance.

Identification card - INSURERS AND INTERMEDIARIES

Article 320 (1) Upon registration of an insurance agent into the register under Article 30, Paragraph 1, Item 12 of the Financial Supervision Commission Act, the insurer shall issue to the former an Identification Card based on a template endorsed by the Deputy Chairperson, which shall contain at least the following data:

1. The name and address of the natural person or the company, legal seat and registered office of the insurance agent who is a sole proprietor;

2. The address of the office or branch office where operations will be performed;
 3. The types of insurances the agent may offer and the maximum amount of insurance up to which an insurance agent may conclude such insurances;
 4. The names of the persons authorised to manage and represent the insurance agent who is a legal person;
 5. The register into which it has been entered and the way to prove such entry.
- (2) The insurance agent shall be obligated to post a copy of the Identification Card in a prominent place in each room, in which it shall perform its operations.

Grounds for deletion from the register – INTERMEDIARIES (IDD)

Article 321.

(2) Following deletion from the register, an insurance agent may not perform insurance intermediation. An insurance agent shall be obligated to return the Identification Card issued.

ANCILLARY INSURANCE INTERMEDIARIES – INTERMEDIARIES (IDD)

Definition

Article 321a. (1) An ancillary insurance intermediary shall be a natural person or a trader registered in the register under Article 30, paragraph 1, item 12 of the Financial Supervision Commission Act, who, for remuneration and upon assignment by an insurer, pursues insurance distribution on behalf and for the account of an insurer.

(2) A credit institution or an investment firm may not be registered as an ancillary insurance intermediary.

Operational requirements. Registration

Article 321b. (1) The requirements under Article 313, paragraphs 2 and 3, Article 314 and Article 315 shall apply to an ancillary insurance intermediary.

Article 323. (1) Insurance, respectively reinsurance, agent or an ancillary insurance intermediary registered in another member state may do business in the territory of the Republic of Bulgaria in accordance with the conditions of the right of establishment and of the freedom to provide services.

Provision of information. Practices in the distribution of insurance products

Information about the insurer

Article 324.

(4) When the insurance contract is concluded through an insurance intermediary, the information under Paragraphs 1 - 3 shall be provided by the insurance intermediary.

PRACTICES IN THE DISTRIBUTION OF INSURANCE PRODUCTS - INTERMEDIARIES (IDD)

Offering insurance on the internet

Article 331. An insurance distributor, which offers insurance on the internet, shall be obligated to create a website that shall meet the following requirements:

1. the name and address of the insurer or of the insurance intermediary and the legal grounds for performing operations on the territory of the Republic of Bulgaria must be disclosed on the initial web page or in another visible and accessible place on the web page;
2. the entire information must be in Bulgarian;
3. the consumer information on the web page must meet all the requirements of this Code and of the Distance Marketing Of Financial Services Act;
4. the consumer of insurance services must be able to freely acquaint himself/herself with all the conditions of the contract.

Requirements for remote conclusion of insurance contracts

Article 332. (1) An insurance contract may be concluded remotely in one of the following ways only:

1. in electronic form pursuant to Article 344 (2), signed by qualified electronic signatures of the parties within the meaning of Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 concerning Electronic Identification and Certification Services in Electronic Transactions on the Internal Market and repealing Directive 1999/93/EC (OJ, L 257/3 of 28 August 2014) and the Electronic Document and Electronic Trust Services Act;
2. on paper carrier with handwritten signatures of the parties;
3. through the internet page according to the procedure of Paragraph 4.

(2) Upon remote conclusion, in the form of an electronic document, of an insurance contract for Third Party Liability Insurance or for Accident Insurance of the passengers in the public transport vehicles according to the procedure of Paragraph 1, the insurer or the insurance intermediary respectively shall be obligated, within a time limit of 3 business days from the signing of the contract, to provide to the insuring person the insurance contract reproduced on paper carrier as a transcript signed in the handwriting of the insurer or of the insurance intermediary. In order to exercise his/her right of refusal according to the procedure of Article 12 of the Distance Marketing of Financial Services Act, the insuring person who is a consumer within the meaning of Article 7 (2) of that same act shall be obligated to return to the insurer the received transcript attesting to the conclusion of the insurance contract.

(3) Upon remote conclusion, in the form of an electronic document, of an insurance contract for Third Party Liability Insurance of the Motorists according to the procedure of Paragraph 1, the insurer or the insurance intermediary respectively shall be obligated, within a time limit of 3 business days, to provide to the insuring person the insurance policy reproduced on paper carrier as a transcript signed in the own handwriting of the insurer or of the insurance intermediary and attesting to the existence of an insurance contract, accompanied by a mark under Article 487 and a Green Card Certificate under Article 488. In order to exercise his/her right of refusal according to the procedure of Article 12 of the Distance Marketing of Financial Services Act, the insuring person who is a consumer within the meaning of Article 7 (2) of that same act shall be obligated to return to the insurer the received transcript attesting to the existence of an insurance contract, the Green Card Certificate and the respective clipping from the mark under Article 487 pursuant to the ordinance under Article 504 (1).

(4) In the case of remote conclusion of Third Party Liability Insurance of the Motorists through the internet page of an insurer or of an insurance intermediary, the written form shall be considered complied with even without the signature of the insuring person, if the insuring person has paid the insurance premium or respective instalment under it through that same internet page, by credit or debit card issued to the insuring person. In the case of Sentence One, the insurer or the insurance

intermediary respectively shall be obligated, within a time limit of 3 business days, to provide to the insuring person the insurance policy on paper carrier, personally signed by the insurer or by the insurance intermediary and accompanied by a mark under Article 487 and a Green Car Certificate under Article 488. In this case, no signature of the insuring person on the insurance policy shall be required. In order to exercise his/her right of refusal according to the procedure of Article 12 of the Distance Marketing of Financial Services Act, the insuring person who is a consumer within the meaning of Article 7 (2) of that same act shall be obligated to return to the insurer or to the insurance intermediary the received insurance policy, the Green Card Certificate and the respective clipping from the mark under Article 487 pursuant to the ordinance under Article 504 (1).

(5) In the cases under Paragraph 4, the contract shall be considered concluded from the moment when the insuring person receives, through electronic means, the confirmation of the insurer or of the insurance intermediary for conclusion of the contract. The entry into force of the insurance coverage shall be explicitly agreed upon in the insurance contract but may not be earlier than 00:00 o'clock on the day following the day of conclusion of the contract.

(6) The compulsory Third Party Liability Insurance of Motorists may be concluded remotely by an insurer or by an insurance intermediary, after the latter has received from the consumer of the insurance service a copy of Part One of the certificate of registration of the motor vehicle in relation to which the insurance is concluded.

Article 335. Persons not entered into the register under Article 30, paragraph 1, item 9 or item 12 of the Financial Supervision Commission Act as insurers, insurance intermediaries or ancillary insurance intermediaries may not accept payments of an insurance premium, except in the cases under Article 295, paragraph 1, or if they have a licence for performing payment services.

Certification of the payment of an insurance premium

Article 336. (1) Where an insurer, insurance intermediary or an ancillary insurance intermediary receives payment in cash of an insurance premium or instalment, it shall be obligated to issue to the consumer of insurance services a document certifying the receipt of the payment, conformant with the requirements of the Accountancy Act, except in the case of payment of the entire premium or of a first instalment thereof, the receipt of which shall be certified by the insurance contract itself.

Reporting and supervision of insurance intermediaries

Article 337. (1) The insurance agent, ancillary insurance intermediary respectively, shall be subject to supervision by the Compliance Department or by the Internal Audit Department of the insurer, for whom they perform insurance intermediation.

(2) An insurance intermediary, ancillary insurance intermediary respectively, which has received payment of a premium or instalment under an insurance policy, regardless of whether such insurance policy was concluded with its intermediation or not, shall be obligated to notify the insurer on that same day of the payment received, its grounds and amount, as well as to transfer such amount to the insurer within a time limit of one month from receiving the payment, and for the compulsory insurance policies under Article 461, items 1 and 2 - within a time limit of up to 5 business days from receiving the payment. The notification shall be made by electronic mail, by means of the electronic system of the insurer or in another manner agreed upon between the insurer and the insurance intermediary, ancillary insurance intermediary, respectively.

(3) When an insurance premium or an instalment due under it is paid prior to the expiration of the 15-day time limit under Article 368, Paragraphs 3 and 4, the insurer may not terminate the insurance contract. Article 294 (6) shall apply in this case.

Making insurance payments

Article 338. (1) Payment by an insurer to a consumer of insurance services through an insurance intermediary, ancillary insurance intermediary, or through another person shall be permitted only on the basis of an explicit written power of attorney with notary certification of the signatures for the respective insurance claim or payment, in which there shall be a statement that the consumer of insurance services has been notified that he/she has the right to receive the payment personally. When the insurance intermediary, ancillary insurance intermediary respectively, has opted to guarantee the fulfilment of its obligation for transfer of consumer funds by means of a client account, the insurer shall be obligated to make the payment of the funds intended for the consumer of insurance services, into the client account only.

(2) An insurance intermediary, respectively ancillary insurance intermediary, which has received payment according to the procedure of paragraph 1, shall be obligated, within 5 business days to transfer the amount received into a bank account of the consumer of insurance services, unless the intermediary and the consumer have otherwise agreed upon in writing.

(3) When the insurer makes a payment through an insurance intermediary, ancillary insurance intermediary or another person under Paragraph 1, the insurer shall be obligated to notify explicitly and in writing the consumer of insurance services also indicating the amount of the payment made.

INSURANCE CONTRACT – INSURERS (SOLVENCY II)

Definition

Article 343. (1) An insurance contract shall bind an insurer to undertake certain risks in return for the payment of a premium, and upon occurrence of an insured event to pay an insurance indemnity or an amount in cash.

(2) With regard to insurance contracts, the general rules of the Commerce Act and the Obligations and Contracts Act shall apply, insofar as the present Code does not provide for otherwise.

(3) The insurance contract may also be concluded through the means of long distance communication in compliance with the provisions of the present Code and the Distance Marketing of Financial Services Act.

(4) A maritime insurance contract shall be regulated in accordance with the Merchant Shipping Code.

Form of the insurance contract

Article 344. (1) An insurance contract shall be concluded in writing in the form of an insurance policy or of another written act. The general conditions of the insurance, if any, shall be an integral part of the contract.

(2) The insurance contract may be drawn up also in the form of an electronic document within the meaning of the Electronic Document and Electronic Trust Services Act.

(3) The insurer shall issue an insurance certificate certifying the concluded insurance contract, at the request of the insuring person, as well as when this is provided for by a law. When the insuring person and the insured person are distinct persons, the insurer shall issue an insurance certificate also at the request of the insured person - only in regard to his/her insured interest. In this case, the

insured person shall also have the right to receive information on the other contractual terms and conditions which pertain to his/her insured interest.

(4) The insurer shall be hereby obligated to provide to the insuring person a certified copy of the insurance contract within a 7-day period of the request. The absence of an original copy in the hands of the insuring person shall not serve as basis for refusal or reduction of an insurance payment.

(5) The insuring person shall have the right to request at any time from the insurer a copy of all contractual representations, declarations and other documents that he/she has provided in connection with the conclusion of the insurance contract.

(6) The customary expenses for the issuing of the new documents under Paragraphs 4 and 5 shall be at the expense of the insuring person.

Contents of the insurance contract

Article 345. (1) The insurance contract shall contain:

1. The names or appellations, and the addresses of the parties;
2. The contract subject matter;
3. The insurance risks covered;
4. The contract term, including the beginning and the end of the insurance period and of the insurance coverage period;
5. The insurance amount or the manner of its calculation;
6. The insurance value (actual, recovery and/or contractual) in the case of insurance policies under Items 3 - 9 and 14 - 16, Section II, Letter "A" of Annex No. 1;
7. The insurance premium or the manner of its calculation, as well as the timeframes and the procedure for its payment;
8. The amount of participation with own funds, should such participation be agreed upon between the parties;
9. The names and address of the intermediary, if the contract was concluded through an intermediary, and for insurance agents and ancillary insurance intermediaries – also the number of their identity document;
10. The date and place of conclusion of the contract;
11. Signatures of the parties.

(2) The written proposal or request addressed to the insurer concerning the conclusion of an insurance contract or written replies of the insured person and/or of the insuring person to queries made by the insurer with regard to circumstances of importance to assessing the nature and amount of risk, shall form an integral part of the insurance contract.

(3) Upon conclusion of an insurance contract to the benefit of a third beneficiary person, the contract shall also specify the names, the appellation and address of such beneficiary person or the manner in which it may be identified.

(5) The insurance contract shall stipulate clearly, unambiguously and exhaustively:

1. The risks covered and the exclusions to coverage;
2. The conditions for payment of premiums by the insuring person and the consequences of non-payment or inaccurate payment;
3. The insurer's liabilities, payment term, and the manner of specifying the amounts of payments;
4. The obligations upon occurrence of an insured event and its establishment;
5. The circumstances relating to amendments to the insurance legal relationship;
6. The terms and the amount of any preliminary payments or borrowings against life insurance policies and their redemption.

(6) The contents of the contract for compulsory Third Party Liability Insurance of the Motorists and for Accident Insurance of the passengers in the public transport vehicles shall be stipulated by the ordinance under Article 504.

(7) The insurance contract may not envisage conditions and requirements for submission of documents or other evidence by the consumer of insurance services or by state authorities, for which a reasonable assessment may be made that they do not have any significant importance for proving an insured event or for establishing the amount of damage, as well as documents or evidence, for which an assessment may be made that there is a legal or factual obstacle to being provided.

(8) The insurance contract may not provide for conditions and requirements, including ones in the case of occurrence of an insured event, when it could reasonably be assumed that they are not significant as regards limiting the risk of occurrence of the insured event or as regards the proving thereof, as well as ones whose implementation could be assumed as being legally or factually prevented.

(9) When it comes to insurance under Section I of Annex No. 1, as well as when it comes to Sickness Insurance, the insurance contract must clearly, unambiguously and exhaustively stipulate the conditions under which exceptions to the insurance coverage shall be applied.

General terms

Article 348.

(2) The insurer's general terms shall be adopted by its management body, and the date of their adoption and of any subsequent amendments and supplementations shall mandatory be specified therein.

(3) The insurer's general terms shall not constitute a legally protected secret and the insurer may not deny access to them. The insurer shall be hereby obligated to provide the consumer of insurance services with the general terms of insurance prior to the conclusion of the insurance contract. In the cases where a questionnaire has been drawn up with regard to the insurance, the general terms shall be provided along with it.

(4) Any amendments to or substitution of the general terms with new ones during the validity term of an insurance contract, shall be in effect only in case said amendments or the new terms have been provided to the insuring person who has approved them in writing.

Insurable interest

Article 349. (1) "Insurance interest" is the lawfully recognised necessity for protection against the consequences of a possible insurance event.

(2) An invalid insurance contract shall be the one concluded in the absence of insurable interest, with the exception of the cases of future insurance interest.

(3) A "future insurance interest" shall be the necessity of ensuring protection from harmful consequences of an expected but not existing as yet property right or the necessity to protect at one's own liability in the case of or in connection with an activity which has not started yet or which is yet to start.

(4) An insuring person may demand reimbursement of the whole premium paid or of the paid share thereof in case of payment by instalments, unless he/she has been aware or should have been aware of the absence of insurable interest.

(5) The insurance contract shall be terminated, if the interest ceases to exist during its term of validity, where the insurer shall have the right to keep part of the premium corresponding to the expired portion of the term of validity of the insurance contract till the moment of its termination.

Term of the insurance contract

Article 350. The insurance contract may be concluded for a definitive term or for an indefinite term. The term of the contract may be longer than the term of the insurance coverage.

Extending the term of the contract. Termination

Article 353. (1) An insurance contract concluded for a specific term may contain a provision for its automatic renewal. The automatic renewal shall be permitted for one more insurance term only and shall be applied only if none of the parties during the current insurance term requests explicitly that the contract not be renewed for a new insurance term. In this case, the contract shall be considered terminated from the end of the current insurance term, without any indemnities or other expenses being due.

(2) In case the insurance contract is concluded for an indefinite term, the contract may be terminated without indemnities or other expenses by any of the parties prior to the end of the current insurance term. The termination under Sentence One shall enter into force from the end of the current insurance term.

(3) A term insurance contract may be terminated without indemnities or other expenses by any of the parties by a prior notification sent to the opposite party. The termination under Sentence One shall enter into force from the end of the current insurance term.

(4) The time period of the prior notification under Paragraphs 1 - 3 may not be shorter than one month and may not be longer than three months.

(5) Paragraphs 1 - 4 shall not apply to the insurance contracts for compulsory Third Party Liability Insurance of the motorists.

Termination of the insurance contract

Article 354.

(2) An insurance contract may also be terminated on grounds stipulated thereunder, where these do not contradict good ethics and where the interests of the consumers of insurance services are not unjustifiably affected.

Obligation to declare

Article 362. (1) Upon conclusion of an insurance contract, when the insurer has raised questions, the insuring person, his/her proxy or his/her insurance broker shall be under the obligation to accurately and comprehensively declare all substantial circumstances which are known to him/her and are of relevance to the risk. Sentence One shall also be applied to the insured person, when information was requested from him/her as well at the time of conclusion of the contract.

(2) Only those circumstances under Paragraph 1 shall be considered substantial, for which an insurer has explicitly raised a question in writing. When the insurer has raised questions, it may refuse to make payment on a claim on the basis of the circumstances which existed prior to the date of conclusion of the insurance contract and regarding which it has raised a question in writing.

(3) When the insurer has concluded a contract, regardless of the fact that the insurer raised questions to the insuring person and they were not answered or were answered unclearly, the insurer shall not have the right to terminate unilaterally the insurance contract, to refuse payment or to reduce the amount of the payment on the grounds of the fact that the questions were not answered or were answered unclearly.

(4) When the insuring person has disclosed the circumstances under Paragraph 2 and the insurer has concluded the insurance contract, the insurer cannot invoke the circumstances disclosed for the purpose of terminating unilaterally the contract, may not refuse payment and may not reduce the amount thereof.

(5) The insurer can invoke the fact that the substantial circumstances for risk, which were verified by the insurer prior to the conclusion of the insurance contract, have been declared inaccurately.

(6) Non-reply to a query or unclear reply to a query, with no concealment of a substantial circumstance of relevance to the risk, shall not constitute grounds for unilateral termination of the insurance contract, for demanding its amendment or for refusing payment of indemnity under Article 363.

Payment of the insurance premium in instalments

Article 368. (1) In cases of payment in instalments, the instalments of the insurance premium shall be paid within the time limit agreed under the insurance contract.

(2) In the case of non-payment of the scheduled instalment of the insurance premium, the insurer may resort to one of the following actions:

1. reduce the insurance amount under the contract and reduce the portion of the unpaid premium;
2. amend the terms and conditions of the contract;
3. terminate the contract.

(3) An insurer may exercise one of the rights under Paragraph 2 no earlier than 15 days from the day on which the insured person has received a written notification from the insurer. The written notification shall be considered served and the contract shall be terminated automatically, when the insurer has chosen the law under Paragraph 2, Item 3 and when it is explicitly stated in the insurance policy that the contract will be considered terminated after the expiration of a certain time limit from the due date of the scheduled instalment, which may not be less than 15 days. In the cases of Sentence Two, no additional explicit written statement by the insurer to the insured person shall be necessary.

(4) In the cases of compulsory Third Party Liability Insurance of the motorists and the compulsory Accident Insurance of the passengers in the public transport vehicles, Paragraph 2, Items 1 and 2 shall not apply. The insurer may terminate the contract but not earlier than 15 days after the date on which the insured person received written notification by the insurer. The written notification shall be considered served and the contract shall be terminated automatically, when the insurer has chosen the law under Paragraph 2, Item 3 and when it is explicitly stated in the insurance policy that the contract will be considered terminated after expiration of a certain time limit from the due date of the scheduled instalment, which may not be less than 15 days. In the cases of Sentence Three, no additional explicit written statement by the insurer to the insured person shall be necessary.

Termination of the insurance contract in the case of an increase of the premium by the insurer

Article 372. (1) If the insurer increases the premium on the grounds of an explicit text in this sense existing in the insurance contract but without a commensurate change in the insurance cover, the insuring person may terminate the contract within one month from receiving the notification from the insurer of the change but not earlier than at the time of entry into force of the increase. The insurer must notify explicitly the insured person, in the case of a change in the insurance premium, of his/her right to terminate unilaterally the contract. The notification must be received by the insured person one month before the entry into force of the increase of the premium at the latest.

(2) Paragraph 1 shall also apply when the insurer reduces the scope of the insurance cover without reducing the amount of the premium due.

Reducing the insurance premium

Article 373. The insuring person may request appropriate reduction of the premium by an explicit written request to the insurer, when a change in the circumstances under Article 362 (2), which are substantial for the risk, results in a reduction thereof. If the insurer does not accept the request for reduction of the premium, the insuring person shall have the right to terminate the contract without prior notification.

Inadmissibility of self-participation

Article 375. Self-participation shall not be permitted under compulsory Third Party Liability Insurance of the Motorists and under Accident Insurance of the passengers in the public transport vehicles, as well as under Life Insurance.

Term of limitation

Article 378. (1) The rights and obligations under the insurance contract in connection with an insured event shall expire after a 3-year term of limitation from the date of occurrence of the insured event.

(2) The rights and obligations under the insurance contract for Life Insurance, Accident Insurance, Sickness Insurance and under direct claims under Third Party Liability Insurance under Item 10 - 13, Section II, Letter "A" of Annex No. 1 in connection with an insurance indemnity or amount shall expire after a 5-year term of limitation from the date when the insured event has occurred.

(3) In the cases of provided retroactive cover under an insurance contract, the term of limitation under Paragraph 1 or under Paragraph 2 shall start to elapse from the date of filing the insurance claim, within the term of validity of the insurance contract that is in effect, before the insurer which has provided the retroactive cover.

(4) In the cases of excess which stems directly from insured events under the insurance policies under Paragraph 2, the term of limitation shall be 5 years from the date of occurrence or becoming aware of the excess but shall be not more than the term of limitation in respect of the person responsible for the damages, when the damages have been inflicted by unlawful infringement. "Excess" shall be each deterioration of the health status of the damaged person, which is in direct link of causation with the insured event that has occurred.

(5) The regressive and subrogation claims and the claims of the person who has inflicted the damage under Article 435 against the insurer under Third Party Liability Insurance policies under Item 10 - 13, Section II, Letter "A" of Annex No. 1 shall expire after a term of 5 years from the date of the payment made by the insurer under a property insurance or made by the person who has inflicted the damage. The insurer under a property insurance policy of the damaged third person and the person who has inflicted the damage under Sentence One shall be entitled to the legitimate interest accrued on the claimed amount from the invitation for payment to the insurer in the case of Third Party Liability Insurance policies under Item 10 - 13, Section II, Letter "A" of Annex No. 1.

(6) The regressive and subrogation claims of the insurer under Third Party Liability Insurance policies under Item 10 - 13, Section II, Letter "A" of Annex No. 1 against the person who has inflicted the damage shall expire after a term of 5 years from the date of the payment of insurance

indemnity made to the third damaged person. The insurer shall be entitled to the legitimate interest on the claimed amount from the invitation for payment to the person who has inflicted the damage.

(7) Paragraph 2 shall not apply in the case of a receivable of a creditor for indemnity for damages inflicted because of a non-performance of a contract by an insured person under an insurance policy, by virtue of which his/her contractual liability is covered under Article 429, Paragraph 1, Item 2. In this case, the claims against the insurer under the insurance under Article 429, Paragraph 1, Item 2 shall expire simultaneously with the expiry of the liability of the insured person.

(8) The receivables of interest on insurance indemnity shall expire after a 3-year term of limitation.

(9) The term of limitation of a receivable of the damaged person under a direct claim against the insurer, as well as of the insured person and of the beneficiary person shall stop elapsing from the date when the claim is filed before the insurer and till the date of receiving the pronouncement of judgment of the insurer under Article 108 (1) or till the expiration of the maximum time limit for pronouncement of judgment under Article 108, Paragraphs 2, 3 or 5, depending on whichever of the above two dates is earlier.

Term of limitation of receivables of premium of the insurer

Article 379. The receivable of the insurer of insurance premium shall expire within a term of limitation of 3 years from the date of the respective due date.

INSURANCE OF SECURITY FOR A LOAN OR BANK CREDIT. INSURANCE OF LEASED ASSETS - INSURERS (SOLVENCY II)

Article 382. (1) In case of insurance concluded in favour of a creditor between the insurer and an insuring person, who is creditor of a third debtor person, upon occurrence of an insured event, the insurer shall be liable to the creditor up to the amount of the unrepaid portion of the obligation, for the security of which the insurance contract is concluded, including principal, interest and expenses as of the date of occurrence of the insured event. In case of insurance amount for a particular insured person is not fixed as an amount, unless otherwise agreed upon, it shall be equal to the unrepaid portion of the principal, for the security of which the insurance contract is concluded, together with the interest past due. When the indemnity or insurance amount due according to the terms and conditions of the insurance contract exceeds the amount of the unrepaid portion of the liability under Sentence One and after payment is made to the creditor, the residual shall be paid to the debtor or to its heirs. In connection with the payment of indemnity under an insurance under Sentence One, the debtor shall have all the rights of an insured person other than the right to receive the indemnity up to the amount of the unrepaid portion of the liability.

(2) An insurance contract between an insuring creditor and an insurer concerning material or immaterial benefit of a debtor shall be concluded in favour of the creditor to secure its receivable only with the prior written consent of the debtor, where no written consent shall be required in the case of declaring the receivable due and payable prematurely.

(3) In case of death of an insured debtor under an insurance contract in connection with his/her intangible benefit according to Paragraph 1, the creditor shall be obligated to undertake, with the care of good husbandry, all necessary actions concerning the claiming and the payment by the insurer of the insurance amount under the insurance contract. In connection with the payment of indemnity under an insurance under Paragraph 1, the heirs of the debtor, as well as his/her co-debtors or guarantors under the credit, shall have the rights of an insured person other than the right to receive the indemnity up to the amount of the unrepaid portion of the liability.

(4) The contracts under Paragraph 1 shall obligatorily be concluded under general terms and conditions according to Article 348. In the event of discrepancy between the insurance contract and the general terms, the covenants of which the debtor has been notified in writing in advance shall apply.

(5) The creditor shall provide to the debtor in advance all the information related to the conclusion and execution of the insurance contract, including:

1. the general terms of the insurance and information about the insurer, the subject of the insurance, the insurance amount, the term of the insurance and the persons who have the right to receive the insurance indemnity or the insurance amount;
2. the questions posed by the insurer under Article 362;
3. the answers given by the creditor.

(6) The creditor shall, by the 15th day of the month following the month of conclusion of the contract under Paragraph 1, submit to the debtor a certificate containing information about the insurer, the subject of the insurance, the insurance amount, the term of the insurance and the persons who have the right to receive the insurance indemnity or the insurance amount.

(7) The creditor shall be obligated to notify in writing and immediately after becoming aware thereof the debtor of any changes, acts or failures to act or other circumstances which might have as a consequence the termination of the insurance contract, reduction of the amount of the insurance indemnity or amount or which might jeopardise the interests of the debtor in some other manner. Upon request, the insurer may not refuse the debtor to provide him/her with the information under Sentence One.

(8) The creditor shall be obligated to notify immediately the debtor of termination of the contract under Paragraph 1.

(9) In the event of payment of indemnity or insurance amount under the insurance under Paragraph 1, the liability of the debtor shall be reduced by the amount of the payment received by the creditor.

(10) In the case of an insured event, the debtor shall immediately notify the creditor of its occurrence.

Insurance concluded by a debtor in favour of a creditor

Article 383. (1) In case of insurance concluded in favour of a creditor between an insurer and an insuring person, who is a debtor or a third person who is a pledge or mortgage debtor, upon occurrence of an insured event, the insurer shall be liable to the creditor up to the amount of the unrepaid portion of the obligation, for the security of which the insurance contract is concluded, including principal, interest and expenses as of the date of occurrence of the insured event.

(2) In case of an insured event, the insuring person, his/her heirs or beneficiaries, as well as the insurer, shall be obligated to notify immediately the creditor of the occurrence of the insured event.

(3) In case of death of an insured debtor under an insurance contract in connection with his/her intangible benefit according to Paragraph 1, the creditor shall be obligated to undertake, with the care of good husbandry, all necessary actions concerning the claiming and the payment by the insurer of the insurance amount under the insurance contract. In connection with the payment of indemnity under an insurance under Sentence One, the heirs of the debtor, as well as his/her co-debtors or guarantors under the credit, shall have the rights of an insured person other than the right to receive the indemnity up to the amount of the unrepaid portion of the liability.

(4) In case of occurrence of an insured event and according to the terms and conditions of the master contract between the creditor and the debtor and according to the terms and conditions of the insurance contract, the insurer shall make a payment to the creditor up to the amount of the unrepaid portion of the liability under Paragraph 1. The residual of the insurance indemnity, if any, shall be paid:

1. to the debtor or his/her heirs, or to the third beneficiary persons, when the debtor is the insuring person;
2. to the pledge or mortgage debtor, when a pledge or a mortgage debtor is the insuring person.

Insurance concluded in connection with leased assets

Article 384. (1) Prior to conclusion of an insurance contract under Items 3 - 12, Section II of Annex No. 1, between a lessor and an insurer in connection with leased assets, in the case of a financial lease and when the premium is due and payable by a lessee, including in the case when the insurance premium is included in the lease price, the lessor shall be obligated to obtain the explicit prior written consent of the lessee on the terms and conditions of the insurance contract. Article 382, Paragraphs 5 - 8 shall apply mutatis mutandis.

(2) In connection with the payment of an indemnity under the insurance under Paragraph 1, the lessee shall have the rights of an insured person, where:

1. in the case of partial damages, the indemnity shall be paid to the lessee, unless it was agreed upon that the damages would be paid in kind, in the case of which the expenses shall be paid directly to the external contractor;
2. in the case of theft or a total loss of the leased assets, the indemnity shall be paid to the lessor, where the insurer shall be obligated to notify explicitly and in writing the lessee within a 1-day time limit from the date of the payment, while stating the amount of the payment made.

(3) In the cases under Paragraph 2, Item 2, the lessor may retain the indemnity paid only up to the amount of the unpaid liabilities under the lease contract. The amount retained by the lessor shall serve for repayment of the liabilities of the lessee under the financial lease contract, where the lessor shall be obligated to pay to the lessee the residual within a 7-day time limit of receiving the indemnity.

INSURANCE AGAINST DAMAGES – INSURERS (SOLVENCY II)

Total loss of a motor vehicle

Article 390. (1) Before the payment of an indemnity determined as a total loss of a motor vehicle registered in the Republic of Bulgaria, the insurer shall require from the consumer of the insurance service a certificate issued by the competent registration authorities attesting to the deregistration of the motor vehicle, wherein it shall be stated that the deregistration is due to the total loss that has occurred.

(2) A total loss of a motor vehicle shall be a damage where the cost of the repairs needed exceeds 70 percent of its actual value. The amount of costs for the repairs needed shall be determined according to the specific indemnification method based on:

1. a proforma invoice issued by a service station in case the damages are repaired in kind, or
2. an expert assessment in case of cash indemnification.

INSURED EVENT – INSURERS (SOLVENCY II)

Indemnification of the expenses on limiting the amount of damages

Article 396. (1) The insurer shall separately indemnify the insured person for the expenses he/she has incurred to limit the damages, acting with due care, in accordance with the circumstances of the case, even if his/her efforts have remained without result. In such case, the insurer's liability

may even exceed the insurance amount, if expenses have been incurred in fulfilment of its directions.

(3) The expenses incurred by the insured person in fulfilment of the instructions of the insurer shall be indemnified even when they together with the other indemnities exceed the insurance amount.

PROPERTY INSURANCE – INSURERS (SOLVENCY II)

Obligation for notification of an insured event

Article 403. (1) Upon occurrence of an insured event, the insured person shall be obligated to notify the insurer within a 7-day time limit of gaining knowledge thereof, unless the contract provides for a different adequate time limit.

(2) The time limit for notification of an insured event that has occurred under the contract may not be less than 3 business days of gaining knowledge thereof. In the case of insurance against theft or robbery, the notification time limit in accordance with the contract may not be shorter than 24 hours as of gaining knowledge.

Partial loss

Article 407. In the case of partial loss of insured property, it shall be considered insured until the expiry of the insurance contract term at an amount, equal to the difference between the initial insurance amount and the insurance indemnity paid, unless otherwise provided for in accordance with the insurance contract. The insurance amount shall not be reduced according to the procedure of Sentence One, when the insured person has provided all necessary evidence for exercising the right to redress against the person who inflicted the damage or his/her insurer under Third Party Liability Insurance and this evidence was accepted as sufficient by the insurer under the property insurance.

Article 411. In cases when the person who has inflicted the damage has third party liability insurance, the property insurer shall be subrogated into the rights of the insured person against the person who inflicted the damage or his/her insurer under third party liability insurance to the extent of the indemnity paid and the usual expenses incurred in determining the indemnity amount. The property insurer may lodge his or her claim directly to the third party liability insurer. Where the damage is caused by a driver of motor vehicle who has a valid compulsory third party liability insurance for motorists, the property insurer who has subrogated into the rights of the damaged person may lodge his or her claim to the person who inflicted the damage only to the amount of the damages caused which exceed the insurance amount under the contract for compulsory insurance, as well as for the damages caused by the driver of the motor vehicle for which the insurer under the compulsory third party liability insurance for motorists has refused to pay indemnity on the grounds of Article 494.

THIRD PARTY LIABILITY INSURANCE – INSURERS (SOLVENCY II)

Direct claim of the damaged party

Article 432. (1) The damaged party, to which the insured person is liable, shall have the right to request indemnity directly by the insurer under the Third Party Liability insurance in strict compliance with the requirements of Article 380.

(2) The insurer under Third Party Liability insurance may submit objections arising from the insurance contract and from the third party liability of the insured person, with the exception of objections under Article 395 Paragraphs 6 and 7 and Article 430, Paragraph 1, Items 1 - 4 and Paragraph 2. When third party liability insurance is required by law, the insurer may not make objections about the self-participation of the insured person. Furthermore, the insurer may not make objections under Article 363, Paragraph 4, Article 364, Paragraph 4, and Article 365, Paragraph 2 under a compulsory third party liability insurance for motorists.

(3) With compulsory third party liability insurance the insurer shall be liable to the damaged party even when the insured person has inflicted the damage deliberately.

LIFE INSURANCE. ACCIDENT INSURANCE – INSURERS (SOLVENCY II)

Object of the insurance contract

Article 438.

(5) A life insurance contract shall be null and void if it provides cover in the event of death of an insured person who is not yet of age or of an insured person placed under judicial disability, as well as if it provides cover of the risks of abortions or still birth. The insurer shall be obligated to reimburse the insurance premiums received in execution of a life insurance contract providing cover for these types of risks. When the insuring person has knowingly concealed information about the persons under Sentence 1, whose life, health or corporal integrity is the object of a life insurance contract, the insurer shall enjoy the right to deduct the value of the expenses incurred in concluding the insurance contract from the premium which is subject to reimbursement.

Life insurance on the life of another person

Article 443. (1) An insuring person may take out a life insurance contract, the object of which is the life, health or corporal integrity of an another person (insured person). This contract shall be valid only if it is signed with the express written agreement of the insured person.

(2) The insured person may at any time terminate the insurance contract under Paragraph 1 by an unilateral written expression of will made to the insurer. In this case, if the contract has a savings component and the right of redemption has arisen, the insurer shall be obligated to pay to the insuring person the redemption value of the insurance.

(3) If the insuring person dies before the insured person and if the parties have not agreed otherwise, anyone who has a legal interest may replace the insuring person. If the insuring person is not replaced, the contract shall be terminated.

(4) In the case under Paragraph 3, Sentence Two, if the contract has a savings component and the right of redemption has arisen, the insurer shall be obligated to pay to the heirs of the insuring person the redemption value of the insurance.

(5) The insurer shall not make payments under the insurance contract under Paragraph 1, if the insuring person, the insured person or the third beneficiary person deliberately causes the occurrence of the insured event.

(6) A person who has committed a crime in order to receive payment under a life insurance policy on the insured person shall not have the right to receive payments under the insurance contract.

Non-payment of premium under life insurance with a savings component

Article 446. (1) If an insuring person for life insurance with a savings component fails to pay a due instalment of the premium under deferred premium payment, the insurer shall not enjoy the right to claim payment of the premium in court.

(2) The insurer shall be obliged to request in writing that the insuring person pay the premium instalment within a time limit, which may not be shorter than one month from receipt of that request.

(3) When the instalment due is not paid within the time limit under Paragraph 2, the validity of the insurance contract may be extended with a reduced insurance amount, when the premiums under the insurance contract have been paid for at least two year or if 15 percent or more of the premiums under the insurance contract have been paid. Failing this, the insurer may terminate the contract.

(4) The reduced insurance amount shall be determined on the basis of the redemption value as of the date of the transformation, which is assumed to be the lump-sum premium for analogous insurance cover for the remainder of the insurance term. The date of maturity of the first unpaid premium instalment shall be considered date of the transformation.

(5) In the cases under Paragraph 3, when the insured event occurs after expiration of the time limit under Paragraph 2, it shall be considered that the insurance amount has been reduced or that the contract has been terminated.

Insurance amount under life insurance policies

Article 448. (1) On occurrence of the insured event or of the conditions of life insurance specified in the contract, the insurer shall be obliged to pay the insurance amount or the part thereof which has been specified in the insurance contract.

(2) The insurance amount under Paragraph 1 shall also be paid in cases when the person who inflicted the damage is obliged to compensate the insured person or has already compensated him or her, and if the insured person has received payment under another insurance contract.

Insurance as security for obligations

Article 456. (1) When life insurance has been taken out in favour of a creditor to cover against the obligations of a natural person, such natural person or his/her heirs shall enjoy the right to a claim against the insurer even if he or she has not been a party to the insurance contract and has paid his or her obligations on occurrence of the insured event to the creditor. All third parties who have paid this obligation on a legal basis shall also enjoy this right.

(2) The insurer may make any objection arising from the insurance contract.

COMPULSORY INSURANCE POLICIES – INSURERS (SOLVENCY II)

Obligation of the insurer to conclude a compulsory insurance contract

Article 462. An insurer who carries out compulsory insurance on the territory of the Republic of Bulgaria may not refuse to sign a contract for the respective compulsory insurance.

Compulsory insurance for occupational accident

Article 463. Each insurer offering compulsory insurance against occupational accident under the conditions of the right of establishment or of the freedom to provide services shall be obligated to designate the Bulgarian legislation as the applicable law to the insurance contract.

COMPULSORY THIRD PARTY LIABILITY INSURANCE – INSURERS (SOLVENCY II)

Compulsory insurance

Article 468.

(3) Unless stipulated otherwise by a legislative act, the minimum insurance amount in the case of compulsory third party liability insurance shall be in the amount of BGN 500,000 per insured event and BGN 2,000,000 for all insured event over the period of one year.

Contract for compulsory professional liability insurance

Article 469. (1) Unless stipulated otherwise by a law, the insured event under professional liability insurance shall be the occurrence of the harm-inflicting result that the insured person is to blame for. The insured person may be a natural person or a legal entity.

(2) The rights and obligations under a compulsory professional liability insurance shall expire upon expiry of the term of limitation under Article 378 (2).

(3) Unless stipulated otherwise by a legislative act, the compulsory professional liability insurance contract shall cover the liability of the insured person for damages inflicted by him/her in performing on the territory of the Republic of Bulgaria the operations in connection with which the insurance contract was concluded. For the purposes of Sentence One, it shall be considered that the performance of operations takes place on the territory of the Republic of Bulgaria, if the insured person is registered or has been recognised legal competence to carry on the respective profession or operations on the territory of the Republic of Bulgaria and the operations are performed within this registration or legal competence.

(4) The insurer shall have the right of redress against the insured person only in the cases under Article 433.

(5) The compulsory professional liability insurance contract shall cover the liability of the insured person, including of the persons who represent the insured person, of the persons who are in employment legal relations with the insured person and of the persons to whom the insured person has assigned performance and whom the insured person has included in the insurance contract.

(6) Unless stipulated otherwise by a law, upon termination of the operations subject to compulsory insurance, the person shall be obligated to conclude supplementary insurance which covers the 5-year period following the termination of the operations.

Article 470. (1) When the claims for indemnity arising from the same insured event, exceed the insurance amount (the limit of liability), the payments shall be made in the following sequence and under the terms of commensurability within the same order:

1. claims for non-material and material damages as a consequence of bodily harm or death, unless the damaged person has received indemnity from another insurer, from the social security system or from a third person;
2. claims for damages to property inflicted by natural persons or legal entities, unless the damaged persons have received indemnity from another insurer or from a third person;
3. claims of insurers or third persons who have been subrogated into the rights of the insurer regarding non-material or other damages;
4. all other claims.

(2) When the insurance amount has been depleted in satisfying the claims under Paragraph 1, the person who is from the circle of those entitled with rights under Paragraph 1 but has not been part of the distribution for reasons that he/she is responsible for, may not subsequently lodge a claim

against the insurer, provided that the insurer has not envisaged and should not have envisaged that such a claim would be lodged based on the documents submitted to the insurer at the time of the lodging of the previous claims.

II. DIFFERENT ACTS

Rules for protection of competition:

Any activity or omission in the conduct of a business that contradicts the bona fide commercial practices and harms or may harm competitors' interests shall be prohibited and in particular:

- Damaging Competitors' Reputation – Article 30 **of the Law on Protection of Competition;**

- Deliberate Misleading – Article 31 **of the Law on Protection of Competition;**

- Misleading and Comparative Advertising – Article 32 **of the Law on Protection of Competition;**

- Undertakings (insurers included) may not use company logo, trade mark or geographic designation identical or similar to those of other entities in a manner which might harm competitors' interests – Article 35, Paragraph 2 **of the Law on Protection of Competition;**

- Using a domain name or appearance of a website identical or similar to that of other entities in a manner which might be misleading and/or harm competitors' interests – Article 35, Paragraph 3 **of the Law on Protection of Competition;**

- Unfair competition aimed at soliciting customers and resulting in the termination or breach of previously concluded contracts or in the prevention of conclusion thereof with competitors shall be forbidden – Article 36, Paragraph 1 **of the Law on Protection of Competition;**

- The offering or providing, as an addition to the goods or services of other goods or services, whether gratuitously or for a fictitious price, except for:

- promotional items of a negligible value;

- items or services which, according to commercial practices, are an accessory to the goods being sold or the services being provided;

- goods or services as a discount when larger quantities are sold – Article 36, Paragraph 2 **of the Law on Protection of Competition.**

- Sales shall when they are accompanied by an offer or promise of something the obtaining of which depends on: the solution of problems, rebuses or riddles or the answering of questions; the collection of a series of coupons etc.; the running of lottery games the prizes wherein are cash or objects whose value is significantly larger than the price of the goods or services being sold – Article 36, Paragraph 3 **of the Law on Protection of Competition.**

Under **Article 10 of Ordinance № 49** the insurer issuing compulsory liability insurance of motorists shall supply the person that has concluded the compulsory insurance with a sign issued by the Guarantee Fund.

In the case of loss, theft or destruction of the sign the insurer, at the request of the owner, user, holder or driver of the motor vehicle, shall provide a new sign, which shall be valid until the expiry of the insurance term.

The insurer shall declare in writing before the Guarantee Fund the number of signs he needs.

The insurer shall pay for the number of signs ordered in accordance with the price established in the contract between the Guarantee Fund and the contractor hired to print the sign. The payment shall be made to an account of the contractor.

The insurer shall receive from the Guarantee Fund the ordered number of sign referred to in following the submission of a document certifying the payment. The Guarantee Fund shall refuse execution of the order of an insurer that has not paid for the number of signs referred to in Paragraph (1) said insurer has ordered.

Rules on the standard numbering of the insurance policies for obligatory compulsory liability insurance of motorists, for a green card certificate and for the compulsory accident insurance for passengers - Article 40 of Ordinance № 49:

Insurers that issue insurance policies on compulsory liability insurance of motorists, a green card certificate and compulsory accident insurance for passengers shall have standard numbering. Each policy shall contain the unique identification code of the insurer, provided by the Guarantee Fund, the type of insurance, the year in which the insurance policy is issued and the number in order.

Rules on the conclusion and reporting of the contracts for obligatory Motor Third Party Liability insurance (including Border insurance and issuance of Green card certificate) and of the obligatory Accident insurance of the passengers in the vehicles of the public transport - Ordinance № 54 from 30.12.2016 for the registries of the Guarantee Fund for exchange and protection of the information and for the issuance and reporting of the compulsory insurances under Art. 461, item 1 and 2 of the Code on Insurance (the Ordinance). (The Ordinance is available at: <http://www.fsc.bg/d.php?id=19595>):

Insurers authorised to offer in Bulgaria the compulsory motor third party liability insurances (MTPL) and the compulsory accident insurance of the passengers in the vehicles of public transport (AI) are to adapt their information systems to the system of the Guarantee Fund. This also applies to insurers concluding border MTPL insurance (BI) contracts and issuing “Green card” Certificate (GC) under annex agreements.

According to Article 26 of the Ordinance these insurers maintain information systems compatible with the systems of the Guarantee Fund in a way that allows the insurers to fulfill their obligations under the Ordinance. The information system of the insurers should guarantee regulated access of the persons who have the right to access according to the requirements of CI and the Ordinance. Insurers are required to secure their IT systems in a way that ensures that personal data are only accessible to persons authorized to use such data by decision of the Managing Board of the insurer. Insurers’ IT systems must store identification data for each person who accessed personal data and should maintain a register (journal) of the access to the specific information.

According to Article 28 of the Ordinance insurers provide a technical opportunity for the employees of Ministry of Interior to carry out inspections with regard to the implementation of the procedures, rules and processes for complying with the requirements for the protection of personal data received under the Ordinance.

Registration of branch of an insurer operating under the terms and conditions of the right of establishment – Article 4 of the Law of the commercial register and Article 17a of the Commercial law:

Article 4 of the Law of the commercial register stipulates that the branches of foreign traders shall be entered in the commercial register when the entering is provided with a law. Such provision is the rule of Article 17a of the Commercial law which introduces an obligatory registration in the commercial register of a branch of foreign person, registered with the right of performing trade activity under the national legislation.

Registration of EEA based insurers Legal entities based abroad (EEA based insurers included) that exercise economic activity in Bulgaria, including through place of economic activity, or a certain facility or site, or who own immovable property in Bulgaria shall be registered with the BULSTAT register. The undertakings operating under the freedom to provide services are not obliged to be registered with the BULSTAT register.

Tax Representative - Law on the Insurance Premiums Tax:

According to Article 19 insurers under Article 12, paragraph 1, sub-paragraph 2 of the Insurance Code, working under the conditions of freedom to provide services, can appoint tax representatives.

Tax representative of the insurer referred to in paragraph 1 can only be a legally active natural person with a permanent address or permanent residence in Bulgaria, or a local legal entity which is not subject to a winding-up procedure, has not been declared bankrupt and has no payable and unpaid tax liabilities and liabilities for social security contributions, collected by the National Revenue Agency.

The tax representative shall represent the insurer referred to in paragraph 1 in connection with all tax legal relationships of the latter which have arisen pursuant to this Act.

In the event that the person or entity - tax representative is closed down, or in the event that other circumstances occur as a result of which this person or entity cannot discharge its obligations under this Act, the insurer referred to in paragraph 1 can appoint a new tax representative. Until the appointment of a new tax representative the insurer referred to in paragraph 1 shall be the tax liable person.

The tax representative shall be jointly and unlimitedly liable for the obligations under this Act of the insurer referred to in paragraph 1, represented by it.

Tax representatives and, in the event that no tax representative is appointed, the insurers referred to in paragraph 1 shall be registered in accordance with the procedure set out in Article 82 of the Tax-Insurance Procedure Code in the competent territorial directorate of the National Revenue Agency specified in Article 8 of that Code on the basis of the first submitted tax return.

Insurance premiums tax - Law on the Insurance Premiums Tax:

Since **01 January 2011** a **Law on the Insurance Premiums Tax** is in force (SG issue № 86 from 02 November 2010, last amended 2016). The Law imposes a premium tax in amount of 2% over the insurance premiums for certain classes of non-life insurance (Article 9).