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NEW INSURANCE POLICY AT ITS PRIME

The 2018 kicked off with number of new developments in the insurance business.

To start with, the bill on mandatory third party liability (TPL) insurance for vehicles registered in foreign jurisdiction, reviewed in our September Issue, was adopted by the Parliament of Georgia and entered into force from 1 March 2018. To cast a glance on the new law, the vehicles registered abroad have to purchase TPL insurance in order to validly drive in Georgia. The TPL insurance is provided by a pool of Georgia-licensed insurance companies and shall be made available for purchase on the borders, service centers as well as online. Failure to comply with the new law is an administrative felony and entails respective fines.

Effective from 1 March 2018, TPL insurance become mandatory for the public areas, such as shopping centers, markets, gas stations and hotels. The managers/ administrators of such public spaces are responsible for obtaining TPL insurance within the limits prescribed by the new regulations in place. Double-insurance is not required. Therefore, managers/administrators of markets or shopping malls may as well shift the burden to obtain TPL insurance to the individual tenants. The novelty is expected to increase leasing fees and hopefully, safety standards.

Lastly, effective from 1 March 2018, all insurance license holders have to maintain an independent internal auditor. The internal auditor will be responsible for the supervision of company's activity and assessment of compliance with existing legislation and internal regulations, management efficiency standards and practices of an insurance company. Auditor is accountable directly to the supervisory board of the insurance company.

For more information and advise please contact us:

129a David Aghmashenebeli Ave, Tbilisi, 0102, Georgia
Tel.: +995 32 292 24 91, 292 00 86, 200 04 91
bhc@bhc.ge bhc.ge

NEW DEPOSITE INSURANCE SYSTEM LAUNCHED

The new Law of Georgia on Deposit Insurance System was set into force from 1 January 2018. New insurance system aims to increase the trust of people in banks and encourage saving. The insurance is provided by a state agency - Deposit Insurance Agency - created solely for running and administering the deposit insurance system. The insurance fund is created by the mandatory contributions and insurance premiums paid by the commercial banks and further by the proceeds received by the agency from investment activity. All sums existing at all accounts of natural persons, regardless of the number of accounts, are insured for each bank and are compensated by the Deposit Insurance Agency up to the amount of GEL 5,000.

AMENDMENTS RELEVANT TO FINANCIAL MARKET

From 11 March 2018 new amendments to the Law of Georgia on National Bank of Georgia, the Civil Code of Georgia and the Law of Georgia on Advertisement entered into force. In particular, borrowing money, regardless of the amount, shall not be advertised, marketed, offered or sold to more than 20 natural persons in Georgia unless such offer is made: (i) exclusively to sophisticated investors (the investors having financial means to bear the risks related to investment activities); or (ii) through a public offering. The banks, insurance companies, MFOs, brokers and other financial institutions are exempt from this restriction. Also, the limitation does not apply to shareholder loans or shareholder contributions.

Further, with an aim to protect investors and ensure stability on the financial market, the Parliament of Georgia has adopted a new amendment to the Law of Georgia on Securities Market, which came into force on 11 March 2018. According to the new regulation, public offering of the securities as well as any transaction with the publicly listed securities has to be carried out through participation of brokers or other licensed financial institutions. The new regulation purports to increase reliability on Georgian capital market by ensuring involvement of qualified entities in the process of preparation and verification of relevant transaction documents and information disclosed to the investors.