INSURANCE LAW OF TURKMENISTAN

The present Law governs insurance relations between insurance organizations and legal entities and individuals, including foreign nationals and juridical persons, as well as between insurance organizations themselves, and also formulates the basic principles to guide state agencies in regulating the activities of insurance organizations, irrespective of their ownership forms.

SECTION I. GENERAL PROVISIONS

Article 1.
The Concept of Insurance

Insurance is a system of relationships established to protect property rights and other interests of individuals and legal entities by applying the proceeds from premiums paid by these to insurance organizations that form pecuniary and non-pecuniary funds for the purpose of paying insurance benefits/indemnity when certain events (named loss-producing events) occur.

Article 2.
Legislation of Turkmenistan on Insurance

The insurance legislation of Turkmenistan shall comprise the present Law and other legislative acts of Turkmenistan. The present Law shall not apply to the state social insurance plans.

Article 3.
The Object and Forms of Insurance

The object of insurance shall lie the interests of legal entities and physical persons as identified at the time the insurance contract is made. The insurable interest (a proprietary, personal or liability interest) is the measure of a material incentive to insure. A proprietary interest amounts to collecting compensation for any loss of the value of the insured property the insurant owns, possesses or uses (property insurance). A personal interest amounts to receiving an amount of insurance when an event covered by the insurance occurs and is associated with the life, health, ability to work, pension benefits, social security of the insurant or insured (personal insurance). Insurable interests may relate to compensation for a personal injury or property damage done by the insurant to a physical person, as well as damage to a legal entity (liability insurance). Insurance objects of legal entities based on the territory of Turkmenistan shall be insured solely by insurance organizations holding a license to carry out insurance activity on the territory of Turkmenistan. Insurance shall be provided and taken out under mandatory and voluntary insurance plans. Mandatory shall be the form of insurance applied by force of the relevant legislative acts of Turkmenistan. The types of, conditions and procedure for applying for, mandatory insurance shall be specified by the laws of Turkmenistan, decrees and orders by the President of Turkmenistan. Voluntary insurance shall be effected on the basis of contracts concluded by insurers and insurants. The rules for voluntary insurance containing the terms of and procedure for the conduct of the relevant transactions shall be established by insurance organizations pursuant to the provisions hereof. Specific terms of insurance shall be determined at the time the insurance contract is made. Any specific type of insurance to be provided shall be determined by insurance organizations in compliance with their foundation documents and subject to licensing.

Article 4.
Insurance Organizations (Insurers and Reinsurers) and Conditions for Their Activities
Insurance in Turkmenistan shall be provided by the entities set up specifically for the purpose of doing so, with this type of activity being their core business.

Insurance organizations shall operate as provided for by their charters and be subject to registration by the state under the current legislation of Turkmenistan. Along with providing insurance coverage, the insurance organizations shall be entitled to carry out other types of activity immediately associated with insurance, in particular provide extra services (engage in manufacturing, perform work) to the insurers and insured relevant to the specific features of the object insured, and also make investments using temporarily free insurance reserves.

The amount of equity (its charter fund, assets and ‘other reserves) of an insurance organization must be consistent with its organizational and legal structure and commensurate with its insurance and reinsurance cover. A guarantee to the insurers that the insurers’ liabilities are secured may also be targeted organizational and technical loss prevention measures carried out by the latter. Adequacy of funds owned by insurance organizations and consistency of their organizational and technical loss prevention measures with the amount of their insurance liabilities shall be verified by the state body for insurance supervision.

The minimum capital requirement for a newly established insurance organization forming its charter fund from cash contributions shall be, at the time the application for a license to carry out insurance activities is submitted, 5,000 times the minimum monthly salary, in the case of a specialized reinsurer -50,000 times the minimum monthly salary.

Insurance organizations shall not bear responsibility for the obligations of the state; the state shall not bear responsibility for the obligations of insurance organizations, with the exception of obligations under the state mandatory insurance plans operated by (the State Insurance Organization of Turkmenistan).

Article 5.

Insurants

Insurants are legal entities and capable physical persons, including foreign ones, who have signed an insurance contract or are recognized as such by the legislative acts of Turkmenistan, and who make insurance payments (pay premiums).

Insurants shall be entitled to conclude voluntary personal insurance contracts to cover third persons for the benefit of the latter (the insured).

For the purpose of collecting payments under the terms of insurance contracts, insurants shall be entitled to name third persons as beneficiaries in their contracts and change beneficiary designation at their own discretion throughout the life of the contract.

Article 6.

Insurance Intermediaries

Insurance contracts may be made and executed-through insurance intermediaries (insurance agents and insurance brokers) who may be both legal entities and individuals.

An insurance agent shall act for and on behalf of an insurance organization on a remunerative basis under contract to the latter.

Obligations assumed by the agent within the limits of the authority placed in him! her!it by the insurance organization are to be discharged by the former as if they were taken on autonomously.

Insurance broker is an independent intermediary performing his!her functions on the basis of contracts signed with him!her by insurers and insurance organizations.

Intermediary activities under types of insurance other than civil liability insurance involved in the process of negotiating and signing insurance contracts on behalf of foreign insurance companies shall not be permitted on the territory of Turkmenistan unless otherwise stipulated by international agreements.

Article 7.

Named Loss-producing Event

Named loss-producing event is an event on the occurrence of which payment of the amount of insurance /
indemnity by an insurance organization is made conditional by law or an insurance contract. A named event must have as its attributes probability and randomness of its occurrence. Loss-producing events under mandatory insurance shall be listed in the legislative acts on mandatory insurance, those under voluntary insurance shall be specified in the terms and conditions of insurance contracts. Once a named event occurs the insurant acquires the right to claim the insurance organization for the amount of insurance / indemnity payable under the legislation of Turkmenistan or a contract and for fulfillment of other obligations there under, while the insurance organization incurs the relevant liability.

**Article 8. Insurance Liability**

Insurance liabilities of the insurer and insurant shall arise from the provisions hereof or an insurance contract. Under the insurance liability, when a named event occurs, the insurance organization will indemnify the insurant or beneficiary for the resulting damage and other losses or provide other kinds of material assistance within the amount of insurance and in the same proportion to it as the portion of the premium paid to date relates to its total.

**Article 9. Amount of Insurance and Indemnity**

The amount of insurance is the sum determined under an insurance contract or established pursuant to the legislative acts of Turkmenistan, which serves as the basis for specifying the amount of premiums and insurance proceeds. With property insurance, the amount of insurance resulting from an agreement between the insurant and insurer based on the market value of analogous property items or an appraisal by experts, may not exceed the value of the property at the time the contract is signed. The parties to the contract may not contest the value of property as specified in the insurance contract, except in cases the insurer presents proof that it was intentionally misled by the insurant with respect to the sum in question. In case of the amount of insurance as specified in an insurance contract exceeding the value of the property covered, the contract is to be invalidated for the excess portion of the insurance proceeds as calculated at the time the contract was signed. The amount actually paid as indemnity under property insurance when a named event occurs may not exceed the amount of insurance unless otherwise stipulated in the contract. In case of the amount of insurance falling below the value of the property covered, the amount of indemnity shall be reduced in proportion if not otherwise provided for by the insurance contract. If property is insured with several insurance organizations resulting in a total amount of indemnity that exceeds the value of the property (double coverage), the insurance to be collected must not exceed the insured value of the property. In such a case, each of the insurers will pay in proportion to the amount of insurance under its contract. The terms of a contract may stipulate compensation for damage in kind equivalent to the sum of indemnity instead of cash payments. Under life, health, disability and pension income insurance contracts, the amount of insurance shall be agreed upon between the insurant and insurance organization. Insurance proceeds under such contracts shall be available irrespective of any benefits payable under the state social insurance, social security, and amounts due as compensation for damage.

In the event that an accident occurs under circumstances which raise no doubts as to the insurer’s liability to pay insurance/indemnity, whereas the necessary organizational and technical measures have not been taken in full within three months, the person entitled to such a benefit may claim for an advance amounting to the sum unconditionally payable at the time as evidenced by the actual state of affairs. The amount of insurance payable under mandatory personal insurance shall not be more than 100 times the minimum monthly salary. A decision to pay insurance shall be made on the basis of the insurant’s application and accident report. Voluntary personal insurance payments by insurance organizations may not exceed the amount of insurance.
When paying the amount of insurance or indemnity, an insurance organization shall be entitled to sell pledged property, taken as security for the portion of the insurance premium by which it is reduced, without applying to a court.

The amounts of insurance/indemnity paid by insurance organizations shall be free of: taxes, fees and state duties.

The amounts payable to beneficiaries may not be exposed to recovery for debts incurred by the insurant or insured unless the latter is the beneficiary him/herself. The amount of insurance payable to a beneficiary under a personal insurance contract at the insurant’s or insured’s death shall not be included in the estate.

The amounts of insurance/indemnity paid under voluntary insurance contracts at tin-expense of funds contributed by employers, as well as physical persons’ expenses on personal insurance shall not be included in aggregate taxable income.

Insurance amounts/indemnity shall be made available on the basis of the documents and findings of medical, investigative, judicial and other institutions these are obliged to submit.

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**Article 10.**

**Insurance Charges (Premiums)**

Insurance charges (premiums) are payments for insurance protection an insurant or other person on behalf of the former are obliged to make to the insurance organization under an insurance contract, or pursuant to the relevant legislative acts of Turkmenistan.

The procedures for computing the amount of premiums and paying these shall be established by the insurance organization.

Premiums shall be paid either using a non-cash settlement method or in cash. Legal entities shall be obliged to follow written orders by their employees to deduct premium from their earnings (income) and pay these into accounts held by the insurance organizations.

The amount of premiums to be paid under voluntary insurance shall be determined on the basis of an agreement between the parties, whereas premium sums payable under mandatory insurance are established by the legislative acts of Turkmenistan. A premium shall be paid in the same currency as that used to determine the amount of insurance unless otherwise provided for in the terms and conditions of the insurance contract.

Insurance premiums under the mandatory types of insurance shall be included in the cost of production (work, services). In the case of a failure to pay insurance charges (premiums) under mandatory insurance, recovery shall be applied in keeping with the procedure established for exacting taxes and non-tax payments to the state budget.

Insurance organizations shall be entitled to raise, with the consent of the insurant, the amount of the premium on the object covered once the probability of occurrence of a named loss-producing event has grown higher. An insurance organization shall be entitled to accept a pledge as security for a portion of the insurance premium and to reduce it accordingly.

Premiums received by an insurance organization shall be fully owned by it. These assets may only be attached or exposed to recovery (or withdrawn in a manner not consistent with the terms and conditions to be observed under the obligation to the insurant) in case the relevant insurance liability is voided on the grounds and in keeping with the procedure provided for by law.

Premiums paid under a valid insurance contract may not be exposed to recovery, except in case of monetary assets being subject to confiscation on the basis of a verdict by a law court that has taken effect. Based on an agreement between an insurance organization and insurant, the premium may include a refundable portion to be paid back upon expiry of the contract if no named loss-producing event has occurred.

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**Article 11.**

**Insurance Tariff**
Insurance tariff is a premium rate as per unit of insurance or the value of an insured object established to provide insurance organizations with cash adequate to pay insurance (indemnity), form reserve insurance funds, the loss prevention fund and other funds, as well as to cover insurers business expenses and development costs. Tariffs on insurance under mandatory insurance shall be fixed by the relevant legislative acts on mandatory insurance, those under voluntary insurance shall be specified by insurance organizations. Tariffs on mandatory personal insurance covering work injuries and occupational diseases must not exceed 2 percent of the amount of insurance. Should there be a need for an adjustment of financial obligations of insurants to those of an insurance organization following changes in external conditions such as the cost-of-living index, all changes to the current tariffs shall be agreed upon with the state body for insurance supervision.

**Article 12.**
**Coinsurance**

An object of insurance may be covered on a contractual basis by one or several insurance organizations. In the case of coinsurance, the rights and duties of co insurers shall be shared as agreed upon between the latter.

Provided a relevant agreement on coinsurance between insurance organizations is in place, one of these may represent all co insurers in their relationships with the insurant while its liability shall be limited to its share.

**Article 13.**
**Reinsurance**

Reinsurance is the underwriting of the risk assumed by an insurance organization. An insurance organization shall be entitled to cover a portion of its liability by means of reinsurance with another insurance organization. Relations between the insurance organization which has transferred part of its liability (the ceding entity) and the insurer that has assumed it (reinsurer) shall be regulated by a reinsurance contract. Upon transferring the risk, the ceding entity shall retain its obligations to the insurant in full. Reinsurance shall be compulsory for insurers failing to finance their liabilities with funds of their own. Risk reinsurance shall be placed in the reinsurers/insurers of Turkmenistan, where as uncovered risks shall be placed in foreign insurance and reinsurance companies in keeping with the procedure established by the state body for insurance supervision with the consent of the Cabinet of Ministers of Turkmenistan. Insurance organizations operating in Turkmenistan shall have the right to assume reinsurance risks limited to the types of insurance specified in the licenses they have been granted.

Licenses and supplements to them giving an insurance organization the right to carry out insurance activity shall be valid indefinitely. A license to carry out insurance broking activity shall be issued on the basis of a broker’s application submitted along with copies of the foundation documents, registration certificate, as well as particulars of the broker organization’s executives. Legal entities applying for a license shall make a one-time payment to the centralized budget of Turkmenistan, with the size of a fee for the licensing of:
- insurance activity being 50 times the minimum monthly salary;
- reinsurance activity being 100 times the minimum monthly salary;
- broking activity being 25 times the minimum monthly salary.

Insurance organizations shall be responsible for the authenticity of their information furnished to the registration and licensing bodies. A license holder shall be obliged to notify the Ministry of Economy and Finance of Turkmenistan of all changes to the foundation documents that served as a basis for the issue of the license. If insurance organizations and insurance brokers have been inactive in, as relevant, insurance, reinsurance or insurance broking for one year, the licenses issued to them shall be annulled.

**Article 14.**
**Insurance Pool**
Insurance pool is an agreement between insurance organizations on a solidary obligation to pay insurance. Insurance pools are formed to insure and reinsure major risks and aim to protect the interests of insurants and ensure financially sustainable operations of insurance organizations.

**Article 15.**

**Guarantees of Insurance Organizations**

**Rights and Legitimate Interests**

The state shall guarantee the observance of insurance organizations’ rights and legitimate interests. Interference by state agencies, public associations, and other entities in the activities of insurance organizations shall not be allowed unless such action is taken in exercising by state bodies the rights these are vested with to supervise the activities of insurance organizations under the present Law and other legislative acts of Turkmenistan.

Disputes over claims for recovery of losses inflicted on an insurance organization by state bodies or other entities, or their officials as a result of their ungrounded interference in its activities shall be resolved by judicial authorities.

State bodies and officials may only issue instructions to an insurance organization within the limits of their competence established by the legislation of Turkmenistan. Should a state body or other entity issue an act that is inconsistent with its level of competence or the requirements of the legislation in force, the affected insurance organization shall be entitled to challenge the act in court.

**SECTION II.**

**INSURANCE CONTRACT**

**Article 16.**

**Insurance Contract**

Insurance contract is an agreement between an insurance organization and insurant, under which the insurance organization undertakes to pay the insurant or other person in whose favor the relevant obligation is to be discharged, as an event specified in the contract occurs, the amount of insurance or indemnity, render other kinds of material assistance towards the sum specified by the contract, whereas the insurant undertakes to pay, within the established headlines, premiums and satisfy the other terms and conditions of the contract.

**Article 17.**

**Procedure for Signing Insurance Contracts**

To conclude an insurance contract, an insurant must file a written application with an insurance organization or otherwise state its explicit desire to sign such a contract.

The insurance-contract shall be concluded for a certain period of time specified by the insurance organization or agreed upon between the parties, and will be deemed operative as from the moment the premium is paid unless otherwise provided for by the legislation of Turkmenistan.

At the time the premium is paid, the insurance organization shall give the insurant a copy of the insurance contract or a certificate of insurance (a policy) or another document as proof that the contract has been entered into.

The contract shall be signed by a person authorized to do so on behalf of the insurance organization, without being entitled to make changes to the terms of insurance unless be/she is expressly vested with the relevant right.

The insurant shall be entitled to introduce alterations into the contract throughout its life if so provided for by the terms and conditions of a contract (the rules of insurance) or agreed between the parties.

The insurant shall be entitled to designate, at the time a contract is signed, beneficiaries who will collect insurance proceeds thereunder, as well as to replace these at its own discretion prior to the occurrence of a named event.

**Article 18.**

**Content of an Insurance Contract (Insurance Certificate/Policy)**

As insurance contract shall lie concluded by signing a document drawn up jointly by the parties or by issuing to the
An insurance contract or insurance certificate (policy) must contain:
- title of the document;
- name, legal address and bank details of the insurance organization;
- last and first names and patronymic of the insurant (for physical persons); the name, legal address and bank details of the insurant (for legal entities);
- last and first names and patronymic of the insured;
- last and first names and patronymic of the beneficiary (for physical persons); name, legal address and bank details of the beneficiary (for legal entities);
- descriptions of the insurable interest (the object of insurance) and insured risk;
- the amount of insurance;
- the amount of the premium, payment procedure and deadline;
- the validity period (commencement and expiration dates) of the insurance contract;
- the deadline for paying the insurance (indemnity) and liability of the insurance organization for non-observance thereof;
- information to the effect that the insurant knows the regulations governing the type of insurance specified in the contract;
- the parties signatures.

For individual types of insurance, binding terms other than the above may be established, in which case they are to be set forth in an insurance contract or certificate of insurance (a policy).

During the life of an insurance contract, the insurant shall be entitled to make amendments thereto with regard to its validity period, the amount of insurance, the person designated to collect the insurance proceeds, subject to the relevant provisions in the rules for a given type of insurance established by the insurance organization or contractual terms agreed upon between the parties to the contract.

**Article 19.**

**Replacing the Insurant Named in a Contract**

In the case of death of the insurant that signed a property or personal insurance contract in favor of third persons, his/her rights and duties maybe assigned to:
- a person that receives the property by inheritance;
- third persons;
- persons discharging their responsibilities by protecting the rights and legitimate interests of the insured.

In case of an insured property being sold, exchanged, transferred by free gift, or leased out, the rights and duties of the insurant, upon notification of the insurance organization of the transfer, may be assigned to the person receiving the property based on the insurance contract.

In case of an insurant losing its rights as a legal entity during the validity period of the insurance contract, its rights and duties under the contract shall be assigned to its legal successor.

Should an insurant be incapacitated or limited in his/her capacity by a court of law during the validity period of the insurance contract, his/her rights and duties shall be assigned to his/her guardian or fiduciary acting in the interest of the insured.

**Article 20.**

**Obligations of an Insurance Organization**

An insurance organization shall be obliged to:
- acquaint the insurant with the rules or contractual terms of insurance;
- renegotiate, on receipt of a relevant application from an insurant, the insurance contract when the value of insured properly grows or the severity of possible exposure is scaled down or the amount of possible damage change as the result of loss prevention measures taken by the insurant;
- when a named event occurs, to pay the insurant the amount of insurance (indemnity) within the deadline specified by the contract or legislative acts, with the exception of cases provided for by Article 25 hereof;
- not to divulge the insurant’s confidential information the insurer got access to while performing the insurance contract, except in cases provided for by the legislation of Turkmenistan.

An insurance organization shall carry liability to the insurant for an untimely payment of insurance (indemnity) and for early termination of contract execution through its employees’ fault in the form of a penalty the amount of which shall be determined within the framework of the insurance rules established by the insurance organization or agreed upon between the parties.

An insurance contract may provide for other obligations to be met by the insurance organization.

**Article 21.**
Insurable Property Damage Control

An insurance organization shall be entitled to exert control over the condition of insurable property. In case facts of negligence with regard to, or improper storage of, covered property are established, the insurance organization will issue a writ binding the insurant to correct the faults exposed. In the case of non-execution, the insurance organization shall be entitled to reduce the amount or its liability to the insurant.

Article 22.
Obligations of an Insurant

An insurant shall be obliged to:
- inform the insurance organization about all circumstances known to him/her/it and relevant to the appraisal of the amount of its liability on the covered object, as well as about any material change in the condition of the insured property resulting in an increased damage or destruction hazard. In the latter case, the insurance organization shall be entitled to demand that the amount of the premium be raised or cancel the insurance contract unilaterally;
- pay, in keeping with the established procedure, premium contributions;
- report on a named event as it occurs within the time limits specified in the insurance rules or insurance contract;
- take, within the scope of his/her/its responsibility, measures to prevent the occurrence of a named event, and limit losses resulting therefrom.

Contractual terms of insurance may provide for other obligations of the insurant.

Article 23.
Assigning to an Insurance Organization an Insurant’s Rights with Regard to a Person Liable for Inflicted Damage.

An insurance organization that paid indemnity under an insurance contract after a named event occurred shall be assigned the right to sue the person liable for the inflicted damage to the insurant or third persons for the amount it has paid.

Should an insurant waive its/his/her claims against such a person or its/his/her rights that entitle the former to such a claim, the insurance organization shall the released from the obligation to pay that portion of indemnity for which it would otherwise have to sue third persons.

Article 24.
Termination of an Insurance Contract

An insurance contract shall be terminated in the following cases:
- upon expiration of its validity period;
- upon discharge by the insurance organization of all its liabilities under the contract;
- in case of an insurer failing to pay the premium in the amount and within the deadline specified in the contract;
- owing to liquidation of a legal entity (being a party to the contract) except in cases provided for in paragraph 3 of Article 19 hereof;
- at the insurer’s death except in cases provided for in paragraph 1 of Article 15 hereof;
- in the case of non-observance by the insurer of the provisions of paragraph 1 of Article 22 hereof; The contract may be prematurely terminated on the demand of the insurer or insurance organization if so provided for by the contract.

The insurance organization shall be entitled to suspend or prematurely terminate the validity of insurance coverage in the case of an increase in the severity of exposure to covered risks. The validity of the contract may be suspended and the insurance organization released from its liability for partial or complete non-fulfillment of its obligations if such non-fulfillment is due to an emergency that took place after the contract was signed and could not have been foreseen and prevented by the parties.

In case of a contract being prematurely, terminated following the demand of the insurer, the insurance organization hall refund him/her the portion of the premium covering the remaining part of contract duration less the expenses incurred. Should such a demand by the insurer result from a violation by the insurance organization of the insurance rules; the latter shall refund the total amount of the premium paid.

In case of a contract being prematurely terminated on the demand of an insurance organization, it shall refund the
insurant the total amount of the premium paid. If such a demand is caused by nonobservance on the part of the insurant of the insurance rules, the insurance organization shall refund the insurant the premium contributions covering the remaining part of contract duration less the expenses incurred.

**Article 25.**

**Invalidity of an Insurance Contract**

An insurance contract shall be invalidated if:

- it contains terms and conditions that are in conflict with the provisions hereof;
- it is signed with persons fully or partly incapacitated in keeping with the established procedure;
- it is signed with a person who was in a state of insanity and was unable to control him, herself at the time the contract was made;
- it is signed with a person with is not authorized by the insurance organization to sign the contract on its behalf;
- it is signed with persons who are not vested with the rights of a legal entity;
- it covers property obtained in an unlawful manner, distained upon, attached, or subject to confiscation on the grounds of a sentence that has taken effect or a ruling issued pursuant to the relevant provisions of the current legislation;
- it was signed after the event had occurred, on which payment of insurance (indemnity) is conditional under the contract;
- it is formalized in a way inconsistent with I the established written form;
- it is signed for a purpose directed against the interests of the state;
- it is signed with insurance organizations not registered with the state and having no license.

In such cases, except for those where an insurant, while signing the contract, was pursuing a goal directed against the interests of the state, the insurance organization shall refund the insurant the premium paid.

**Article 26.**

**Withholding Insurance (Indemnity) Payment**

An insurance organization shall be entitled to withhold the insurance (indemnity) in full or in part in case of the insurant failing to timely advise it of the occurrence of a named event, as well as in the event that an accident has resulted from:

- acts by the insurant or a beneficiary under the insurance contract intended to aggravate the insured risks. The present provision shall not apply to acts performed in carrying out one’s civic duty or protecting one’s life, health, honour and dignity;
- committing by the insurant or insured a premeditated crime for which criminal proceedings against them were installed (or instituted)and of which they were eventually convicted;
- acts performed by the insurant or insured in a state of intoxication caused by alcohol, narcotics or other toxic substances;
- deliberate misrepresentation to an insurance organization of circumstances concerning its insurance in case the circumstances concealed are in a causal relation to the occurrence of a named event.

The portion of insurance proceeds to be withheld shall lie determined by the insurance organization and may be specified in contractual terms of insurance.

**SECTION III.**

**FINANCIAL AND ECONOMIC ACTIVITY OF INSURANCE ORGANIZATIONS**

**Article 27.**

**The Fundamentals of the Financial and Economic Activity of Insurance Organizations**

The financial and economic activity of insurance organizations shall be directed toward ensuring the discharge of their liabilities to insurants and carried out on the condition of full economic independence.

The principal summarizing indicator of the financial and economic activity of an insurance organization shall be profit, i.e., the difference between its revenues (premium contributions) and expenditures for paying indemnity, insurance or other benefits, deductions for loss prevention, insurance reserves and business expenses, as well as profits on investment, intermediary and other activities.

The profit, of an insurance organization after paying taxes and making other compulsory payments to the budget shall remain at its disposal.

**Article 28.**
Financially Sustainable Operations of Insurance Organizations

The pillars of financial stability of an insurance organization are its paid-in capital, insurance reserves and a system of reinsurance. Using income from premiums and other legal sources, an insurance organization shall form the following reserves:

- a reserve for liabilities that are not fully discharged, taking into account the validity periods of current claims under the statute of limitations,
- a reserve for liabilities that may result from reported claims;
- a reserve for long-term life insurance and pension insurance;
- a reserve for liability and property insurance;
- a reserve for bonus payments to the employees of enterprises, institutions and other entities involved in promoting voluntary insurance schemes;
- other reserves, as required under each particular type of insurance.

An insurance organization shall also lend financial stability to its operations through preventive action aimed at limiting exposure to covered risks. Prevention measures may be taken both by the insurance organization on its own and by getting entities involved to provide targeted financing of its activities / their own activities under its loss prevention plans.

Deductions for insurance reserves and financing of prevention measures shall be charged to the insurer’s expenses.

Insurance organizations writing life and pension insurance simultaneously with other types of coverage, in particular property, liability, financial risks insurance, shall be required to keep accounts and compile balance sheets separately for each of these types of transactions.

For the purpose of maintaining their solvency, insurance organizations shall be required to adhere to the standard ratio of their assets to the liabilities assumed. The computation method for this ratio and the standards themselves shall be established by the state body for insurance supervision.

The insurance reserves must be placed by the insurance organization on conditions of diversification, recovery, profitability and liquidity.

Insurance organizations may not be required to transfer their insurance reserves to the government budget. The insurance reserves of the insurance organization shall be exempt from taxation.

Article 29.
Centralized Insurance Fund

Insurance organizations shall set up a centralized insurance fund by deducting part of income from premiums. Means accumulated in the Centralized Insurance Fund shall be intended for rendering financial assistance to insurance organizations if, in the case of a contingency, the finances and assets at their disposal turn out to be inadequate to discharge their liabilities to the insurants, and also for financing preventive action.

The procedure for setting up the Centralized Insurance Fund and making use of its resources shall be established by the state body for insurance supervision with the consent of the Cabinet of Ministers of Turkmenistan.

SECTION IV.
STATE SUPERVISION OVER INSURANCE ACTIVITY

Article 30.
State Supervision over the Activities of Insurance Organizations

Supervision over the activities of insurance organizations shall be exercised for the purpose of enforcing compliance with the requirements of the legislation of Turkmenistan on insurance, promoting the development of the insurance industry, protecting the rights and interests of insurants, insurance organizations and other persons concerned.

The basic supervisory functions of the Ministry of Economy and Finance with regard to insurance activity shall be:

- the issue of licenses to insurance organizations and insurance brokers for carrying out insurance activity;
- maintaining the state register of insurance organizations and the register of insurance brokers;
- setting limits on the amount of liability assumed by an insurance organization relative to its own funds held in insurance reserves;
- prudential regulation of the insurance tariff policies of; and solvency control over, insurance organizations;
- establishing procedures for setting up insurance reserves and placing funds kept therein, for setting insurance tariffs, including their profit margin component, by insurance organizations;
- enforcing uniformity in accounting and reporting;
- developing normative acts and methodology guidelines regulating the activities of insurance organizations;
c) reviewing and summarizing individual practices in the insurance industry, developing and presenting, in keeping with the established procedure, proposals on improving and updating insurance legislation;

The Ministry of Economy and Finance shall be entitled, within the scope of its functions, too:

- require insurance organizations and insurance brokers to submit, reports in the established form on their insurance activities and keep it informed about their financial status;
- carry out inspections to check compliance by insurance organizations and insurance brokers with the legislation of Turkmenistan on insurance and authenticity of their reports;
- issue, in cases of insurance organizations or insurance brokers violating the provisions hereof, writs of correction and, in the event that these are not followed, suspend or limit the validity of the licenses issued to them until the faults exposed have been corrected, or revoke the licenses;
- make public, through the mass media, violations of the current legislation by insurance organizations and insurance brokers.

The Ministry of Economy and Finance of Turkmenistan shall ensure prevention, restriction and prompt termination of monopoly activities and unfair competition practices in Turkmenistan’s insurance market.

Article 31.

Licensing of Activities of Insurance Organizations

The issue of licenses giving the right to carry out insurance and reinsurance activities and broking activity in the field of insurance shall reside with the Ministry of Economy and Finance of Turkmenistan.

Insurance organizations (insurers, reinsurers and insurance brokers) shall acquire the right to carry out insurance activity at the moment they receive the license.

A license shall be issued within 50 days of submitting all necessary documents. In case an application for a license is rejected, the insurance organization shall be advised of the grounds for the rejection in writing within the same deadline.

An applicant for a license in carry out insurance activities shall submit the following documents:

a) an application for the grant of a license;
b) copies of the foundation documents along with the state registration certificate;
c) documentary proof that the capital of the charter fund is fully paid in;
d) a development plan for insurance transactions (their types and volume, the maximum amount of liability on individual risks, organization of reinsurance protection);
e) rules or terms of insurance by type of transaction;
f) insurance tariff calculations;
g) information on the qualifications of the executives to manage insurance organizations nominated by the founders;

Legal entities established solely for the purpose of providing reinsurance services shall submit the documents indicated in points “a”, “b”, “c”, and “g”.

Licenses shall be granted to give an insurance organization the right to engage in specific types of mandatory and/or voluntary personal insurance, property and liability insurance, as well as reinsurance if the sole subject of an insurance organization’s activity is reinsurance.

An insurance organization may, as need arises, apply to the Ministry of Economy and Finance of Turkmenistan for a supplement to its license to be given the right to engage in types of insurance other than those already licensed, in which case rules in terms of insurance and tariff calculations for each additional type of coverage shall lie submitted in addition.

Article 32.

Accounting and Reporting in Insurance Organizations

Accounting and reporting shall be carried out by insurance organizations in keeping with the established procedures.

Insurance organizations operating in Turkmenistan shall be subject to annual audits.

Insurance organizations shall submit their statistical reports to the designated addressees and within established deadlines.

Insurance organizations and their officials shall bear responsibility for the authenticity of information contained in the reports and their timely submission.

Article 33.
Application of Sanctions in Cases of Violations of Insurance Legislation

A breach of the present Law or other legislative acts on insurance will carry one of the following sanctions:
- a written warning;
- a fine;
- suspension of a license;
- revocation of a license.

The sanctions provided for hereby shall be applied by the Ministry of Economy and Finance to any legal entity violating the legislation of Turkmenistan on insurance.

SECTION V.
APPLICATION SPECIFICS OF THE PRESENT LAW

Article 34.

Insurance Protection of Legal Entities and Physical Persons of Turkmenistan

Legal entities and physical persons of Turkmenistan shall sign insurance contracts only with the insurance organizations of Turkmenistan.

Types of insurance for which the legal entities and physical persons of Turkmenistan may sign contracts with foreign insurance companies shall be determined by the Cabinet of Ministers of Turkmenistan.

Article 35.

Activity of Insurance Organizations with Foreign Investor Participation

Foreign investors (foreign insurance organizations) may carry out insurance and reinsurance activities by establishing jointly operated insurance organizations.

The share of foreign capital (investor) participation in a joint insurance organization may not exceed 49 percent of its charter fund.

The minimum capital requirement for insurance organizations with foreign participation shall be specified by the Cabinet of Ministers of Turkmenistan.

Article 36.

Insurance Coverage for Foreign Legal Entities and Physical Persons Staying in Turkmenistan.

Foreign legal entities and physical persons shall enjoy the right to insurance protection equally with the legal entities and physical persons of Turkmenistan.

Foreign legal entities property in Turkmenistan shall be subject to insurance pursuant to the legislation of Turkmenistan to be taken out from an insurance organization holding a license to carry out insurance activity on the territory of Turkmenistan.

Article 37.

Arbitrating Disputes

Disputes arising from insurance relations and action by government: regulatory agencies in the field of insurance shall be resolved through the court procedure.

Insurance organizations of Turkmenistan filing recourse claims shall be free from paying state duties.

Article 38.

Participation of Insurance Organizations in International Associations

Insurance organizations of Turkmenistan shall have the right to participate in international associations of insurance organizations.

Article 39.

International Agreements
Should a treaty to which Turkmenistan is a party contain rules other than those provided for hereby, the norms of the treaty should apply.

*President of Turkmenistan*

* Saparmurat TURKMENBASHI.*

*(Translated by FN staff for Turkmenosstrakh State Insurance Organization.)*