

**LAW OF MONGOLIA
ON INSURANCE INTERMEDIARIES**

April 30, 2004
Ulaanbaatar city

(Turiin medeelel #20, 2004)

**CHAPTER ONE
GENERAL PROVISIONS**

Article 1. Purpose of the law

1.1. The purpose of this law is to establish conditions of and requirements for activities of insurance intermediaries and to regulate relations concerned with supervising and monitoring of activities of insurance intermediaries by the state supervisory body and issuance of licenses of insurance activities.

Article 2. Legislation

2.1. Legislation on insurance intermediaries consists of the Constitution of Mongolia, the Civil Code, the Company Law, the Law on Insurance, the present Law and other relevant laws and regulations made hereunder.

2.2. Provided an international treaty or agreement to which Mongolia is a party sets rules other than those specified in this Law, the provisions of the international treaty or agreement shall prevail.

2.3. Relations connected with insurance intermediaries which are not regulated by this Law shall be regulated by the Law on Insurance.

Article 3. Basic definitions used in the law

3.1. The terms used in this Law except for those specified in the provisions of the article 3.2 of this Law shall have the meaning specified in the Law on Insurance.

3.2. The terms used in this Law shall have the following meanings:

3.2.1. Insurance intermediaries are insurance agents, insurance brokers and loss adjusters.

3.2.2. An insurance agent is a legal person assigned or authorized by an insurer to represent the legal interests of the insurer and to solicit, negotiate and effect contracts of insurance and undertake other legal actions on behalf of the insurer.

3.2.3. An insurance broker is a legal person who carries out intermediary activities in accordance with authorities assigned to him/her by an insured or an insurer representing his/her interests and who charges fees and commissions for the provided services.

3.2.4. A loss adjuster is a legal person who works independently to investigate claims, determine the extent of an insurer's liability for loss and make

claim settlement negotiations representing the insured and the insurer and who charges fees, commissions or other types of payments for the provided services.

3.2.5. The Insurance Coordination Committee is the organization specified in the provisions of the article 12.1 of this Law.

3.2.6. A foreign insurance intermediary is an insurance agent or an insurance broker or a loss adjuster that is established in a foreign country and held its major activity there.

3.3. An employee who is hired and paid by that insurer shall not be regarded as an insurance agent specified in the provisions of the article 3.2.2 of this Law.

3.4. The following persons shall not be regarded as loss adjusters specified in the provisions of the article 3.2.4 of this Law:

3.4.1. An employee of an insurer or an insurance agent.

3.4.2. An insurance agent.

CHAPTER TWO

STATE COORDINATION OF INSURANCE INTERMEDIARY ACTIVITIES

Article 4. State Central Body of Insurance Supervision

4.1. The State Central Administrative body responsible for Insurance Supervision shall exercise the following powers:

4.1.1. developing of proposals directed to improvement and perfection of laws and regulations of activities of professional insurance participants;

4.1.2. carrying out of other functions specified in the laws.

Article 5. Insurance Coordination Committee

5.1. The Insurance Coordination Committee shall be empowered to:

5.1.1. supervise the activities of licensed insurance intermediaries in compliance with the provisions of this Law;

5.1.2. grant, suspend, reinstate, and cancel licenses for insurance intermediary activities; control over the fulfillment of the license conditions and requirements;

5.1.3. apply sanctions upon legal persons who had operated as insurance intermediary without corresponding certificates;

5.1.4. approve and enforce the Insurance Regulations and control upon their implementation;

5.1.5. other powers specified in the laws.

Article 6. Regulations of insurance intermediary activities

6.1. Insurance intermediary activities shall be regulated under the set of insurance regulations approved by the Coordination Committee.

6.2. The Regulations shall be comprised of the provisions specified in Article 14.2 of the Law on Insurance as well as of the following rules, guidelines, procedures, conditions, requirements and norms:

- 6.2.1. Requirements for insurance intermediaries;
- 6.2.2. Requirements for the auditors of insurance intermediaries;
- 6.2.3. Procedures for the contents and forms of the accounting documents and financial reports of insurance intermediaries;
- 6.2.4. List of documents to provide along with an application for the license specified herein;
- 6.2.5. Amount of fee charged by the Coordination Committee;
- 6.2.6. Requirements for the insurance intermediaries that opens branches or representative offices abroad and carry out insurance intermediation activities in foreign countries;
- 6.2.7. Conditions and requirements for the activities of foreign insurance intermediaries that open branches of representative offices in Mongolia to conduct insurance intermediation activities;
- 6.2.8. Guidelines for foreign insurance intermediaries for the preparation and submission of statements and reports pursuant to this Law.

Article 7. Procedures of insurance intermediary business activities

7.1. The Coordination Committee may develop and approve special procedures for the proper operation of the activities of insurance intermediaries.

7.2. Although insurance intermediaries are not obligated to follow the procedures specified in Provision 7.1 of this Law, failure to do so might constitute a ground, in the event of applying sanctions to an insurance intermediary, for considering that person's incompetence in holding insurance intermediary license or that the intermediary failed to conduct qualified activities.

CHAPTER THREE

LICENSING OF INSURANCE INTERMEDIARY ACTIVITIES

Article 8. Types of insurance intermediation activity licenses

8.1. The licenses for insurance intermediation activities shall be of the following types:

- 8.1.1. Insurance Agent License
- 8.1.2. Insurance Broker License
- 8.1.3. Loss Adjuster License

Article 9. Prohibition of unlicensed insurance intermediary activities

9.1. Conducting of any unlicensed insurance intermediary activities in the territory of Mongolia or in the territories of foreign countries having the head office in Mongolia by any legal person is prohibited.

9.2. If a legal person that is established pursuant to the laws of Mongolia carries out, as provided in Provision 9.1 of this Law, insurance intermediary activities in a foreign country, he/she shall be regarded as an entity that carries out insurance intermediary activities in a foreign country.

9.3. As specified in Provision 9.1 of this Law, an insurance intermediary whose license is suspended or cancelled/terminated shall not be entitled to carry out insurance intermediation activities.

9.4. Relations concerned with licensing of insurance intermediation activities except for those specified in this Law shall be regulated by the Law on Licensing of Business Activities.

Article 10. Application for an insurance intermediary license

10.1. A person who requests for an insurance intermediary license shall submit an application letter to the Coordination Committee.

10.2. The application shall be submitted in written form specifying which type of activities to be conducted, and compliant to the models and forms established by the Coordination Committee, lodged with the documents specified in this Law and the Regulations.

10.3. In the case of an applicant for an insurance broker's license or an insurance loss adjuster's license, types and forms of insurance activities intended to be covered shall be specified in the application.

10.4. An applicant for insurance agent's license shall attach the permission granted by an insurer.

10.5. The Coordination Committee shall be free to require an applicant to submit any additional information or documents that are deemed substantial in the consideration of the application.

Article 11. Granting or refusing to grant licenses

11.1. The Coordination Committee shall grant insurance intermediary license to an applicant who fits to the following criteria and the Coordination Committee may require the applicant to provide additional documents and information with relevance to the types and forms of activities:

11.1.1. Granting of the license is not in conflict with Article 12 of this Law;

11.1.2. The applicant is fit and proper for conducting insurance intermediation activities;

11.1.3. In case if the applicant is a legal person, the applicant's directors, key employees and those who solely or jointly hold more than 10 percents of the company's common shares are fit and proper for conducting insurance activities;

11.1.4. It is proven/verified that the applicant is fully capable to adhere to the Regulations;

11.1.5. The applicant is deemed to have sufficient managerial, organizational and financial resources necessary for conducting the specified insurance intermediation activity;

11.1.6. In the event that the meaning of name of the applicant doesn't constitute a message that the applicant will be engaged in insurance activities or insurance intermediation activities; and

11.1.7. Granting of the license does not negatively affect the public interests and interests of the insured.

11.2. The Coordination Committee is authorized to modify or change the conditions and criteria for granting the license at any time depending on the activity range of the applicant and the type and form of license requested.

11.3. A license shall be issued in written form specifying the following items:

- 11.3.1. Title of the organization that issued the license;
- 11.3.2. Name and address of the licensee;
- 11.3.3. Type of the licensee's activity;
- 11.3.4. In the case of applicant for insurance broker or loss adjuster license, type and form of insurance activities to be covered;
- 11.3.5. In the case of applicant for insurance agent license, permission of the insurer;
- 11.3.6. Conditions and requirements for the activities to be conducted;
- 11.3.7. Serial number of the license and the date of issue;
- 11.3.8. Signature and seal of a competent official of the license issuing organization.

11.4. The insurance intermediary license is non-renewable and shall remain in force until it is suspended or cancelled according to the provisions of Article 38 and Article 39 of this Law.

11.5. In the event if the Coordination Committee denied an application for insurance intermediary license or granted a license but with attached conditions restraining the applicant from conducting particular intermediary activities, the Coordination Committee shall notify the applicant about such situation specifying the grounds and reasons for the denial or restraint.

11.6. The Supervision Service Coordination Committee shall make its decision to grant or not to grant a license within a period of 45 working days starting from the date of application submission.

11.7. The Coordination Committee shall make public statement on granting of a license compliant to the Regulations.

11.8. The Coordination Committee may introduce a guideline to determine the fitness and propriety of persons specified in Provision 11.1 of this Law.

12. Limitations for the licensee

12.1. Insurance broker and loss adjuster licenses shall be exclusively granted to companies.

12.2. The insurance agent license and loss adjuster license shall not be granted to employees and managers of a licensed broker company, or to persons who own more than 10 percent of total common shares of a licensed insurance broker.

12.3. An insurer shall not be granted with the insurance broker license.

12.4. A person who owns more than 10 percent of the common shares of an insurer shall be ineligible for insurance broker license and he/she must not be an employee or a manager of a licensed insurance broker.

12.5. Insurance agent's and insurance broker's licenses shall not be granted to the same person.

12.6. A loss adjuster shall not be licensed as an insurance broker or an insurance agent.

Article 13. Foreign insurance intermediary

13.1. A foreign insurance intermediary shall be entitled to open its representative(s) or branch(es) in Mongolia and conduct insurance intermediation activities through that representative(s) or branch(es) provided that it obtained a written permission from the Coordination Committee.

13.2. In the case if a foreign insurance intermediary fails to receive a written permission from the Coordination Committee as provided in Provision 13.1 of this Law, any person is prohibited from conducting the below specified activities representing (on behalf of) that foreign insurance intermediary:

13.2.1. Carry out promotional, advocacy or advertisement activities in order to conduct intermediary activities, or establish and operate any type of office for the same purpose;

13.2.2. Open and operate a branch or representative office.

13.3. A person who requests an insurance intermediary permission shall apply to the Coordination Committee.

13.4. The application shall be submitted in written form and the documents specified in the relevant regulations shall be attached therein.

13.5. The Coordination Committee may require the applicant to submit additional information and documents necessary for consideration of the application made pursuant to Provision 13.1 of this Law.

13.6. When considering an application for the permission specified in Provision 13.1 of this Law, the Coordination Committee might stipulate any condition or requirement which may be modified or changed at any time.

CHAPTER FOUR ASSETS AND SHARES

Article 14. Minimum requirement for capital fund

14.1. The capital fund of an insurance broker or a loss adjuster shall consist of cash equal to the amounts specified below:

14.1.1. Not less than the relevant specification of the Insurance Regulations;

14.1.2. Not less than the amount specified by the Coordination Committee compliant to Provision 14.2 of this Law.

14.2. The Supervision Service may, depending on the nature and extent of an insurance agent or loss adjuster, change and increase the minimum amount of capital fund specified in Provision 14.1 of this Law.

14.3. An insurance intermediary shall be allowed to have a certain period of time in order to reach the minimum amount specified in Provision 14.2 of this Law.

14.4. If the amount of cash in the capital fund of an insurance broker or a loss adjuster turns out to be less than the amount specified in Provision 14.1 of this Law, the intermediary shall immediately notify about that situation to the Coordination Committee.

Article 15. Shares of insurance brokers and loss adjusters

15.1. Payment for shares issued by insurance brokers and loss adjusters shall be made in cash from the date of enforcement of this Law.

15.2. Article 45 of the Company Law shall not apply to insurance brokers and loss adjusters.

CHAPTER FIVE ACCOUNTING AND AUDITING

Article 16. Accounting activities and financial reporting

16.1. An insurance intermediary shall carry out accounting activities and produce financial statements and reports in accordance with the Law on Accounting and the Insurance Regulations.

16.2. Accounting activities of an insurance intermediary shall be accrual based and Provision 5.2 of the Law on Accounting shall not apply to activities of insurance intermediaries.

16.3. Unless otherwise specified in the Insurance Regulations, the Coordination Committee may determine the contents and forms the accounting documents and financial reports of insurance intermediaries.

16.4. The financial reports of an insurance intermediary shall consist of the documents specified in Provision 10.2 of the Law on Labor, relevant provisions of the Insurance Regulations, Provision 16.3 of the present Law and other documents set out in the Coordination Committee.

16.5. An accountant of an insurance intermediary shall keep his/her accounting documents for at least 6 years and shall submit a written notification on the place of document archival to the Coordination Committee.

Article 17. Use of accounting standards

17.1. An insurance intermediary shall use recognized international accounting standards in its accounting practices.

Article 18. Annual financial reports

18.1. An insurance broker or a loss adjuster shall, within the time limit set out in Article 13 of the Law on Accounting, submit its audited annual financial reports to the Coordination Committee along with the following documents:

- 18.1.1. Management report;
- 18.1.2. Auditing report;
- 18.1.3. Notes clarifying the matters that impacted on the financial activities and performance of the intermediary of that year.
- 18.1.4. Other documents specified in the Insurance Regulations

18.2. The form and contents of annual financial reports and other documents may be prescribed by the Insurance Regulations.

18.3. In the event if an insurance intermediary fails to submit its financial reports and other documents to the Coordination Committee as provided by in the Provision 18.1 of this Law, the fact shall be regarded as a failure of submission of financial reports.

Article 19. Quarterly financial reports

19.1. An insurance broker or a loss adjuster shall submit within the period of time it set out in Article 13 of the Law on Accounting its audited quarterly financial reports to the Coordination Committee along with the documents specified in the Insurance Regulations.

19.2. The form and contents of quarterly financial reports and other relevant documents may be prescribed by the Insurance Regulations.

19.3. In the event if an insurance intermediary's financial statements and other documents specified in Provision 19.1 of this Law were not submitted within the specified period of time, the insurance intermediary shall be regarded to have failed to submit its financial reports.

Article 20. Auditing

20.1. An insurance broker and loss adjuster shall appoint an auditor to have its financial reports and statements audited.

20.2. An auditor specified in Provision 20.1 of this Law shall meet the following qualification requirements:

20.2.1. Possession of an auditing license specified in Article 17 of the Law on Audit;

20.2.2. The certificate on auditing of financial reports of insurance brokers and loss adjusters had been obtained from the Coordination Committee.

20.3. As provided in the Insurance Regulations, the Coordination Committee shall make public announcement of the list of auditors specified in Provision 20.2 of this Law and the changes made to this list.

20.4. An insurance broker and a loss adjuster shall provide the auditor with conditions required to perform auditing activities.

20.5. An insurance broker and a loss adjuster shall notify the Coordination Committee in writing about an appointment of an auditor within 5 days after the appointment.

Article 21. Audit report

21.1. As provided in the Insurance Regulations, an auditor shall Coordination Committee the report of his/her financial auditing works to the relevant insurance broker or loss adjuster.

21.2. The Coordination Committee has the authority to require at any time an insurance broker or a loss adjuster to hire auditors and submit auditing reports for the purpose of determining the proper ratio of assets quality and risk fund and adequate balance of accounting activities and controlling mechanism.

21.3. Insurance broker and loss adjuster shall be responsible for the costs incurred related to preparation of the report specified in Provision 21.2 of this Law.

Article 22. Duties of an auditor

22.1 An auditor shall immediately report to the Coordination Committee about the following conclusions that he/she has drawn upon from the data and documents of an insurance broker or a loss adjuster:

22.1.1 The audited insurance broker or loss adjuster became or likely to become insolvent;

22.1.2 There is a doubt that the audited has committed or might have committed crime related to its business activities;

22.1.3 Breach of Provision 14 and Provision 15 of this Law;

22.1.4 Serious violations of this Law, other legislation and the Insurance Regulations are deemed committed.

22.2 In the event that an insurance broker or a loss adjuster terminated its contract with an auditor or was dismissed due to impossibility to work with the auditor, the latter is obliged to provide the Coordination Committee with the following information:

22.2.1 the contract termination or dismissal and its reasons;

22.2.2 the financial statements and data specified in Provision 21 and Provision 22.1 of this Law.

22.3 The Coordination Committee has the authority to require an auditor to provide information about his/her auditing activities and additional materials.

22.4 In the case that an auditor or a person, who was previously employed as an auditor, provides the Coordination Committee with statements specified in Provision 21 of this Law or with other information which the auditor deemed appropriate, the auditor shall not be considered to have breached the professional ethics or the law, thus he/she shall not be a subject to any legal penalty or other responsibility.

Article 23. Appointment of auditors by the Coordination Committee

23.1. In the event that an insurance broker or a loss adjuster fails to hire an auditor compliant to Provision 20.1 of this Law, the Coordination Committee may appoint an auditor for that insurance broker or loss adjuster.

23.2. The auditor specified in Provision 23.1 of this Law shall perform the duties and activities of the insurance broker / loss adjuster auditor specified in this Law.

CHAPTER SIX

LIMITATIONS FOR INSURANCE INTERMEDIARIES

Article 24. Limitations for an insurance intermediary and its key employees

24.1. A manager or an employee of a licensed insurance broker shall not be appointed as the director of an insurer.

24.2. A licensed loss adjuster shall not be appointed as an employee of a licensed insurance broker.

Article 25. Unlicensed insurer

25.1. An insurance intermediary is prohibited from working with insurers that are not licensed compliant to the Law on Labor.

25.2. Provision 25.1 of this law shall not apply for cooperation with an insurance intermediary with foreign insurers.

Article 26. Fees and compensation of insurance intermediaries

26.1. An insurance intermediary is prohibited from receiving, holding and making agreements related to premiums paid in accordance with insurance policies underwritten by an insurer except for the cases specified below:

26.1.1. The insurer agreed the intermediary to receive, hold and make agreements related to insurance premiums;

26.1.2. Coordination Committee granted a permission to do so.

Article 27. Change of information

27.1. An applicant applying for insurance intermediary license or an insurance intermediary or other persons requesting special permissions in accordance with this Law and the Insurance Regulations shall immediately inform the Coordination Committee in writing if there are any changes in documents or information provided to the Coordination Committee prior to the determination of the application or request.

CHAPTER SEVEN

MARKET CONDUCT

Article 28. Misleading advertisement

28.1. Preparation and launching of misleading promotional activities or distribution of advertisements, information booklets, flyers and other similar materials that contain untrue and false information are prohibited.

28.2. The Coordination Committee shall prohibit or order to renounce or change/make correction though necessary if it considers that information, booklets, flyers, brochures or other similar documents published by the insurance

intermediary or its representative contain misleading or false information or that contravene public interests.

Article 28. Market conduct

29.1. The Coordination Committee may issue a Market Conduct Code of Practice and it shall be the obligation of insurance intermediaries, their key employees and other relevant persons to follow that code.

CHAPTER EIGHT MONITORING AND ON-SITE INSPECTIONS, DATA COLLECTION AND REPORTING

Article 30. Subjects of on-site inspections

30.1. The subjects of on-site inspections specified in Chapter 8 of this Law are insurance intermediaries, former insurance intermediaries, insurance intermediaries' subsidiaries or daughter companies.

Article 31. On-site inspection of activities of relevant subjects

31.1. The Coordination Committee may take the following actions at any time with the purpose of investigating activities of the subjects within the authority provided by this Law:

31.1.1. Review the subject's affairs, activities, management, organizational structure and documents;

31.1.2. Check and count assets, cash, etc. in the ownership of the subjects;

31.1.3. Inspect the subject's books, records, accounts, financial statements and other documents and make copies if necessary.

31.2. If necessary, the Coordination Committee may investigate the following areas of the subject's operation:

31.2.1. Review the subject's assets and capitals

31.2.2. Check the subject's compliance with this Law, other relevant laws, and the Insurance Regulations as well as the subject's observance of the requirements and guidelines imposed by the Coordination Committee.

31.3. The Coordination Committee shall provide the subject with the terms of reference of the on-site inspection prior to the inspection.

31.4. The Coordination Committee, if it chooses, may employ an experienced specialist suitable persons to undertake the on-site inspection.

31.5. The on-site inspection shall be undertaken at least once in two years in a way that it shall not bother or distract the day-to-day activities of the subjects.

Article 32. On-site inspection related duties of the subjects and its key employees

32.1. The subject shall carry out the following duties during an on-site inspection:

32.1.1. Provide access to its premises and assets;

32.1.2. Provide the inspector with possibilities to review required accounting/financial documents and other relevant documentation;

32.1.3. Render necessary information and explanations;

32.1.4. Obtain required data or documents from the relevant persons and submit to the Coordination Committee.

32.2. The Coordination Committee has the authority to require the subject's managers and key employees to provide the information/data and explanation which is deemed necessary.

Article 33. Inspection report

33.1. The Coordination Committee shall distribute the summary report of the on-site inspection to the relevant persons within 45 days since the completion of the inspection.

33.2. An inspection report shall include the following:

33.2.1. Recommendations on the subject's management, structure, control and other areas deemed necessary;

33.2.2. Whether the report recipient requires, to make a response related to the report or not: if no response is required, issues and areas highlighted in the report.

33.3. If a response is required, the recipient shall make a response to the Coordination Committee within 14 days or within the period of time specified in the report after the receipt of the report unless otherwise specified in the report.

Article 34. The Coordination Committee's authority of accessing data and information

34.1. In order to exercise its authorities and powers specified in this Law and other relevant laws and regulations or according to the requests made by foreign regulatory institutions, the Coordination Committee may require the persons specified in Provision 34.2 of this law to provide in written form the following information and documents:

34.1.1. Particular types of or specified information;

34.1.2. Particular types of or specified documents.

34.2. The statement specified in Provision 34.1 of this Law shall be made to the subject and persons related to the subject, insurance intermediaries or persons who are expected to possess the information or documents. The statement shall specify details such as submission of documents and information and the time and place thereof.

34.3. The persons related to the subject specified in Provision 34.2 of this Law shall be determined by the Insurance Regulations.

34.4. In order to exercise the authorities and powers specified in Provision 34.1 of this Law, the Coordination Committee may require the following:

34.4.1. to prepare and submit information according to the prescribed forms and contents;

34.4.2. to verify the submitted information and documents;

34.4.3. to make relevant notes or explanations related to the submitted information and documents.

34.5. When collecting data compliant to this Law, the Coordination Committee shall have samples or make copies of the relevant documents.

34.6. The person who received a statement from the Coordination Committee to submit information and document pursuant to Provision 34.1 of this Law is obliged to fulfill the statements stated in it.

Article 35. Assisting to foreign regulatory organizations

35.1. In the case if a foreign regulatory organization makes a written request for assistance to their activities, the Coordination Committee may provide it with relevant information and documents compliant to Article 35 of this Law.

35.2. The following considerations shall be taken into account when making a decision on whether to provide a foreign regulatory organization with information and documents:

35.2.1. whether the foreign regulatory organization had provided the Coordination Committee with similar mutual assistance in the past or is likely to do so in future;

35.2.2. whether the possible assistance is in conformity with the laws of Mongolia and correspond to the public interests;

35.2.3. whether the nature of the area in which the assistance is asked to be provided and the assistance itself are substantial to Mongolia;

35.2.4. whether the foreign regulatory organization had paid sufficient expenses that may be incurred related to preparation of the requested information and documents;

35.2.5. whether the foreign organization is capable of meeting the confidentiality requirements specified in Provision 43 of this Law.

35.3. The Coordination Committee may request the foreign regulatory organization to make clarifications and explanations related to the requesting information or documents.

35.4. In the case if the foreign regulatory organization fails to respond to the request specified in Provision 35.3 of this Law, the Coordination Committee may refuse to provide the requested assistance.

CHAPTER NINE ENFORCEMENT

Article 36. Grounds for enforcement actions

36.1. The following are the grounds upon which the Coordination Committee may take enforcement actions against insurance intermediaries:

36.1.1. Any breach of this Law, other relevant legislation and the Insurance Regulations;

36.1.2. Presence of the circumstances detrimental to the client and the public interests, or for an insurance agent, to the interests of the insurer;

36.1.3. Insurance agent is considered becoming or likely to become insolvent;

- 36.1.4. The failure to comply with tasks and directives given by the Coordination Committee;
- 36.1.5. Breach of any condition or requirement of the license or the fact of receiving of the License by providing any false or misleading documents;
- 36.1.6. When a license holder or a director or key employee of the licensee or a person who owns more than 10 percents of the company shares is not a fit and proper person;
- 36.1.7. When it is proved that the Coordination Committee was provided with false, inaccurate or misleading information;
- 36.1.8. Dissolving of an insurance broker or loss adjuster;
- 36.1.9. Failing to carry out accounting activities and submit financial reports compliant to the established regulations;
- 36.1.10. Refusing or failing to co-operate with the Coordination Committee during the inspection;
- 36.1.11. Failing to pay a fine imposed by the Coordination Committee on time;
- 36.1.12. Other grounds specified in the relevant laws and regulations.

Article 37. Types of enforcement actions

- 37.1. On the basis of the grounds specified in Article 36 of this Law, the Coordination Committee shall take the following types of enforcement actions:
 - 37.1.1. suspension of the license;
 - 37.1.2. cancellation of the license;
 - 37.1.3. the appointment of an examiner as specified in Article 42 of this Law;
 - 37.1.4. the giving of a directive as provided in Article 41 of this Law;
 - 37.1.5. the appointment of a suitable qualified and experienced specialist who is responsible for advising the insurance intermediary on the proper conduct of its business;
 - 37.1.6. imposing of a fine.

Article 38. Suspension of the license

- 38.1. The following grounds shall trigger the Coordination Committee to suspend the license:
 - 38.1.1. presence of any of the grounds specified in Provision 36.1 of this Law;
 - 38.1.2. failure to incept its operations or seizure to operate within 6 months after the granting of a license;
 - 38.1.3. failing to make the payment of the annual fee within two months after the payment deadline;
- 38.2. The license shall be suspended for the following periods:
 - 38.2.1. for the period prescribed by the Coordination Committee;
 - 38.2.2. until the directives or requirements of the Coordination Committee are fulfilled.
- 38.3. The period specified in Provision 38.2.1 shall not be longer than 6 months.

38.4. In the case if a licensee fails to meet the requirement specified in Provision 39.2.2 within 6 months after the suspension of the license, the license shall be cancelled.

38.5. The Coordination Committee shall deliver a statement to the license holder specifying the grounds on which the license is being suspended prior to the suspension and record the date of delivery.

38.6. In the event that the licensee who received the suspension statement specified in Provision 38.5 of this Law fails to submit to the Coordination Committee a written explanation of the reasons why the license should not be suspended, within 14 days after the receipt of the suspension statement, the license shall automatically be suspended.

38.7. If the license is suspended, the Coordination Committee shall deliver to the licensee a written statement stating:

38.7.1. that the license is suspended;

38.7.2. the grounds for which the license was suspended and the date of suspension;

38.7.3. the period for which the license is suspended.

38.8. The Coordination Committee shall publicly announce the suspension in accordance with the Insurance Regulations.

Article 39. Cancellation of the license

39.1. The following are the grounds upon which the Coordination Committee shall cancel a license:

39.1.1. the licensee made a request to have its license cancelled;

39.1.2. the insurance broker or the loss adjuster was dissolved;

39.1.3. an evidence that the licensee provided the Coordination Committee with any false or forged documents on making application for the license was discovered;

39.1.4. in case when the conditions of the license were repeatedly or seriously breached

39.1.5. the failure to meet the Coordination Committee requirements of remedial actions within the suspension period.

39.2. The Coordination Committee shall deliver a statement to the licensee specifying the grounds on which the license is being cancelled prior to the cancellation and record the date of the statement delivery.

39.3. If the licensee who received the cancellation statement specified in Provision 39.2 of this Law fails to submit to the Coordination Committee a written explanation of the reasons why the license should not be cancelled within 14 days after the receipt of the cancellation statement, the license shall automatically be cancelled.

39.4. If the license is cancelled, the Coordination Committee shall deliver to the licensee a written statement stating:

39.4.1. that the license is cancelled;

39.4.2. the grounds based on which the license was cancelled and the date of cancellation;

39.5. The Coordination Committee shall publicly announce the cancellation in accordance with the Insurance Regulations.

Article 40. The Coordination Committee's application to the Court for protection of assets of insurance intermediaries

40.1. The Coordination Committee may apply to the Court in order to protect the interests of the public, clients and the insured as well as the assets and activities of the insurance intermediaries in the event that the license of an insurance intermediary was suspended or cancelled, or in the presence of the grounds specified in Provision 38.1 and Provision 39.1 of this Law.

40.2. When making court application specified in Provision 40.1 of this Law, the Coordination Committee is not obliged to notify the insurance intermediary.

40.3. In the event that the license is not suspended or cancelled, the Court application may be made prior to the delivery of suspension or cancellation statement to the insurance intermediary specified in Provision 38.5 and Provision 39.2 of this Law.

40.4. The following actions may be taken pursuant to the specification of Provision 4.1 of this Law:

40.4.1. make a decision to restrict the insurance intermediary to transfer or make an agreement or contract to disburse the assets in its ownership;

40.4.2. appoint a representative who is empowered to manage the activities of an insurance intermediary prior to suspension or cancellation of the intermediary's license;

40.4.3. apply to the Court for dissolving of an insurance company;

40.4.4. summon relevant persons in order to receive information about the activities of an insurance intermediary.

40.5. When appointing the representative specified in Provision 40.4.2, the Court shall determine his/her authorities, wage amount, and the procedure to submit reports to the Court and the Coordination Committee.

40.6. The Court may take any of the following actions at any time related to the representative:

40.6.1. Assign tasks and directives related to the representative's exercising of his/her rights and duties;

40.6.2. Change the representatives rights and authorities;

40.6.3. End the representative's authorities.

Article 41. Directives

41.1. When taking enforcement actions, the Coordination Committee may give the following directives to the insurance intermediary:

41.1.1. to restrict the insurance intermediary from undertaking particular activity(ies) on a temporary basis;

41.1.2. to prohibit the insurance intermediary to make agreements/contracts related to particular activities;

41.1.3. to submit necessary information and documents within period of time shorter than it is provided in this Law, other relevant laws and legislations and Insurance Regulations.

41.1.4. in the case of a client or an insurance agent, require to take necessary actions with the purpose to protect the interests of the insurer.

41.2. An insurance intermediary is obliged to observe any directive given by the Coordination Committee as specified in Provision 41.1 of this Law.

41.3. Article 41 of this Law shall equally apply to the insurance intermediaries whose licenses are suspended or cancelled.

Article 42. Appointment of the examiner

42.1. When taking enforcement actions on the grounds specified in Provision 36.1 of this Law, the Coordination Committee may appoint one or more persons as the examiner to examine and inspect the activities of the insurance intermediary.

42.2. The examiner appointed according to Provision 42.1 of this Law is empowered to make examination in the following areas:

42.2.1. scope and nature of the insurance intermediary activities;

42.2.2. particular issues and problems of the insurance intermediary's activities;

42.2.3. controlling activities by the insurance intermediary and its shareholders.

42.3. If deemed necessary, the examiner may examine the activities of the insurance intermediary and its branches/subsidiaries at any time.

42.4. The assignment period and conditions shall be determined by the Coordination Committee.

CHAPTER TEN MISCELLANEOUS

Article 43. Information confidentiality

43.1. When exercising their powers specified by in this Law and other legislation, the Coordination Committee and other relevant organizations and officials shall keep any information related to the following persons:

43.1.1. a person applying for a license;

43.1.2. an insurance intermediary, or a former insurance intermediary, and a subsidiary or daughter company of an insurance intermediary;

43.1.3. a client or a former client;

43.2. Provision 43.1 shall not apply in the following cases:

43.2.1. the person agreed, in writing, to disclose its information;

43.2.2. the Coordination Committee required to disclose the information;

43.2.3. The authorities of the court administration, prosecutor's office, Police Department, Intelligence office and law enforcement organization have requested a disclosure;

43.2.4. a person who demands to obtain confidential information in order to fulfill its duties provided by the law;

43.2.5. the information is accessible to the public through other sources or the information has been already publicized;

43.2.6. the information that can be disclosed in a manner that the involved person specified in Provision 43.1 will not be disclosed or when the information is publicized in summary bulletins/brochures or as a statistical data.

43.2.7. the supervisory authority made a written request compliant to Provision 35.1 of this Law.

Article 44. Appeal of the Coordination Committee decisions

44.1. A legal person shall address any disputes related to the activities of insurance intermediaries to the Coordination Committee for resolution. In the event that the person refuses to accept the Coordination Committee decision, he may appeal the decision in the Court within 10 working days after the decision came into force.

44.2. The act of appealing shall constitute a ground for suspending the Coordination Committee decision and Provision 19.2 and Provision 19.3 of the Law on Administrative Responsibilities shall not apply to the activities of insurance intermediaries.

Article 45. Sanctions

45.1. If a breach of the Law on Insurance Intermediaries and regulations are not a subject to criminal sanctions, the State Inspector shall apply the following administrative sanctions:

45.1.1. In the event of conducting insurance intermediation activities without the corresponding license, the illegally earned income shall be confiscated and a fine amounting 500000-1000000 Tugrugs shall be imposed on an insurance broker or a loss adjuster and 200000-500000 Tugrugs on the insurance agent;

45.1.2. A fine amounting 500000-1000000 Tugrugs shall be imposed on an insurance broker or a loss adjuster that failed to create the minimum amount of capital fund specified in Article 14 of this Law;

45.1.3. A fine amounting 500000-1000000 Tugrugs shall be imposed on an insurance broker or a loss adjuster that failed to make the shares payment in cash as specified in Provision 15.1 of this Law;

45.1.4. An insurance agent who failed to conduct its accountant activities as specified in Provision 16.2 of this Law shall be imposed with a fine amounting 500000-1000000 Tugrugs;

45.1.5. An official/employee who breached Provision 20.2 of this Law when appointing an auditor shall be imposed with a fine amounting 50000-100000 Tugrugs;

45.1.6. A fine amounting 50000-100000 Tugrugs shall be imposed on an auditor who failed to perform the duties specified in Provision 22.1 and Provision 22.2 of this Law;

45.1.7. A fine amounting 500000-1000000 Tugrugs shall be imposed on an insurance broker or a loss adjuster who breached Provision 25.1 of this Law and worked with unlicensed insurers;

45.1.8. An insurance intermediary breached Article 26 of this Law shall be imposed with a fine amounting 500000-1000000 Tugrugs;

45.1.9. A person who failed to fulfill the duty specified in Provision 32.1 of this Law shall be imposed with a fine amounting 500000-100000 Tugrugs and in the case of an employee, the fine amount shall be 50000-100000 Tugrugs;

45.1.10. A fine amounting 500000-1000000 Tugrugs shall be imposed on a person failed to perform the duty provided in Provision 33.3 of this Law;

45.1.11. If an insurance intermediary who failed act upon the requirement specified in Provision 34.6 of this Law, a fine amounting 500000-1000000 Tugrugs shall be imposed;

45.1.12. An employee/official who failed to act upon the directive specified in Article 41 of this Law shall be imposed with a fine amounting 50000-100000 Tugrugs, and in the case of an insurance intermediary, the fine imposed for such breach shall be 500000-1000000 Tugrugs;

45.1.13. If an insurance intermediary fails to make notification to the Coordination Committee as specified in Provision 14.4 and Article 27 of this Law, a fine amounting 100000-150000 shall be imposed;

45.1.14. An employee/manager or official who failed to follow and act upon the directives of the Coordination Committee directed to implement the Law on Insurance Intermediaries and other legislation shall be imposed with a fine amounting 50000-100000 Tugrugs, in the case of an insurance intermediary that committed such failure, the fine amounts shall be 500000-1000000 Tugrugs.

Article 46. Limited responsibility of the Coordination Committee official

46.1. An official of the Coordination Committee shall not take any responsibility in any case except that there is evidence that he/she executed his/her duties specified in this Law, other relevant legislation and the Insurance Regulations in an unjust manner or deliberately departed from executing these duties.

Article 47. Entry into force of the Law

47.1. This Law shall come into force starting from the date of entry into force of the Law on Insurance.

CHAIRMAN OF THE
STATE IKH KHURAL

S. TUMUR-OCHIR