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IN THIS ISSUE:

INSURANCE MARKET

- Amendment to Law no. 136/1995 on insurances and reinsurances in Romania
- General amendments pertaining to the conclusion of insurance agreements
- Amendments in the automobile liability insurance matter for damages caused to motor vehicles ..... **page two**

COMMERCIAL LAW

- Specifications concerning redenomination of domestic currency
- Calculation and payment in the new currency of incomes from wages, incomes similar in nature to wages and social insurance benefits
- Registration in the accounting books of the redenomination of the face value of shares/subscribed share capital/fund units ..... **page four**

**INSURANCE MARKET****Amendment to Law no. 136/1995 on insurances and reinsurances in Romania**

Following the approval of the Government Emergency Ordinance no. 61/2005 on the amendment and completion of Law no. 136/1995 concerning the insurances and reinsurances in Romania ("GEO" no. 61/2005), the legislation in the insurance field has been significantly amended last month.

The issuance of the new enactment, published in the Official Gazette no. 52 is the outcome of the commitments undertaken by Romania within the negotiations for accession to the European Union, with respect to the free movement of services on the Romanian territory.

The amendments provided by the GEO no. 61/2005 mainly refer to the general provisions in the automobile liability insurance for losses brought by motor vehicle accidents, the conditions for granting damages in case of accidents, as well as certain issues related to the conclusion of the insurance agreements and to the person insurances.

**General amendments pertaining to the conclusion of insurance agreements**

Unlike the limitations provided by the former regulation, the new enactment provides that the insurance agreement may be terminated regardless its duration. Such

termination may be initiated by any of the contracting parties, provided that a prior notice is addressed to the other party at least 20 days before the termination.

According to the GEO no. 61/2005, any insured person having concluded an individual life insurance agreement must benefit from a 20 day-period as from the signature of the agreement by the insurer, during which he is entitled to terminate the agreement. However, such provision is not applied in case of insurance agreements having a duration of 6 months or less than 6 months.

**Amendments in the automobile liability insurance matter for damages caused to motor vehicles**

As the insurance companies authorised by the relevant authorities from the European Union Member States shall also carry out their activity in Romania, according to the establishment right and the free movement of services, the new enactment extend the territorial limits for covering the automobile liability insurance for damages caused by motor vehicle accidents, including, apart from the Romanian territory, the European Union Member States and those belonging to the European Economic Space, as well as the territory of states directly connecting two European Union Member States in which there is no national office of automobile insurers.

Following such legislative amendments, natural or legal persons holding motor vehicles subject to registration in Romania, as well as tramways, are held to take out an

automobile liability insurance following damages caused by motor vehicle accidents within the territorial coverage limits above mentioned.

The most important amendment in the field of automobile liability insurance for damages caused by motor vehicles accidents is that, as from the entrance into force of the provisions of GEO no. 61/2005, the insured person shall conclude a sole policy for such insurance type and shall pay a sole insurance premium covering both the Romanian territory and the territory outside the Romanian boundaries.

Another new amendment brought by the GEO no. 61/2005 is that from now on the insured shall be held to grant damages due in case of bodily injuries or decease both for the persons outside the motor vehicle that has produced the accident and for the persons inside the respective motor vehicle, except for the concerned motor vehicle driver.

## COMMERCIAL LAW

### Specifications concerning redenomination of domestic currency

Further specifications regarding the enforcement of the Law no. 348/2004 on the redenomination of domestic currency („Law no. 348/2004) have been introduced by several enactments passed in June.

The first of these enactments is Government Emergency Ordinance no. 59/2005 regarding fiscal and financial measures to be

implemented for the enforcement of Law no. 348/2004. This enactment, published in the Official Gazette of Romania no. 556, settles the calculation and registering in the accounting books of taxes, duties, contributions and other amounts due towards the Romanian State Budget.

In this respect, the new rule is that calculations and registrations in the accounting books shall be done, as of 1<sup>st</sup> July 2005, in the new currency, at level of *leu* (RON), with no subdivisions, by rounding upwards to *leu* the fractions higher than 50 *bani* and by leaving out of account the fractions lower than 49 *bani* (RON subdivision). This rule is also applicable to outstanding payments settled and still due up to 30<sup>th</sup> June 2005.

The second enactment is GEO no. 47/2005 on certain measures to be implemented in view of enforcing the Law no. 348/2004. This enactment introduces some further specifications regarding the calculation and payment in the new currency of incomes from wages, incomes similar in nature to wages and social insurance benefits.

The third enactment is Order no. 754/29/2005 passed by Ministry of Public Finance and National Securities Commission, published in the Official Gazette no. 518, concerning the approval of Norms on the registration in the accounting books of the redenomination of the face value of shares/subscribed share capital/fund units consequently to the enforcement of Law no. 348/2004.

The above enactment clarifies the obligation of certain companies to adjust their share capital according to the provisions of Law no. 348/ 2004. Thus, companies whose shares/ subscribed shares are not multiple of 100, by reference to the former currency, have to adjust their share capital so as the new value of shares should be multiple of 100.

Similarly, the open investment funds have the obligation to proceed until the above mentioned date at the adjustment of the fund units capital so as fund units face value should be multiple of 100.