



LAW ON INSURANCE INTERMEDIARIES
(Amended version as of 18 May 2017)

INTERNATIONAL COOPERATION DEPARTMENT
MAY 2020



LAW OF MONGOLIA ON INSURANCE INTERMEDIARIES

30 April, 2004.

Ulaanbaatar city.

CHAPTER ONE. GENERAL PROVISIONS

Article 1. Purpose of this 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 Mongolia¹, the Civil Code² the Company Law³, the Law on Insurance, the present law and other relevant laws and regulations made thereunder.
- 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 definitions used in this law except for those specified in Paragraph 3.2. of this law shall have the meaning specified in the Law on Insurance.
- 3.2. The definitions used in this law shall have the meanings as follows:
 - 3.2.1. '*insurance intermediaries*' shall mean insurance agents, insurance brokers and loss adjusters;
 - 3.2.2. '*insurance agent*' shall mean a legal or natural person assigned or obligated 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. '*insurance broker*' shall mean a legal or natural person who carries out intermediary activities in accordance with authorities assigned to him/her by an insured or an insurer representing their interests and who charge fees and commissions for his/her services;
 - 3.2.4. '*loss adjuster*' shall mean 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. A loss adjuster charges fees, commissions or other types of payments for his/her services;
 - 3.2.5. The Financial Regulatory Commission is the organization specified in Paragraph

¹ State Gazette, Edition 1, 1992.

² State Gazette, Edition 7, 2002.

³ State Gazette, Edition 34, 1999.

- 12.1. of this law.
- 3.2.6. 'foreign insurance intermediary' shall mean an insurance agent or an insurance broker or a loss adjuster based in a foreign country.
- 3.3. An employee of an insurer who is salaried by that insurer shall not be regarded as an insurance agent specified in Section 3.2.2. of this law.
- 3.4. The persons specified below shall not be regarded as a loss adjuster provided in Section 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 SUPERVISION OF INSURANCE INTERMEDIARY ACTIVITIES

Article 4. state central body of insurance supervision

- 4.1. The state central body of insurance supervision shall exercise the following authorities:
 - 4.1.1. development of proposals directed to improvement and perfection of laws and regulations of the activities of professional insurance participants;
 - 4.1.2. carrying out other responsibilities and obligations specified in the relevant laws and regulations.

Article 5. Financial Regulatory Commission

- 5.1. The Financial Regulatory Commissions shall be empowered to:
 - 5.1.1. supervise the activities of licensed insurance intermediaries compliant to the provisions of this law;
 - 5.1.2. grant, suspend, reinstate, and cancel/terminate licenses for insurance intermediary activities; control the fulfillment of the license conditions and requirements;
 - 5.1.3. apply sanctions to natural or legal persons in case they operate as insurance intermediary without corresponding certificates;
 - 5.1.4. approve and implement the set of insurance regulations and monitor the compliance;
 - 5.1.5. other authorities specified in the relevant laws and regulations.

Article 6. Regulations of insurance intermediary activities

- 6.1. Insurance intermediary activities shall be regulated under the set of insurance regulations approved by the Financial Regulatory Commission.
- 6.2. The set of insurance regulations shall consist of the provisions specified in Paragraph 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 statements/reports of insurance intermediaries;
 - 6.2.4. lists of information and documentation to be provided with an application for the license specified herein;
 - 6.2.5. amount of fee charged by the Financial Regulatory Commission;
 - 6.2.6. requirements for the insurance intermediaries that open 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 to prepare and submit information, data and statements/reports compliant to this law.

Article 7. Procedures of insurance intermediary activities

- 7.1. The Financial Regulatory Commission may develop and introduce special procedures in order to effectively supervise the activities of insurance intermediaries.
- 7.2. Although insurance intermediaries are not obligated to follow the procedures specified in Paragraph 7.1. of this law, failure to do so might constitute ground, in the event of applying sanctions to an insurance intermediary, for considering that person as not fit or improper for holding an 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 their head office in Mongolia by any natural or legal person is prohibited.
- 9.2. If a legal person established pursuant to the laws of Mongolia carries out, as provided in Paragraph 9.1. of this law, insurance intermediary activities in a foreign country, that legal person shall be regarded as an entity that has insurance intermediary activities in a foreign country.
- 9.3. As specified in Paragraph 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 Activities⁴.

Article 10. Application for an insurance intermediary license

- 10.1. A person who requests an insurance intermediary license shall submit the application letter to the Financial Regulatory Commission.
- 10.2. The application shall be submitted in writing specifying which type of activities are to be conducted, and compliant to the models and forms established by the Financial Regulatory Commission, lodged with the documents specified in this law and the regulations.
- 10.3. In the case of an applicant for an insurance broker license or an insurance loss adjuster license, types and forms of insurance activities intended to be covered shall be specified in the application.
- 10.4. An applicant for insurance agent license shall attach the permission granted to an insurer.
- 10.5. The Financial Regulatory Commission shall be free to require an applicant to submit any additional information or documentation that is deemed to be required to consider the application.

Article 11. Granting and refusal to grant licenses

- 11.1. The Financial Regulatory Commission shall grant insurance intermediary license to an applicant that fits and qualifies for the following criteria and the Financial Regulatory

⁴ State Gazette, Edition 6, 2001.

Commission may require the applicant to provide other documentation and information with relevance to the types and forms of activities requested to be licensed:

- 11.1.1. granting of the license is not conflicting 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 the applicant is a legal person, the applicant's directors, key employees and significant owners who hold more than 10 percent of the company's common shares are fit and proper;
 - 11.1.4. proof/verification that the applicant is fully capable of observing 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 the title/name of the applicant constitutes a message that the applicant is engaged in insurance activities or insurance intermediation activities; and
 - 11.1.7. granting of the license is not conflicting with the public interests and interests of the insured.
- 11.2. The Financial Regulatory Commission 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 writing specifying the following items:
- 11.3.1. title of the organization that issued the license;
 - 11.3.2. name/title and address of the licensee;
 - 11.3.3. type of the licensee's activity;
 - 11.3.4. in the case of an applicant for an insurance broker or loss adjuster license, type and form of insurance activities to be covered;
 - 11.3.5. in the case of an applicant for an 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 stamp 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/terminated according to the provisions of Article 38 and Article 39 of this law.
- 11.5. In the event that the Financial Regulatory Commission denied an application for an insurance intermediary license or granted a license but with attached conditions restraining the applicant from conducting particular intermediary activities, the Financial Regulatory Commission shall notify the applicant about such situation specifying the grounds and reasons for the denial or restraint.
- 11.6. The Financial Regulatory Commission 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 Financial Regulatory Commission shall make public notification about granting of a license compliant to the Regulations.
- 11.8. The Financial Regulatory Commission may introduce a guideline to determine the fitness and propriety of persons specified in Paragraph 11.1. of this law.

Article 12. Limitations for the licensee

- 12.1. Only companies shall be eligible for applying for and holding insurance broker and loss adjuster licenses.
- 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 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 an insurance broker license and he/she must not be an employee or a

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- manager of a licensed insurance broker.
- 12.5. A person shall not be licensed as both insurance agent and insurance broker.
- 12.6. A loss adjuster shall not be licensed as 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 obtains written permission from the Financial Regulatory Commission.
- 13.2. In the event that a foreign insurance intermediary fails to receive written permission from the Financial Regulatory Commission as provided in Paragraph 13.1. of this law, any person is prohibited from conducting the below specified activities representing that foreign insurance intermediary:
- 13.2.1. 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 Financial Regulatory Commission.
- 13.4. The application shall be submitted in writing and the documentation specified in the relevant regulations shall be attached therein.
- 13.5. The Financial Regulatory Commission may require the applicant to submit additional information and documentation necessary for consideration of the application made pursuant to Paragraph 13.1. of this law.
- 13.6. When considering an application for the permission specified in Paragraph 13.1. of this law, the Financial Regulatory Commission 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 the 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 regulations;
- 14.1.2. not less than the amount specified by the Financial Regulatory Commission compliant to Paragraph 14.2. of this law.
- 14.2. The Financial Regulatory Commission may, according to the nature and extent of an insurance agent or loss adjuster, change and increase the minimum amount of capital fund specified in Paragraph 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 Paragraph 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 Paragraph 14.1. of this law, the intermediary shall immediately notify about that situation to the Financial Regulatory Commission.

Article 15. Shares of insurance brokers and loss adjusters

- 15.1. Payment for shares issued by insurance brokers and loss adjusters since the date of this law's coming into force shall be made in cash.
- 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 record indicators and financial statements

- 16.1. An insurance intermediary shall carry out accounting activities and produce financial

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- statements and reports in accordance with the Law on Accounting⁵ and the set of insurance regulations.
- 16.2. Accounting activities of an insurance intermediary shall be accrual based and Paragraph 5.2. of the Law on Accounting shall not apply to activities of insurance intermediaries.
 - 16.3. The Financial Regulatory Commission may determine the accounting documents of insurance intermediaries, unless otherwise provided in the set of insurance regulations.
 - 16.4. The financial statements of an insurance intermediary shall have the composition specified in Paragraph 8.1 of the Law on Accounting.
 - 16.5. An accountant of an insurance intermediary shall keep his/her accounting documents for at least six years and notify the Financial Regulatory Commission of the address of the place of the document archiving.

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 statements

- 18.1. Insurance brokers and insurance loss adjusters shall submit their audited financial statements with the following documents to the Financial Regulatory Commission within the period specified in Article 10 of the Law on Accounting.
 - 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 that year.
 - 18.1.4. other documents specified in the set of insurance regulations
- 18.2. The form and contents of annual financial reports and other documents may be prescribed by the set of insurance regulations.
- 18.3. In the event that an insurance intermediary fails to submit its financial reports and other documents to the Financial Regulatory Commission as provided by Paragraph 18.1. of this law, it shall be regarded as a failure of submission of financial reports.

Article 19. Quarterly financial statements

- 19.1. Insurance brokers and insurance loss adjusters shall submit their quarterly financial statements with the documents specified in the set of insurance regulations to the Financial Regulatory Commission within the period specified in Article 10 of the Law on Accounting.
- 19.2. The form and contents of quarterly financial reports and other relevant documents may be prescribed by the set of insurance regulations.
- 19.3. In the event that an insurance intermediary's financial statements and other documents specified in Paragraph 19.1. of this law were not submitted within the specified time limit, 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 Paragraph 20.1. of this law shall meet the following qualification requirements:

⁵ State Gazette, Edition 4, 2004.

- 20.2.1. possess an auditing license specified in Article 17 of the Law on Audit⁶
- 20.2.2. obtain a certificate from the Financial Regulatory Commission to audit financial reports/statements of insurance brokers and loss adjusters.
- 20.3. As provided in the set of insurance regulations, the Financial Regulatory Commission shall make public announcement of the list of auditors specified in Paragraph 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 Financial Regulatory Commission in writing about the appointment of an auditor within five days of the appointment.

Article 21. Audit report

- 21.1. As provided in the set of insurance regulations, an auditor shall distribute the report of his/her financial statement auditing works to the relevant insurance broker or loss adjuster.
- 21.2. The Financial Regulatory Commission has the authority to require an insurance broker or a loss adjuster at any time 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 brokers and loss adjusters shall be responsible for the costs incurred related to preparation of the report specified in Paragraph 21.2. of this law.

Article 22. Duties of an auditor

- 22.1. An auditor shall immediately report to the Financial Regulatory Commission about the following matters that he/she discovered during the auditing process based on 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 doubt that the audited might have committed crime related to its business activities;
 - 22.1.3. breach of Article 14 and Article 15 of this law;
 - 22.1.4. committed a serious violation of this law, other legislation and the set of insurance regulations.
- 22.2. In the event that an insurance broker or a loss adjuster terminated its contract with an auditor or dismissed an auditor notifying that the insurance broker or the loss adjuster cannot work with the auditor, the auditor shall provide the Financial Regulatory Commission 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 Article 21 and Article 22.1 of this law.
- 22.3. The Financial Regulatory Commission 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 an auditor provides the Financial Regulatory Commission with statements specified in Article 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 Financial Regulatory Commission

- 23.1. In the event that an insurance broker or a loss adjuster fails to hire an auditor compliant to Paragraph 20.1. of this law, the Financial Regulatory Commission may appoint an auditor for that insurance broker or loss adjuster.

⁶ State Gazette, Edition 5, 1997.

- 23.2. The auditor specified in Paragraph 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 with the Law on Labor.
- 25.2. Paragraph 25.1. of this law shall not apply to an insurance intermediary who cooperates 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. the Financial Regulatory Commission granted a permission to do so.

Article 27. Change of information

- 27.1. An applicant applying for an insurance intermediary license or an insurance intermediary or other persons requesting special permissions in accordance with this law and the set of insurance regulations shall immediately inform the Financial Regulatory Commission in writing if there is any change in the documentation or information provided to the Financial Regulatory Commission 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 materials that contain untrue and false information is prohibited.
- 28.2. The Financial Regulatory Commission shall prohibit or order to renounce or change/make correction as necessary in the event that an insurance intermediary or its representative publishes and distributes information booklets, flyers, brochures or other similar documents that contain misleading or false information or that contravene public interests.

Article 29. Market conduct

- 29.1. The Financial Regulatory Commission 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 Article 8 of this law are insurance intermediaries, former insurance intermediaries, insurance intermediaries' subsidiaries or daughter companies.

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

31.1. The Financial Regulatory Commission 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 as necessary.

31.2. If necessary, the Financial Regulatory Commission may investigate the following areas of the subject's operations:

31.2.1. review the subject's assets and capital;

31.2.2. check the subject's compliance with this law, other relevant laws, and the set of insurance regulations as well as the subject's observance of the requirements and guidelines imposed by the Financial Regulatory Commission.

31.3. The Financial Regulatory Commission shall provide the subject with the terms of reference of the on-site inspection prior to the inspection.

31.4. The Financial Regulatory Commission, if it chooses, to employ auditors or other 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 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. give necessary information and explanations;

32.1.4. obtain required data or documents from the relevant persons and submit to the Financial Regulatory Commission.

32.2. The Financial Regulatory Commission 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 Financial Regulatory Commission shall distribute the summary report of the on-site inspection to the relevant persons within 45 days of the completion of the inspection.

33.2. An inspection reports shall include the following items:

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

33.2.2. whether or not the report recipient is required to make a response related to the report: 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 Financial Regulatory Commission within 14 days after the receipt of the report unless otherwise

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specified in the report.

Article 34. The Financial Regulatory Commission's authority of accessing data and information

- 34.1. In order to exercise its authority and powers specified in this law and other relevant laws and regulations or according to the requests made by foreign supervisory institutions, the Financial Regulatory Commission may require the persons specified in Paragraph 34.2. of this law to provide the following information and documentation:
- 34.1.1. particular types of or specified information;
 - 34.1.2. particular types of or specified documents.
- 34.2. The requirement specified in Paragraph 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 requirement shall specify the period/time limit in which and the address to which information and documents shall be submitted.
- 34.3. The persons related to the subject specified in Paragraph 34.2. of this law shall be determined by the set of insurance regulations.
- 34.4. To exercise the authorities and powers specified in Paragraph 34.1. of this law, the Financial Regulatory Commission may make the following requirements:
- 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 Financial Regulatory Commission shall have samples or make copies of the relevant documents.
- 34.6. The person who received a requirement from the Financial Regulatory Commission to submit information and document pursuant to Paragraph 34.1. of this law is obliged to fulfill that requirement.

Article 35. Provision of assistance to foreign supervisory organizations

- 35.1. In the event that a foreign supervisory organization makes a written request for assistance to their activities, the Financial Regulatory Commission may provide it with relevant information and documentations compliant to Article 35 of this law.
- 35.2. The following considerations shall be taken into account when making a decision on whether or not to provide a foreign supervisory organization with information and documents:
- 35.2.1. whether the foreign supervisory organization provided the Financial Regulatory Commission with similar assistance in the past or whether the foreign supervisory organization will provide similar assistance in the future;
 - 35.2.2. whether the possible assistance is in conformity with the laws of Mongolia and suitable for the public interests;
 - 35.2.3. the nature of the area in which the assistance is asked to be provided and the importance of the area to Mongolia;
 - 35.2.4. whether the foreign supervisory organization is prepared to cover the expenses which shall incur 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 Article 43. of this law.
- 35.3. The Financial Regulatory Commission may request the foreign supervisory organization to make clarifications and explanations related to the information or documents that it is requesting.
- 35.4. In the event that the foreign supervisory organization fails to respond to the request

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specified in Paragraph 35.3. of this law, the Financial Regulatory Commission may refuse to provide the requested assistance.

CHAPTER NINE. ENFORCEMENT ARTICLE

36. Grounds for taking coercive measures

36.1. The following are the grounds upon which the Financial Regulatory Commission may take enforcement actions against insurance intermediaries:

- 36.1.1. if a violation of this law, other relevant legislation and set of insurance regulations is not a criminal offense;
- 36.1.2. carrying on business in a manner detrimental to the client and the public interests, or for an insurance agent, to the interests of the insurer;
- 36.1.3. becoming or likely to become insolvent;
- 36.1.4. failing to comply with tasks and directives given by the Financial Regulatory Commission;
- 36.1.5. violation of license terms and conditions;
- 36.1.6. where a licensee or a director or key employee of the licensee or a person who owns more than 10 percent of the company shares is not a fit and proper person;
- 36.1.7. providing the Financial Regulatory Commission with any 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 Financial Regulatory Commission on a compliance inspection;
- ~~36.1.11. failing to pay a fine imposed by the Financial Regulatory Commission on time;~~
(revoked section)
- 36.1.12. other grounds specified in the relevant laws and regulations.

Article 37. Types of coercive measures

37.1. On the basis of the grounds specified in Article 36 of this law, the Financial Regulatory Commission shall take the following types of enforcement actions:

- 37.1.1. revocation or suspension of the license;
- 37.1.2. cancellation or termination of the license;
- 37.1.3. appointment of an examiner as specified in Article 42 of this law;
- 37.1.4. giving of a directive as provided in Article 41 of this law;
- 37.1.5. appointment of a suitable qualified and experienced specialist who is responsible for advising the insurance intermediary on the proper conduct of its business.

Article 38. Revocation or suspension of the license

38.1. The following grounds shall trigger the Financial Regulatory Commission to suspend or revoke the license:

- 38.1.1. presence of any of the grounds specified in Paragraph 36.1. of this law;
- 38.1.2. failing to initiate its operations within six months after the granting of a license or stopping to operate;
- 38.1.3. failing to make 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. the period prescribed by the Financial Regulatory Commission;
- 38.2.2. until the directives or requirements of the Financial Regulatory Commission is fulfilled by the licensee

38.3. The period specified in Section 38.2.1 shall not be longer than six months.

38.4. In the event that a licensee fails to meet the requirements specified in Section 39.2.2

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- within six months after the suspension of the license, the license shall be cancelled.
- 38.5. The Financial Regulatory Commission shall deliver a statement to the licensee 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 Paragraph 38.5. of this law fails, within 14 days after the receipt of the suspension statement, to submit to the Financial Regulatory Commission a written explanation of the reasons why the license should not be suspended, the license shall automatically be suspended.
- 38.7. If the license is suspended, the Financial Regulatory Commission shall deliver to the licensee a written statement stating:
- 38.7.1. that the license is suspended;
 - 38.7.2. the grounds based on which the license was suspended and the date of suspension;
 - 38.7.3. the period for which the license is suspended.
- 38.8. The Financial Regulatory Commission shall publicly announce the suspension in accordance with the set of insurance regulations.

Article 39. Termination or cancellation of the license

- 39.1. The following are the grounds upon which the Financial Regulatory Commission shall terminate/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. evidence that the licensee provided the Financial Regulatory Commission with any false or forged documents on making application for the license was discovered;
 - 39.1.4. repeatedly or seriously breached the conditions of the license;
 - 39.1.5. failed to meet the Financial Regulatory Commission requirements of remedial actions within the suspension period.
- 39.2. The Financial Regulatory Commission 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. In the event that the licensee who received the cancellation statement specified in Paragraph 39.2. of this law fails, within 14 days after the receipt of the cancellation statement, to submit to the Financial Regulatory Commission a written explanation of the reasons why the license should not be cancelled, the license shall automatically be cancelled.
- 39.4. If the license is cancelled, the Financial Regulatory Commission 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 Financial Regulatory Commission shall publicly announce the cancellation in accordance with the set of insurance regulations.

Article 40. The Financial Regulatory Commission's application to the Court for protection of assets of insurance intermediaries

- 40.1. The Financial Regulatory Commission 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 Paragraph 38.1. and Paragraph 39.1. of this law.
- 40.2. When making a court application specified in Paragraph 40.1. of this law, the Financial Regulatory Commission 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

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- be made prior to the delivery of suspension or cancellation statement to the licensee specified in Paragraph 38.5. and Paragraph 39.2. of this law.
- 40.4. Under the specification of Paragraph 4.1. of this law, the following actions may be taken:
- 40.4.1. a decision to forbid 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 Section 40.4.2., the court shall determine his/her authorities, wages amount, and the procedure to submit reports to the court and the Financial Regulatory Commission.
- 40.6. The court may take any of the following actions 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 representative's rights and authorities;
 - 40.6.3. end the representative's authorities.

Article 41. Directives

- 41.1. In the event of taking enforcement actions, the Financial Regulatory Commission may give the following directives to the insurance intermediary:
- 41.1.1. restrict the insurance intermediary from undertaking particular activity(ies) on a temporary basis;
 - 41.1.2. prohibit the insurance intermediary to make agreements/contracts related to particular activities;
 - 41.1.3. require the insurance intermediary to submit necessary information and documents in a time shorter than what is provided in this law, other relevant laws and legislations and set of insurance regulations.
 - 41.1.4. in the case of a client or an insurance agent, require it 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 Financial Regulatory Commission as specified in Paragraph 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 basis of the grounds specified in Paragraph 36.1. of this law, the Financial Regulatory Commission may appoint one or more persons as the examiner/s to examine and inspect the activities of the insurance intermediary.
- 42.2. The examiner appointed according to Paragraph 42.1. of this law is empowered to make examination in the following areas:
- 42.2.1. scope and nature/condition 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 Financial Regulatory Commission.

CHAPTER TEN. MISCELLANEOUS

Article 43. Information confidentiality

- 43.1. When exercising their authorities specified by this law and other legislation, the Financial Regulatory Commission 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. Paragraph 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 Financial Regulatory Commission required to disclose the information;
 - 43.2.3. necessitated by their duties, the heads and managements of the court, prosecutor's office, police department, intelligence office and law enforcement organization that requested disclosure;
 - 43.2.4. a person who is required to obtain confidential information in order to fulfill duties provided by the law;
 - 43.2.5. the information is accessible to the public through other sources or the information is already publicized;
 - 43.2.6. the information that can be disclosed in a manner that the involved person specified in Paragraph 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 Paragraph 35.1. of this law.

Article 44. Appeal against a decision made by the Financial Regulatory Commission

- 44.1. A natural or legal person shall address any dispute related to the activities of insurance intermediaries to the Financial Regulatory Commission for resolution. In the event that the person refuses to accept the Financial Regulatory Commission's decision, he/she may appeal the decision in the court within 10 working days after the decision came into force.
- 44.2. An appeal against a decision made by the Financial Regulatory Commission shall not serve as grounds for suspending the decision to impose sanctions.

Article 44¹. Arbitration dispute settlement

- 44¹.1. If there is an arbitration agreement, disputes related to the activities of an insurance intermediaries shall be settled by arbitration.
- 44¹.2. Article 44 of this law shall not apply in the case of resolving a dispute through arbitration in accordance with Paragraph 44.1 of this law.

Article 45. Liability for breach of the law

- 45.1. If an action of an official violating this law is not of a criminal nature, he/she shall be subject to liability specified in the Law on Civil Service.
- 45.2. Any person or legal entity who breaches this law shall be subject to liability specified in the Criminal Code or the Law on Infringement.

Article 46. Limited responsibility of the Financial Regulatory Commission official

- 46.1. An official of the Financial Regulatory Commission 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.

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.

S. Tumur-Ochir

Chairman, State Great Khural