Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

23 September 2021 [shall come into force on 20 October 2021];

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Insurance and Reinsurance Distribution Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

(1) The following terms are used in this Law:

1) **insurance agent** – a natural or legal person who is not an insurance or reinsurance merchant, a branch of a foreign insurer, a branch of a foreign reinsurer, an insurance or reinsurance broker, or an ancillary insurance intermediary, or their employee, and who is pursuing insurance distribution on behalf and in the interests of an insurance merchant or a branch of a foreign insurer;

2) **insurance-based investment product** – an insurance product which provides for disbursement of an insurance sum upon expiration of the time period of the insurance contract or disbursement of the surrender sum and the insurance sum or surrender sum of which is exposed, directly or indirectly, to market fluctuations, except for:

a) non-life insurance products which are offered in the non-life insurance types referred to in Section 19, Paragraph one of the Insurance and Reinsurance Law;

b) life insurance contracts where the insurance compensation under the abovementioned contract is payable only on death of the insured person or in respect of incapacity for work due to injury, sickness, or disability;

3) **insurance distribution** – the provision of recommendations, the offering of insurance, the preparation of the documents necessary for the conclusion of an insurance contract, the explaining of the provisions of the insurance contract, including the rights and obligations specified in the insurance contract, the performance of other operations necessary for the conclusion of an insurance contract, the conclusion or servicing of the abovementioned contract, as well as the provision of information regarding one or several insurance products on the basis of the criteria selected by a customer with the intermediation of a website or a mobile application;

4) **employee directly involved in insurance distribution** – a person who has the knowledge and skills necessary for insurance distribution and who is entitled to pursue insurance distribution on behalf of the insurance distributor;

5) **insurance distributor** – an insurance merchant, a branch of a foreign insurer, an insurance intermediary, or an ancillary insurance intermediary;

6) **association of insurance distributors** – an association which has been established in accordance with the Associations and Foundations Law and in which insurance distributors have joined in order to achieve the objective laid down in the articles of association;

7) **ancillary insurance intermediary** – a natural or legal person, other than a credit institution or an investment brokerage company, which, for remuneration, pursues insurance distribution on an ancillary basis, provided that all of the following conditions are met:

a) the principal activity of the person is other than insurance distribution;

b) the person only distributes insurance which is complementary to a good or service offered thereby;

c) the insurance specified in Sub-clause “b” of this Clause does not provide for coverage of life insurance or liability risks, except for the case when such insurance complements the good or service which the ancillary insurance intermediary is offering within the scope of its principal activity;

8) **insurance intermediary** – an insurance broker or insurance agent who, for remuneration, pursues insurance distribution in accordance with the procedures laid down in this Law;

9) **insurance or reinsurance broker** – a legal person which is not an insurance or reinsurance merchant, a branch of a foreign insurer, a branch of a foreign reinsurer, an insurance agent, or an ancillary insurance intermediary and which pursues insurance or reinsurance distribution on behalf and in the interests of the customer;

10) **branch of a foreign insurance or reinsurance intermediary** – a branch of a foreign insurance or reinsurance intermediary established and registered in the Republic of Latvia;

11) **responsible person** – a member of the board of an insurance or reinsurance intermediary or ancillary insurance intermediary or a person who is employed as the manager or in another senior office by an insurance or reinsurance intermediary or ancillary insurance intermediary and who has the knowledge and skills necessary for insurance or reinsurance distribution, whose duties of the office include the supervision of insurance or reinsurance distribution performed by the insurance or reinsurance intermediary or insurance ancillary intermediary, and who has been granted the right to give instructions to other persons employed by the insurance or reinsurance intermediary or ancillary insurance intermediary who are performing insurance or reinsurance distribution;

12) **remuneration for insurance or reinsurance distribution** – commission or another payment, including work remuneration, other economic benefits, or other monetary or non-monetary benefits or inducements received for insurance or reinsurance distribution;

13) **insurance distributor of a Member State** – an insurance distributor registered in a Member State other than the Republic of Latvia which has the right to distribute insurance in the home state;

14) **supervisory authority of the Member State** – an institution which has been delegated the supervisory function of insurance or reinsurance distribution by the Member State regardless of whether such authority has been established on the basis of law or such function has been delegated thereto by a State administration institution, if the relevant Member State has notified the European Commission of such authority and its rights and obligations;

15) **branch** – a unit of an insurance or reinsurance intermediary or ancillary insurance intermediary which is located in the territory of a Member State other than the home state;

16) **primary place of business** – the location from where the principal activity is managed;

17) **head office** – the location of the board of an insurance or reinsurance distributor;

18) **customer** – a natural or legal person whose intention is to conclude an insurance or reinsurance contract or who according to the:

a) insurance contract is an insurance policy holder;

b) reinsurance contract is a reinsurance policy holder;

19) **home state** – the Member State in which the following is located:

a) the permanent place of residence of the insurance intermediary or ancillary insurance intermediary – a natural person;

b) the legal address of the insurance or reinsurance intermediary or ancillary insurance intermediary – a legal person – or, if in accordance with the national laws and regulations of the insurance or reinsurance intermediary or ancillary insurance intermediary it does not have a legal address, the state where its head office is located;

20) **reinsurance distribution** – the provision of recommendations, the offering of reinsurance, the preparation of the documents necessary for the conclusion of a reinsurance contract, the explaining of the provisions of the reinsurance contract, including the rights and obligations specified in the reinsurance contract, the performance of other operations necessary for the conclusion of a reinsurance contract, the conclusion or servicing of the abovementioned contract;

21) **employee directly involved in reinsurance distribution** – a person who has the knowledge and skills necessary for reinsurance distribution and who is entitled to pursue reinsurance distribution on behalf of the reinsurance distributor;

22) **reinsurance distributor** – an insurance or reinsurance merchant, a branch of a foreign insurer or a branch of a foreign reinsurer, a reinsurance broker;

23) **reinsurance intermediary** – a reinsurance broker who, for remuneration, pursues reinsurance distribution in accordance with the procedures laid down in this Law;

24) **durable medium** – any instrument which enables a customer to store information addressed personally to him or her in a way to ensure accessibility, use, and unchanged reproduction of such information in the necessary period of time;

25) **provision of recommendations** – provision of individual suggestions to a customer regarding one or several insurance products or concluded contracts upon request of a customer or upon initiative of an insurance distributor;

26) **host state** – a Member State, other than home state, in which:

a) an insurance or reinsurance intermediary or ancillary insurance intermediary has a branch;

b) an insurance or reinsurance intermediary or ancillary insurance intermediary provides services in conformity with the principle of freedom to provide services, without opening a branch;

27) **fair analysis of insurance products** – analysis and comparison of insurance products of insurance merchants and branches of foreign insurers which, in the interests of a customer, is performed by an insurance broker by evaluating a sufficient number of insurance products on the market in order to prepare an insurance product that is the most appropriate and corresponding to the needs of the customer for conclusion of an insurance contract;

28) **fair analysis of reinsurance products** – analysis and comparison of reinsurance products of insurance or reinsurance merchants, branches of foreign insurers, and branches of foreign reinsurers which, in the interests of a customer, is performed by a reinsurance broker by evaluating a sufficient number of reinsurance products on the market in order to prepare a reinsurance product that is the most appropriate and corresponding to the needs of the customer for conclusion of a reinsurance contract.

(2) Other terms used in this Law conform to the terms used in the Insurance and Reinsurance Law and the Insurance Contract Law, the Financial Instrument Market Law, and Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (hereinafter – Regulation No 1286/2014).

**Section 2. Purpose and Scope of Application of the Law**

(1) The purpose of this Law is to promote the protection of interests of customers, ensuring that insurance and reinsurance distribution is reliable, efficient, safe, and stable, as well as ensuring equal conditions of competition among distributors, particularly in the field of provision of information.

(2) This Law prescribes the commencement and performance of insurance and reinsurance distribution.

(3) This Law shall apply to any person who pursues or wishes to pursue insurance or reinsurance distribution.

**Section 3. Exceptions to the Scope of Application of the Law**

(1) This Law shall not apply to the distribution of State funded pension schemes in accordance with the Law on State Funded Pensions and the distribution of pension plans in accordance with the law On Private Pension Funds.

(2) This Law, except for Section 5, Paragraph three and Section 37, Paragraph two thereof, shall not apply to ancillary insurance intermediaries pursuing insurance distribution, if the following conditions are met concurrently:

1) insurance is only complementary to the good or service offered and provides for one of the following cases:

a) covering of such losses which are related to defect, damage to, or loss of the offered good or the risk of not using the offered service;

b) covering of such losses which are related to a damage to or loss of baggage and to other risks of travel services provided by the ancillary insurance intermediary;

2) the amount of the insurance premium paid for insurance, upon calculating it in proportion to the insurance period, does not exceed EUR 600 per year or, if insurance is complementary to the service referred to in Clause 1 of this Paragraph the duration of which does not exceed 90 days, the amount of the insurance premium paid per person does not exceed EUR 200.

(3) The following shall not be considered insurance or reinsurance distribution:

1) the provision of information for advertising purposes as an ancillary service within the scope of another principal activity if the provider of information does not perform any additional measures to assist in concluding or performing an insurance or reinsurance contract;

2) the administration of insurance or reinsurance claims of an insurance or reinsurance merchant, a branch of a foreign insurer, or a branch of a foreign reinsurer;

3) the loss assessment or the calculation of the insurance compensation;

4) only the provision of data and information to an insurance or reinsurance intermediary or an insurance or reinsurance merchant, a branch of a foreign insurer, or a branch of a foreign reinsurer regarding the potential insurance or reinsurance policy holders, if the data and information provider does not perform any additional measures to assist in concluding an insurance or reinsurance contract;

5) only the provision of information to the potential insurance or reinsurance policy holders regarding insurance or reinsurance products, the insurance or reinsurance intermediary, the insurance or reinsurance merchant, the branch of the foreign insurer, or the branch of the foreign reinsurer, if the information provider does not perform any additional measures to assist in concluding an insurance or reinsurance contract.

**Section 4. Rights of Insurance or Reinsurance Distribution**

(1) Any person in accordance with that laid down in this Law is entitled to pursue insurance or reinsurance distribution.

(2) A branch of a foreign insurance or reinsurance intermediary may pursue insurance or reinsurance distribution in the Republic of Latvia in accordance with the requirements laid down in this Law for an insurance or reinsurance intermediary.

(3) An insurance agent is entitled to pursue insurance distribution only on behalf and in the interests of one insurance merchant or branches of one foreign insurer or on behalf and in the interests of several insurance merchants or branches of foreign insurers, distributing life and non-life insurance products that are not in mutual competition, if insurance merchants are in one group of commercial companies, except for the case referred to in Paragraph four of this Section.

(4) An insurance agent – credit institution – is entitled to pursue insurance distribution on behalf and in the interests of several insurance merchants or branches of foreign insurers if insurance is complementary to a service provided within the scope of the principal activity of the credit institution or the insurance to be distributed does not provide for distribution of insurance products that are in mutual competition. The insurance agent – credit institution – is not entitled to provide a recommendation to a customer or to prepare an insurance product on the basis of a fair analysis of insurance products.

(5) A registered ancillary insurance intermediary of an insurance merchant or a branch of a foreign insurer is entitled to pursue insurance distribution on behalf and in the interests of several insurance merchants or branches of foreign insurers if the insurance to be distributed by several insurance merchants or branch of a foreign insurer does not provide for distribution of insurance products that are in mutual competition.

(6) An insurance or reinsurance broker may use the services only of such insurance or reinsurance broker or ancillary insurance intermediary in insurance or reinsurance distribution which is entitled to pursue insurance or reinsurance distribution.

(7) A registered ancillary insurance intermediary of an insurance broker is not entitled to provide a recommendation to a customer or to prepare an insurance product on the basis of a fair analysis of insurance products.

(8) An insurance or reinsurance distributor does not have the right to employ a person as the responsible person or an employee directly involved in insurance or reinsurance distribution if he or she has not been fulfilling the obligations of the responsible person or employee for more than a year. The prenatal and maternity leave, the parental leave, as well as the period of incapacity for work, if the reason for incapacity for work had been an accident at work the cause of which is related to exposure to the factors of the working environment or an occupational disease, and other cases referred to in laws and regulations shall not be included in this period of time. The person may resume the fulfilment of the abovementioned obligations after fulfilment of the requirements laid down in Chapter III of this Law.

(9) An insurance and reinsurance distributor may not disclose the information obtained during the course of insurance and reinsurance distribution regarding the customer, third party, or beneficiary, except for information which is necessary for the distribution of insurance and reinsurance services, as well as in the cases provided for in this Law and other laws. The insurance and reinsurance distributor may transfer the information regarding the customer, third party, or beneficiary to another insurance and reinsurance distributor, insurance distributor of a Member State, or an insurance merchant and a branch of a foreign insurer on the basis of a contract. If information regarding the customer and the third party is disclosed in the cases provided for in laws, the insurance and reinsurance distributor shall not be liable for the consequences of disclosing the information.

**Chapter II**

**Registration of Insurance and Reinsurance Distributors**

**Section 5. Requirements for the Commencement of Insurance and Reinsurance Distribution**

(1) An insurance or reinsurance broker may commence insurance or reinsurance distribution only after registration in the register of insurance and reinsurance brokers.

(2) An insurance agent may commence insurance distribution only after registration in the register of insurance agents.

(3) An ancillary insurance intermediary may commence insurance distribution only after registration in the register of ancillary insurance intermediaries.

(4) An insurance or reinsurance merchant or a branch of a foreign insurer which has received an insurance or reinsurance licence in accordance with the Insurance and Reinsurance Law may commence insurance or reinsurance distribution.

(5) Insurance or reinsurance brokers shall be registered in the register of insurance and reinsurance brokers maintained by the Financial and Capital Market Commission (hereinafter – the Commission).

(6) Insurance agents shall be registered in the register of insurance agents maintained by an insurance agent or a branch of a foreign insurer.

(7) Ancillary insurance intermediaries shall be registered in the register of ancillary insurance intermediaries maintained by an insurance merchant, a branch of a foreign insurer, or an insurance broker.

(8) An insurance or reinsurance distributor shall register employees directly involved in insurance or reinsurance distribution and maintain the relevant register. An insurance intermediary and an ancillary insurance intermediary shall register the responsible person and maintain the relevant register.

(9) The Commission shall perform supervision of the registration of insurance agents, ancillary insurance intermediaries, as well as the registration of the persons referred to in Paragraph eight of this Section.

**Section 6. Persons to be Entered in the Register of Insurance and Reinsurance Brokers, the Register of Insurance Agents, and the Register of Ancillary Insurance Intermediaries**

(1) The Commission shall enter the following in the register of insurance and reinsurance brokers:

1) a capital company entered in the commercial register of the Enterprise Register;

2) a branch of a foreign insurance or reinsurance broker.

(2) An insurance merchant or a branch of a foreign insurer shall enter the following persons in the register of insurance agents:

1) a commercial company entered in the commercial register of the Enterprise Register;

2) an individual merchant entered in the commercial register of the Enterprise Register or a natural person registered as a performer of economic activity in the Taxpayers’ Register of the State Revenue Service;

3) a cooperative society entered in the records of the Enterprise Register.

(3) An insurance merchant, a branch of a foreign insurer, or an insurance broker shall enter the following persons in the register of ancillary insurance intermediaries:

1) a commercial company entered in the commercial register of the Enterprise Register;

2) an individual merchant entered in the commercial register of the Enterprise Register or a natural person registered as a performer of economic activity in the Taxpayers’ Register of the State Revenue Service;

3) a cooperative society entered in the records of the Enterprise Register.

(4) Registration of the persons referred to in Paragraphs one, two, and three of this Section in the register of insurance and reinsurance brokers, insurance agents, or ancillary insurance intermediaries shall give the right to pursue insurance or reinsurance distribution in other Member States in conformity with the principle of foundation or freedom to provide services and the requirements of this Law.

**Section 7. Register of Insurance and Reinsurance Brokers**

(1) The following information shall be entered in the register of insurance and reinsurance brokers:

1) the firm name, registration number, legal address, telephone number, electronic mail address of the insurance or reinsurance broker and the website address where public access to the information specified in this Law is ensured;

2) the type of the insurance or reinsurance broker in accordance with Section 6, Paragraph one of this Law and information regarding whether the broker pursues the distribution of life or non-life insurance;

3) the given name and surname of the responsible person of the insurance or reinsurance broker;

4) the Member State in which the insurance or reinsurance broker is entitled to pursue insurance or reinsurance distribution in conformity with the principle of foundation or freedom to provide services;

5) information regarding whether the insurance or reinsurance broker has the right to receive insurance or reinsurance premiums and other payments according to the insurance or reinsurance contract concluded;

6) a note regarding the maintenance of the register of ancillary insurance intermediaries.

(2) If any of the information referred to in Paragraph one of this Section changes, the insurance or reinsurance broker shall, within seven days, submit a relevant notification to the Commission.

(3) The Commission shall make changes to the register of insurance and reinsurance brokers within five days after receipt of the information referred to in Paragraph two of this Section.

(4) The register of insurance and reinsurance brokers shall be available to the public, it shall be publicly reliable, and any person has the right to become acquainted with it on the website of the Commission.

**Section 8. Requirements for the Registration of Insurance and Reinsurance Brokers**

(1) In order to register in the register of insurance and reinsurance brokers, an insurance or reinsurance broker shall submit to the Commission:

1) a submission regarding entering in the register of insurance and reinsurance brokers;

2) the following information regarding the responsible person and documents certifying that he or she complies with the requirements of Section 16, Paragraph one of this Law:

a) the given name, surname, personal identity number;

b) copies of documents certifying education;

c) an opinion issued by the association of insurance distributors that the person has the knowledge and skills necessary for insurance or reinsurance distribution in accordance with the requirements of this Law;

d) a document issued by the national competent authority certifying that none of the conditions referred to in Section 19, Clause 1 of this Law applies to the responsible person (only a non-resident);

3) the list of such shareholders or members which have a qualifying holding in the insurance or reinsurance broker, indicating the amount of holding;

4) the list of such persons which have close links with the insurance or reinsurance broker;

5) a certification that the qualifying holding and close links referred to in Clauses 3 and 4 of this Paragraph do not restrict the possibilities of the Commission to carry out the supervisory functions;

6) information regarding the insurance or reinsurance broker, indicating the firm name, registration number, legal address, telephone number, electronic mail address, and website address where public access to the information specified in this Law will be ensured;

7) a copy of the civil liability insurance contract referred to in Section 28 of this Law or a guarantee issued by a credit institution;

8) a copy of the contract concluded with the credit institution regarding opening of a separate cash account which indicates that the monies in the account are monies acquired as a result of the activities of the insurance or reinsurance broker in accordance with the requirements of Section 31 of this Law, and information regarding the procedure by which transfer of the funds received from customers into a separate cash account in the credit institution will be ensured. The requirements of this Clause shall apply to insurance or reinsurance brokers which are planning to receive premiums or other payments according to the insurance or reinsurance contract concluded;

9) information regarding the procedure by which the insurance or reinsurance broker ensures fulfilment of the requirements of Section 16 of this Law;

10) information regarding the procedure for the protection of an information system;

11) information regarding the procedure for the fulfilment of the requirements of the laws and regulations regarding the prevention of money laundering and terrorism and proliferation financing if an insurance or reinsurance broker distributing life insurance is registered;

12) information regarding the procedure by which the insurance or reinsurance broker examines complaints of customers;

13) information regarding the organisational structure of the insurance or reinsurance broker, as well as regarding the division of authorisation and obligations of the board and the responsible person for insurance or reinsurance distribution;

14) information regarding the procedure by which fulfilment of the requirements of Section 13 of this Law is ensured;

15) information regarding the procedure by which fulfilment of the requirements of Section 23, Paragraph six of this Law is ensured;

16) a document certifying the payment performed for examination of the documents submitted to the register of insurance and reinsurance brokers – EUR 250.

(2) The Commission shall examine the submission regarding entering of an insurance or reinsurance broker in the register of insurance and reinsurance brokers and take the decision to make an entry or to refuse to make an entry within 30 days after receipt of the documents referred to in Paragraph one of this Section, if they have been drawn up in accordance with the laws and regulations regarding the procedures for the development and drawing up of documents.

(3) Upon examining the documents referred to in Paragraph one of this Section, the Commission has the right to request that the insurance or reinsurance broker eliminates deficiencies in the submitted documents and to determine a time period for elimination of such deficiencies. The time period indicated in Paragraph two of this Section is suspended until the day when deficiencies are eliminated, but not later than for 30 days.

(4) The insurance or reinsurance broker is entitled to submit the copy of the civil liability insurance contract or a guarantee issued by a credit institution referred to in Paragraph one, Clause 7 of this Section after the decision of the Commission referred to in Paragraph two of this Section to make an entry in the register of insurance and reinsurance brokers has been taken. The Commission shall make an entry in the register of insurance and reinsurance brokers on the same day when the copy of the civil liability insurance contract or a guarantee issued by a credit institution referred to in Paragraph one, Clause 7 of this Section has been received.

(5) If changes are made to the information referred to in Paragraph one, Clause 2, 3, 4, 5, or 6 of this Section, the insurance or reinsurance broker shall inform the Commission within seven days after making thereof.

(6) If amendments have been made to any of the documents referred to in Paragraph one, Clause 7, 8, 9, 10, 11, 12, 13, 14, or 15 of this Section, the insurance or reinsurance broker shall submit the amended document or its copy to the Commission within seven days after entering into effect thereof.

[*23 September 2021 /* *Amendments regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 9. Refusal to Register the Insurance or Reinsurance Broker and Cancellation of an Entry in the Register**

(1) The Commission shall take the decision to refuse to register an insurance or reinsurance broker in the register in any of the following cases:

1) all the documents referred to in Section 8, Paragraph one of this Law have not been submitted within the time period stipulated by the Commission in accordance with Section 8, Paragraph three of this Law, taking into consideration the exception specified in Paragraph four of the same Section;

2) the documents submitted by the insurance or reinsurance broker contain false or incomplete information, and the insurance or reinsurance broker has not eliminated the deficiencies detected in the submitted documents within the time period stipulated by the Commission;

3) the procedures developed by the insurance or reinsurance broker do not conform to the requirements of this Law and such laws and regulations which govern the procedures for the development and drawing up of documents, personal data protection, prevention of money laundering and terrorism and proliferation financing, and the insurance or reinsurance broker has not eliminated the deficiencies detected in the procedures within the time period stipulated by the Commission;

4) the responsible person of the insurance or reinsurance broker does not comply with the requirements of this Law;

5) laws of a Member State or a foreign state, as well as the laws and regulations related to the persons who have close links with the insurance or reinsurance broker restrict the right of the Commission to perform the supervision functions.

(2) The Commission is entitled to check the conformity of the insurance or reinsurance broker with the registration conditions.

(3) If the Commission has taken the decision to refuse to register the insurance or reinsurance broker in the register of insurance and reinsurance brokers, the submission regarding entering in such register may be resubmitted after elimination of all the deficiencies referred to in the refusal.

(4) The Commission is entitled to cancel an entry in the register of insurance and reinsurance brokers in any of the following cases:

1) any of the cases referred to in Paragraph one of this Section has been detected;

2) the insurance or reinsurance broker has not pursued insurance or reinsurance distribution for more than a year;

3) the insurance or reinsurance broker has violated this Law, the requirements of the laws and regulations issued on the basis of this Law or directly applicable legal acts of the European Union in the field of insurance or reinsurance distribution;

4) the insurance or reinsurance broker has violated the requirements of the laws and regulations regarding the prevention of money laundering and terrorism and proliferation financing;

5) the insurance or reinsurance broker operating in another Member State, in conformity with the principle of foundation or freedom to provide services, has violated the requirements of the laws protecting the public interests of the relevant Member State or of other laws and regulations.

(5) The Commission shall cancel an entry in the register of insurance and reinsurance brokers in any of the following cases:

1) the insurance or reinsurance broker is being liquidated;

2) the insurance or reinsurance broker requests cancellation of the entry in the register of insurance and reinsurance brokers.

(6) Upon evaluating the violation committed which allows cancellation of the entry in the register of insurance and reinsurance brokers, the Commission is entitled to implement one or several of the following activities prior to cancellation of the entry:

1) to warn the insurance or reinsurance broker and to determine a reasonable time period for elimination of the violations detected;

2) to determine reasonable restrictions for the operation of the insurance or reinsurance broker.

(7) If an administrative act issued by the Commission regarding cancellation of an entry made in the register of insurance and reinsurance brokers or the activities provided for in Paragraph six of this Section and implemented is being appealed, it shall not suspend the operation of such act.

(8) The Commission shall inform the supervisory authority of such Member State in which the insurance or reinsurance broker has the right to pursue insurance or reinsurance distribution, regarding whether the entry made in relation to the insurance or reinsurance broker in the register of insurance and reinsurance intermediaries has been cancelled.

[*23 September 2021 /* *Amendments regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 10. Register of Insurance Agents**

(1) The following information shall be entered in the register of insurance agents:

1) the firm name, registration number, legal address, telephone number, electronic mail address of the insurance agent and the website address where public access to the information specified in this Law is ensured. In relation to an insurance agent – natural person who has been registered in the Taxpayers’ Register of the State Revenue Service as a performer of economic activity – the given name and surname, telephone number, electronic mail address and the website address where public access to the information specified in this Law shall be entered in the register of insurance agents;

2) the given name and surname of the responsible person of the insurance agent;

3) the Member State in which the insurance agent is entitled to pursue insurance distribution in conformity with the principle of foundation or freedom to provide services;

4) whether the insurance agent has the right to receive insurance premiums and other payments according to the insurance contract concluded.

(2) An insurance merchant or a branch of a foreign insurer shall make changes to the register of insurance agents within five days after receipt of the information referred to in Section 11, Paragraph four of this Law.

(3) An insurance merchant or a branch of a foreign insurer shall be responsible for the correctness and completeness of the information entered in the register of insurance agents.

(4) The register of insurance agents shall be available to the public, it shall be publicly reliable, and any person has the right to become acquainted with it on the website of the insurance merchant or the branch of the foreign insurer.

(5) The Commission shall publish a list of such insurance merchants and branches of foreign insurers on its website which are maintaining the register of insurance agents with a reference to the websites of insurance merchants and branches of foreign insurers on which the register of insurance agents is available.

**Section 11. Requirements for the Registration of the Insurance Agent and Conditions for the Conclusion of a Distribution Contract**

(1) An insurance merchant or a branch of a foreign insurer shall register such insurance agent in the register of insurance agents who has concluded a distribution contract with the insurance merchant or the branch of the foreign insurer.

(2) An insurance merchant or a branch of a foreign insurer may conclude the distribution contract referred to in Paragraph one of this Section if the insurance agent complies with the requirements of this Law and if the insurance merchant or the branch of the foreign insurer has received the following documents and information:

1) the following information regarding the responsible person and documents certifying that he or she complies with the requirements of Section 16, Paragraph three of this Law:

a) the given name, surname, personal identity number;

b) copies of documents certifying education;

c) a document issued by the national competent authority certifying that none of the conditions referred to in Section 19, Clause 1 of this Law applies to the responsible person;

2) the firm name (the given name and surname – for a natural person who has been registered in the Taxpayers’ Register of the State Revenue Service as a performer of economic activity), registration number, legal address (address of the place of business), telephone number, electronic mail address of the insurance agent and the website address where public access to the information specified in this Law is ensured;

3) the list of such shareholders or members which have a qualifying holding in the insurance agent, indicating the amount of holding;

4) the list of such persons which have close links with the insurance agent;

5) a certification that the qualifying holding and close links referred to in Clauses 3 and 4 of this Paragraph do not restrict the possibilities of the Commission to carry out the supervisory functions;

6) a copy of the contract concluded with the credit institution regarding opening of a separate cash account which indicates that the monies in the account are monies acquired as a result of the activities of the insurance agent in accordance with the requirements of Section 31 of this Law, and information regarding the procedure by which transfer of the funds received from customers into a separate cash account in the credit institution will be ensured. The requirements of this Clause shall apply to insurance agents which are planning to receive insurance premiums or other payments according to the insurance contract concluded;

7) information regarding the procedure by which the insurance agent shall ensure fulfilment of the requirements of Section 16 of this Law;

8) information regarding the procedure for the protection of an information system;

9) information regarding the procedure for the fulfilment of the requirements of the laws and regulations regarding the prevention of money laundering and terrorism and proliferation financing if the insurance agent is distributing life insurance;

10) information regarding the procedure by which the insurance agent examines complaints of customers;

11) information regarding the organisational structure of the insurance agent – legal person, as well as regarding the division of authorisation and obligations of the board and the responsible person for insurance distribution;

12) a copy of the civil liability insurance contract referred to in Section 28 of this Law or a guarantee issued by a credit institution if an agreement has not been reached with the insurance merchant or branch of the foreign insurer regarding taking full responsibility for the losses caused to the customers or other interested persons due to the mistake or negligence of the insurance agent.

(3) An insurance merchant or a branch of a foreign insurer may not conclude a distribution contract with the insurance agent if:

1) all the documents referred to in Paragraph two of this Section have not been submitted or the submitted documents contain false or incomplete information;

2) the responsible person of the insurance agent does not comply with the requirements of this Law.

(4) If changes are made to the information referred to in Paragraph two, Clause 1, 2, 3, 4, or 5 of this Section, the insurance agent shall inform the insurance merchant or the branch of the foreign insurer within seven days after making thereof.

(5) If amendments have been made to any of the documents referred to in Paragraph two of this Section, the insurance agent shall, within seven days after entering into effect thereof, submit the relevant amended document or its copy to the insurance merchant or the branch of the foreign insurer.

(6) The insurance merchant or the branch of the foreign insurer shall cancel an entry in the register of insurance agents if the distribution contract concluded between the insurance merchant or the branch of the foreign insurer and the insurance agent is terminated.

(7) The insurance merchant or the branch of the foreign insurer shall develop and approve the procedure by which fulfilment of the requirements of Sections 10, 11, and 12 of this Law is ensured and shall ensure the conformity therewith.

[*23 September 2021 /* *Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 12. Provisions of the Distribution Contract**

The distribution contract referred to in Section 11, Paragraph one and Section 13, Paragraph six of this Law shall contain:

1) the provisions of insurance distribution;

2) the rights of the insurance merchant or the branch of the foreign insurer to terminate the distribution contract without delay if:

a) the insurance agent has violated this Law, the requirements of the laws and regulations issued on the basis of this Law or directly applicable legal acts of the European Union in the field of insurance or reinsurance distribution;

b) the insurance agent operating in a Member State, in conformity with the principle of foundation or freedom to provide services, has violated the requirements of the laws and regulations protecting the public interests of the Member State;

c) the insurance agent has violated the requirements of the laws and regulations regarding the prevention of money laundering and terrorism and proliferation financing;

d) the Commission has taken the decision to cancel the entry made in the register of insurance agents in relation to the insurance agent;

3) the rights of the insurance merchant or the branch of the foreign insurer and the insurance agent to agree on additional conditions for termination of the distribution contract;

4) other provisions which are necessary for fulfilment of the requirements of this Law.

[*23 September 2021 /* *Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 13. Register of Ancillary Insurance Intermediaries and Registration Requirements**

(1) An insurance merchant, a branch of a foreign insurer, or an insurance broker shall maintain the register of ancillary insurance intermediaries. The following information shall be entered in the register:

1) the firm name, registration number, legal address, telephone number, and electronic mail address of the ancillary insurance intermediary. In relation to an ancillary insurance intermediary – natural person who has been registered in the Taxpayers’ Register of the State Revenue Service as a performer of economic activity – the given name and surname, telephone number, and electronic mail address shall be entered in the register of ancillary insurance intermediaries;

2) the given name and surname of the responsible person of the ancillary insurance intermediary;

3) the Member State in which the ancillary insurance intermediary pursues insurance distribution in conformity with the principle of foundation or freedom to provide services;

4) information regarding insurance complementary to the good or service offered by the ancillary insurance intermediary;

5) whether this Law is applicable to the ancillary insurance intermediary in accordance with Section 3, Paragraph two thereof;

6) whether the ancillary insurance intermediary has the right to receive insurance premiums and other payments according to the insurance contract concluded.

(2) An insurance merchant, a branch of a foreign insurer, or an insurance broker shall be responsible for the correctness and completeness of the information entered in the register of ancillary insurance intermediaries.

(3) If changes are made to the information referred to in Paragraph one of this Section, the ancillary insurance intermediary shall inform the insurance merchant, the branch of the foreign insurer, or the insurance broker within seven days after making thereof.

(4) The register of ancillary insurance intermediaries shall be available to the public, it shall be publicly reliable, and any person has the right to become acquainted with it on the website of the insurance merchant, the branch of the foreign insurer, or the insurance broker or on another website available to the public with which the insurance or reinsurance broker has agreed upon posting of such information.

(5) The Commission shall publish the list of such insurance merchants, branches of foreign insurers, and insurance brokers on its website which are maintaining the register of ancillary insurance intermediaries with a reference to the websites of insurance merchants, branches of foreign insurers, and insurance brokers on which the register of ancillary insurance intermediaries is available.

(6) The insurance merchant, branch of the foreign insurer, or insurance broker shall register such ancillary insurance intermediary in the register of ancillary insurance intermediaries which has concluded a distribution contract with the insurance merchant, branch of the foreign insurer, or insurance broker.

(7) The insurance merchant, branch of the foreign insurer, or insurance broker may conclude the distribution contract referred to in Paragraph six of this Section if the ancillary insurance intermediary conforms to the requirements of this Law.

(8) The provisions indicated in Section 12 of this Law, except for the requirements of Section 12, Clause 2, Sub-clause “c”, shall be included in the distribution contract referred to in Paragraph six of this Section.

(9) The insurance merchant, branch of the foreign insurer, or insurance broker shall cancel an entry in the register of ancillary insurance intermediaries if the distribution contract concluded between the insurance merchant, branch of the foreign insurer, or insurance broker is terminated.

(10) The insurance merchant, branch of the foreign insurer, or insurance broker shall develop and approve the procedure by which fulfilment of the requirements of this Section is ensured and shall ensure the conformity therewith.

**Section 14. Register of Employees Directly Involved in Insurance or Reinsurance Distribution**

(1) An insurance or reinsurance distributor shall maintain a register in which the given name and surname of an employee directly involved in insurance or reinsurance distribution, as well as the date when he or she has started and ended the fulfilment of the obligations of an employee directly involved in insurance or reinsurance distribution are indicated.

(2) An insurance or reinsurance distributor shall publish a list of such employees directly involved in insurance or reinsurance distribution – the given name and surname – on the website who perform insurance or reinsurance distribution outside the working place or office. An insurance distributor who does not have its own website shall publish the list of the abovementioned persons on the website of such insurance or reinsurance distributor which registered the relevant insurance distributor, or on another website available to the public with which the insurance or reinsurance distributor has agreed upon posting of such information.

**Chapter III**

**Provisions of the Operation of Insurance and Reinsurance Distributors**

**Section 15. Restriction on the Operation of an Insurance or Reinsurance Broker**

An insurance or reinsurance broker is entitled to combine insurance or reinsurance distribution with the operation of an investment service provider in accordance with the procedures laid down in the Financial Instrument Market Law, as well as with signing of the insurance or reinsurance risk according to an outsourcing contract which has been concluded with an insurance or reinsurance merchant or a branch of a foreign insurer, or a branch of a foreign reinsurer.

**Section 16. Requirements for the Responsible Person of the Insurance or Reinsurance Intermediary and an Employee Directly Involved in Insurance or Reinsurance Distribution**

(1) The following natural persons may be the responsible person of an insurance or reinsurance broker and an employee directly involved in insurance or reinsurance distribution:

1) who have acquired appropriate higher education;

2) who have acquired the knowledge and skills recognised by the association of insurance distributors necessary for insurance or reinsurance distribution in accordance with the requirements of this Law;

3) who have an impeccable reputation.

(2) If an insurance or reinsurance broker pursues insurance or reinsurance distribution in another Member State, also a person who complies with the requirements laid down for the particular persons in the relevant Member State may be an employee directly involved in insurance or reinsurance distribution of such a broker.

(3) The following natural persons may be the responsible person of an insurance agent and an employee directly involved in insurance distribution:

1) who have acquired secondary education;

2) who have acquired the knowledge and skills necessary for insurance distribution in accordance with the requirements of this Law;

3) who have an impeccable reputation.

(4) If an insurance agent pursues insurance distribution in another Member State, also a person who complies with the requirements laid down for the particular persons in the relevant Member State may be an employee directly involved in insurance distribution of such an agent.

(5) The requirements laid down in this Law for the responsible person of the insurance agent shall be applicable to an insurance agent – natural person who has been entered in the commercial register of the Enterprise Register as an individual merchant or registered in the Taxpayers’ Register of the State Revenue Service as a performer of economic activity. If the insurance agent – natural person – is employing an employee who pursues insurance distribution, the requirements laid down in this Law for an employee directly involved in insurance distribution of an insurance agent shall be applicable to the relevant employee.

(6) An insurance merchant or a branch of a foreign insurer which have registered an insurance agent in the register of insurance agents shall be responsible for continuous conformity of the insurance agent with the requirements laid down in Chapter II of this Law and this Section.

**Section 17. Requirements for an Employee Directly Involved in Insurance or Reinsurance Distribution of an Insurance or Reinsurance Merchant and a Branch of a Foreign Insurer or a Branch of a Foreign Reinsurer**

(1) The following natural persons may be an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance merchant and a branch of a foreign insurer or a branch of a foreign reinsurer:

1) who have acquired secondary education;

2) who have acquired the knowledge and skills necessary for insurance distribution in accordance with the requirements of this Law;

3) who have an impeccable reputation.

(2) If an insurance company pursues insurance distribution in another Member State, also a person who complies with the requirements laid down for the particular persons in the relevant Member State may be an employee directly involved in insurance or reinsurance distribution of such an insurance company.

**Section 18. Requirements for the Responsible Person of the Ancillary Insurance Intermediary and an Employee Directly Involved in Insurance or Reinsurance Distribution**

(1) The following natural persons may be the responsible person of an ancillary insurance intermediary – legal person – and an employee directly involved in insurance distribution:

1) who have acquired secondary education;

2) who have acquired the knowledge and skills necessary for the operation of an ancillary insurance intermediary in accordance with the requirements of this Law;

3) who have an impeccable reputation.

(2) If an ancillary insurance intermediary pursues insurance distribution in another Member State, also a person who complies with the requirements laid down for the particular persons in the relevant Member State may be an employee directly involved in insurance distribution of such an intermediary.

(3) The requirements laid down in Paragraph one of this Law for the responsible person of the ancillary insurance intermediary shall be applicable to an ancillary insurance intermediary – natural person who has been entered in the commercial register of the Enterprise Register as an individual merchant or registered in the Taxpayers’ Register of the State Revenue Service as a performer of economic activity. If the ancillary insurance intermediary – natural person – is employing an employee who pursues insurance distribution, the requirements laid down in Paragraph one of this Law for an employee directly involved in insurance distribution of an ancillary insurance intermediary shall be applicable to the relevant employee.

(4) An insurance merchant, a branch of a foreign insurer, or an insurance broker which has registered an ancillary insurance intermediary in the register of ancillary insurance intermediaries shall ensure training of the responsible person and employees directly involved in insurance distribution of such ancillary insurance intermediary in order to provide thereto the knowledge and skills necessary in accordance with the requirements of this Law complementary to the good or service offered by the ancillary insurance intermediary.

(5) An insurance merchant, a branch of a foreign insurer, or an insurance broker which has registered an ancillary insurance intermediary in the register of ancillary insurance intermediaries shall be responsible for the conformity of the responsible person and employees directly involved in insurance distribution of such ancillary insurance intermediary with the requirements of Paragraphs one, two of this Section and Section 21, Paragraph two of this Law.

(6) An insurance merchant, a branch of a foreign insurer, or an insurance broker shall be responsible for the insurance distribution performed by the ancillary insurance intermediary registered in the register of ancillary insurance intermediaries maintained thereby and for continuous conformity of the ancillary insurance intermediary with the requirements laid down in Chapter II of this Law and in this Section.

**Section 19. Prohibition to be the Responsible Person and Employee Directly Involved in Insurance or Reinsurance Distribution**

A person who complies with at least one of the following conditions may not be the responsible person and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance intermediary or ancillary insurance intermediary:

1) he or she has been convicted of committing an intentional criminal offence against the State, property or administrative order, or of committing an intentional criminal offence of an economic nature or while in State authority service, or of committing a criminal offence related to terrorism, and the criminal record for it has not been set aside or extinguished;

2) the supervisory and control authority specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing or the competent authority specified in the Law on International Sanctions and National Sanctions of the Republic of Latvia has imposed a sanction thereon and disclosed the information on the sanction (except for a warning) for an international or national sanction or violation of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing on its website, and less than a year has passed since the day when the sanction was imposed;

3) insolvency proceedings of a natural person have been declared for him or her, and less than a year has passed since the day of their termination.

[*23 September 2021*]

**Section 20. Availability of Information Necessary for the Fulfilment of the Requirements of the Law**

In order to assess the conformity of the person with the requirements of this Law, the following persons have the right to receive information from the Punishment Register regarding the criminal record of a person:

1) an insurance merchant, a branch of a foreign insurer, or a branch of a foreign reinsurer – regarding an employee and a person who wishes to commence employment relationships with the insurance merchant, the branch of the foreign insurer, or the branch of the foreign reinsurer – in order to assess the conformity of the person with the requirements of Section 17, Paragraph one, Clause 3 of this Law;

2) an insurance or reinsurance broker – regarding an employee and a person who wishes to commence employment relationships with the insurance or reinsurance broker – in order to assess the conformity of the person with the requirements of Section 16, Paragraph one, Clause 3 of this Law;

3) an insurance merchant, a branch of a foreign insurer – regarding the responsible person and the employee directly involved in insurance distribution of the insurance agent who is fulfilling or has expressed a wish to fulfil the relevant obligations – in order to assess the conformity of the person with the requirements of Section 16, Paragraph three, Clause 3 of this Law;

4) an insurance merchant, a branch of a foreign insurer – regarding the responsible person and the employee directly involved in insurance distribution of the insurance merchant, the ancillary insurance intermediary of the branch of the foreign insurer who is fulfilling or has expressed a wish to fulfil the relevant obligations – in order to assess the conformity of the person with the requirements of Section 18, Paragraph one, Clause 3 of this Law;

5) an insurance broker – regarding the responsible person and the employee directly involved in insurance distribution of the ancillary insurance intermediary of the insurance broker who is fulfilling or has expressed a wish to fulfil the relevant obligations – in order to assess the conformity of the person with the requirements of Section 18, Paragraph one, Clause 3 of this Law.

**Section 21. Prohibition to Fulfil Obligations Related to Insurance or Reinsurance Distribution**

(1) An insurance or reinsurance merchant, a branch of a foreign insurer, a branch of a foreign reinsurer, an insurance or reinsurance intermediary, or an ancillary insurance intermediary has an obligation, by itself or upon request of the Commission, to prohibit the responsible person or employee directly involved in insurance distribution to fulfil obligations related to insurance distribution if he or she:

1) does not comply with the requirements of Section 16, Paragraph one, Clauses 2 and 3, Paragraph two, Paragraph three, Clauses 2, 3, and Paragraph four, Section 17, Section 18, Paragraph one, Clauses 2, 3 and Paragraph two or any of the conditions referred to in Section 19 of this Law apply thereto;

2) has significantly violated this Law, the requirements of the laws and regulations issued on the basis of this Law or directly applicable legal acts of the European Union in the field of insurance or reinsurance distribution.

(2) The person referred to in Section 16, Paragraphs one and three, Section 17, Paragraph one, and Section 18, Paragraph one of this Law has an impeccable reputation if none of the conditions referred to in Section 19 of this Law applies to such person, as well as such circumstances have not been detected which, upon continuation of obligations related to insurance or reinsurance distribution by such person, may harm the reputation of the insurance or reinsurance distributor, cause risk that the insurance or reinsurance distributor is involved in illegal activities, or endanger the rights or interests of customers.

(3) Appeal of the administrative act of the Commission referred to in Paragraph one of this Section shall not suspend the operation thereof .

**Section 22. Restriction on Combining Offices**

(1) The responsible person and an employee directly involved in insurance distribution of an insurance agent or ancillary insurance intermediary are not entitled to fulfil the obligations of a member of the board, the responsible person, and an employee directly involved in insurance distribution concurrently with several insurance distributors, except for the case when insurance distributors are in one group of commercial companies.

(2) A member of the board, the responsible person, and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance broker are not entitled to pursue insurance or reinsurance distribution concurrently with another insurance or reinsurance distributor, except for another insurance or reinsurance broker.

(3) An employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance merchant, a branch of a foreign insurer, and a branch of a foreign reinsurer is not entitled to pursue insurance or reinsurance distribution concurrently with another insurance or reinsurance distributor, except for the case when insurance distributors are in one group of insurance commercial companies.

**Section 23. Training**

(1) The responsible person of an insurance or reinsurance intermediary, ancillary insurance intermediary, and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor has an obligation to continuously renew and supplement his or her knowledge and skills which are necessary for insurance or reinsurance distribution.

(2) In order to fulfil the requirements of Paragraph one of this Section, the responsible person of an insurance or reinsurance intermediary, ancillary insurance intermediary, and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor shall receive, in the amount of at least 15 hours per year, training organised or recognised by the insurance or reinsurance distributor or an association of insurance distributors which conforms to the type of the insurance or reinsurance distributor, the properties of insurance or reinsurance, the aggregate of tasks and operations which is necessary for insurance or reinsurance distribution.

(3) An insurance or reinsurance merchant, a branch of a foreign insurer, or a branch of a foreign reinsurer shall ensure training of its employee directly involved in insurance or reinsurance distribution, taking into account that specified in Paragraph two of this Section. The insurance or reinsurance merchant, the branch of the foreign insurer, or the branch of the foreign reinsurer is entitled to transfer training of its employees directly involved in insurance or reinsurance distribution to an outsourcing service provider.

(4) An association of insurance distributors in which insurance or reinsurance brokers have joined shall check the conformity of the knowledge and skills of the responsible person and an employee directly involved in insurance distribution of an insurance or reinsurance broker with the requirements of this Law and shall provide an opinion thereon. The insurance or reinsurance broker shall be responsible for the fulfilment of the requirements of Paragraphs one and two of this Section by the responsible person and an employee directly involved in insurance distribution of the insurance or reinsurance broker.

(5) An insurance merchant or a branch of a foreign insurer which has registered an insurance agent shall check the conformity of the knowledge and skills of the responsible person and an employee directly involved in insurance distribution of the insurance agent with the requirements of this Law. The insurance merchant or the branch of the foreign insurer shall be responsible for the fulfilment of the requirements of Paragraphs one and two of this Section by the responsible person and an employee directly involved in insurance distribution of the insurance agent. The insurance merchant or the branch of the foreign insurer does not have an obligation to perform the check of the conformity of the knowledge and skills referred to in this Paragraph if the check of the knowledge and skills of the responsible person and directly involved employee of the insurance agent – credit institution – is performed by an association of insurance distributors which is registered with the Commission in accordance with the procedures laid down in Section 25 of this Law.

(6) An insurance merchant, a branch of a foreign insurer, or an insurance broker which has registered an ancillary insurance intermediary shall check the conformity of the knowledge and skills of the responsible person and an employee directly involved in insurance distribution of the ancillary insurance intermediary with the requirements of this Law and shall be responsible that the responsible person and employee directly involved in insurance distribution of the ancillary insurance intermediary meet the requirements of Paragraphs one and two of this Section.

(7) An insurance merchant, a branch of a foreign insurer, or an insurance broker which has registered an ancillary insurance intermediary shall develop and approve the procedure by which fulfilment of the requirements of Paragraph six of this Section is ensured and shall ensure the conformity therewith.

(8) The Commission shall determine the minimum amount of the knowledge and skills necessary for insurance or reinsurance distribution.

**Section 24. Procedure of the Insurance Merchant, Branch of the Foreign Insurer, and Insurance or Reinsurance Broker for Ensuring Fulfilment of the Requirements of this Law**

(1) An insurance merchant or a branch of a foreign insurer shall develop and approve the procedure by which fulfilment of the requirements of Section 16, Paragraph six, Section 17, Section 18, Paragraphs four, five, and six, Section 19, Section 21, Paragraph two, and Section 23, Paragraphs one, three, five, and six of this Law is ensured and shall ensure the conformity therewith.

(2) The insurance merchant or the branch of the foreign insurer shall submit the procedure referred to in Paragraph one of this Section to the Commission within 10 days after approval thereof and shall inform it regarding any changes in such procedure.

(3) The insurance merchant or the branch of the foreign insurer shall, at least once a year, assess the conformity with the procedure referred to in Paragraph one of this Section and its conformity with the operation of the insurance merchant or the branch of the foreign insurer. The insurance merchant or the branch of the foreign insurer has an obligation to improve the relevant procedure without delay after any significant changes to its operation.

(4) The insurance merchant or the branch of the foreign insurer shall determine which unit within the scope of the management system will ensure the implementation of the procedure referred to in Paragraph one of this Section and shall inform the Commission regarding the responsible employee of such unit.

(5) The insurance merchant or the branch of the foreign insurer shall ensure registration of all the documents which are related to fulfilment of the requirements of Section 16, Paragraph six, Section 17, Section 18, Paragraphs four, five, and six, Section 19, Section 21, Paragraph two, and Section 23, Paragraphs one, three, five, and six of this Law is ensured. The register shall be kept electronically, and it shall include texts of the documents and amendments thereto so that it would be possible to track all the entries made therein previously and amendments thereto.

(6) The insurance or reinsurance broker shall ensure registration of all the documents which are related to fulfilment of the requirements of Section 16, Paragraphs one and two, Section 18, Paragraphs four, five, and six, Section 19, Section 21, Paragraph two, and Section 23, Paragraphs one, four, and six of this Law is ensured.

**Section 25. Right of the Association of Insurance Distributors to Provide an Opinion**

(1) An association of insurance distributors only after registration thereof with the Commission may commence provision of opinions on the knowledge and skills acquired by the responsible person of an insurance or reinsurance intermediary, ancillary insurance intermediary and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor which are necessary for insurance or reinsurance distribution.

(2) In order to achieve the registration referred to in Paragraph one of this Section, the association of insurance distributors shall submit to the Commission:

1) a submission for the registration referred to in Paragraph one of this Section;

2) the training programme, indicating acquisition of which knowledge and skills in relation to the properties of insurance or reinsurance to be distributed, the tasks and operations to be performed is possible, to which responsible persons of an insurance or reinsurance intermediary, ancillary insurance intermediary and to which employees directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor such training is provided for, as well as information regarding the process of evaluation of the knowledge and skills acquired.

(3) The Commission shall examine the submission for the registration referred to in Paragraph one of this Section and take the decision to register or to refuse to register within 30 days after receipt of the documents referred to in Paragraph two of this Section, if they have been drawn up in accordance with the laws and regulations regarding the procedures for the development and drawing up of documents.

(4) Upon examining the documents referred to in Paragraph two of this Section, the Commission has the right to request that the association of insurance distributors eliminates deficiencies in the submitted documents and to determine a time period for elimination of such deficiencies. The time period indicated in Paragraph three of this Section is suspended until the day when deficiencies are eliminated, but not later than for 30 days.

(5) The Commission shall take the decision to refuse the registration referred to in Paragraph one of this Section if:

1) all the documents referred to in Paragraph two of this Section have not been submitted within the time period stipulated by the Commission or there is false or incomplete information in the documents submitted, or they do not provide a clear overview as to acquisition of what knowledge and skills necessary for insurance or reinsurance distribution is possible during the training process;

2) the association of insurance distributors does not provide or refuses to provide the information referred to in Section 26 of this Law to the Commission;

3) the training programme does not ensure examination of sufficiency of the knowledge and skills of the responsible person of an insurance or reinsurance intermediary, ancillary insurance intermediary and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor and conformity thereof with the requirements of this Law, and the association of insurance distributors has not eliminated the deficiencies detected in procedures within the time period stipulated by the Commission;

4) the knowledge and skills acquired during the training process are not sufficient to pursue insurance or reinsurance distribution in accordance with the requirements of this Law and the association of insurance distributors has not eliminated the deficiencies detected in procedures within the time period stipulated by the Commission;

5) the association of insurance distributors has not eliminated the deficiencies detected in the submitted documents within the time period stipulated by the Commission in accordance with Paragraph four of this Section.

(6) If the Commission has taken the decision to refuse the registration referred to in Paragraph one of this Section, a repeat submission for the registration referred to in Paragraph one of this Section may be submitted after elimination of all the deficiencies referred to in the refusal.

(7) Upon evaluation of any of the violations referred to in Paragraph five, Clauses 2, 3, and 4 of this Section and detected in the operation of the association of insurance distributors, the Commission is entitled to express a warning to the association of insurance distributors or to cancel the registration referred to in Paragraph one of this Section.

(8) The Commission shall cancel the registration referred to in Paragraph one of this Section if:

1) the association of insurance distributors requests cancellation of its registration;

2) the association of insurance distributors is being liquidated.

(9) The Commission shall publish information regarding the registered association of insurance distributors on its website alongside with information regarding training ensured thereby.

**Section 26. Right of the Commission to Request Information and to Perform an Examination**

The Commission has the right to request information and documents from the association of insurance distributors regarding training of the responsible person of an insurance or reinsurance intermediary, ancillary insurance intermediary and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor in order to examine the sufficiency of the knowledge and skills acquired and the conformity thereof with the requirements of this Law.

**Section 27. Opinion of the Association of Insurance Distributors on the Knowledge and Skills Necessary for Insurance and Reinsurance Distribution**

The decision of the association of insurance distributors on the provision of an opinion on the sufficiency of the knowledge and skills of the responsible person of an insurance or reinsurance intermediary, ancillary insurance intermediary and an employee directly involved in insurance or reinsurance distribution of an insurance or reinsurance distributor may be contested by the addressee of the decision in the Commission, and the decision of the Commission may be appealed to a court in accordance with the procedures laid down in the Administrative Procedure Law.

**Section 28. Security of Civil Liability**

(1) An insurance or reinsurance intermediary shall insure its civil liability which may set in when losses have been caused to customers, insurance or reinsurance merchants, branch of a foreign insurer, branch of a foreign reinsurer, or other persons due to a mistake or negligence of the former. The insurance contract shall be in effect in the territory of all the Member States and in the territory of such foreign states in which the insurance or reinsurance intermediary has the right to pursue insurance or reinsurance distribution.

(2) The insurance or reinsurance intermediary is entitled to choose a guarantee issued by a credit institution considered equivalent to the civil liability insurance referred to in Paragraph one of this Section which conforms to the minimum limit of civil liability specified in accordance with Paragraph three of this Section.

(3) The minimum limit of civil liability per year and for a single insurance case shall be determined by the directly applicable legal act of the European Union in the field of insurance or reinsurance distribution. The minimum limit of civil liability per year and for a single insurance case is reviewed every five years, indexed by an amount which, in accordance with the information provided by the statistical office Eurostat, corresponds to those percentage changes of the consumer price index that have taken place in the time period from the previous revision day until the current revision day, by rounding it up to the nearest 10 euros. The Commission shall inform insurance or reinsurance intermediaries regarding the minimum limit of civil liability per year and for a single insurance case by publishing it on its website.

(4) If the minimum limit of civil liability per year and for a single insurance case is increased in accordance with the provisions of Paragraph three of this Section, the insurance or reinsurance intermediary shall, within 30 days from the day of entering into effect of the abovementioned limit, perform the necessary operations to ensure fulfilment of the requirements of Paragraphs one, two, and three of this Section.

(5) The civil liability insurance contract may provide for deductible of the insurance or reinsurance intermediary up to EUR 10 000 if the following conditions are met:

1) the insurance or reinsurance intermediary ensures that the equity capital always exceeds EUR 15 000;

2) there are enough funds in the separate cash account to settle the liabilities regarding the insurance or reinsurance premiums or other payments received by the insurance or reinsurance intermediary according to the concluded insurance or reinsurance contracts.

(6) In order for an insurance or reinsurance intermediary which does not conform to the requirements of Paragraph five of this Section to include deductible up to EUR 10 000 in the civil liability insurance contract, it shall require the permission of the Commission. In order to receive the permission of the Commission for inclusion of deductible in the civil liability insurance contract, the insurance or reinsurance intermediary shall submit documents to the Commission confirming the security necessary for execution of the deductible obligation.

(7) The Commission shall determine the requirements for the insurance or reinsurance intermediary in relation to the security necessary for execution of the deductible obligation.

(8) The Commission shall not give the permission for inclusion of deductible in the civil liability insurance contract if the security is not sufficient for execution of the deductible obligation of the insurance or reinsurance intermediary or the submitted documents do not provide a clear overview of the existence and legality of the abovementioned security.

(9) It shall be provided for in the civil liability insurance contract which has been concluded with an insurance or reinsurance intermediary that the insurer reimburses losses causally linked to a mistake or negligence by the insurance or reinsurance distribution operation which has occurred during the insurance period if the customer, insurance or reinsurance merchant, branch of a foreign insurer, branch of a foreign reinsurer, or another person brings a claim against the insurance or reinsurance intermediary regarding reimbursement of losses within three years after the end of the insurance period. Also a longer time period for bringing of the claim may be provided for in the civil liability insurance contract.

(10) The insurance or reinsurance intermediary shall notify the Commission of early termination of the civil liability insurance contract within seven days.

**Section 29. Exemption from the Civil Liability Security Requirement**

(1) An insurance agent does not have an obligation to insure its civil liability or to receive a guarantee issued by a credit institution in accordance with the procedures laid down in Section 28 of this Law if it has concluded a contract with an insurance merchant or a branch of a foreign insurer specifying that the insurance merchant or the branch of the foreign insurer assumes responsibility for the losses caused due to a mistake or negligence of the insurance agent to customers, insurance or reinsurance merchants, branch of a foreign insurer, branch of a foreign reinsurer, or other interested persons.

(2) An insurance merchant, a branch of a foreign insurer, or an insurance broker which has registered an ancillary insurance intermediary shall be responsible for the losses caused due to a mistake or negligence of such ancillary insurance intermediary to customers, insurance merchants, branch of a foreign insurer, or other persons.

(3) An insurance broker which has registered an ancillary insurance intermediary and is responsible for insurance distribution performed thereby shall ensure that its civil liability insurance or the guarantee issued by the credit institution also applies to the losses caused due to a mistake or negligence of the ancillary insurance intermediary.

**Section 30. Requirements in Relation to the Share Capital**

(1) The share capital of an insurance or reinsurance broker may not be less than EUR 15 000.

(2) If a branch of a foreign insurance or reinsurance broker, except for the case referred to in Paragraph three of this Section, wishes to pursue insurance or reinsurance distribution in the Republic of Latvia, it shall deposit the amount of money referred to in Paragraph one of this Section as a security deposit in a credit institution registered in the Republic of Latvia. The deposit shall be freely accessible, it may not be encumbered, and its transfer shall be only possible with the permission of the Commission.

(3) If a branch of an insurance or reinsurance broker of a foreign state which has joined the Organisation for Economic Co-operation and Development wishes to pursue insurance or reinsurance distribution in the Republic of Latvia, it shall deposit not less than 25 per cent from the amount of money referred to in Paragraph one of this Section as a security deposit in a credit institution registered in the Republic of Latvia. The deposit shall be freely accessible, it may not be encumbered, and its transfer shall be only possible with the permission of the Commission.

**Section 31. Right to Receive Insurance or Reinsurance Premiums or Other Payments and the Separate Cash Account**

(1) An insurance or reinsurance intermediary and an ancillary insurance intermediary have the right to receive insurance or reinsurance premiums or other payments according to the insurance or reinsurance contract concluded if the insurance or reinsurance merchant, the branch of the foreign insurer, the branch of the foreign reinsurer, or the customer has authorised the insurance or reinsurance intermediary or the ancillary insurance intermediary to receive the relevant payments.

(2) An insurance or reinsurance intermediary or an ancillary insurance intermediary which is receiving insurance or reinsurance premiums and other payments according to the insurance or reinsurance contract concluded shall ensure that the funds obtained from insurance or reinsurance distribution are held at a credit institution in a separate cash account separately from the monies of the insurance or reinsurance intermediary or the ancillary insurance intermediary. The insurance or reinsurance intermediary or the ancillary insurance intermediary shall inform the credit institution in writing that the monies in the account have been obtained from insurance or reinsurance distribution, as well as shall ensure recording of such monies and the claims and liabilities arising from them according to insurance and reinsurance merchants, branches of foreign insurers, branches of foreign reinsurers, insurance policy holders, and reinsurance policy holders.

(3) An insurance or reinsurance intermediary or an ancillary insurance intermediary shall use the funds of customers held in the separate cash account opened in a credit institution only for making of the payments referred to in Section 45 of this Law, as well for the commissions for the insurance or reinsurance premiums received in the separate cash account.

(4) In case of insolvency of an insurance or reinsurance intermediary or an ancillary insurance intermediary the monies in the account referred to in Paragraph two of this Section are not included in such property of the insurance or reinsurance intermediary or the ancillary insurance intermediary from which expenses of insolvency proceedings or liquidation are covered and claims of creditors are satisfied, however, after initiation of insolvency proceedings are disbursed, without delay, to insurance or reinsurance merchants, branches of foreign insurers, branches of foreign reinsurers, and other creditors according to insurance and reinsurance contracts.

(5) It shall be permitted to invest the monies referred to in Paragraph two of this Section in fixed-term deposits in such credit institutions the conditions of which provide for a possibility of early termination of the operation of such fixed-term deposit contracts and receipt of the invested funds within 30 days from the day of sending a notification regarding termination of the fixed-term deposit contract.

**Section 32. Requirements in Relation to Publishing of the Annual Statement**

(1) An insurance or reinsurance broker shall ensure that the annual statement after approval thereof is made public not later than on the fifteenth date of the fifth calendar month of the year following the reporting year. The insurance or reinsurance broker may publish the annual statement on its website or choose another appropriate information medium or place for making the information public.

(2) An insurance or reinsurance broker which has an obligation to submit the consolidated annual statement shall ensure that the consolidated annual statement after approval thereof is made public not later than on the fifteenth date of the eighth calendar month of the year following the reporting year. The insurance or reinsurance broker may publish the consolidated annual statement on its website or choose another appropriate information medium or place for making the information public.

(3) An insurance or reinsurance broker shall also include information in the annual statement regarding the amount of the signed insurance premiums in division according to the types of life and non-life insurance, as well as according to insurance merchants registered in the Republic of Latvia, branches of foreign insurers registered in the Republic of Latvia, and insurance merchants not registered in the Republic of Latvia.

**Chapter IV**

**Relationship between the Insurance and Reinsurance Distributor and the Customer**

**Section 33. General Provisions for the Relationship between the Insurance Distributor and the Customer**

(1) An insurance distributor, upon distributing insurance, shall always act fairly, justly, and professionally in conformity with the interests of the customer.

(2) Any information related to insurance distribution, including marketing notifications addressed by the insurance distributor to customers, shall be true, clear and shall not be misleading.

(3) The insurance distributor shall not receive remuneration and shall not reimburse its employees or shall not assess the results of their work in any way that is in contradiction with its obligation to conform to the interests of the customer.

(4) The insurance distributor shall not link the remuneration system to sales targets or other aspects which might stimulate its employees to recommend a specific insurance product to a customer if the insurance distributor may offer a different insurance product which conforms better to the interests of the customer.

**Section 34. Information to be Provided Before Conclusion of an Insurance Contract**

(1) Before conclusion of an insurance contract an insurance intermediary has an obligation to provide at least the following information to the customer in a timely manner:

1) that it is an insurance intermediary;

2) the firm name, registration number, legal address, telephone number, and electronic mail address of the insurance intermediary. A natural person who acts on behalf of the insurance intermediary – legal person – shall additionally indicate his or her given name and surname, except for the case when insurance is distributed with the intermediation of a website or a mobile application. An insurance intermediary – natural person who has been registered in the Taxpayers’ Register of the State Revenue Service as a performer of economic activity – shall indicate his or her given name and surname, telephone number, and electronic mail address;

3) whether the insurance intermediary provides recommendations regarding the insurance products intended for sale;

4) the procedures by which complaints and disputes between the insurance intermediary and the customer shall be examined in accordance with Sections 46 and 47 of this Law;

5) the register in which the insurance intermediary has been included and the way of ascertaining its registration;

6) whether the insurance intermediary pursues insurance distribution on behalf and in the interests of a customer or an insurance merchant, or a branch of a foreign insurer;

7) whether the insurance intermediary has directly or indirectly acquired holding in the insurance merchant or foreign insurer (which has established a branch of a foreign insurer in the Republic of Latvia and the insurance services of which are distributed by the insurance intermediary) which comprises 10 and more per cent from the number of the shares with voting rights or the share capital of the parent company of the insurance merchant or the branch of the foreign insurer;

8) whether the insurance merchant, its parent company, or foreign insurer which has established a branch of a foreign insurer in the Republic of Latvia has directly or indirectly acquired holding in the insurance intermediary which comprises 10 and more per cent from the number of the shares with voting rights or the share capital of the insurance intermediary;

9) in relation to insurance contracts which are being offered or regarding which a recommendation is being provided:

a) whether the insurance intermediary provides recommendations on the basis of a fair analysis of products. The insurance agent has an obligation to inform the customer that it is not entitled to provide a recommendation on the basis of a fair analysis of products;

b) that the insurance intermediary has contractual obligations to pursue insurance distribution in the interests of only one or several specific insurance merchants or branches of foreign insurers. In such case the insurance intermediary shall indicate the firm names and legal addresses of insurance merchants and branches of foreign insurers;

c) that the insurance intermediary does not have contractual obligations to pursue insurance distribution in the interests of only one or several specific insurance merchants or branches of foreign insurers and that the insurance intermediary does not provide recommendations on the basis of a fair analysis of products. In such case the insurance intermediary shall indicate the firm names and legal addresses of such insurance merchants or branches of foreign insurers in the interests of which it pursues or is entitled to pursue insurance distribution;

10) the type of remuneration of the insurance intermediary for the particular insurance contract offered and whether the insurance intermediary receives a remuneration in relation to the insurance contract:

a) for insurance distribution which is directly paid by the customer;

b) for insurance distribution which is included in the insurance premium;

c) remuneration of any other type, other economic benefits of all types, or other monetary or non-monetary benefits or inducements in relation to the insurance contract;

d) any combination of such types of remuneration which are referred to in Sub-clauses “a”, “b”, and “c” of this Clause;

11) regarding the evaluated insurance products and the type of remuneration that would be received by the insurance broker from the relevant insurer if an insurance contract would be concluded.

(2) Before conclusion of an insurance contract an insurance merchant or a branch of a foreign insurer has an obligation to provide at least the following information to the customer in a timely manner:

1) that it is an insurance merchant or a branch of a foreign insurer;

2) the firm name, registration number, home state, legal address, telephone number, and electronic mail address of the insurance merchant or the branch of the foreign insurer. A natural person who acts on behalf of the insurance merchant or the branch of the foreign insurer shall additionally indicate his or her given name and surname, except for the case when insurance is distributed with the intermediation of a website or a mobile application. The information referred to in the first sentence of this Clause shall be indicated in all the documents which are issued to the insurance policy holder;

3) whether the insurance merchant or the branch of the foreign insurer provides recommendations regarding insurance products;

4) the procedures by which complaints and disputes between the insurance merchant or the branch of the foreign insurer and the customer shall be examined in accordance with Sections 46 and 47 of this Law;

5) the type of remuneration of an employee directly involved in insurance or reinsurance distribution of the insurance merchant or the branch of the foreign insurer for the particular insurance contract offered;

6) the law which will be applied for regulation of the contractual relationship arising from the insurance contract, or the possibilities of choosing the law, if any.

(3) If the customer pays the remuneration for insurance distribution directly to the insurance intermediary, then the insurance intermediary has an obligation to inform the customer regarding its amount or, if it is not possible, regarding the method for the calculation of such remuneration.

(4) If, according to the insurance contract, the customer has an obligation, after conclusion thereof, to pay any other payment which is not part of the insurance premium, the insurance intermediary shall inform the customer regarding such payment.

(5) If, according to the insurance contract, the customer has an obligation, after conclusion thereof, to pay any other payment which is not part of the insurance premium, the insurance merchant or the branch of the foreign insurer shall inform the customer regarding such payment.

(6) If a dispute has arisen between the insurance distributor and the insurance policy holder – natural person – after conclusion of the insurance contract, the insurance distributor has an obligation to prove fulfilment of the requirements of this Section.

**Section 35. Information to be Provided before Conclusion of a Life Insurance Contract**

(1) Before conclusion of a life insurance contract the insurance distributor has an obligation to provide the following information to the customer in addition to the information referred to in Section 34, Paragraphs one and two of this Law:

1) in relation to a life insurance merchant or a branch of a foreign insurer:

a) the Member State in which the head office is located and the address of the head office;

b) the place where one may become acquainted with the report on the solvency and financial state of the insurance merchant or the branch of the foreign insurer;

2) in relation to insurance liabilities:

a) the insurance amount included in the insurance contract and the conditions of the possibilities;

b) the term of operation of the life insurance contract;

c) the conditions for termination of the life insurance contract;

d) the time periods and procedures for the payment of an insurance premium;

e) the procedures for the calculation and granting of bonuses;

f) the procedures for the determination of the surrender sum and the sum of savings, and the conditions for guaranteed disbursement;

g) the insurance premium and insurance sum separately for each insured risk, as well as the insurance compensation or the procedures for the calculation thereof for each case of insurance;

h) the assets corresponding the life assurance contract linked to the market and the procedures for the calculation of the insurance sum;

i) the procedures for the application of the notice period of the life insurance contract;

j) general information regarding the taxes applicable to the type of insurance.

(2) If the potential insurance compensation indicated in the life insurance product upon expiration of the time period of the insurance contract may be higher than that to be disbursed according to the insurance contract, the insurance distributor shall make the insurance policy holder acquainted with an example of calculation of the potential insurance compensation upon expiration of the time period of the insurance contract on the basis of the calculation of insurance premiums specified in the insurance contract in which three different interest rates are used. The insurance distributor shall inform the insurance policy holder that the example of the calculation is only a forecast which is based on theoretical assumptions and that the right to claim does not arise for the insurance policy holder on the basis of such example. The requirements of this Paragraph shall not be applied to life insurance without cash accumulation.

(3) Before conclusion of the life insurance contract the insurance distributor shall also conform to the provisions of Section 34, Paragraphs three, four, five, and six of this Law.

**Section 36. Requirements for Distribution**

(1) Before conclusion of an insurance contract an insurance distributor shall, on the basis of the information provided by the customer, ascertain the demands and needs of the customer and shall provide objective information to the customer, in a comprehensible form, regarding the insurance product so that the customer might take a decision on the basis of the information received.

(2) The insurance distributor shall ensure that the insurance contract recommended to the customer conforms to the demands and needs of the customer.

(3) If the recommendation is provided before conclusion of a particular insurance contract, the insurance distributor shall provide a personalised recommendation to the customer, explaining why this particular insurance product conforms the best to the demands and needs of the customer.

(4) The insurance distributor shall prepare the information specified in Paragraphs one and three of this Section according to the complexity of the insurance product offered and the category of the customer.

(5) Before conclusion of the insurance contract regardless of whether recommendations are provided and whether the insurance product, in accordance with Section 40 of this Law, is part of the package of the insurance product offered by the insurance distributor, the insurance distributor shall provide the customer with the relevant information regarding the offered insurance products in a comprehensible form so that the customer could take a decision on the basis of the information received. Such information is prepared according to the complexity of the insurance product and the category of the customer.

(6) The information referred to in Paragraph five of this Section regarding non-life insurance products which are distributed in the ways of non-life insurance specified in Section 19, Paragraph one of the Insurance and Reinsurance Law shall be provided, using a standardised document of non-life insurance information in printed form or electronically on a durable medium.

(7) The standardised document of non-life insurance information referred to in Paragraph six of this Section shall be prepared by the developer of the non-life insurance product.

(8) The Commission shall determine the requirements in relation to the preparation and content of the information document of the insurance product.

**Section 37. Information Provided by Ancillary Insurance Intermediaries**

(1) Before conclusion of an insurance contract an ancillary insurance intermediary has an obligation to provide at least the following information to the customer:

1) that it is an ancillary insurance intermediary;

2) the firm name, registration number, legal address, telephone number, and electronic mail address of the ancillary insurance intermediary. The natural person who is acting on behalf of the ancillary insurance intermediary – legal person – shall, in addition, indicate his or her given name and surname. The ancillary insurance intermediary – natural person who has been registered as a performer of economic activity in the Taxpayers’ Register of the State Revenue Service – shall indicate his or her given name and surname, telephone number, and electronic mail address;

3) the procedures by which complaints and disputes between the ancillary insurance intermediary and the customer shall be examined in accordance with Sections 46 and 47 of this Law;

4) the register in which the ancillary insurance intermediary has been included and the way of ascertaining its registration;

5) the type of remuneration of the ancillary insurance intermediary for the particular insurance contract offered.

(2) An insurance merchant, a branch of a foreign insurer, or an insurance broker, upon distributing insurance with the assistance of such ancillary insurance intermediary to which this Law does not apply in accordance with Section 3, Paragraph two of this Law shall ensure that:

1) before conclusion of an insurance contract the ancillary insurance intermediary provides at least the following information to the customer:

a) the firm name, registration number, legal address, telephone number, and electronic mail address of the ancillary insurance intermediary. The natural person who is acting on behalf of the ancillary insurance intermediary – legal person – shall, in addition, indicate his or her given name and surname. The ancillary insurance intermediary – natural person who has been registered as a performer of economic activity in the Taxpayers’ Register of the State Revenue Service – shall indicate his or her given name and surname, telephone number, and electronic mail address;

b) the procedures by which complaints and disputes between the ancillary insurance intermediary and the customer shall be examined in accordance with Section 46 of this Law;

2) the ancillary insurance intermediary, upon performing insurance distribution, conforms to the requirements of Sections 33 and 40 of this Law;

3) before conclusion of the insurance contract the customer receives the standardised information document of the insurance product referred to in Section 36, Paragraph six of this Law.

**Section 38. Exemption from the Obligation to Provide Information**

(1) An insurance distributor does not have an obligation to meet the requirements of Sections 34, 35, and 36 of this Law if it is distributing insurance of large risks or if it is participating in public procurements or procurements of public service providers.

(2) Insurance distributors need not provide the information referred to in Sections 43 and 44 of this Law to a professional client within the meaning of Section 124.1, Paragraph two of the Financial Instrument Market Law.

**Section 39. Information Conditions**

(1) An insurance distributor has an obligation to provide the information referred to in Sections 34, 35, 36, and 43 of this Law to the customer:

1) in writing in printed form, except for the cases referred to in Paragraphs two and three of this Section;

2) clearly and precisely, in a way comprehensible to the customer;

3) in Latvian or in another language regarding which it has agreed upon with the customer;

4) free of charge.

(2) The insurance distributor may provide the information referred to in Sections 34, 35, 36, and 43 of this Law to the customer electronically on a durable medium if the following conditions are met concurrently:

1) the use of the durable medium is appropriate for insurance distribution in accordance with Paragraph five of this Section;

2) the customer was given an opportunity to choose the form of receipt of the information – in printed form or electronically on a durable medium – and the customer has chosen to receive the information electronically on a durable medium.

(3) The insurance distributor may provide the information referred to in Sections 34, 35, 36, and 43 of this Law to the customer on the website if it is addressed to the customer personally or if the following conditions are met concurrently:

1) the provision of the information on the website is appropriate for insurance distribution in accordance with Paragraph five of this Section;

2) the customer has agreed to receive the abovementioned information on the website;

3) the address of the website and an indication where the relevant information can be accessed on the website has been notified to the customer electronically;

4) it is ensured that the abovementioned information is available on the website for as long as it is justifiably necessary for the customer to become acquainted with it.

(4) If the information referred to in Sections 34, 35, 36, and 43 of this Law is provided electronically, using a durable medium or a website, the insurance distributor has an obligation to provide the abovementioned information upon request of the customer also in printed form free of charge.

(5) The provision of information electronically, using a durable medium or a website, shall be considered appropriate for insurance distribution if the insurance distributor has evidence that the customer has regular access to the Internet. The electronic mail address indicated by the customer shall be considered such evidence.

(6) If insurance is being distributed, using a telephone or another equivalent means of communication (voice telephony), the insurance distributor shall, prior to the conclusion of the insurance contract, provide the information and the information document of the insurance product to the customer in accordance with the laws and regulations regarding a distance contract regarding provision of financial services. If the customer in accordance with Paragraph two of this Section has chosen to receive the information electronically on a durable medium, the insurance distributor shall provide the information to the customer in accordance with Paragraph one of this Section immediately after conclusion of the insurance contract.

**Section 40. Cross-selling**

(1) If an insurance product is offered together with an ancillary product or service which is not insurance, as part of a package of insurance product or a contract, the insurance distributor has an obligation to inform the customer regarding the possibility to buy each component separately and to provide a description of such components to the customer, as well as information regarding the price and costs of each component.

(2) If the insurance risks or the insurance coverage is different depending on the components included in the contract or the package of insurance product, the insurance distributor shall provide an adequate description of the components of the contract or package of insurance product and inform regarding the way in which the interaction of components modifies the insurance risk or the insurance coverage.

(3) If an insurance product is complementary to a good or a service which is not insurance, as part of the package of insurance product or the contract offered by the insurance distributor, the insurance distributor shall offer the customer the possibility of buying the good or service separately.

(4) The requirements of Paragraph three of this Section shall not apply if an insurance product is ancillary to an investment service or ancillary investment service within the meaning of the Financial Instrument Market Law, a consumer credit contract within the meaning of the Consumer Rights Protection Law, or a payment account within the meaning of the Law on Payment Services and Electronic Money.

(5) The requirements of this Section shall not restrict the rights to distribute an insurance product which provide coverage for various types of risks.

(6) In the cases referred to in Paragraphs one and three of this Section the insurance distributor has an obligation to specify the demands and needs of the customer in relation to the insurance products that form part of the package of insurance product or the contract.

(7) The Commission has the right to prohibit the offering of an insurance product together with any ancillary good or service which is not insurance, as part of a package of insurance product or contract offered by the insurance distributor, if it may be detrimental to the interests of consumers.

**Section 41. Product Oversight and Governance Requirements**

(1) An insurance merchant or a branch of a foreign insurer, as well as insurance intermediaries which develop insurance products for distribution to customers, shall develop and review a procedure for the development and approval of each insurance product or a procedure for the performance of significant changes in existing products, before they are distributed. The abovementioned procedure shall be proportionate and appropriate to the nature of the insurance product.

(2) The procedure referred to in Paragraph one of this Section shall specify the target market for each product, ensure that all material risks to such identified target market are assessed and that the intended distribution strategy is consistent with the identified target market. The insurance merchant or the branch of the foreign insurer shall perform appropriate measures for the distribution of the insurance product on the identified target market.

(3) The insurance merchant or the branch of the foreign insurer shall regularly review the insurance products offered or the target market, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the product remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

(4) The insurance merchant or the branch of the foreign insurer, as well as insurance intermediaries which develop insurance products, shall make available to insurance distributors all appropriate information regarding the insurance product and its approval, including information regarding the identified target market of the product.

(5) If the insurance distributor offers insurance products which it does not develop, it shall have in place appropriate procedures to obtain the information referred to in Paragraph four of this Section and to understand each insurance product and the identified target market.

(6) The procedures and measures referred to in this Section shall be without prejudice to other requirements of this Law, including those relating to disclosure, suitability, or appropriateness of information, identification and management of conflicts of interest, and inducements.

(7) The requirements of this Law shall not apply to distribution of the insurance of large risks.

**Section 42. Conflict of Interests and Prevention Thereof**

(1) An insurance merchant, a branch of a foreign insurer, or an insurance intermediary distributing insurance-based investment products shall perform efficient organisational and administrative measures and activities with a view to prevent the conflicts of interest referred to in Paragraphs three, four, and five of this Section from adversely affecting the interests of its customers.

(2) An insurance merchant, a branch of a foreign insurer, or an insurance intermediary distributing insurance-based investment products shall ensure that the measures referred to in Paragraph one of this Section are proportionate to the activities performed, the insurance products sold, and the type of the distributor.

(3) An insurance merchant, a branch of a foreign insurer, or an insurance intermediary shall implement all the necessary measures to identify conflicts of interest which, upon performance of any activities of insurance distribution, occur among the insurance merchant, the branch of the foreign insurer, and the insurance intermediary themselves, including their managers and employees, or any person who has close links with the insurance merchant, the branch of the foreign insurer, and the insurance intermediary within the meaning of the Insurance and Reinsurance Law, and their customers or between one customer and another.

(4) If organisational or administrative measures taken by the insurance merchant, the branch of the foreign insurer, or the insurance intermediary in accordance with Paragraphs one and two of this Section to manage conflicts of interest are not sufficient to ensure that risks of damage to customer interests will be prevented, the insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall disclose to the customer the nature or sources of the conflict of interest, in good time before the conclusion of an insurance contract.

(5) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall ensure that the information referred to in Paragraph four of this Section is provided, using a durable medium, and includes sufficient detail to enable the customer to take a decision, on the basis thereof, with respect to the insurance distribution activities in the context of which the conflict of interest arises.

(6) The provisions of this Section shall apply to the insurance merchant, the branch of the foreign insurer, or the insurance intermediary upon distribution of insurance-based investment products.

**Section 43. Information to Customer Regarding Insurance-based Investment Products**

(1) Before conclusion of insurance contracts an insurance merchant, a branch of a foreign insurer, or an insurance intermediary shall provide, in good time, information to customers regarding distribution of insurance-based investment products, all costs, and payments to be made.

(2) The following shall be indicated in the information referred to Paragraph one of this Section:

1) if recommendations are provided – whether the insurance merchant, the branch of the foreign insurer, or the insurance intermediary will provide the customer with the periodic assessment of the suitability of the insurance-based investment products recommended to the customer, referred to in Section 44 of this Law;

2) in relation to the insurance-based investment products and proposed investment strategies – explanations and warnings regarding the risks associated with the insurance-based investment products or the particular investment strategies proposed;

3) in relation to all costs and payments to be made – explanations regarding the distribution of the insurance-based investment products, including the costs of recommendations, where relevant, the costs of the insurance-based investment product recommended or marketed to the customer and how the customer may pay for it, also including any third party payments.

(3) The information regarding all costs and payments which are related to the distribution of the insurance-based investment products and which do not arise from setting in of the market risk event included in the insurance contract is provided in aggregated form to allow the customer to understand the overall costs and payments and their effect on the return of the investment. Upon request of the customer, the insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall provide a detailed information regarding the costs and payments. The insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall provide the abovementioned information to the customer on a regular basis, at least annually, during the term of operation of the insurance contract.

(4) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall provide the information specified in this Section to the customer in a comprehensible form for the customer to be able to understand the nature and risks of the insurance-based investment product offered and to take a decision on such investment.

(5) If the insurance merchant, the branch of the foreign insurer, or the insurance intermediary pays or receives any remuneration or commission, provides or receives any non-monetary benefit in connection with the distribution of an insurance-based investment product or an ancillary service to or by any party, except for the customer or a person acting on behalf of the customer, it shall be considered that it has fulfilled the requirements of Section 33, Paragraph one and Section 42 of this Law only where the remuneration or non-monetary benefit:

1) does not have a detrimental impact on the quality of the service provided to the customer;

2) does not impair the obligation of the insurance merchant, the branch of the foreign insurer, or the insurance intermediary to act honestly, fairly, and professionally according to the interests of the customer.

(6) If a dispute has arisen between the insurance distributor and the insurance policy holder – natural person – after conclusion of the insurance contract, the insurance distributor has an obligation to prove fulfilment of the requirements of this Section.

**Section 44. Assessment of Suitability and Appropriateness of an Insurance-based Investment Product and Reporting to Customers**

(1) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary, upon recommending insurance-based investment products to the customer which are suitable for him or her and, in particular, conform to the risk tolerance of the customer and his or her ability to bear losses, has an obligation to specify:

1) the knowledge and experience of the customer in the investment field in relation to the insurance-based investment product offered;

2) the financial situation of the customer, including the ability to bear losses;

3) the investment objectives of the customer, including understanding of the potential risks.

(2) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary, upon providing a recommendation regarding an insurance-based investment product and recommending the customer to buy an insurance-based investment product together with any additional product or service which is not insurance, as part of the package of insurance product or the contract, shall ensure that the joint package of the product or the contract is appropriate for the customer and conforms to his or her needs.

(3) If the insurance merchant, the branch of the foreign insurer, or the insurance intermediary, upon offering an insurance-based investment product to the customer, does not provide a recommendation with an assessment that the intended insurance service or product is appropriate for the needs of the customer, the insurance merchant, the branch of the foreign insurer, or the insurance intermediary has an obligation to ask the customer to provide information regarding his or her knowledge and experience in the field of investments which apply to the particular type of the product or service offered or demanded. The insurance merchant, the branch of the foreign insurer, or the insurance intermediary, upon offering the customer to buy an insurance-based investment product together with any additional product or service which is not insurance, as part of the package of insurance product or the contract, shall ensure that the joint package of the product or the contract is appropriate for the customer and his or her needs.

(4) If the insurance merchant, the branch of the foreign insurer, or the insurance intermediary considers, on the basis of the information received in accordance with Paragraph three of this Section, that the product is not appropriate for the customer, the insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall warn the customer to that effect. The insurance merchant, the branch of the foreign insurer, or the insurance intermediary may provide the abovementioned warning in a standardised format.

(5) If the customer does not provide the information referred to in Paragraph three of this Section or provides insufficient information regarding his or her knowledge and experience, the insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall warn the customer that it is not in a position to determine whether the insurance-based investment product intended is appropriate for him or her. The insurance merchant, the branch of the foreign insurer, or the insurance intermediary may provide the abovementioned warning in a standardised format.

(6) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary, upon offering an insurance-based investment product to the customer, but without providing a recommendation, need not obtain information regarding his or her knowledge and experience in the field of investments if the following conditions are met concurrently:

1) the insurance-based investment product is related to an investment in non-complex financial instruments in accordance with the provisions of Section 126.2, Paragraph twelve, Clause 1 of the Financial Instrument Market Law;

2) the insurance-based investment product is distributed upon initiative of the customer or potential customer;

3) the customer or potential customer has been informed that the insurance merchant, the branch of the foreign insurer, or the insurance intermediary, upon offering the insurance-based investment product, does not assess the appropriateness thereof for the customer, therefore, the customer does not benefit from the corresponding protection. Such a warning may be provided in a standardised format;

4) the insurance merchant, the branch of the foreign insurer, or the insurance intermediary conforms to the requirements of Section 42 of this Law in relation to the prevention of a conflict of interests.

(7) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall register a contract with the customer which includes the rights and obligations of the parties, other terms according to which the insurance merchant, the branch of the foreign insurer, or the insurance intermediary will provide services to the customer, or also a reference to additional documents where the customer may become acquainted with such terms.

(8) The insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall, using a durable medium, provide periodic reports to the customer on the services provided, taking into account the type and complexity of insurance-based investment products and the nature of the service provided to the customer, as well as the costs associated with the transactions and services undertaken on behalf of the customer, if such costs exist.

(9) In relation to an insurance-based investment product the insurance merchant, the branch of the foreign insurer, or the insurance intermediary shall, prior to the conclusion of the contract, specify the recommendations provided in the suitability statement and whether the insurance-based investment product meets the preferences, objectives, and other characteristics of the customer in conformity with the requirements of Section 39, Paragraphs one, two, and four of this Law. Such statement and information may be provided, using a durable medium.

(10) If the insurance contract is being concluded, using distance means of communication which prevents the prior delivery of the suitability statement, the insurance merchant, the branch of the foreign insurer, or the insurance intermediary may provide the suitability statement, using a durable medium, immediately after the insurance contract has been concluded, if the following conditions are met concurrently:

1) the customer has consented to receiving the suitability statement without undue delay after the conclusion of the insurance contract;

2) the insurance merchant, the branch of the foreign insurer, or the insurance intermediary has offered the customer the option of delaying the conclusion of the insurance contract in order to receive the suitability statement before conclusion of the contract.

(11) If the insurance merchant, the branch of the foreign insurer, or the insurance intermediary has informed the customer that it will carry out a periodic assessment of suitability, the periodic report shall contain an updated statement of how the insurance-based investment product meets the preferences, objectives and other characteristics of the customer.

**Section 45. Protection of a Customer in Relation to Payment of an Insurance Premium**

A payment of an insurance premium made by a customer according to the insurance contract to an insurance intermediary or an ancillary insurance intermediary in any case shall be considered a payment made to an insurance merchant or a branch of a foreign insurer, but a payment made by an insurance merchant or a branch of a foreign insurer to an insurance intermediary or an ancillary insurance intermediary shall not be considered a payment made to a customer until the moment when the customer actually receives the monies.

**Section 46. Procedures for the Examination of Complaints**

(1) An insurance or reinsurance distributor has an obligation to ensure efficient procedure for the examination of complaints of the customers which includes the procedures for the examination of complaints, the examination of the facts indicated in complaints, and the prevention of the potential conflict of interests. The procedure for the examination of complaints shall be approved by the board of the insurance or reinsurance distributor. Written information regarding the procedure for the examination of complaints must be freely accessible at the place where the insurance or reinsurance distribution services are provided and on the website of the insurance or reinsurance distributor, if such has been set up.

(2) The insurance or reinsurance distributor has an obligation to provide a justified written answer to the customer complaint within 20 days from the day of submitting the complaint.

(3) If it is not possible to provide the answer within the time period referred to in Paragraph two of this Section due to objective reasons, the insurance and reinsurance distributor has an obligation to provide justified information regarding the necessity to extend the provision of the answer and a reasonable time period when the answer is to be provided.

(4) The insurance or reinsurance distributor who receives a complaint regarding another market participant, but is not entitled to examine it shall, within seven days from the day of receipt of the complaint, forward it to the relevant market participant and inform the customer thereof.

(5) The Commission shall determine the procedures for the examination and performance of analysis of the complaints received regarding insurance or reinsurance distributors and the procedures by which exchange of information related to the complaints received shall take place, as well as the requirements in relation to keeping the register of the complaints received and answers provided.

**Section 47. Out-of-court Redress**

(1) Disputes between an insurance merchant, a branch of a foreign insurer, an insurance agent, an ancillary insurance intermediary registered by an insurance merchant or a branch of a foreign insurer and the customer shall be examined by the authority (ombudsman) which has been established by an association of insurance distributors joining insurance merchants and branches of a foreign insurer.

(2) Disputes between an insurance or reinsurance broker, an ancillary insurance intermediary registered by an insurance or reinsurance broker and the customer shall be examined by the authority (ombudsman) which has been established by an association of insurance distributors joining insurance or reinsurance brokers.

(3) The authorities (ombudsmen) established by the association of insurance distributors referred to in Paragraphs one and two of this Section, upon examination of cross-border disputes, shall cooperate with persons executing out-of-court redress.

**Chapter V**

**Insurance and Reinsurance Distribution in Member States and Foreign States**

**Section 48. Exercise of the Freedom to Provide Services in a Member State**

(1) An insurance or reinsurance intermediary or an ancillary insurance intermediary which, in conformity with the principle of freedom to provide services, wishes to pursue insurance or reinsurance distribution in another Member State shall notify the Commission of its intention by submitting a relevant written submission thereto and informing as to in which Member State it wishes to distribute insurance or reinsurance services. The insurance agent shall indicate the firm name, registration number, legal address, telephone number, and electronic mail address of the insurance merchant on behalf and in the interests of which it has intended to act, but the ancillary insurance intermediary – the firm name, registration number, legal address, telephone number, and electronic mail address of the insurance merchant or the insurance or reinsurance broker on behalf and in the interests of which it has intended to act. In addition to the abovementioned, the ancillary insurance intermediary shall also indicate the type of insurance it wishes to distribute.

(2) The Commission shall, within 30 days after receipt of the submission referred to in Paragraph one of this Section, examine it and inform the supervisory authority of the relevant Member State regarding the intention of the insurance or reinsurance distributor or the ancillary insurance intermediary to pursue insurance or reinsurance distribution in such Member State, in conformity with the principle of freedom to provide services.

(3) After sending of the information referred to in Paragraph two of this Section to the supervisory authority of the Member State and upon approval by the supervisory authority of the Member State that it has received such information, the Commission shall inform the insurance or reinsurance intermediary or the ancillary insurance intermediary:

1) regarding sending of the information to the supervisory authority of the relevant Member State;

2) that the supervisory authority of the Member State has received the information sent by the Commission;

3) that the insurance or reinsurance intermediary or the ancillary insurance intermediary may commence insurance or reinsurance distribution in the relevant Member State;

4) regarding the possibility for the insurance or reinsurance intermediary or the ancillary insurance intermediary to become acquainted with the requirements of the laws protecting public interests to be conformed to upon provision of the insurance distribution services in the relevant Member State.

(4) The Commission need not submit the information referred to in Paragraph two of this Section to the supervisory authority of the Member State if the financial situation of the insurance or reinsurance intermediary or the ancillary insurance intermediary is not stable or the insurance or reinsurance intermediary or the ancillary insurance intermediary has not eliminated the violation of this Law previously detected by the Commission. If the Commission decides not to submit the information to the supervisory authority of the Member State, it shall, within 30 days after receipt of the submission referred to in Paragraph one of this Section, send the relevant decision to the insurance or reinsurance intermediary or the ancillary insurance intermediary.

(5) The insurance or reinsurance intermediary or the ancillary insurance intermediary may commence pursuing of insurance or reinsurance distribution in another Member State in conformity with the principle of freedom to provide services after it has received the notification of the Commission referred to in Paragraph three of this Section.

(6) The insurance or reinsurance intermediary or the ancillary insurance intermediary shall, within 30 days prior to making of amendments to the information referred to in Paragraph one of this Section, inform the Commission thereof in writing. The Commission shall, within 30 days after receipt of the abovementioned information, inform the supervisory authority of the relevant Member State regarding such amendments.

**Section 49. Exercise of the Freedom to Provide Services in the Republic of Latvia**

(1) In order for an insurance or reinsurance intermediary or ancillary insurance intermediary of another Member State to be able to commence pursuing of insurance or reinsurance distribution in the Republic of Latvia in conformity with the principle of freedom to provide services, the Commission shall receive a notification of the supervisory authority of the Member State in which the information referred to in Section 48, Paragraph one of this Law has been included. The Commission shall approve receipt of the abovementioned notification without delay.

(2) An insurance or reinsurance intermediary or ancillary insurance intermediary of a Member State shall, in conformity with the principle of freedom to provide services, commence insurance or reinsurance distribution in the Republic of Latvia from the day when it has received a notification from the supervisory authority of the relevant Member State regarding sending of the notification referred to in Paragraph one of this Section to the Commission.

**Section 50. Opening of a Branch in a Member State**

(1) An insurance or reinsurance intermediary or ancillary insurance intermediary which wishes to open a branch in another Member State shall notify the Commission of its intention in writing.

(2) The insurance or reinsurance intermediary or the ancillary insurance intermediary shall include the following information in the submission regarding opening of a branch:

1) the Member State in which it wishes to open a branch;

2) the types of insurance or reinsurance it wishes to distribute;

3) the address of the branch to be opened in the Member State to be used for sending and receipt of information;

4) information regarding the head of the branch certifying his or her compliance with the requirements of Paragraph three of this Section;

5) the firm name, registration number, legal address, telephone number, and electronic mail address of the insurance merchant on behalf and in the interests of which it wishes to operate.

(3) A natural person who complies with the requirements laid down for the responsible person in Section 16, Paragraph one or three or Section 18, Paragraph one of this Law may be the head of the branch of the insurance or reinsurance intermediary or the ancillary insurance intermediary.

(4) The Commission shall, within 30 days after receipt of the submission referred to in Paragraph two of this Section, examine it and inform the supervisory authority of the relevant Member State regarding the intention of the insurance or reinsurance intermediary or the ancillary insurance intermediary to open a branch.

(5) After sending of the information referred to in Paragraph four of this Section to the supervisory authority of the Member State and receipt of approval that the supervisory authority of the Member State has received such information, the Commission shall inform the insurance or reinsurance intermediary or the ancillary insurance intermediary thereof.

(6) The Commission need not send the information referred to in Paragraph four of this Section to the supervisory authority of the relevant Member State if the financial situation of the insurance or reinsurance intermediary or the ancillary insurance intermediary is not stable, the head of the branch does not comply with the requirements of Paragraph three of this Section, or the insurance or reinsurance intermediary or the ancillary insurance intermediary has not eliminated the violation of this Law detected by the Commission in its previous operation. If the Commission decides not to send the information to the supervisory authority of the relevant Member State, it shall, within 30 days after receipt of the submission referred to in Paragraph two of this Section, send the relevant decision to the insurance or reinsurance intermediary or the ancillary insurance intermediary.

(7) After receipt of the information provided by the supervisory authority of the relevant Member State the Commission shall, without delay, inform the insurance or reinsurance intermediary or the ancillary insurance intermediary in writing regarding the requirements of the laws protecting public interests to be conformed to upon provision of the insurance distribution services in the relevant Member State.

(8) After receipt of the information referred to in Paragraph seven of this Section or within 30 days from the day when the Commission has sent a notification to the supervisory authority of the relevant Member State, the insurance or reinsurance intermediary or the ancillary insurance intermediary may open a branch and commence the provision of insurance distribution services in the relevant Member State.

(9) The insurance or reinsurance intermediary or the ancillary insurance intermediary shall, within 30 days prior to making of amendments to the information referred to in Paragraph two of this Section, inform the Commission thereof in writing. The Commission shall, within 30 days after receipt of the abovementioned information, inform the supervisory authority of the relevant Member State regarding such amendments.

(10) The provisions of this Section shall apply to any continuous operation of an insurance or reinsurance intermediary or an ancillary insurance intermediary in the Member State if it is pursued with the intermediation of such office established in the Member State which is managed by an employee of the insurance or reinsurance intermediary or the ancillary insurance intermediary or another person to whom the insurance or reinsurance intermediary or the ancillary insurance intermediary has granted permanent authorisation to act on its behalf.

**Section 51. Opening of a Branch in the Republic of Latvia**

(1) In order for an insurance or reinsurance intermediary or an ancillary insurance intermediary of another Member State to be able to open a branch in the Republic of Latvia, the Commission shall receive a notification of the supervisory authority of the relevant Member State in which the information referred to in Section 50, Paragraph two of this Law has been included. The Commission shall approve receipt of such notification without delay.

(2) The Commission shall, within 30 days after receipt of the notification referred to in Paragraph one of this Section, inform the supervisory authority of the relevant Member State regarding the requirements of the laws protecting public interests to be conformed to upon provision of the insurance distribution services in the Republic of Latvia.

(3) A branch of an insurance or reinsurance intermediary or a branch of an ancillary insurance intermediary of the Member State may commence insurance or reinsurance distribution in the Republic of Latvia immediately after receipt of the information sent by the Commission from the supervisory authority of the Member State or after expiry of the time period referred to in Paragraph two of this Section.

**Section 52. Provision of Information Regarding Insurance or Reinsurance Distribution in a Member State**

(1) The Commission shall inform the European Insurance and Occupational Pensions Authority (hereinafter – the EIOP Authority) regarding such insurance or reinsurance intermediaries or ancillary insurance intermediaries which, in accordance with Sections 48 and 50 of this Law, have notified of the intention to distribute insurance or reinsurance in another Member State.

(2) An insurance merchant or a branch of a foreign insurer has an obligation to inform the Commission regarding the fact that the entry made in the register of insurance agents in relation to an insurance agent which, in conformity with the principle of freedom to provide services, pursues insurance or reinsurance distribution or has opened a branch in the Member State has been cancelled.

(3) An insurance merchant, a branch of a foreign insurer, or an insurance broker has an obligation to inform the Commission regarding the fact that the entry made in the register of ancillary insurance intermediaries in relation to an ancillary insurance intermediary which, in conformity with the principle of freedom to provide services, pursues insurance or reinsurance distribution or has opened a branch in the Member State has been cancelled.

**Section 53. Opening of a Branch in a Foreign State**

(1) An insurance or reinsurance intermediary which wishes to open a branch in a foreign state shall notify the Commission of its intention in writing.

(2) The insurance or reinsurance intermediary shall include the following information in the submission regarding opening of a branch in a foreign state:

1) the foreign state in which it wishes to open a branch;

2) the types of insurance or reinsurance it wishes to distribute;

3) the address of the branch to be opened in the foreign state to be used for sending and receipt of information;

4) information regarding the head of the branch certifying his or her compliance with the requirements of Section 50, Paragraph three of this Law;

5) the firm name, registration number, legal address, telephone number, and electronic mail address of the insurance merchant or the branch of the foreign insurer on behalf and in the interests of which it wishes to operate.

(3) The Commission shall, within 30 days after receipt of all the necessary information referred to in Paragraph two of this Section, examine it.

(4) The Commission shall take the decision to refuse to open a branch in a foreign state if:

1) the financial situation of the insurance or reinsurance intermediary is not stable;

2) the head of the branch does not comply with the requirements of Section 50, Paragraph three of this Law;

3) the insurance or reinsurance intermediary has not eliminated the violation of the law detected by the Commission in its previous operation.

(5) The insurance or reinsurance intermediary which has received a permission of the Commission to open a branch in a foreign state shall, without delay, inform the Commission regarding all subsequent changes to the information referred to in Paragraph two of this Section.

(6) The Commission shall inform the European Commission regarding significant problems which the insurance or reinsurance intermediary encounters in commencing or performing insurance or reinsurance distribution in foreign states.

**Section 54. Restriction on a Branch of a Foreign Insurance or Reinsurance Intermediary to Exercise the Freedom to Provide Services in a Member State**

A branch of a foreign insurance or reinsurance intermediary is not entitled to provide services in Member States according to the principle of freedom to provide services.

**Section 55. Information Regarding the Requirements of the Laws Protecting Public Interests**

The Commission shall post information on its website regarding the requirements of the laws protecting public interests which are to be conformed to upon pursuing insurance and reinsurance distribution in the Republic of Latvia.

**Section 56. Non-fulfilment of Obligations**

(1) If the Commission detects that an insurance or reinsurance intermediary or an ancillary insurance intermediary of a Member State which, in conformity with the principle of freedom to provide services, pursues insurance and reinsurance distribution in the Republic of Latvia performs operations that do not conform to the requirements of the laws and regulations of the Republic of Latvia governing insurance or reinsurance distribution, it shall, without delay, inform the supervisory authority of the relevant Member State thereof.

(2) If the Commission after it has informed the supervisory authority of the relevant Member State in accordance with Paragraph one of this Section that an insurance or reinsurance intermediary or an ancillary insurance intermediary of such Member State which, in conformity with the principle of freedom to provide services, pursues insurance and reinsurance distribution in the Republic of Latvia keeps performing operations that are in contradiction with the requirements of the laws and regulations of the Republic of Latvia governing insurance or reinsurance distribution, it shall inform the supervisory authority of the relevant Member State and perform measures for elimination of such violations or decide on imposition of the sanctions specified in this Law, if necessary, also on prohibition to continue insurance or reinsurance distribution in the Republic of Latvia.

(3) If the Commission detects that a branch of an insurance or reinsurance intermediary or of an ancillary insurance intermediary of another Member State performs operations which do not conform to the requirements of Chapter IV of this Law or to the requirements of the laws and regulations referred to in Section 55 of this Law, it shall, without delay, request the insurance or reinsurance intermediary or the ancillary insurance intermediary to terminate such operations.

(4) If the Commission detects that a branch of an insurance or reinsurance intermediary or of an ancillary insurance intermediary of another Member State performs operations which do not conform to the laws and regulations of the Republic of Latvia governing insurance or reinsurance distribution and if the supervision of such operations is not within the competence of the Commission, it shall, without delay, inform the supervisory authority of the relevant Member State regarding its findings in order to ensure that the relevant insurance or reinsurance intermediary or ancillary insurance intermediary eliminates the violations detected.

(5) If after the operations of the Commission referred to in Paragraph three or four of this Section a branch of an insurance or reinsurance intermediary or of an ancillary insurance intermediary of another Member State keeps performing operations that do not conform to the requirements of the laws and regulations of the Republic of Latvia governing insurance or reinsurance distribution, the Commission shall inform the supervisory authority of the relevant Member State and perform measures for elimination of such violations or decide on imposition of the sanctions specified in this Law, if necessary, also on prohibition to continue insurance or reinsurance distribution in the Republic of Latvia.

(6) If for the purpose of protecting the rights of customers – consumers within the meaning of the Consumer Rights Protection Law – immediate action is necessary, the Commission has the right to perform measures without conforming to the procedures laid down in Paragraphs one, two, three, four, and five of this Section in order to eliminate such violations, or to decide on imposition of the sanctions specified in this Law, if necessary, also on prohibition to continue insurance or reinsurance distribution in the Republic of Latvia.

(7) If the Commission has received information from the supervisory authority of the host Member State regarding the operation of an insurance or reinsurance intermediary or an ancillary insurance intermediary which does not conform to the laws and regulations of the relevant Member State governing insurance or reinsurance distribution, it shall, as soon as possible, perform the necessary measures in order to ensure that the relevant insurance or reinsurance intermediary or ancillary insurance intermediary eliminates the particular violations. The Commission shall inform the supervisory authority of the relevant host Member State regarding the measures performed.

(8) The Commission is entitled to turn to the EIOP Authority and request its assistance in solving the issues referred to in this Section.

(9) The Commission shall inform the supervisory authority of the home state, the European Commission, and the EIOP Authority regarding the cases when the measures referred to in Paragraphs two, five, and six of this Section have been performed.

**Section 57. Division of Competence Between the Supervisory Authorities of the Home State and the Host State**

(1) The Commission as the supervisory authority of the host state shall ensure that commencement of insurance distribution in the Republic of Latvia and the information provided to the customer conforms to the requirements of Sections 10, 11, 12, 13, 14, Section 16, Paragraph six, Section 17, Section 18, Paragraphs four, five, and six, Section 21, Paragraph two, Sections 23, 24, Section 29, Paragraph two, and Chapter IV of this Law.

(2) The Commission as the supervisory authority of the host state has the right to perform the operations provided for in this Law in order to ensure fulfilment of the requirements of Paragraph one of this Section.

(3) If the primary place of business of an insurance or reinsurance intermediary or an ancillary insurance intermediary of a Member State is located in the Republic of Latvia, not in the home state, the Commission may agree with the supervisory authority of the home state that it will act as the supervisory authority of the home state in order to ensure conformity with the requirements of this Law.

(4) The Commission as the supervisory authority of the home state shall, without delay, inform the insurance or reinsurance intermediary or the ancillary insurance intermediary and the EIOP Authority regarding the agreement referred to in Paragraph three of this Section.

**Section 58. Right to Prohibit Insurance Distribution in the Republic of Latvia**

(1) The Commission may take the decision to prohibit an insurance distributor registered in another Member State from distributing insurance in the Republic of Latvia with the intermediation of a branch or, in conformity with the principle of freedom to provide services, to prohibit the relevant operation if it significantly endangers the rights of customers – consumers within the meaning of the Consumer Rights Protection Law – and is performed in order to avoid conformity with the requirements of the laws and regulations applicable to an insurance distributor registered in the Republic of Latvia.

(2) The Commission shall inform the supervisory authority of the home state regarding taking of the decision referred to in Paragraph one of this Section.

(3) The Commission is entitled to turn to the EIOP Authority and request its assistance in solving the issue referred to in this Section.

**Chapter VI**

**Supervision of Insurance and Reinsurance Distribution**

**Section 59. Supervisory Authority**

(1) Supervision of insurance and reinsurance distribution shall be performed by the Commission.

(2) The Commission shall supervise the branches of the insurance or reinsurance distributors registered in the Republic of Latvia and created in Member States, as well as the insurance or reinsurance distribution performed by the insurance or reinsurance distributors registered in the Republic of Latvia in other Member States in conformity with the principle of freedom to provide services. Upon performing supervision, the Commission shall cooperate and consult with the supervisory authorities of the relevant Member State.

**Section 60. Registration Fee and Financing of the Operation of the Supervisory Authority**

(1) An insurance or reinsurance broker and a branch of a foreign insurance or reinsurance broker shall pay to the Commission:

1) for examination of the documents submitted for registration in the register of insurance and reinsurance brokers – EUR 250;

2) for examination of amendments to the procedures referred to in Section 8, Paragraph one, Clauses 8, 9, 10, 11, 12, 13, 14, and 15 of this Law submitted for registration – EUR 40.

(2) Prior to commencement of operation in the Republic of Latvia a branch of an insurance or reinsurance broker of another Member State shall pay EUR 250 to the Commission for financing the operation thereof.

(3) An insurance broker, a branch of an insurance broker of another Member State, and a branch of a foreign insurance broker shall pay up to 0.7 per cent (inclusive) from the commissions received in the quarter, but not less than EUR 150 and not more than EUR 1000 per year for financing the operation of the Commission.

(4) The Commission shall issue regulatory provisions for the procedures for calculating, making the payment referred to in Paragraph three of this Section and the submission of reports.

(5) The payment referred to in Paragraph three of this Section shall be made once a quarter until the thirtieth date of the month following the quarter.

(6) For delayed transfer or transfer at less than full amount of the payment referred to in Paragraph three of this Section the late payment charge shall be calculated for each delayed day of payment as 0.05 per cent from the outstanding amount.

(7) The payments referred to in this Section shall be transferred to the account of the Commission in the Bank of Latvia.

**Section 61. Reports on the Operation of Insurance or Reinsurance Intermediaries**

The Commission is entitled to request reports from insurance or reinsurance intermediaries, branches of foreign insurance or reinsurance intermediaries, and branches of insurance or reinsurance intermediaries of another Member State on the operation thereof for the needs of supervision and to determine the form, content, and term of submission of such reports.

**Section 62. Cooperation of Supervisory Authorities of Member States and Mutual Exchange of Information**

(1) In order to ensure fulfilment of the requirements of this Law the Commission, if necessary, shall cooperate and consult with the supervisory authorities of other Member States.

(2) Upon examination of a submission regarding entering of an insurance or reinsurance broker in the register of insurance or reinsurance brokers, as well as during the course of supervision of the registered insurance or reinsurance broker the Commission shall consult with the supervisory authority of the relevant Member State, assessing the compliance of the responsible person or an employee directly involved in insurance or reinsurance distribution with the requirements of this Law.

(3) If necessary, the Commission shall inform the supervisory authority of the Member State referred to in Paragraph two of this Section regarding any circumstances which affect the compliance of the responsible person or an employee directly involved in insurance or reinsurance distribution with the requirements of this Law and which are important to the supervisory authorities of other Member States which register insurance or reinsurance brokers, as well as continuously supervise fulfilment of the conditions for their operation.

(4) The Commission shall inform the supervisory authority of the Member State regarding cancellation of an entry in the register of insurance or reinsurance brokers, the register of insurance agents, or the register of ancillary insurance intermediaries, regarding sanctions and measures which have been imposed thereby on an insurance or reinsurance distributor registered in the Republic of Latvia which pursues insurance or reinsurance distribution in the territory of the relevant Member State.

**Section 63. Prohibition to Disclose Information**

(1) Information regarding an insurance or reinsurance distributor and its customer which has not been previously published in accordance with the procedures laid down by law or disclosure of which is not determined in other laws, or which has not been approved as publicly available information by the council of the Commission shall be considered restricted access information, and the Commission only has the right to disclose it to third parties in the form of a report or summary so that it would be impossible to identify any particular insurance or reinsurance distributor or its customer. The status of the restricted access information referred to in this Paragraph shall also be applicable to the information regarding the insurance or reinsurance distributor and its customer, and also the activities of the insurance or reinsurance distributor and its customer if insolvency proceedings have been declared in respect of the insurance or reinsurance distributor or liquidation thereof has been initiated, or it has been liquidated.

(2) If insolvency proceedings of a legal person have been declared for an insurance or reinsurance distributor or its liquidation has been initiated, restricted access information which does not apply to third persons that are involved in operations directed towards improvement of the financial situation of the insurance or reinsurance distributor may be disclosed upon examination of civil cases.

(3) The Commission is entitled to disclose the restricted access information referred to in Paragraph one of this Section in the cases specified in the Insurance and Reinsurance Law and in accordance with the procedures for the exchange and disclosure of restricted access information.

[*23 September 2021 /* *Amendment regarding the replacement of the words “council of the Commission” with the words “Latvijas Banka” and amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 64. Right of the Commission in Performance of Supervision of Insurance or Reinsurance Distribution**

(1) The Commission has the right, according to its competence, to request that an insurance or reinsurance distributor performs the necessary measures to eliminate the detected violations of this Law, the laws and regulations issued on the basis of this Law, the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, or directly applicable legal acts of the European Union in the field of insurance or reinsurance distribution.

(2) The Commission has the right to request information and documents from insurance or reinsurance distributors regarding their operation and, if necessary, to perform an examination. Insurance or reinsurance distributors have an obligation to cooperate with the Commission.

(3) Insurance or reinsurance distributors shall submit the requested information to the Commission within the time periods stipulated thereby. Submission of information may not be refused upon pretext of a trade secret.

(4) In order to ensure single, efficient, and constructive practice of supervision and uniform and consistent application of the directly applicable legal acts of the European Union in Member States, the Commission has the right to specify requirements governing the registration and operations of an insurance or reinsurance distributor, as well as the relationship between the insurance or reinsurance distributor and the customer.

(5) The Commission is entitled to impose the following supervisory measures for violations of Regulation No 1286/2014 in accordance with Article 24 of this Regulation:

1) to prohibit the distribution of an insurance-based investment product;

2) to impose the obligation to suspend the distribution of an insurance-based investment product;

3) to prohibit the provision of a key information document which does not conform to the requirements of Article 6, 7, 8, or 10 of Regulation No 1286/2014 and to take a decision requiring the publication of a new key information document conforming to this Regulation;

4) to impose the obligation on a person who is providing recommendations regarding an insurance-based investment product, is developing or selling it to inform the customer who is not a professional client and whose rights and interests have been violated regarding the sanction or supervisory measure imposed and also as to where the customer may submit a complaint or where he or she can go in order to initiate out-of-court redress, as well as regarding his or her rights to bring a claim to a court.

(6) If the administrative act issued by the Commission regarding imposition of the supervisory measures referred to in Paragraph five, Clauses 1, 2, 3, and 4 of this Section is appealed, the appeal of such act shall not suspend operation thereof.

[*23 September 2021 /* *Amendments regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Chapter VII**

**Liability**

**Section 65. Sanctions and Supervisory Measures**

(1) The Commission is entitled to impose sanctions and administrative measures:

1) on an insurance or reinsurance merchant, a branch of a foreign insurer or reinsurer, an insurance or reinsurance intermediary which is using insurance or reinsurance distribution services provided by a person who is performing insurance or reinsurance distribution without registration in the register of insurance and reinsurance intermediaries or the register of ancillary insurance intermediaries;

2) on an insurance or reinsurance intermediary, an ancillary insurance intermediary which is registered in the register of insurance and reinsurance intermediaries or the register of ancillary insurance intermediaries if it provides false information or in any way does not conform to the requirements of Chapter II of this Law;

3) on an insurance distributor which does not conform to the requirements of Sections 16, 17, 18, 19, 21, 23, 24, 28, 29, 31, and 45 of this Law;

4) on an insurance merchant, a branch of a foreign insurer, an insurance intermediary, an insurance intermediary of a Member State which does not conform to the requirements of Chapter IV of this Law in relation to the provision of information to a customer in relation to insurance-based investment products;

5) on an insurance distributor and an insurance distributor of another Member State which does not conform to the requirements of Chapter IV of this Law in relation to the provision of information to a customer in relation to insurance products, except for that referred to in Clause 4 of this Paragraph;

6) on an insurance or reinsurance intermediary or an ancillary insurance intermediary which does not fulfil the requirements of Section 1, Paragraph one, Clauses 1, 4, 7, 9, and 21, Section 4, Paragraphs three, four, five, and seven, Section 8, Paragraph one, Clauses 8, 9, 10, 11, 12, 13, 14, and 15 and Paragraph six, Section 64, Paragraphs one, two, and three of this Law;

7) on an insurance merchant, a branch of a foreign insurer, and an insurance broker which do not fulfil the requirements of Section 18, Paragraphs four and five of this Law;

8) on an insurance merchant, a branch of a foreign insurer, an insurance or reinsurance intermediary which does not conform to the requirements of the laws and regulations regarding the prevention of money laundering and terrorism and proliferation financing;

9) on an insurance distributor which does not conform to the requirements of Article 5(1), Articles 6 and 7, Article 8(1), (2), and (3), Article 9, Article 10(1), Article 13(1), (3), and (4), Articles 14 and 19 of Regulation No 1286/2014;

10) on persons performing insurance or reinsurance distribution without registration in the register of insurance and reinsurance intermediaries or the register of ancillary insurance intermediaries;

(2) The Commission is entitled to impose the following sanctions on an insurance merchant, a branch of a foreign insurer, an insurance intermediary which does not conform to the requirements of Chapter IV of this Law regarding the provision of information to a customer in relation to insurance-based investment products for the violations referred to in Paragraph one, Clause 4 of this Section:

1) to express a public announcement by indicating the person liable for the violation and the nature of the violation;

2) [23 September 2021];

3) to cancel the entry made in the register of insurance and reinsurance brokers in respect of the insurance or reinsurance broker in accordance with Section 9, Paragraph four, Clause 3 of this Law;

4) [23 September 2021];

5) to impose a fine on a legal person up to five million *euros* or up to five per cent from the total annual turnover according to the last available audited annual statement of the abovementioned legal person. If the legal person is a parent company or a subsidiary of a parent company which must prepare consolidated annual statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the laws and regulations of the home Member State, the total turnover shall be formed by the total annual turnover in accordance with the relevant laws and regulations of the Member State of origin in the field of accounting, taking into account the last available consolidated annual statement which has been approved by the management body of the parent company;

6) to impose a fine of up to EUR 700 000 on the natural person responsible for the violation;

7) as an alternative to that laid down in Clause 5 or 6 of this Paragraph to impose a fine of up to double amount of the income gained as result of the violation or of the prevented possible loss;

8) to request cancellation of entries made in relation to the insurance agent in the register of insurance agents.

(21) The Commission is entitled to impose the following administrative measures on an insurance merchant, a branch of a foreign insurer, an insurance intermediary for the violations referred to in the introductory part of Paragraph two of this Section:

1) to require that the person responsible for the violation immediately ceases the respective acts;

2) to impose a temporary prohibition on the member of the board of the insurance intermediary, insurance merchant, or the branch of the foreign insurer, or the head of the branch, or another natural person responsible for committing the violation to fulfil the obligations in the insurance intermediary, insurance merchant, or branch of the foreign insurer.

(3) The Commission is entitled to impose the following sanctions for the violations referred to in Paragraph one, Clauses 1, 2, 3, and 5 of this Section:

1) [23 September 2021];

2) to cancel the entry made in the register of insurance and reinsurance brokers in respect of the insurance or reinsurance broker, in accordance with Section 9, Paragraph four, Clauses 1, 3, 4, and 5 of this Law;

3) to propose cancellation of entries made in relation to the insurance agent or ancillary insurance intermediary in the register of insurance agents or ancillary insurance intermediaries.

(31) The Commission is entitled to impose the administrative measure, namely request that the person responsible for the violation immediately ceases the respective acts, for the violations referred to in the introductory part of Paragraph three of this Section.

(4) The Commission is entitled to impose a fine of up to EUR 14 200 on an insurance or reinsurance distributor for the violations referred to in Paragraph one, Clause 6 of this Section.

(5) The Commission is entitled to impose a fine of up to EUR 14 200 on an insurance merchant, a branch of a foreign insurer, and an insurance broker for the violations referred to in Paragraph one, Clause 7 of this Section.

(6) The Commission is entitled to impose the sanctions specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing for the violations referred to in Paragraph one, Clause 8 of this Section.

(7) The Commission is entitled to impose the following sanctions for the violations of Regulation No 1286/2014 referred to in Paragraph one, Clause 9 of this Section in accordance with Article 24 of Regulation No 1286/2014:

1) [23 September 2021];

2) [23 September 2021];

3) [23 September 2021];

4) [23 September 2021];

5) to express a warning in which the responsible person and the essence of the violation are indicated;

6) to impose a fine on a legal person of up to five million *euros* or up to three per cent from the total annual turnover according to the last available annual statement of such legal person. If the legal person is a parent company or a subsidiary of a parent company which prepares a consolidated annual statement in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or a consolidated financial statement in accordance with the requirements of the laws and regulations of the Member State of origin, the total turnover shall be formed by the total annual turnover or income of appropriate type in accordance with the relevant laws and regulations of the Member State of origin in the field of accounting, taking into account the last available consolidated financial statement which has been approved by the management body of the parent company;

7) to impose a fine of up to EUR 700 000 to an insurance intermediary – performer of economic activity – and the responsible person of an insurance intermediary – legal person – which, at the time of committing the violation, was responsible for the performance of the particular operation upon assignment or in the interests of the insurance intermediary;

8) as an alternative to that laid down in Clause 6 or 7 of this Paragraph to impose a fine of up to double amount of the income gained as result of the violation or of the prevented possible loss.

(71) The Commission is entitled to issue a warning or impose a fine of up to EUR 14 200 on a person for the violation referred to in Paragraph one, Clause 10 of this Section.

(8) The Commission is entitled to impose the fine referred to in this Section on any member of the board or the council of the insurance or reinsurance distributor, as well as on any other person who is responsible for committing the violations referred to in this Section.

(9) [23 September 2021]

[*23 September 2021 /* *Amendments regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 66. Efficient Imposition of Sanctions and Supervisory Measures**

Upon taking the decision to impose sanctions or supervisory measures on persons who have violated the laws and regulations governing the financial and capital market and on the amount of the fine, the Commission shall take into account all the circumstances, including the circumstances specified in the Law on the Financial and Capital Market Commission, as well as the measures performed by the person to prevent recurrence of the violation and the potential consequences of systematic committing of the violation, as well as evaluate the commensurability, efficiency, and dissuasive nature of the sanctions to be imposed.

**Section 67. Appealing a Decision of the Commission**

A decision of the Commission which has been taken in accordance with this Law may be appealed to the Administrative District Court. The court shall examine the case as the court of first instance. The case shall be reviewed in the composition of three judges. The judgment of the Administrative District Court may be appealed by filing a cassation complaint.

**Section 68. Disclosure of Sanctions, Administrative Measures, and Supervisory Measures**

(1) The Commission shall post on its website the information regarding the sanctions, administrative measures, and the supervisory measures referred to in Section 64, Paragraph five of this Law imposed on persons for the violations referred to in this Law by indicating information regarding the person and the violation committed thereby, and also regarding contestation of the administrative act issued by the Commission and the ruling rendered.

(2) If after performance of a previous assessment the Commission detects that the disclosure of personal data is not proportionate or disclosure of such data may endanger the stability of the financial market or examination of a relevant administrative case, it is entitled to carry out one of the following activities:

1) to suspend disclosure of the information related to the sanctions or administrative measures, or the supervisory measures referred to in Section 64, Paragraph five of this Law and imposed on the person until the moment when the circumstances due to which such disclosure was suspended are no longer present;

2) to disclose the information referred to in Paragraph one of this Section without identifying the person if such disclosure ensures efficient protection of personal data;

3) not to disclose the information referred to in Paragraph one of this Section if the activities referred to in Clauses 1 and 2 of this Paragraph are not sufficient in order to ensure the stability of the financial market and such disclosure is not proportionate to the imposed administrative measures or the supervisory measures referred to in Section 64, Paragraph five of this Law that are considered insignificant.

(3) Information posted on the website of the Commission and referred to in Paragraph one of this Section shall be available for five years from the day of posting thereof.

(4) The Commission shall inform the EIOP Authority regarding the sanctions, administrative measures, and the supervisory measures referred to in Section 64, Paragraph five of this Law and imposed on the person but not disclosed in accordance with Paragraph two, Clause 3 of this Section, including regarding appeal of the relevant administrative act and the result thereof, the sanctions, administrative measures, and the supervisory measures referred to in Section 64, Paragraph five of this Law and imposed on the person that have been disclosed. The Commission shall, on an annual basis, provide the EIOP Authority with aggregated information regarding all sanctions and administrative measures imposed on persons in accordance with Section 65 of this Law, and also regarding all supervisory measures imposed on persons in accordance with Section 64, Paragraph five of this Law.

[*23 September 2021 /* *Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023.* *See Paragraph 11 of Transitional Provisions*]

**Section 69. Reporting on Potential and Actual Violations of this Law**

(1) Any person may report to the Commission on potential and actual violations of this Law, any regulatory provisions of the Commission issued on the basis of this Law, and Regulation No 1286/2014.

(2) The Commission shall establish and maintain an efficient and credible reporting system which includes at least the following elements:

1) the procedures by which reports on the violations are received and by which further action shall be performed;

2) in accordance with the laws and regulations regarding personal data protection – personal data protection of such person who is reporting on the violation, as well as personal data protection of such natural person who is suspected of committing the violation;

3) the provisions regarding ensuring confidentiality of such person who is reporting on the violation, except for the case when disclosure of such information is provided for in the legal acts of the Republic of Latvia.

(3) The procedures for reporting on potential and actual violations of this Law, any regulatory provisions of the Commission issued on the basis of this Law, and Regulation No 1286/2014, and for the processing of the reports received in the reporting system of the Commission shall be determined by the regulatory provisions of the Commission.

(4) Reporting which is performed in accordance with Paragraph one of this Section by an employee of an insurance or reinsurance distributor and of a branch of a foreign insurance intermediary shall not be considered the violation of the prohibition to disclose information specified in the contract and any law or regulation, and the person shall not be responsible for such reporting. Discriminatory or other unfair activities may not be directed against persons who report on violations.

(5) An insurance distributor and a branch of a foreign insurance intermediary which is providing recommendations on an insurance-based investment product, develops or sells it shall develop the internal procedure which includes the procedures by which employees shall report thereto on violations of Regulation No 1286/2014 in the insurance distributor or the branch of the foreign insurance intermediary.

**Transitional Provisions**

1. The Activities of Insurance and Reinsurance Intermediaries Law is repealed with the coming into force of this Law.

2. An insurance or reinsurance distributor which has received the insurance or reinsurance licence until the day of coming into force of this Law or has been registered with the register of insurance and reinsurance intermediaries shall ensure fulfilment of the requirements of Section 23 of this Law by 31 December 2019.

3. A branch of an insurance merchant or a foreign insurer shall, by 1 October 2019, establish the register of insurance agents and register insurance agents therein which pursue insurance distribution on behalf and in the interests of the insurance merchant or the branch of the foreign insurer.

4. The tied insurance agent which has been registered in the register of tied insurance agents until the day of coming into force of this Law shall, within 30 days after establishment of the register of insurance agents and the register of ancillary insurance intermediaries, register with the register of insurance agents as an insurance agent or with the register of ancillary insurance intermediaries as an ancillary insurance intermediary or terminate insurance distribution. If the tied insurance agent registers with the register of insurance agents as an insurance agent or with the register of ancillary insurance intermediaries as an ancillary insurance intermediary, it shall, by 1 October 2019, ensure fulfilment of the requirements of Section 23 of this Law.

5. An insurance agent which until the day of coming into force of this Law has been registered in the register of insurance and reinsurance intermediaries maintained by the Commission as an insurance agent shall, within 30 days after establishment of the register of insurance agents and the register of ancillary insurance intermediaries, register as an insurance agent in the register of insurance agents maintained by the insurance merchant or the branch of the foreign insurer or terminate insurance distribution. The insurance agent or insurance merchant, or branch of the foreign insurer has an obligation, instead of the insurance agent, to inform the Commission regarding registration of the insurance agent in the register of insurance agents maintained by the insurance merchant or the branch of the foreign insurer. An entry regarding an insurance agent which, by 1 October 2019, will not have registered in the register of insurance agents maintained by the insurance merchant or the branch of the foreign insurer will be cancelled in the register of insurance and reinsurance intermediaries maintained by the Commission.

6. In order to ensure fulfilment of Paragraphs 4 and 5 of these Transitional Provisions, the legal norms regarding the register of insurance and reinsurance intermediaries and the register of tied insurance agents and the information to be included therein which were in force until the day of coming into force of this Law shall, until re-registration or termination of operations thereof, but not later than by 1 October 2019, be applied to insurance agents and tied insurance agents which until the day of coming into force of this Law have been registered in the register of insurance and reinsurance intermediaries or the register of tied insurance agents accordingly.

7. Associations of insurance distributors which at the moment of coming into force of this Law had already received a permission to provide an opinion on the knowledge and skills acquired by the responsible person or an employee directly involved in insurance or reinsurance distribution of the insurance distributor in the field of insurance or reinsurance distribution shall retain such rights, and they do not need repeat registration with the Commission. The associations of insurance distributors referred to in this Paragraph shall, within 90 days after the day of coming into force of this Law, submit the information specified in Section 25, Paragraph two, Clause 2 of this Law to the Commission.

8. Associations of insurance distributors shall, by 31 December 2019, establish an institution (ombudsman) in order to ensure fulfilment of the requirements of Section 47 of this Law.

9. Until the day of coming into force of such directly applicable legal act of the European Union in the field of insurance or reinsurance distribution which determines the minimum amount of civil liability per year and for a single insurance case the minimum amount of civil liability per year may not be less than EUR 1 875 927 and for a single insurance case – less than EUR 1 250 618.

10. An insurance or reinsurance merchant, a branch of a foreign insurer, or a branch of a foreign reinsurer shall ensure conformity of employees directly involved in insurance or reinsurance distribution with the requirements of Section 17 of this Law, starting from 1 October 2019.

11. Amendments to this Law regarding the replacement of the word “Commission” with the words “Latvijas Banka” in the entire Law, except for the name “European Commission” and Transitional Provisions, the new wording of Section 5, Paragraph five, amendment to Section 60, Paragraph two, the new wording of Section 60, Paragraph three, and amendments regarding the deletion of Section 60, Paragraphs four, five, six, and seven, amendment to Section 63, Paragraph one regarding the replacement of the words “council of the Commission” with the words “Latvijas Banka”, amendment regarding the deletion of Section 66, and amendments to Section 69, Paragraphs one and three shall come into force concurrently with the Law on Latvijas Banka.

[*23 September 2021 /* *The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

12. The regulatory provisions issued by the Financial and Capital Market Commission on the basis of this Law until the day of coming into force of the Law on Latvijas Banka shall be applied until the day of coming into force of the relevant regulations of Latvijas Banka, but not longer than until 31 December 2024.

[*23 September 2021*]

**Informative Reference to European Union Directives**

This Law contains legal norms arising from:

1) Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast);

2) Directive (EU) 2018/411 of the European Parliament and of the Council of 14 March 2018 amending Directive (EU) 2016/97 as regards the date of application of Member States’ transposition measures.

This Law has been adopted by the *Saeima* on 25 April 2019.

President R. Vējonis

Rīga, 9 May 2019