

Regulations on Establishment & Activities of Insurance Institutes in Free Trade-Industrial Zones

Chapter 1 **Definition**

● **Article 1**

In these regulations, the following terms are used in lieu of the corresponding phrases:

- A. Free Zones: Free trade-industrial zones of the Islamic Republic of Iran;
- B. Other parts of the country: the Islamic Republic of Iran excluding free zones;
- C. Zone: each one of the free zones;
- D. Authority: Authority responsible for the administration of each free zone;
- E. Institutions to which these regulations apply: all institutions referred to in article 2 of these regulations;
- F. Insurance institutions: insurance institutions authorized to operate, under the provisions of these regulations, in the zone;
- G. Mutual insurance institutions: insurance institutions rendering services, in form of mutual insurance, exclusively to their members;
- H. Insurance brokers institution: a legal person that acts as an intermediary between the parties of insurance and /or reinsurance transactions in exchange for a commission and whose business is only to provide insurance services;
- I. Branch: a unit, affiliated to one of the Iranian insurance institutions, operating within the framework of functions and duties, and under the name and authorization of the principal institution in the zone;
- J. Insurance agency: a real or legal person undertaking some of the functions and duties of an Iranian insurance institution, in the zone, on the basis of an insurance agency contract and provisions of these regulations;
- K. Contact office: a registered insurance institute office in free zones facilitating the connection between Bimeh Markazi Iran (Central Insurance of IR Iran) and other relevant organizations across the country.

Chapter 2 **Establishment**

● **Article 2**

Insurance and reinsurance operations in free zones shall take place through institutions that based on the proposal of the authority and under the provisions



of these regulations obtain permission from Bimeh Markazi Iran (Central Insurance of IR Iran) and are registered in one of the following forms:

1. Iranian joint stock or cooperative insurance companies with real and/or legal Iranian and/or foreign shareholders with registered shares.

2. Insurance agency and/or brokers institution;

Note 1. Subject to provisions of these regulations and registration in the zone, insurance institutions are permitted to establish branches.

Note 2. Subject to rules to be approved by the High Council of Insurance, granting insurance agency to real persons is permitted,

Note 3. Operation of branches and agencies of insurance institutions, operating in other parts of the country, is allowed in each free zone, under the provisions of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and Insurance Operations, within the framework of these regulations and other rules governing the said institutions.

Note 4: Ground rules of the establishment and domain of activities of insurance institutes contact offices shall be determined and announced by Bimeh Markazi Iran (Central Insurance of IR Iran).

● **Article 3**

Institutions authorized to operate in the Zone, within the framework of these regulations, are not permitted to provide insurance for persons residing and risks located in other parts of the country and transport insurance for goods imported to other parts of the country, the purchase contract of which is concluded or its letter of credit is opened in Iran. Reinsurance transactions are excluded from this Article.

Note 1. Institutions authorized to exclusively operate direct insurance in the Zone are not permitted to accept reinsurance from insurance institutions operating in other parts of the country.

Note 2. Insurance institutions are entitled to insure properties and liabilities (except that of life insurance) of the Special Economic Zones within the provision of these regulations and in compliance with relevant rules and regulations.

Note 3. Issuance of insurance policies by the insurance institutions of the Free Zones for those risks the coverage of which is not offered by Iranian insurance institutions operating in other parts of the country is exception to this Article. The list of such risks permitted to be insured by the insurance institutions shall be prepared and communicated to the Authorities within three months from the date of the approval of these regulations, at the latest.

● **Article 4**

Minimum capital for insurance institutions, insurance agencies and insurance brokers are as follows:

1. Direct insurance institutions are established with a minimum capital of fifteen billion (15,000,000,000) IRR, at least fifty percent (%50) of which must be paid initially;

2. Mutual insurance institutions are established with a minimum capital of two hundred million (200,000,000) IRR at least fifty percent (%50) of which must

be paid initially;

3. Reinsurance institutions are established with a minimum capital of eighty - five billion (85,000,000,000) IRR at least fifty percent (%50) of which must be paid initially;

4. Insurance agencies and / or broking institutions are established with a minimum capital of three hundred million (300,000,000) IRR at least fifty percent (%50) of which must be paid initially.

Note 1. The amounts indicated in this Article may be adjusted every two years subject to joint proposal of the Secretariat of the High Council of free zones and Bimeh Markazi and its approval by the Council of Ministers;

Note 2. Foreign shareholders of the institutions to which these regulations apply must pay their shares in the foreign currencies acceptable to the Central Bank of Iran and/or must produce a foreign currency conversion certificate.

Note 3. The capital funds, subject of this article must be deposited in one of the banks certified by the Central Bank of the Islamic Republic of Iran and preferably in the banks which hold branches in the free zones.

Chapter 3

Registration and Operation Permit

● **Article 5**

The registration of the institutions to which these regulations apply, in the zone is subject to the presentation of the registration permit issued by Bimeh Markazi . Also the registration of any subsequent changes in the articles of association, amount of capital and shares of the previously registered institutions, is subject to the approval of Bimeh Markazi.

● **Article 6**

To secure a registration permit the following documents and information must be submitted to Bimeh Markazi:

- A. Articles of Association of the institution;
- B. The institution's amount of capital, the receipt or a commitment letter for its payment
- C. The paid and non-paid portion of the shares and the method of payment ;
- D. Lists of shareholders, inspectors and directors and their nationalities, and number of shares to be owned by each of them;
- E. Other documents, papers and information confirming financial and technical integrity of the institution and its directors.

Note. The registration permit will remain valid for 6 months. If the institution is not registered within the said period, another registration permit must be obtained.

● **Article 7**

Bimeh Markazi Iran (Central Insurance of IR Iran), in compliance with Article 28 of the Law on the Administration of the Free Trade - Industrial Zones in the Islamic



Republic of Iran (ratified in 1993) and the provisions of these regulations, is obliged to announce, in writing, its views on the acceptance or rejection of the application to the authority within 30 days from the date of the submission of the last requested documents and information.

Note. In case of rejection, applicants are entitled to submit their objections to the General Assembly of Bimeh Markazi within 30 days. The decision of the General Assembly shall be final and binding.

● **Article 8**

Upon receiving the registration certificate of the institution in the zone, Bimeh Markazi will issue an operation permit for one or more classes of direct insurance, reinsurance or both.

Chapter 4

Cancellation of Permit and Restriction of Operation

● **Article 9**

The operation permit issued by Bimeh Markazi in either all fields or specific fields will be cancelled in the following instances:

- A. At the request of the permit-holder.
- B. In case, the institution does not commence its operations in the Zone within one year starting the date of the permit;
- C. Bankruptcy of the institution;
- D. If, at the discretion of Bimeh Markazi supported by the High Council of Insurance, the institution is not financially capable to fulfill its commitments; or if the continuation of institution's operation is to the detriment of insured, assureds and their beneficiaries;
- E. On the ground of other prescribed instances in these regulations.

● **Article 10**

In case the institution to which these regulations apply, acts in contravention of its articles of association or the provisions of these regulations or, as announced by the Authority in contravention of other regulations governing such institutions in the Zone, at the suggestion of Bimeh Markazi and with the approval of the High Council of Insurance, its operation in a field or in specific fields or in reinsurance will be temporarily or permanently banned.

● **Article 11**

Issuance and cancellation of the operation permit for the institutions to which these regulations apply or the temporary suspension of their operation as well as the necessary information, protecting the interests of the insured, assureds, and their beneficiaries shall be announced twice within interval of one month through the Iran's official gazette and one of the mass-circulated newspapers in Tehran and the Zone by Bimeh Markazi at the expense of the institution.

● **Article 12**

In case the operation permit of an insurance institution is permanently cancelled in one or more insurance or reinsurance fields, at the suggestion of Bimeh Markazi

and with the approval of the High Council of Insurance arrangements will be made to protect the interests of the assureds, insured and their beneficiaries. These arrangements might include the portfolio transfer of the institution together with all the records and documents relating to its rights and liabilities to another institution authorized to operate in the zone.

Chapter 5

Rules of Operation

● **Article 13**

Insurance institutions to which these regulations apply are obliged to maintain statutory and technical reserves and specifically disclose the application of such reserves in their accounts. The various types of the statutory and technical reserves for each of the insurance classes together with the criteria for calculations and the manner of application of such reserves and the capital of the institution as well as evaluation methods of the movable and immovable properties representing financial resources of said institutions should be in accordance with the guidelines to be approved by the High Council of Insurance.

● **Article 14**

Insurance institutions to which these regulations apply, are obliged to reinsure with Bimeh Markazi ten percent (%10) of all their direct insurance businesses. Bimeh Markazi can accept or reject the said reinsurance.

Note. The commission rate and terms of such reinsurance shall be in accordance with the guideline to be approved by the High Council of Insurance.

● **Article 15**

The properties of insurance institutions to which these regulations apply and also reserves referred to in Article 13 are regarded as securities to protect the rights and interests of the insured and assured and their beneficiaries; and in the event of dissolution or bankruptcy of the institution, priority will be given to them over other creditors.

Note 1. Among various insurance classes, priority is given to life insurance.

Note 2. The institutions referred to in this article are not allowed to convey the rights of, or mortgage, their properties and / or place them as a subject of any type of transaction with a right of refund without prior agreement of Bimeh Markazi;

Note 3. At the time of the registration of transactions subject of note 2 of this Article, public notaries are obliged to ask for the agreement of Bimeh Markazi and to reflect its contents in the document, on the basis of the latter part of Article 60 of the Establishment Act of Bimeh Markazi and Insurance Operation.

● **Article 16**

Insurance institutions, to which these regulations apply, are obliged to publish their balance sheet and profit and loss account in one of the mass-circulated newspapers in Tehran and the zone.



● **Article 17**

Insurance institutions, to which these regulations apply, are obliged to inform Bimeh Markazi of any changes in the institution's major shareholders, directors and inspectors (auditors) within 2 weeks.

● **Article 18**

Persons convicted, in Iran or abroad, for such charges as murder, theft, breach of trust, fraud, drafting rubber cheque, embezzlement or complicity in the said crimes and also fraudulent or culpable bankrupts, cannot be one of the founders or directors of the institutions to which these regulations apply.

● **Article 19**

In case of merger, transfer of operations, dissolution and bankruptcy, insurance institutions to which these regulations apply are subject to the provisions of these regulations and Articles 51 to 59 of the Act on the Establishment of Bimeh Markazi and Insurance Operation.

Chapter 6

Supervision

● **Article 20**

Bimeh Markazi will supervise the operations of insurance institutions to which these regulations apply in the zone, in accordance with the provisions of these regulations.

● **Article 21**

Depending on the case, institutions to which these regulations apply are required to:

- A. Prepare and keep their accounts and financial statements in accordance with the formats to be approved by the High Council of Insurance at the suggestion of Bimeh Markazi;
- B. Submit copies of their financial statements examined and commented by the auditors accredited by Audit Organization of Iran ,or internationally recognized auditors, to Bimeh Markazi, within 6 months from the end of the fiscal period, at latest.
- C. Prepare statement of their annual insurance operations in accordance with the formats prepared by Bimeh Markazi and to submit to Bimeh Markazi within 3 months from the end of the relevant period.
- D. Provide Bimeh Markazi with other regular or ad-hoc information and statistics as Bimeh Markazi may deem necessary for supervising proper implementation of these regulations.
- E. Cooperate with and put the necessary information at the disposal of the inspectors who are assigned, in writing, by one of the members of the Executive Board of Bimeh Markazi with prior notification to the secretariat of the High Council of free zones;

Note. Insurance institutions offering long-term life policies, in addition to observing the above clauses, are obliged to appoint an actuary who is acknowledged by Bimeh Markazi to examine and to confirm the relevant accounts and technical reserves.

● **Article 22**

In addition to their legal and professional duties, the auditors of the insurance institutions to which these regulations apply are obliged to comment on the proper implementation of provisions of these regulations in their final reports.

● **Article 23**

In case Bimeh Markazi observes any breach in application of the relevant regulations by the institutions to which these regulations apply, it will give written notices to the institution and the Authority asking for rectification of the case in a specified period.

If the case is not rectified in due course, or if it reoccurs, pertinent to importance of the case, Bimeh Markazi, with written notice, will give effect to Article 10 of these regulations.

● **Article 24**

Net asset value (the shareholders' equity) of the insurance Institutions to which these regulations apply shall at no time be less than the greatest figure arising from the following clauses:

- A. Ninety (90) percent of minimum paid-up capital, in accordance with the provisions of these regulations;
- B. Ten percent (%10) of the gross written premiums for the last fiscal year multiplied by the loss retention ratio of the same period;
- C. Fourteen point three percent (%14.3) of the annual average of the total incurred losses for the last three fiscal periods multiplied by the loss retention ratio for of the period.

Note. For the purposes of this article" loss retention ratio for the period" is defined as:

- Total incurred losses after deducting the reinsurer's shares
- Total incurred losses of the relevant period.

● **Article 25**

An insurance institution which fails to meet the requirements of Article 24 of these regulations, within three months from the deadline set for the submission of its financial statements, shall present for approval to Bimeh Markazi, a scheme showing that the institution will be able to meet the said requirements. If not, Bimeh Markazi will restrict the operation or cancel the permit of such insurance institutions in compliance with the provisions of these regulations. At any rate, the period for the implementation of such proposed scheme should not be more than one year.



● **Article 26**

Institutions to which these regulations apply are obliged to maintain and invest all their assets representing liabilities and underwriting reserves, as well as their capital and other reserves, only in the free zones or in the other parts of the country. Note. A part of the assets subject of these regulations might be maintained abroad with the approval of the Authority and consent of Bimeh Markazi.

Chapter 7
Other Regulations

● **Article 27**

Insurance institutions and insurance agents and brokers are liable to compensate for the losses caused to others due to their or their employees' fault or negligence in the way of carrying their duties out. Any insurance institution that directly or through its agents affects insurance in a field or fields for which it has no permit is obliged to compensate the damages sustained by others.

● **Article 28**

The authority prevents unauthorized insurance and /or reinsurance operations, subject of these regulations upon the direction of Bimeh Markazi and if necessary Bimeh Markazi will take legal action, according to article 21 of " Criteria on Registration of Companies, and Industrial and Intellectual Property Rights" in free trade–industrial zones of the Islamic Republic of Iran- decreed by the High Council of Free Trade Industrial Zones on May 1995 20 –and the other relevant laws and regulations.

● **Article 29**

Whenever the Head of the High Council of Insurance arranges a council meeting to make decisions about the issues relating to the establishment or operation of the insurance institutions in the free zones, he will also invite the secretary of the High Council of Free Zones or his representative to attend the meeting. The secretary of the High council of Free Zones or his representative will also have the right to vote at these meetings.

Article 30

The operation of the institutions to which these regulations apply is subject only to the provisions of these regulations and in cases not foreseen, regarding the administration of the institution, is subject to Commercial Law and the Law on Amending Part of the Commercial Law.

● **Article 31**

With effect from the date of the approval of these regulations all contradicting regulations, in the region, are cancelled.

Hassan Habibi
First Vice-President (Signed)
(28 Aug., 2000)

RELATED LEGAL BASES:

● **Article(28)**

ATTACHED TO THE ACT ON HOW TO RUN THE FREE TRADE- INDUSTRIAL ZONES IN THE ISLAMIC REPUBLIC OF IRAN (APPROVED IN 1999):

● **Article 28**

The establishment and activity with domestic and foreign capital of Iranian insurance institutions and their branches and agencies and of insurance agency institutions in the free trade-industrial zones of the Islamic Republic of Iran is permitted, and it is merely governed over by the regulations to be ratified by the council of ministers at the suggestion of Bimeh Markazi.

Article (21) CRITERIA FOR REGISTRATION OF COMPANIES AND INDUSTRIAL AND SPIRITUAL OWNERSHIP IN THE FREE ZONES (APPROVED IN 1995):

At the request of the organization, those violating the implementation of the provisions of this approval will be prevented by the disciplinary force of the zone from continuing their activities. At any rate, these actions will not relieve the violating company's and/or the Institution's directors and real entities of their responsibilities vis-à-vis third parties.

Bimeh Markazi Iran (Central Insurance of IR Iran)