

## **Regulations on the establishment and Operation of Insurance institutes in the Free Trade – industrial Zones**

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### **Chapter one: Definitions**

#### **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 the Free Zones.
- c) Zone: each one of the Free Zones.
- d) Authority: authority responsible for the administration of each Free Zone.
- e) Institutes to which these regulations apply: all institutes referred to in article 2 of these regulations.
- f) Insurance institutes: the insurance institutes authorized to operate , under the provisions of these regulations, in the Zone.
- g) Mutual insurance institutes: the insurance institutes that render their services , in form of mutual insurance, exclusively to their members.
- h) Insurance broking institute: 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 institutes, operating within the framework of functions and duties, and under the name and with the authorization of the principal institute in the Zone
- J) Insurance agency: a real or legal person undertaking some of the functions and duties of an Iranian insurance institute, in the Zone, on the basis of an insurance agency contract and provisions of these regulations.
- k) Liaison Office: Offices of registered insurance institutes in the Zones established to facilitate relations with the Bimeh markazi Iran and the other relevant organizations in other parts of the Country.

## **Chapter 2 - Establishment**

### **Article 2**

Insurance and reinsurance operations in the Free Zones shall take place through institutes that, based on the proposal of the Authority and under the provisions of these regulations, obtain permission from Bimeh Markazi 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 broking institute.

### **Note 1**

Subject to provisions of these regulations and registration in the Zone, insurance institutes 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**

The Iranian insurance institutes subject to the provisions of the Bimeh Markazi Establishment and underwriting Law (both public and private) are entitled to operate in the Zones in either of the following ways:

- Establishment of branch offices and representation in compliance with the Bimeh Markazi Establishment and underwriting law.
- Establishment of an insurance institute with the participation of national and foreign natural and legal persons within the framework of these regulations.

#### **Note 4**

The regulations on the establishment and scope of operations of liaison offices of insurance institutes shall be determined and announced by Bimeh markazi Iran.

#### **Article 3**

Institutes authorized to operate in the Zone, within the framework of these regulations, are not permitted to provide insurance for persons residing and subject and matters 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.

#### **Note 1**

Institutes authorized to exclusively operate direct insurance in the Zone are not permitted to accept reinsurance from insurance institutes operating in other parts of the country.

#### **Note 2**

Insurance institutes are entitled to insure properties and liabilities (except that of life assurance) 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 institutes of the Free Zones, for those subjects and matters the coverage of which is not offered by Iranian insurance institutes operating in other parts of the country is an exception to this Article. The list of such subjects and matters permitted to be insured by the insurance institutes 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 institutes, insurance agencies and insurance brokers are as follows:

- 1) Direct insurance institutes are to be established with a minimum capital of Rials fifteen billion (15,000,000,000 ), at least fifty percent (50%) of which must be paid initially,
- 2) Mutual insurance institutes are to be established with a minimum capital of Rials two hundred million ( 200,000,000 ) at least fifty percent (50%) of which must be paid initially.
- 3) Reinsurance institutes are to be established with a minimum capital of Rials eighty five billion ( 85,000,000,000 ) at least fifty percent (50%) of which must be paid initially.
- 4) Insurance agencies and/or broking institutes are to be established with a minimum capital of Rials three hundred million ( 300,000,000 ) 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 Iran and its approval by the Council of Ministers.

#### **Note 2**

Foreign shareholders of the institutes to which these regulations apply must pay their Rial 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 institute to which these regulations apply, in the Zone, is

subject to the presentation of the registration permit issued by Bimeh Markazi Iran. Also the registration of any subsequent changes in the Articles of Association, amount of capital and shares of the previously registered institute s, is subject to the approval of Bimeh Markazi Iran.

## **Article 6**

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

- a) Articles of Associations of the institute;
- b) The institute'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.
- f) Other documents, papers and information confirming financial and technical integrity of the institute and its directors.

## **Note**

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

## **Article 7**

Bimeh markazi Iran is obliged to advise, 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 document and information, 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.

## **Note**

In case of rejection, applicants are entitled to submit their objections to the

General Assembly of Bimeh Markazi Iran within 30 days . The verdict of the General Assembly shall be final and binding.

#### **Article 8**

Upon receiving the registration certificate of the institutes in the Zone, Bimeh Markazi Iran 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 Iran for either all classes or specific classes will be cancelled in the following instances:

- At the request of the permit – holder.
- In case, the institute does not commence its

operations in the Zone within one year beginning from the date of the permit.

- Bankruptcy of the institute
- If, at the discretion of Bimeh Markazi Iran supported

by the High Council of Insurance, the institute is not financially capable to fulfil its commitments, or if the continuation of institute's operation is to the detriment of insureds , assureds or their beneficiaries

- On the ground of other prescribed instances in these regulations.

#### **Article 10**

In case the institute to which these regulations apply contravenes its Articles of Association or the provisions of these regulations or, as announced by the Authority, other regulations governing such institutes in the Zone, with the suggestion of Bimeh Markazi Iran and the approval of the High Council of insurance, its operation in a class or specific classes or reinsurance will be temporarily or permanently, banned.

## **Article 11**

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

## **Article 12**

In case the operation permit of an insurance institute is permanently cancelled in one or more insurance or reinsurance classes, with suggestion of Bimeh Markazi Iran and the approval of the High Council of Insurance arrangements will be made to protect the interests of the assureds, insureds and their beneficiaries.

These arrangements might include the transfer of the portfolio of the institute together with all the records and documents related to its rights and liabilities to another institute authorized to operate in the Zone.

## **Chapter 5 : Rules of Operation**

### **Article 13**

Insurance institutes 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 institute as well as methods of evaluation of movable and immovable properties representing financial resources of said institute should be in accordance with the guidelines to be approved by the High Council of Insurance.

### **Article 14**

Insurance institutes to which these regulations apply are obliged to reinsure with Bimeh Markazi Iran ten percent (10%) of all their direct insurance businesses. Bimeh Markazi Iran 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 institutes 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 insureds, assureds and their beneficiaries; and in the event of dissolution or bankruptcy of the institute, priority will be given to them over other creditors.

#### **Note 1**

Among various classes of insurance, priority is given to life insurance.

#### **Note 2**

The institutes 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 Iran.

#### **Note 3**

At the time of the registration of transactions subject of Note 2 of the Article, public notaries are obliged to ask for the agreement of Bimeh Markazi Iran 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 Iran and Insurance Operation.

#### **Article 16**

Insurance institutes to which these regulations apply, are obliged to publish their balance sheet and profit and loss account in one of the masscirculated newspapers in Tehran and the Zone.

#### **Article 17**

Insurance institutes to which these regulations apply, are obliged to inform Bimeh Markazi Iran of any changes in the institute`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 institutes to which these regulations apply.

#### **Article 19**

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

### **Chapter 6: Supervision**

#### **Article 20**

Bimeh Markazi Iran will supervise the operations of Insurance institutes to which these regulations apply in the Zone, in accordance with the provisions of these regulations.

## **Article 21**

Depending on the case, institutes 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 markazei Iran.
- b) Submit a copy of their financial statements examined and commented by the auditors accredited by audit Organization of Iran, or internationally recognized auditors, to bimeh Markazi Iran, 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 Iran and to submit it to Bimeh Markazi Iran within 3 months from the end of the relevant period.
- d) – Provide Bimeh Markazi Iran with other regular or ad-hoc information and statistics, as bimeh Markazi Iran 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 Iran with prior notification to the Secretariat of the High Council of Free Zones.

## **Note**

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

## **Article 22**

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

### **Article 23**

If Bimeh Markazi Iran observes any breach in applications of the relevant regulations by the institutes to which these regulations apply, it will give written notices to the institutes and the Authority asking for rectification of the case within a specified period.

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

### **Article 24**

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

1- Ninety percent (90%) of minimum paid-up capital, in accordance with the provisions of these regulations.

2- Ten percent (10%) of the gross written premiums for the last fiscal year multiplied by the Loss Retention Ratio of the same period.

3- 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 of the period.

### **Note**

For the purpose of this article " Loss Retention Ratio for the period " is defined as:

$$\frac{\text{Total incurred losses after deducting the re-insurers' shares}}{\text{Total incurred losses of the relevant period.}}$$

## **Article 25**

An insurance institutes, 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 Iran, a scheme showing that the institutes will be able to meet the said requirements. If not, Bimeh Markazi Iran will restrict the operation or cancel the permit of such insurance institutes in compliance with the provisions of these regulations. At any rate, the period for the implementation of such a proposed scheme should not be more than one year.

## **Article 26**

Institutes to which these regulations apply are obliged to maintain and invest all their assets representing liabilities, and underwriting reserves, and also 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 kept abroad with the approval of the Authority and consent of Bimeh Markazi iran.

## **Chapter 7: Other Regulations**

### **Article 27**

Insurance institutes 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 course of carrying out their duties. Any insurance institute that directly or through its agents effects insurance in a class or classes for which it has no permit is obliged to compensate for the damages sustained by others.

### **Article 28**

The Authority will prevent unauthorized insurance and/or reinsurance

operations, subject of these regulations upon instruction of Bimeh Markazi Iran and, if necessary , Bimeh Markazi Iran 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 on April 23 1995 – and 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 related to the establishment or operation of the insurance institutes in the Free Zones, he will 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 institutes to which these regulations apply is subject only to the provisions of these regulations and in cases not foreseen, regarding the administration of the institute , would be subject to Commercial Law and the Law on Amending Part of the Commercial Law.

#### **Article 31**

With effect from the date of approval of these regulations al contradicting regulations , in the Zone, are cancelled .