

**REGULATIONS ON ESTABLISHMENT AND OPERATIONS OF INSURANCE
INSTITUTIONS IN FREE TRADE- INDUSTRIAL ZONES OF THE ISLAMIC
REPUBLIC OF IRAN**

- **CHAPTER 1. DEFINITIONS**
- **CHAPTER 2. ESTABLISHMENT**
- **CHAPTER 3. REGISTRATION AND OPERATION PERMIT**
- **CHAPTER 4. CANCELLATION OF PERMIT AND RESTRICTION OF OPERATION**
- **CHAPTER 5. RULES OF OPERATION**
- **CHAPTER 6. SUPERVISION**
- **CHAPTER 7. OTHER REGULATIONS**

Bimeh Markazi Iran (Central Insurance of Iran)^[1]

High Council of Free Trade-Industrial Zones in the Islamic Republic of Iran

At a meeting held on Aug. 23, 2000 the Council of Ministers, on the basis of proposal No. 12611 dated Nov. 3, 1999 of Bimeh Markazi Iran and by virtue of article 28 attached to the Law on the Administration of Free Trade-Industrial Zones in the Islamic Republic of Iran (ratified in 1999), approved the Regulations on Establishment and Operations of Insurance Institutions in Free Trade - Industrial Zones of the Islamic Republic of Iran as follows:

^[1] Bimeh Markazi Iran (Central Insurance of Iran)....

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**CHAPTER 1
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. Institutions to which these regulations apply: all institutions referred to in article 2 of these regulations;
- F. Insurance institutions: the insurance institutions authorized to operate, under the provisions of these regulations, in the Zone;
- G. Mutual insurance institutions: the insurance institutions that render their services, in form of mutual insurance, exclusively to their members;
- H. Insurance broking 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 with the authorization of the principal institution in the zone;

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

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 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 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 Establishment Act of Bimeh Markazi Iran and Insurance Operations, within the framework of these regulations and other rules governing the said institutions.

ARTICLE 3. Institutions authorised to operate in the Zone, within the framework of these regulations, are not permitted to provide insurance for persons residing and risks (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. 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 an exception to this Article. The

list of such risks(subjects and matters) 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 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 institutions 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 institutions 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 institutions 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 institutions 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 institutions 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 institutions, 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 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 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 documents 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 institution 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:

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

ARTICLE 10. In case the institution 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 institutions 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 institutions 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 institution.

ARTICLE 12. In case the operation permit of an insurance institution 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 and all the records and documents related 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 methods of evaluation of 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 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 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 insureds, assureds 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 classes of insurance, 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 Iran;

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 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 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 Iran 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 Establishment Act of Bimeh Markazi Iran and Insurance Operation.

CHAPTER 6 SUPERVISION

ARTICLE 20. Bimeh Markazi Iran 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 Iran.
- 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 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 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 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 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. If Bimeh Markazi Iran 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 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 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 the period.

Note. For the purposes of this article" Loss Retention Ratio for the period" is defined as:

$$\frac{\text{Total incurred losses after deducting the reinsurer's shares}}{\text{Total incurred losses of the relevant period.}}$$

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 Iran, a scheme showing that the institution will be able to meet the said requirements. If not, Bimeh Markazi Iran 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 (duration) for the implementation of such a proposed scheme should not be more (longer) 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, 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 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 course of carrying out their duties. Any insurance institution 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 unauthorised 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 of the Islamic Republic of Iran-Decreed by the High Council of 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 institutions in the Free Zones, he will g 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, 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 all contradicting regulations, in the Zone, are cancelled