

Foreign Investment Guide

1- Are there any plans in support of foreign investments in Iranian insurance market? If yes, what is the maximum percentage of ownership in the mainland (Islamic Republic of Iran)?

- A. According to the Strategic Plan Document of Bimeh Markazi Iran (Central Insurance of IR Iran), *attracting foreign investors to the national insurance market and promoting cooperation with foreign insurance companies* are amongst strategic goals.
- B. Pursuant to Article 113 of the law concerning Fifth Five-year Development Plan of IR Iran, ratified on 15.10.1389 (Jan. 5, 2010), foreign investors are permitted to contribute to the Iranian insurance sector, in accordance with the general policies pertaining to Article 44 of the Constitution of the Islamic Republic of Iran and other relevant governing laws:
1. The partnership of foreign insurance companies with local commercial insurance companies, prioritizing non-governmental sector in order to establish a joint commercial insurance company in the Islamic Republic of Iran.
 2. Foreign investment absorption by local insurance companies (e.g. transfer of shares to foreign entities)
 3. Establishment and operations of branches and agencies of foreign commercial insurance companies
- C. In accordance with Article 35 of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations (June 29, 1971), the share transfer of the Iranian non-governmental insurance institutes to foreign natural and legal persons up to 20 percent is subject to the approval by Bimeh Markazi Iran (Central Insurance of IR Iran); share transfer above that extent, i.e. up to 49 percent, requires a proposal by Bimeh Markazi and ratification of High Council of Insurance (HCI) and the Iranian Board of Ministers.
- Pursuant to the subsection of the same article, the transfer of shares of the Iranian insurance institutes to foreign states or share transfer above 49 percent to foreign natural or legal persons is absolutely forbidden.

2- Are foreign insurers permitted to hold a license to operate in the mainland? What are the possible options for market entry (e.g. insurance undeveloped classes, joint venture, etc...)

- A. According to Article 45 of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, foreign insurers may obtain insurance license in the mainland to do insurance operations, provided that they adhere to relevant regulations. Requirements for the start-up of foreign insurance institute in the mainland are regulated in Section II of Chapter 4 regarding the mentioned act.
- Furthermore, pursuant to Article 50 of the same act, foreign insurers are subject to

general provisions of foreign insurance companies and institutes, in addition to the Establishment Law of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, regulations, and relevant by-laws.

B. Based on relevant laws and regulations, possible options for the partnership of foreign insurers are as follows;

1. The involvement of foreign insurance companies to make contribution to local commercial insurance companies, prioritizing non-governmental sector in order to establish a joint commercial insurance company in the Islamic Republic of Iran
2. Establishment and operations of branches and agencies
3. Establishment and operations of contact offices

3- What is the process of obtaining insurance license by foreign insurers in the mainland? (Authority to address, information required, documents, etc.)

Considering terms cited in Article 45 of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, and regulations on registration of foreign branches or agencies ratified in November 1997 (21.08.1376) and its executive bylaws passed in late March 1999 (11.1.1378), foreign insurers applying for license in Iran, shall submit their application to Bimeh Markazi Iran (Central Insurance of IR Iran). Foreign insurers' start-up depends on the proposal by Bimeh Markazi, the approval of the High Council of Insurance (HCI), and the Board of Ministers in order for the registration of a branch or agency.

According to regulations on registration of foreign branches or agencies ratified in November 1997 (21.08.1376) and its executive by-law passed in late March 1999 (11.1.1378), foreign insurers that are legally recognized in their country of registration, on condition of reciprocity in the country of origin, may apply to establish branches or agencies in order to conduct insurance operations in Iran.

Compliant with Article 2 of the executive bylaw concerning registration law of foreign branches or agencies, *a foreign company branch* is considered as the subordinate local unit of the parent company, which directly carries out the subject matter and duties of the main office, locally. The operations of the local branch shall be conducted under the name and liability of the parent company. Furthermore, according to Article 4 of the said executive bylaw, *the representative of a foreign company* is a natural or legal person, that, in accordance with the provisions of the respective contract, undertakes carrying out a part of the subject matter and tasks of the parent company. The representative(s) of a foreign company shall be liable for the operations carried out locally on behalf of the parent company. Foreign companies applying for branch registration in Iran must submit the following documents along with their written application to the Iranian Company Registration General Office, affiliated with State Organization for Registration of Deeds and Properties.

1. Parent company articles of association, notice of establishment, and latest

- modifications as registered by the relevant authorities;
2. The latest audited financial statement of the company;
 3. A detailed feasibility report including relevant information about the activities of the company, justification as for the necessity of the branch registration in Iran, as well as branch type, scope of operations, branch location, estimation on the number of the required local and foreign personnel, the method of providing Iranian and foreign currency sources required for branch administration.

Applicants of foreign company's agency registration, in addition to their request, must submit the translation of deeds in Persian, along with the following documents in addition to their written application to the Iranian Company Registration General Office, affiliated with State Organization for Registration of Deeds and Properties.

1. A certified copy of the agency contract;
2. Identification documents of the applicant;
3. Applicant's resume with regard to the scope foreseen in the agency contract;
4. Articles of association of the parent company, notice of establishment and the latest changes as registered by the relevant authorities;
5. A report on operations of the parent company and justification as for the necessity of the branch registration;
6. The latest audited financial statement of the parent company;
7. Introducing supervisory-regulatory authority in the country of origin.

4- Is it feasible to have a composite company?

Pursuant to the Iranian insurance laws and regulations, one of the establishment type which is permissible, in order for the operation of insurance entities in Iran inter alia is composite insurance company, i.e. both life and non-life lines. Presently, there is no constraint on establishing such insurance companies.

5- Currently, which foreign insurers are active in Iran and what are their domains of activities? (Mainland & FTZ)

At present, three foreign insurance companies are active in Iran by establishing their contact offices;

1. Kay International Plc: independent authorized, regulated insurance broker and underwriting agency based in *London* and at Lloyds;
2. SOS Evasan SA: leading *Swiss*-based travel insurance and assistance company;
3. Nasco Karaoglan: Reinsurance broking company based in *Lebanon*

6- Is it feasible for foreign companies to hold shares of current companies in the mainland? Is it permissible to exceed 20% of legal shareholding? Does the 20% limit apply to the ultimate shareholders?

- A. As mentioned earlier, pursuant to Article 35 of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, it is possible for foreign natural and legal persons to hold shares. Accordingly, on the condition of approval made by Bimeh Markazi Iran (Central Insurance of IR Iran), such persons are allowed to acquire shares of non-governmental insurance entities up to 20 percent. According to the subsection of the above-mentioned article, share transfer of the Iranian insurance institutes to foreign states, or transferring their shares to foreign natural or legal persons, exceeding 49 percent, is absolutely forbidden.
- B. Based on the mentioned article, shareholding above 20 percent up to 49 percent by foreigners necessitates the proposal by Bimeh Markazi, the approval of the High Council of Insurance (HCI), and the Board of Ministers.
- C. Pursuant to governing insurance laws and regulations, direct or indirect shareholding of insurance institutes in Iran by any person (natural or legal) shall be investigated in a way that no person may acquire more than 20 percent of the insurance institutes' shares, directly or indirectly.

7- How much is the minimum deposit to be paid by foreign insurance institutes, per insurance class?

Pursuant to Article 46 of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, and the bylaw on *deposits of foreign insurance institutes*, foreign insurers must pay Bimeh Markazi a deposit for any of the two classes of life and non-life insurance. The sum of deposit in any of the two classes shall be at least USD 500, 000 or an equivalent sum in any acceptable currency by the Central Bank of Iran. Furthermore, any foreign insurance entity must add its revenues annually to the above mentioned deposit so as in any case, the amount of the deposit shall be at least twice as much as the sum approved by the High Council of Insurance (HCI). The increase in deposit surplus exceeding such an amount is optional. It should be noted that the sum of deposit approved by the High Council of Insurance (HCI) is the same as the minimum sum (USD 500, 000), as provided by law.

8- How much is the minimum capital for property, liability, and life insurance?

According to the latest ratifications of the Board of Ministers on 1.5.1391 (22 July 2012), the minimum capital requirements, for the establishment and license permit concerning direct insurance entities, which is basically class wise are as follows:

1. Property insurance : 1,600,000,000 Rials

2. Personal insurance (life, annuity, casualty, health): 1,500,000,000,000 Rials
3. Liability insurance: 1,400,000,000,000 Rials
4. Auto insurance (TPL, PD, driver's accident): 1,300,000,000,000 Rials
5. Life, non – life insurance: 1,200,000,000,000 Rials
6. Composite insurance (All classes) : 2,500,000,000,000

9- What are the minimum requirements for the establishment of a composite insurance company, if permitted?

The establishment of insurance institutes in the mainland and free trade zones (FTZ) depend on terms and conditions, in compliance with the Establishment Law of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations (June 29, 1971), regulations on the establishment of non-governmental insurance institutes, approved on 1.11.1380 (21 January 2002) by the High Council of Insurance (HCI) and regulations on the establishment and operation of insurance institutes in free trade zones of the Islamic Republic of Iran, approved by the Board of Ministers on 2.6.1379 (23 August, 2000). Information on the mentioned regulations is available on <http://www.centinsur.ir>.

10- Is it permissible for Iranian insurance companies to sign reinsurance contracts with foreign insurance companies outside Iran? Are there any limitations on cessions outside or inside Iran?

Signing reinsurance contracts with reinsurers and reinsurance brokers abroad, as for risk cessions or contracts with direct insurance companies operating in Iran shall be in compliance with Article 73 of the Establishment Law of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, as well as regulations ratified by High Council of Insurance (HCI).

11- Are there any governmental reinsurance companies, in Iran, with compulsory minimum cession rates?

Yes, pursuant to Article 71 of the Act on the Establishment of Bimeh Markazi Iran (Central Insurance of IR Iran) and insurance operations, as well as latest ratifications, any insurance company operating in Iran must cede 25 percent of life insurance and 15 percent of other classes of their direct insurance operations to Bimeh Markazi.

12- Is it possible to send and receive hard currency to/from Iran (i.e. to buy shares, to invest, etc.)?

Any currency exchange in Iran shall be in accordance with laws and regulations of the Central Bank of Iran.

13- Is it possible for insurance companies to have any type of bancassurance agreements?

Adhering to regulations and mutual agreements, insurance companies and banks are allowed to render insurance services and joint investment according to their agreements.

14- What are the requirements of solvency?

Requirements as regards the solvency of the insurance companies are based on the bylaw of *method of measuring and supervising financial solvency of insurance companies*, ratified by the High Council of Insurance (HCI).

15- What are the upcoming supervisory changes (regulations) e.g. capital requirements, solvency, license permit process, etc.?

To adapt regulations with everyday needs and promote the regulatory role of the authority, insurance regulations are constantly modified based on global standards.

16- Are there any compulsory insurance classes e.g. health, motor, fire, etc. in Iran?

As provided by law, the only insurance class which is currently *compulsory* for individuals to buy and for insurance companies to render service is motor vehicle third party liability insurance. Furthermore, pursuant to laws and regulations, buying some of insurance coverage such as health and casualty of foreign nationals is compulsory.¹

¹ - source:

http://centinsur.ir/ShowPage.aspx?page_form=show&order=show&lang=2&sub=0&PageId=2184&PageIDF=933&tempname=englishtemp