

Regulations of Establishment of Non-Governmental Insurance Companies

(January 2002)

High Council of Insurance with regards to the "Act of Establishment of Non-Governmental Insurance Companies" approved by the Islamic Council Assembly (Parliament) on 28th August 2001 and in accordance to note 5 of article 17 of the

"Central Insurance of Iran Establishment and Insurance Operations Act", is approving the regulations of the establishment of non-governmental insurance companies as follows:

Article 1

In this bylaw the words used in the following are used with the relevant explanations:

A. Insurance Company: The insurance company which based on the "Act of Establishment of Non-Governmental Insurance Companies" approved by the Islamic Council Assembly on 28th August 2001 and subject to the "Central Insurance of Iran Establishment and Insurance Operation Act" and the regulations of this bylaw, is established in the form of non government and will undertake insurance operations. The non-governmental insurance company is named insurance company in this bylaw.

B. Local Actual Entity: A person who is a citizen of the Islamic Republic of Iran.

C. Local Legal Entity: A legal entity which is domiciled in Iran and has been registered subject to the I. R. of Iran respective laws by the relevant authorities.

D. Principal Agreement: The agreement with the application of establishment of insurance company which will be issued after approval of the General Assembly of Central Insurance of Iran for initiating the registration file and subscription of shares.

E. Establishment Permit: The agreement with registration of insurance company in the "Companies Registration Authority" which will be issued by Central Insurance of Iran after approval of the draft of the "Articles of Association" and election of the first directors and auditor(s) in the general assembly of the establishing partners and subject to compliance with necessary conditions as set out in the Principal Agreement.

F. Operation Permit: The permit which will be issued by Central Insurance of Iran for undertaking insurance operation in one or several insurance fields.

G. Establishment Act: The "Central Insurance of Iran Establishment and Insurance Operation Act" dated 1971 and subsequent amendments.

Article 2

Establishment of insurance company is only possible in the form of an Iranian public joint stock company with all shares being registered and with due observance of "Establishment Act" and in accordance to the "Commercial Law".

Article 3

The founders of the insurance company should not have a record of condemnation as per article 64 of "Establishment Act" and or any other condemnation with an effect on their social right.

Article 4

Ministries, governmental companies, non-governmental public foundations and companies subject to article 2 of "Government Financial Regulations Act", could not be within the founders of insurance company.

Note 1

Ministries, companies and foundations that are subject to this article, can not hold more than ten per cent shares in insurance companies.

Note 2

Companies subject to the note of article 4 of the "Act of General Auditing of the State" are not subject to this article, but in any case their total shares in insurance company could not be more than 20%.

Article 5

The legal entities in which, Ministries, governmental companies and non-governmental public foundations have more than 20% share, can not have altogether more than 20% share in insurance companies.

Article 6

In compliance with article 33 of "Establishment Act", the total of the following entities will be considered as one entity:

- A. The applicant actual entity together with the relatives as set out in the referred article.
- B. The legal entity in which the applicant actual entity and or the relatives as set out in the referred article, have more than 20% vote.
- C. The applicant legal entity together with other legal entities where the applicant has more than 20% vote directly or through intermediary.
- D. The legal entities in which an actual or legal entity simultaneously have more than 20% vote directly or through intermediary.

Article 7

To gain the Principal Agreement, local actual and legal entities which qualify the conditions of this bylaw, should provide their application for establishment of insurance company together with the draft of articles of association, comprehensive business plan and other documents and information which are needed to show compliance with conditions of "Establishment Act" and this bylaw, to the Central Insurance of Iran.

Note 1

The comprehensive business plan should include the objectives of the company, the target markets, reinsurance plans and ways to achieve the desired targets for at least the first three years of the operation of the insurance company.

Note 2

After receipt of the documents from the applicant, if the Central Insurance of Iran required other documents and information to show compliance with the conditions, should advise the applicant in writing within fifteen working days.

Article 8

If legal entity or entities are within the founders of the insurance company, the founders are obligated to provide a copy of the articles of association and the approved balance sheet and profit and loss statement of that legal entity or entities for the past three fiscal years together with an statement including the name of the board of directors and major shareholders (owning more than five per cent shares) and other necessary information to the Central Insurance of Iran.

Article 9

The Central Insurance of Iran, after receipt of all documents and information and verification of the legal conditions of the founders, will present views to the High Council of Insurance at most in one month for legal procedures.

Article 10

The content of the announcement of subscription of shares should be approved by the Central Insurance of Iran prior to being provided to the "Companies Registration Office".

Article 11

The board members (whether actual entities or the representative of the legal entities), managing director and deputy managing director (if there is one) should in addition to having a related bachelor degree (insurance, economics, financial affairs, management, law and similar branches) and not having condemnations of the subject of article 64 of "Establishment Act" enjoy good reputation to be verified by the Central Insurance of Iran. The managing director and deputy managing director (if there is one) should have a sound and effective work experience to be verified by Central Insurance of Iran.

Article 12

Auditor and legal inspector of the insurance company should be elected from the official accountants of the subject of the "Act on the Use of the Special and Professional Services of Qualified Accountants as Official Accountants".

Article 13

The insurance companies which will operate in life insurances, have to appoint an actuary to be verified by Central Insurance of Iran.

Article 14

None of the board members, managing director and deputy managing director of insurance company could have a position in other insurance companies, brokers and insurance agents.

Article 15

After approval of capital, articles of association and appointment of directors, legal inspector and any other items as set out in the "Commercial Law" in the Founders General Assembly and also the appointment of the managing director and the actuary if applicable, the Central Insurance of Iran with due observance of regulations will issue the "Establishment Permit" of the insurance company.

Article 16

The validity period of the preliminary permit and the "Establishment Permit" is maximum one year after issue unless prior to expiry as per the applicant's request and approval of the Central Insurance of Iran this validity is extended.

Note

The issued permits are not transferable to others.

Article 17

To issue the "Operation Permit" in each of the branches of property, life or liability, the insurance company should introduce the technical director whose qualification should be approved by the Central Insurance.

Article 18

The Central Insurance of Iran after registration of insurance company and introduction of approved technical director or directors, will issue the "Operation Permit" for the requested branches, in a month, subject to the Articles of Association.

Article 19

The directors of the insurance company are obligated to administer the insurance company based on the projected business plan and any change in the general business plan should be priorly advised to and approved by the Central Insurance of Iran.

Article 20

To undertake inward reinsurance operation from abroad unless in the form of reciprocity within the limit approved by the Central Insurance of Iran, is subject to the minimum capital requirement for reinsurance companies and receipt of a separate "Operation Permit" from the Central Insurance of Iran.

Article 21

The items that are not mentioned in this bylaw, as applicable will be subject to the "Act of the Establishment of Non-Governmental Insurance Companies", the "Central Insurance of Iran Establishment and Insurance Operations Act", "Commercial Law", decisions made by the High Council of Insurance, directives of the Central Insurance of Iran and other current laws and regulations.

These conditions in 21 articles and 5 notes were ratified in High Council of Insurance on 21st January 2002.