

INSURANCE LAW

ENGLISH TRANSLATION

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INSURANCE LAW

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DECREE No. 9812 OF 4 MAY 1968

Enforcing the urgent draft law, tabled before the Chamber of Deputies
By Decree No. 8451 of 21 October 1967, providing for the
Organization of insurance companies operating in Lebanon
(including modifications)

The President of the Lebanese Republic,
Whereas the Lebanese Constitution, notably its article 58,
Whereas the Government has tabled before the Chamber of Deputies,
By Decree No. 8451 of 21/10/1967, an urgent draft law providing for
The organization of insurance companies,
Whereas more than forty days have elapsed since the communication
Of the aforementioned draft law to the Chamber of Deputies
Without the latter adjudicating thereon,
On the proposal of the Minister of Economy and Commerce,
And after the approval of the Council of Ministers sitting on 24 April 1968,
Decrees the following:

FIRST ARTICLE

The urgent draft law, tabled before the Chamber of deputies by Decree No. 8451 of 21 October 1967, providing for the organization of insurance companies is enforced. Its wording read as follows:

TITLE I – GENERAL PROVISIONS

Article 1 (as modified by Law No. 94 of 18 June 1999)

Are subject to the provisions of the present law all Lebanese and foreign firms, groupings and establishments, hereinafter styled “companies”, which carry on or could carry on in Lebanon, all or certain operations designated in the branches or sub-branches listed hereinafter :

First Branch:

- A. Insurance and re-insurance operations the execution of which is governed by the duration of human life, disablement and old age.
- B. Insurance and re-insurance operations relating to children and spouses.
- C. Capitalization operations, with or without life assurance concluded by contracts by virtue of which the company undertake to pay one or several determined sums, on one definite date or several definite dates, or as a result of periodical drawings of lots, as is the case with raffle drawings, as counterpart to one periodical premium or premiums.
- D. Group investment operations – Mutual Funds – by the collection of sums in case, paid in by subscribers non-shareholding, for various investments on a joint basis.

Second Branch:

Operations of insurance and re-insurance against damage resulting from risks of fire, earthquakes, thunderbolts, storms, hurricanes, cyclones, hail-storms, explosions, disturbances, riots, crashes of planes and other aircraft, as well as all that may ensue therefrom or relate thereto according to usage.

Third Branch:

Operations of insurance and re-insurance against damage resulting from transportation risks, the insurance of the body of ships and aircraft, as well as that may ensue therefrom or relate thereto according to usage.

Fourth Branch:

Insurance and re-insurance operations against damage resulting from all accidents, civil liability, carriages, labor accidents, personal accidents, medical treatment, hospitalization, theft, breach of trust and professional risks and any other risk not specifically mentioned in the present law.

Fifth branch:

Insurance and re-insurance operations relating to loans, advances, guarantees and all that includes same or stems therefrom according to usage.

Sixth branch:

Insurance and reinsurance operations against damage resulting from agricultural risks and emergencies and all that includes same or stems therefrom.

Insurance organizations already licensed to undertake the insurance operations referred to in the branch mentioned in article 1 of the present law, shall be barred from engaging into any new insurance and re-insurance operation of the type specified under the newly-created fifth and sixth branches, unless they obtain a license to undertake such operations, in accordance with the provisions of the present law. However, contracts still in force and concluded before the introduction of the present law and relating to the said operations, shall remain valid until the end of the duration specified in the contract. No extension or renewal will be allowed.

Insurance and re-insurance organization already active in the first branch insurance as stated in article 1 of the present law shall be barred from engaging into the activity of any other insurance branch. Likewise, organizations engaged in the activities of the second, third, fourth, fifth and sixth branches, as described in article 1 of the present law, shall be prevented from carrying out any of the operation mentioned in the first branch.

Shall be exempted from this exclusion the companies previously licensed to undertake these operations prior to the publication of the present law on condition that, within one year from this date, they set up a separate administrative and technical department as well as an accounting department, specially dedicated to the operations of the first branch. A separate balance-sheet for this branch shall be published in each subsequent year, along with its general balance-sheet, and within the permitted time limits.

TITLE II – LICENSING

CHAPTER 1 – Conditions for licensing

Article 2 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

The operations mentioned in article 1 of the present law may be carried out in Lebanon only by organizations duly licensed for this purpose.

The license is either granted, amended, refused or withdrawn by ministerial order from the Minister of Economy and Commerce, following consultation with the National Insurance Board.

Foreign companies exclusively concerned with re-insurance operations, and internationally classified in a category not inferior to B-Rating, may engage in these activities in Lebanon through a representative resident in Lebanon, on condition that they obtain an ad hoc licence. The license is granted by ministerial order issued by the Minister of Economy and Commerce, following consultation with the National Insurance Board in accordance with the provisions of articles 3 and 4 (to the exclusion of paragraphs D and E of clause 2 of article 3 and paragraph A of clause 1 of article 4) of the present law.

Such foreign companies shall be exempted from complying with the provisions of articles 23, 24, 25, 26 and 27 of the present law against submission of an operational guarantee in the form of a cash deposit of three hundred million Lebanese pounds to be deposited at the Habitat Bank.

Article 3 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

1- In order that a Lebanese insurance organization may be authorized to operate, it must be in the form of a joint stock company, and fulfill the following conditions:

- A. The object of the company must exclusively be concerned with the operations, or parts thereof, as described in article 1 of the law regulating insurance organizations.
- B. Its capital must not be under the minimum level stated in article 13 of the present law.
- C. Its general manager or assistant general manager must enjoy good reputation for correctness, and hold a university degree, together with an experience of not less than ten years in the insurance business.
- D. It must have an actuary under contract, who holds a diploma in his field of specialization in case the company is engaged in the operation of the first branch of article 1. It will be left to the Ministry of Economy and Commerce to state which institutes can validly issue the diplomas.
- E. At least 70% (seventy per cent) of the company's shares shall be nominal. Existing Lebanese organizations are given two years to comply with this condition.

- 2- The Minister of Economy and Commerce shall specify by ministerial order which papers and documents should be filed with his Ministry. They include, in triplicate, :
- A- A copy of the articles of association, and internal articles, duly legalized.
 - B- A list of the branches of operations which the company wishes to undertake, with an indication of the relevant technical bases in case the nature of the said operations so warrants.
 - C- A document certifying the amount of the paid-up capital, and its breakdown.
 - D- A certificate confirming the existence of the guarantee mentioned in article 26 of the present law.
 - E- Texts of the general terms of all the insurance policies which the company intends to issue in the operations it intends to undertake, duly approved by the actuary, as well as specimens of the documents relating to the activities listed in paragraphs C and D of the first branch, article 1.
 - F- An economic worthiness report, by an independent consultancy concern, highlighting the company's projected operations over three years following the granting of the licence, with an indication of the technical data used for such an evaluation.
 - G- A curriculum vitae for each member of the company's board of directors, its general manager and its appointed actuary.

Article 4 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

- 1- With due regard to the provisions of article 2 of the present law, any foreign insurance company, in order to be authorized to operate in Lebanon, must meet the conditions listed in article 3 above.

The Minister of Economy and Commerce shall specify by ministerial order which documents and papers must be filed with his Ministry. They include, in triplicate:

- A- A certificate confirming that it belongs to a country where Lebanese insurance companies are free to operate on its territories and the territories of its dependencies. However, this condition does not apply to companies belonging to countries where the laws and regulations do not allow the formation of private insurance companies.
- B- Evidence that the organization enjoys in its original country the legal aptitude to undertake the insurance activities which it wishes to perform in Lebanon, and that it actually performs the same activity in its country of origin.
- C- Evidence that it has elected domicile in Lebanon.

- D- Documents relating to its appointment of one legal representative residing in Lebanon and vested with the powers mentioned in article 8 of the present law, and that whoever is entrusted with the general management of its Lebanese branch indeed enjoys experience and technical qualifications.
 - E- An economic worthiness report, underlining the company's projected operations over the three years following the granting of the license, with an indication of the technical data on which the report was based.
 - F- Copies of the company's balance sheet for the three years preceding the date of the application.
 - G- Evidence that its capital at its head office is not inferior to three times the minimum capital required for any Lebanese insurance company, and that it is fully paid up.
- 2- The documents and supporting evidence mentioned in this article, as well as in the following article, worded in a foreign, language, must be translated into Arabic and be faithful to the originals. The translation shall be regarded as the reliable text at the Ministry of Economy and Commerce.
 - 3- Foreign companies operating in Lebanon are allowed three years to prove their compliance with the condition stipulated under paragraph G of clause 1 of the present article.

Article 5 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

- 1- Every petition for the amendment of the license must be accompanied by legalized supporting evidence in like manner as the documents of the initial application.
- 2- The total or partial approval or refusal of these amendments shall be the object of formalities as are mentioned in article 6 of the present law.
- 3- The companies duly approved in accordance with the present law are required to obtain the prior approval of the Ministry of Economy and Commerce for any modification to the documents and supporting evidence originally attached to the application for license. Likewise, they are required to inform the Ministry of any change in the composition of their board of directors, the general manager, and the legal representation (of the foreign company), as well as any amendments or deletions in the specimens of re-insurance policies or the introduction of new specimens for such policies. This modification should be made within a maximum of two months from the date on which the amendments took place.

Article 6 (as modified by Law No. 31 of 11 February 1991)

The ministerial order of carrying licensing, rejection or amendment to the license is to be published in the Official Gazette within three months following the presentation of the application with the set of supporting evidence annexed thereto.

The Minister of Economy and Commerce may issue a ministerial order extending this time-limit by a maximum further three months, provided that such an order is notified to the company concerned before the expiry of the first time-limit.

The company whose application has been explicitly or tacitly rejected is entitled to raise objection before the Council of Ministers within a time-limit of thirty days, dating from the notification of the rejection order or the expiry of the aforementioned time-limit.

CHAPTER 2 – Withdrawing the license

Article 7 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

1- The license granted for one or several branches may be withdrawn in the following cases:

- A- If it becomes evident that the license was given against the law.
- B- If it is proved that the company no longer meets the conditions by virtue of which the license had been granted, or that it does not comply with current Lebanese laws and regulations, notably the present law and its rules of implementation, or if it violates its own articles (of association).

Continued licensing in foreign countries for Lebanese insurance companies to freely operate there, is one of the fundamental principles which must be abided by. In case this principle is breached by any country, the license granted to the insurance companies depending from that country shall be withdrawn regardless of the date of the license originally granted to these companies to operate in Lebanon.

- C- If, in the light of the statements and documents referred to in article 51 of the present law, and as a consequence of a cross examination conducted by the Ministry of Economy and Commerce through the Supervisory Commission, it becomes obvious that the rights of policy holders are likely to be lost or that the company is no longer able to meet its commitments.
- D- If the company does not commence business within one year from the date of the publication of the license in the Official Gazette, or if the company suspends its operations for one year, or if its legal representation remains vacant for a period exceeding two months.
- E- If it was established to the Ministry of Economy and Commerce that the company failed to comply with a court order valid for enforcement.
- F- If the company does not settle the tax referred to in article 52 of the present law.
- G- In all other instance stipulated in the present law.
- H- If the company decides to discontinue the activity of one or more branches, in conformity with the provisions of article 45 of the present law.

2- The license may not be withdrawn by virtue of the provisions of paragraphs A, B, C, D, E, F, and G of clause 1 of the present article until after the company concerned is summoned by means of a registered letter with acknowledgement of receipt or through a notary public, to submit its comments in writing within fifteen days from the date of its receipt of the summons. Failing which, notification may take place in accordance with the procedures of civil courts.

The company is free to challenge, before the State Council, any decision to withdraw the license; it may do so, within thirty days from the date of the publication of the withdrawal decision in the Official Gazette.

CHAPTER 3 – The legal representative of the foreign company

Article 8 (as modified by Law No. 31 of 11 February 1991)

In order that the general legal representative of the foreign company may be accepted, he must be provided with a legalized proxy vesting him with the following powers:

- A- Keeping the accounts of all the operations effected or carried out in Lebanon, in conformity with the accountancy regulation governing insurance, mentioned in article 51 of the present law.
- B- Direct management of the company in Lebanon, signing insurance policies and their amendments, as well as receipts and all papers relating to operations subscribed or carried out in Lebanon and, broadly speaking, effecting all the operations of the company in Lebanon, as if they were effected by the company itself, to the exclusion of the application for licensing, its modification or its withdrawal.
- C- Represent the company before Lebanese public administrations and tribunals, in lawsuits brought by the company or against the company and in all other proceedings, receive all notifications and correspondence addressed to the company.
- D- Delegate to Third Parties all or part of the powers vested in him.

The Minister of Economy and Commerce may, on the advice of the National Insurance Board, refuse to approve the candidature of the legal representative proposed by the company or withdraw such approval. Refusal or withdrawal (of agreement) are not open to any channel of recourse.

CHAPTER 4 – Various provisions concerning insurance policies

Article 9 (as modified by Law No. 94 of 18 June 1999)

- 1- The insurance of funds, real estate properties or risks existing in Lebanon may not be effected except with companies duly licensed in accordance with the provisions of the present law.
- 2- No (insurance) company may engage into the activities referred to in article 1 of the present law, until after it legally obtains a license to operate in Lebanon, or if that license is either suspended or withdrawn according to the provisions of the present law.

3- No intermediary or natural or juridical person are allowed to conclude contracts, whether directly or indirectly, with a Lebanese or foreign (insurance) organizations that are not licensed in Lebanon for any of the risks mentioned above, except risks on imported or exported goods.

Aviation risks may be exempted from the provisions of the present article as per a decision from the Minister of Economy and Commerce, following consultation with the National Insurance Board.

4- Shall be considered as null and void any insurance policies either signed or implemented in Lebanon in breach of the provisions of the present article. However, this nullity in no way absolves the offending party from its obligations towards the insured.

5- No company may issue an insurance policy for an amount exceeding its own funds, unless it can prove the existence of a re-insurance policy with an organization that is acceptable to the Minister of Economy and Commerce, following consultation with the National Insurance Board.

Article 10 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

Policies used in Lebanon are worded in Arabic language. They may be worded in a foreign language on condition, and subject to nullity, that a true translation in Arabic language is drafted side by side. In the event of variance between the two texts, the Arabic text shall be deemed authentic.

As regards the special terms, companies are required to provide the assured a true Arabic translation, if so requested in writing.

The Minister of Economy, and Commerce may, following consultation with the National Insurance Board:

- exempt certain types of insurance policies from being drawn up in Arabic, wherever deemed necessary.

Article 10/2 (as added by Law No. 94 of 18 June 1999)

The Minister of Economy and Commerce, in consultation with the National Insurance Board, may:

- Fix the minimum levels of the contributions included in certain types of insurance policies.
- Fix the maximum percentages of expenses and annexes to insurance premiums.

Article 11 (as modified by Law No. 94 of 18 June 1999)

Any clauses inserted in all insurance policies issued in Lebanon and relating to the risks existing in Lebanon and mentioned in the first, second, fourth, fifth and sixth branches as listed in article 1 of the present law, whenever designed to vest competence for the adjudication of disputes into a foreign tribunal, or to enforce an alien law or usage contrary to the provisions of the present law, or to submit to the arbitration of an arbitrator who is not domiciled in Lebanon and who does not deliver his verdict in Lebanon, are null and void.

TITLE III – THE CAPITAL, THE SUPERVISORY COMMISSIONERS, THE ACTUARIES

Chapter 1 – The capital

Article 12 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

It will be the responsibility of the Ministry of Economy and Commerce to draw up a list of the insurance companies that are legally authorized (to conduct business) and meet all the legal and organization requirements. This list shall be published in the Official Gazette and in two local daily newspapers during the month of January of each year. Any amendment to this list shall likewise be published during the month which follows the occurrence of the said amendment.

The conditions relating to the drawing up of the said list shall be defined by ministerial order issued by the Minister of Economy and Commerce, following consultation with the National Insurance Board.

Article 13 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

The fully paid-up capital of Lebanese insurance companies may not be inferior to two billion and two hundred and fifty million Lebanese pounds.

Article 14 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

Previously authorized insurance companies are given three months to take a decision to increase their capital to the minimum level mentioned in article 13 of the present law; they are also given two years to liberalize the whole amount of the increase, on condition that at least half of the increase is liberalized during the first year

Article 15 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

The declared capital may not be decreased, or any part of it restituted, except with the approval of the Minister of Economy and Commerce, based on a report by the Supervision Commission referred to in article 47 of the present law, following consultation with the National Insurance Board, and always while complying with the minimum capital requirement.

Article 16 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

1- Any Lebanese company which has suffered losses must reconstitute its capital within a maximum of three months from the end of the financial year in which the losses have occurred. Exceptionally, and by ministerial order issued by the Minister of Economy and Commerce, this time-limit may be extended by a maximum further three months, on condition that the company concerned submits sufficient guarantees to prove its capacity to reconstitute its capital within the said time-limit.

Responsibility for the evaluation of the loss rests with the Supervisory Commission. The company concerned may challenge the said evaluation by the commission within twenty days from its notification of the evaluation, by means of a petition to the Minister of Economy and Commerce. The latter will have the final say.

2- The license given to the company to operate one or more insurance branches may be suspended by a decision from the Minister of Economy and Commerce, following consultation with the National Insurance Board, based on reports by the Supervisory Commission, in case the company suffers losses equal to half of its capital if it is a Lebanese company, and half of its guarantee if it is a foreign company, without being able to reduce its losses during the first six months of the following fiscal year. The insurance company, whose license has been suspended for one or more insurance branches, may not issue new insurance policies for the suspended branch or branches on pain of being imposed the sanctions defined in the present law. The company shall be held responsible for all the insurance policies it issues, whether prior to, or following, the suspension decision.

The company, object of the suspension, may file with the Minister of Economy and Commerce a petition to resume its activity, enclosing any documents proving the disappearance of the causes which led to the suspension. It will be left to the Minister to either agree to or turn down the petition at his discretion. Should the suspension remain in force for one full year, for the aforesaid reasons, the license for the suspended branch or branches shall be withdrawn.

Chapter 2 – The Supervisory Commissioners and the Actuaries

Article 17 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

The appointment of the supervisory commissioners for insurance companies must take into account the provisions of article 40 of the present law.

The supervisory commissioners must be affiliated to the syndicate of expert accountants. They must meet the conditions and enjoy the capabilities to qualify them to be accepted as sworn experts before the courts.

Article 18 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

In derogation of the provisions of the Code of Commerce, the appointment of supervisory commissioners for insurance companies shall follow the following procedure:

- 1- Insurance companies are exempt from the requirement to appoint an additional commissioner by the courts.
- 2- The general assembly of Lebanese insurance companies and the legal representatives of foreign insurance companies shall appoint one or more supervisory commissioners who meet all legal requirements, for one renewable year, expiring, for Lebanese companies, upon the holding of the general assembly which examines the accounts of the previous year. If a commissioner is appointed in replacement of another commissioner before expiry of the year, his term shall be restricted to the period remaining from his predecessor's appointment.
- 3- There is an obligation upon insurance companies operating in the first branch of insurance to engage an actuary to investigate the company's financial situation on a yearly basis. His ad hoc report should also accompany a report by the supervisory commissioner appointed by the company.
- 4- There is an obligation upon the president of the board of directors of Lebanese insurance companies, the legal representative of foreign insurance companies, and the principal and substitute supervisory commissioner, to report, each separately, to the Ministry of Economy and Commerce, any development relating to the resignation of the supervisory commissioner or the cessation of his activity. This notification should be made within one month at the latest, starting from the date of the resignation or cessation of the activity.
- 5- If the post of supervisory commissioner remains vacant for more than two months, the Director General of the Ministry of Economy and Commerce, based on a report by the Supervisory Commission, will order the company to appoint a substitute within a maximum period of one month. In case the company fails to make the appointment, it will be barred by a decision from the Minister of Economy and Commerce, from writing new policies or renewing the old ones, until it regularizes its situation.

Article 19 (abrogated by Decree-Law No. 35 of 9 May 1977,
(and added by Law No. 94 of 18 June 1999

The supervisory commissioners, as well as the actuaries appointed by the company, shall, each in what concerns him in the conduct of his business, comply with the following rules:

- 1- To survey the company's operations so as to make sure that its situation conforms with the current laws and regulations and that, if needed, it introduces a basic programmer of work, corrective measures and financial programs.
- 2- To inform the Supervisory Commission at once of any irregularities or infringements which the company may have committed; failing which, their responsibility will be engaged.

- 3- To write a detailed annual report on their supervision work and the results it had achieved. A copy of the report should be sent to the insurance company concerned, and to the Supervisory Commission within a maximum period of five months from the end of the company's fiscal year.
- 4- To notify each of the company's general assembly and the supervisory commission, over and above the report which they must draw up in accordance with the provisions of the Code of Commerce, of a special report about the contracts concluded by the company, whether directly or indirectly, for the members of its management board, its representatives, any of its agents or any of its managers.
- 5- To satisfy, within a maximum period of fifteen days, any demand for information or clarification they may receive from either the supervisory commission or the Ministry of Economy and Commerce.

Article 20 (abrogated by Decree-Law No. 35 of 9 May 1977)

Article 21 (abrogated by Decree-Law No. 35 of 9 May 1977)

TITLE IV – RESERVES AND INVESTMENTS

CHAPTER 1 – Reserves

Article 22

Insurance companies mentioned in article 1 of the present law, post to the liabilities of their balance sheet, if they are Lebanese, and of the special balance sheet concerning their activities in Lebanon if they are foreign, adequate estimates of their commitments towards the assured or the beneficiaries of insurance policies.

Such estimates are styled hereinafter “Technical Reserve”.

Article 23 (as modified by Law No. 31 of 11 February 1991,
(as Law No. 94 of 18 June 1999

The technical Reserve is composed of:

- 1- The reserve of the premium for the contracts concluded and currently in force, relating to all the operations mentioned in the various branches of article 1. This reserve is equal to the evaluation of the commitments which may stem therefrom during the period separating the date of the limitation operation and the date on which the premium becomes due or, in case of need, the end of the duration fixed in the contract.

The reserve relating to the risks of contracts concluded and currently in force in Lebanon and relating to the operations mentioned in the first branch, is known as the “Mathematical Reserve”; it is constituted by the financing of engagements at a rate of interest of which the ceiling is fixed by ministerial order from the Minister of Economy and Commerce following consultation with the National Insurance board.

In what relates to Lebanese companies, the technical reserve shall also cover all their overseas operations.

- 2- The reserve for accidents occurred and declared before the end of the financial year and which are outstanding or unpaid.
- 3- The reserve for dividends due to the assured or to members and unpaid at the end of the financial year.
- 4- All other reserves which may be defined by decree passed by the Council of Ministers on the proposal of the Minister of Economy and Commerce following the advice of the National Insurance Board.

Article 24 (as modified by Law No. 94 of 18 June 1999)

Insurance companies operating in Lebanon must adopt, when calculating the minimum level of the reserve for premiums relating to contracts concluded and still in force and covering insurance operations in all branches, except Branch 1, any of the two following methods:

- The method known as one over twenty four $1/24$.
- The method of proportional distribution of the premiums during the contract duration, known as "Prorata Temporis Method". However, the Minister of Economy and Commerce may impose on the insurance company another method for the calculation of this reserve, according to the special nature of the insurance branch undertaken by the company.

The amount of this reserve must be equal to the amounts due by the Lebanese or foreign company, after deduction of a percentage varying between 15% and 50% from the amounts due by the re-insurers in accordance with the terms of the agreement concluded between the re-insurer and the Lebanese company or between the re-insurer and the branch or head office of the foreign company. The percentage shall be determined in the light of the world classification of the re-insurer, and in accordance with a ministerial order issued by the Minister of Economy and Commerce, following consultation with the National Insurance Board.

Lebanese companies must comply with the minimum level stipulated in the present article for their overseas operations, unless the foreign country in which they operate already has its own legislation to maintain a technical reserve by means different from the two methods described in the present article

CHAPTER 2 – Investments

Article 25 (as modified by Law No. 31 of 11 February 1991, (and Law No. 94 of 18 June 1999)

Insurance companies operating under the present law must invest the whole of the technical reserve mentioned in article 23 and 24, as follows:

- A- Cash deposits at banks operating in Lebanon, in the currency of the insurance policies.

- B- Lands or real estate properties or real estate mortgages of the first degree located in Lebanon (without, in any way, violating the dispositions of the draft law enforced by Decree No. 11614 of 4/1/1969, relating to the acquisition by non-Lebanese citizens of real estate rights in Lebanon), on condition that the land or real estate properties so mortgaged are valued, at least, at double the amount of the load.
- C- Lebanese treasury bonds, or bonds secured by the Lebanese government.
- D- Loans on life-insurance policies, provided the amount of the advance does not exceed the amount of the reimbursement mentioned in the policy.
- E- Lebanese shares and securities.
- F- Debts due by reinsurance companies in respect of operations reinsured at these reinsurance companies, specifically relating to operations in the current year.
- G- Foreign shares and securities, listed in the stock exchanges of their countries of origin and acceptable to the Ministry of Economy and Commerce, to constitute a percentage of the total Mathematical Reserve of life insurance operations in foreign currencies. This percentage shall be fixed by decree issued by the Council of Ministries upon a recommendation from the Minister of Economy and Commerce who will have consulted with the National Insurance Board, on condition that this percentage does not exceed 50% of the total amount of the Mathematical Reserve for all life insurance operations.

Shall be exempt from the provisions of the present law the Mathematical Reserve relating to life insurance policies concluded prior to 1950.

The percentages which may be invested in each of clauses A to F above, shall be fixed by a decree from the Council of Ministers upon a recommendation by the Minister of Economy and Commerce, on condition that the said decree makes a differentiation in all the cases mentioned above between the operations concluded inside Lebanon and those concluded outside.

Article 26 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999))

The Lebanese and foreign insurance companies which are governed by the present law are required to submit a guarantee in respect of the commitments resulting from the operations enumerated in article 1 as follows:

- 1- - One billion and two hundred million Lebanese pounds for each of branches 1, 4 and 5.
- Three hundred fifty millions Lebanese pounds for each of branches 2 and 3.
- Seven hundred fifty million Lebanese pounds for branch 6.

The guarantee whether in cash or treasury bonds can in no way be inferior to seven hundred fifty million pounds whatever the number of branches licensed for.

- 2- The company may submit real estate guarantees or approved financial securities to cover the balance of the required guarantees, on condition that the real estate guarantees do not exceed the level of forty percent of the total required guarantees.

- 3- In case the guarantee is in the form of a cash sum, it may be deposited in a foreign currency, on condition that the said deposited sum in foreign currency should never be inferior to the sum fixed in Lebanese currency for each branch.
- 4- While taking into consideration the provisions of article 2 of the present law, foreign insurance companies governed by the provisions of the present law are required, in order to guarantee their commitments in respect of the operations enumerated in article 1, to provide twice the sums mentioned in clause 1 of the present article which apply to Lebanese insurance companies.
- 5- These guarantee are accounted in the computation of the technical reserve.
- 6- Existing Lebanese insurance companies, and existing foreign insurance companies, are given two years to render the guarantee previously submitted by them for their authorized branches, compatible with the provisions of the present article, on condition that the guarantee relating to each branch reaches, at the end of the first year, at least half the amount required for each branch; the balance of the required guarantee for each branch must be settled by the end of the second year. In case the company is licensed to a new branch within this time-limit, it will be required to submit the whole guarantee.
- 7- Guarantees are presented to the Ministry of Economy and Commerce in accordance with procedures laid down by the Ministry. They can only be unblocked by an authorization from the Minister.

It will be the duty of the Ministry of Economy and Commerce to release these guarantees upon demand from the judicial executive departments in execution of court orders issued by the courts concerned. The Ministry may deduct from these guarantees the necessary amounts to settle the supervision charges owed by the company as stipulated in article 52 of the present law, or in order to settle financial fines imposed on the company by a decision from the Minister in accordance with the provisions of the present law, in case the company fails to settle the charges or the fines within the fixed time-limit or if it fails to pay their dues to the insured in implementation of the decisions of the arbitration committee as stated in article 48 of the present law.

- 8- It will be the duty of banks where the guarantees were deposited to comply without delay with the demands of the Ministry of Economy and Commerce for the implementation of the provisions of paragraph 7 of the present article, whatever the amount of the guarantee or its form.
- 9- The provisions of paragraph 7 of the present article shall apply to all real estate guarantees submitted by the insurance companies either before or after this law came into force, whatever the text of the guarantee or the real estate inscription in favor of the Ministry. The Minister of Economy and Commerce is legally entitled to dispose by sale of the property object of the guarantee, for the application of the provisions of paragraph 7 of the present article.

Article 27 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

First : For the purpose of implementing the provisions of article 26 of the present law, the cash amounts and securities shall be deposited and blocked at banks operating in Lebanon. As for real estate guarantees, these are effected by a special entry on the real estate register. These deposits and guarantees can only be released with the approval of the Minister for Economy and Commerce.

A decree passed by the Council of Ministers on the proposal of the Minister of Economy and Commerce, following advice from the National Insurance Board, shall determine:

- 1- The rules of deposits of cash and securities, and the assessment of their value.
- 2- The rules to be followed for the assessment of the value of real estate properties which carry an inscription in the real estate register, in conformity with the provisions of the first paragraph of the present article.

Second : The rate of solvency of Lebanese insurance companies for all branches of insurance is fixed at a percentage not inferior to ten percent of the incomes, resulting from the division of the shareholders' rights for the previous year by the total of annual premiums, excluding cancellations, which were subscribed during the previous year.

Shareholders' rights mean: The capital, profits carried forward from one year to another, and the legal reserve as stated in the code of commerce.

- The rate of solvency for foreign insurance companies for every insurance branch is fixed at a percentage not inferior to ten percent of the incomes, resulting from the division of all the funds submitted to cover their commitments by the total of annual premiums, excluding cancellations, which were subscribed during the previous year.
- The rate mentioned above may be modified by decree issued by the Council of Ministers on the proposal of the Minister of Economy and Commerce following consultation with the National Insurance Board.

CHAPTER 3 – Preferential commitments

Article 28

Commitments contracted towards the assured and beneficiaries of policies by companies subject to control by virtue of the provisions of article 1 of the present law, are guaranteed by a general preference covering all the movable and real assets of Lebanese companies, such as are indicated in the balance sheets, and all movable and real assets in Lebanon of foreign companies. This preference involves the assets deposited by virtue of the provisions of articles 25, 26 and 27 of the present law.

This preference ranks next to Treasury claims and judicial taxes. Commitments towards beneficiaries of life assurance operations or indemnity insurance for death or bodily damage – all of which are of equal rank – shall have priority over all other commitments.

TITLE V – ORGANISATION OF THE PROFESSION

CHAPTER 1 – The National Insurance Board

Article 29 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999)

A National Insurance Board is set up, the composition of which is as follows:

- The Minister of Economy and Commerce: - Chairman
- A State Council Councilor, chosen by the Minister of Justice - Vice-chairman
- The Director General of the Ministry of Economy and Commerce - Member
- The Director General of the Ministry of Finance - Member
- The Head of the Insurance Companies Department at the Ministry of Economy and Commerce - Member
- The president of the Supervisory Commission of insurance companies - Member
- One university professor well versed in insurance matters, chosen by the managing director of these companies - Member
- Two representatives of Lebanese insurance companies, chosen by the managing director of these companies - Two Members
- Two representatives of foreign insurance companies, elected by the legal representatives of these companies, on condition that one of them should represent re-insurance companies as stated in article 2 of the present law - Two Members
- A representative of insurance brokers, chosen by the management board of the Association of Insurance Brokers - Member

Article 30 (as modified by Law No. 31 of 11 February 1991)

The members of the Board are appointed by decree issued by the Council of Ministers on the proposal of the Minister of Economy and Commerce for a term of office of three years, subject to renewal.

Article 31 (as modified by Law No. 94 of 18 June 1999)

The Board meets on the convocation of its chairman, or upon the request of four of its members at least. Sittings are not validly held except when six members at least attend.

Resolutions are passed by majority vote of the attending members. In case of a tie, the chairman's vote has casting power.

The Council shall hold at least one meeting every two months and shall devote one of its meetings to voice its comments on the annual report drawn up by the Department of Insurance Companies Affairs.

The Council may not discuss at its meetings other matters than those tabled on the agenda which accompanies the convocation. The agenda of any meeting may not be altered once the convocations have been sent to the members.

It may not discuss in its meetings other matters than those entered on the agenda attached to the convocation. The agenda may not be altered after the dispatch of these convocations.

However, the Board is authorized to debate matters which are not set on the agenda, if the majority of the attending members so require.

Convocations are to be addressed to members, at least eight days before the date of the meeting.

Article 32 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

The Board's secretariat will be in the charge of a civil servant seconded to the Board by the Minister of Economy and Commerce. This civil servant shall address his reports directly to the Minister, without following the course of the administrative hierarchy.

Article 33

The State meets the running expenses of the National Insurance Board; these are included in the expenditures referred to in article 52 of the present law.

Article 34

The members of the National Insurance Board and the secretary are under pledge to professional secrecy regarding all the confidential information with which they are acquainted due to their presence at Board meetings.

Article 35 (as modified by Law No. 31 of 11 February 1991)

Additionally to the powers which are vested in it, for the sake of limitation, by the provisions of the present law, the National Insurance Board examines all matters submitted by the Minister of Economy and Commerce in connection with questions arising from insurance, re-insurance, capitalization, savings and Mutual Funds.

The Board may, on its own initiative, table before the Minister of Economy and Commerce suggestions bearing directly on the activities of companies and on operations referred to in article 1 of the present law, particularly such suggestions as may concern the following:

- A- Fiscal provisions applicable on companies, subject to the present law as well as to their assured or members
- B- The general terms of policies

C- Measures supporting the reduction of risks and the organization of supervision.

Article 36 (as modified by Law No. 31 of 11 February 1991)

The Board submits to the Minister of Economy and Commerce an annual survey of its activities, which shall be published in the Official Gazette. As for suggestions, these shall be communicated by the secretary to all insurance companies approved by virtue of the present law, after approval of the reports.

CHAPTER 2 – Insurance Professionals

Article 37 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999)

The employees of companies submitted to the present law and all those who work for the account of these companies must be of Lebanese nationality. However, each company operating in Lebanon may hire a maximum three foreign specialists, following the approval of the Minister of Labor, on the proposal of the Minister of Economy and Commerce subsequent to the advice of the National Insurance Board. One pre-condition for these foreigners to be allowed to work for companies submitted to the present law is that they should abstain from carrying on any other profession which is not within the scope of this license.

As for foreign companies, they are authorized to have additionally, a foreign manager or general representative residing in Lebanon.

Article 38 (as modified by Law No. 94 of 18 June 1999)

With the exception of the chairman and members of the board of directors of insurance companies, and the legal representative of foreign companies, only brokers can approach the general public for the transaction of the operations enumerated in article 1 of the present law. The broker is meant to be:

1- An independent broker in the field of insurance:

He is any natural or juridical person exclusively active in the field of insurance brokerage. He will offer technical advice to the insured, and will work for the latter's interest. There is an obligation upon the insurance broker to inform the policy buyers of any direct legal or material relationship between him and any insurance company, and of any association between them of the type which may restrict the buyers' freedom in choosing the policy that suits them.

2- The general insurance agent:

This is any natural or juridical person who is tied to an insurance company governed by the dispositions of the present law, on condition that he is not salaried by the company nor employed by it. Such a general agent may not represent a similar insurance company, unless he obtains an authorization from the company concerned. The authorization is renewable each year.

3- The insurance delegate:

He is a natural person specifically working for the account, and under the responsibility of an insurance company, an insurance broker, or general insurance agent. He will work exclusively for one of the three mentioned bodies, but he may, at the same time, work for the account, and under the responsibility, of an insurance company, an insurance broker or a general insurance agent so long as this secondary work does not conflict with his original work, and on condition that he obtains an authorization from the original employer. The authorization is renewable each year.

Insurance companies will be held responsible, in the civil field, for any errors committed against the public by the independent broker, in case it is proved that he either represents an insurance company or operates for its benefit.

Likewise, the insurance companies will be held responsible, in the civil field, for any errors committed against the public by its general agent; any clauses to the contrary in the agency contracts shall be considered as null and void.

Insurance companies, as well as the general insurance agent, and the independent insurance broker in case he is a juridical person, shall be held responsible for the errors of their delegates.

Article 39 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

No one is authorized to operate as a broker unless he has obtained beforehand a special licence from the Ministry of Economy and Commerce.

The rules and conditions for regulating this profession and the granting or withdrawal of the licence will be determined by decree issued by the Council of Ministers, based on a proposal by the Minister of Economy and Commerce, following consultation with the National Insurance Board.

The Ministry of Economy and Commerce shall draw up a list of the legally-licensed independent brokers, the general agents and the delegates legally licensed. This list is published in the Official Gazette and in two local daily newspapers during January of each year. Any amendment to this list will be published during the month which follows the date of the said amendment.

Insurance companies operating in Lebanon may not employ, or deal with, brokers who were not legally licensed.

Equally, bureaus of insurance brokers and general agents for insurance companies may not deal with delegates who were not legally licensed.

The above-mentioned parties should inform the Ministry of Economy and Commerce of:

- 1- The names and addresses of the natural and juridical persons with whom they deal.
- 2- Any change that may occur in the situation of their brokers, in case such a change may cause the brokers to lose their status as brokers. The notification should be made without delay as soon as the change occurs.
- 3- Likewise, there is a duty on them to provide the insurance Supervisory Commission with all the information and documentation it may require concerning the brokers' situations and activities, and on any other matter it deems necessary for the conduct of its business.

Any breach of the provisions of this article may lead to the perpetrators being liable to the sanctions referred to in the present law, particularly its article 60.

Article 40

Companies subject to supervision, in conformity with the provisions of the present law, may not be established, managed, represented, wound up or presented to the public for business in their own field by persons condemned for crime, forgery, use of forgery, robbery, breach of trust, swindling, threats, offences having entailed penalties relevant to swindling, the dishonest issue of a check without funds, receiving objects secured through these offences, participation in these offences, or attempt to carry out one of them, or having been sentenced to a six-months term of imprisonment or more, whatever the cause thereof.

This prohibition applies to persons declared insolvent so long as they have not been rehabilitated.

The provisions of the present article apply to experts referred to in article 41 of the present law.

CHAPTER 3 – The experts

Article 41 (as modified by Law No. 31 of 11 February 1991, (and Law No. 94 of 18 June 1999

Excepting the employees of the insurance companies subject to the present law, no one may carry on the profession of expert charged to survey accidents and damage relating to operations mentioned in the second, third, fourth fifth and sixth branches of article 1 of the present law, to determine the circumstances thereof, to define and assess the material damage resulting therefrom, unless he has been duly registered, on his request, on the list of experts established in accordance with the specialization of each of them. The Minister of Economy and Commerce proposes to the Higher Council of the Magistracy the list of experts specialized in the field of insurance, following the advice of the National Insurance Board.

The list of these experts shall be published in the Official Gazette.

A decree issued by the Council of Ministers on the proposal of the Minister of Economy and Commerce, following the advice of the National Insurance Board, determines the duration and the conditions required for the carrying-on of the profession of expert and, particularly, professional capacity, the qualifications or examinations required, as well as the mistakes which, professionally, shall entail delisting from the aforementioned list.

Article 42 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999)

- 1- Every sworn expert mentioned in the preceding article is required to keep a day-book, bound and initialed in conformity with the provisions of the Code of Commerce, in which shall be entered all the surveys he has effected. He is also required to notify to the Ministry of Economy and Commerce, on request, a certified copy of every report.
- 2- With due regard to the provisions of the first paragraph of the preceding article, any survey report in connection with an accident relating to one of the operations under the second, third and fourth branches of article 1 is considered null and invalid for further effect:
 - A- If it is drawn up by a person who is not registered on the experts' list.
 - B- If it does not mention marginally, in figures and in full, the registration number on the day-book referred to in the first paragraph of the present article.
 - C- If it contains an estimate apportionment of the liability of the parties concerned.

CHAPTER 4 – The Association of Insurance Companies

Article 43 (as modified by Law No. 31 of 11 February 1991)

The companies subject to the provisions of the present law may set up a joint association endowed with moral personality designed to take care of their professional interests, lay down additional rules that the other members would be required to enforce, and to submit to the Minister of Economy and Commerce suggestions bearing on matters relating to insurance.

This association shall be authorized by ministerial order from the Minister of Economy and Commerce following the advice of the National Insurance Board, on the request of at least three companies. The order, as well as the Articles of Association, shall be published in the Official Gazette. The license may be withdrawn according to the same procedure, though without a request being necessary.

CHAPTER 5 – Compulsory Insurance

Article 44 (as modified by Law No. 31 of 11 February 1991)

It is possible to impose compulsory insurance against certain risks and, particularly, those in connection with the fourth branch as mentioned in article 275 of the Road Safety Code, in cases and on terms which shall be laid down by decrees issued by the Council of Ministers on the proposal of the Minister of Economy and Commerce following the advice of the National Insurance Board.

Article 45 (as modified by Law No. 31 of 11 February 1991)

In order to undertake the operations pertaining to compulsory insurance against certain risks, one or several groupings may be set up, if need be, to deal with these risks, and to which would adhere the insurance companies licensed to handle these very operations in Lebanon.

The establishment of each groupings shall be effected by decree passed by the Council of Ministers on the proposal of the Minister of Economy and Commerce following the advice of the National Insurance Board.

Such grouping shall be endowed with moral personality.

TITLE VI – STATE SUPERVISION

Article 46 (as modified by Law No. 31 of 11 February 1991)

The Ministry of Economy and Commerce exercises, in the public interest, supervision over the companies referred to in article 1 of the present law. It is within his duty to proceed against infringers before the competent legal authorities.

Article 47 (as modified by Law No. 31 of 11 February 1991,
(and Law No. 94 of 18 June 1999

“A Supervisory Commission of insurance companies” is set up at the Ministry of Economy and Commerce, directly attached to the Minister. The commission comprises a chairman and at least four members comptrollers who are engaged by contract for three years and are chosen by the Minister among holders of university degrees in the following disciplines: Economics and financial sciences, insurance matters, the mathematics of insurance (actuarial science), law, accounts and business management.

The contract comes into force by a decision from the Council of Ministers based on a recommendation from the Minister of Economy and Commerce. The Ministry of Economy and Commerce may enter into a contract with specialized bureaus of auditors and actuaries to assist the members of the Supervisory Commission in their functions.

The commission will be concerned with the supervision of insurance companies, to insure that they comply with the laws, decrees and decisions in takes in implementation of the provisions of the present law. It will also insure that these companies are capable of honoring their commitments towards the insured.

The Supervisory Commission will be assisted in its work by a team of not more than ten persons, to deal with secretarial work, typing, filing, data handling and other complementary work to the committee’s functions. Their employment will be the subject of a contract with the Minister.

The Minister draws up an internal reglementation of the Committee’s work. He will define the details of its functions, its structure, and the mode of its operations.

Members of the committee will be fully devoted to their work, and will not take on any other job except lecturing at higher education institutes, following approval by a decision from the Minister.

For the discharge of its functions, the Supervisory Commission may seek any information it may need from any insurance company operating in Lebanon. Equally, it may, at any time, effect checks at the head office, branches and agencies of any company, in respect of all operations and documents it deems necessary to investigate. The company may not invoke professional secrecy

to hide any of the required documents. The companies governed by the present law is required to put at the disposal of the committee, whether at the company's head office or at its agencies, its competent staff to provide the committee with all the required information for the discharge of its functions.

The Supervisory Commission may impose on the insurance companies to undertake all the publicity work as required by the law, the decrees and the decisions, or to amend the general conditions of contracts should these conditions prove to be vague or unclear to the insured, within a time-limit fixed by the commission.

Should it appear from the supervisory work (of the commission) that the legal or financial situation of the company is like to lead to the company becoming incapable of meeting its commitments, the Supervisory Commission may ask the company to take, within a time-limit fixed by the commission, the measures it intends to implement in order to redress its situation.

The chairman and members of the Supervisory Commission may not, within one year from the end of their functions, join any insurance company or insurance brokerage bureau, or take on any job with them or participate in their activity under any form. In counterpart, and in case they remain in office for the whole duration specified in the contract, they may receive an indemnity equal to the indemnities to which they were entitled for one whole year. The bureaus which assist the committee may not exercise the aforementioned activities within one year from the date on which their contracts ended.

Article 48 (as modified by Law No. 94 of 18 June 1999)

First: In case of need, one or more insurance arbitration councils may be set up at the Ministry of Economy and Commerce to look into disputes relating to financial claims resulting from medication and hospitalization insurance policies, as well as insurance policies covering vehicles, carriages and traffic accidents, subject to the following two conditions:

- The amount of the claim must be inferior to seventy five million Lebanese pounds.
- The plaintiff must not have introduced a court action in connection with the same case. Should a court action be taken subsequent to the submission of the dispute to the arbitration board, the latter will suspend the case, and will then cross it out as matter of course or at the request of one of the two parties.

Second: The Insurance Arbitration Council will be composed of two organisms:

The first organism: It will deal with disputes arising from insurance policies covering motor vehicles, carriages and road accidents, and will be composed of:

- A retired judge or a judge equal to, or higher than, the eleventh degree - Chairman
- An expert in insurance matters, to be chosen from a list of three candidates submitted by the board of directors of the Association of Insurance Companies in Lebanon - Member

- An expert in road traffic and traffic accidents, to be chosen from the list of sworn experts - Member

The second organism: It will deal with disputes arising from policies relating to medication and hospitalization, it will be composed of:

- A retired judge or a judge equal to, or higher than, the eleventh degree - Chairman
- An expert specializing in insurance matters, to be chosen from a list of three candidates submitted by the board of directors of the Association of Insurance Companies in Lebanon - Member
- A medical doctor from a list of four candidates to be submitted by the two Associations of medical doctors (two doctors for each Association) - Member

The chairman and every member are nominated, or substituted, according to a proposal by the Minister of Justice following approval by the Higher Council of Magistrates in what concerns the chairman judge, and a proposal by the Minister of Economy and Commerce in what concerns members.

Through a decree based on a proposal by the Minister of Economy and Commerce, a government commissioner is nominated at the arbitration council. His role is to prepare a report on every case, and attend the arbitration sittings. This commissioner must be a Ministry civil servant of the third category or higher, and holds a “license” degree in law.

The two members as well as the government commissioner must take the oath before the first president of the Court of Appeal at the Mohafazat (prefecture) centre.

Third: Any text inserted in the insurance policy, aiming at excluding the competence of the insurance arbitration council as stated in paragraph 1 of the present article, shall be considered as null and void.

Fourth: All cases brought before the insurance arbitration council are exempt from judicial taxes and stamp duties, but not from costs.

Fifth: Cases may be filed with the insurance arbitration council, and the parties concerned may attend the sitting, without the need for a lawyer.

Sixth: Verdicts by the insurance arbitration council are not open to recourse, except the appeal, the appeal by third parties and the recourse to the Cassation Court in conformity with the rules stated in the Code of Civil Procedure, taking into account the following special provisions:

- 1- Cases brought before the Cassation Court are exempt from judicial taxes, except the mortgage and the expenses.

- 2- The time-limit for recourse to the Cassation Court is thirty days, starting, for open debate cases, from the date of the notification of the final verdict, and for “in absentia” cases, from the date when the time-limit for appeal expires.
- 3- The Cassation Court must deliver its sentence within not more than six months from the date on which the notifications have been concluded.
- 4- Recourse to the Cassation Court does not stop the enforcement of the sentence. The Cassation Court may order a stay of execution within not more than five days from the date when the ad hoc petition was submitted, provided that in all cases, the stay of execution does not exceed the time-limit of six months which was fixed in the preceding paragraph for the Cassation Court to issue its sentence. At the end of the period defined in the stay of execution sentence, the winning party may proceed with the enforcement without a guarantee.

Seventh: If the losing party refuses or delays, without a valid reason, the enforcement of the judgment issued against him, and at the end of ten days from his notification of summons by the Executive Bureau, he will be subjected to a legally coercive penalty at the rate of 1 per cent of the totality of the amount of the sentence for each day of delay.

In such a case, the Minister of Economy and Commerce may deduct the amounts object of the sentence, in addition to the fine (penalty), from the funds of the technical reserve of the insurance company concerned.

Eight: The tribunal and other judicial organisms, which are judged competent in accordance with the previous laws, shall continue to adjudicate pending cases when the present law comes into force, in accordance with the procedure they usually use.

Article 49 (as modified by Law No. 31 of 11 February 1991)

The comptrollers must take the oath before the Civil Court. They are bound to professional secrecy in all that pertains to the operations and information with which they may have been acquainted in the discharge of their duty.

The reports established conflicting by the sworn comptrollers are held to be, until proof to the contrary, documentary evidence of infringements to the present law, to the Code of Commerce, or to the Articles of the companies submitted to the present law.

The sworn comptrollers inform the Minister of Economy and Commerce and, if need be, the Public Ministry of the outcome of their verification and their investigations, whether these have been conducted on their own initiative or on instructions from the Minister.

Article 50

Civil servants concerned with insurance matters and comptrollers are forbidden to accept an arbitration mission in disputes between insurance companies subject to the provisions of this law, between these companies and subscribers of policies. Likewise they are barred from registration on the list referred to in article 41 of the present law.

Article 51 (as modified by Law No. 31 of 11 February 1991)

The Minister of Economy and Commerce lays down, following the advice of the National Insurance Board, accountancy regulations for the operations referred to under article 1 of the present law. Companies handling these operations are required to keep, in conformity with these accountancy regulations, distinct individual accounts for each of the branches in which they operate. They are equally required to draw up the statements and tables provided for in these accountancy regulations, to submit them to the Ministry of Economy and Commerce, to distribute and publish them, notably their balance sheet as regards the Lebanese companies, and their special balance sheet in connection with their operations in Lebanon for the foreign companies.

Additionally, each company will be required to remit the Minister of Economy and Commerce at dates he shall determine, all the documents and information that he shall deem necessary.

Article 52 (as modified by Law No. 4/80 of 7 April 1980, Law No. 19/87 of 4 May 1987,
(Law No. 14 of 20 August 1990, Law No. 31 of 11 February 1991,
(Law No. 280 of 15 December 1993, and Law No. 94 of 18 June 1999

All the expenditures necessitated by the application of the provisions of the present law are borne by the state budget in the course of every fiscal year. These expenditures will be recovered, during the following year, from the companies governed by the present law, in the form of a "supervision tax"; this tax may not be collected from the insured, and should be deposited in a special account created for this purpose.

This tax is set at 2 per thousand of the total premiums due to the company during the previous year, provided it is not inferior to two million Lebanese pounds for each registered branch of the insurance branches for which the company is licensed, and that these amounts are effectively reserved for supervision operations as provided by the law. For the purpose of this levy, a fraction of one year is considered as one full year.

Expenditures resulting from the application of the provisions of articles 47 and 48 of the present law are recovered from the tax mentioned in this article.

Article 53

Insurance companies must clearly specify, alongside their trade name, on all papers, policies, publications, advertisements, books, leaflets, or printed matters that they produce and on all that they distribute or have distributed to the public or publish in newspapers, the number and date of registration on the ad hoc register of insurance companies in Lebanon, with mention that they are governed by the provisions of the present law.

They must mention or specify nothing regarding State supervision and inscribe nothing likely to mislead from the true nature of their operations or their financial position.

TITLE VII – WINDING UP

Article 54 (as modified by Law No. 94 of 18 June 1999)

The ministerial order for the withdrawal of the license from all the branches that the company exploited, entails as a matter of course the winding up of the company, if it is Lebanese, or the liquidation of its claims and obligations in Lebanon, if it is foreign.

In the absence of the appointment of a liquidator by the company concerned within one month dating from the total withdrawal of the license, the provisions of article 70 of the Code of Commerce are applicable to the Lebanese companies referred to in the preceding paragraph.

A decree by the Council of Ministers, based on a proposal by the Minister of Economy and Commerce, following consultation with the National Insurance Board, will designate the competent authorities, and the procedure to follow, for the liquidation of the debts and rights of foreign insurance companies in Lebanon.

Article 55 (as modified by Law No. 31 of 11 February 1991, (and Law No. 94 of 18 June 1999)

Companies transacting the insurance operations referred to in article 1 of the present law, may transfer to one or several companies approved in Lebanon, the policies relating to all or to certain operations they handle in Lebanon, as well as the rights and obligations incumbent thereon from such contracts.

Such conveyance must be advertised beforehand in the Official Gazette and in two local dailies. The announcement must carry an invitation to policy holders, subscribers or beneficiaries, as well as to all parties concerned, to submit their remarks in connection with the transfer to the Minister of Economy and Commerce within three months dating from publication. The Trade Service shall examine these objections and adjudicate thereon in a final manner, following the advice of the supervisory Commission controlling insurance companies.

Transfer is authorized by ministerial order from the Minister of Economy and Commerce based on the opinion of the Supervisory Commission.

The ministerial order authorizing transfer renders such order executory in respect of every interested party, dating from its publication in the Official Gazette.

Article 56 (as modified by Law No. 31 of February 1991)

Every company subject to the provisions of the present law, which may decide to suspend its activities in Lebanon in one or several branches and wishes to effect the release of all or part of its caution money, is required to file with the Ministry of Economy and Commerce a written application supported by what follows:

- A- Proof that it has settled exactly and definitely its obligations relating to all policies in course of execution in Lebanon in respect of the branch the operations of which it wishes to suspend, or that it has transferred these policies to another approved company.

B- Proof that it has published in the Official Gazette and in two dailies appearing in the town wherein its head office is located if it is Lebanese, or its main agency if it is foreign, an announcement inserted in each publication at least three times, at fifteen days' interval. The announcement must declare its intention to submit, three months after the date of publication, a petition to the Minister of Economy and Commerce designed to free its assets in Lebanon and withdraw its caution money.

The notice must equally invite all insurance policy holders wishing to object to such release, to file their objection with the Ministry of Economy and Commerce within a time-limit expiring on the day when the above-mentioned petition is filed.

If the notice is incomplete or not in order, the Ministry of Economy and Commerce shall take charge of it at the expense of the petitioning company.

Article 57 (as modified by Law No. 31 of 11 February 1991)

If one of the companies referred to in the present law applies for a scheme for arrangement, the Court may not adjudicate the matter except on the advice of the Minister of Economy and Commerce who shall at the same time propose the name of a Commissioner.

TITLE VIII – SANCTIONS

Article 58 (as modified by Law No. 537 of 24 July 1996,
(and Law No. 94 of 18 June 1999

Shall be under penalty of one month to one year's imprisonment, and of a minimum cash fine of two million Lebanese pounds, or of either penalty.

- A- Every founder, member of the board of directors or manager of a Lebanese company, every manager or representative of a foreign company, who proposes or concludes an insurance agreement, a title of subscription or a document relating to one of the operations referred to in article 1 of the present law, before the publication of the licensing order, or when the company is not licensed to exploit them at the time of the proposal, the conclusion of the policy or the subscription.
- B- Every manager or agent of a brokerage office or insurance broker or employee who proposes or concludes a policy, a title of subscription or a document in one of the two cases indicated in paragraph A above.
- C- Every person who carries on the profession of agent or broker without holding the professional card referred to in article 39 of the present law or after the card had been withdrawn.
- D- Every agent or broker or insurance employee or expert who contravenes the provisions of article 40 of the present law.
- E- Every person who carries on the profession of expert referred to in article 41 of the present law, without being registered on the list provided for in the said article or after his name has been delisted.

- F- Every person who neglects insuring himself against the risks referred to in article 44 of the present law.
- G- Every person who contravenes the provisions of article 9 of the present law.

Article 59 (as modified by Law No. 31 of 11 February 1991,
(Law No. 537 of 24 July 1996, and Law No. 94 of 18 June 1999

Any company governed by the provisions of the present law who should be late in transmitting to the Ministry of Economy and Commerce any of the statements or documents it is under obligation to provide, or should delay their publications within the time-limits specified by the Ministry, shall be under penalty of an administrative cash fine of one hundred thousand Lebanese pounds per day's delay. The amount of the fine will double in case the infringement is repeated.

Article 60 (as modified by Law No. 31 of 11 February 1991,
(Law No. 537 of 24 July 1996, and Law No. 94 of 18 June 1999

Any infringement not specifically mentioned in articles 58 and 59 of the present law, and any infringement to the provisions of the decrees and decisions issued in application of the present law, shall be under penalty of a cash fine ranging from two million to twenty five million Lebanese pounds. The amount of the fine will double in case the infringement is repeated.

The amount of the fine for each infringement shall be fixed by the Minister of Economy and Commerce, following a proposal by the head of the Department of Insurance Companies based on a report by the Supervisory Commission.

Should the offending company not redress its situation following the fine imposed on it, within a time-limit of not less than thirty days, the license previously granted to it as well as its activities shall be suspended by virtue of a decision by the Minister of Economy and Commerce. Should the company not regularize its situation within one year from the suspension date, its license will be withdrawn in accordance with article 7 of the present law.

TITLE IX – VARIOUS AND TRANSITORY PROVISIONS

Article 61 (as modified by Law No. 31 of 11 February 1991)

The drawing of lots relating to the bonds issued in Lebanon shall be effected in public in the presence of a delegate from the Ministry of Economy and Commerce who shall establish and sign the relevant report.

Copy of this report shall be communicated to any interested party, on request.

Article 62 (as modified by Law No. 31 of 11 February 1991)

A decree issued by the Council of Ministers on the proposal of the Minister of Economy and Commerce following the advice of the general compulsory terms of the capitalization bonds, as well as the procedure governing the drawing of lots and the publication of the results thereof.

Article 63 (modified by Law No. 31 of 11 February 1991,
(and abrogated by Law No. 94 of 18 June 1999

Article 64 (as modified by Law No. 94 of 18 June 1999)

The expression “The Ministry of Economy and Commerce” shall replace “The Ministry of National Economy”, and the expression “The Department of Insurance Companies Affairs” shall replace “The Department of Commerce” wherever these two expressions appear in the said law

Article 65 (as modified by Law No. 94 of 18 June 1999)

Mergers

First: One or more insurance companies may merge with another insurance company called the absorbing company. The merger is conditional upon the approval of the Minister of Economy and Commerce following consultation with the National Insurance Board.

Second: In order to secure the Minister of Economy and Commerce’s approval, the following measures should be taken:

- 1- Notification to the Ministry of Economy and Commerce of the decision by the board of each company to merge.
 - The initial merger contract, for which approval is sought.
 - The balance sheet of the last fiscal year of each company.
 - A report by the supervisory commissioners concerning a re-evaluation of the elements of the said balance sheet.
 - The financial situation of each company, signed by the president of the company’s board of directors, engaging his personal responsibility, as it stands at the end of the month preceding the date on which the merger application was submitted.
- 2- The Minister of Economy and Commerce, following consultation with the National Insurance Board, will decide, in principle, whether to turn down or approve the (proposed) merger, within three months from the date of the application enclosing also the documentation listed in the preceding paragraph. If the proposal is approved in principle, the Minister of Economy and Commerce will fix the required time-limit for the companies to submit the necessary guarantees and documents, in order to issue the final decision to approve the merger. This time-limit shall not exceed three months from the date on which the approval in principle was notified to the persons concerned.
- 3- The Minister of Economy and Commerce will reach his final decision on the merger within a time-limit not exceeding three months from the date on which the documents evidencing the existence of the required conditions and guarantees, including the minutes of the extraordinary general assembly of the companies concerned, on condition that the Minister’s decision, if the merger is to go ahead, should cross out the absorbed company, and the decision must be justified and final.
- 4- If, at the end of the three months time-limit referred to in paragraph 2 of this article, no decision has emanated from the Minister, this should be construed as an implicit decision by the Minister to turn down the merger petition under the proposed conditions.

Third: The presidents of the boards of the companies wishing to merge, or whoever they appoint specifically for this purpose, may exchange only between themselves, the information relating to customers and all relevant data, on condition that these confidential details should remain limited to the companies in question.

Fourth:

1. The merged organization shall immediately and legally replace the absorbed company in all its rights and commitment vis-à-vis the insured and third parties, immediately upon the publication of the final decision approving the merger; there will be no need to obtain the approval of the owners of such rights and commitments, nor to notify them, particularly in respect of rent contracts, pending lawsuits, deposits, related personal and real estate guarantees, work contracts, portfolios of customers, insurance policies and their annexes and any other commitments.
2. The absorbing company will be required to publish in the Official Gazette and not less than two local newspapers, within at least one month from the date when the final decision to approve the merger operation was issued, a summary of the decision by the extraordinary general assembly which decided the merger and of the final decision by the Minister of Economy and Commerce to approve the merger.
3. It will be possible, within a time-limit of six months following the final decision, to terminate the work contracts of a number of the staff of the absorbed company, subject to the following conditions:
 - A- The decision to end certain employment contracts will be taken once at one time, expressly stating that the decision was taken because of the merger operation.
 - B- Any employees so made redundant shall benefit from all the rights and profits mentioned in the current laws and regulations, as well as from the rights and benefits, if any, which were included in their collective employment contracts.
 - C- Exceptionally, any of these employees shall benefit, in addition to these rights and profits, from an additional indemnity equal to the end of service indemnity to which they are entitled, on condition that this indemnity should not be inferior to six months salary and not exceed all the salaries earned by the employees during the two previous years.

The rights of the employees so made redundant are limited to the indemnities stipulated in the present article. These additional indemnities are exempt from any income tax.

Fifth: During the course of the year which follows the final decision to approve the merger, the absorbing company will be exempt from the income tax for an amount equal to the fiscal charge due on a part of its profits, on condition that this part does not exceed the total of the capital of the absorbed company (or companies) and the capital of the absorbing company, in the nominal value of these capitals one year before the date of the decree finally approving the merger.

The appropriate departments at the Ministry of Finance will make sure that the amount of the exemption mentioned in this article should be added, once the exemptions were given to the capital of the company resulting from the merger, on pain of an extinction in the right to these exemption in case the capital increase does not occur within six months from the adoption of the annual balance sheet evidencing the profit exempt from the tax.

The absorbing and absorbed companies will also be exempt from the tax referred to in article 45 of the income tax law, in case of re-evaluation of the portfolio held by either the absorbing or absorbed company.

Sixth: Shall be exempt from the stamp duty and the conveyance, notarial, and registration charges at all official administrations, all the measures and formalities necessitated by the merger operation, including the issue of new shares.

Seventh: All current laws, particularly the provisions of the Code of Commerce, shall remain applicable, in all that is consistent with the law regulating insurance companies, with its amendments, in respect of the merger.

Eight: The provisions of the merger described in the present law shall apply to the insurance company which acquires all the assets and rights of any other insurance company which wishes to liquidate its activity and have its name deleted from the list of insurance companies, the first company (acquiring the second one) accepting responsibility for all the obligations and commitment of the company being so acquired.

Article 66

All previous provisions contrary to the present law or inconsistent with its purport are abrogated on the various dates of enforcement of the provisions of the present law.

Article 67

All present law shall be published in the Official Gazette.

SECOND ARTICLE

The present decree shall be published in the Official Gazette

Sin El-Fil, 4 May 1968

Signed: Charles Helou

By the President of the Republic
The President of the Council of Ministers
Signed: Abdallah Yafi

The Minister of National Economy

Signed: Edouard Honein

INSURANCE LAW

CHRONOLOGICAL LIST OF LEGISLATIVE TEXTS AND AMENDMENTS INCLUDED IN THE PRESENT BOOK

- Law promulgated by Decree No. 9812 of 4 May 1968
- Decree-Law No. 35 of 9 May 1977 (amendment)
- Law No. 4/80 of 7 April 1980 (amendment)
- Law No. 19/87 of 4 May 1987 (amendment)
- Law No. 14 of 20 August 1990 (amendment)
- Law No. 31 of 11 February 1991 (amendment)
- Law No. 280 of 15 December 1993 (amendment)
- Law No. 537 of 24 July 1996 (amendment)
- Law No. 94 of 18 June 1999 (amendment)