

Instructions No. (4) of 2005
Instructions of Licensing and Regulating the Business and Responsibilities
of a Reinsurance Broker*

Issued by the Board of Directors of the Insurance Commission
pursuant to the provisions of paragraph (J) Article (23), Article (55) and
paragraph (B) of Article (108) of the Insurance Regulatory Act No. (33) of 1999
and the Amendment Thereof

Article (1):

These Instructions shall be known as the (Instructions of Licensing and Regulating the Business and Responsibilities of a Reinsurance Broker of 2005) and shall come into force as of the date of its publication in the Official Gazette.

Article (2):

- A- The words and phrases mentioned in these Instructions shall have the meanings ascribed thereto under Article (2) of the Insurance Regulatory Act No. (33) of 1999 and the Amendments Thereof, unless otherwise indicated by context.
- B- For purposes of these Instructions, the words and phrases mentioned below shall have the following meaning:-
 - Act : The Insurance Regulatory Act in force.
 - Reinsurer : The reinsurer operating inside and outside the Kingdom.
- C- For purpose of these Instructions, the word (Reinsurance Broker) shall indicate, both the natural and the juridical Reinsurance Broker, unless otherwise stipulated.

Article (3):

No person shall be permitted to practice the business of a Reinsurance Broker in the Kingdom before obtaining a license from the Commission in accordance with the conditions determined pursuant to the provisions of these Instructions and Decisions issued by virtue thereof, subject to legal liability.

Article (4):

- A- The Reinsurance Broker shall be licensed according to the type of insurance requested.
- B- The natural person shall not obtain a license that combines between life assurance and general insurance business.
- C- The Reinsurance Broker may obtain a license that combines between the business of a Reinsurance Broker pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof, and the business of a Broker and a Consultant pursuant to the provisions of these Instructions and the related Decisions.
- D- Subject to the provisions of paragraph (C) of this Article, no person shall obtain a license that combines between the business of a Reinsurance Broker, pursuant to the provisions of these Instructions and the Decisions issued by

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virtue thereof, and the business of the Agent, Actuary, Loss Adjustor, Surveyor or any of the insurance supporting services providers, pursuant to the provisions of these Instructions and the related Decisions.

- E- The general manager of a juridical person or one of the director and all persons in charge of its reinsurance brokerage business, shall be licensed according to the provisions of these Instructions and the Decisions issued by virtue thereof as a requirement for licensing that juridical person.

Article (5):

The following conditions must be met in the applicant:-

- A-
 - 1- Hold a university degree or a certificate in insurance from any specialized institution accredited by the Insurance Commission, pursuant to a Decision issued by the Director General for this purpose.
 - 2- The Director General may exempt the applicant from the provisions of item (1) of this paragraph, if the applicant has a work experience of a period not less than the period mentioned in paragraph (B) of this Article, provided that the total period of his work experience is not less than twenty years.
- B- Has any of the following working experiences:-
 - 1- Practiced insurance business for a period not less than twelve years.
 - 2- Practiced reinsurance business or worked for a Reinsurance Broker for a period not less than (7) years.
 - 3- Occupied the position of a general manager of an Insurance Company, for a period not less than five years.
 - 4- Worked as a licensed Reinsurance Broker outside the Kingdom for a period not less than three years.
- C- Fulfill the requirements stated in Article (31) of the Act.
- D- To engage wholly in reinsurance brokerage business in a private office.
- E- His license and/or registration to practice the business of a Reinsurance Broker, insurance Broker, Agent, Actuary, Loss Adjustor, Surveyor, Consultant or any of the insurance supporting services providers, has not been previously cancelled or suspended as a disciplinary sanction, or that he did not meet the conditions for renewing his license or registration, from the body that suspended or cancelled his license or registration.
- F- Pass the evaluation designated or accredited by the Insurance Commission for this purpose.

Article (6):

The application shall be submitted according to the form designated for this purpose including the date and enclosed with the following documents:-

- A- Name, nationality and address of the applicant.
- B- Two personal photos.
- C- Type of insurance applied for to practice the business of a Reinsurance Broker.
- D- A non-conviction certificate or an equivalent for foreign applicants issued by the country where he was residing three years before the submission of the application, duly certified by the official authorities.
- E- A copy of the passport or the identification card.
- F- A certified copy of the academic qualifications.
- G- An original copy of the work experience certificates.

- H- A copy of the training courses certificates.
- I- A written declaration that all the data and documents submitted pursuant to the provisions of this Article, are correct.
- J- Proof of paying the fees and charges determined pursuant to the Regulations and Instructions issued for this purpose according to the provisions of the Act.
- K- Any other data, documents or information requested by the Director General.

Article (7):

Subject to the provisions of paragraph (E) of Article (4) of these Instructions:-

- A- The juridical person shall submit the licensing application to transact the business of a Reinsurance Broker in the Kingdom, according to the form designated for this purpose, including the following:-
 - 1- Proof that all the conditions stipulated in Article (5) of these Instructions, are fulfilled by submitting all the data and documents stipulated in Article (6) of these Instructions, for the general manager or one of the directors, as the case may be, and to all the persons in charge of the reinsurance brokerage business in the Kingdom, or submitting an undertaking to fulfill all the requirements before being granted the license.
 - 2- A signed copy of the Company's agreement or the memorandum of association and articles of association, as the case may be.
- B- Where the juridical person to be licensed, is a branch of a foreign juridical person, a certified copy of the license of the foreign juridical person issued from the country of origin, shall be submitted in addition to the documents stipulated in paragraph (A) of this Article.
- C- The objectives of the juridical person to be licensed shall be limited to reinsurance brokerage business, except for cases where the combination between the license of a Reinsurance Broker and other insurance supporting services providers is permitted, pursuant to the provisions of paragraph (C) of Article (4) of these Instructions and the related Instructions.
- D- The Juridical person may be granted a license to transact reinsurance brokerage business in both life assurance and general insurance business, provided that the two types of insurance shall not be transacted by the same employee of the juridical person. The conditions required to transact reinsurance brokerage business shall be fulfilled in the type of insurance required pursuant to the provisions of these Instructions.

Article (8):

- A- The Director General shall notify the applicant, within a period not exceeding ten working days as of the date of submitting the application, either with the completion of the application to all data and documents submitted pursuant to the provisions of Articles (6) and (7) to these Instructions or with the incompleteness, and with the details of the evaluation stipulated in paragraph (F) of Article (5) of these Instructions.
- B- In case of incompleteness, the applicant shall fulfill the incompleteness within a period not exceeding thirty days as of the date of notification of such; otherwise the application shall be considered null and void. The applicant shall not be allowed to submit another application before the elapse of three months as of the date of the voidance of the application.

Article (9):

- A- The Director General shall issue a Decision regarding the licensing application submitted pursuant to the provision of Articles (6) and (7) of these Instructions, within a period not exceeding thirty days as of the date the applicant was notified of the completion of the application, to all the data and documents, and that he has passed the condition of the evaluation designated or accredited by the Commission for this purpose.
- B- Where the application stipulated in paragraph (A) of this Article has been approved, the Director General shall notify the applicant with that pursuant to the provisions of the Act, and Reinsurance Broker shall be registered in the register designated by the Commission for this purpose after submitting the following documents:-
- 1- Proof of completing the establishment and the registration before the competent authorities in the Kingdom, as the case may be.
 - 2- Proof of having a valid professional indemnity insurance policy to cover the liability of the Reinsurance Broker. The condition of such policy shall be determined by a Decision issued by the Director General for this purpose.
 - 3- Proof of paying the fees and charges determined according to the Regulations and Instructions issued pursuant to the provisions of the Act.
- C- Where the applicant does not pass the evaluation stipulated in Paragraph (A) of this Article, the Director General shall notify the applicant with that pursuant to the provisions of the Act. The applicant shall pass the evaluation according to any of the courses held for this purpose after paying the charges determined pursuant to the Instructions issued pursuant to the provisions of the Act, within a period of one year as of the date of submitting the application; otherwise the licensing application shall be considered null and void. The applicant shall not apply for a new license to transact the business of a Reinsurance Broker in the Kingdom, unless he submits proof of having attended specialized courses in reinsurance business of a period not less than fifteen hours.

Article (10):

- A- The Reinsurance Broker shall undertake to notify the Director General immediately, with any changes occurring on any of the data and information he has been granted the license by virtue thereof, provided that such change is in accordance with the provisions of these Instructions and the Decisions issued by virtue thereof.
- B- The juridical Reinsurance Broker shall notify the Director General of the vacancy of the position of the general manager or any of the directors in charge in the Kingdom, as the case may be, or the vacancy of the position of any of the person in charge of his reinsurance brokerage business, and shall occupy the vacant post, if necessary, within thirty days as of the date of vacancy and notify the Director General accordingly, for purposes of licensing him by the Commission pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof.

Article (11):

- A- The Reinsurance Broker shall submit an application to renew his license annually forty five days prior to the date of expiration of the license which

occurs on the thirty first of December of each year, according to the form designated for this purpose attached with the following:-

- 1- A report of the reinsurance brokerage business conducted during the year, according to the form designated for this purpose.
 - 2- A valid non-conviction certificate or an equivalent for foreign applicants, duly certified by the official authorities.
 - 3- A valid insurance policy, pursuant to the provisions of item (2) of paragraph (B) of Article (9) of these Instructions.
 - 4- Evidence of enrolling in courses specialized in reinsurance business, reinsurance brokerage business or participating in conferences or seminars related to reinsurance business or reinsurance brokerage business of not less than fifteen hours.
 - 5- A written declaration that states that all data and documents submitted pursuant to this Article are correct.
 - 6- Proof of payment of the fees and charges determined pursuant to the Regulations and Instructions issued for this purpose pursuant to the provisions of the Act.
- B- The juridical Reinsurance Broker shall submit, in addition to what is stipulated in paragraph (A) of this Article, a report that includes the name of its general manager and the directors, as the case may be, and all the persons in charge of its reinsurance brokerage business.
- C- A decision regarding the renewal application stipulated in paragraph (A) of this Article shall be issued within a period not exceeding fifteen working days as of the date of completion of the application.

Article (12):

- A- A reinsurance Broker who desires to suspend his license shall submit an application to the Commission, and may also submit an application to re-list his name in the register designated for this purpose, provided that the Reinsurance Broker shall submit a written application according to the form designated for this purpose, and subject to the following provisions:-
- 1- If the suspension period of the license does not exceed one year as of the date of submitting the application, the provisions of Article (11) of these Instructions shall be taken into consideration.
 - 2- If the suspension period of the license exceeds one year as of the date of submitting the application, in addition to what is stipulated in paragraph (A) of this Article, the Reinsurance Broker shall submit proof that he has entered into courses specialized in reinsurance business or participated in conferences or seminars related to reinsurance business of not less than fifteen hours during the period of suspension.
 - 3- In case the suspension period of the license exceeds three years as of the date of submitting the application, the Reinsurance Broker shall submit an application for a new license pursuant to the provisions of these Instructions and the Decisions issued pursuant thereto.
- B- The Reinsurance Broker shall not practice reinsurance brokerage business during the suspension period, subject to legal liability.

Article (13):

The Reinsurance Broker shall undertake the following duties and responsibilities:-

- A- Document the registration on all his papers, letters and documents.
- B- Provide the Company with advice and consultation concerning the reinsurance programs that are available in local, regional and international insurance and reinsurance markets, including the most suitable conditions and prices according to the common technical insurance techniques.
- C- Follow up on the developments occurring in the local, regional and international reinsurance markets and notify the Company, within a reasonable period, of its impact on its insurance business and reinsurance programs.
- D- Recommend a reinsurer or more to whom the Company will cede its business in order to select a Reinsurance Broker for that business.
- E- Negotiate with the reinsurers on behalf of the Company.
- F- Provide assistance in negotiations concerning claims settlement arising between the Company and the reinsurers.
- G- Comply with the instructions issued by the Company and provide it, whenever asked to, with reports that include business conducted to the interest of the Company.
- H- Prepare necessary reports for settling the account of the Company with the reinsurers if requested.
- I- Transfer any amount of money he is authorized to receive from the Company as premiums to the reinsurer and transfer the amount of claims paid by the reinsurer to the Company in the agreed form. The Reinsurance Broker shall also open a bank account in the Kingdom to deposit those payments, and shall not receive any commission or interest on the payments deposited in that bank account.

Article (14):

The Reinsurance Broker may accept the reinsuring or administrating the risks on behalf of the reinsurer, provided that the Reinsurance Broker shall obtain the approval of the Director General according to the following:-

- A- Obtain a written authorization from the reinsurer of such, and provide the Director General with a copy thereof.
- B- Not to retain risk and bear any risks related to reinsurance.
- C- Notify the Company that the Reinsurance Broker conducts the reinsurance brokerage business in its interest, in writing.

Article (15):

The reinsurance Broker shall comply with the following rules of professional conduct:-

- A- Conduct his dealings with honesty, integrity and good behavior at all times.
- B- Comply with the provisions of the Act, Regulations Instructions and Decisions issued pursuant to any of them, which are related to his business in particular Reinsurance Instructions in force.
- C- Not to underwrite, administrate or reinsure the insurance risks, subject to the provisions of Article (14) of these Instructions.
- D- Maintain the security of confidential information concerning the Company and the Reinsurer that comes into his possession during the course of his business.

- E- Not to assign his reinsurance brokerage business to other Reinsurance Brokers or subordinate Reinsurance Brokers to be conducted on behalf of the Company without obtaining prior written approval from that Company.
- F- Ensure that the Reinsurance agreements issued by the Reinsurer are consistent with the preparatory requirements of reinsurance concerning the Company and with the preliminary agreement between the reinsurer and the Company, specially the facultative reinsurance agreements.
- G- Explain to the Company the reason for choosing reinsurance arrangements and the conditions, benefits and exceptions it includes. The reinsurance Broker shall submit to the Company a comparison between the price and the coverage offered by the recommended reinsurance programs and other programs, if requested.
- H- Advising both the Company and the reinsurer on the necessity of disclosure of any changes affecting the nature of the risk reinsured, which have occurred since the facultative reinsurance agreements inception, within the duration of agreement and on renewals, that the Reinsurance Broker is still offering further services to the Company or the reinsurer, concerning the facultative reinsurance agreements renewal.
- I- Ensure that the Company or the Reinsurer receives the renewal notification of the facultative insurance agreements well in time before the expiry date, that is if the Reinsurance Broker is still offering further services to the Company and the reinsurer concerning the facultative reinsurance agreements renewal.
- J- Maintain a mechanism to receive and follow up on complaints and remarks from the Company or the Reinsurer concerning his business.
- K- The commission that the Reinsurance Broker collects shall not be the main element that influences his decision when choosing or recommending certain Company or reinsurer.
- L- Not to provide any information or criticisms that are incorrect or unfair regarding any Reinsurer for the purposes of motivating the Company to reconsider its reinsurance policy or the agreed or the facultative reinsurance agreements, unless for the benefit of the Company both technically and/ or financially.

Article (16):

- A- The Reinsurance Broker shall be obliged to submit to the Commission his annual balance sheet and the accounts attached thereto, as the case may be, within a period not exceeding two months as of the end of the financial year.
- B- For purposes of these Instructions, the financial year of the Reinsurance Broker shall start on the first of January and shall end on the thirty first of December of the same year, except for the first year of his license which shall start from the date that the reinsurance Broker is granted the license until the thirty first of the same year.

Article (17):

- A- The Reinsurance Broker shall document the data and information related to the reinsurance brokerage business he is practicing in books and registers, as the case may be, including the following:-
 - 1- Name and address of the Company he is performing reinsurance brokerage business in its interest.
 - 2- Memorandums and correspondences concerning his business.

- 3- Copies of the reinsurance agreements that the Company concludes with the Reinsurer.
 - 4- Documents with serial numbers related to collecting, paying, recording and settlements, and any other financial transactions regarding the reinsurance brokerage business.
 - 5- Bank accounts regarding the reinsurance brokerage business practiced.
- B- The records and registers mentioned in paragraph (A) of this Article shall be in the form of papers or copies thereof, or other electronic means.
- C- The Reinsurance Broker shall keep the records and registers mentioned in this Article for a period not less than five years as of the end of the financial year.

Article (18):

- A- Where sufficient information is available for the Director General indicating any of the following:-
- 1- That the Reinsurance Broker breached the provisions of the Act, Regulations, Instructions or Decisions issued by virtue of any of them.
 - 2- If the Reinsurance Broker lost any of the conditions he was licensed upon or if it became evident that the data and documents provided by him are incorrect.
 - 3- If the Reinsurance Broker did not renew his license pursuant to the provisions of Article (11) of these Instructions, and is still conducting his business.
 - 4- If the Reinsurance Broker did not conduct business for a period of two years as of the date of his licensure or the renewal of the license whichever occurs later.
- B- If it was evident for the Director General that any of the information mentioned in paragraph (A) of this Article is valid he may pursue any of the following procedures:-
- 1- Request from the Reinsurance Broker to adjust his status within the period determined by the Director General.
 - 2- Suspend the license of the Reinsurance Broker for the period determined by the Director General, and may ask the Reinsurance Broker to take certain procedures to adjust his status.
 - 3- Cancel the license of the Reinsurance Broker.
- C- If the Reinsurance Broker did not adjust his status according to the provision of item (1) of paragraph (B) of this Article, the Director General may suspend or cancel the license.
- D- If the suspension period is expired and the Reinsurance Broker did not take the necessary procedures to adjust his status pursuant to the provisions of item (2) of paragraph (B) of this Article, the Director General may cancel the license.
- E- If the Director General issued a decision to cancel the license of a Reinsurance Broker, the Reinsurance Broker shall not submit an application for a new license before the elapse of three years as of the date of the cancellation decision was issued if the reason for the cancellation was a result of gross deficiency according to the judgment of the Director General.

Article (19):

If the Director General issued a Decision to suspend or cancel the license of the Reinsurance Broker, the Reinsurance Broker shall resume the business he started

before the issuance of the suspension or cancellation Decision, for a period not exceeding one month, for the purposes of terminating or assigning the business that he has previously been assigned to him, to another Reinsurance Broker or Brokers, subject to the approval of the Company.

Article (20):

The Director General may ask the Company to stop dealing with the Reinsurance Broker in any of the following cases:-

- A- If it was evident that the Reinsurance Broker did not comply with the provisions of these Instructions and the Decisions issued by virtue thereof.
- B- If the Reinsurance Broker did not fulfill his duties, or if it was possible that he might fail or becomes incapable of continuing his business.
- C- Where sufficient information is available for the Director General indicating that the Reinsurance is financially stumbled or it might influence his integrity and professional behavior.
- D- If the Reinsurance Broker did not provide the Director General with any data or information required pursuant to the provisions of these Instructions and Decisions issued pursuant thereto.

Article (21):

- A- The Director General may in appropriate times assign an employee or more from the Commission or appoint an external party to inspect the books and records of the Reinsurance Broker. The Reinsurance Broker shall have all the books and records available and cooperate with the employee of the external party so that they can fully perform their duties, and the Reinsurance Broker shall bear all the expenses for the external party as decided by the Director General, unless the Director General deems otherwise.
- B- The Reinsurance Broker shall submit to the Director General any data or documents he requires, within a period determined by the Director General for this purpose.

Article (22):

The Director General may delegate notification authorities stipulated in these Instructions, to the director of the concerned department at the Commission.

Article (23):

Any person who is not a resident of the Kingdom and has not taken a head office for his business, and at the same time is licensed and registered to transact the business of a Reinsurance Broker outside the Kingdom, may transact with any Company inside the Kingdom after obtaining the approval of the Director General pursuant to conditions determined for this purpose.

Article (24):

Every person conducting the reinsurance brokerage business as of the date the provisions of these Instructions came into force, shall apply for a license or registration at the Commission within a period not exceeding six months as of the date the provisions of these Instructions came into force.

Article (25):

The Director General shall issue the Decisions necessary for implementing the provisions of these Instructions.

Board of Directors of the Insurance Commission