

Instructions No. (4) of 2009
Instructions of Licensing and Regulating the Business and Responsibilities
of the Coverholder and the Underwriting Agency*

Issued by the Board of Directors of the Insurance Commission
Pursuant to the provisions of Article (23) and Paragraph (B) of Article (108)
of the Insurance Regulatory Act No. (33) of 1999 and the Amendments Thereof

Article (1):

These Instructions shall be known as the (Instructions of Licensing and Regulating the Business and Responsibilities of the Coverholder and the Underwriting Agency of 2009) 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 the purposes of these Instructions, the following words and phrases shall have the meanings ascribed thereto hereunder:-

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| Act | : | The Insurance Regulatory Act in force. |
| Coverholder | : | The juridical person licensed by the Commission pursuant to the provisions of these Instructions and Decisions issued by virtue thereof to transact any of the business mentioned in Article (3) of these Instructions. The capital of the Coverholder shall be fully owned by the reinsurer that underwrites on his behalf. |
| Underwriting Agency | : | The juridical person licensed by the Commission pursuant to the provisions of these Instructions and Decisions issued by virtue thereof to transact any of the Business mentioned in Article (3) of these Instructions. |
| Reinsurer | : | Any insurance or reinsurance company licensed and registered inside or outside the Kingdom to transact the reinsurance business or any of the members of the Insurance Underwriters Associations that transact the business of reinsurance. |
| Insurance Underwriters Association | : | Any association of insurance underwriters including Insurance Underwriting Association known as (Lloyd's) that regulates and supervise his members and provides them the necessary facilities in order to underwrite or reinsure risks. |
| Binding Authority | : | An agreement concluded between the Coverholder or the Underwriting Agency and the Reinsurer which specifies the conditions and authorities concerning the business of the Coverholder or the Underwriting Agency. |

* These Instructions were published in the Official Gazette volume (4976) dated 16/8/2009 page 4216.

Article (3):

The duties of the Coverholder and the Underwriting Agency shall include conducting any of the duties mentioned hereunder on behalf of the Reinsurer according to the terms and conditions of the Binding Authority:-

- A- Underwriting reinsurance business and administrating the business related thereto.
- B- Issuing the reinsurance slip on behalf of the Reinsurer, provided that the issuance shall occur under his name and with his own stamp.
- C- Collecting the reinsurance premiums.
- D- Settling claims according to the terms and conditions agreed on in the Binding Authority.
- E- Investigating the reinsured risks.
- F- Any other duty agreed on in the Binding Authority and has obtained the prior approval by the Commission.

Article (4):

- A- No person shall transact the business of the Coverholder or the Underwriting Agency inside or through the Kingdom, unless that person has been licensed by the Commission according to the conditions specified pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof, subject to legal liability.
- B- The Coverholder and the Underwriting agency shall be licensed according to the classes related to the type of insurance applied for.
- C- It is required to license the Coverholder and the Underwriting Agency that his general manager or any of his directors and key employees are accredited pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof.
- D- The Coverholder and the Underwriting Agency may combine between his business stipulated in Article (3) of these Instructions and the business of the Reinsurance Broker pursuant to the related Instructions.
- E- The objectives of the Coverholder or the Underwriting Agency business shall be limited to the business stipulated in Article (3) of these Instructions.

Article (5):

- A- The licensing application of the Coverholder or the Underwriting Agency shall be submitted by his legal representative according to the form designated for this purpose including the following data:-
 - 1- Name and address of the Coverholder or the Underwriting Agency.
 - 2- Type and Classes of insurance applied to be transacted with.
- B- The following documents shall be enclosed with the application:-
 - 1- A copy of the memorandum of association and articles of association.
 - 2- A copy of the authorization for the person representing the applicant for submitting and signing the application on his behalf.
 - 3- Name of the constituents or partners, chosen addresses for the purpose of notification, the positions they occupy and their educational qualifications and experiences.
 - 4- Business plan for the first three fiscal years that includes a description of the potential business and the future plans for enhancing the business.
 - 5- The accreditation application for the general manager or one of the directors, as the case may be, and all key employees according to the

form designated for this purpose including the data and documents stipulated in Article (7) of these Instructions.

- 6- A form of the Binding Authority organized according to the provisions of Article (13) of these Instructions.
- 7- Proof of having the experience in the Class of insurance applied for, for the general manager or one of the directors of the Coverholder or the Underwriting Agency, as the case may be, or one of the key employees.
- 8- Any other data or documents requested by the Director General.
- 9- A written declaration which includes that all the data and documents submitted pursuant to the provisions of this Article are correct, signed by the person representing the applicant for submitting and signing the application.
- 10- Proof of payment of the fees and charges determined according to the Regulations and Instructions issued for this purpose pursuant to the provisions of the Act.

Article (6):

- A- The following conditions must be fulfilled for the accreditation of the general manager or one of the directors, as the case may be:-
- 1- Has any of the following working experiences in the type of insurance the Coverholder or the Underwriting Agency applied for:-
 - Practiced reinsurance business at an insurance or reinsurance company or worked for a Reinsurance Broker for a period not less than ten years.
 - Worked as a licensed Broker or Reinsurance Broker inside or outside the Kingdom for a period not less than seven years.
 - Occupied the position of the general manager of an insurance or reinsurance company for a period not less than five years.
 - 2- Hold a university degree or a certificate in insurance from any insurance specialized institution accredited by the Commission.
 - 3- Fulfill the requirements stated in Article (31) of the Act.
 - 4- His license 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 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.
- B- It is required for the accreditation of the key employees that he fulfills the conditions mentioned in items (2-4) of paragraph (A) of this Article, in addition to the work experience for a period not less than two years in the type of insurance required to be transacted.

Article (7):

- A- The application for the accreditation of the general manager or one of the directors, as the case may be, and the key employees shall be submitted according to the form designated for this purpose including the following data:-

- 1- Name, nationality and address of the applicant.
 - 2- Type and classes of insurance required.
- B- The following documents shall be enclosed with the application:-
- 1- Two personal photos.
 - 2- A non-conviction certificate or an equivalent for foreign applicants issued by the country where he was residing three years prior the submission of the application.
 - 3- A copy of the passport or the identification card.
 - 4- A certified copy of the academic qualifications.
 - 5- A copy of the work experience certificates.
 - 6- A copy of the training courses certificates.
 - 7- Any other requirements, data, documents or information requested by the Director General.
 - 8- A written declaration signed by the applicant pursuant to the provisions of this Article that all the data and documents submitted pursuant to the provisions of this Article are correct.
 - 9- Proof of payment of the charges determined pursuant to the Instructions issued for this purpose pursuant to the provisions of the Act.

Article (8):

- A- The Director General shall notify the applicant, within a period not exceeding seven working days as of the date of submitting the application, either with the completion or incompleteness of the application to all data and documents submitted according to the provisions 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 void. The applicant shall not be permitted 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 provisions of Article (5) of these Instructions, within a period not exceeding fifteen days as of the date of notification of completion of the application to all data and documents.
- B- Where the application stipulated in paragraph (A) of this Article is approved, the Director General shall notify the applicant of such pursuant to the provisions of the Act, and the Coverholder or the Underwriting Agency shall be registered in the register designated for this purpose at the Commission, after submitting the following:-
- 1- Proof of completing the establishment and the registration procedures before the competent authorities in the Kingdom.
 - 2- Proof of having a valid professional indemnity insurance policy, provided that the amount and conditions of such policy shall be determined by a Decision issued by the Director General for this purpose.

- 3- Proof of payment of the fees and charges determined according to the Regulations and Instructions issued pursuant to the provisions of the Act.

Article (10):

- A- The Coverholder or the Underwriting Agency shall provide the Director General with the Binding Authority approved by the Commission, within a period not exceeding fifteen days as of the date of conclusion. No amendments are allowed on the Binding Authority without the consent of the Commission for such amendment. The Coverholder or the Underwriting Agency shall provide the Commission with a copy of the amended Binding Authority within a period not exceeding fifteen days as of the date of such amendment.
- B- The Coverholder or the Underwriting Agency shall undertake to notify the Director General immediately of any changes occurring on any of the data and information he was licensed by virtue thereof, provided that such changes are in accordance with the provisions of these Instructions and Decisions issued by virtue thereof.
- C- The Coverholder or the Underwriting Agency shall notify the Director General of the vacancy of the position of his general manager or any of the directors, as the case may be, or any of the key employees 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 accreditation by the Commission pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof.

Article (11):

- A- The Coverholder and the Underwriting Agency shall submit an application to renew his license annually forty five days before the end of the licensing period which occurs on the thirty first of December of each year, according to the form designated for this purpose enclosed with the following:-
 - 1- A report including the business conducted during the year according to the form designated for this purpose.
 - 2- A report including names of the Reinsurers with whom he has concluded Binding Authorities and the date of termination of each.
 - 3- A report including names of his general manager and the directors, as the case may be, and all the key employees.
 - 4- A declaration by his general manager or the directors, as the case may be, and all the persons in charge of his business, that he has not been convicted with a felony or a misdemeanor infringing integrity, trustworthiness and public morals as of the date he was licensed.
 - 5- A valid insurance policy for the Underwriting Agency pursuant to the provisions of item (2) of paragraph (B) of Article (9) of these Instructions.
 - 6- Evidence regarding the enrolment of the general manager or the directors and the key employees, of enrolling in courses related to his business or participating in conferences or seminars in this field for a period not less than fifteen hours, if any.

- 7- Any other requirements, data, documents or information required by the Director General.
- 8- A written declaration that all the data and documents submitted pursuant to the provisions of this paragraph are correct.
- 9- Proof of payment of the charges determined pursuant to the Regulations and Instructions issued for this purpose according to the provisions of the Act.
- B- In case of incompleteness of the data and documents submitted pursuant to the provisions of paragraph (A) of this Article, the Director General shall notify the Coverholder or the Underwriting Agency with such within a period not exceeding three working days as of the date of submitting the application. The applicant shall fulfill the incompleteness within a period not exceeding fifteen days as of the date of notification of such.
- C- The Director General shall issue a Decision regarding the renewal application stipulated in paragraph (A) of this Article within a period not exceeding seven working days as of the date of completion to all requirements, data and documents required according to the provisions of this Article.
- D- The Coverholder and the Underwriting Agency shall not practice his business if the license is not renewed pursuant to the provisions of this Article.

Article (12):

- A- The Coverholder and the Underwriting Agency may add a class of insurance to his license after submitting an application to the Director General in this regard according to form designated for this purpose.
- B- The Coverholder and the Underwriting Agency shall be granted the approval for the addition of such Class after submitting the following:-
 - 1- Proof of having the experience in the class of insurance applied for, for his general manager or one of his directors, as the case may be, or one of the key employees.
 - 2- Proof of payment of the charges determined according to the Instructions issued for this purpose pursuant to the provisions of the Act.
- C- The Coverholder and the Underwriting Agency shall provide the Commission with a copy of the amended Binding Authority before the addition of the class to his license.
- D- The provisions of Article (9) of these Instructions shall be applied to the application for the addition of the class to the license of the Underwriting Agency.

Article (13):

The Binding Authority concluded between the Coverholder or the Underwriting Agency and the Reinsurer shall determine the rights and obligations of each of them, including the following:-

- A- Duration of the Binding Authority and causes of termination.
- B- Type and classes of insurance that the Coverholder or the Underwriting Agency is allowed to practice business therein.
- C- The maximum limit that the Coverholder or the Underwriting Agency is allowed to underwrite business within.
- D- The name of the authorized signatory.

- E- The nature of risks that the Coverholder or the Underwriting Agency is allowed to underwrite.
- F- Means to calculate the general basis of commission for the Coverholder or the Underwriting Agency collects from underwriting business. The Director General shall issue a Decision for calculating its maximum limit.
- G- The geographical locations where the Coverholder or the Underwriting Agency is allowed to underwrite business.
- H- The maximum limit for settlement.
- I- Means of claims settlement and the period during which they should be settled.
- J- The applicable law in case of conflict.
- K- Allowing both the Reinsurer and the Commission to review the records and books of the Coverholder or the Underwriting Agency that are organized pursuant to Article (17) of these instructions, and means of attaining copies thereof.

Article (14):

The Coverholder or the Underwriting Agency shall fulfill the following duties and responsibilities:-

- A- Document on all his papers, correspondences and documents that he is the Coverholder or the Underwriting Agency authorized to underwrite on behalf of the Reinsurer as well as documenting his registration number at the Commission.
- B- Not to delegate his authorities to someone else.
- C- Upon receipt of a written notification from the Reinsurer, he shall immediately stop practicing business in case of terminating the Binding Authority or where it is not renewed.
- D- Remit any money he is authorized to collect on behalf of the Reinsurer and any money he receives from the Reinsurer for the benefit of the insured or the beneficiaries as agreed, and open an account in the Kingdom to retain such money provided that he shall not receive any commission or interest on the payments deposited in this account.
- E- Comply with the instructions of the Reinsurer and provide him, whenever he asks, with reports including the business conducted on his behalf.
- F- Prepare the necessary reports for accounts settlements with the Reinsurer, in case was assigned.
- G- Ensure that the insurance company, on whose behalf he is conducting reinsurance business, complies with the underwriting standards and due diligence regarding the client as well as comply with the special care to ensure the soundness of the legal and financial status of that company.

Article (15):

The Coverholder and the Underwriting Agency shall comply with the rules of professional conduct that are the following:-

- A- Conduct his business with high proficiency, good faith, fairness and competence.
- B- Comply with the terms of the Binding Authority concluded with the Reinsurer.

- C- Keep the necessary documents regarding the administration of insurance claims arising from the Binding Authority.
- D- Not to take any action that should influence, directly or indirectly, the decision of the Reinsurer regarding his making business with one insurance company than the other or stop business with either one of them.
- E- the prohibition to disclose any information concerning any of the clients.
- F- Treat all data and information acquired because of his business, with utmost confidentiality, and take appropriate procedures to maintain the secrecy of confidential information and documents in his possession.
- G- Avoid advertisement and publicity regarding the business and services provided on behalf of the Reinsurer without obtaining a written prior approval from the latter and the Commission, provided that such information shall be correct, accurate, in a simple and clear language in a way that reflects the nature of his business.
- H- Investigate accuracy, subjectivity and neutrality when settling claims.

Article (16):

- A- The Coverholder and the Underwriting Agency 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 fiscal year.
- B- For purposes of these Instructions and unless there are valid reasons approved by the Director General, the fiscal year of the Coverholder and the Underwriting Agency shall start on the first of January and shall end on the thirty first of December of the same year, except the first year of his license which shall start from the date that the Coverholder and the Underwriting Agency is granted the license until the thirty first of December of the same year.

Article (17):

- A- The Coverholder and the Underwriting Agency shall document the data, information and papers related to the business he is conducting in books and records created for this purpose, including the following:-
 - 1- Name and address of the Reinsurer he is conducting business in his interest.
 - 2- Memorandums and correspondences concerning his business.
 - 3- Copies of the Binding Authorities concluded with the Reinsurer and copies of the policies regarding his business such as reinsurance agreements.
 - 4- Documents with serial numbers related to collecting, paying, recording and settling claims, and any other financial transactions regarding the business practiced.
 - 5- Bank accounts regarding the business practiced.
- B- The books and records mentioned in paragraph (A) of this Article, shall be in originals or copies or any other electronic means.
- C- The Coverholder and the Underwriting Agency shall keep the books and records stated in paragraph (A) of this Article for a period not less than five years as of the end of the fiscal year related thereto.

Article (18):

The Director General may ask the Company to stop dealing with the Coverholder or the Underwriting Agency in any of the following cases:-

- A- If it was evident that the Coverholder or the Underwriting Agency does not comply with the provisions of these Instructions and the Decisions issued by virtue thereof.
- B- If the Coverholder or the Underwriting Agency does not fulfill his obligations or it is possible that he is incapable of resuming his business.
- C- Where sufficient information is available to the Company indicating the bad financial status of the Coverholder or the Underwriting Agency or affects his integrity and professional behavior.
- D- If the Coverholder or the Underwriting Agency does not provide the Director General with the data and documents required according to the provisions of these Instructions and the Decisions issued by virtue thereof.

Article (19):

The Director General may ask the Coverholder or the Underwriting Agency to take certain procedures including the revocation of the Binding Authority concluded with the Reinsurer, in case the financial status of the Reinsurer is hindered or in case the Reinsurer has lost the necessary conditions to practice business in the Jordanian market pursuant to the provisions of Reinsurance Instructions and the Amendments Thereof in force.

Article (20):

- A- Where sufficient information is available for the Director General indicating any of the following:
 - 1- That the Coverholder or the Underwriting Agency breached the provisions of the Act, Regulations, Instructions or Decisions issued by virtue of any of them.
 - 2- That the Coverholder or the Underwriting Agency 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- That the Coverholder or the Underwriting Agency did not renew his license pursuant to the provisions of Article (11) of these Instructions and is still practicing his business either inside or outside the Kingdom.
 - 4- That the Coverholder or the Underwriting Agency did not practice business within two years as of the date of his license or the renewal of his license, whichever occurs later.
 - 5- That the Coverholder or the Underwriting Agency breached the terms of the Binding Authority.
 - 6- That the Coverholder or the Underwriting Agency has committed an infidelity act by illegally possessing the money in his possession that belongs to insurance or reinsurance companies.
- 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 Coverholder or the Underwriting Agency to undertake certain procedures to adjust his status within a certain period determined by the Director General.

- 2- Suspend the license for the period determined by the Director General. The Director General may also request from the Coverholder or the Underwriting Agent to take certain procedures to adjust his status.
- 3- Cancel the license.
- C- If the Coverholder or the Underwriting Agency did not adjust his status pursuant to item (1) of paragraph (B) of this Article, the Director General may suspend or cancel the license.
- D- If the suspension period ends and the Coverholder or the Underwriting Agency 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 the Coverholder or the Underwriting Agency, the Coverholder or the Underwriting Agency shall not be permitted to submit an application for a new license, before the elapse of a three years as of the date the cancellation decision was issued if the reason for the cancellation was a result of a gross deficiency according to the judgment of the Director General.

Article (21):

If the Director General issued a Decision to suspend or cancel the license of the Coverholder or the Underwriting Agency, the Coverholder or the Underwriting Agency shall resume the business he started before the issuance of the suspension or cancellation Decision, for a period not exceeding one month as of that date, for the purposes of terminating or assigning the business that he has previously been assigned to him, to another Coverholder or the Underwriting Agency, subject to the approval of the Reinsurer.

Article (22):

- A- The Director General may assign an employee or more from the Commission or appoint an external party, inside or outside the Kingdom, as the case may be, to inspect in appropriate times any of the transactions, books and records of the Coverholder or the Underwriting Agency. The Coverholder or the Underwriting Agency shall have all of them available and cooperate with the employee or the external party so that they will fully perform their duties, and the Coverholder or the Underwriting Agency shall bear all the expenses for the external party as decided by the Director General, unless the Director General deems otherwise.
- B- The Coverholder or the Underwriting Agency shall submit to the Director General any data or information requested by him, within a period he determined for this purpose.

Article (23):

The Coverholder or the Underwriting Agency shall submit a certified copy of a translation in Arabic for all the documents submitted pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof if the said documents were in another language other than Arabic, as the case may be.

Article (24):

The Director General may delegate any senior employee at the Commission the authorities stipulated in these Instructions, provided that such delegation shall be specific and in writing.

Article (25):

Every person practices the business of the Coverholder or the Underwriting Agency, either inside or through the Kingdom, including offshore companies, shall submit a licensing application to the Commission within a period not exceeding six months as of the date the provisions of these Instructions come into force.

Article (26):

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

Board of Directors of the Insurance Commission