

**Instructions No. (1) of 2006**  
**Instructions of the Basis of Investing the Funds of the**  
**Insurance Company and Determining the Nature and the Location of**  
**the Insurance Company's Assets that Match its Insurance Obligations**  
**and the Amendments Thereof\***

**Issued by the Board of Directors of the Insurance Commission pursuant to the provisions of paragraph (D) and paragraph (E) of Article (23) of the Insurance Regulatory Act No. (33) of 1999 and the Amendments Thereof**

**Article (1):**

These Instructions shall be known as the (Instructions of the Basis of Investing the Funds of the Insurance Company and Determining the Nature and the Location of the Insurance Company's Assets that Match its Insurance Obligations of 2006) and shall come into force as of the date of its publication in the Official Gazette.

**Article (2):**

- A- The following words and phrases, mentioned in these Instructions shall have the meanings ascribed thereto in Article (2) of the Insurance Regulatory Act No. (33) of 1999 and the Amendments Thereof, unless otherwise indicated by context.
- B- The word (Act) wherever mentioned in these Instructions, shall mean The Insurance Regulatory Act in force.
- C- For purposes of these Instructions, the phrase "The Related Parties" shall have the meaning adopted according to the International Accounting Standards.
- D- For purposes of these Instructions, the phrase "Key Employee" shall mean the employee who occupies any of the following occupations at the company:-
  - 1- General Manager or Authorized Manager.
  - 2- Deputy General Manager.
  - 3- Assistant General Manager.
  - 4- Head of Department or Division.
  - 5- Internal Auditor.
  - 6- Compliance Officer.
  - 7- Branch Manager.
  - 8- Any other occupation considered to be a key occupation by the Director General.

**Article (3):**

- A- The board of directors of the company shall adopt a sound and prudential investment policy that complies with the provisions of the Act, Regulations,

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\* These Instructions were published in the Official Gazette volume (4794) dated 30/11/2006 page (4591), and were amended according to Instructions No. (31) of 2010 "Instructions amending Instructions of the Basis of Investing the Assets and Determining the Nature and the Location of the Company's Assets that Match its Insurance Obligations" published in the Official Gazette volume (5034) dated 1/6/2010 page (3200). Note that the amending Instructions have given the companies a grace period to adjust their status according to the provisions of these Instructions not exceeding three months as of the date these Instructions come into force.

Instructions and Decisions issued by virtue of any of them, and shall include the following as a minimum:-

- 1- The permitted or not permitted investments, provided that the desired investments shall be specified, if possible.
  - 2- The company's investments limits regarding the geographical location, markets invested therein, economic sectors, currency and the allowed deviations, if any.
  - 3- The concentration of investments with any entity.
  - 4- Risk management policy related to investment such as market risks, credit risks, liquidity risks and operations risks.
  - 5- The authorities and the administrative and financial responsibilities to implement the investment policy.
  - 6- Contracting basis with external entities to implement and manage the investment policy.
  - 7- Cases where the company is entitled to mortgaging or lending its assets including granting loans to the employees.
  - 8- Procedures to solve conflict of interests and means for dealing therewith.
  - 9- Procedures of monitoring the implementation of the company investment policy.
  - 10- Basis to grant remunerations to the employees which is related to the investments profits.
  - 11- Basis to distribute the investment's profits over the income statement and underwriting accounts.
- B- When the company sets its investment policy, the nature of liabilities shall be taken into consideration, in particular the underwriting liabilities, nature of underwriting business and the actual investments of the various assets, in order to enable the company to fulfill its liabilities once due, in addition to the following:-
- 1- Underwriting policy.
  - 2- Reinsurance policy accredited by the Board of Directors according to the Reinsurance Instructions in force.
  - 3- Financial markets.
  - 4- Capital and owner's equity.
  - 5- Solvency and liquidity.
  - 6- Minimum rate of return guaranteed from the underwritten policies or relevant undertakings.
  - 7- Relevant legislations.
- C- The board of directors of the company shall annually evaluate its investment policy, or when necessary during the year, and shall annually provide the Director General with a copy thereof by the end of the first quarter, maximum. The board of directors of the company shall also provide the Director General with any changes or amendments occur during the year at this policy.

**Article (4):**

The management of the company shall, upon implementation of its investment policy pursuant to the provisions of these Instructions, maintain a safe and sound financial position and preserve the value of the investment of the company as a

whole, including achieving an appropriate return from the invested capital, in addition to the following:-

- A- Risk management related to investment, which includes a description and specification of measurement basis:-
  - 1- Market risks including interest rates risks, equity risk, currency risk, in addition to the minimum guaranteed rate of return from the underwritten policies or relevant undertakings.
  - 2- Credit risk.
  - 3- Liquidity risk.
- B- Set procedures to monitor the permitted limits of the various forms of investment and the tolerance deviations.
- C- Formalize an emergency plans to be followed in the case of crisis.
- D- Set detailed procedures to monitor the implementation of the investments policy of the company.
- E- Specify the nature of the reports to be prepared and the basis and frequency thereof, provided that such reports shall include cases of deviations and corrective procedures thereof.
- F- Ensure that there are no restrictions on transferring capitals and profits thereof abroad in respect of external investments.
- G- Ensure that the investment policy of the company is compatible with the relevant legislations.

**Article (5):**

The company may contract with external entities to implement and manage their investment policy, provided the following:-

- A- Specify the basis of risk management related to these contracts.
- B- Specify the entities contracted with according to the investment policy determined by the board of directors of the company, evaluate the contracted entities including the financial position of such body, and obtain the approval of the third of the members of the board of the directors in case a contract is concluded with related parties.
- C- Ensure that investments are being administered and implemented according to the investment policy determined by the board of directors and in compliance with the related legislations.
- D- Request monthly reports regarding the status of the investments concerning the company, to be submitted by external entities with which contracts are concluded.
- E- Provide the Commission with the treaties concluded with external entities.

**Article (6):**

Where the insurance company is a subsidiary, the company shall take the following into consideration:-

- A- Apply risk management standards on legal unit level.
- B- Not to invest in shares and bonds issued by the mother company.
- C- Not to grant loans to the mother company or the companies the mother company owns directly or indirectly.

**Article (7):**

- A- The company shall not keep assets of a value exceeds the percentages determined in the Appendix No. (1) enclosed with these Instructions. The Investment Linked Policies shall be excluded.
- B- No company shall invest in any investment fund which investments percentage in financial instruments issued by the company exceeds (10%) of its total investments.
- C- No company shall keep assets with the same body or with a body by which the assets are guaranteed, of a percentage exceeds the percentage specified in the Appendix No. (2) enclosed with these Instructions. The Investment Linked Policies and the investments specified in Article (10) of these Instructions shall be excluded.
- D- Notwithstanding what is mentioned in paragraph (A) of this Article, the company shall not buy lands for purposes of reforming, developing, and subdivision unless through an insurance subsidiary licensed to transact such business.

**Article (8):**

- A- The company shall not:-
  - 1- Invest or lend secured by the shares of the company it self.
  - 2- Issue a letter of guarantee or any other commitment for the benefit of a key employee or a board member.
  - 3- Invest in a capital of a company in which one or more of the key employees or board members, directly or indirectly, own a percentage of (10%) or more of the capital of the company.
  - 4- Invest in a General Partnership Company or a Limited Partnership Company.
  - 5- Purchase or sell any assets owned by key employees or board members.
  - 6- Sell its investments in exchange of any means other than cash.
- B- Notwithstanding what is mentioned in item (3) of paragraph (A) of this Article, the company may invest in companies, directly or indirectly, owned by board members if such member is a Public Shareholding Company, Social Security Corporation or Jordan Armed Forces, provided that the percentages of investments, in all companies mentioned above, shall not exceed (50%) of the owner's equity of the insurance company after deducting cash dividends proposed for distribution.
- C- Notwithstanding what is mentioned in item (5) of paragraph (A) of this Article, the company may, in emergency and justifiable cases and in a preferential manner to the company, purchase or sell any assets from key employees or board members, provided that the company shall obtain a prior approval from the Director General upon recommendation of the concerned department at the Commission.
- D- The company may grant loans to employees according to the Articles of Association of the company and/or within the usual conditions for policyholders.
- E- The company may purchase or sell any assets to relevant parties other than those mentioned in item (5) of paragraph (A) of this Article, provided the following:-

- 1- That the purchasing or selling transaction is conducted according to market rules and conditions or in a preferential manner to the company.
  - 2- In case of selling, the amount shall be in cash and fully paid.
- F- Notwithstanding what is mentioned in item (6) of paragraph (A) of this Article, the company may sell its investments in exchange of any means other than cash where necessary and justified, provided that the company shall obtain the prior approval of the Director General upon recommendation of the concerned department.

**Article (9):**

The company shall not invest in derivatives for speculating purposes, while such investment is allowed for hedging purposes and within a determined scope in the investment policy of the company.

**Article (10):**

The company may invest more than (20%) of the capital of any of the companies mentioned hereunder:-

- A- Financial companies.
- B- Financial consulting and portfolio management companies.
- C- Investment fund companies.
- D- Property investments companies.
- E- Information services companies.
- F- Real estate brokerage companies.
- G- Companies providing auxiliary services to the transactions of the company or its subsidiaries.
- H- Financial holding companies, provided that the investment percentage shall not exceed (20%) of the invested capital of the company, except for the investments specified in paragraphs (A-G) of this Article.

**Article (11):**

A- The company shall provide the Commission quarterly, with details regarding operations conducted with related parties of an amount exceeds (5%) of the total assets or five hundred thousand Dinars for each, whichever less, as well as details of the total operations conducted with related parties of an amount exceeds (5%) of the total value or five hundred thousand Dinars for each, whichever less. The operations shall include, for example, the following:-

- 1- Transfer of assets and liabilities.
  - 2- Loans and letter of guarantees.
  - 3- Investments.
  - 4- Reinsurance pursuant to the provisions of paragraph (C) of this Article.
  - 5- Treaties for sharing expenses.
  - 6- Provide services by or on behalf of these parties regardless of collecting charges for these services.
- B- Details of the operations shall include the following:-
- 1- Parties of the operation.
  - 2- Description of the relationship between parties.
  - 3- Description of operation.

- 4- Amount of operation.
- 5- Any additional information necessary to understand the effect of operation on the financial position or performance of the company.
- C- The company shall provide the Commission quarterly, with details of operations conducted with relevant reinsurance companies or investment management companies.
- D- Operations frequently conducted with banks shall be excluded from the provisions of this Article.
- E- The company shall provide the Commission with details of written-off debts and shall specify the debts of the related parties.

**Article (12):**

The insurance company shall invest the assets that match the net technical provisions according to Basis of Calculating Technical Provisions Instructions in force, with the instruments mentioned hereunder, Investment Linked Policies shall be excluded:-

- A- Cash on hand and current accounts at banks.
- B- Deposits and certificates of deposit at or issued by banks except for secured deposits and deposits with restricted withdrawals.
- C- Bonds issued or guaranteed by the Jordanian Government and local Treasury bonds.
- D- Foreign bonds, subordinated loans and deposits at foreign banks listed within group one, pursuant to Solvency Margin Instructions in force and Decisions issued by virtue thereof.
- E- Local listed shares and foreign shares rated within group one, pursuant to Solvency Margin Instructions in force and Decisions issued by virtue thereof, provided that the underwritten percentage in both general insurance business and life assurance business, shall exceed (10%) of the total amount of underwritten policies by a company licensed to transact both general insurance business and life assurance business, otherwise, the percentages regarding the majority of the company's underwritten policies shall be accredited as follows:-
  - 1- A limit of (25%) of the total technical provisions for general insurance business.
  - 2- A limit of (20%) of the total technical provisions for life assurance business.
- F- Investment funds rated within group one or capital guaranteed funds by an entity rated within group one, according to the Solvency Margin Instructions in force.
- G- Loan's to life policyholders not exceeding the surrender value of each policy.
- H- Property investments, provided that the underwriting percentage in both general insurance business and life assurance business shall exceed (10%) of the total of the company underwritings for companies licensed to transact both general insurance business and life assurance business, otherwise, the percentages regarding the majority of the company underwritten policies shall be accredited as follows:-
  - 1- A limit of (10%) of the total technical provisions for general insurance business and (20%) of the total technical provisions for Islamic insurance companies.

- 2- A limit of (20%) of the total technical provisions for life assurance business and (30%) of the total technical provisions for life assurance business of Islamic insurance companies.

**Article (13):**

The investment percentage at cash on hand, current accounts and deposits at banks shall not be less, all together, than (25%) of the total of the net technical provisions after deducting the net mathematical provision, and (15%) of the net mathematical provisions, in accordance with Basis of Calculating Technical Provisions Instructions in force.

**Article (14):**

- A- Where the net technical provisions, in any currency, exceed (5%) of the total technical provisions, the company shall maintain assets by the same currency that covers, at least, (80%) of the net technical provisions.
- B- Where no currency determined for the net technical provisions, it shall be determined by the currency of the country in which the liability exists therein.
- C- The provisions of paragraphs (A) and (B) of this Article shall apply on life assurance business and general insurance business separately.

**Article (15):**

- A- The Investment Linked Policies may be linked with an investment fund internally managed by the company or a third party.
- B- The link between liabilities and assets regarding Investment Linked Policies, shall not be less than the percentage determined in the insurance policies or (80%) where it is not determined therein. The company may maintain the difference in cash on hand or accounts at banks.
- C- Where the Investment Linked Policies are linked with an investment fund internally managed, the following shall be taken into consideration:-
  - 1- The investments shall be compatible with the declared policy of the fund, provided that the investment policy shall be clear in the conditions of the Investment Linked Policies and shall be referred to in all media and marketing materials related to these policies.
  - 2- Keep accounts and records necessary to determine the assets and liabilities of the fund, and to determine the number and the value of units regarding each policy at all times.
  - 3- Add additional benefits, which are not classified with in investment linked benefits, to the Investment Linked Policies, if its appropriate.
- D- Where the Investment Linked Policies are linked with a fund managed by a third party, the following shall be taken into consideration:-
  - 1- The necessity of dividing the fund into units where the value of each unit shall be permanently specified, according to the net value of each unit.
  - 2- Declare regularly the purchasing and selling rates of the unit.

- 3- Keep accounts and records necessary to determine the number and the value of the unit regarding each policy at all times.

**Article (16):**

- A- The company shall apply the investment policy and the percentages determined in these Instructions, on all levels of the company as follows:-
  - 1- The business of the company in the Kingdom.
  - 2- The business of the company in the Kingdom and outside branches.
  - 3- The business of the company in the Kingdom, outside branches and the subsidiaries thereof.
- B- The provisions of Article (10) of these Instructions shall apply on items (1) and (2) of paragraph (A) of this Article.

**Article (17):**

- A- The company shall upon the date of commencement of these Instructions to adjust its status in accordance with its provisions, within a period not exceeding one year as of the date the provisions of these Instructions came into force, provided that the company shall not invest in a manner that contradicts with the provisions of these Instructions as of the date of its commencement.
- B- The company shall reduce the amount of any investments inconsistent with the provisions of these Instructions, from the available capital according to Appendix No. (2) enclosed with Solvency Margin Instructions in force and Decisions issued by virtue thereof.

**Article (18):**

The appendices attached to these Instructions and shall be read with these Instructions and considered an integral part thereof.

**Article (19):**

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

**Board of Directors of the Insurance Commission**

### Appendix (1)

Description	Limit
1) The local non-listed financial instruments (bonds and stocks), except those which are issued or guaranteed by the Jordanian Government.	(10%) of the total owner's equity after deducting proposed cash dividends, and (20%) of the total owner's equity after deducting proposed cash dividends to Islamic Companies.
2) Foreign investments including bonds, subordinated loans and deposits at foreign banks that are not rated within group one, according to the Solvency Margin Instructions and Decisions issued by virtue thereof.	(10%) of the total owner's equity, after deducting proposed cash dividends.  (30%) of the total owner's equity after deducting proposed cash dividends to Islamic Companies, provided that the non-listed investments shall not exceed (10%) of the owner's equity after deducting proposed cash dividends.
3) Property Investments	(10%) of the paid capital to companies specialized in mortgage insurance, provided that a prior approval shall be obtained from the Director General.  (20%) of total assets for companies licensed to transact general insurance business, and (25%) of total assets for Islamic Companies licensed to transact general insurance business.  (30%) of total assets for companies licensed to transact life assurance business, and (35%) of total assets for Islamic Companies licensed to transact life assurance business.  The limit shall be specified in proportion with the percentage of underwriting business for companies licensed to transact both general insurance business and life assurance business (provided that the underwriting percentage in each shall exceed (10%) of total underwritten policies of the company), otherwise the percentages applicable in the majority underwriting business shall be applied.

4) Investment Pools and Funds except those which are rated within group one or of a capital guaranteed by banks or investment institutions which are rated within group one according to Solvency Margin Instructions.	(10%) of the total owner's equity, after deducting proposed cash dividends.  (20%) of owner's equity after deducting proposed cash dividends for Islamic Companies.

## Appendix (2)

Entity	Percentages in Proportion to Total Assets			
	General	Life	Composite	Islamic
Any person/ entity/ company or investment fund except banks and Jordanian Governmental entities or AAA countries.	10%			
Assets except deposits at banks	10%			15%
Current accounts, deposits at banks and certificate of deposits with or issued by any bank.	20%			Undetermined, provided that the amount of deposits at any Islamic Bank shall not exceed (35%) of the total amount of deposits.