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Conducting insurance and reinsurance business in Lebanon

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Ownership and organisational requirements

Ownership of (re)insurers

Are there any restrictions on ownership of or investment in (re)insurers in your jurisdiction, including any limits on foreign ownership/investment?

Foreign companies whose sole business is re-insurance operations and that are internationally classified in a category B or higher may operate in Lebanon through a representative resident in Lebanon, on condition that they obtain an *ad hoc* licence. The licence is granted by a ministerial order issued by the Minister of Economy and Commerce, following consultation with the National Insurance Board.

In order to be authorised to operate in Lebanon, foreign insurers must also meet the same conditions as those set for national insurers. In addition, foreign companies must file at the Ministry of Economy and Commerce:

- a certificate confirming that they are from a country where Lebanese insurers are free to operate (including in the territories of the country's dependencies). However, this condition does not apply to companies from countries where the laws and regulations do not allow the formation of private insurers;
- evidence that the organisations enjoy in their country of origin the legal aptitude to undertake the insurance activities that they wish to perform in Lebanon, and that they actually perform the same activity in their countries of origin;
- evidence that they have elected domicile in Lebanon;
- documents relating to their 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 their Lebanese branch indeed has relevant experience and technical qualifications;
- an economic worthiness report, underlining the companies' projected operations over the three years following the granting of the licence, with an indication of the technical data on which the report was based;
- copies of the company's balance sheet for the three years preceding the date of the application; and
- evidence that their capital at their head office is not inferior to three times the minimum capital required for any Lebanese insurer, and that it is fully paid up. Foreign companies are allowed three years to prove compliance with this requirement.

What regulations, procedures and eligibility criteria govern the transfer of control of/acquisition of a stake in a (re)insurer?

In general, regulations and procedures governing transfer of control/acquisition of stakes in a (re)insurer are those governing joint-stock companies.

Those regulations are set by the Code of Commerce. In general, any merger/acquisition must be approved by resolution of the extraordinary general meeting of each of the companies involved.

When a merger is effected by dissolving prematurely existing companies and creating a new one, legal rules as to formation of companies must be observed and all publicity requirements relating to formation or to dissolution of companies must be fulfilled. However, when the merger is effected by the absorption of one company by another, the acquiring company must abide by the substantive rules governing an increase of capital and must comply with all formal requirements. Besides, the premature dissolution of the absorbed company must be announced publicly.

Furthermore, in a merger the acquiring company takes over the rights and assets of the absorbed company and assumes its liabilities; it issues its shares in exchange for the shares of the disappearing company. Thus, the shareholders of the absorbed company become shareholders of the acquiring one. Likewise, the debtors of the dissolved company become automatically debtors to the acquiring company without any change in their situation.

However, the merger may cause prejudice to creditors (bond holders included). For this purpose, Lebanese law provides that the rules governing the reduction of capital will govern the merger of companies as regards third parties. Auditors and bondholders may object to the merger by applying to the court within three months of the publishing of the decision of merger in the *Official Gazette*. The merger may not be effected if the court does not overrule the objections. As for creditors (bond holders included) of the acquiring company, they may not object to the merger unless fraud is involved in the operation.

Organisational requirements

Must (re)insurers adopt a certain legal structure in order to operate? If no mandatory company organisation applies, what are the common structures used?

A Lebanese insurance organisation must be in the form of a joint-stock company in order to be authorised to operate. Joint-stock companies are governed by Articles 77 to 225 of the Code of Commerce. Joint-stock companies are characterised by their *intuitu pecuniare* nature – that is, the monetary contribution of each shareholder. The company cannot be identified by a style or the name of any of its shareholders.

In order to be considered as Lebanese companies, joint-stock companies should have their head offices in Lebanon.

Do any particular corporate governance requirements apply to (re)insurers, including any eligibility criteria for directors and officers?

The employees of companies under the 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 of three foreign specialists, following the approval of the minister of labour, 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 that is not within the scope of this licence. As for foreign companies, they are authorised to have, additionally, a foreign manager or general representative residing in Lebanon.

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