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Insurance brokerage under the Lebanese Law

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Introduction

Unlike insurance providers, insurance brokers use their professional knowledge and experience to properly assess insurance needs, shop for the best value in insurance coverage and assist its client in the event of a claim. In other terms, an insurance broker or insurance agent sells, solicits, or negotiates insurance for compensation.

In Lebanon, like under most of the other jurisdictions worldwide, insurance brokerage is regulated by the law. In the present article, the different regulations and conditions pertaining to the activity of insurance brokers will be exposed.

I. Eligibility for insurance brokerage

With the exception of the chairman and members of the board of directors of insurance companies, only legal representative of foreign companies and brokers can approach the general public for insurance transaction as set by the law.

A) The Legal Representative of foreign companies

Foreign companies exclusively concerned with re-insurance operations, and internationally classified in a category not inferior to B-Rating, may operate in Lebanon through a representative resident in Lebanon, on condition that they obtain an *ad-hoc* license. The license is granted by ministerial order issued by the Minister of Economy and Commerce, following consultation with the National Insurance Board.

B) The Insurance Broker

1. An independent broker in the field of insurance:

Is either a natural or juridical person exclusively active in the field of insurance brokerage that offers 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:

Is any natural or juridical person who is tied to an insurance company 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:

Is any natural person specifically working for the account, and under the responsibility of an insurance company, an insurance broker, or general insurance agent. He works 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 his 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.

II. Liability of the Insurance Company for the errors committed by the professionals

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, they will be held responsible, in the civil field, for any errors committed against the public by its general agent; 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.

II. Licensing and Limitations

At the time being in Lebanon, the Insurance Control Commission at the Ministry of Economy and Trade are adopting a large interpretation of the prohibition of the law in the sense that the scope of application of the prohibition is not limited to direct marketing but covers also any indirect approach or marketing to the public.

In order for a legal entity to obtain a license of independent insurance broker or general insurance agent the following conditions *inter alia* should be fulfilled:

1. The applicant should be registered at the Commercial Register with its purpose stating that its activity is strictly restricted to insurance intermediation;
2. The manager of the applicant should fulfill certain conditions regarding its age, diploma and judicial record;
3. A bank guarantee may be asked to be deposited at the Ministry with the license application.

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