



**COUNTRY  
COMPARATIVE  
GUIDES 2023**

# **The Legal 500**

## **Country Comparative Guides**

### **Lebanon**

# **INSURANCE & REINSURANCE**

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This country-specific Q&A provides an overview of insurance & reinsurance laws and regulations applicable in Lebanon.

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# LEBANON

## INSURANCE & REINSURANCE



### 1. How is the writing of insurance contracts regulated in your jurisdiction?

Pursuant to Article 964 of the Lebanese Code of Obligations and Contracts, the insurance contracts should be dated on the day of their execution, and must state (1) the insured subject, (2) the name and address of the insurer and the insured, (3) the type of the risk, (4) the date of commencement and expiration of the risk, (5) the insured value and (6) the insurance premium.

Pursuant to Article 10 of the rules and regulations governing the insurance sector in Lebanon ("**the Law**") issued by virtue of decree No. 9812 of 4 May 1968, the Insurance contracts used in Lebanon should be written in Arabic. They may be also written in a foreign language provided that a translation in Arabic should be included alongside the foreign text, or else the contract will be considered void. In the event of a conflict between the Arabic and the English languages, the Arabic language shall prevail.

### 2. Are types of insurers regulated differently (i.e. life companies, reinsurers?)

Non-life insurance and life insurance companies are regulated in the same manner. However pursuant to Article 1 of the Law, the insurance company shall not engage in the same time with operations included in paragraph one of Article 1 (that includes life insurance) with the other types of insurance operations without a special permit from the Ministry of Economy and Trade ("**MOET**"). The reinsurance companies that wish to work in Lebanon should obtain all the required permits and licenses as it is the case with the insurance companies.

### 3. Are insurance brokers and other types of market intermediary subject to regulation?

Pursuant to Article 58 of the Law, anyone who wants to practice the profession of agent or broker should hold a prescribed card as stipulated in Article 39. Article 39

prohibits anyone to work as an insurance broker without obtaining a special license from the MOET. The license conditions are determined by a decree issued by the Council of Ministers upon the proposal of the MOET and after consulting the opinion of the National Insurance Board. The applicant should be registered within the Commercial Register.

### 4. Is authorisation or a licence required and if so how long does it take on average to obtain such permission? What are the key criteria for authorisation?

Pursuant to Article 2 of the Law, the practice of any or all of the operations provided under the branches or sub-branches stipulated in Article 1 is prohibited unless obtaining an authorization ("**the License**") by the MOET after consulting the National Insurance Board. Among these conditions is the submission of a bank guarantee.

The required conditions for the License are stipulated under Article 3 of the Law. In principle it will take 5 to 8 months to obtain such license.

Pursuant to Article 6 of the Law, the decision to grant, refuse or amend the License must be published in the Official Gazette within three months after submitting the request.

Pursuant to Article 3 of the Law, in order to obtain the License and operate in Lebanon, every Lebanese insurance company must be a joint stock company, its subject should be limited to the operations (or some of them) stipulated in Article 1.

The insurance companies must also provide a guarantee in respect of their commitments towards the insured.

### 5. Are there restrictions or controls over who owns or controls insurers (including restrictions on foreign ownership)?

There are no requirement/restrictions as to who controls

and owns an insurance company.

**6. Is it possible to insure or reinsure risks in your jurisdiction without a licence or authorisation? (i.e. on a non-admitted basis)?**

There is no exception to the license/authorization requirement stipulated under Article 2 of the Law (Question 4); the violation of which shall be subject to the punishment provided in Article 58 of the Law (Question 9).

**7. Is a branch of an overseas insurer, insurance broker and/or other types of market intermediary in your jurisdiction subject to a similar regulatory framework as a locally incorporated entity?**

Pursuant to Article 4 of the Law, the regulations/conditions that should be applicable to the Lebanese insurance companies are also applicable to the foreign insurance companies and therefore the foreign companies should obtain a License.

The MOET determines the conditions that must be submitted. A foreign insurance company must file before the MOET (1) a certificate proving that the foreign country allows Lebanese companies to operate insurance operations within their territories, (2) an evidence that they have in their country the legal capacity that enable them to conduct the insurance operations they wish to operate in Lebanon; (3) a proof that they have a place of residence in Lebanon, (4) documents that (i) evidence the appointment of one legal representative in Lebanon that has the powers under Article 8 of the Law and (ii) prove that the person in charge of the management of the foreign company have the relevant experience and the academic qualifications, (5) an economic feasibility that shows the business expectations for the upcoming three years, (along with other conditions...).

**8. Are there any restrictions/substance limitations on branches established by overseas insurers?**

All Lebanese and foreign companies are bound by the provisions of the Law with regards to the operations provided under the branches or sub-branches stipulated under Article 1 of the Law, (kindly refer to question 7 regarding the conditions that must fulfilled by the foreign companies).

As per Question 4, a foreign insurance has to obtain a License in order to operate in Lebanon. Pursuant to Article 4 of the Law; the regulations/conditions that govern the insurance companies in Lebanon are applicable to foreign insurance companies as well.

Therefore, there aren't any restrictions/substance limitations on branches established by overseas insurers.

Moreover, foreign companies must notify the MOET of any change to the composition of the board of directors, the general director or the legal representative as well as any amendment to the (re)insurance policy forms or the adoption of new policies.

**9. What penalty is available for those who operate in your jurisdiction without appropriate permission?**

According to Article 58 of the Law, shall be subject to imprisonment from one month to one year and a fine of no less than Two Million Lebanese Pounds or to one of these two penalties, (1) every founder, member of the board of directors, director of a Lebanese enterprise, or representative of a foreign company that offers or concludes an insurance agreement, subscription bond, or any document related to the operations listed in Article 1 of the Law without obtaining the required license, (2) anyone who practices the profession of agent or broker without holding the prescribed card stipulated in Article 39 of this law, or after it has been withdrawn, (3) every agent, broker, security user or expert who commits a violation set under Article 40 of the Law, (4) anyone who practices the profession of expert stipulated in Article 41 without being duly registered, (5) whoever neglects the guarantee against the risks stipulated in Article 44 of the Law.

**10. How rigorous is the supervisory and enforcement environment? What are the key areas of its focus?**

Pursuant to Article 47 of the Law, the MOET has established an "Insurance Control Commission" ("ICC"), a supervisory authority that supervises the compliance of the insurance companies with the laws, decrees and decisions and ensures that they are able to fulfill their obligations along with other obligations. It is a very rigorous commission. Its main concerns are (1) transparency (AML) (2) solvency (3) corporate governance (4) reinforcement of the insurance sector in Lebanon and (5) maintaining an efficient, safe and stable insurance sector.

## 11. How is the solvency of insurers (and reinsurers where relevant) supervised?

The ICC must: (1) ascertain the financials and legal capacity of the insurance companies (2) supervise the guarantee and verify their validity and monitor the employment of the funds (3) observe the financial conditions of the insurance companies to ensure that they continued fulfilling the conditions on which the license was granted.

Pursuant to Article 47 of the Law, if it appears to the ICC that the legal and/or financial position of any insurance company may lead to its inability to fulfill its obligations, they have the right to ask the insurance company to take the appropriate measures in order to assess its position.

The minimum capital of an insurance company may not be reduced except with the approval of the Minister of Economy and Trade. Article 16 of the Law also stipulates that in the event an insurance company has suffered losses, it must reconstitute its capital within a period of three months as of the end of the financial year in which the losses occurred.

In the event the insurance company suffered losses equivalent to half of its capital (for Lebanese companies) or half of its guarantees value (for the foreign companies) without being able to reduce its losses during the first six months of the following fiscal year, the Minister of Economy and Trade is entitled to take a decision to suspend the company's license after consulting the National Insurance Board, based on reports by the ICC.

## 12. What are the minimum capital requirements?

Pursuant to Article 13 of the Law, the minimum paid-up capital to establish an insurance company should be not less than Two Billion Two Hundred and Fifty Million Lebanese Pound.

However, the ICC has issued a circular on 8/2/2023 number 1/2023 requiring all the insurance companies operating in Lebanon to increase their capital to meet the current financial crisis and thereby increase their capital to reflect the value of the change of the new official exchange rate (15,000 Lebanese Pounds per one US dollar) without defining the new minimum paid-up capital (this needs a law to be voted in the Parliament); we assume that the minimum paid-up capital to establish an insurance company should not be less than /22,500,000,000/LBP.

## 13. Is there a policyholder protection scheme in your jurisdiction?

It is possible to place an attachment on the guarantees submitted by the insurance companies before the MOET in order to guarantee and protect the rights of the insured/beneficiaries since the guarantee deposited by the insurance companies before the MOET constitute a guarantee for the rights of the insured.

## 14. How are groups supervised if at all?

The ICC while viewing the "Ultimate Beneficial Owner" (UBO) of an insurance company, reviews and issues KYC for all UBO's handling a controlling interest in the Insurance Company.

## 15. Do senior managers have to meet fit and proper requirements and/or be approved?

As per article 3 of the Law, the General Manager or the Assistant Director must hold a university degree, be of praiseworthy conduct and good reputation and have experience in insurance business for at least 10 years. These requirements are essential for obtaining the License (applicable for Lebanese/foreign companies) (Question 4).

## 16. To what extent might senior managers be held personally liable for regulatory breaches in your jurisdiction?

In principle, directors of insurance companies and senior managers are only deemed responsible when they commit a fault within the scope of their duties. Pursuant to Article 167 of the Commercial law, the members of the board of directors and the general manager are responsible when committing a fraud and for every violation of the law and the company's bylaws. They are also responsible towards the shareholders for their administrative errors.

## 17. Are there minimum presence requirements in order to undertake insurance activities in your jurisdiction (and obtain and maintain relevant licenses and authorisations)?

As per Question 4, a foreign insurance has to obtain a License in order to operate in Lebanon, Pursuant to Article 4 of the Law; the regulations/conditions that

govern the insurance companies in Lebanon are applicable to the foreign insurance companies.

Therefore, the foreign company must also be a joint stock company; its subject should be limited to the operations stipulated in Article 1 of the Law. The company must contract with an actuarial expert holding a diploma in their field. The foreign company must provide a guarantee in order to undertake their insurance operations.

### **18. Are there restrictions on outsourcing services, third party risk management and/or operational resilience requirements relating to the business?**

The Law does not contain any express restrictions related to this matter.

Third Party Administration (TPA) of claims in both Motor and Medical Insurance is common practice in Lebanon.

### **19. Are there restrictions on the types of assets which insurers or reinsurers can invest in or capital requirements which may influence the type of investments held?**

Pursuant to Article 25 of the Law; Insurance company shall employ their entire reserve provided for in Article 23 and 24 as follows:

- a. Cash deposits in the currencies of the insurance contracts.
- b. First-class lands, real estate or real estate insurance located in Lebanon.
- c. Lebanese government bonds or guaranteed by the Lebanese government.
- d. Loans on life insurance contracts.
- e. Lebanese stocks and bonds.
- f. Debts owed by the reinsurance agencies in respect of the re-guaranteed operations with these agencies.
- g. Foreign stocks and bonds registered in the country's stock exchanges.

### **20. Are there requirements or regulatory expectations regarding the management of an insurer's reinsurance risk, including any restrictions on the level / type of reinsurance utilised?**

There aren't any specific requirements related to the

management of an insurer's reinsurance risk.

### **21. How are sales of insurance supervised or controlled?**

Paragraph 4 of Article 47 of the Law allows the ICC to compel insurance companies to modify the general conditions of their insurance contracts if they appear to be vague or unclear.

### **22. To what extent is it possible to actively market the sale of insurance into your jurisdiction on a cross border basis and are there specific or additional rules pertaining to distance selling or online sales of insurance?**

The Law doesn't prohibit citizens/residents from purchasing insurance coverage from foreign insurance companies.

With regards to the extent to which the insurance contract may be drawn up and signed electronically by the insured, paper-signing the insurance contract is not an essential condition for its establishment. Therefore, the electronic signature on the insurance contracts is permissible and productive for its effects as a valid contract especially in light of the issuance of the law No. 81 dated on 10/10/2018 related to electronic transactions and personal data.

### **23. Are insurers in your jurisdiction subject to additional requirements or duties in respect of consumers? Are consumer policies subject to restrictions, including any pricing restrictions? If so briefly describe the range of protections offered to consumer policyholders**

The Consumer Protection Law No 659 of 2005 was issued to provide the uppermost quality service for consumers and therefore the service provider is obliged to offer clear, and effective information to the consumer. The provisions of said law apply to all contracts between professionals and consumers, as long as they do not contradict with the legal provisions governing insurance companies.

Moreover, consumer may file complaints before the Consumer Protection Directorate, which is responsible for observing the legitimate businesses and therefore safeguarding the rights of purchasers of insurance

products and services.

Additionally, Article 983 of the Code of Obligations and Contracts provides that are null and void (1) any general clause imposing forfeiture penalty on the insured in case of violation of laws and regulations unless that violation was an outrageous and unforgivable mistake, (2) any clause forfeiting the insured in case he/she didn't inform the authorities directly of the occurrence of any emergency or present some required documents.

Moreover, owners of motorized vehicles must obtain an insurance policy covering third party liability in case of bodily injury and material damage. Anyone who employs a foreign worker must obtain an insurance policy for foreign workers covering death, disability, and medical expenditures. The insurance companies are bound by the pricing rate of these insurance policies set by the ICC.

#### **24. Is there a legal or regulatory resolution regime applicable to insurers in your jurisdiction?**

The insurance sector in Lebanon is regulated by the rules issued by virtue of decree No. 9812 of 4 May 1968 ("the Law") governing the organization of insurance companies operating in Lebanon. All Lebanese and foreign companies, entities or institutions are bound by the provisions of the Law if they are practicing any or all of the operations provided under the branches or sub-branches stipulated in the law.

Subsequent amendments to the law have been limited and there have been no material updates since 1999.

As already mentioned, insurance operations conducted in Lebanon are also subject to the provisions of (i) the decisions issued by the ICC and (ii) the Code of Obligations and Contracts (Articles 950 to 1023).

#### **25. Are the courts adept at handling complex commercial claims?**

Article 48 of the Law gave the possibility to the injured person, or the beneficiary to sue the insurance company before the Insurance Arbitration Council set within the MOET formed by members with extensive experience in the insurance field and can handle complex commercial claims. The competence of the council is limited to claims up to 75,000,000 LL

Nevertheless, the courts are still competent to decide on the cases related to the insurance (commercial/financial courts in Lebanon). The judges have enough experiences

to handle complex and various insurance cases.

#### **26. Is alternative dispute resolution well established in your jurisdictions?**

The parties to an insurance contract may choose the arbitration as an alternative dispute resolution method. However, clauses under an insurance policy issued in Lebanon that related to risks existing in Lebanon that fall under the branches (stated in Article 2 of the Law) are null and void if they refer to an arbitration where the arbitrator is not domiciled in Lebanon and does not issue their award in Lebanon.

Pursuant to the Judicial Mediation Law in Lebanon, the parties may choose to initiate mediation after the case have started in court.

#### **27. Is there a statutory transfer mechanism available for sales or transfers of books of (re)insurance? If so briefly describe the process**

The Lebanese law does not contain any precise restrictions related to this matter.

#### **28. What are the primary challenges to new market entrants? Are regulators supportive (or not) of new market entrants?**

Companies that intend to enter the insurance market in Lebanon have to comply with the several necessities and conditions set out in the Law as well as other related regulations. The ICC and the MOET are supportive of new market entrants, especially foreign companies.

#### **29. To what extent is the market being challenged by digital innovation?**

The insurance industry in Lebanon suffers from various challenges, most notably the absence of new laws that implement the development of the innovative technologies.

The insurance laws were not amended to encourage experimentation in financial technology innovation. Due to the financial crisis that hit Lebanon, all the tentative to create an innovative digital market made the plans impossible to be implemented, not to mention the slow speed and connection of the Internet that negatively impacts the interaction process and affects the speed of



downloading electronic links.

**30. How is the digitization of insurance sales and/or claims handling treated in your jurisdiction, for example is the regulator in support (are there concessions to rules being made) or are there additional requirements that need to be met?**

Kindly see Question 29.

**31. To what extent is insurers' use of customer data subject to rules or regulation?**

Lebanon does not have comprehensive data protection legislation. Privacy provisions are contained in Law No. 81 of 10 October 2018 related to electronic transaction and personal data.

**32. To what extent are there additional restrictions or requirements on sharing customer data overseas/on a cross-border basis?**

There is no such restriction ruling or order on insurance enterprises' cross-border transfer of personal data. However, with the increasing awareness of privacy concerns, we cannot exclude the possibility that the competent authority will take action in this regard in the near future.

**33. To what extent are insurers subject to ESG regulation or oversight? Are there regulations/requirements, including in connection with managing climate change and climate change related financial risks specific to insurers? If so, briefly describe the range of measures imposed.**

There aren't any specific regulations/requirements.

**34. Is there a legal or regulatory framework in respect of diversity and inclusion to which (re)insurers in your jurisdiction are subject?**

According to paragraph C of the preamble of the Lebanese Constitution, Lebanon is a democratic republic based upon the respect of social justice and equality in rights and duties among all citizens without discrimination or preference.

Article 7 of the Lebanese Constitution also stipulates that all Lebanese are equal before the law. They equally enjoy civil rights, and assume obligations and public duties without any distinction among them.

Pursuant to Article 12 of the Lebanese Constitution, every Lebanese has the right to public employment, without any distinction, except on qualification and merit according to the conditions laid down by the law. A special code shall be established to safeguard the rights of employees in the areas to which they belong.

Expect as provided for in the Constitution in this regards, the law didn't stipulate any special provisions in respect of diversity and inclusion to which (re)insurers are subject (i.e., cultural diversity, racial diversity, gender diversity, interest diversity).

However, the Law No. 220 dated 29/05/2000 has stipulated that, the employers in the private sector whose number of employees varies between 30 and 60 are obligated to employ at least one person with disabilities and if the number of employees exceeds 60, at least 3% of the total number of jobs have to be allocated to persons with disabilities. Employers that do not fulfill this obligation shall be required to pay an annual amount of twice the minimum wage, for each disabled person who is not employed.

**35. Over the next five years what type of business do you see taking a market lead?**

The World Bank has recommended the amendment of the laws related to the insurance sector in light of the advancement and development of digital technology. The Lebanese government have put efforts to amend the insurance sector and ensure its sustainable development but due to the financial crisis we are still far from amending the Law especially the establishments of Internet-only insurance companies and develop the digital transformation market in Lebanon in the insurance industry.

In our opinion, the market lead will be taken by (i) merged companies, (ii) in the medical insurance sectors (in view of the collapse of many governmental bodies insuring the medical expenses of their members due to the crisis).

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