

## **PART ONE: GENERAL PROVISIONS.**

### **Article 1: Citation**

This Act shall be cited as Insurance Companies Act law no: 104/2022.

### **Article 2: Interpretation.**

In this Act, unless the context requires otherwise, the terms below shall have the following meaning.

**Accounts:** - in relation to an insurer or broker, refers to accounts and information prepared in accordance with International Accounting Standards.

**Authority:** - means the National Insurance Authority of Somaliland which was established under the National Insurance Act, law No. 92/2020.

**Broker's Agent:** - refers to an individual who carries out insurance services on behalf of a licensed insurance broker, which has been approved by the Authority.

**Agent of an insurance company:** - means an individual who transact insurance business on behalf of a licensed insurer and shall have the same meaning as "insurance agent", authorized by the Authority.

**Islamic Banks:** - means any entity that is engaged in the business of banking, licensed by the Central Bank of Somaliland.

**Court:** means any court having jurisdiction under this Act.

**Dependent:** - means the relationship that an individual has with dependents such as: his spouse, parents, children, grandchildren or any of his relatives who depend on him for life.

**Deposit:** - means a deposit or anything of monetary value which according to the regulations made under this Act that can be accepted as a deposit.

**Gross Premium:** - means the total policy premium receivable;

**Loss Adjuster:** - means a person who has special knowledge and skills to evaluate an accident and determine the compensation to be paid to the injured party.

**Loss Assessor:** - means a person who assess accidents on behalf of the insurer.

**Manager:** - in relation to an applicant for licensing as an insurer or broker includes an employee of the applicant other than a controller, who, under the immediate authority of a director or chief executive of the applicant exercises managerial functions.

**Insurance Intermediary:** means an insurance agent, broker, surveyor, loss adjuster and loss assessor.

**Net Liabilities:** - means gross claims payable to an insured less attributable gross reinsurance recoveries receivable.

**Net Premium:** -the amount of contribution receivable after deducting gross reinsurance premium payable and commission fees..

**Payable:** - means not paid

**Receivable:** - means not received.

**Insurer:** - means to any person who is a member of the insurers who provide insurance products for risk management.

**Policy:** - includes every writing whereby a contract of insurance is made or agreed to be made.

**Reinsurance:** - means to the enforcement of insurance services through insurance companies.

**Significant owner:** - means to an individual who owns ten percent or more of the insurer's stocks.

**Valid license:** means a license that authorizes the type of business activity or service that a licensee is engaged in for a specific period of time.

**Unauthorized business:** means an insurance business that is conducted or performed by an individual without a license, in which that business requires a valid license issued by the Authority.

**Guarantor:** a person or entity that agrees to be responsible for another party's debt or performance under insurance contract, if the other party fails to pay or perform.

**Insurance company:** is an entity that provides financial protection or coverage against specified risks or losses in exchange for premiums paid by policyholders for a specific period.

**Takaful :** insurance based on Islamic sharia principles

### **Article 3: Scope of the Act.**

This Act shall be applied to:

1. Local insurance companies operating in the Republic of Somaliland and insured policyholders.
2. Re-insurers, brokers and agents engaged in the business of insurance.
3. Foreign insurance companies affiliated with or contacted by domestic insurers for specific insurance services.

### **Article 4: Objectives of the Act.**

The Objectives of the Act are:

1. To mitigate risks and alleviate financial burdens faced by individuals and business within the community.
2. To establish a regulatory framework for licensed insurance companies operating in Somaliland.
3. To ensure that insurance business comply with Islamic sharia principles and the principles of the Constitution.
4. To foster economic growth and generate employment opportunities within the nation.

#### **Article 6: The principles of the Act.**

The fundamental principles of the Act are:

1. The insurance offered in Somaliland is based on cooperation and is known as "Takaful" or Islamic Insurance.
2. This act governing insurance companies in Somaliland is rooted in the principles of Sharia and the constitution
3. Insurance companies shall follow their insurance services in a manner of economic, administrative and financial system in accordance with the Islamic Sharia.
4. As agents managing insurance business in Somaliland, insurance companies should maintain two independent accounts within their financial system:
  - a) A company's account where its service fees are deposited.
  - b) An account for policyholders to deposit their premium contributions.
5. Insurance companies shall offer to the community a competitive insurance service that is efficient, legal and can satisfy all their customers.
6. Insurer shall strive to enhance the understanding and the public awareness regarding matters related to Islamic insurance.
7. To ensure compliance with Islamic sharia and the principles of constitution, the republic of Somaliland prohibits any insurance service that contradicts these guidelines in terms of financial matters, administration and service.
8. The Insurance Service is a service available to anyone who has the capability to provide insurance, without any imposed quotas or forced participation.

#### **PART TWO: RESPONSIBILITIES.**

##### **Article 7: General Responsibilities.**

1. Based on article 11 and 12 of the Constitution, the government is responsible for the activities of the insurance as they have economic impact.
2. The government, in fulfilling its obligation stated in the above sub-article, is responsible for insurance activities through the National Insurance Authority created under Law No. 92/2020. .
3. The Authority shall perform its duties in accordance with this law, its establishment Act, other laws concerning to the activities and services of the insurance companies and the related principles of the Constitution.

#### **Article 8: The Responsibility of the Insurance Companies.**

1. The insurance companies are obligated to operate in compliance with the principles of Islamic Sharia, as well as the Insurance Companies Act, National Insurance Authority Act, and the Constitution of Somaliland Republic.
2. The companies are obliged to comply with the general principles and policies related to the economy issued by the government that do not conflict with this Act and other principles of the Constitution.
3. If a company provided with a permit of insurance service in accordance with the law is bankrupt or insolvent, and there is liability, that liability shall be referred to the company.
4. Insurance companies must comply with and fulfil the other concerned applicable laws that are inforce.

### **PART THREE: LICENSING OF INSURANCE COMPANIES.**

#### **Article 9: Licensing Requirements to Conduct Insurance Business**

1. Companies engaged in insurance or reinsurance business in Somaliland and seeking license , shall have to meet the requirements detailed in the application form set out in the Act.
2. Existing insurance companies that offer insurance service must follow the same procedure for obtaining an insurance license as new companies, in accordance with the Act.
3. Any company or person who provides insurance or reinsurance business without a valid license , in accordance with the Act, shall be liable to a fine of not less than 100,000,000 (One Hundred Million Somaliland Shillings) or equivalent prison sentence.

### **Article 10: Application for a license.**

1. Any individual who intends to carry out an insurance service in the Republic of Somaliland shall request in writing to the Insurance Authority, by complying with the following conditions:

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- a) Filing of the Application Form mentioned in Schedule 1.
  - b) Proof of payment of application fee of one million Somaliland Shilling. 1,000,000/-.
  - c) A certified copy of the company's Article of Association and memorandum.
  - d) The feasibility study of the insurance service or the plan of the insurance service accompanied by the financial forecast (balance sheet and profit and loss statement) for the first three years.
  - e) Details of shareholders and company structure.
  - f) The location of the headquarters must be specified.
  - g) A detailed and signed curriculum vitae of all directors and the Chief Executive Officer.
2. Subject to sub-article 1, no company shall be given a license to carry out within the Republic of Somaliland:

- a) General insurance business, if it does not have unless it has a minimum paid-up capital shares whose value is not less than three million dollars (USD 3,000,000).
- b) Re-Insurance business, unless it has a minimum paid-up capital shares whose value is not less than five million dollars (USD 5,000,000).
- c) A certificate issued by the Central Bank or other licensed banks in Somaliland showing the amount and details of a security deposit of at least 20% of the paid-up capital shares.
- d) The proposed premium rates and rating scales for each class of business.
- e) Proposed reinsurance arrangements.
- f) Upon approval of the application, a license fee in US Dollars equivalent to:
  - \$4,800.00 will be paid by the General Insurance Business.
  - \$7,000.00 will be paid by the Re-Insurance business.
- f. On being licensed, the company is required to become a member of the Insurance Association of the Republic of Somaliland.
- g. The paid-up capital, the security depositor any requirement provided under this article may, by regulations, be improved and further be explained.
- h. The Authority may request additional information if it deems a necessary.

### **Article 11: Application Process.**

1. The Authority will conduct an investigation within two months from the date of receipt of the complete application and prepare a detailed report on each application.
2. The Chairman shall, for the purpose of considering and making a report on an application under sub-article (1), appoint a committee of not less than three members including the director general of the authority which shall report its recommendations to the Authority in writing.
3. If the Authority needs, it can collaborate the activities mentioned in previous sub-article with independent experts who have special knowledge for insurance business activities and enter into a short-term contract.

#### **Article 12: Granting of a license.**

1. If the Authority is satisfied that the application is in accordance with this act and the National Insurance Authority act, it will grant a license to the applicant, on the payment on prescribed fee.
2. If the authority is not satisfied with the details of the application and considers that it is not in accordance with this act and the National Insurance Authority Act, it will reject the application, and will provide a written explanation for grounds of its decision.
3. The Authority shall communicate its decision under sub-article 2 to the applicant within forty-five (45) days from the day it receives the complete application.
4. If the applicant is not satisfied with the refusal of administrative decision issued by the Authority in accordance with the Act, he or she may appeal to the National Insurance Policy Steering Committee within 15 days from the day of the decision, which have the power:
  - a) To upheld the authority's decision.
  - b) To make amendment.
  - c) To repeal or approve.
5. The applicant may appeal to a competent court in Somaliland within thirty (30) days from the receipt of the communication of the National Insurance Policy Steering Committee, if aggrieved by their decision.

#### **Article 13: License Renewal.**

1. A license granted under this Act, shall be valid for a period of one year and shall be renewable annually.
2. The application of license renewal must be submitted to the Authority one (1) month before the expiration of the license, attaching the following details:

- a) The reference proving the payment of license renewal fee of \$2500 (two thousand five hundred dollars) or an equivalent amount in Somaliland Shilling currency, according to the Central Bank exchange rate of that day.
- b) Submission of License Renewal Form as per Schedule three; and.
- c) Any other information required by the Authority in relation to the verification of requirements in accordance with the Act.

**Article 14: Variation, Suspension and Revocation of a License.**

1. The Authority may at any time vary, suspend or revoke the license of an insurer to carry out business under this Act, if the company:
  - a) violates any of the conditions granted the license and the implementation of the act.
  - b) does not conduct its activities in accordance with the principles of Islamic Sharia.
  - c) If it violates any of the conditions previously granted to the license .
  - d) If it does not start providing insurance services within one hundred and eighty (180) days after obtaining a license to operate.
2. The Authority may suspend an insurance license that is granted previously to a company in accordance with this Act, if the company:
  - a) Does not comply with the capital adequacy requirements set by the Authority.
  - b) Has intentionally provided false statement to the Authority which statement is material to his or her licensing.
  - c) Have failed to fulfill court-ordered judgment, related to insurance liability without a valid justification for a period of ninety (90) days starting from the day of the final decision of the court.
3. If the Authority varied, suspended or revoked the license , it shall give a written notice to the insurance company.
4. If the insurance company which has been varied, suspended or revoked its license is not satisfied with the decision of the Authority, it can take an appeal within fourteen (14) days to the National Insurance Policy Steering Committee.
5. If it is not satisfied with the decision of the Committee, it can take an appeal to the competent court within thirty (30) days starting from the day the National Insurance Policy Steering Committee issued the decision.

6. The Authority shall publish in the Gazette and local newspaper any variations, revocations and suspension of license of the insurer or relicensing of the affected insurer as soon as practicable.

#### **PART FOUR: PRUDENTIAL REGULATION OF INSURER**

##### **Article 15: Capital Adequacy and other prudential requirements.**

1. In accordance with the guidelines of the act, every insurance company must maintain its capital resources at a sufficient level that can continue its insurance business, giving special priority to the nature, scope and complexity of that business and its risk profile.
2. Every company must have adequate procedures and controls, to follow up and evaluate its capital resources on ongoing basis.
3. The Authority shall, by regulations, determine the capital adequacy and other prudential requirements for insurance companies in accordance with this act.

##### **Article 16: Maintenance of Financial Soundness .**

1. Every insurance company is obliged to maintain its business in a safely and sufficient financial condition, to pay its outstanding debts, and to maintain its capital resources at a sufficient level that can carry out to its licensed business by considering the nature, scope and complexity of the business and its risk profile.
2. Every company must perform its licensed business in accordance with the proper insurance principles and in accordance with the Act.

##### **Article 17: Reduction of Paid-up Capital for Insurance Company.**

1. An insurance company cannot reduce the paid-up capital stock, and cannot cause or allow the paid-up capital share to be reduced, without the written permission from the Authority.
2. Any decision approved to a contrary is null and void and shall not be an effect.

##### **Article 18: Distribution of Surplus and Indefinite Saving.**

1. Every insurance company must ensure that its funds has been managed effectively and there should be a sufficient fund to cover unforeseen events.
2. An insurance company should prepare a policy to manage the surplus funds in the risk account of the insurers in consultation with the company's Shariah Advisory committee.



3. Insurance companies must follow these conditions when distributing the surplus funds:
  - a) The amount to be distributed will be determined by the loss analyst and insurance premiums, and will be determined by the company's Board of Directors (BOD), after approval of the company's Islamic Shariah Advisory Board, based on as detailed procedure set by the Authority's Board of Directors.
  - b) The surplus distribution will be in lined with the underlying agreement, which is between the company and the insured person in accordance with this act and the guidelines issued by the authority.
  - c) The surplus will be based on a complete assessment of the liability which is confirmed by the loss analyst and the insurance premium and the results of the complete auditing.
  - d) The risk account of the insurers shall not be declined, after the surplus is distributed in accordance with the Act.
  - e) The surplus distribution should not have a negative financial impact on the risk fund of the insured people.
  - f) Surplus distributions will be based on generally accepted principles of insurance loss management in accordance with the act.
  - g) The surplus will be distributed in a fair manner and procedure accordance to the act.

**Article 19: Structural governance of the Company.**

1. Every insurance company should have the following structure:
  - a) Board of Directors (BOD).
  - b) Executive management.
  - c) Islamic shariah Advisory committee.
  - d) Technical operators if needed.
  - e) The duties and responsibilities of the offices indicated by the sub-paragraphs A, B, C and D are detailed in the company's articles of Association.

**Article 20: Company's Board of Directors.**

1. Every insurance company must submit to the Authority the names and details of the Board of Directors and the Islamic Sharia Advisory Committee.
2. The Islamic shariah Advisory Committee must be proved by the Authority to have knowledge of Islamic Shari'ah issues, and each member must be verified in his education.
3. The Islamic Shariah Advisory Committee ensures the compliance of the insurance services provided by the companies.

4. Each member of the Board of Directors of an insurance company:
  - a) He must be mentally fit and able to perform the duties mentioned in schedule 2.
  - b) He must not be a member of the board of directors of another insurance company operating in Somaliland.
  - c) He must give enough time and dedication to fulfill his duties in a properly in accordance with the company's Article of Association, this Act and the Authority's Act.
5. Every insurance company is obliged to provide the Board of Directors with the appropriate time and information they need, in order to perform their duties in accordance with the Act.
6. The Board of Directors of an insurance company is responsible for determining the company's plans and operations.

**Article 21: Company's Executive Management.**

1. The executive management of the insurance company is responsible for the day-to-day operations of the company.
2. The duties and responsibilities of the executive management of the company are detailed in the Company's Article of association, without prejudice to this Act, the Insurance Authority Act and other enforced laws.

**Article 22: Control Units.**

1. Every insurance company shall have and maintain: -
  - a) Risk management unit;
  - b) Law Enforcement unit;
  - c) Insurance risk analysis unit;
  - d) Internal audit unit;
  - e) Islamic Advisory committee.
  - f) And the other units that will be pointed out by the regulations from this Act and other units that the insurer considers to be appropriate for the nature, scope and complexity of the insurance service.

**Article 23: Risk management.**

1. Every insurance company shall have and maintain:
  - a) Well defined strategies and policies for managing of all major risks that may be effected to an insurance company.
  - b) Adequate procedures and controls to ensure that risk management strategies and policies are effectively and efficiently implemented.

2. Risk management strategy and policies: -

- a) Will be appropriate to the nature, scope and complexity of the insurance service being permitted.
- b) Will explain how to identify risk of loss, monitor, manage and report on it in a timely manner.
- c) They will take into account the probability, impact and duration of the risk of loss.
- d) It will endeavor to identify effectively and manage insurance risk of loss that comes from the credit risk, liquidity risk, market risk, the company's operations, reputational risk and other risks that the Authority informs to the Insurance Companies.

**Article 24: Approval of premiums and value of the fee.**

1. No insurance company can issue an insurance policy, if the amount of the premium and the value of the fee are in conflict with the principles laid down in this Act and the guidelines issued by the Authority.
2. The National Insurance Policy Steering Committee shall determine the minimum or maximum premium for each level or type of insurance service.
3. The General Premiums collected from the public must be deposited in the Trust Account opened in the Central Bank and banks permitted by the Central Bank.

**Article 25: Approval of policy document and other matters.**

1. According to paragraph 2, no insurance company can issue a document or proposal form of policy unless the Authority approves that it is a suitable for the intended purpose of the insurance service.
2. According to paragraph 3, when the Authority approves the document or proposal form of the policy referred to paragraph 1, no insurance company can amend the policy or the document unless it is approved by the Authority.
3. If the Authority does not approve or refuse the document, proposal form of policy, amendments of the document within the period specified in it, the company will consider the proposal form of policy or supplement to be valid.

**Article 26: Changing the value of the premium without approval.**

1. If an insurance company decreases the value of the approved premium, without the consent of the Authority, the Authority may order the cancellation of the policy that issued in the revised

rate, and the premiums shall be returned to insured people based on their status and the remaining time period of the insured persons.

2. If an insurance company reduces the level of premium, without the Authority's approval, the Authority can order the company to reimburse the insured people in sufficient amounts.

#### **PART FIVE: PERMITTING OF INSURANCE BROKERS AND AGENTS.**

##### **Article 27: Permit of Insurance Intermediary.**

1. No one can perform in the republic of Somaliland for insurance intermediary without a valid permit from the Authority.
2. Without limiting the implementation of paragraph 1: -
  - a) An individual is considered to be performing an Insurance Intermediary service, if he has an interest with the insurance services, and then offers directly or indirectly for an individual in Somaliland to be an Intermediary.
  - b) A person shall be deemed to be performing the services of an Insurance Intermediary, if such person uses a name, form, logo, description, title or trademark of an insurance service that represents or may imply that such person is an Insurance Intermediary.
3. By considering to paragraph 1, the permit that will perform for an Insurance Intermediary service may be issued by the Authority to any of the following categories: -
  - a) Insurance Broker Permit, which allows the holder to operate as an insurance broker.
  - b) Insurance Agent Permit, which allows the holder to operate as an insurance agent.
  - c) Insurance Risk of loss Advisor Permit, which allows the holder to act as an insurance risk of loss advisor.
  - d) Accident Investigator and Loss Adjuster Permit, which allows the holder to operate Accident investigator and loss adjuster.
4. An insurance agent cannot be both for an insurance company and an insurance broker.

##### **Article 28: The paid-up capital of an insurance broker.**

1. Any insurance broker will not undertake for an insurance broker business, if he does not have the paid-up share capital required by this Act or the guidelines from it.
2. Deposits made in accordance with paragraph 1 will be considered a part of the capital assets of the insurance broker.

##### **Article 29: Application and Requirements of the Insurance Intermediary permit.**

1. An application for an Insurance Intermediary permit or its renewal shall be submitted in the manner established by the Authority.
2. The requirements for obtaining an Insurance Intermediary permit shall set by the Authority.
3. The Authority shall not give or renew an Insurance Intermediary permit if the applicant is not mentally fit and proper by considering within the meaning of fitness and proper set forth in Schedule 2 of this Act.
4. If the Authority is satisfied that: -
  - a) Applicant's financial standing is good.
  - b) The knowledge, skill and experience of the managing officer is sufficient.
  - c) If he is a broker, the insurance integrity policy shall be satisfied.
  - d) The application is not exempted in accordance with this Act.
  - e) The applicant will continue and is likely to continue by complying with the provisions of this Act, regulations and guidelines issued in accordance with this Act, which are enforced to the applicant.
  - f) Paid the desired fee.

#### **Article 30: Duties of Broker.**

1. The broker is responsible to the insurance company for all the premiums that he received for the company.
2. The broker shall transfer all the premiums he received to the insurance company within the specified time in the regulations under this Act.
3. All funds received by a broker for or on behalf of a client are deposited into a separate trust account and shall not be added in any circumstances to the broker's fund.
4. The trust accounts referred to the paragraph 3 shall be opened at a bank or financial institution, following a procedure or form approved by the Authority.

#### **Article 31: Responsibilities of insurance companies, brokers and Agents.**

1. An insurance company or insurance broker is liable for the actions of their agents and any employees employed by the agent who is performing of the agent's duties, if the complaining act comes under the duties of the agent or his staff that is expressly including the agent's contract or can be inferred from the contract by the client.

2. When it affects a person who holds an insurance policy or is likely to have all the premiums received by the Agent or his staff, it is deemed to have been paid through the insurance company or its broker for whom the agent is representing.
3. The provisions of this section shall not be prevented for insurance company or the broker to seek a damage from the Agent, his staff or both, if the company or broker incurs expenses or liabilities which were not incurred based on this part.

**Article 32: Premium and other funds to be paid the insurance Company.**

1. An insurance broker or insurance agent shall not accept a check or other payment document from an insured person, when he is paying a premium or other funds required under a contract of insurance, if the check or other order does not specify in the name of the company.
2. An insurance broker or insurance agent who receives a complete premium, installment or other cash payments, shall transfer the premium and other cash funds to the insurance company as soon as possible in the following day he received without deducting any fee or other funds.
3. Cash premium or other funds received by an insurance broker or agent shall not be considered in a property of the insurance broker or agent.
4. If he does not pay, the authority shall follow the agreement between the agent and the company, if it is not including the agreement between the agent and the company, the Authority shall determine.
5. An insurance agent or insurance broker shall manage the premium or other funds under this section, in accordance with the instructions of the insurance company.
6. An insurance agent, unless authorized by the authority, shall not have a liability of an insurance company, which is more than fifty million Somaliland shillings.

**Article 33: Loss adjuster and accident investigator.**

1. A loss adjuster or Accident Investigator shall not accept to receive or manage premium funds or others funds that is missing from an insurance company or insured person that has an agreement or can be entered into an insurance contract.
2. Any loss adjuster or Accident investigator who violates of this section shall be liable to a punishment convicted by a competent Court.

**PART SIX: RE-INSURANCE SERVICE.**

**Article 34: Re-Insurance Methods.**

1. An insurance company that has permit to provide direct insurance will have mechanisms that it deems appropriate to re-insure the risks that can come from the entered insurance contracts during insurance services in accordance with Islamic shariah.
2. An insurance company, without the written permission from the Authority in accordance paragraph 3, shall not enter into an insurance contract by transferring financial obligations to another person other than: -
  - a) Permitted Re-insurer.
  - b) Qualified Foreigner Re-insurer.
  - c) In accordance with the procedures of this Act.
3. The Authority may approve the application of an insurance company to enter into an insurance contract that will transferring its financial obligations in accordance with the Act.
  - a) To foreign company that provides for direct Insurance.
  - b) Or foreign re-insurer who is qualified to be a foreign re-insurer.

#### **Article 35: Foreign Reinsurers' Representatives**

1. A foreign reinsurer may, with the approval of the Authority, appoint a reinsurance broker or reinsurer licensed under this Act to be its representative in Somaliland for purposes of accepting reinsurance business on its behalf.
2. The Authority may on granting the approval under sub-article (1) attach such conditions as it may deem necessary.
3. Where approval of the Authority is granted under this section, the foreign reinsurer shall establish and maintain at the central bank a security deposit equivalent to five million (USD 5,000,000) Dollars.

#### **Article 36: Modification or cancellation in the insurer's net retention**

1. An insurer shall inform the Authority within five working days of any modification or cancellation in the amount of its net retention in all classes of business which it undertakes.
2. Where the Authority considers the retention submitted under sub-article (1) not to be in accordance with the financial standing of the insurer, it may request an explanation of the technical or other reasons for establishing these retentions; and on the basis of the explanation the Authority may order the adjustment of the net retention.

**Article 37: Prohibition of contracts with certain reinsurance companies.**

1. The Authority may: -
  - a) after receiving reliable information that a reinsurance company—
    - I. cannot meet the reinsurance claims;
    - II. Shows doubtful integrity in its business dealings; or
  - b) for any other reasonable cause, may prohibit insurance companies and reinsurance companies under this Act from entering into reinsurance contracts with such company.

**Article 38: Negotiations not to be in personal capacity.**

An insurance agent, director, manager, employee or shareholder of an insurance company by practicing on his or her personal capacity, shall not enter into negotiation or intervene in the placement of re-insurance.

**PART SEVEN: AMALGAMATIONS AND TRANSFER.**

**Article 39: Restrictions On amalgamations and transfers.**

1. An insurer shall not, without the prior written approval of the Authority: -
  - a. transfer its insurance business, or any part of its insurance business, to another insurer;
  - b. accept a transfer of the insurance business of another insurer, or any part of that business;or
  - c. amalgamate its insurance business, or any part of its insurance business, with the business of another insurer
2. A transaction contrary to sub-article (1) is void where the transaction has the effect of—
  - a. amalgamating the business, or part of the business, of the insurer with the business of another insurer; or
  - b. transferring a part of the business of the insurer to another insurer.
3. An insurer that contravenes sub-article (1) commits an offence and is liable to a fine not exceeding one hundred million (SLSH 100,000,000) Somaliland shillings.



#### **Article 40: Application for amalgamation or transfer.**

1. If two or more insurers intend to amalgamate or transfer insurance business of any class from one to another—
  - a. both insurers wishing to amalgamate, jointly; or
  - b. the insurer wishing to transfer business to another insurer,

shall apply to the Authority for approval of the amalgamation or transfer, as the case may be.

2. An application under sub-article (1) shall be accompanied by –
  - a. the document under which the proposed amalgamation or transfer is to take effect;
  - b. the audited accounts and balance sheets of each insurer intending to amalgamate or effect a transfer; and
  - c. any other report or document on which the proposed amalgamation or transfer is based.
3. Before the amalgamation and transfer, the Authority must ensure the proper functioning of the insurer and protect the interest of policyholders.

#### **Article 41: Notice of amalgamation or Transfer.**

1. The parties intending to amalgamate shall before making the application —
  - a) publish a notice of the proposed amalgamation or transfer in the Official Gazette and at least one local newspaper published in Somaliland.
  - b) send a notice of the application to all policyholders and claimants of the entitled parties;The notice referred to under sub-article (1) shall invite any person who has reasonable ground to believe that he or she would be adversely affected by the amalgamation or transfer to make written representation to the Authority stating reasons, within thirty days from the last day of publication.

#### **Article 42: Decision of the Authority on amalgamation or Transfer.**

1. The Authority may, after considering an application for amalgamation or transfer, approve or refuse the proposal for amalgamation or transfer subject to terms and conditions it may consider necessary.
2. The Authority shall make its decision under sub-article (1) within six months from the date of publication, and if no communication is received by the parties within that period, the parties shall affect the amalgamation or transfer.

4. Where the Authority refuses an amalgamation or transfer, it shall, in writing, give reasons for the refusal to the parties.
3. After a decision is made under sub-article (1), the Authority shall —
  - a. publish its decision in the Gazette and in one local newspaper published in Somaliland; and
  - b. send a copy of its decision to the parties to the amalgamation or transfer and any person who made a representation.
4. Where the Authority refuses an amalgamation or transfer, it shall, in writing, give reasons for the refusal to the parties.
5. A person aggrieved by the decision of the authority under this article, may within 30 days of the date of communication of the decision of the Authority, lodge a notice of appeal with the High Court.

## **PART EIGHT: SIGNIFICANT CHANGES IN CONTROL AND MANAGEMENT**

### **Article 43: Changes in control of licensee**

1. If the management and powers of the company change, the Board of Directors of the company must notify within a period of not more than seven days starting from the day of that the changes come into force.
2. If the change of the powers and administration of the company affects the company's article of Association, the Board of Directors must amend the article of association in accordance with this Act, the authority's act and other relevant laws.
3. If the authority satisfied that the change is not confirmed the Article of Association, it shall inform to the Board of Directors of the company within a period of not more than 7 days starting from the day it received the notification of the change, and the company will continue to act on its previous article of association.

### **Article 4: The Authority's powers concerning significant owners.**

1. The Authority may issue a circular under subsection (3) to —
  - a) a person who becomes a significant owner or acquires increased control over, a licensee without obtaining the Authority's prior written approval; or
  - b) a person who is a significant owner of a licensee if the Authority has reasonable grounds for believing that—
    - i. The person does not satisfy its fit and proper criteria; or

- ii. by virtue of the person's significant ownership in, or control over, the licensee, any of the factors specified in subsection (2) apply.
2. The matters referred to in sub-article (1) (b) (ii) are that the licensee ownership structure: -
  - a) is not appropriate having regard to the nature, scale and complexity of its licensed business;
  - b) adversely affects its financial soundness or the ability of the Authority to supervise it; or
  - c) is prejudicial to its customers.
3. If any of the circumstances specified in subsection (1) apply, the Authority may issue a directive to the person—
  - a) requiring the person to dispose of the person's interest in the licensee, in whole or in part, within such time period as is specified in the notice; or
  - b) prohibiting the person from exercising any rights, including voting rights, attached to the interest.
4. Where the Authority issues a directive under subsection (3)(a) to a person, it may direct that during the period before the person's interest is disposed of, the person is prohibited from exercising any rights, including voting rights and the rights to receive a distribution, attached to the interest.
5. A person who, without reasonable excuse fails to comply with the circular issued in accordance with this section commits an offense and is liable to a fine not exceeding Fifty Million (SLSH 50,000,000) Somaliland shillings.

**Article 45: Changes in directors, managers, and key person in control functions.**

1. A licensee shall not appoint a director, senior manager or a key person in control function, who is not fit and proper and without obtaining the prior written approval of the Authority.
2. A licensee, within ten working days after the senior manager or other important person takes over the office or ceases the office, shall report to the Authority.
3. The notice referred in sub-article 2 shall include a report about the reason why the director, senior manager or key person in control function is ceasing to hold office or the action he or she has done.

**Article 46: Maintenance of financial records.**

1. Every licensee shall keep at its head office in Somaliland records sufficient : -
  - a) to show and explain its transactions.
  - b) to enable its financial position to be determined with reasonable accuracy, at any time;
  - c) to enable it to prepare financial statements and make returns as it may be required to prepare and make under this Act; and

where required, to enable the auditing of its financial statements in accordance with this Act.

2. A licensee shall retain the records required to be kept under this section for a period of at least five years after the end of the related financial year.
3. A licensee who violates sub-article 1 or 2 shall be liable to a fine not exceeding Five Hundred Thousand (500,000) Somaliland Shillings.

**Article 47: Preparation of Financial Statements.**

1. This section applies to insurance company, insurance brokers, re-insurer, loss adjusters, loss risk advisor and loss assessor.
2. The fiscal year of every licensee is a period of twelve months starting from 1<sup>st</sup> January and ending on 31<sup>st</sup> December.
3. A licensee shall prepare annual financial statements of each year in accordance with international financial reporting standards.

**Article 48: Auditing of accounts.**

1. The accounts of every licensee shall be audited annually by an auditor approved by the Authority.
2. The Auditor shall: -
  - a) not be an employee, manager, director or shareholder to the licensee.
  - b) maintain a professional indemnity policy that will be determined by the Authority.
  - c) audit the accounts of the licensee independently and impartially.
  - d) ensure that the audit is conducted in accordance with international auditing standards.
  - e) satisfy himself or herself that the accounts of the licensee has been prepared in accordance with the books and records of the licensee .
  - f) The auditor shall certify whether : -

- I. He or she has obtained sufficient information from the books and records of the licensee.
  - II. the accounts of the licensee are in accordance with the information given to him or her by the licensee for the purposes of audit.
- g) A person shall not act as the auditor of a licensee for a period of not more than four consecutive years, after that period the auditor is not eligible to be appointed as an auditor for the next four years.

**Article 49: Financial Statements.**

1. Every licensee shall prepare and submit to the Authority within three months from the end of each financial year in a prescribed form, annual reports containing: -
  - a) Prescribed particulars relating to all financial transactions undertaken by it during that year including, where applicable, a director's certificate, financial condition report;
  - b) Certified true copy of its financial statements, auditor's certificate and any other report submitted to shareholders;
  - c) Returns that shall be in the prescribed form in the regulation;
  - d) Auditor's reports.
  - e) Any reports information relating to the activities of the licensee provided to its shareholders in respect of the financial year;
  - f) Details of commission scales and incentive plans, bonuses or other incentives;
  - g) A statement detailing unpaid premiums by the insured persons.
  - h) Any other information that the Authority may require that does not conflict with this Act and other laws.
2. The licensee shall submit to the Authority within a period specified by the Authority:
  - a) A periodic financial statements, that may be unaudited.
  - b) A return in the form approved by the Authority, if any; and
  - c) other information and documentations as may be specified in the regulations.
3. Where the Authority considers that financial statements or documents submitted by a licensee in accordance with this section are inaccurate or incomplete or prepared in a manner which is inconsistent with accounting standards, the Authority can reject the financial statements or documents.
4. Where the Authority rejects the financial statements or documents referred in sub-article 3, the Authority will issue appropriate directives to the licensee to rectify the inaccuracies or

incompletions, and re-submit the financial statements or documents, but if the licensee does not comply with the Authority's directive, the Authority may amend the financial statements or documents at the cost of licensee.

**PART TEN: INSPECTION, ACCESS TO INFORMATION  
AND INQUIRIES.**

**Article 50: Authority to inspect licensees.**

1. The Authority shall inspect the activities of every licensee at least once in two years.
2. The Authority may, at any time, for the purpose of performing its function under sub-article 1:
  - 
  - a) inspect the office premises and the business including the procedures and controls, of a licensee or a subsidiary or holding company of a licensee;
  - b) inspect the offices or service of a person to whom a licensee has given certain tasks or activities.
  - c) inspect the assets, including cash, belonging to or in the possession of or control of a licensee or any of its subsidiaries or holding companies.
  - d) examine and make copies of documents owned or maintained or controlled by a licensee, any of its subsidiaries or holding companies or to seek further information and explanations from the officers, employees and agents of the licensee or any of its subsidiaries or holding companies.
3. The Authority, at any time during the two-year period can inspect the affairs of a licensee if it has reason to believe that: -
  - a) the interests of the policyholders, shareholders or members of the public may be marginalized.
  - b) the licensee is unable to fulfill the obligation imposed by this act.
  - c) the licensee has failed to comply with the provisions of this Act.
  - d) the licensee is not complying with the Anti-Money Laundering and Combating Terrorist Financing Act No. 87/2019.
  - e) Any other reason.
4. The Authority may appoint a competent people to carry out the inspection on its behalf.

5. The person who is appointed to conduct an inspection under this section may question any officer of the licensee under oath.
6. The licensee shall cooperate with the person appointed to inspect under this section by providing him or her full access to books, records, files and other documents required for inspection, and any person who fails to cooperate commits an offence.
7. The Authority shall inform the licensee of the conclusions reached following the inspection and may require the licensee to comply, within a period it may specify, with any directive it may issue to remedy defects disclosed by the inspection.
8. A person who prevents the Authority or an inspector from performing his duties under this section commits an offence and is liable to a fine not exceeding One Hundred Million (SLSH 100,000,000) Somaliland shillings.

**Article 51: Notice to provide an information.**

1. The Authority may, for the purpose of ensuring the compliance with the provisions of this Act and after issuance of three-day notice shall conduct an on-site inspection to any person licensed under this Act.
2. All expenses of inspection carried out in accordance with sub-article 1, shall be borne by the Authority.
3. A notice in accordance with sub-section 1 may be issued to: -
  - a) A licensee or a former licensee.
  - b) A person who the Authority believes by a reasonable ground that he is performing or has at any time performed unauthorized business.
  - c) Any party in relation to a person specified referred to in sub-articles of a, or b.
  - d) any person who the Authority reasonably believes is in possession of the information or documents; and shall specify the place where and the period within which the information or documents shall be provided or produced.
4. The Authority can take the copies or extracts of any document produced in accordance with this section.
5. A person who fails, without reasonable excuse to comply with a notice issued in accordance with this section commits an offence and is liable to a fine not exceeding One Hundred Million (SLSH 100,000,000) Somaliland shillings.

**PART ELEVEN: REMEDIAL MEASURES AND ENFORCEMENT**

**Article 52: Recovery Plans.**

1. The Authority may require a licensee to prepare a recovery plan, if the Authority has reasonable grounds to believe that one or more of the following applies : -
  - a) the licensee has breached or is likely to breach solvency control levels specified in capital adequacy regulations.
  - b) the business of the licensee has not been or is not being conducted in prudent manner or in accordance with sound insurance principles.
  - c) the licensee is carrying on or is likely to carry on its licensed business in a manner detrimental to the interests of its policyholders or prospective policyholders; or
  - d) the licensee has failed or is failing to comply with any requirements of this Act or any condition of its license.

**Article 53: Approval of the recovery plan by the Authority.**

1. The licensee shall, within such period as the Authority may require the licensee, provide a recovery plan to the Authority.
2. The Authority shall, after receiving the recovery plan shall inform the licensee whether the Authority is satisfied with the recovery plan or not and where the Authority is not satisfied with the recovery plan, the Authority may require the licensee to amend the recovery plan.
3. Every licensee shall, after the recovery plan has been approved by the Authority, comply with the plan.

**12: PART TWELEVE: GENERAL PROVISIONS.**

**Article 54: Protection of information from disclosure.**

A member of the Board of Directors, an employee of the Authority or any other person performing a function or duty under this Act, who receives information in the discharge of his or her functions under this Act, shall treat the information which comes to the knowledge of the person as confidential and shall not disclose the information unless required by law.

**Article 55: Requirement to consult.**

1. Before making, amending or replacing any regulation or issuing any guidance in accordance with the Act, the Authority shall: -
  - a) Provide a copy to the persons whom the Authority deems to have a significant effect: -
    - I. Regulations, procedures or guidelines.
    - II. Amendments made by the regulations, procedures or guidelines.
    - III. Replacements regulations or guidelines.



- b) Provide such individuals a reasonable opportunity to make a written feedback to the Authority and;
  - c) Consider any written feedbacks that it receives.
2. The Authority shall fulfill its duties mentioned in sub-article 1(a): -
- a) By publishing the relevant documents on its website.
  - b) In respect of a person by consulting with any professional or trade association of which the person is a member and considering representations by that association
  - c) Shall respond to any written feedback it receives.

**Article 56: Insurance service obligation.**

1. The Authority, while implementing the principles of this act, shall order the people and companies residing Somaliland to take third-party motor insurance by entering into an agreement with local insurance providers, while all other insurance classes will be optional.
2. The order mentioned in sub-article 1 which is mandatory of third-party motor insurance , will be carried out by the Authority for a period of six months after the enforcement of this act, and during that period the Authority will make appropriate awareness to the public and also check that insurers met all the necessary requirements.
3. The Authority shall assess the effectiveness and efficiency of this mandatory motor third party insurance within two years of its implementation, while also, evaluating the capabilities of licensed insurers. The findings from this assessment shall then be submitted to the House of Representatives for review.

**Article 57: Insurance to held with local insurers .**

1. Where a class of insurance required to be placed with a local insurer is not available to a person seeking insurance, that persons may place that insurance with a non-resident insurer provided that he or she: -
  - a) obtains prior written approval from the Authority; and
  - b) complies with the provisions of this Act.
2. Any general insurance business policy effected by a resident individual or a resident company, other than an insurer licensed under this Act, with any non-resident insurer shall be effected through the offices of a local licensed insurance broker.
3. No company or individual that is not a party to any contract of insurance, except an agent or insurance broker licensed under this Act or only an employee of an insurance company, shall

be paid any commission or other payment by any local insurer, agent or broker for affecting or renewing any policy of insurance..

4. The Authority may, by notice published in the Gazette and by written notice to each insurer, require insurance premiums due to local insurers from Somaliland residents, other than another local insurer, to be paid within a specified period of time from the date on which the insurance was effected or renewed
5. The Authority may, by notice issued under sub-article (4), specify different dates for payment of premiums which is due from brokers, agents and on insurance business placed directly with the insurer or through the offices of an agent or broker.

**Article 58: Payment of Premium.**

1. Subject to sub-article 2 , the insured shall pay in full the premiums stipulated in the insurance contract on or before the date of inception of the policy or renewal of the insurance policy.
2. The Authority may by regulations provide other procedures to pay the premium.

**Article 59: Approval of premium and commission rate.**

1. An insurance company will not issue an insurance policy, if the premium rate and commission rates contravenes any regulations made by the Authority under sub-article (2).
2. The Authority may determine the minimum premium or maximum commission rated for any class or type of insurance business.

**Article 60: Policyholder's Compensation Fund.**

1. There shall be a Policyholder's Compensation Fund to be established in accordance with this Act.
2. The function of the Policyholder's Compensation Fund is to build a reserve fund that can be used to provide a level of compensation, but not necessarily full compensation, to eligible unpaid claimants under policies issued by licensees.
3. The Policyholder's Compensation Fund shall be managed by a board of trustees.
4. The members of the board of trustees shall be appointed by the chairman and the composition and the terms and conditions of service of the board of trustees shall be prescribed by regulation.

**Article 61: Prohibitions of misleading advertisements.**

1. Any person who: -
  - a) Makes an advertisement, statements, promise or forecast which he or she knows to be misleading, false or deceptive;

- b) By dishonest concealment of facts; or
- c) By reckless making of an advertisement, statement, promise or forecast which is misleading, false or deceptive, concludes or offers to enter into a contract, transaction or arrangement with an insurer or any other person relating to insurance business commits an offence and is liable to a fine not exceeding One Hundred Million (SLSH 100,000,000) of Somaliland shillings.

**Article 62: Use of the term "Insurance" to carry out insurance business.**

1. Subject to subsection 2 and to any exemptions set forth in this Act, regulations or guidelines, no person shall without the prior written approval of the Authority, use the terms of "insurance", "assurance" or "reinsurance" or any derivations in English, Somali or other language as part of his or her business name other than a licensee, provided that the name does not suggest that the licensee carries on any licensable business other than the business that it is authorized by its license to carry on.
  - 1.
  2. No person shall issue any insurance policy, other than a person licensed under this Act: -
    - a) persons who at the time of effecting the insurance contract are residents of Somaliland;
    - b) goods or assets situated in Somaliland;
    - c) ships, aircraft or other vehicles registered in Somaliland; or
    - d) goods imported from other countries except personal effects and donations.
  3. All local and personal risks, in addition to imported goods, are insured by insurance companies licensed to carry out business in Somaliland.
  4. The regulations may prescribe other words or phrases to which subsection (1) applies.
  5. Anyone who violates this article shall be fined not more than Five Hundred Million (SLSH 500,000,000) Somaliland shillings.

**Article 63: Security Deposit.**

1. Every insurance company shall have an account with the Central Bank and other licensed banks, in which it shall deposit twenty percent (20%) of the paid up capital of the insurer.
2. The security deposit referred to in sub-article 1 shall be considered as part of the capital assets of the insurer.
3. The security deposit with an insurance company will be used for the following considerations:
  - 
  - a) To pay the insurance claims.

- b) to satisfy the costs of, or associated with any remedial measures or enforcement powers exercised by the Authority in relation to the insurer, or the running-off and winding up of the business of the insurer or the liquidation of the insurer;
  - c) In the event, that the insurer is liquidated, to pay to the liquidator of the insurer for the purposes of the winding up.
  - d) to make a payment or transfer to the insurer in accordance with this Act.
4. An insurance company with security deposit: -
- a) shall deal with the funds deposited in accordance with the written directions of the Authority; and
  - b) Shall not release the security deposit.
5. If an insurance company ceases to provide insurance services, it can request the Authority to withdraw the security deposit, and the Authority can approve it if it is satisfied that the insurer has been completely wound up and there are no claims against the insurer that arising out of insurance contracts in which he was involved.

**Article 64: Display of a license**

A permit-holder shall display his license at all times in a place of his office which is open to the public and a copy of it shall be displayed at each of his branches in Somaliland.

**Article 65: Offenses and penalties.**

1. A person who carries out or secretly performs an insurance service under this Act by hiding his service with a company that is established in contrary to this Act shall be liable to a fine of not more than One Hundred Million (SLSH 100,000,000) Somaliland shillings or imprisonment of not less than three months up to six months, or both.
2. In the alternative to the punishment provided under sub-Article (1), a licence of a person convicted under that sub-article shall be cancelled, and that person shall be disqualified from acquiring a license for five years.
3. .
4. An individual who is a manager or officer of a licensee in accordance with this Act, who: -
  - a) failure to take reasonable steps to maintain the compliance with the duties of this Act.
  - b) makes a report or provides false information by responding to information required under the provisions of this Act.
  - c) conceals to provide an information in accordance with this Act which is not a genuine shall be liable to a fine of not less than one hundred million (SLSH 100,000,000) Somaliland shillings.

5. An insurance or reinsurance company which fails to comply with an order issued by the Authority under this Act or contravenes any provision of this Act commits an offence and is liable to —
  - a. a public or private admonition;
  - b. a fine of not more than one hundred million (SLSH 100,000,000) Somaliland shillings;
  - c. suspension or revocation of the licence.
  
6. An insurance intermediary who fails to comply with an order issued by the Authority or violates any of the provisions of this Act, commits an offense and is liable to: -
  - a) A private and public admonition;
  - b) a fine not exceeding One Hundred Million (SLSH 100,000,000) of Somaliland shillings.
  - c) Suspension or revocation of license.
  
7. If an officer of a company subject to this Act agrees to violate or violates any of the provisions of this Act, he or she is personally liable to a fine for his misconduct.
  
8. An insurance company shall not pay any fee or reward of every intermediary who is not licensed in accordance with this Act and an insurance company that violates this section shall be liable to a fine of twenty-five percent of the received premium or the fine imposed under the paragraph (4)(b) whichever is higher.

**Article 66: Publication of details related to Permit-holders.**

The Authority shall publish in a suitable manner and format of the details relating to the licensees and the scope of licenses granted under this Act.

**Article 67: Confidentiality.**

1. This part applies to any person who is or has been the Chairman of the Insurance Authority, or its employees, or Inspectors or any other person appointed by the Authority.
  
1. Subject to this provision, a person to whom this section applies shall not, either directly or indirectly, except in the performance of a duty under or in connection with this Act, make a record of or divulge or communicate to any person, any information concerning the affairs of any other person acquired by him by reason of his office or employment under or for purposes of this Act.
  
2. This part shall not prevent the Chairman or any other member of staff or a person assisting the Chairman or an investigator authorized by the Authority to provide an information or documents.

3. Provided that any information furnished to Authority under this Article shall be treated as confidential and used solely for the purpose of this Act
4. A person who violates the obligations of this article commits an offense and is liable to a fine not exceeding One Hundred Million (SLSH 100,000,000) Somaliland shillings or imprisonment not exceeding twelve months or both.

**Article 68: Compliance of Anti-money laundering and terrorist financing.**

Every licensee shall comply with the obligations of a prevention of anti-Money Laundering Act no. 87/2019 and other laws relating to combating terrorist financing.

**Article 69: Regulations and Circulars.**

The Chairman, in consultation with the Board of Directors of the Authority, shall issue a circular for a regulation of implementing the provisions of this Act, which does not conflict with this Act, the Authority's Act and other enforced laws.

**Article 70: Transition Period.**

Every insurance company and re-insurer who had a license before this Act, will be allowed a period of not more than six months, to complete the necessary activities to comply the provisions of this Act, the Authority's Act and other relevant laws.

**Article 71: This and the Previous Acts.**

1. This Act is in line with the Companies Act and other enforced laws.
2. General details related to the name and establishment of the company, the dissolved company, the change of the company, the management and responsibility of the shareholders of the company, the new shareholders, the procedure for the transfer of the debt owed to the company, the rights of the creditor, the process for the prosecuting of the shareholder's sue and the structure of the company shall be followed in accordance with the Companies Act, in compliance with all its prohibitions or obligations.
3. The fee that has been taken to the insurance Authority is followed in accordance with how the article 28 of the National Insurance Authority Act No. 92/2021 indicates, and shall be changed into the prescribed manner of this Act.

**Article 72: Enforcement of the Act.**

This Act shall come into force when the House of Representatives approved and signed by the President, and issued in the official gazette.