

**AN ACT ADOPTING AN INSURANCE LAW, AMENDING
A SECTION OF THE ASSOCIATION LAW AND TERMINATING
THE CORPORATE EXISTENCE OF THE
NATIONAL BANK OF LIBERIA.**

Whereas, it is presently necessary that the business of insurance in the Republic of Liberia be supervised and regulated in such manner as to insure the safe and sound conduct of such business and particularly the solvency and continued financial reliability of insurance companies engaged therein and thus maintain public confidence in such business and protect the interests of their policyholders, creditors and stockholders and the public interest; and

Whereas, the successful administration of an insurance law enacted for such purposes can be accomplished most effectively through a Government agency in which is centered all authority and responsibility for attaining them; and

Whereas, section 47 of the Associations Law of the Liberian Code of Laws of 1956 [now repealed], conflicts in part with such purposes and should therefore be amended to eliminate such conflict; and

Whereas, a similar conflict requiring elimination exists in the charter of the National Bank of Liberia, a prospective national central banking institution incorporated by the Forty-second Legislature at their first session, and published in the Session Law of 1951-52, chapter XIV and as a supplement to the Banking and Insurance Law in the Liberian Code of Laws 1956, title 5, sections 500-530 [see

footnote below]¹; and

Whereas, the said National Bank of Liberia never commenced to do business as authorized by its incorporation, and since no such action is contemplated, the termination of its existence by an act of this Legislature, as set forth in the said charter, and the cancellation and revocation of its charter, is deemed beneficial [see footnote below]²; now therefore,

It is enacted by the Senate and House of Representatives of the Republic of Liberia in Legislature assembled:

§ 1. *There is hereby enacted an Insurance Law*, to be title 16 of the Liberian Code of Laws Revised, a copy of which title is hereto annexed.

§ 2. Section 47 of chapter 1 of the Associations Law of the Liberian Code of Laws of 1956 is hereby amended to read as follows:

§ 7. Scope of chapter. Nothing in this chapter shall be construed to permit the organization of a corporation to do banking business. "All banking business may be organized and operated only by special arrangement with the Government of the Republic of Liberia."

1 This part of the Preamble was rendered no longer relevant following the passage of the Financial Institutions Act and the National Bank of Liberia Act in 1974, the former to regulate the operations of financial institutions and the latter to establish the National Bank of Liberia.

2 This part of the Preamble became inapplicable following the passage of the National Bank of Liberia Act, and, pursuant thereto, the establishment of the National Bank of Liberia.

§ 3. The existence of the National Bank of Liberia is hereby terminated and its charter is hereby canceled and revoked.

§ 4. This act shall take effect immediately upon publication.

TITLE 16

Insurance Law

Approved: June 27, 1973

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Chapter 1. GENERAL PROVISIONS

- § 1.1. Application of title
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§ 1.1. Application of title:

This title applies to every insurer transacting or soliciting insurance in Liberia, including associations of underwriters, and to every kind or class of insurance business except as herein provided. The *Association of Underwriters at Lloyds shall be treated as a single entity* for purposes of satisfying all admission and operating requirements including the payment of taxes as provided in chapter 6. Nothing in this title shall apply to an alien insurer writing or placing insurance policies on vessels documented under the provisions of the Maritime Law which are not exclusively engaged in coastwise Liberian trade, their liabilities, claims or cargos; nor shall this title apply to perfume collected on such policies.

§ 1.2. Definitions:

Except when the context or a specific provision otherwise requires, the following words when used in this title and for the purposes of this title, shall have the meanings ascribed to them in this section:

(a) *Alien insurer.* An “alien insurer” is one formed under the laws of any country other than Liberia, or of any state or other political subdivision therein;

(b) *Association of Underwriters.* “Association of Under-writers” means an association of individual underwriters organized in accordance with the system known as Lloyd's, in which every

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underwriting member of each syndicate of members becomes liable for a separate part of the sum secured by each policy subscribed to by that syndicate limited or proportionate to the whole sum thereby secured.

(c) Authorized insurer. An "authorized insurer" is one duly authorized by a subsisting certificate of authority issued by the Commissioner to transact insurance in Liberia.

(d) Certificate of authority. A "certificate of authority" is one issued by the Commissioner evidencing the authority of an insurer to transact insurance in Liberia.

(e) Commissioner. The "Commissioner" refers to the Commissioner of Insurance.

(f) Domestic insurer. A "domestic insurer" is one formed under the laws of Liberia.

(g) Insurance. "Insurance" is a contract whereby one undertakes upon determinable risk contingencies to indemnify another or pay or allow a specified or ascertainable amount or benefit thereon.

(h) Insurance agent. An "insurance agent" is a person appointed and authorized by an insurer to solicit applications for insurance or negotiate for insurance coverages on behalf of the insurer and to perform such other functions as may be assigned to him by the insurer.

(i) Insurance broker. An "insurance broker" is a person who as an independent contractor and for commission or other compensation and not being an agent of the insurer, solicits

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or negotiates insurance business on behalf of an insured or prospective insured, other than himself.

(j) *Insurer.* "Insurer" includes every person engaged as indemnitor, surety or contractor in the business of entering into contracts of insurance.

(k) *Mutual insurance company.* A "mutual insurance company" is an insurance company without share capital which is owned by and operated in the interests of its policyholders or members and affairs of which are directed by a board of trustees or directors elected by the policyholders or members.

(l) *Person.* "Person" includes an individual, insurer, company, association, organization, Lloyd's, society, reciprocal or interinsurance exchange, partnership, syndicate, business trust, corporation and every legal entity.

(m) *Reinsurance.* "Reinsurance" is a contract under which an originating insurer (called the "ceding" insurer) procures insurance for itself in another insurer (called the "assuming" insurer or the "reinsurer") with respect to part or all of any insurance risk of the originating insurer.

(n) *Stock insurance company.* A "stock insurance company" is an insurance with company permanent shares capital owned and controlled by its shareholders and includes a statutory corporation carrying on insurance business.

(o) *Transact insurance.* "Transact insurance" with respect to the insurance matters covered by this title includes solicitation and inducement; preliminary negotiations; effectuation of a contract of insurance; transaction of matters subsequent to effectuation of

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a contract of insurance and arising out of it.

§ 1.3. General Penalty.

Each violation of this Insurance Law for which a penalty is not otherwise provided shall in addition to any applicable refusal, suspension or revocation of a license or certificate of authority and upon conviction in a Liberian court, be punishable by a fine of not less than one hundred dollars nor more than one thousand dollars.

Chapter 2. BUREAU OF INSURANCE

- § 2.1. Bureau created
- § 2.2. Deputies and staff
- § 2.3. Functions of the Commissioner
- § 2.4. General powers of the Commissioner
- § 2.5. Prohibited interests of Bureau staff; exception

§ 2.1. Bureau created.

There shall be created in the Ministry of Commerce and Industry a Bureau of Insurance, whose chief executive officer shall be the Commissioner of Insurance. The Commissioner shall be appointed *by the President upon advice and consent of the Senate and hold office at his pleasure.* He shall have and use an official seal on all notices, documents, reports and other official documents issued by his office.

§ 2.2. Deputies and staff.

The President, upon advice and consent of the Senate, may appoint such deputy Commissioners as he considers necessary to assist the

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Commissioner in the administration of this title. A deputy shall have and may exercise, subject to the general direction and control of the Commissioner all the functions assigned to him by the Commissioner, by this title or any regulations made thereunder. From time to time, there may be employed such clerks and other employees as may be needed to carry on the function of the Bureau. The Commissioner, subject to the approval of the Minister of Commerce and Industry, may contract for and procure on a fee basis such independent actuarial, technical or other professional services as may be required for the discharge of his duties under this title.

§ 2.3. Functions of the Commissioner.

The Commissioner, subject to the direction and control of the Minister of Commerce and Industry, shall exercise the following functions:

- (a) Approve proposed incorporations of domestic insurers and applications of alien insurers to do business in Liberia complying with the requirements of chapter 3;
- (b) Authorize qualified domestic and alien insurers to transact insurance in Liberia in accordance with chapter 4;
- (c) Register and license qualified agents and brokers in accordance with chapter 5;
- (d) Acquire and maintain all records, reports, audits and other information filed in accordance with the provisions of chapter 5 or otherwise officially obtained by the Commissioner;
- (e) Make such examination, inspections, audits or investigations as are necessary to insure compliance with the requirements of this title;

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(f) Prepare an annual report to the Minister of Commerce and Industry containing the following information:

(i) names of the authorized insurers, agents and brokers transacting insurance in Liberia, with such summary of their financial reports as the Commissioner deems proper;

(ii) names of insurers whose business was closed during the year, the causes thereof and the amount of their assets and liabilities as are ascertainable;

(iii) names of insurers, agents and brokers against whom disciplinary proceedings were instituted and a concise statement of facts with respect to each proceeding;

(iv) comments and recommendations pertaining to amendment of this title, regulations thereunder, or the general manner of regulating the business of insurance in Liberia, and

(v) any further relevant and proper information.

(g) Perform such other functions as may be assigned to the Commissioner by this title or any other regulations made thereunder or reasonably inferred therefrom.³

§ 2.4. General powers of the Commissioner.

The Commissioner, subject to the direction and control of the Minister of Commerce and Industry, shall have such powers and

³ *Prior Legislation:* Subparagraphs (a), (b); 1956 Code 4:47, 5:50(2); L. 1951-52, ch. XIV, t. III, att. II, & II; L. 1950-51, ch. XXXIII, & 1 (section 47).

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authority as are expressly conferred upon him by this title or reasonably implied therefrom, including the power to issue notices and orders, and to draft for issuance by the Minister of Commerce and Industry, rules and regulations to interpret and effectuate its provisions.

§ 2.5. Prohibited interests of Bureau staff; exception.

Neither the Commissioner nor any deputy, assistant or employee of the Bureau shall be financially interested, directly or indirectly, in any insurer or insurance transaction, except as a policyholder or claimant under a policy; provided, that where there is no conflict of interest, the Commissioner may temporarily employ or retain insurance actuaries, technicians or other professionals notwithstanding that they are permanently employed by an authorized insurer, agent or broker.

Chapter 3. ORGANIZATION AND INITIAL CERTIFICATION OF DOMESTIC AND ALIEN INSURERS: MERGERS AND CONSOLIDATIONS

Subchapter A. Organization of Domestic Insurer

- § 3.1. Scope of subchapter.
- § 3.2. Applicability of general corporate statutes.
- § 3.3. Articles of incorporation
- § 3.4. Insurance exclusive business of domestic insurers
- § 3.5. Filing of articles.
- § 3.6. Filing of articles condition precedent to authorization.

Subchapter B. Certification of Alien Insurers To Do Business

- § 3.11. Scope of subchapter.
- § 3.12. Applicability of general corporate statutes.
- § 3.13. Certification application.

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§ 3.14. Filing of applications.

§ 3.15. Filing of application condition precedent to authorization.

Subchapter C. Mergers and Consolidations

§ 3.21. Scope of subchapter.

§ 3.22. Approval of plans by Commissioner and Minister of Justice

Subchapter A. ORGANIZATION OF DOMESTIC INSURERS.

§ 3.1. Scope of subchapter.

This subchapter shall apply to all domestic mutual and stock insurance companies as defined in section 1.2.

§ 3.2. Applicability of general corporate statutes.

The provisions of the Associations Law relating to the powers and procedures for incorporating domestic private corporations for profit shall apply to all domestic insurers as implemented by the provisions contained in this title relating thereto.⁴

§ 3.3. Articles of incorporation.

Articles of incorporation of all domestic insurers hereinafter incorporated, subject to other requirements of this title, shall conform to the following:

- (a) Seven or more individuals, at least three of whom shall be

⁴ Prior legislation: 1956 Code :7; L. 1950-51, ch. XXX, (section 7).

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Liberian citizens and residents of Liberia, may incorporate a domestic insurance company proposing to transact one or more kinds of insurance business.

(b) The incorporators shall prepare and execute in quadruplicate, proposed articles of incorporation in accordance with the applicable provisions of the Associations Law. In addition to matters required or permitted under that law, which are not inconsistent with the provisions of this title, the proposed articles of incorporation shall set forth the following:

(i) The words "insurance company" or "assurance company" shall be part of the name of the corporation and in case of a mutual insurance company the name shall contain the word "mutual";

(ii) the kind or kinds of insurance which the corporation is formed to transact;

(iii) a minimum paid-in capital commitment or requirement of not less than three hundred thousand dollars, plus a paid-in surplus of not less than one hundred and fifty thousand dollars when first authorized to transact insurance under this title, except that a company formed to transact life insurance only may have a minimum commitment of two hundred thousand dollars capital and one hundred thousand dollars paid-in surplus;

(iv) the authorized capital stock, if a stock insurance is involved, and the number of shares of its stock and the par value of each share, which shall not be less than one dollar. The articles of incorporation in such case shall provide for only one class of voting stock, which class must be

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common stock with equal voting rights and uniform par value and for a commitment that at least twenty-five percent of the authorized common voting stock shall be made available for sale to Liberian citizens for a period of not less than two years from the date of incorporation. Shares without par value shall not be authorized.

(v) the extent, if any, to which the shares of stock or members of a mutual insurance company, as the case may be, are subject to assessment.

§ 3.4. Insurance exclusive business of domestic insurers.

A domestic insurer heretofore or hereafter formed shall not have the corporate power directly, or indirectly through subsidiaries or otherwise, to engage in any business other than the insurance business or those activities which are reasonably and necessarily incidental to such business.

§ 3.5. Filing of articles.

The following procedure for the filing of articles of incorporation shall be complied with:

(a) The incorporators shall submit the executed articles of incorporation of a proposed domestic insurer in four originals to the Commissioner for review. If the Commissioner finds the articles to be in compliance with this title, he shall deliver an original thereof to the Minister of Justice for examination. After examining the articles, the Minister of Justice shall return them to the Commissioner accompanied by his opinion certifying as to whether or not he has found the articles to be in accordance with the laws of Liberia and not inconsistent with the Constitu-

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tion. If the Minister of Justice has found the articles to be in accordance with law, the Commissioner shall certify his approval upon each of the four originals of the articles, file one of such originals in his office and deliver three originals to the incorporators, one of which shall be filed by them with the Minister of Foreign Affairs upon payment of the fees prescribed by law therefor.

(b) If upon receiving or examining the articles of incorporation as hereinabove provided, the Commissioner or the Minister of Justice finds that the articles do not comply with this title or are not in accordance with the laws of Liberia, or are inconsistent with the Constitution, as the case may be, the Commissioner shall refuse to approve the articles and shall return all originals of the articles to the incorporators accompanied by a written statement of the defects in the articles or the reasons upon which his refusal is based.

(c) The Minister of Foreign Affairs shall not permit the filing with him or in his office of any such articles of incorporation unless the same bear the Commissioner's approval endorsed thereon as hereinabove provided. The Commissioner's approval, when so endorsed, shall be deemed to relate only to the form of the articles of incorporation and shall not be deemed to constitute an approval or commitment by the Commissioner as to any other aspect or operation of the proposed insurer.

(d) The Commissioner and the Minister of Justice shall perform all duties required of them under this section within thirty days after the articles of incorporation have been submitted to the Commissioner as provided in subparagraph (a).

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§ 3.6 Filing of articles condition precedent to authorization.

The Commissioner shall not examine nor approve an application for certificate of authority from a domestic insurer under chapter until he has received proof that the Minister of Foreign Affairs has issued a certificate of incorporation and that the articles of incorporation and the certificate have been duly probated and registered.

Subchapter B. CERTIFICATION OF ALIEN INSURER TO DO BUSINESS

§ 3.11. Scope of subchapter:

This subchapter shall apply to all alien insurers as defined in section 1.2.

§ 3.12. Applicability of general corporate statutes:

The provisions of the Associations law relating to the procedures for certification of foreign corporations to do business in Liberia as implemented by the provisions in this title relating thereto shall apply to all alien insurers seeking to qualify as insurers under this title.⁵

§ 3.13. Certification Application:

Application for certification of alien insurers hereinafter applying to transact insurance business in Liberia, subject to other requirements of this title, shall conform to the following:

- (a) Such alien insurers shall prepare and execute in quadruplicate

⁵ *Prior legislation:* 1956 Code: 7: L. 1950-51, ch. XXXIII, & 1 (§ 7).

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applications to do business in Liberia in accordance with the applicable provisions of the Associations Law. In addition to the annexation of certified copies of articles of incorporation with all amendments thereto, as required under that law, there shall also be annexed verified or otherwise authenticated copies of current bylaws. To be eligible for certification hereunder, the articles of incorporation must indicate the following:

(i) the words “insurance company” or “assurance company” in the name of the corporation and in the case of a mutual insurance company the name also contain the word “mutual”.

(ii) a minimum paid-in capital commitment or requirement of not less than two million dollars plus a requirement for a surplus of not less than one million dollars.

(iii) no power contained therein which directly, or indirectly through subsidiaries or otherwise, permits the alien insurer to engage in any business in Liberia other than the insurance business or those activities which are reasonably and necessarily incidental to such business.

§ 3.14. Filing of Applications.

The following procedure for the filing of applications by alien insurers to do business in Liberia shall be complied with:

(a) The applicant shall submit the executed application to do business in four originals to the Commissioner for review. If the Commissioner finds that application to be in compliance with this title he shall deliver an original thereof to the Minister of Justice for examination. After examination of the application, the Minis-

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ter of Justice shall return it to the Commissioner accompanied by his opinion certifying as to whether or not he has found the application to be in accordance with the laws of Liberia and not inconsistent with the Constitution. If the Minister of Justice has found the application to be in accordance with law, the Commissioner shall certify his approval upon each of the four originals of the application, file one of such originals in his office and deliver three originals to the applicant, one of which shall be filed with the Minister of Foreign Affairs upon payment of the fees prescribed by law therefor;

(b) If upon reviewing or examining the application as hereinabove provided, the Commissioner or the Minister of Justice finds that the application does not comply with this title or is not in accordance with the laws of Liberia, or is inconsistent with the Constitution, as the case may be, the Commissioner shall refuse to approve the application and shall return all originals of the application to the applicant accompanied by a written statement of the defects in the application or the reasons upon which his refusal is based.

(c) The Minister of Foreign Affairs shall not permit the filing with him or in his office of any such application unless the same bear the Commissioner's approval, endorsed thereon as hereinabove provided. The Commissioner's approval, when so endorsed, shall be deemed to relate only to the form of the application and shall not be deemed to constitute an approval or commitment by the Commissioner as to any other aspect or operation of the alien insurer in Liberia.

(d) The Commissioner and the Minister of Justice shall perform all duties required of them under this section within thirty days after the application has been submitted to the Commissioner as

provided in subparagraph (a).

§ 3.15. Filing of application condition precedent to authorization.

The Commissioner shall not examine nor approve an application for a certificate of authority from an alien insurer under chapter 4 until he has received proof that the Minister of Foreign Affairs has issued a certificate to do business to the alien insurer and that the certificate and the application therefor have been duly probated and registered.

Subchapter C. MERGERS AND CONSOLIDATION

§ 3.21 Scope of subchapter.

This subchapter shall apply to all domestic and alien stock insurance companies as defined in section 1.2.

§ 3.22. Approval of plans by Commissioner and Minister of Justice.

Mergers and consolidations of domestic and alien stock company insurers shall be governed by the following:

(a) A domestic stock company insurer may merge or consolidate with one or more domestic or alien stock company insurers by complying with the applicable provisions of the Associations Law governing the merger or consolidation of stock corporations formed for profit, but subject to sub-paragraphs (b) and (c).

(b) No such merger or consolidation shall be effectuated unless

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in advance thereof the plan and agreement therefor have been filed with the Commissioner and approved in writing by him after notice to the stockholders of each insurer involved with solicitation of written objection, and review and subsequent approval of the plan and agreement by the Minister of Justice. If the Minister of Justice has found the plan and agreement to be in accordance with law, the Commissioner shall certify his approval within a reasonable time after such filing unless it is found such plan and agreement:

- (i) is contrary to law; or
 - (ii) is inequitable to the stockholders of any insurer involved; or rendered to policyholders of; or
 - (iii) would substantially reduce the security of and service to be rendered to policy holders of; or
 - (iv) is subject to other material and reasonable objections.
- (c) No director, officer, agent or employee of any insurer party to such merger or consolidation shall receive any fee, commission, compensation or other valuable consideration whatsoever for in any manner aiding, promoting, or assisting therein except as set forth in such plan or agreement.
- (d) If the Commissioner does not approve any such plan or agreement, he shall so notify the insurers proposing the same in writing, specifying his reason therefor.
- (e) Any plan or proposal through which a domestic insurer proposes to acquire a controlling stock interest in another domestic insurer through an exchange of stock of the first insurer, issued by the first insurer for the purpose of acquiring

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such controlling stock of the second insurer, is deemed to be a plan or proposal of merger of the second insurer into the first insurer for the purposes of this section and is subject to the applicable provisions hereof.

(f) Reinsurance of all or substantially all of the insurance in force of an insurer by another insurer, shall also be subject to the provision of this section as if such re-insurance were a merger. However, nothing herein shall be construed to restrict the right of authorized insurers to obtain necessary and normal reinsurance.

Chapter 4. AUTHORIZATION OF INSURERS

- § 4.1. Certificate of authority required for insurer; penalty for unauthorized activities.
- § 4.2. Qualifications for authorization of domestic insurer.
- § 4.3. Qualifications for authorization of alien insurers.
- § 4.4. Application for certificate of authority.
- § 4.5. Grant or denial of application.
- § 4.6. Duration of certificate.
- § 4.7. Cancellation of authorization; grounds
- § 4.8. Cancellation of authorization; procedure.
- § 4.9. Effect of final decision of cancellation.
- § 4.10. Prohibition against unauthorized insurance; penalty

§ 4.1 Certificate of authority required for insurers; penalty for unauthorized activities.

1. Valid certificate condition precedent. No insurer shall directly or indirectly transact or solicit insurance in the Republic of Liberia without a valid certificate of authority as required by this title.

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2. *Penalty for violation of section.* Violation of this section shall subject the insurer, his agent or the broker involved to a fine of not less than five hundred dollars nor more than two thousand five hundred dollars for each occurrence. For purposes of this section, each transaction, contract or act of solicitation in contravention thereof shall be regarded as a separate offense.

§ 4.2 Qualifications for authorization of domestic insurer.

No corporation shall be authorized to carry on business as a domestic insurer unless it complies with each and all of the following requirements:

- (a) It has been organized pursuant to the provisions of chapter 3 relating thereto and has complied with all the requirements therein;
- (b) It has on hand, unimpaired, paid-in capital and surplus equal to the minimum requirements for domestic insurers as set forth in chapter 3;
- (c) It deposits with the Commissioner as security for creditors, a 50,000 cash deposit or bank guarantee, or bond in the same amount conditioned as required by section 4.4(e);
- (d) It observes all procedural and other operating requirements of this title and the lawful requests of the Commissioner.

§ 4.3 Qualifications for authorization of alien insurers:

No foreign corporation shall be authorized to carry on business as an alien insurer unless it complies with each and all of the following requirements:

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- (a) It has obtained a certificate to do business in Liberia pursuant to the provisions of chapter 3 relating thereto and has complied with all the requirements therein;
- (b) It has on hand, unimpaired, paid-in capital and surplus equal to the minimum requirements for alien insurers as set forth in chapter 3;
- (c) It presents a currently issued certificate of authority or comparable document from the appropriate official of the country or state or other political subdivision therein in which it was formed or organized, certifying that the insurer has been in existence for at least five years in such jurisdiction and has not been the subject of a rehabilitation, liquidation or conservation proceeding in that or any other jurisdiction;
- (d) It deposits with the Commissioner as security for creditors, a \$50,000 cash deposit or bank guarantee, or bond in the same amount conditioned as required by section (e);
- (e) It observes all procedural and other operating requirements of this title and the lawful requests of the Commissioner.

§ 4.4 Application for certificate of authority.

To apply for an original certificate of authority, an insurer shall file with the Commissioner its application therefor together with an official receipt of payment of the appropriate fees as specified in section 6.1. The application shall set forth its name, location of home office and if an alien insurer, its principal office in Liberia, the kind or kinds of insurance to be transacted, date of organization or incorporation, country or state or other political subdivision therein in which it was formed or organized, such additional information as

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the Commissioner may reasonably require, and it shall be accompanied by the following documents as applicable:

(a) If a domestic insurer, a certified copy of its certificate of incorporation and of its articles of incorporation as probated and registered and one copy of its current bylaws verified by one of its officers or otherwise authenticated;

(b) If an alien insurer, a certified copy of its certificate to do business in Liberia and the application therefor as probated and registered, a copy of its corporate charter of articles of incorporation, with all amendments thereto, certified by the public officer with whom the originals are on file, a copy of its current bylaws verified by one of its officers or otherwise authenticated, and a copy of the appointment and authorization of its principal officer or agent in Liberia;

(c) For all applicants, a complete copy of the insurer's financial statement as of the preceding December 31, sworn to by two of its executive officers or certified by the public insurance supervisory official of the country or state or other political subdivision in which the insurer was formed or organized. Such financial statement may be submitted in one of the following forms:

(i) a financial statement form required to be filed with and acceptable to a public insurance supervisory official of a state of the United States of America; or

(ii) a financial statement form required to be filed with and approved by the Board of Trade of Great Britain; or

(iii) a financial statement form prescribed by the Commissioner.

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(d) For all applicants, documentary evidence that the insurer has on hand paid-in capital and surplus at least equal to the required minimum capital and surplus set forth in this title for the type of insurer making the application.

(e) For all applicants, a \$50,000 cash deposit or bank guarantee, or bond in the same amount executed by another insurer or bank in a form approved by the Commissioner, which deposit, guarantee or bond shall be conditioned for the payment of creditors in Liberia, including a claim by the Republic of Liberia for delinquent taxes, and prompt payment of all claims arising to any person under any policy issued by the applicant pursuant to its certificate of authority.⁶

§ 4.5 Grant or denial of application.

Upon filing, the processing of an application for a certificate of authority shall be as follows:

(a) The application shall be examined by the Commissioner. If he finds it to be complete and the documents included therewith in proper order, he shall forward the entire submission to the Minister of Justice for examination. The Minister of Justice shall examine the documents, and if found by him to be in accordance with the requirements of this title and not inconsistent with the Constitution, he shall so certify in an opinion to the Commissioner.

(b) If the Commissioner finds from the application, the Minister of Justice's opinion referred to herein and such other investigation and information as he may make or acquire, that the insurer is fully qualified and entitled to a certificate of authority, he shall

⁶ *Prior legislation:* 1956 Code 5:505(2); L. 1951-52, ch. XLV, t. III, art. II, & II.

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issue a proper certificate to the insurer. If the Commissioner finds that the insurer is not qualified, he shall issue a written order refusing such authority, specifically citing the reasons in support of such finding.

(c) In the event of a denial, the insurer shall have the right of judicial review in a court of competent jurisdiction in accordance with established procedures.

(d) The Commissioner and the Minister of Justice shall take all necessary action as specified herein and either issue or refuse to issue a certificate of authority within sixty days from the date of initial application for such authority.

§ 4.6. Duration of certificate:

A certificate of authority once issued shall remain in full force and effect without the necessity of annual renewal, subject only to cancellation as provided in this chapter and the payment of annual license fees.

§ 4.7. Cancellation of authorization: grounds:

An insurer's certificate of authority shall be subject to cancellation if the insurer does any of the following:

(a) Fails to maintain unimpaired the minimum capital and minimum surplus required of it; or

(b) Fails to maintain the margin of solvency applicable to it; or

(c) Fails to retain in Liberia at least ten percent of its gross annual premiums derived from policies pertaining to risks or undertakings in Liberia; or

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- (d) Fails to maintain the security given by it as protection for creditors; or
- (e) Fails to submit an annual report, record or document required by this title or the Commissioner within the prescribed time, or within a reasonable time thereafter not to exceed thirty days; or
- (f) Fails to comply with any other procedural or operating requirement under this title after first being notified of such failure by the Commissioner and thereafter failing to remedy the defect within the prescribed time; or
- (g) Ceases to carry on business in this country; or
- (h) Requests that its certificate be cancelled; or
- (i) Fails to satisfy a final judgement obtained against it in any Liberian court of competent jurisdiction within thirty days after such judgement is entered.

§ 4.8. Cancellation of authorization; procedure.

The following procedure shall govern proceedings to cancel an insurer's certificate of authority:

- (a) If the Commissioner finds that an authorized insurer has subjected itself to cancellation of its certificate of authority on any of the grounds set forth in section 4.7, he shall convey such find with supporting evidence to the Minister of Justice with the insurer's certificate of authority be cancelled. If the Minister of Justice concurs in the Commissioner's findings and recommendation, the Commissioner shall immediately notify the insurer in writing of his intention to cancel its certificate of authority.

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(b) Upon receipt of such notice, the insurer shall have thirty days to request an informal administrative hearing before the Commissioner at which it may introduce any evidence which is relevant and material without regard to formal rules of evidence. The Commissioner, acting on advice of the Minister of Justice, shall consider the evidence so presented and issue a final decision within thirty days, either affirming or rescinding the proposed cancellation and assigning written reasons in support thereof.

(c) If the Commissioner should reaffirm his decision to cancel the certificate, the insurer shall have the right of judicial review in a court of competent jurisdiction in accordance with established procedures.

(d) During the period of such review, the insurer shall be prohibited from soliciting new contracts or policies of insurance, but nevertheless is required to process all claims and other normal business in connection with existing contracts or policies.

§ 4.9. Effect of final decision of cancellation.

When the Commissioner's decision to cancel the certificate of authority or an insurer becomes final, the insurer shall cease doing business in Liberia and further shall thereafter be subject to forfeiture of the security deposited under section 4.4(e) and of its other assets in Liberia to satisfy creditors and claims for policyholders in accordance with the liquidation procedure set forth in this title. Any unused assets shall be returned to the insurer involved.

§ 4.10. Prohibition against unauthorized insurance; penalty.

1. Prohibited practices. No policy or contract of insurance of any kind or character covering risks on persons or property located or

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situated in the Republic of Liberia or on undertakings to be performed in Liberia shall be written, placed or caused to be placed with an insurer who is not authorized under this title regardless of where that insurer may be domiciled or where the policy or contract may actually be written or signed; provided that the prohibition herein contained shall not apply to policies or contracts of insurance permitted to be secured under an exemption granted by the Commissioner in writing upon a showing that a person, corporation or entity is unable to secure such insurance from an authorized insurer.

2. *Penalty for violation.* Violation of this section shall subject the person, corporation or entity securing such unauthorized insurance to a fine of not less than five hundred dollars nor more than two thousand five hundred dollars, for each occurrence. For the purpose of this section, each contract, policy or instrument written or place in contravention thereof shall be regarded as a separate offense.

Chapter 5. OPERATING REQUIREMENTS FOR INSURERS

- § 5.1. Maintenance of capital and surplus.
- § 5.2. Margin of solvency.
- § 5.3. Premium reserves retained in Liberia.
- § 5.4. Principal office and agent.
- § 5.5. Licensing of agents and brokers.
- § 5.6. *Countersignature of resident agent or broker.*
- § 5.7. Records to be maintained.
- § 5.8. Annual reports.
- § 5.9. Amendment of reports.
- § 5.10. Audit of books and records.
- § 5.11. Assets and liabilities defined.
- § 5.12. Rights of policyholders.
- § 5.13. Liquidation of authorized insurers.

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§ 5.1. Maintenance of capital and surplus.

Every insurer shall have and at all times maintain unimpaired capital and surplus in amounts at least equal to the minimum capital and minimum surplus required of it when first authorized to transact an insurance business in Liberia and additions thereto, if any, thereafter lawfully required.

§ 5.2. Margin of solvency.

1. *Domestic insurers.* Every domestic insurer shall at all times maintain a margin of solvency of not less than one hundred fifty thousand dollars excess of assets over liabilities as defined in section 5.11 or one-fourth of the gross premium income received by it during the preceding fiscal year, which ever is greater.

2. *Alien insurers.* Every alien insurer shall at all times maintain a margin of solvency of not less than five hundred thousand dollars excess of assets over liabilities as defined in section 5.11 or one-fourth of the gross premium income received by it during the preceding year, whichever is greater.

§ 5.3. Premium reserves retained in Liberia.

Every insurer shall retain in Liberia at least ten percent of its gross annual premiums derived from policies pertaining to risks or undertakings in Liberia.

§ 5.4. Principal office and agent.

When an insurer is first authorized to transact business in this country and at all times thereafter it shall maintain a principal office or place of business in Liberia, and if an alien insurer, appoint a principal officer or agent authorized to accept service of process, and give the

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Commissioner immediate written notice of any change therein.

§ 5.5. Licensing of agents or brokers.

No person shall act as an insurance agent or broker in Liberia without having been authorized so to do by virtue of a license issued and in force pursuant to this section. The licensing of insurance agents and brokers shall be governed by the following:

(a) Every authorized insurer shall obtain licenses for all agents transacting or soliciting insurance on its behalf in Liberia; brokers transacting or soliciting insurance in Liberia shall obtain their own licenses.

(b) No special examination is necessary, except the Commissioner shall not license any agent or broker who has:

(i) been adjudged insolvent or bankrupt in any country and not been rehabilitated or liquidated; or

(ii) made an assignment to or an arrangement or composition with creditors which has been rescinded or set aside; or

(iii) been convicted by a court in any country of an offense involving dishonesty and neither appealed nor had such conviction dismissed on appeal.

(c) Application of brokers and agents shall be accompanied by a fidelity bond or cash deposit in the amount of \$10,000.

(d) Applications shall be made on a form to be prescribed by the Commissioner. If he is satisfied that the agent or broker is qualified he shall issue a license forthwith. If the Commissioner

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denies the application, he shall render a written decision setting forth his reasons in support thereof; the individual or insurer involved shall have the right of judicial review.

(e) Licenses shall be renewed annually upon payment of the required fee. They shall be subject to cancellation for failure to file the countersignature report referred to in section 5.6 or the occurrence of any action or condition which would have precluded issuance of the original license. In the event of cancellation upon a finding by the Commissioner, he shall make a written order setting forth his reasons in support thereof; the individual or insurer involved shall have the right of judicial review.

§ 5.6. Countersignature of resident agent or broker.

1. Policies required to be countersigned and records kept thereon. Except for transactions excluded under the provisions of paragraph 3, no authorized insurer shall make, write, place, or cause to be made, written or placed, any policy or contract of insurance or indemnity of any kind or character, or any general or floating policy covering risks located in Liberia or undertakings to be performed in this country, except through a licensed agent or broker, who shall countersign all policies or indemnity contracts so issued and keep a record of the same containing the usual and customary information concerning the risk undertaken and the full premium paid or to be paid thereafter to the end that the Republic of Liberia may receive the taxes required by law to be paid on the premiums collected for insurance on property or undertaking located in Liberia. When two or more authorized insurers issue a single policy, it may be countersigned on behalf of all insurers appearing thereon by a licensed agent of any one of such insurers.

2. Annual statement of compliance. Every authorized insurers shall

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file with its annual report to the Commissioner an affidavit from its president, manager or chief executive officer, to the effect that all policies, bonds or contracts of insurance officer upon persons and property, resident, situated or located in Liberia, have been counter-signed as required herein.

3. *Excluded transactions.* This section shall not apply to the following transactions:

- (a) Reinsurance contracts or retrocessions made by or for authorized insurers; or
- (b) Ocean marine insurance placed in an alien insurance company.

§ 5.7. Records to be maintained.

All authorized insurers shall maintain and have available for examination by the Commissioner, a record of all policies issued by them in Liberia or issued by them elsewhere covering risks, person, property or undertakings to be performed in Liberia, showing for each policy:

- (a) The names and addresses of the insured or insurers;
- (b) The kind or kinds of insurance transacted;
- (c) The amount of the policy or applicable portion thereof;
- (d) The amount of the premium or applicable portion thereof; and
- (e) Such other information as the Commissioner may reasonably require.

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Such records shall be maintained by the insurer's principal agent and kept at its principal office in Liberia.

§ 5.8. Annual reports.

1. Time for filing; contents. Every authorized insurer shall file an annual report with the commissioner on or before March 31 setting forth a true statement of its financial condition, transactions and affairs as of the preceding December 31. The report shall include the following:

- (a) A certificate of solvency of that insurer, signed by an auditor or, in the case of a life insurer, by an actuary;
- (b) A balance sheet duly certified by an auditor showing the financial position of the insurance business of the insurer at the close of the preceding calendar year together with a copy of a relevant supporting statement;
- (c) A certified copy of the profit and loss statement for insurance carried on for the preceding calendar year, showing by kind or class of business gross premiums, reinsurance costs, contributions to reserves, losses and expenses;
- (d) A statement showing the total gross premiums received from policies covering risks in this country as required under section 6.2(1) and an affidavit of compliance with the countersignature requirements of sections 5.6.
- (e) Such other documents and information as the Commissioner may from time to time require, including annual reports to policyholders or stockholders.

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2. *Format.* The commissioner may prescribe a form to be used in filing the annual report and in lieu thereof may accept the form generally used in any state of the United States or by the Board of Trade of Great Britain as adequate for purposes of this section subject to whatever additional information or clarification he may deem necessary.

3. *Verification.* The reports shall be verified by the insurer's president or general manager.

§ 5.9 Amendment of reports.

1. *Commissioner may request amended or corrected report.* If, in the opinion of the Commissioner, a statement, balance sheet or other document furnished by an authorized insurer under section 5.8 is incorrect or not prepared as prescribed, the Commissioner may request the insurer to amend it or furnish a correct one as necessary.

2. *Amendment by Commissioner; when permitted.* If an authorized insurer fails to comply with such a request, the Commissioner, if the facts are known to him, may amend the statement, balance sheet or other document, giving to the insurer particulars of such amendments, or he may reject completely the amended or corrected documents which do not conform.

3. *Properly amended or corrected report deemed original.* A statement, balance sheet or other document amended or corrected by an insurer or the Commissioner under this section shall be treated as if it had been originally submitted in its amended or corrected form.

4. *Rejected report non-compliance with insurance law.* If a statement, balance sheet or other required document of an authorized insurer is rejected by the Commissioner under this section, the insurer shall, to that extent, be deemed to have failed to comply with the requirements

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of this title.

§ 5.10. Audit of books and records.

1. Annual independent audit required. The books and records of every authorized insurer shall be audited annually by an independent professional auditor approved by the Commissioner. The certified report of his audit shall be filed with the Commissioner by such auditor immediately upon its completion.

2. Contents of certificate of auditor. The auditor shall satisfy himself that the accounts of the insurer have been properly prepared in accordance with the books and records of the insurer and shall certify as follows:

(a) He has obtained adequate information from the books, records and annual report of the insurer;

(b) The accounts of the insurer accord with the information given to him by the insurer for the purpose of his audit; and,

(c) The certificate of solvency, balance sheet and profit and loss account respectively of the insurer give a true and fair view of the insurer's financial position and profit of loss.

§ 5.11. Assets and liabilities defined.

1. Assets generally and items excluded therefrom. In determining the margin of solvency or financial condition of any insurer, only those assets which are owned by the insurer and customarily accepted for that purpose shall be allowed, except that no allowance shall be given to any of the following:

(a) Goodwill, trade names and other similar intangible assets;

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(b) Advances to officers (other than policy loans) whether secured or not and advances to employees, agents or other persons on personal security only;

(c) Stock of such insurer owned by it or any material equity thereon or loans secured thereby, or any material proportionate interest in such stock held or acquired through the insurer's ownership in another firm, corporation or business entity;

(d) Furniture, fixtures, furnishings, safes, vehicles, libraries, office equipment and supplies, other than data processing equipment and accounting systems normally authorized as assets.

2. *Items to be included as liabilities.* In determining the margin of solvency or financial condition of any insurer, the capital stock and liabilities to be charged against its assets shall include the following:

(a) The amount of its outstanding capital stock;

(b) The amounts established as necessary to pay all of its outstanding unpaid losses or claims, together with expenses of adjustment or settlement thereof;

(c) The amount of reserves for future losses and payment of benefits which is considered sufficient and proper under generally accepted insurance accounting principles for the kind or kinds of insurance involved.

3. *Commissioner may prescribe additional specific assets and liabilities.* For purposes of administering this section, the Commissioner may prescribe by regulation specific assets which will be allowed and the manner in which reserves for specific kinds of insurance will be calculated provided such regulations are in accordance with *customary established insurance accounting principles.*

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§ 5.12. Rights of policyholders.

1. Inspection of balance sheet. Policyholders may inspect the balance sheet of any authorized insurer at its principal office in Liberia during normal business hours. If requested, the insurer shall supply a copy of such balance sheet to a policyholder.

2. Enforcement of rights in Liberian courts. A policyholder shall be entitled to enforce his rights against any authorized insurer in a court of competent jurisdiction in Liberia, notwithstanding any provision in the policy or agreement concerning the policy to the contrary.

§ 5.13. Liquidation of Authorized insurers.

The Minister of Justice, at the request of the Commissioner, may apply to a court of competent jurisdiction on notice for an order appointing the Commissioner as a receiver and directing him to liquidate the business of a domestic insurer or the Liberian branch of an alien insurer upon any of the grounds specified in section 4.7, or if such insurer:

- (a) Is insolvent, or has an impaired capital or surplus;
- (b) Has failed to comply with an order of the Commissioner to make good an impairment of capital or surplus or both;
- (c) Has transferred or attempted to transfer substantially its entire property or business, or has entered into any transaction the effect of which is to merge substantially its entire property or business in that of any other insurer without having first obtained the written approval of the Commissioner;
- (d) Is an insolvent insurer and has commenced voluntary liquidation or dissolution, or attempts to commence or prosecute any

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action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, trustee, custodian or sequestrator under any law except this title;

(e) Has had its property sequestrated in its domiciliary sovereignty if an alien insurer, or regardless of whether it is an alien or domestic insurer, elsewhere.

2. *Terms of liquidation order.* An order of liquidation shall contain the following:

(a) If it applies to the business of a domestic insurer, it shall direct the Commissioner forthwith to take possession of the property of the insurer, to liquidate its business, to deal with the insurer's property and business in his own name as Commissioner of Insurance or in name the of the insurer, as the court may direct, and to give notice to all creditors who may have claims against the insurer to present such claims. The Commissioner may apply for and secure an order dissolving the corporate existence of a domestic insurer upon his application for an order of liquidation of such insurer or at any time after such order of liquidation has been granted;

(b) If it applies to the Liberian branch of an alien insurer, it shall be in the same terms as those prescribed for domestic insurers, save and except only that the assets of the business of such Liberian branch shall be the only assets included therein;

(c) A directive to the Commissioner to declare the insurer's security deposit to be forfeited and subject to payment of proven claims of creditors and claimants in accordance with this title.

3. *Power of Commissioner under order.* The Commissioner shall

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have all power, authority and title necessary to obtain and liquidate the available assets and property of the delinquent insurer, but shall administer such assets and the proceeds therefrom under the court's supervision and control.

4. Liquidation proceedings. The Commissioner shall notify all policyholders and the public of the liquidation proceedings and set a fixed time for submission of claims to his office. Upon receipt of all such claims, the court shall schedule a hearing with proper notice for the purpose of determining the allowance, priority and payment claims. Valid claims shall be paid in accordance with the priorities established in the Bankruptcy Law, except that claims for losses under policies held by residents of Liberia shall be given first priority in accordance therewith. Any unused assets shall be returned to the insurer upon termination of the proceedings.

Chapter 6. FEES AND TAXES

§ 6.1. Fee schedule.

§ 6.2. Premium tax.

§ 6.3. Penalty for failure to file return and pay tax.

§ 6.4. Premium tax is lieu of other taxes; real property exception.

§ 6.1. Fee schedule.

Except as otherwise provided by statute, the Minister of Finance shall collect in advance and persons so served shall pay to him in advance the following fees and charges for insurance services to be rendered by the Commissioner:

(a) Certificate of authority:

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(i) Filing required initial financial statement	\$50.00
(ii) Issuance of original certificate of authority	100.00
(iii) Certified copy of certificate of authority	5.00
(b) Filing annual report	100.00
(c) Agents and Brokers:	
(i) Filing application for original license, including issuance of license if granted	5.00
(ii) Annual renewal license fee	5.00
(d) Miscellaneous services:	
(i) Commissioner's certificate under seal (except certificate of authority or certified copy thereof)	1.00
(ii) For each copy of a document filed in the Commissioner's office...per page	.20

§ 6.2. Premium tax

1. Filing of return and payment of tax. On or before the 31st day of March of each year, each authorized insurer shall file an original copy with the Commissioner and a duplicate original copy with the Minister of Finance of a statement under oath, on forms as prescribed and furnished by the Commissioner, showing the amount of all gross premiums received from policyholders by the insurer on direct risks written in Liberia, and also, if a domestic insurer, on direct risks situated in any other country or countries, during the year ending December 31 next preceding, and the amount of deductions allowed the insurer hereunder, and shall at the same time pay to the Minister of Finance a tax at the rate of three percent on the amount of such gross premiums received in excess of premiums and cancellations

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returned and premium dividends paid to or credited to the accounts of such policyholders, provided, that life insurers may in computing the taxable premiums on life insurance also deduct the amount of coupons paid to policy holders, and in computing the tax on annuity considerations may also deduct the amount, not in excess of the considerations actually received on the contract, returned or refunded to the prospective annuitant or to a person designated by him before benefits commence under the contract.

2. *Marine policies exemption.* This section shall not apply to premiums received on all types of ocean marine policies covering hull, cargos or liabilities of vessels documented under the provisions of the Maritime Law which are not exclusively engaged in coastwise Liberian trade, provided that insurers of such risks shall be authorized and comply with the requirements of this title if they transact any other type of business in Liberia.

3. *Returns to be audited.* The Commissioner shall cause the statement received by him pursuant to the provisions of this section to be audited and shall forward the results of such audits to the Minister of Finance on or before April 30 of each year.

§ 6.3. Penalty for failure to file return and pay tax.

An insurer failing to render the statement and pay the tax required under section 6.2 for more than thirty days after the same are due, shall be liable to a civil penalty of twenty-five dollars for each additional day of delinquency and the taxes may be assessed and collected in the manner provided for the assessment and collection of delinquent taxes in the Revenue and Finance Law. The Commissioner shall suspend the certificate of authority of the delinquent insurer until the statement is filed and the taxes and civil penalty, if any, are fully paid.

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§ 6.4. Premium tax in lieu of other taxes; real property exception.

Payment to the Minister of Finance by an insurer of the tax upon its premiums as required by the provisions of this chapter, shall be in lieu of all other taxes upon premiums, taxes upon income, or other taxes measured by income, and upon the personal property of the insurer and the shares of stock or assets thereof; provided, that all real property, if any, of the insurer shall be listed, assessed and taxed under the provisions of the Revenue and Finance Law applicable thereto.