



**AN ACT TO REPEAL CERTAIN PROVISIONS OF AN ACT  
ADOPTING AN INSURANCE LAW OF 1973, AND OTHER  
LAWS RELATING TO INSURANCE AND TO ENACT IN  
LIEU THEREOF AN ACT TO PROVIDE FOR THE  
REGULATION AND SUPERVISION OF INSURANCE  
BUSINESS OF INSURANCE BROKERS, INSURANCE  
AGENTS AND LOSS ADJUSTERS (INSURANCE ACT, 2013)**

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**(INSURANCE ACT, 2013)**

## **INSURANCE ACT, 2013**

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AN ACT TO REPEAL CERTAIN PROVISIONS OF THE ACT ADOPTING AN INSURANCE LAW, 1973 AND OTHER LAWS RELATING TO INSURANCE AND TO ENACT IN LIEU THEREOF AN ACT TO PROVIDE FOR THE REGULATION AND SUPERVISION OF INSURANCE BUSINESS AND THE BUSINESS OF INSURANCE BROKERS, INSURANCE AGENTS AND LOSS ADJUSTERS.

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

## **Chapter 1. GENERAL PROVISIONS**

### **1.1 Short Title**

This Act shall be cited as the Insurance Act, 2013.

#### **1.1.1. Application of Title**

1. This Title:

- (a) Applies to every person carrying on, whether in or from Liberia, general or life insurance business or business as an insurance broker, an insurance agent or a loss adjuster;
- (b) Establishes a system for the licensing of insurers, insurance brokers, insurance agents and loss adjusters;
- (c) Imposes prudential, governance, market conduct and other requirements on persons licensed as insurers, insurance brokers, insurance agents or loss adjusters; and
- (d) Provides for the supervision by the Authority of compliance with the requirements imposed by this Title.

“Applies to the regulation of mandatory insurance of marine imports and exports and mandatory motor vehicle liability insurance under existing laws and other mandatory insurances that shall be defined by regulations from time to time.”

2. This Title does not apply to:

- (a) The National Social Security and Welfare Corporation established under Chapter 89 of the Executive Law of Liberia;
- (b) Business in relation to a pension scheme; or
- (c) Persons excluded from the application of this Title by an express provision of this Act or by regulations made under the Act.

### ***General Definitions***

### **1.3 Definitions**

As used in this Act, unless expressly provided otherwise, or the context otherwise requires:

“Annuity contract” means a contract that falls within the class or sub-class of life insurance business specified as annuity business in the Regulations;

“Anti-money laundering and terrorist financing laws” has the meaning specified in the Regulations;

“Authority” means the Central Bank of Liberia or such other body as may otherwise be specified by law;

“Authority’s fit and proper criteria” means the criteria issued by the Authority in accordance with section 12.4;

“Bearer share” means a share represented by a certificate which states that the bearer of the certificate is the owner of the share and includes a share warrant to bearer;

“Cedant” means the insurer indemnified under a reinsurance contract;

“Class”, in relation to insurance business, means a class of insurance business specified in the Regulations;

“Co-insurer” has the meaning specified in section 1.6;

“Contributed capital”, in relation to a corporation, means the total of:

- (a) Monies paid, and
- (b) The value of any other consideration provided,

For shares issued by the corporation;

“Control”, in relation to a person having an interest in, or the power to exercise control over, a license holder has the meaning specified in the Regulations;

“Corporation” means a corporation formed under, or deemed to be formed under, the Business Corporations Act but, does not include a non-resident domestic corporation;

“Court” means a judicial body in Liberia having jurisdiction over matters arising from the enforcement of this Act;

“Customer” means:

- (a) In the case of an insurer:
  - (i) A policyholder of the insurer; or
  - (ii) Any person to whom any payment is to be paid or benefit provided under the insurance contract, whether on a contingent basis or otherwise; or
- (b) in the case of a licensed insurance intermediary or a licensed loss adjuster, a person, whether resident in or outside Liberia, to whom the insurance intermediary or loss adjuster provides, agrees to provide or has provided a service for which a license is required;

“Direct insurance business” means the business of undertaking liability as insurer under direct insurance contracts;

“Direct insurance contract” means an insurance contract that is not a reinsurance contract;

“Distribution” has the meaning specified in section **6.11** subsection 2;

“Domestic insurance contract” means a direct insurance contract of a type or description designated in the Regulations as a domestic insurance contract;

“Effective date” means that date that this Act comes into force;

“Foreign direct insurer” means a foreign insurer that is not a foreign reinsurer;

“Foreign insurer” means a person that:

- (a) Carries on insurance business, and
- (b) Is incorporated, formed or constituted in a jurisdiction outside Liberia,

and includes a foreign reinsurer;

“Foreign regulatory authority” means an authority in a foreign jurisdiction which performs:

- (a) functions in relation to the regulation or supervision of financial services that correspond to or are similar to the functions performed by the Authority; or
- (b) any other function that, in the opinion of the Authority, relates to the regulation or supervision of financial services;

“Foreign reinsurer” means a foreign insurer:

- (a) the primary business of which is the business of entering into reinsurance contracts, as reinsurer; and
- (b) which does not carry on a significant amount of direct insurance business as a percentage of its premium income;

“General insurance business” means insurance business of a class that is specified in the Regulations as general insurance business including mandatory insurance of marine imports and exports and mandatory motor vehicle liability insurance, and other mandatory insurances that shall be defined by regulations from time to time, and includes reinsurance business of that class;

“General insurer” means a licensed insurer authorized to carry on general insurance business;

“Group” has the meaning specified in the Regulations;

“Holding company” has the meaning specified in the Regulations;

“Index-based insurance contract” means a contract satisfying the criteria for an index-based insurance contract specified in the Regulations;

“Insolvent” has the meaning specified in section 1.5;

“Insurance agent” means a person appointed and authorized by an insurer to solicit applications for insurance, negotiate for insurance business on behalf of the insurer or to perform other functions, of an agency nature, assigned to the person by the insurer, but does not include an individual who is a salaried employee of the insurer;

“Insurance broker” means a person who acts as an independent contractor or consultant who, for commission or other compensation, and not being an agent of the insurer, carries out any of the following activities:

- (a) the soliciting or negotiating of insurance business, including the renewal and continuance of such business, on behalf of a policyholder or a prospective policyholder other than himself or herself,
- (b) the bringing together, either directly or through the agency of a third party, with a view to the insurance of risks, of persons seeking insurance and insurers, and carrying out work preparatory to the conclusion of contracts of insurance, or
- (c) the provision of advice to customers concerning their insurance requirements,

and includes a reinsurance broker;

“Insurance business” means the business of undertaking liability as an insurer under insurance contracts, and includes reinsurance business;

“Insurance contract” has the meaning specified in section 1.4;

“Insurance intermediary” means an insurance broker, a reinsurance broker or an insurance agent;

“Insurer” means a person by whom or on whose behalf the risk or part of the risk to which an insurance contract relates is accepted, and includes a reinsurer;

“Investment-linked contract” means a contract that falls within the class or sub-class of life insurance business specified as investment-linked life business in the Regulations;

“key function” means:

- (a) in relation to a licensed insurer, a function specified in section 7.3;
- (b) in relation to a licensed insurance broker, a function specified in section 8.8;

“Key functionary” means:

- (a) a person, other than an employee of a license holder, who undertakes a key function for the license holder; or
- (b) in the case of a licensed insurer, the person, if any, who is its appointed actuary;

“Law” means the Laws of Liberia;

“Liberian legal entity” means a legal entity formed under the Law;

“License holder” means a person holding a license issued under this Act;

“Licensed direct insurer” means a person holding an insurer’s license;

“Licensed insurance agent” means a person holding an insurance agent’s license;

“Licensed insurance broker” means a person holding an insurance broker’s license;

“Licensed insurance intermediary” means a person holding an insurance broker’s license or an insurance agent’s license;

“Licensed insurance loss adjuster” means a person holding an insurance loss adjuster’s license;

“Licensed insurer” means a licensed direct insurer or a licensed reinsurer;

“Licensed reinsurer” means a person holding a reinsurer’s license;

“Life insurance business” means insurance business of a class that is specified in the Regulations as life insurance business, and includes reinsurance business of that class;

“life insurer” means a licensed insurer authorized to carry on life insurance business;

“Loss adjuster” means a person who, for commission or other compensation, including a salary, investigates and negotiates the settlement of claims under insurance contracts solely on behalf of either the insurer or the policyholder but does not include:

- (a) an individual who is an employee of an insurer or an insurance agent while acting on behalf of the insurer or insurance agent; or
- (b) an insurance agent who is authorized to settle claims on behalf of the insurer for whom the insurance agent acts as agent;

“mandatory insurance” means any insurance that the Law makes it compulsory for any category or categories of persons to obtain;

“person” includes a natural person, a corporation and any corporate body, partnership, association or body of persons and, for the avoidance of doubt, includes an association of underwriters;

“policyholder”, in relation to a contract of insurance, means:

- (a) the person who entered into the contract of insurance with the insurer; or
- (b) if the rights of the original policyholder under the insurance contract have been assigned or transferred by law, the person to whom the rights have been assigned or transferred;

“Premium”, in relation to an insurance contract, means the money or other consideration payable to an insurer under an insurance contract;

“Qualifying foreign reinsurer” means a foreign reinsurer that satisfies the criteria for a qualifying foreign reinsurer specified in the Regulations;

“Reinsurance broker” means an insurance broker, when acting for an insurer in relation to the reinsurance of risks or reinsurance contracts;

“Reinsurance business” means the business of undertaking liability as a reinsurer under reinsurance contracts;

“reinsurance contract” means an insurance contract under which one insurer (the reinsurer) indemnifies another insurer (the cedant) against losses on one or more contracts of insurance entered into by the cedant, and include a retrocession agreement;

“Reinsurer” means a person by whom or on whose behalf the risk or part of the risk to which a reinsurance contract relates is accepted;

“relevant license holder means:

- (a) a licensed direct insurer;
- (b) a licensed reinsurer; or
- (c) a licensed insurance broker;

“Resident in Liberia” shall be construed in accordance with the Regulations;

“Senior management”, when used in respect of a license holder, means:

- (a) the senior managers of the license holder collectively; or
- (b) where the context requires, those senior managers having responsibility for particular functions;

“Senior management function” has the meaning specified in section 1.7;

“Senior manager”, with respect to a license holder, means an individual employed under a contract of service with the license holder who is appointed to undertake, or have responsibility for, one or more senior management or key functions;

“Significant owner”, in relation to a corporation or other body corporate, means a person who exercises control over the undertaking, as may be defined by the Regulations;

“Subsidiary” has the meaning specified in the Regulations.

“Related Persons” in relation to an insurance company are: (i) any officer or director of a license holder or any person who alone or together with one or more others has the authority to enter into commitments for the account of the license holder; (ii) any principal shareholder of the license holder; and (iii) any person who is related to such officer, director or principal shareholder by marriage, consanguinity to the second degree, or business interest;

“Related Person” to any officer, director or principal shareholder of a license holder means any person who is related to such person by marriage, consanguinity to the second degree, or business interest.

### *Specific Definitions*

#### **1.4. Definition of “insurance contract”**

1. For the purposes of this Act and the Regulations, “insurance contract” means:
  - (a) a contract under which one party, the insurer, in exchange for a premium, agrees with another party, the policyholder, to make a payment, or provide a benefit, to the policyholder or another person on the occurrence of a specified uncertain event which, if it occurs, will be adverse to the interests of the policyholder or such other person entitled to the payment or benefit, or
  - (b) an investment-linked contract,and includes an annuity contract, a reinsurance contract and an index-based insurance contract.
2. An uncertain event is an event, with respect to which, there is uncertainty as to whether or when the event will take place.
3. The Regulations may specify types or descriptions of contracts that are considered not to be insurance contracts for the purposes of this Act.

#### **1.5. Definition of “insolvent”**

For the purposes of this Act and the Regulations:

- (a) a licensed insurer is considered to be insolvent if:
  - (i) it does not meet the minimum solvency margin or capital resource requirements specified in the Regulations; or
  - (ii) it is unable to pay its debts or other liabilities, including its insurance liabilities, as they fall due for payment;
- (b) any other person, including a licensed insurance intermediary and a licensed loss adjuster, is considered to be insolvent if:

- (i) the value of the person's liabilities exceeds the value of the person's assets; or
- (ii) the person is unable to pay its, his or her debts or other liabilities as they fall due for payment;
- (c) without limiting paragraph (b), a licensed insurance intermediary is considered to be insolvent if it does not meet any applicable capital resource requirement or solvency test that may be specified in the Regulations.

#### **1.6. Definition of "coinsurer"**

1. For the purposes of this Act and the Regulations, "co-insurer" means an insurer that agrees to accept liability under an insurance contract together with one or more other insurers.
2. An insurer may be a co-insurer:
  - (a) whether the liability of the co-insurers is joint, several or joint and several; and
  - (b) whether or not the existence of the co-insurer is disclosed to the policyholder.

#### **1.7. Definition of "senior management function"**

An employee has a senior management function if the employee:

- (a) acts as chief executive officer of the license holder or occupies an equivalent position under a different name;
- (b) holds a position that requires him to be answerable to the directors of the license holder;
- (c) has responsibility, whether alone or jointly with others, for a key function;
- (d) has responsibilities that include direct involvement in the license holder's management or decision-making process at a senior level; or
- (e) undertakes such other function as may be specified in the Regulations as a senior management function.

### **Chapter 2. FUNCTIONS OF THE AUTHORITY**

#### **2.1. Functions of the Authority**

1. The Authority has the following functions in relation to the insurance market in Liberia:
  - (a) to license insurers, reinsurers, insurance brokers, insurance agents and loss adjusters in accordance with this Act;
  - (b) to regulate and supervise licensed insurers on an individual and group-wide basis;

- (c) to regulate and supervise licensed insurance brokers, licensed insurance agents and licensed loss adjusters;
  - (d) to enforce compliance with this Act and the Regulations;
  - (e) to take enforcement action against persons carrying on unlicensed business; and
  - (f) to cooperate with, and provide assistance to, foreign regulatory authorities and regulatory authorities and law enforcement agencies in Liberia.
2. The Authority has such other functions in relation to the insurance market in Liberia as may be given to it under any other law.
3. The Authority shall perform its functions with the objectives of:
- (a) promoting the maintenance of a sound, efficient, fair and stable insurance market in Liberia;
  - (b) promoting public confidence in the insurance market; and
  - (c) protecting the interests of customers and prospective customers of license holders.
4. In performing its functions, the Authority shall have authority with regard to:
- (a) the need to implement international standards and best practices as far as is appropriate and practicable to Liberia, taking particular account of the stage of development of the insurance market;
  - (b) the desirability of:
    - (i) regulating and supervising license holders on a risk-sensitive basis;
    - (ii) encouraging competition within the insurance market; and
    - (iii) developing, and expanding access to, the insurance market in Liberia.
5. In considering appropriate measures for protecting the interests of customers and prospective customers of license holders, the Authority shall have regard to:
- (a) the differing degrees of experience and expertise that different customers and prospective customers may have in relation to insurance products and the insurance market;
  - (b) the needs that customers and prospective customers may have for advice and accurate information; and
  - (c) the general principle that customers and prospective customers should take responsibility for their informed decisions.

### **Chapter 3. PROHIBITIONS AND RESTRICTIONS**

#### **3.1. Prohibition against Unlicensed Business**

1. Subject to section 3.3, a person shall not carry on, or purport to carry on, in Liberia any business for which a license is required under this Act, unless the person holds a license issued under this Act that authorizes the person to carry on the business concerned.
2. A Liberian legal entity and a limited partnership formed under the Partnership Act shall not carry on, or purport to carry on outside Liberia:
  - (a) any insurance business or reinsurance business, or
  - (b) any business as an insurance intermediary or loss adjuster,unless the legal entity or limited partnership holds a license issued under this Act that authorizes it to carry on the business concerned.
3. Without limiting subsection 1, a person is considered to carry on:
  - (a) insurance business in Liberia if the person, as an insurer:
    - (i) enters into a domestic insurance contract;
    - (ii) occupies any premises in Liberia; or
    - (iii) makes an offer to, or invites, a person in Liberia to enter into, renew or vary any insurance contract; or
  - (b) business as an insurance intermediary or as a loss adjuster in Liberia if:
    - (i) by way of business as an insurance intermediary or insurance loss adjuster, the person occupies premises in Liberia; or
    - (ii) the person invites a person in Liberia, or causes such a person to be invited, whether through the publication of advertisements or otherwise, to become a customer.
4. A person purports to carry on business as an insurer, an insurance intermediary or a loss adjuster if that person uses any name, style, designation, description, title or trade mark that represents or implies that the person is an insurer, an insurance intermediary or a loss adjuster, whether licensed or not.
5. Any person who violates subsection 1 or 2 upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **3.2. Domestic Insurance Contracts**

1. A person shall not enter into a domestic insurance contract with a foreign insurer unless the contract is covered by an exemption granted to the foreign insurer under section 3.4.
2. Any person who violates subsection 1 upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
3. A domestic insurance contract is enforceable by both parties to the contract, despite being entered into in contravention of subsection 1.

### **3.3. Exceptions to the Prohibition Against Unlicensed Business**

1. The prohibition in section 3.1 subsection 1 does not apply to:
  - (a) a foreign insurer by reason of the fact that it enters into a reinsurance contract with a licensed direct insurer or a retrocession contract with a licensed reinsurer; or
  - (b) a foreign insurer that is carrying on direct insurance business on a services only basis, as permitted by an exemption granted by the Authority under section 3.4.
2. A foreign reinsurer that opens a representative or contact office in Liberia does not contravene section 3.1 subsection 3(a)(ii) if:
  - (a) the Authority has approved the opening of the representative or contact office; and
  - (b) the foreign reinsurer operates the office in accordance with:
    - (i) any applicable requirements in the Regulations; and
    - (ii) any conditions imposed by the Authority on the approval.

### **3.4. Exemption to a Foreign Insurer to Operate on a Provision of Services Only Basis**

1. The Authority may grant an exemption to a foreign insurer in accordance with this section, permitting the foreign insurer to enter into, either as the sole insurer or as a co-insurer with one or more other foreign insurers or licensed insurers:
  - (a) one or more specific direct insurance contracts, or
  - (b) direct insurance contracts of a specific type or description,where, except for the exemption, entering into the insurance contract or insurance contracts would contravene section 3.1 subsection 1.

2. Application for an exemption under this section may be made to the Authority by or on behalf of a foreign insurer.
3. The Authority may grant an exemption under this section if the Authority:
  - (a) is of the opinion, after consultation with the insurance industry, that the principal objective of the insurance contract or contracts to which the application relates is to insure a risk or risks:
    - (i) that no licensed insurer is, or licensed insurers are, willing or able to insure;
    - (ii) that licensed insurers have insufficient capacity to insure; or
    - (iii) where the terms proposed by any licensed insurers willing and able to insure the risk are significantly less advantageous than the terms available from the foreign insurer; and
  - (b) is satisfied that:
    - (i) the foreign insurer is authorized in the jurisdiction in which its principal place of business is situated (its “home jurisdiction”) to enter into insurance contracts of the type for which the exemption is sought;
    - (ii) the foreign insurer is subject to adequate regulation and supervision in its home jurisdiction and satisfies all regulatory and supervisory requirements in its home jurisdiction in relation to the insurance business to be carried out under the exemption; and
    - (iii) the insurance contract or contracts would be lawfully entered into by the foreign insurer if entered into in its home jurisdiction.

### **3.5. Prohibition Against Dealing with Unlicensed Insurer**

1. A licensed insurance intermediary and a licensed loss adjuster shall not act in relation to an insurance contract effected, or to be effected, by or with an insurer that does not hold an insurer’s license, unless the insurance contract is covered by an exemption:
  - (a) granted under section 3.4; or
  - (b) specified in the Regulations, in accordance with subsection 2
2. The Regulations may exempt specified categories or descriptions of insurance contract from subsection 1.

## **Chapter 4. LICENSING**

### **4.1. Categories of License**

1. A license may be issued by the Authority in one of the following categories:

- (a) insurer's license;
  - (b) reinsurer's license;
  - (c) insurance broker's license;
  - (d) insurance agent's license; and
  - (e) loss adjuster's license.
2. An insurance broker's license shall state whether or not the holder is authorized to carry on business as a reinsurance broker.
  3. An insurer's license does not authorize the holder to carry on reinsurance business.

#### **4.2. Application for License**

1. Application may be made to the Authority:
  - (a) for an insurer's license, a reinsurer's license or an insurance broker's license, by a corporation that is authorized to issue shares but that is not authorized:
    - (i) to have non-shareholding members; or
    - (ii) to issue bearer shares;
  - (b) for an insurance agent's license, by any person, including a natural person; and
  - (c) for a loss adjuster's license, by a corporation satisfying the conditions specified in paragraph (a), a limited partnership, a partnership or a natural person.
2. An application under subsection 1 shall be in the form approved by the Authority, if any, shall include the information specified in the approved form and shall be accompanied by:
  - (a) where required by the Regulations, businesses plan that complies with the Regulations;
  - (b) all other documents specified in the Regulations or in the form approved by the Authority, if any;
  - (c) in the case of an application for an insurance agent's license, written confirmation from each insurer for which the applicant acts, or will act, as agent that the insurer supports the application; and
  - (d) state the class of business for which the applicant seeks authorization.

#### **4.3. Issue of Insurer's or Reinsurer's License**

1. Subject to subsections 3 and 4, the Authority may issue an insurer's license or a reinsurer's license, as appropriate, to the applicant if it is satisfied that:

- (a) the applicant satisfies the requirements of this Act and the Regulations with respect to the application;
  - (b) the applicant intends, if issued with the license, to carry on insurance business or reinsurance business, as the case may be, in the classes for which it will be authorized;
  - (c) the applicant:
    - (i) has the ability to comply with the prudential requirements specified in this Act and the Regulations; and
    - (ii) in particular, is able to meet, and has the ability to maintain, the solvency margin or capital resource requirements specified in the Regulations;
  - (d) the applicant's ownership, corporate and management structure, governance framework, procedures and controls (including its risk management procedures and controls), or proposed procedures and controls, financial resources and, in the case of an insurer, its proposed reinsurance arrangements, are appropriate having regard to the nature, scale and complexity of the applicant's insurance business or proposed insurance business;
  - (e) the applicant intends, and has the ability, to carry on its business or proposed business in a prudent manner, in accordance with sound insurance principles and in compliance with applicable requirements of this Act and the Regulations;
  - (f) the applicant has the ability to comply with any conditions the Authority intends to attach to the license under section 12.6;
  - (g) if the applicant is a subsidiary of a foreign insurer, the group of which the applicant is a member is, or will be, subject to adequate and appropriate group-wide supervision and that the Authority will be able to obtain adequate information concerning the holding company and other members of the group;
  - (h) the applicant's significant owners, directors, senior managers and key functionaries, individually and collectively, satisfy the Authority's fit and proper criteria; and
  - (i) issuing the license is not against the public interest.
2. Without limiting the discretion given to the Authority under subsection 1, the Authority may refuse to issue a license to an applicant if it has reasonable grounds for believing that any person having an interest in the applicant does not satisfy the Authority's fit and proper criteria.
3. The Authority shall not grant a license to an applicant if the name under which the applicant would be licensed so closely resembles the name of a license holder that the licensing of the applicant under that name would, in the opinion of the Authority, be likely to confuse or mislead.

4. The Authority shall not issue an insurer's license that authorizes the holder to carry on both life insurance and general insurance business.

#### **4.4. Issue of insurance intermediary's or loss adjuster's license**

1. The Authority may issue an insurance intermediary's or loss adjuster's license to an applicant if it is satisfied that:
  - (a) the applicant satisfies the requirements of this Act and the Regulations with respect to the application;
  - (b) the applicant intends, if issued with a license, to carry on business as an insurance intermediary in the relevant category, or as a loss adjuster;
  - (c) the applicant is able to meet and has the ability to maintain, any applicable minimum contributed capital or capital resource requirements;
  - (d) where relevant, the applicant's significant owners, directors and senior managers and key functionaries, individually and collectively, satisfy the Authority's fit and proper criteria;
  - (e) the organization, management and financial resources of the applicant are, or on the issuance of the license will be, adequate for the carrying on of the licensed business; and
  - (f) issuing the license is not against the public interest.
2. Without limiting the discretion given to the Authority under subsection 1, the Authority may refuse to issue a license to an applicant if it has reasonable grounds for believing that any person having an interest in the applicant does not satisfy the Authority's fit and proper criteria.

#### **4.5. Period of Time for Determination of Application**

1. The Authority shall determine an application:
  - (a) for an insurer's license or a reinsurer's license, within 90 days of receiving a complete application;
  - (b) for an insurance intermediary's license or a loss adjuster's license, within 60 days of receiving a complete application.
2. For the purposes of subsection 1, the Authority receives a complete application when it receives:
  - (a) a complete written application which, where appropriate, is in the form approved by the Authority; and
  - (b) the documents and information, if any:
    - (i) specified by this Act or the Regulations; and

- (ii) that the Authority requires to be provided to it in accordance with section 12.5 subsection 2.
- 3. The Authority may, by written notice to the applicant, extend the period specified in subsection 1 by a period not exceeding 1 month, if the applicant provides the Authority under section 12.5 subsection 3 with written particulars of:
  - (a) a material change in any information or documentation provided to the Authority, or
  - (b) any incomplete, inaccurate or misleading information or documentation provided to the Authority.
- 4. If an application is not determined within the period specified in subsection 1, as extended where applicable, the application is considered to have been refused.

#### **4.6. Notification and publication of decision**

- 1. The Authority shall, within fourteen days of determining an application, give written notice of its decision to the applicant.
- 2. If the Authority refuses to issue a license to an applicant, or imposes conditions on the grant of a license, the decision notice shall contain, or be accompanied by, a statement of the Authority's reasons for the refusal or for the imposition of conditions.
- 3. If the Authority grants a license, it shall, within fourteen days of giving written notice to the applicant, publish its decision on its Internet site.
- 4. If the Authority refuses to grant a license, it may publish its decision on its Internet site.

#### **4.7. Form of License**

A license shall be in writing and shall state:

- (a) the category in respect of which the license is issued;
- (b) in the case of an insurer's license or a reinsurer's license, the class or classes, or sub-classes, of insurance business that the holder is authorized to carry on;
- (c) in the case of an insurance intermediary's license or a loss adjuster's license, the class or classes, or sub-classes, of insurance business in respect of which the license holder is authorized to carry on business;
- (d) in the case of an insurance broker's license, whether the holder is authorized to carry on business as a reinsurance broker; and
- (e) in the case of an insurance agent's license, the insurer or insurers by which the insurance agent is, or will be, appointed.

#### **4.8. Commencement of Business**

1. A person granted a license under this Act shall notify the Authority in writing within fourteen days of commencing its licensed business.
2. If a license holder does not commence its licensed business within six months of the date of the license, it shall not commence the licensed business without the prior written approval of the Authority.
3. This section does not apply to a licensed insurance agent.

#### **4.9. Cancellation of License**

1. Subject to subsections 2 and 3, the Authority may cancel a license if one or more of the following apply in relation to the license holder:
  - (a) the license holder has applied to the Authority in writing for the cancellation of its license;
  - (b) the license holder has ceased to carry on the business authorized by its license;
  - (c) the license holder does not commence its licensed business within a period of six months from the date of the license;
  - (d) the Authority is entitled to take enforcement action against the license holder under section 10.4; or
  - (e) in the case of a licensed insurer or any other license holder that is a corporation, the insurer has been wound-up and dissolved.
2. The Authority shall not cancel an insurer's license or a reinsurer's license under subsection 1, paragraphs (a), (b) or (c) unless it is satisfied that the licensed insurer has no liabilities under any insurance contracts in respect of its insurance business, whether because:
  - (a) the insurer did not enter into any insurance contracts, or incur any liabilities under any insurance contracts;
  - (b) its insurance business has been fully run-off; or
  - (c) it has assigned its liabilities to another licensed insurer.
3. The Authority shall not cancel an insurer's license or a reinsurer's license under subsection 1, paragraph (d) unless either:
  - (a) it is satisfied that the licensed insurer has no liabilities under any insurance contracts in respect of its insurance business; or
  - (b) it has appointed a provisional administrator under section 10.9.
4. Before cancelling a license under subsection 1, paragraphs (b), (c) or (d), the Authority shall give the license holder written notice of its intention to cancel the license, stating:

- (a) the grounds upon which it intends to cancel the license; and
  - (b) that unless the license holder objects in writing to the cancellation, the license will be cancelled on a date not less than 14 days after the date of the notice.
5. The Authority shall consider any objections it receives under subsection 4 before deciding whether or not to cancel the license.

## **Chapter 5. CHANGES IN CONTROL, MANAGEMENT AND KEY FUNCTIONARIES**

### **5.1. When Authority's Approval Required for Changes in Control**

1. A person shall not become a significant owner of a relevant license holder except with the prior written approval of the Authority.
2. A person who is a significant owner of a relevant license holder shall not, except with the prior written approval of the Authority:
  - (a) increase or reduce the person's control over the license holder, within the meaning of the Regulations; or
  - (b) cease to be a significant owner of the license holder.
3. A relevant license holder shall not cause, permit or acquiesce in any dealing with its shares that would result in a person contravening subsection 1 or 2.
4. Any person who violates subsection 1 or 2 upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
5. Any license holder who violates subsection 3 upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **5.2. Application for Approval of Changes in Control**

1. An application to the Authority for approval under section 5.1, subsections 1 or 2 shall be made by the license holder on behalf of the person who is, or intends to become, a significant owner.
2. In determining whether to grant approval under section 5.1, the Authority may take into account any factors which it reasonably considers appropriate.
3. Without limiting subsection 2, the Authority shall consider whether:

- (a) the person becoming a significant owner, or acquiring increased control, satisfies the Authority's fit and proper criteria;
- (b) following the change of significant ownership or control, the license holder's ownership structure will be appropriate having regard to the nature, scale and complexity of its licensed business; and
- (c) the change in significant owner or in control will, or is likely to:
  - (i) adversely affect the financial soundness of the license holder or the ability of the Authority to supervise the license holder; or
  - (ii) be prejudicial to the customers of the license holder.

### **5.3. Authority's Powers Concerning Significant Owners of Relevant License Holders**

1. The Authority may issue a directive under subsection 3 to:
  - (a) a person who becomes a significant owner in, or acquires increased control over, a relevant license holder without obtaining the Authority's prior written approval; or
  - (b) a person who is a significant owner of a relevant license holder 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 license holder, any of the factors specified in subsection 2 apply.
2. The factors referred to in subsection 1(b)(ii) are that the relevant license holder's ownership structure:
  - (a) is not appropriate having regard to the nature, scale and complexity of its licensed business;
  - (b) adversely affects the financial soundness of the license holder or the ability of the Authority to supervise it; or
  - (c) is prejudicial to the customers of the license holder.
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 his, her or its interest in the relevant license holder, 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, attached to the interest.
5. Sections 5.1, 5.2 and 5.6 apply in relation to any disposal to be made in compliance with a directive issued under subsection 1.
6. Any person who, without reasonable excuse, fails to comply with the requirements of a directive issued under this section upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

**5.4. Appointment of, and changes in, directors, senior managers and key functionaries**

1. A relevant license holder shall not appoint a director, senior manager or key functionary except with the prior written approval of the Authority.
2. The Authority shall not grant approval under subsection 1 unless it is satisfied that:
  - (a) the person concerned satisfies the Authority's fit and proper criteria; and
  - (b) following the appointment, the license holder's management structure is appropriate having regard to the nature, scale and complexity of its licensed business.
3. A relevant license holder shall provide written notice to the Authority within 14 days after a director, senior manager or key functionary is appointed or ceases to hold office with, be employed by or act for the license holder.
4. The written notice provided under subsection 3 shall include a statement of the reasons for the director, senior manager or key functionary ceasing to hold office with, be employed by or act for the license holder.

**5.5. Power to require relevant license holder to remove directors, senior managers and key functionaries**

1. If the Authority has reasonable grounds for believing that a person specified in subsection 2 does not satisfy its fit and proper criteria, it may, by written notice, require the relevant license holder to:
  - (a) remove that person and, if it considers it appropriate, to replace the person with another person acceptable to the Authority;
  - (b) ensure that the person ceases to undertake certain specified functions in relation to the license holder; or
  - (c) take such remedial action in relation to that person as the Authority specifies.

2. The following persons are specified for the purposes of subsection 1:
    - (a) a director of a relevant license holder;
    - (b) a senior manager of a relevant license holder;
    - (c) a person acting as a key functionary in relation to a relevant license holder; and
    - (d) a person undertaking any function for a relevant license holder that may be specified by the Regulations for the purpose of this paragraph.
  3. A notice issued under subsection 1:
    - (a) shall state whether the specified requirements have immediate effect or the time period within which they must be complied with;
    - (b) may include directions consequential upon, or ancillary to, the requirements specified in the notice; and
    - (c) may direct that, in the case of a person who the relevant license holder is required to remove, the person may not be reappointed, or accept reappointment, to the same position, or to any specified position, with the license holder:
      - (i) at any time;
      - (ii) for such period as may be specified by the Authority; or
      - (iii) until such conditions as may be specified by the Authority have been met.
  4. This section has effect despite any agreement, contract of employment, Law or rule of law or any provision in the articles of incorporation or by laws of the relevant license holder.
  5. Where a notice issued under subsection 1 contains a direction under subsection 3(c), any person to whom the direction relates who accepts an appointment contrary to the notice upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
  6. Any relevant license holder that fails to comply with a notice issued under subsection 1 commits an offence and shall, upon conviction, be liable to a fine of Two Hundred Thousand Liberian Dollars (L\$200,000.00). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
- 5.6. Suitability of significant owners, directors, senior managers and key functionaries**

1. If, whether before or after the Authority has approved the appointment of a director, senior manager or key functionary, or has approved a significant owner, a relevant license holder becomes aware of any information that is reasonably material to the Authority's fit and proper assessment of the person, it shall notify the Authority of the information as soon as reasonably practicable.
2. Any relevant license holder who violates subsection 1 upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

## **Chapter 6. PRUDENTIAL REQUIREMENTS APPLICABLE TO INSURERS**

### **6.1. Application of This Chapter**

This Chapter applies to licensed insurers.

### **6.2. Maintenance of Financially Sound Condition**

1. A licensed insurer shall, at all times:
  - (a) maintain its business in a solvent and financially sound condition by:
    - (i) having assets,
    - (ii) providing for its liabilities, and
    - (iii) conducting its business,so as to be in a position, at all times, to meet its liabilities as they fall due; and
  - (b) conducting its insurance business in accordance with sound insurance principles.
2. This section does not limit the specific capital, solvency and other prudential requirements specified in this Act or the Regulations.

### **6.3. Contributed Capital**

1. A licensed insurer shall ensure that its contributed capital equals or exceeds:
  - (a) the minimum amount specified in the Regulations; or
  - (b) if the Authority issues a directive under section 6.5, the amount specified in the directive.
2. A licensed insurer shall not, without the prior written approval of the Authority:
  - (a) pass a resolution to reduce its contributed capital; or

- (b) cause or permit its contributed capital to be reduced.
- 3. A resolution passed in contravention of subsection 2(a) is void and of no effect.
- 4. Subsection 2 applies, even if the contributed capital of the licensed insurer is higher than the minimum amount specified in the Regulations or in any directive issued by the Authority under section 6.5.
- 5. Any licensed insurer that violates subsection 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **6.4. Solvency Requirements**

- 1. The Regulations shall specify solvency requirements applicable to licensed insurers.
- 2. The solvency requirements in the Regulations may be expressed as:
  - (a) a requirement to maintain a minimum solvency margin;
  - (b) a requirement to maintain capital resources that equal or exceed specified capital adequacy requirements; or
  - (c) both solvency margin and capital resource requirements.
- 3. The Regulations may set different solvency requirements for different types and descriptions of licensed insurer.
- 4. A licensed insurer shall ensure that at all times it meets:
  - (a) the solvency requirements specified in the Regulations; or
  - (b) if the Authority issues a directive under section 6.5, the solvency requirements specified in the directive.

#### **6.5. Directives in Relation to Contributed Capital and Solvency Requirements**

- 1. If the Authority considers it appropriate, having regard to the nature, scale and complexity of the insurance business carried on, or proposed to be carried on, by a licensed insurer and the insurer's risk profile, the Authority may issue one or more of the following directives to the insurer:
  - (a) a directive requiring the licensed insurer to increase its contributed capital to an amount higher than the minimum specified in the Regulations; or
  - (b) a directive increasing the solvency requirements applicable to a licensed insurer to a higher sum than that specified in the Regulations or imposing additional solvency requirements.

2. Unless the circumstances justify immediate compliance with a directive issued under subsection 1, a directive shall specify a reasonable period for compliance.

#### **6.6. Assets and liabilities**

1. A licensed insurer shall ensure that the value of its assets is determined in accordance with the accounting standards specified in the Regulations, except that the value of the assets of a licensed insurer shall not be taken to be more than the market value of those assets.
2. Subject to any specific requirements in the Regulations, a licensed insurer shall ensure that its liabilities:
  - (a) are calculated and valued on the basis required by the accounting standards specified in the Regulations;
  - (b) are monitored and calculated on a continuous basis; and
  - (c) include all liabilities arising out of its insurance contracts.
3. A licensed insurer shall have admissible assets of a value at least equal to its technical provisions and such other liabilities as may be specified in the Regulations.

#### **6.7. Life insurer to establish and maintain segregated funds**

1. A life insurer shall establish and maintain such segregated funds as are required by the Regulations.
2. Any licensed insurer that violates subsection 1 upon Administrative determination by the regulator commits an offence and shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **6.8. Licensed insurer to notify Authority of likely failure to comply**

1. A licensed insurer shall, as soon as reasonably practicable, notify the Authority in writing if it has reasonable grounds for believing that, at any time in the following three years, it is likely to fail to comply with a requirement imposed in any of the following sections:
  - (a) section 6.2 subsection 1;
  - (b) section 6.3 subsection 1
  - (c) section 6.4 subsection 4; or
  - (d) section 6.7 subsection 1.

2. Any licensed insurer that violates subsection 1 upon Administrative determination by the regulator commits an offence and, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **6.9. Shares to be fully paid for in cash**

1. Subject to subsection 2, every share in a licensed insurer issued on or after the effective date shall be fully paid for in cash.
2. The Authority may, on the application of a licensed insurer, give its written approval for the issue of one or more shares for a consideration other than cash.
3. Any licensed insurer that issues a share for a consideration other than cash without the written approval of the Authority upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **6.10. Prohibitions Relating to Bearer Shares**

1. A licensed insurer shall not:
  - (a) issue any bearer shares or exchange any registered shares for bearer shares; or
  - (b) amend its articles of incorporation to authorize it to issue bearer shares, and any resolution purporting to authorize the insurer to issue bearer shares is void and of no effect.
2. Any licensed insurer that violates subsection 1 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **6.11. Distributions**

1. A licensed insurer shall not make a distribution unless, immediately after the distribution, the insurer complies with:
  - (a) the requirements specified in sections 6.2 to 6.4;
  - (b) section 6.6 subsection 3;
  - (c) section 6.7; and

- (d) the solvency requirements specified in the Regulations.
- 2. A “distribution”, in relation to a distribution by a corporation to a shareholder, means:
  - (a) the direct or indirect transfer of an asset, other than the corporation’s own shares, to or for the benefit of the shareholder, or
  - (b) the incurring of a debt to or for the benefit of a shareholder in relation to shares held by the shareholder and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of shares, a transfer of indebtedness or otherwise, and includes a dividend.
- 3. Any licensed insurer that violates subsection 1 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

**6.12. Prohibition on advances and loans**

- 1. Subject to subsections 2 and 4, a licensed insurer shall not:
  - (a) acquire or deal in its own shares or lend money or make advances on the security of its own shares;
  - (b) lend any of its funds to a related person;
  - (c) grant unsecured credit to a person except, in the case of a general insurer, for temporary cover not exceeding the period specified in the Regulations; or
  - (d) enter into a guarantee or provide a security in connection with a loan by another person to a related person.
- 2. Subsection 1 does not apply to a distribution permitted under section **6.11**.
- 3. If a licensed insurer wishes to carry out a transaction covered by subsection 1, it may provide the Authority with written notice of its intention to do so, specifying the details of the transaction.
- 4. If, on receiving a notice under subsection 3, the Authority considers it appropriate to do so, it may issue the licensed insurer with a written notice stating that it has no objection to the transaction and, on receipt of the notice, the insurer may carry out the transaction.
- 5. Any licensed insurer that carries out a transaction covered by subsection 1 without having received a written notice of no objection from the Authority under subsection 4 commits an offence and upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative

measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **6.13. Regulations**

1. The Regulations shall specify:
  - (a) the contributed capital, solvency and other prudential requirements applicable to licensed insurers;
  - (b) requirements in relation to the maintenance, operation and restructuring of segregated funds by life insurers;
  - (c) methods for estimating or valuing the assets of a licensed insurer, including contingent assets, and for this purpose, may specify the assets of a licensed insurer that are admissible and that are inadmissible, whether in whole or in part;
  - (d) requirements concerning the establishment and maintenance of reserves by licensed insurers; and
  - (e) persons who are related persons for the purposes of this Act and the Regulations.
2. The Regulations may specify:
  - (a) different solvency control levels that establish the need for remedial action by licensed insurers, enforcement action by the Authority or both;
  - (b) requirements concerning the allocation of profits and losses, and distributions, by licensed insurers in relation to participating policies;
  - (c) requirements and restrictions in relation to investments;
  - (d) requirements in relation to licensed insurers that are part of a group, with the objective of ensuring that:
    - (i) group risks and impact are taken into account; and
    - (ii) there is adequate prudential regulation of insurance groups; and
  - (e) such other requirements or matters as the Authority considers appropriate to:
    - (i) the maintenance by licensed insurers of a sound financial condition;
    - (ii) the assessment of the solvency and financial condition of licensed insurers; and
    - (iii) the protection of policyholders and other customers of licensed insurers from financial loss and the protection of policyholder funds.

## **Chapter 7. GENERAL REQUIREMENTS APPLICABLE TO INSURERS**

### **7.1. Governance Framework**

1. A licensed insurer shall:
  - (a) take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its directors, senior managers and key functionaries so that:
    - (i) it is clear who has which of those responsibilities;
    - (ii) there is appropriate separation of the oversight function from the management responsibilities; and
    - (iii) the business and affairs of the insurer can be adequately monitored and controlled by the directors and its relevant senior managers;
  - (b) establish and maintain such strategies, policies, procedures and controls, including internal controls, as are appropriate for the nature, scale and complexity of its business and its risk profile;
  - (c) ensure that its policies, procedures and controls are regularly reviewed and updated as required;
  - (d) ensure that its directors are adequately resourced and that they have sufficient powers to:
    - (i) obtain in a timely manner such information as they require to undertake their functions; and
    - (ii) access senior management, key functionaries and other relevant persons; and
  - (e) make and retain for the period specified in the Regulations, a record of how it has complied with this section.
2. The procedures and controls established and maintained by a licensed insurer under this section shall:
  - (a) provide for:
    - (i) the prudent management of the insurer's business, in accordance with sound insurance principles; and
    - (ii) the effective oversight of its senior management and key functionaries;
  - (b) recognize and protect the interests of the insurer's policyholders and persons to whom payments are to be paid or benefit provided under its insurance contracts; and
  - (c) take into account:

- (i) the nature, scale and complexity of the insurer's business; and
  - (ii) the degree of risk associated with each area of its business.
3. A licensed insurer shall establish and maintain such other strategies, policies, procedures and controls as may be specified in the Regulations.

## **7.2. Risk Management**

1. A licensed insurer shall establish and maintain:
- (a) a clearly defined strategy, and if the directors consider it appropriate, policies, for the effective management of all significant risks that the insurer is or may be exposed to; and
  - (b) procedures and controls that are sufficient to ensure that the risk management strategy and policies are effectively implemented.
2. The risk management strategy and policies shall:
- (a) be appropriate for the nature, scale and complexity of the licensed insurer's business;
  - (b) specify how risks are to be identified, monitored, managed and reported on in a timely manner;
  - (c) take into account the probability, potential impact and the time duration of the significant risks to which the insurer is, or may be, exposed; and
  - (d) comply with such other requirements as may be specified in the Regulations.
3. Without limiting subsections 1 and 2, a licensed insurer's risk management strategy and policies shall provide for:
- (a) insurance risk;
  - (b) credit risk;
  - (c) liquidity risk;
  - (d) operational risk;
  - (e) market risk;
  - (f) investment risk; and
  - (g) such other risks as may be specified in the Regulations.

## **7.3. Key Functions**

1. A licensed insurer shall establish and maintain the following key functions:
- (a) a risk management function;

- (b) a compliance function;
  - (c) an actuarial function;
  - (d) an internal audit function;
  - (e) such other functions as may be specified as key functions in the Regulations;  
and
  - (f) such other functions as it considers appropriate for the nature, scale and complexity of its insurance business.
2. A licensed insurer shall not outsource a key function unless the outsourcing is permitted, in whole or in part, by the Regulations.
  3. The key functions shall be provided with the authority, independence and resources required to enable them to operate effectively.

#### **7.4. Reinsurance and Retrocession**

1. Subject to the specific requirements of this section and the Regulations, a licensed direct insurer shall have such arrangements as it considers appropriate, for the reinsurance of risks under insurance contracts that it has entered into in the course of its business as an insurer.
2. A licensed direct insurer shall not, without the prior written authorization of the Authority under subsection 3, enter into a reinsurance contract, as cedant, other than:
  - (a) with a licensed reinsurer;
  - (b) with a qualifying foreign reinsurer; or
  - (c) in accordance with such arrangements, as may be specified in the Regulations.
3. The Authority may, on the application of a licensed direct insurer, authorize the insurer to enter into a reinsurance contract, as cedant, with:
  - (a) a foreign direct insurer; or
  - (b) a foreign reinsurer that is not a qualifying foreign reinsurer.
4. The Regulations may specify requirements in relation to the reinsurance arrangements of licensed direct insurers and the retrocession arrangements of licensed reinsurers, including by:
  - (a) requiring:
    - (i) licensed direct insurers to provide the Authority with prior written notice of their reinsurance arrangements;
    - (ii) licensed reinsurers to provide the Authority with prior written notice of their retrocession arrangements; and

- (iii) the approval of the Authority with respect to certain specified reinsurance or retrocession contracts or arrangements;
- (b) imposing restrictions on the reinsurance or retrocession of risks with foreign insurers; and
- (c) specifying requirements in relation to the reinsurance arrangements of licensed insurers and the retrocession arrangements of licensed reinsurers.

#### **7.5. Appointment of Appointed Actuary**

1. Where required by the Regulations to do so, a licensed insurer shall appoint and at all times have an appointed actuary.
2. A person shall not be appointed as appointed actuary under subsection 1 unless:
  - (a) the person is qualified under the Regulations to act as the appointed actuary of the licensed insurer;
  - (b) the person has consented in writing to be the appointed actuary of the licensed insurer; and
  - (c) the Authority has given its prior written approval to the person's appointment as the appointed actuary of the licensed insurer.
3. The Authority shall not approve the appointment of a person as appointed actuary unless it is satisfied that the person is qualified, has sufficient experience and is competent to act as the appointed actuary of the insurer.
4. Where, for whatever reason, a person ceases to be the appointed actuary of a licensed insurer, the insurer is deemed not to have contravened subsection 1 if it appoints another person as appointed actuary in accordance with this section within 2 months of the date that the person who was previously appointed ceases to hold the appointment.
5. If a licensed insurer that is required to appoint an actuary fails to appoint an actuary, the Authority may appoint a qualified person to act as the actuary of the insurer.
6. An actuary appointed under subsection 5 is considered, for the purposes of this Act, to have been appointed by the relevant licensed insurer, which shall be responsible for the actuary's costs and remuneration.
7. A licensed insurer to which this section applies commits an offence if:
  - (a) subject to subsection 4, it does not have an appointed actuary, or
  - (b) it appoints a person as appointed actuary contrary to subsection 2,and shall upon Administrative determination by the regulator, be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including

suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

- 7.6. Reporting obligations of appointed actuary and person responsible for actuarial function
  1. Despite anything to the contrary in any other Law, a person specified in subsection 2 shall report immediately to the Authority any information relating to the affairs of the licensed insurer that the person has obtained that, in that person's opinion, suggests that:
    - (a) the licensed insurer is, or is likely to become, insolvent or its business is not, or is likely to cease to be, in a financially sound condition;
    - (b) the licensed insurer does not meet, or is likely at any time within the next three years not to meet, the solvency requirements specified in section 6.4 and the Regulations; or
    - (c) the licensed insurer has exposures that jeopardize its long term financial viability or stability.
  2. Subsection 1 applies to:
    - (a) the appointed actuary of a licensed insurer; and
    - (b) the person responsible for the actuarial function of a licensed insurer, if not the appointed actuary.
  3. Where the appointment of a person specified in subsection 2 is terminated, or the person resigns or no longer has responsibility for the actuarial function, the person shall:
    - (a) forthwith inform the Authority of the termination of the appointment, or the resignation or the fact that the person has ceased to have responsibility for the actuarial function of the insurer, and shall disclose to the Authority the circumstances that gave rise to the termination, resignation or change of responsibilities; and
    - (b) if, but for the termination of the appointment, the resignation or change in responsibilities, the person would have reported information to the Authority under subsection 1, the person shall report the information concerned to the Authority, as if the appointment had not been terminated, the person had not resigned or the person had not ceased to have responsibility for the actuarial function.
  4. Where, in good faith, a person who is, or was, the appointed actuary of a licensed insurer or is, or was, responsible for the actuarial function of a licensed insurer, provides any information to the Authority under subsection 1 or 3, the person is considered not to be in contravention of any Law, rule of law, agreement, regulatory or administrative requirement or professional code of conduct to which the person is

subject and no civil, criminal or disciplinary proceedings shall lie against the person in respect thereof.

5. The failure, in good faith, of a person who is specified in subsection 2 to provide a report or information to the Authority under subsection 1 or 3 does not confer upon any other person a right of action against the person which, but for that failure, the other person would not have had.
6. Subject to subsection 7, a person specified in subsection 2 shall, before reporting to the Authority under subsection 1 or 3, take reasonable steps to inform the insurer of his or her intention to make the report and the nature of the report.
7. A person specified in subsection 2 is not required to inform the insurer of his or her intention to make a report under this section if the person is of the opinion that to give notice to the insurer may be detrimental to the interests of its customers.
8. Any person who fails to comply with subsection 1 or 3 commits an offence and shall upon Administrative determination by the regulator, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **7.7. Powers of Authority**

1. If the Authority is of the opinion that the appointed actuary of a licensed insurer that is required by the Regulations to appoint an actuary, has failed to fulfill his or her obligations under this Act or is otherwise not a fit and proper person to act as the actuary of the licensed insurer, it may give written notice to the licensed insurer and to the appointed actuary of its intention to revoke the appointment of the actuary on the date specified in the notice.
2. A notice given under subsection 1 shall state:
  - (a) the grounds on which it intends to revoke the appointment of the actuary;
  - (b) that the insurer and the actuary may provide written representations to the Authority objecting to the revocation of the actuary's appointment; and
  - (c) the last date for the provision of written representations to the Authority, which must be a date no earlier than 14 days after the date of the notice.
3. The Authority shall consider any objections it receives before deciding whether or not to revoke the appointment of the actuary.
4. A notice revoking the appointment of an actuary under this section shall be given to the actuary.

### **7.8. Transfers, Assignments and Amalgamations**

1. No part of the business of a licensed insurer may be:
  - (a) transferred or assigned to another person, or
  - (b) merged with the business of another person,except under a scheme approved by the Authority that complies with this Act and the Regulations.
2. A transaction to which a licensed insurer is a party which has the effect of transferring or assigning a part of the business of the licensed insurer to another person or merging any part of the business of the insurer with the business of another person is void unless effected under a scheme approved by the Authority.
3. Any licensed insurer that violates subsection 1 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **7.9. Application of Merger and Consolidation Provisions of the Business Corporations Act to Licensed Insurers**

1. Neither a licensed insurer nor its directors shall propose that the licensed insurer participate in a merger or consolidation under Chapter 10 of the Business Corporations Act unless the Authority has given its prior written approval to the merger or consolidation.
2. Section 7.10 applies to an application for approval of a merger or consolidation under the Business Corporations Act and the determination of that application.
3. Notwithstanding any provisions of the Business Corporations Act, a merger or consolidation in which a licensed insurer is a constituent corporation shall not take effect unless approved by the Authority under section 7.10.

### **7.10. Scheme for transfer, assignment or merger**

1. Application to the Authority for the approval of a scheme shall be made jointly by or on behalf of the licensed insurer and all other persons who are parties to the scheme.
2. The application shall be in the form approved by the Authority and contain the information and be accompanied by the documentation that may be specified in the Regulations, and notice of the application shall be advertised in the manner and form specified in the Regulations.
3. Before determining an application under this section, the Authority may:

- (a) at the cost of the licensed insurer, undertake an investigation into the desirability or otherwise of the scheme; and
  - (b) require the insurer and each party to the scheme to provide the Authority with the documents and information it requires.
4. An investigation under subsection 3 may be carried out by the Authority or by one or more persons appointed by the Authority to act on its behalf.
5. The Authority may, where it considers it necessary, conduct a hearing of the application at which the insurer, each party to the scheme and any interested person who has made representations to the Authority concerning the scheme are entitled to attend and be heard either in person or through an officer or a legal representative.
6. At a hearing conducted under subsection 5, the Authority may consider such evidence that it considers appropriate.
7. Where the Authority confirms the scheme:
  - (a) it is binding on the parties to it; and
  - (b) it has effect, despite anything to the contrary in the articles of incorporation or bylaws of the insurer or of any company that is a party to the scheme.
8. A copy of the confirmed scheme shall be filed with the Registrar appointed under the Business Corporations Act.
9. Where the life insurance business of a licensed insurer is transferred or assigned to another person or merged with the business of another person, whether under a merger or consolidation under the Business Corporations Act or otherwise, the transferee shall be liable under all life insurance contracts forming part of the transferred, assigned or merged business and any person having rights under the contract may enforce those rights against the transferee.

#### **7.11. Misapplication of Certain Provisions of Business Corporations Act**

1. The following sections of the Business Corporations Act have no application to, or in relation to, licensed insurers:
  - (a) Section 10.10 (Power of corporation to re-domicile out of Liberia);
  - (b) Section 10.11 (Re-registration of corporation as non-share corporation);
  - (c) Section 10.14 (De-registration and re-registration of corporation as another entity; and
  - (d) Chapter 11 (Dissolution).
2. This section does not disapply the specified provisions of the Business Corporations Act to a corporation, the license of which has been cancelled by the Authority under section 4.9.

## **7.12. Regulations for this Chapter**

1. The Regulations shall specify:
  - (a) the strategies, policies, procedures and controls to be established and maintained by licensed insurers, including internal controls, risk management and compliance; and
  - (b) requirements relating to business conduct, including requirements relating to the disclosure by licensed insurers of information to their policyholders and other customers and the public.
2. Without limiting subsection 1, the Regulations may provide for:
  - (a) the responsibilities of the directors and senior management of licensed insurers;
  - (b) the performance of the functions of licensed insurers and the activities and responsibilities of key functionaries;
  - (c) policies and procedures to be maintained by licensed insurers with respect to the assessment and management of risk;
  - (d) principles and rules of corporate governance to be adhered to by licensed insurers;
  - (e) internal audit requirements;
  - (f) the design and rating of insurance products;
  - (g) outsourcing;
  - (h) requirements relating to coinsurance and reinsurance arrangements; and
  - (i) fronting shall be prohibited and the doer shall be considered to be in violation of this Act; however, any licensed insurer that violates same, upon Administrative determination by the regulator, may be liable to Civil or Administrative penalty in the amount of L\$300,000.00 (Three Hundred Thousand Liberian Dollars). And that said corporate person or individual person may be turned over to the Ministry of Justice for further action (having been suspended by the regulator as an interim measure), consistent with due process of law as provided under this Act or applicable Law in Liberia.
3. The Regulations may require, and provide for, the appointment of a qualified actuary by:
  - (a) life insurers; and
  - (b) specified types or descriptions of general insurer or all general insurers.
4. If the Regulations require the appointment of an actuary by any licensed insurers, the Regulations:
  - (a) shall:

- (i) specify recognized actuarial qualifications;
  - (ii) require, and provide for, the approval by the Authority of appointed actuaries on the application of licensed insurers; and
  - (iii) require, and provide for, the appointed actuary to undertake actuarial reviews of the business of the insurer on at least an annual basis, which may include a group actuarial review; and
- (b) may require and provide for the preparation and submission to the Authority of an annual financial condition report by licensed insurers, or specified types or description of licensed insurers.

## **Chapter 8. REGULATION AND SUPERVISION OF INSURANCE INTERMEDIARIES AND LOSS ADJUSTERS**

### **8.1. Maintenance of financially sound condition**

1. A licensed insurance intermediary and a licensed loss adjuster shall, at all times, maintain its business in a financially sound condition by:
- (a) having assets,
  - (b) providing for its liabilities, and
  - (c) generally conducting its business,
- so as to be in a position to meet its liabilities as they fall due.

### **8.2. Contributed Capital**

1. A licensed insurance broker shall ensure that its contributed capital equals or exceeds:
- (a) the minimum amount specified in the Regulations; or
  - (b) if the Authority issues a directive under section 8.4, the amount specified in the directive.
2. A licensed insurance broker shall not, without the prior written approval of the Authority:
- (a) pass a resolution to reduce its stated capital; or
  - (b) cause or permit its stated capital to be reduced.
3. A resolution passed in contravention of subsection 2(a) is void and of no effect.
4. Subsection 2 applies, even if the contributed capital of the insurance broker is higher than the minimum amount specified in the Regulations or in any directive issued by the Authority under section 8.4.

5. Any licensed insurance broker that violates subsection 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **8.3. Capital Resources**

A licensed insurance broker shall ensure that, at all times, its capital resources equal or exceed:

- (a) such capital resource requirements as may be specified in the Regulations; or
- (b) if the Authority issues a directive under section 8.4, the minimum capital resource requirement specified in the directive.

### **8.4. Authority may Issue Directive in Relation to Capital Resources**

1. If the Authority considers it appropriate, having regard to the nature, scale and complexity of the licensed business carried on, or proposed to be carried on, by a licensed insurance broker, the Authority may issue a directive to the insurance broker requiring it to increase its capital resources to an amount higher than the minimum specified in the Regulations.
2. Unless the circumstances justify immediate compliance with a directive issued under subsection 1, a directive shall specify a reasonable period for compliance.

### **8.5. Licensed Insurance Broker to Notify Authority of Likely Failure to Comply**

1. A licensed insurance agent or a licensed loss adjuster shall, as soon as reasonably practicable, notify the Authority in writing if it has reasonable grounds for believing that, at any time in the following period of 1 year, it is likely to fail to comply with section 8.1.
2. A licensed insurance broker shall, as soon as reasonably practicable, notify the Authority in writing if it has reasonable grounds for believing that, at any time in the following period of 1 year, it is likely to fail to comply with a requirement imposed in:
  - (a) section 8.1;
  - (b) section 8.2; or
  - (c) Section 8.3.
3. Any licensed insurance agent or loss adjuster that violates subsection 1 or a licensed insurance broker that violates subsection 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure

by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

## **8.6. Governance Framework**

1. A licensed insurance broker shall:
  - (a) take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its directors, senior managers and key functionaries so that:
    - (i) it is clear who has which of those responsibilities;
    - (ii) there is appropriate separation of the oversight function from the management responsibilities; and
    - (iii) the business and affairs of the insurance broker can be adequately monitored and controlled by the directors and its relevant senior managers;
  - (b) establish and maintain such strategies, policies, procedures and controls, including internal controls, as are appropriate for the nature, scale and complexity of its business;
  - (c) ensure that its policies, procedures and controls are regularly reviewed and updated as required; and
  - (d) make and retain for the period specified in the Regulations, a record of how it has complied with this section.
2. The procedures and controls established and maintained under subsection 1 shall:
  - (a) provide for the effective oversight of its senior management and key functionaries; and
  - (b) take into account the nature, scale and complexity of the insurance broker's business.
3. A licensed insurance agent and a licensed insurance loss adjuster shall establish and maintain such policies, procedures and controls as may be specified in the Regulations.

## **8.7. Risk Management**

1. A licensed insurance broker shall establish and maintain:
  - (a) a clearly defined strategy, and if the directors consider it appropriate, policies, for the effective management of all significant risks that the insurance broker is or may be exposed to; and

- (b) procedures and controls that are sufficient to ensure that the risk management strategy and policies are effectively implemented.
2. The risk management strategy and policies shall:
    - (a) be appropriate for the nature, scale and complexity of the insurance broker's business;
    - (b) specify how risks are to be identified, monitored, managed and reported on in a timely manner;
    - (c) take into account the probability, potential impact and the time duration of the significant risks to which the insurance broker is exposed; and
    - (d) comply with such other requirements as may be specified in the Regulations.
  3. Without limiting subsections 1 and 2, the risk management strategy and policies shall provide for:
    - (a) operational risk; and
    - (b) such other risks as may be specified in the Regulations.

#### **8.8. Key Functions**

1. A licensed insurance broker shall establish and maintain the following key functions:
  - (a) a compliance function;
  - (b) such functions as may be specified as key functions in the Regulations; and
  - (c) such other functions as it considers appropriate for the nature, scale and complexity of its business.
2. A licensed insurance broker shall not outsource a key function unless the outsourcing is permitted, in whole or in part, by the Regulations.
3. The key functions shall be provided with the authority, independence and resources required to enable them to operate effectively.

#### **8.9. Collection and Dealing with Premiums and Other Monies**

1. A licensed insurance intermediary shall not receive, hold or in any way deal with a premium or other money payable under an insurance contract entered into or to be entered into with an insurer, unless the insurer concerned has authorized the insurance intermediary to receive, hold or deal with the premium or other money.
2. An insurance intermediary shall receive, hold or deal with premiums or other monies payable under insurance contracts in accordance with the provisions of the Regulations.
3. Any licensed insurance intermediary that violates subsection 1 or 2 upon Administrative determination by the regulator commits an offence, shall be liable to

Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **8.10. Receipt and Holding of Monies by a Licensed Insurance Agent**

1. Where a licensed insurance agent receives any money, including a premium or part premium, payable under an insurance contract issued or to be issued by an insurer for which the insurance agent is appointed:
  - (a) the insurance agent is considered to have received the money as agent of the insurer and holds the money in trust for the insurer; and
  - (b) payment to the insurance agent is, despite any agreement to the contrary, deemed to be payment to the insurer.
2. Where a licensed insurance agent receives any money from an insurer by which the insurance agent is appointed which is intended to be paid to a policyholder or prospective policyholder, including a premium refund, or which is paid in relation to the settlement of a claim under an insurance contract:
  - (a) the insurance agent holds the money in trust for the insurer; and
  - (b) payment of the money is considered not to have been received by the policyholder, prospective policyholder or other person entitled to payment under an insurance contract until the money has been paid to the policyholder, prospective policyholder or other person.
3. Any moneys received or held by a licensed insurance agent in the circumstances specified in subsection 1 or 2 shall not be treated, for any purposes, as assets or property of the insurance agent and shall not be used for payment of any costs or charges due under this Act or the Regulations or for payment to the insurance agent's creditors.

#### **8.11. Receipt and Holding of Monies by a Licensed Insurance Broker**

1. A licensed insurance broker shall not receive monies:
  - (a) from or on behalf of a policyholder or prospective policyholder for or on account of an insurer in connection with an insurance contract or proposed insurance contract, or
  - (b) from or on behalf of an insurer for or on account of a policyholder or prospective policyholder or other person entitled to be paid under an insurance contract,

unless the receipt of the monies is permitted by the Regulations or the Authority, in accordance with the Regulations.

2. A licensed insurance broker shall pay any premiums, or other monies payable under insurance contracts, that it receives as insurance broker into a customer account established in accordance with the Regulations solely for the purposes of holding such monies.
3. Any moneys received or held by a licensed insurance broker in the circumstances specified in subsection 1(a) or (b) shall not be treated, for any purposes including a proceeding under Chapter 11, as assets or property of the insurance broker and shall not be used for payment of any costs or charges due under this Act or the Regulations or for payment to the insurance agent's creditors.
4. Any licensed insurance broker that violates subsection 1 or 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **8.12. Professional indemnity and other insurance**

1. A licensed insurance broker shall at all times maintain such professional indemnity and other insurance as may be specified in the Regulations.
2. Any licensed insurance broker that violates subsection 1 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **8.13. Insurer not to appoint unlicensed insurance agents**

1. Subject to any exemptions provided for by Regulations made under section 13.1, a licensed insurer shall not appoint a person as its insurance agent unless the person is licensed as an insurance agent.
2. Subsection 1 does not apply in respect of the appointment by a licensed insurer of a person as its insurance agent if:
  - (a) the person appointed is resident outside Liberia; and
  - (b) the person is appointed to act as the insurer's agent solely outside Liberia.
3. Any licensed insurer that violates subsection 1 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject

to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **8.14. Restrictions on licensed insurance agents**

1. A licensed insurance agent may not act as the agent of more than one licensed insurer in respect of any class of insurance business.
2. Any licensed insurer who appoints a licensed insurance agent as its agent in respect of a class of insurance business where the insurer knows or has reasonable grounds for believing that the licensed insurance agent is appointed as agent in respect of that class by another licensed insurer upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
3. Any licensed insurance agent who acts as the agent for more than one licensed insurer in respect of any class of insurance business upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **8.15. Insurance agent considered agent of insurer**

1. Despite anything to the contrary contained in an insurance contract, an insurance agent who completes an insurance form or a similar document on behalf of a person is considered to be the agent of the insurer and not the agent of the person on whose behalf the agent completes the proposal form. (to be deleted)
2. Knowledge acquired by an insurance agent in the course of completing an insurance proposal or a similar document under subsection 1, is considered to be knowledge acquired by the insurer.
3. Nothing contained in an insurance contract shall absolve the insurer from liability in respect of knowledge obtained by the insurance agent under subsection 2.
4. This section applies in respect of a person appointed as the agent of a licensed insurer whether or not the agent is, or at the time of completing the form was, a licensed insurance agent.

#### **8.16. Liability of insurer for conduct of agents**

1. This section applies:
  - (a) to any conduct of the agent of a licensed insurer:

- (i) on which a person in the circumstances of the policyholder or prospective policyholder could reasonably be expected to rely; and
    - (ii) on which the policyholder or prospective policyholder in fact relied in good faith; and
  - (b) in respect of a person appointed as the agent of a licensed insurer whether or not the agent is, or at the time of the conduct was, a licensed insurance agent.
2. Where subsection 1 applies:
- (a) if a person is appointed as the agent of a single licensed insurer, the insurer is responsible, as between the insurer and the policyholder or prospective policyholder, for the conduct of the agent, whether or not the agent acted within the scope of the authority granted by the insurer; and
  - (b) if a person is appointed as the agent of different licensed insurers for different classes of business and the person engages in conduct in relation to any matter relating to a particular class of insurance business, the licensed insurer that appointed the person as agent for that class of insurance business is responsible for the conduct of that person, as between the insurer and the policyholder or prospective policyholder, whether or not the agent has acted within the scope of the authority granted by the insurer.
3. Where a licensed insurer is responsible for the conduct of an agent under subsection 2, the insurer's liability to a policyholder or prospective policyholder is limited to any loss or damage suffered by the policyholder or prospective policyholder as a result of the conduct of the agent.
3. This section does not limit or affect any liability of an insurance agent of an insurer to a policyholder or prospective policyholder.

#### **8.17. Insurer not to conduct business with unlicensed insurance broker**

- 1. A licensed insurer shall not conduct business with, or pay any commission or other remuneration to, an insurance broker unless the person is licensed as an insurance broker.
- 2. Subsection 1 does not apply if the person concerned:
  - (a) carries on business outside Liberia; and
  - (b) does not require to be licensed as an insurance broker under this Act.

#### **8.18. Regulations**

- 1. The Regulations shall:
  - (a) specify requirements concerning, and provide for, the receipt, holding and dealing with insurance premiums and other monies related to insurance transactions by licensed insurance intermediaries; and

- (b) the strategies, policies, procedures and controls to be established and maintained by licensed insurance brokers, including internal controls, risk management and compliance.

2. The Regulations may specify:

- (a) capital resource requirements applicable to licensed insurance brokers;
- (b) policies, procedures and controls to be established and maintained by licensed insurance agents and licensed loss adjusters;
- (c) the responsibilities of the directors and senior management of licensed insurance intermediaries and loss adjusters;
- (d) the performance of the functions of licensed insurance intermediaries and loss adjusters and the activities and responsibilities of key functionaries;
- (e) policies and procedures to be maintained by licensed insurance intermediaries and loss adjusters with respect to the assessment and management of risk;
- (f) principles and rules of corporate governance to be adhered to by licensed insurance intermediaries and loss adjusters;
- (g) requirements relating to business conduct, including requirements relating to the disclosure by licensed insurance intermediaries and loss adjusters, of information to their customers and the public; and
- (h) requirements relating to outsourcing.

### **8.19. Incurred but not reported loss**

An incurred but not reported loss liability is, as the term implies, the liability for losses which occurred on or before the end of a given period, but of which the accounting office of the company had no knowledge until after that period.

There is always a volume of such losses, as losses of different types are in the course of evolution which comes to light at un- certain future dates, and incidents are occurring continually throughout the country which are not reported promptly to company representatives. Also, when losses are known in the field, they must be reported to the Insurer before they can be added to the liabilities of the company, and the period of transmission accounts for a number of these claims. This liability therefore is created by delayed notices of losses, which may be divided into two general classes;

- (a) Latent Losses; Losses occurring daily but not coming to light until a later date.
- (b) Belated Losses; notices delayed because of the time required for transmittal to the Insurer.

### **SETTING UP RESERVE TO COVER INCURRED LOSS LIABILITY**

While this hidden liability is continually in existence, and is now being taken into consideration by law regard-less of the date any experience exhibit is compiled, it may

have be looked on as a calendar year item to be adjusted only at the end of each year. This can be due to the fact that the item was introduced officially by the form of "Annual Statement adopted by the Insurance Authority in which the term "Incurred but not reported" is used. Provision is hereby made for the inclusion of this liability in the "Losses and Claims" to be included as a quarterly calculation.

### **Determination of Reserve for Outstanding Claims**

- 8.20. The reserve for outstanding claims relates to the claims reported or not up to date of assessment and represents the sum of technical provisions described in 8.19).
- 8.21. Insurer is obligated to quarterly, calculate prudently, the ultimate costs related to outstanding claims expected to arise to fully settle all claims and/or benefits incurred during the period up to the valuation of the reserve for outstanding claims and which remained unsettled as of the valuation date.
- 8.22. The ultimate established costs to settle claims and/or benefits consists of the calculated or estimated value of claim due to compensation, indemnity or benefits payable to the insured person/claimant or beneficiary plus the actual and/or estimated value of the administrative expenses related to handling, assessment and settlement of claims and benefits related to each contract comprising the reserve for reported but not settled claims (RBNS) as well as the reserve for incurred but not reported claims (IBNR).
- 8.23. The reserve for reported but not settled claims (RBNS) shall be created and updated separately for each insurance contract to which has been notified occurrence of the insured case setting out from expected expenses that will be made in future with claims and/or benefits settlement, on the basis of claims reports and/or notifications received by the insurer during the accounting period in any form (written, telephonic, electronic mail, etc.), whether or not the final amount of claim and/or benefits is already determined, but which claims and/or benefit remain unpaid or were partially paid as of the valuation date of Reserve for reported but not settled claims (RBNS), so that the created fund for Reserve for reported but not settled claims is enough to cover those claims and/or benefits.
- 8.24. The total amount of the Reserve for reported but not settled claims represent the estimated final cost to settle all claims and/or benefits incurred and reported during the accounting period up to the valuation date. This amount is obtained by following formula:

$CR = (A + B - C + D)$ , where:

CR = Reserve for reported but not settled claims, calculated for every insurance contract.

A = the amount of unsettled claims and/or benefits applicable to periods that preceding the accounting period under valuation.

B = the sum of incurred and reported claims and/or benefits arising from events that have occurred during the accounting period, all of which must be recorded in the Register of Claims, for "general insurance" and in the Register of Claims and Benefits, in the case of "life insurance".

C = the amount of claims and/or benefits settled during the accounting period.

D = Claims management and loss adjustment expenses, if any, comprising of following:

- (i) the value of 3% of the amount of unsettled claims established at the end of the accounting period;
- (ii) the actual and estimated cost of adjustment, assessment and settlement expenses, related to services provided by third parties (independent experts) established at the end of the accounting period (valuation date), if any.

- 8.25. Where the amount of the unsettled reported claim or benefit is already known at the valuation date, this value must be recognized and recorded as Reserve for reported but not settled claims. In cases where claim has occurred and has been reported, but unsettled and the benefit has been recognized as a liability, but unsettled at the valuation date of the Reserve for reported but not settled claims, and compensation and/or benefit amount has not been estimated or established yet, the amount to be set up as Reserve for reported but not settled claims is the maximum amount of insurance compensation and/or benefit for similar risks, not exceeding the insured sum of the respective contract plus 3% (three percent) of this value or plus the best estimate value of administration costs and claims adjustment, if claims handling and investigation are assigned through the services provided by third parties (independent experts).
- 8.26. In case of claims which are objects of legal proceedings in a court, the Reserve for reported but not settled claims, shall be the amount of the unsettled claims according to complainant's requirements, not exceeding the insured sum. The amount of Reserve for reported but not settled claims so established must be kept and maintained until the final and irrevocable decision is taken by the court. An additional value of reserve must be immediately created if and when the insurer acquires knowledge that additional cost or expense is required to ultimately settle the claim.
- 8.27. In determining the value of the Reserve for reported but not settled claims related to occurred claims in external compulsory motor third party liability insurance, shall take into account the amount of incurred and reported claims as well as related claims settled expenses stated in the requests, notifications, debit notes or other similar documents submitted by the entitled persons.
- 8.28. Insurer is obliged to keep and maintain Ledgers of Claims in such manner that all records related to incurred and reported claims, inclusively calendar dates of claims settlement (payment), must be performed on a daily basis.
- 8.29. The reserve for incurred but not reported claims (IBNR) shall be calculated for every insurance class, on the basis of insurer's best estimations, by actuarial methods using reasonable statistical data. This reserve shall be created and kept for losses that have already occurred, but were not reported, as of the end of the accounting period (reserve valuation date).
- 8.30. In determining of the reserve for incurred but not reported claims (IBNR), the loss triangle development method (Chain Ladder method) should be used. This method should be based on actuarial assumptions and methodologies that, at least, must fulfill the following requirements:

- (a) Loss development triangles must be presented using statistical quarterly data, for at least last 12 quarters prior the accounting period, related to paid losses and reserves for reported but not settled claims (incurred claims) recorded at least in the last 12 quarters prior to the calculation date of this reserve.
- (b) Statistical information used at calculation of reserve for incurred but not reported claims excludes, if any, the value of salvage and subrogation recoveries, as well as the value of claims for which the insurer has submitted the legal proofs of their rejection of payment.
- (c) (c) Claims management expenses and other claims handling and settlement costs shall be included in the final result of the reserve for incurred but not reported claims. These expenses will include the value calculated as 3% (three percent) of reserve for incurred but not reported claims which results from actuarial calculations and, by case, the estimated preventive value of adjustment, assessment and settlement expenses of claims handling, related to services provided by third parties (independent experts).
- (d) Unusual claims of very high amounts, damage, may be excluded if it is considered by the actuary that a prudentially approach of estimates requires their exclusion from the statistical information used for calculation of the reserve for incurred but not reported claims. In this case, the actuary shall provide in separate note the reasons for their exclusion from the calculation.

### **Reserve for Unexpired Risks**

- 8.31. The reserve for unexpired risks shall be calculated by estimating the claims that will occurred after the end of the financial year with respect to insurance contracts in force as of valuation date in such an amount that the estimated value of such future claims exceeds the unearned premiums reserve.
- 8.32. The reserve for unexpired risks is calculated and maintained separately on each class of insurance.
- 8.33. The total amount of Reserve for unexpired risks is the sum of reserves for unexpired risks (RUR) calculated for each class of insurance.

### **Methods of Determination of Mathematical Reserves, Additional Mathematical Reserves and Additional Benefits Reserves**

- 8.34. Mathematical Reserve shall be calculated separately for each contract of life insurance using the prospective actuarial gross premium valuation method - (hereinafter - Prospective Gross Premium Method).
- 8.35. Insurer can apply other method of valuation than the Prospective Gross Premium Method if the actuary confirms and certifies that the amount of mathematical reserve arrived at under the other methods of approximations (e.g. retrospective actuarial gross premium valuation method, retrospective or prospective actuarial net premium valuation method, 24th Method, 8th Method

and 365th Method), is not lower than the amount that should have been produced using the prospective Gross Premium Method.

- 8.36. The Prospective Gross Premium valuation method is used taking into account the following:
- (a) all prospective contingencies under which premiums or benefits are payable as determined by the terms and conditions of the underlying insurance contracts or policies;
  - (b) reasonable policyholder's expectations with regard to repurchase or surrender values, bonuses, profit participation and other established business practices of the insurer in relation to benefit payments;
  - (c) the cost of options, inclusively commissions, if any, given to the policyholders in accordance with terms and conditions of their life insurance contracts.
- 8.37. The determination of the amount of liability under each life insurance contract shall be based on rightful and prudent assumptions based on data resulting from the experience of the insurer or other statistical data on relevant parameters and shall include an appropriate margin for adverse deviation of parameters with relevant influence that may require an increase in the amount of mathematical provisions.
- 8.38. The method of calculation of mathematical reserves and the valuation parameters will not be changed from the year to year within the duration of the insurance contract due to arbitrary changes to the method of calculation or the valuation parameters and must be such as to allow adequately recognition of the benefits' distribution.
- 8.39. Mathematical reserves calculated at an interim date which does not correspond with the contract anniversary dates are calculated by an interpolation reserve method.
- 8.40. If negative result is obtained when calculating mathematical provision, such amount will be reported and evidenced as equal to zero (0).
- 8.41. If the repurchase (surrender) value of the one insurance contract is guaranteed, the amount of mathematical provision for that insurance contract at any moment must be at least equal the amount of the repurchase (surrender) guaranteed value.
- 8.42. In determination of the amount of mathematical provision shall take into account the nature, type and condition of assets comprising the reserve liabilities so as to make prudent provisions against possible changes in the value of those assets that will impact on the ability of the company to meet its insurance obligations.
- 8.43. Additional Mathematical Reserves are calculated if the present or foreseeable yield on assets of the insurer who engage in the activity of life insurance is insufficient to meet their commitments towards the insured in respect of interest rate used in calculations.
- 8.44. Reserve for additional benefits (insurance bonuses) is calculated and maintained in order to evaluate the insurer's liabilities due to pay bonuses related to life insurance contracts that provides the policyholder's right to participate in additional benefits (investment income) obtained as a result of mathematical reserves' investment. Reserve for additional benefits (insurance bonuses) is calculated using the retrospective method, separately for each insurance contract.

## **Special Requirements for the Technical Provisions Calculation**

- 8.45. Aggregate provisions shall be made where it is not practically possible to calculate mathematical provision for each (individual) insurance contract or policy for the following:
- a) Policies or contracts which are charged with additional premium on account of certain substandard conditions representing extra risks; such as, occupational hazard, over-weight, under-weight, health impairment, geographical or other conditions classified by the insurer as sub-average living.
  - b) Expired policies, which are not included in the mathematical provisions calculation, under which insurance liability exist or may arise.
  - c) Guarantees and/or options available to individual and group policies or contracts.
  - d) Increase or decrease in mathematical provisions arising out of exchange rate variations, specific situation for insurance policies or contracts denominated in foreign currency.
  - e) Others conditions, if any.

## **Reinsurer Share in Gross Technical Provisions (Reinsurer Account)**

- 8.46. The reinsurer's share in the gross technical provisions shall be determined as established, depending on the type of reinsurance (proportional and non-proportional, optional or compulsory, etc.), and the terms and conditions of the reinsurance contract.
- 8.47. The insurer calculates the reinsurer's share in technical provisions concomitantly with calculation of gross value of technical reserves. The reinsurer's share must be calculated and reported separately, for each type of technical provision.
- 8.48. In determining the reinsurer's share in technical reserves related to the contracts or policies ceded into reinsurance, should be taken into account the ability of the insurer to pay the insurance compensations for reinsured claims and the appropriateness of recovery of such payments from the reinsurer. This form of market risk is taken into account when assessing the technical provisions. In this case, the actuary should disclose and inform about the existence of such risk, its potential impact on the insurer's technical provisions and how the actuary managed that risk in determining these reserves.
- 8.49. Between insurer who cedes (assignor) and reinsurer (assignee), or between the reinsurer who retro cedes and reinsurer or retro assignee transfer of assets must be real and complete.
- 8.50. The reinsurer's share of the gross unearned premiums reserve related to the contracts ceded into reinsurance shall be calculated according to the method used to calculate the unearned premiums reserve described in present Regulation, or, where those methods does not apply, in accordance with reinsurance contract clauses, on the date when the reinsurance contract enters into force.
- 8.51. The share of the gross reserve for reported but not settled claims (RBNS reserve) related to contracts ceded into reinsurance shall be calculated separately for every insurance contract to which insured event has been notified and which was ceded into reinsurance and shall be equal to the amount recoverable from the reinsurer on the basis of the terms and conditions of the reinsurance contract
- 8.52. The share of the gross reserve for incurred but not reported claims (IBNR) related to the contracts ceded into reinsurance shall be calculated by insurance class on the basis of accumulated statistical data of compensation paid for insurance contracts ceded

into reinsurance, in a given insurance class.

- 8.53. The reinsurance share of the gross reserves for unexpired risks related to the contracts ceded into reinsurance shall be calculated according to the method used to calculate the reserve for unexpired risks or according to the reinsurance contract provisions, on the date when the reinsurance contract enters into force.
- 8.54. The reinsurance share of the mathematical reserves shall be calculated separately for each insurance contract or policy (group of contracts or policies) according to the reinsurance contract provisions and / or reinsurance program.

These technical provisional calculations are subject to changes from time to time where necessary by the authority.

- 8.55. Aggregate provisions shall be made where it is not practically possible to calculate mathematical provision for each (individual) insurance contract or policy for the following:
- a) Policies or contracts which are charged with additional premium on account of certain substandard conditions representing extra risks; such as, occupational hazard, over-weight, under-weight, health impairment, geographical or other conditions classified by the insurer as sub-average living.
  - b) Expired policies, which are not included in the mathematical provisions calculation, under which insurance liability exist or may arise.
  - c) Guarantees and/or options available to individual and group policies or contracts.
  - d) Increase or decrease in mathematical provisions arising out of MDL exchange rate variations, specific situation for insurance policies or contracts denominated in foreign currency.
  - f) Others conditions, if any.

## **Chapter 9. FINANCIAL STATEMENTS AND AUDITS**

### **9.1. Maintenance of Financial Records**

1. A license holder shall keep at its principal office in Liberia, records that are 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 such financial statements and make such returns as it may be required to prepare and make under this Act and the Regulations; and
  - (d) in the case of a relevant license holder, to enable its financial statements to be audited in accordance with this Act and the Regulations.

2. A license holder shall retain the records required to be kept under this section for a period of at least six years after the completion of the transaction to which they relate.
3. Subsection 2 continues to apply to a person who held a license issued under this Act, even if the license has been cancelled. License holders are subject to the provisions of the Liberian Institute of Certified Public Accountants Act, as Amended.
4. Any licensed holder that violates subsection 1 or a former license holder upon that violates subsection 3 upon administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **9.2. Financial Statements required to be prepared by Relevant License Holder**

1. A relevant license holder shall prepare financial statements for each financial year.
2. The financial statements shall:
  - (a) be prepared in accordance with, and comply with, the Nationally accepted accounting standards, the Insurance Regulations and Nationally mandated Statutory Accounting principles; and
  - (b) The primary financial statements include: statutory statement of operations, statutory statement of financial position, statutory statement of changes in surplus, and statutory statement of cash flows,
  - (c) Financial statements issued to the Authority without full narrative disclosure will not be deemed complete. Notes (footnotes) to the financial statements are added to meet the requirements of full disclosure. Footnotes will enable users of the financial statements to interpret some of the more complex items and are considered an integral part of the financial statements. The notes are to be prepared in accordance with nationally accepted auditing standards. Comparative footnotes are required when the related primary financial statement is presenting comparative data. Notes will include:
    1. Accounting policies
    2. Explanatory (data)
    3. Supplemental information
    4. Statutory information

### **9.3. Appointment of Licensed or authorized external auditor**

1. A relevant license holder shall appoint and at all times have a licensed or authorized licensed or authorized external auditor duly registered with the Liberia Audit and Accounting Oversight Board, for the purposes of auditing its financial statements.
2. A person shall not be appointed a licensed licensed or authorized external auditor under subsection 1 unless:

- (a) the person is qualified under the Regulations to act as the licensed or authorized external auditor of a relevant license holder;
  - (b) the license holder and licensed or authorized external auditor have agreed in writing, to terms covering the nature, timing and extent of the audit engagement licensed or authorized external auditor; and
  - (c) the Authority has given its prior written approval to the person's appointment as licensed or authorized external auditor of the relevant license holder.
3. The Authority shall not approve the appointment of a person as licensed licensed or authorized external auditor of a relevant license holder unless it is satisfied that the person is qualified to act as a licensed licensed or authorized external auditor and has sufficient experience and is competent to audit the financial statements of the relevant license holder.
4. The approval of the Authority is not required where the licensed or authorized external auditor appointed in respect of a financial year acted as the licensed licensed or authorized external auditor of the relevant license holder in the previous financial year and the Authority has not revoked its approval of the licensed or authorized external auditor under section 9.7.
5. Where, for whatever reason, a person ceases to be the licensed or authorized external auditor of a relevant license holder, the relevant license holder is deemed not to have contravened subsection 1 if it appoints another licensed licensed or authorized external auditor in accordance with this section within 2 months of the date that the person who was previously appointed licensed or authorized external auditor ceases to hold that appointment.
6. A relevant license holder is in violation if:
  - (a) subject to subsection 5, it does not have a licensed or authorized external auditor, or
  - (b) it appoints an licensed or authorized external auditor contrary to subsection 2, and upon Administrative determination by the regulator commits an offence and shall be liable to pay a fine consistent with the Liberian Institute of Certified Public Accountants Act, as Amended from time to time or an amount of L\$200,000.00.

#### **9.4. Relevant License Holder's Duties in Relation to Audit**

1. A relevant license holder shall make such arrangements as are necessary to enable its licensed or authorized external auditor to audit its financial statements in accordance with this Nationally Acceptable Auditing Standards, this Act and applicable Regulations, including by:
  - (a) giving the licensed or authorized external auditor a right of access at all reasonable times to its financial records and to all other documents and records; and

- (b) providing the licensed or authorized external auditor with the information and explanations that the licensed or authorized external auditor reasonably requires for the purposes of the audit.

## **9.5. Audit and Audit Report**

1. An licensed or authorized external auditor shall examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit will also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation to enable the licensed licensed or authorized external auditor to form an appropriate opinion on the financial statements, and prepare an audit report, in compliance with this Nationally Accepted Auditing and Statutory Reporting Standards, this Act and relevant Regulations.
2. Upon completion of the audit of the financial statements of a relevant license holder, the licensed or authorized external auditor shall:
  - (a) provide an audit report to the relevant license holder complying with Nationally accepted accounting standards specified in the Regulations and Nationally mandated Statutory Accounting Principles and
  - (b) The Financial Statements have been prepared using Nationally Accepted Accounting Principles and Statutory Accounting Principles which have been consistently applied and that the audit was performed in accordance with Nationally Accepted Auditing Standards;
  - (c) The Financial Statements comply with relevant statutory requirements and regulations;
  - (d) There is adequate disclosure of all material matters relevant to the proper presentation of the financial information subject to statutory requirements, where applicable;
  - (e) Any changes in the accounting principles or in the method of their application and the effects thereof have been properly determined and disclosed in the Financial Statements.
  - (f) Forms of Auditors Opinions
    - i. *Unqualified opinion.* An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles. This is the opinion expressed in the standard report.
    - ii. *Explanatory language added to the auditor's standard report.* Certain circumstances, while not affecting the auditor's unqualified opinion on the financial statements, may require that the licensed or authorized external auditor add an explanatory paragraph (or other explanatory language) to the audit report.
    - iii. *Qualified opinion.* A qualified opinion states that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly,

in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with Nationally accepted accounting principles.

iv. *Adverse opinion.* An adverse opinion states that the financial statements do not present fairly the financial position, results of operations, or cash flows of the entity in conformity with generally accepted accounting principles.

v. *Disclaimer of opinion.* A disclaimer of opinion states that the auditor does not express an opinion on the financial statements.

(g) When expressing a qualified opinion, the licensed or authorized external auditor should disclose all of the substantive reasons in one or more separate explanatory paragraph(s) preceding the opinion paragraph of the report. The licensed or authorized external auditor should also include, in the opinion paragraph, the appropriate qualifying language and a reference to the explanatory paragraph. A qualified opinion should include the word *except* or *exception* in a phrase such as *except for* or *with the exception of*. Phrases such as *subject to* and *with the foregoing explanation* are not clear or forceful enough and should not be used.

(h) When the auditors conclude that the financial statements of a company do not comply with accounting standards, they assess:

(i) whether there are sound reasons for the departure;

(ii) whether adequate disclosure has been made concerning the departure from accounting standards;

(iii) whether the departure is such that the financial statements do not give a true and fair view of the state of affairs and profit or loss. In normal cases, a departure from accounting standards will result in the issue of a qualified or adverse opinion on the view given by the financial statements.

(i) Where no explanation is given for a departure from accounting standards, its absence may of itself impair the ability of the financial statements to give a true and fair view of the company's financial condition and profit or loss. When auditors conclude that this is so, a qualified or adverse opinion on the view given by the financial statements is appropriate, in addition to a reference (where appropriate) to the non-compliance with the specific requirement of company law.

(j) Language detailing substantive reasons, causes and justifications and implications for expressing other than unqualified auditor opinions are provided for in nationally accepted auditing standards.

(k) Send a copy of the audit report to the Authority.

3. The Authority may at any time, by notice in writing, direct a relevant license holder to supply the Authority with a report, prepared by its licensed or authorized external auditor or such other person as may be nominated by the Authority, on such matters as the Authority may determine which may include an opinion on the adequacy of the accounting systems and controls of the relevant license holder and on asset quality and the adequacy of its technical provisions.

4. A report prepared under subsection 3 shall be at the cost of the relevant license holder.

#### **9.6. Reporting Obligations of Licensed or authorized external auditors**

1. Despite anything to the contrary in any other Law, the licensed or authorized external auditor of a relevant license holder shall report immediately to the Authority any information relating to the affairs of the relevant license holder that the auditor has obtained in the course of acting as its auditor that, in the opinion of the auditor, suggests that:
  - (a) the relevant license holder is, or is likely to become insolvent or its business is not, or is likely to cease to be, in a financially sound condition;
  - (b) in the case of a licensed insurer, the relevant license holder:
    - (i) is not in compliance with the contributed capital requirements specified in section 6.3 or the solvency requirements in section 6.4;
    - (ii) is in material breach of section 6.7, 6.9, 6.10, **6.11** or section 6.12 or of any solvency requirements specified in the Regulations; or
    - (iii) is likely to become unable to meet the requirements specified in subparagraphs (i) or (ii);
  - (c) in the case of a licensed insurance broker, the insurance broker is in breach of, or likely to breach:
    - (i) the contributed capital requirements in section 8.2; or
    - (ii) the capital resource requirements in section 8.3;
    - (iii) IBNR requirements in section 8.19
  - (d) a criminal offence has been or is being committed by the relevant license holder or in connection with its business;
  - (e) the relevant license holder has significant weaknesses in its internal controls which render it vulnerable to significant risks or exposures that have the potential to jeopardize its financial viability; or
  - (f) a serious breach of this Act, the Regulations or the anti-money laundering and terrorist financing laws has occurred in respect of the relevant license holder or its business.
2. Where the appointment of an licensed or authorized external auditor of a relevant license holder is terminated, or the licensed or authorized external auditor resigns, the licensed or authorized external auditor whose appointment has been terminated, or who has resigned, shall:

- (a) forthwith inform the Authority of the termination of the appointment, or the resignation, and disclose to the Authority the circumstances that gave rise to the termination or resignation; and
  - (b) if, but for the termination of the appointment, or the resignation, the licensed or authorized external auditor would have reported information to the Authority under subsection 1, the auditor shall report the information concerned to the Authority, as if the appointment had not been terminated or the auditor had not resigned.
3. The Authority may require an licensed or authorized external auditor of a relevant license holder to discuss any audit he or she has conducted or commenced, or provide additional information regarding the audit to, the Authority.
4. Where, in good faith, a person who is, or was, an licensed or authorized external auditor of a relevant license holder provides any information to the Authority under subsection 1, 2 or 3, the person is considered not to be in contravention of any Law, rule of law, agreement, regulatory or administrative requirement or professional code of conduct to which the person is subject and no civil, criminal or disciplinary proceedings shall lie against the person in respect thereof.
5. The failure, in good faith, of a person who is, or was, an licensed or authorized external auditor of a relevant license holder, to provide a report or information to the Authority under subsection 1, 2 or 3 does not confer upon any other person a right of action against the person which, but for that failure, the other person would not have had.
6. Subject to subsection 7, the licensed or authorized external auditor of a relevant license holder shall, before reporting to the Authority under subsection 1 or 2, take reasonable steps to inform the license holder of his or her intention to make the report and the nature of the report.
7. An licensed or authorized external auditor is not required to inform the license holder of his or her intention to make a report under this section if the auditor is of the opinion that to give notice to the license holder may be detrimental to the interests of its customers.
8. Any licensed or authorized external auditor or former licensed or authorized external auditor who fails to comply with subsection 1 or 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **9.7. Powers of Authority**

1. If the Authority is of the opinion that the licensed or authorized external auditor of a relevant license holder has failed to fulfill his or her obligations under this Act or is otherwise not a fit and proper person to act as the licensed or authorized external auditor of a relevant license holder, it may give written notice to the license holder and to the auditor of its intention to revoke the appointment of the licensed or authorized external auditor on the date specified in the notice.
2. A notice given under subsection 1 shall state:
  - (a) the grounds on which it intends to revoke the appointment of the licensed or authorized external auditor;
  - (b) that the license holder and the licensed or authorized external auditor may provide written representations to the Authority objecting to the revocation of the auditor's appointment; and
  - (c) the last date for the provision of written representations to the Authority, which must be a date no earlier than fourteen days after the date of the notice.
3. The Authority shall consider any objections it receives before deciding whether or not to revoke the appointment of the licensed or authorized external auditor.
4. A notice revoking the appointment of an licensed or authorized external auditor under subsection 1 shall be given to the auditor.
5. If a relevant license holder fails to appoint an licensed or authorized external auditor, the Authority may appoint a qualified person to act as the licensed or authorized external auditor of the license holder.
6. An licensed or authorized external auditor appointed under subsection 5 is considered, for the purposes of this Act, to have been appointed by the relevant license holder and the license holder shall be responsible for the licensed or authorized external auditor's costs and remuneration.

### **9.8. Submission of Financial Statements to the Authority**

1. A relevant license holder shall, within the time period specified in the Regulations, submit to the Authority its annual financial statement accompanied by:
  - (a) a directors' certificate in the form approved by the Authority, if any;
  - (b) the licensed or authorized external auditor's report;
  - (c) in the case of a licensed insurer required by the Regulations to prepare a financial condition report, the financial condition report prepared;
  - (d) any report on the affairs of the license holder made to its members in respect of the financial year; and
  - (e) such other documents as may be specified in, or required by, the Regulations.

2. Unless accompanied by the certificates, reports and documents specified in subsection 1, the financial statements are considered not to have been submitted to the Authority.
3. A relevant license holder shall, in respect of and within such periods as may be specified in the Regulations, submit to the Authority:
  - (a) periodic financial statements, that may be unaudited.
  - (b) a return in the form approved by the Authority, if any; and
  - (c) such other information and documentation as may be specified in the Regulations.
4. If the Authority considers that the financial statements submitted by a relevant license holder under subsection 1, or any documents attached to them, are inaccurate or incomplete or that they are not prepared in accordance with the accounting standards specified in the Regulations, the Authority may by written notice reject the financial statements.

#### **9.9. Extension of Time**

1. The Authority may, on the application of a relevant license holder, extend the time for compliance with section 9.8 for a period not exceeding 2 months or, where it grants more than one extension, for an aggregate period of no more than 2 months.
2. An extension under subsection 1 may be granted subject to such conditions as the Authority considers appropriate.

#### **9.10. Group accounts**

1. Where a relevant license holder is a member of a group of companies, the Authority may require the license holder to submit consolidated financial statements in addition to Liberian subsidiary financial statements.
2. The Authority may require that the group accounts are audited by a licensed licensed or authorized external auditor of the relevant license holder or by another licensed licensed or authorized external auditor approved by the Authority in writing.

#### **9.11. Regulations**

1. The Regulations shall specify:
  - (a) Nationally accepted accounting standards to be used by relevant license holders in the preparation of their financial statements;
  - (b) recognized qualifications for licensed or authorized external auditors.
2. The Regulations may specify requirements concerning:
  - (a) the determination of the financial year of a relevant license holder;

- (b) the nature, form, manner and place in which the financial records of a relevant license holder are to be kept;
- (c) other records required to be kept by a relevant license holder and the form, manner and place in which the additional records are to be kept;
- (d) the preparation and audit of the financial statements of a relevant license holder;
- (e) the reports to be provided by the licensed or authorized external auditor to the relevant license holder and the Authority;
- (f) the submission of annual and periodic financial statements and returns to the Authority;
- (g) the nature, form, content, preparation and audit of group accounts.

## **Chapter 10. SUPERVISION AND ENFORCEMENT**

### **10.1. Power to Obtain Documents and Information**

1. Where reasonably required by the Authority for the performance of its functions under this or any other enactment, the Authority may, by notice in writing given to a person specified in subsection 2, require the person:
  - (a) to provide specified information or information of a specified description; or
  - (b) to produce specified documents or documents of a specified description.
2. A notice under subsection 1:
  - (a) may be issued to:
    - (i) a license holder;
    - (ii) a former license holder;
    - (iii) a person the Authority reasonably believes to be carrying on, or to have at any time carried on, unlicensed business;
    - (iv) a person connected with a person specified in subparagraph (i), (ii) or (iii); or
    - (v) in the case of a notice requiring the production of documents, any person whom the Authority reasonably believes is in possession of the documents; and
  - (b) shall specify the place where and the period within which the information or documents shall be provided or produced.
3. The Authority may require:

- (a) any information provided under this section to be provided in such form as the Authority may specify;
  - (b) any information provided, or documents produced, under this section to be verified or authenticated in such manner as the Authority may reasonably specify;
  - (c) that the information is to be provided to, or the documents are to be produced to, a person specified in the notice; and
  - (d) that the person to whom the notice is issued, or a person who is or has been a director, licensed or authorized external auditor or actuary of that person, provide such explanations relating to the information or documents as the Authority may reasonably require.
4. The Authority may take copies or extracts of any document produced under this section.
5. Where a person claims a lien on a document, its production under this section is without prejudice to that lien.
6. In this section and section 10.8, “connected person” has the meaning specified in the Regulations.
7. Any person who, without reasonable excuse, fails to comply with a notice issued under this section upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

## **10.2. Inspection Visits**

1. For the purposes of this section, “relevant person” means:
  - (a) a license holder;
  - (b) a subsidiary or holding company of a license holder; or
  - (c) a former license holder.
2. The Authority may, at any time, for the purpose of performing its functions:
  - (a) inspect the premises and the business, including the procedures and controls, of a relevant person;
  - (b) inspect any premises or business of a person to whom the relevant person has outsourced any functions or activities;

- (c) inspect the assets, including cash, belonging to or in the possession or control of a relevant person or of a person to whom any functions or activities of the relevant person have been outsourced;
  - (d) examine and make copies of documents belonging to or in the possession or control of a relevant person or of a person specified in paragraph (b) that, in the opinion of the Authority, relate to the carrying on of insurance business or the business of insurance intermediary or loss adjuster, by the relevant person; and
  - (e) seek information and explanations from the officers, employees, agents and representatives of a relevant person or of a person specified in paragraph (b), and whether verbally or in writing, and whether in preparation for, during or after an inspection visit.
3. An inspection visit may be undertaken by employees of the Authority, by other persons authorized by the Authority for the purpose or by both employees and other authorized persons.
  4. An inspection visit undertaken in relation to a person to whom any functions or activities of a relevant person have been outsourced shall be limited to those aspects of the premises, business, assets or documents that are relevant to the functions of the Authority in relation to the relevant person.
  5. Subject to subsection 6, the Authority shall give reasonable notice to a relevant person of its intention to exercise its powers under subsection 2.
  6. Where it appears to the Authority that the circumstances so justify, the Authority may exercise its powers under subsection 2 without giving notice of its intention to do so.
  7. In undertaking an inspection visit, the Authority shall exercise reasonable care to avoid hindrance to the day-to-day activities of the relevant person.
  8. A relevant person shall permit any employee of the Authority, or person appointed by the Authority, undertaking an inspection visit to have access, for the purposes of the inspection visit, to:
    - (a) any of its premises, its business and any assets in its possession or control that the Authority requires to inspect; and
    - (b) all documents, including financial records that the Authority requires, including electronic records.
  9. Any relevant person that violates this section upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$100,000.00 (One Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **10.3. Enforcement action against persons carrying on unlicensed business**

1. The Authority is entitled to take enforcement action against a person who is carrying on, or has carried on, unlicensed business.
2. If the Authority is entitled to take enforcement action under subsection 1, without limiting any other power given to it by this Act, it may exercise one or more of the following powers:
  - (a) issue a written directive to the person requiring the person:
    - (i) to cease carrying on the unlicensed business concerned;
    - (ii) to take such action as the Authority considers may be necessary to protect:
      - (A) the property of, or in the custody, possession or control of, the person; or
      - (B) the interests of persons with whom the person has carried on unlicensed business; or
  - (b) appoint an investigator to conduct an investigation under section 10.7.
3. Any person who violates subsection 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$500,000.00 (Five Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **10.4. Enforcement action against license holders**

1. The Authority may take enforcement action against a license holder if:
  - (a) in the opinion of the Authority, the license holder:
    - (i) has contravened, or is in contravention of, this Act or the Regulations;
    - (ii) has contravened or is in contravention of an obligation under the antimoney laundering and terrorist financing laws;
    - (iii) in the case of a licensed insurer, is not carrying on its business in a prudent manner or in accordance with sound insurance principles or has breached a solvency control level specified in the Regulations;
    - (iv) is carrying on, or is likely to carry on, business in a manner detrimental to the public interest or to the interest of any of its customers or creditors;
    - (v) is or is likely to become insolvent;
    - (vi) has failed to comply with a directive given to it by the Authority under this Chapter;

- (vii) is in breach of, or has breached, any condition of its license; or
- (viii) has provided the Authority with any false, inaccurate or misleading information, whether on making application for a license or subsequent to the issue of the license;
- (b) the Authority has reasonable grounds for believing that:
  - (i) a person having a share or interest in the license holder, whether equitable or legal, or any director, senior manager or key functionary of the license holder is not a fit and proper person to have an interest in or be concerned with the management of the license holder;
  - (ii) the license holder or a subsidiary or holding company of the license holder has refused or failed to co-operate with the Authority on an inspection visit undertaken by the Authority under section 10.2; or
  - (iii) the license holder has departed substantially from the most recent business plan submitted to the Authority.
- 2. If the Authority is entitled to take enforcement action under subsection 1, without limiting any other power given to it by this Act, it may exercise one or more of the following powers:
  - (a) vary any conditions attached to the license, or impose additional conditions, under section 12.6;
  - (b) issue a directive under section 10.5 or 10.6;
  - (c) appoint an investigator to conduct an investigation under section 10.7; or
  - (d) impose an administrative fine in accordance with regulations made under section 13.5.

#### **10.5. Directives to licensed insurer**

- 1. Where the Authority is entitled to take enforcement action against a licensed insurer, the Authority may issue a written directive to the insurer:
  - (a) imposing one or more prohibitions, restrictions, limitations or conditions on the licensed insurer or its business, including, but not limited to, a directive that:
    - (i) the insurer shall cease to engage in any class of insurance business;
    - (ii) the insurer shall not enter into any new contracts for any class of insurance business;
    - (iii) the insurer shall not vary any existing contracts of insurance or reinsurance contracts;

- (iv) the aggregate premium income of the insurer, whether before or after the deduction of reinsurance premiums payable by the insurer for reinsuring its insurance liabilities, shall be limited as specified in the directive;
  - (v) the insurer refrains from making investments of a specified class or description;
  - (vi) the insurer realize, within such time period as may be specified in the directive, the whole or a specified portion of investments of a specified type or description held by the insurer;
  - (vii) the insurer shall not transfer its assets, or specified assets, to any other person;
  - (viii) the insurer shall not declare or make any distribution to its shareholders or purchase its own shares;
- (b) requiring the licensed insurer:
- (i) to increase its capital resources;
  - (ii) to provide a remediation or recovery plan to the Authority;
  - (iii) to enter into one or more reinsurance contracts, as cedant;
  - (iv) to arrange the transfer of obligations under any insurance contracts to another insurer that is willing to accept them;
  - (v) to notify the Authority, or obtain specific approval from the Authority, before it undertakes certain specified actions or types or descriptions of action;
  - (vi) to provide any return or other document it is obliged to submit under this Act or the Regulations within a shorter period of time than that permitted under this Act;
  - (vii) to provide to the Authority specified reports or returns that are not required to be submitted to the Authority under this Act or the Regulations;
  - (viii) to appoint additional directors, senior managers or key functionaries approved by the Authority.
- (c) requiring the licensed insurer to take such other action as the Authority considers may be necessary to:
- (i) safeguard the financial condition of the insurer;
  - (ii) protect the property of, or in the custody, possession or control of, the insurer; or

- (iii) protect customers or creditors or potential customers or creditors of the insurer.
- 2. Any licensed insurer that fails to comply with, or carries on business in contravention of, a directive issued by the Authority under this section upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **10.6. Directives to licensed insurance intermediaries and licensed loss adjusters**

- 1. Where the Authority is entitled to take enforcement action against a licensed insurance intermediary or a licensed loss adjuster, the Authority may issue a written directive to the insurance intermediary or loss adjuster:
  - (a) imposing one or more prohibitions, restrictions, limitations or conditions on the licensed insurance intermediary or its business, including, but not limited to, that the insurance intermediary or loss adjuster:
    - (i) ceases to act as an insurance intermediary or loss adjuster; or
    - (ii) ceases accepting particular types of business; or
  - (b) requiring the insurance intermediary or loss adjuster to take other action that the Authority considers may be necessary to protect the interests of the insurance intermediary's or loss adjuster's customers or prospective customers and, in the case of an insurance agent, the insurer on whose behalf the agent acts.
- 2. Any licensed insurance intermediary or a licensed loss adjuster that fails to comply with, or carries on business in contravention of, a directive issued by the Authority under this section upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **10.7. Appointment of investigator**

- 1. The Authority may appoint one or more competent persons as investigators to conduct an investigation on its behalf:
  - (a) with respect to a license holder:

- (i) if it appears to the Authority on reasonable grounds that there are, or may be, grounds for taking enforcement action against the license holder under section 10.3; or
    - (ii) the Authority is of the opinion that it is desirable to appoint an investigator in the interests of the customers or creditors or potential customers or creditors of the license holder or in the public interest;
  - (b) with respect to a former license holder, if the Authority would have been entitled to appoint an investigator under paragraph (a), but for the cancellation of the license holder's license; and
  - (c) with respect to any person if it appears to the Authority on reasonable grounds that the person is carrying on, or has carried on, unlicensed business.
2. The matters investigated by an investigator appointed under subsection 1 may include one or more of the following in respect of the person being investigated:
- (a) the nature, conduct or financial condition of the person's business;
  - (b) a particular aspect of the person's business;
  - (c) the ownership or control of the person being investigated;
  - (d) in the case of a license holder, whether there are grounds for the taking of enforcement action against the license holder;
  - (e) whether the person is carrying on, or has carried on, unlicensed business.
3. The Authority may give directions to the investigator concerning any one or more of the following:
- (a) the scope of the investigation;
  - (b) the period for the conduct of the investigation;
  - (c) the conduct of the investigation; and
  - (d) the manner in which the investigator shall report to the Authority.
4. Where an investigator is appointed with respect to a former license holder, an investigation under subsection 2 shall extend only to:
- (a) in the case of paragraphs (a) and (b), the person's business carried on at any time when the person was a license holder; and
  - (b) in the case of paragraph (c), to the ownership or control of the person at any time when the person was a license holder.
5. An investigator shall submit a report of his or her investigation to the Authority.
6. The Authority may direct that the license holder pay the costs of an investigation conducted under this section, or such part of those costs as it may specify.

7. The Regulations may provide for:
  - (a) the notice to be given to a person to be investigated under this section;
  - (b) the conduct of an investigation;
  - (c) the powers of an investigator appointed under this section; and
  - (d) the payment of remuneration to the investigator.
8. Any person who fails to provide all assistance reasonably required by an investigator appointed under this section upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

#### **10.8. Powers of investigator**

1. Subject to subsection 2 and to any direction under section 10.7 subsection 3, an investigator appointed under this section has:
  - (a) the power to require the person under investigation or any person connected with the person under investigation to attend before the investigator at such time and place as the investor may determine to answer questions; and
  - (b) the power to require the provision of information or documents;
2. The investigator may only exercise the powers under subsection 1 to the extent that the investigator considers it necessary for the purposes of the investigation.
3. An investigator may, if he or she considers it necessary for the purposes of the investigation, on giving written notice to the person concerned, also investigate the business of any person who is, or at any relevant time has been:
  - (a) a member of the group of which the person under investigation is a part; or
  - (b) a partnership of which the person under investigation is a member.

#### **10.9. Appointment of Provisional Administrator by Court**

1. The Authority may apply to the Court for the appointment of a suitably qualified person as the provisional administrator of a license holder or of the business, or any part of the business, of a license holder on the grounds that the license holder:
  - (a) in the case of a licensed insurer, is not carrying on its business in a prudent manner or in accordance with sound insurance principles or has breached a solvency control level specified in the Regulations;
  - (b) is carrying on, or is likely to carry on, business in a manner detrimental to the public interest or to the interest of any of its customers or creditors;

- (c) is or is likely to become insolvent;
  - (d) has committed, is committing or there are reasonable grounds to suspect intends to commit a criminal offence involving dishonesty or a money laundering or terrorist financing offence.
2. If the Authority considers that giving notice to the license holder may jeopardize the assets or business of the license holder or be detrimental to the interests of the policyholders or customers of the license holder, it may apply to the Court without giving notice to the license holder.
  3. An application under this section shall be listed to be heard before the Court as matter of priority.
  4. If, the Court appoints a provisional administrator under subsection 1, it shall:
    - (a) specify:
      - (i) the powers of the provisional administrator in relation to the license holder or its business; and
      - (ii) provide for the supervision of the work of the provisional administrator by the Court, the Authority or by the Court and the Authority; and
    - (b) may:
      - (i) require the provisional administrator to provide security to the satisfaction of the Court;
      - (ii) fix and provide for the remuneration and expenses of the provisional administrator to be paid out of the assets of the license holder.
  5. Without limiting subsection 4, paragraph (a), the powers granted to a provisional administration by the Court may:
    - (a) all the powers of the board of directors, officers and employees of the license holder, which may include the sale of the license holder, the sale of all or substantially all of its assets together with an assumption of substantially all of its liabilities, and obtaining new or additional capital resources for the license holder; or
    - (b) such lesser powers of management and control of the license holder as the Court shall determine, that may include the power to veto any proposed transaction of the license holder that:
      - (i) is not in the ordinary course of the license holder's business;
      - (ii) in the opinion of the provisional administrator, would be in violation of any applicable Law; or
      - (iii) that exceeds a certain amount.

6. The Court may appoint a provisional administrator to succeed another provisional administrator.

#### **10.10. Appointment of Provisional Administrator by Authority**

1. If the Authority has reasonable grounds for believing that the immediate appointment of a provisional administrator is necessary:
  - (a) to preserve the business or the assets of a license holder that are in jeopardy; or
  - (b) to protect the interests of policyholders or other customers of the license holder,the Authority may, by written notice, appoint a suitably qualified person as the provisional administrator of a license holder.
2. The powers of a provisional administrator appointed by the Authority under subsection 1 are limited to do all things necessary to preserving the business or assets of the license holder or protecting the interests of policyholders.
3. Where the Authority appoints a provisional administrator under subsection 1, it shall apply to Court within 15 days for an order ratifying the appointment.
4. On an application under subsection 3, the Court may ratify or discharge the appointment of the provisional administrator and may make such other order as it considers appropriate.

#### **10.11. Process of Provisional Administration**

1. A provisional administrator shall, within three days of appointment:
  - (a) post in each office of the license holder a notice announcing the provisional administrator's appointment under this Act, specifying the date and time at which possession by the provisional administrator took effect;
  - (b) publish a notice to the same effect in one or more newspapers of general circulation in the communities in which the license holder maintains offices; and
  - (c) transmit copies of the notices to the Authority within 3 days of posting and publication.
2. Actions on behalf of or for the account of the license holder that occur without the prior approval of the provisional administrator after the date of publication of the notice described in subsection 1, paragraph (b) shall be void and of no effect unless the provisional administrator otherwise decides.
3. The directors, officers and employees of a license holder shall take all necessary steps to secure the license holder's assets after the appointment of a provisional administrator and until the retention, disposal or other use of the assets is determined by the provisional administrator.

4. The provisional administrator may bring any action in Court that the license holder could bring or any action to set aside a transaction based on a forged or fraudulent document that the license holder has executed to the detriment of policyholders or creditors.
5. When exercising powers granted under section 10.9 subsection 5, paragraph (a), the provisional administrator shall have the same rights and privileges and shall be subject to the same duties, restrictions, penalties and conditions as apply to the board of directors, officers, or employees of the license holder.
6. If a provisional administrator has the powers granted under section 10.9 subsection 5, paragraph (a), the powers of the administrators and shareholders of the license holder shall be suspended during the provisional administration, provided that administrators may be instructed by the provisional administrator to exercise specified functions for the license holder and such persons are subject to dismissal by the provisional administrator from their positions at the license holder.
7. The Court may authorize that, notwithstanding any provision of any Law, the rehabilitation or sale of a license holder may include the issuance, based on the determination of the provisional administrator, of new shares to existing shareholders of the license holder or to new shareholders at prices and with rights determined by the provisional administrator to be fair.
8. The management by the provisional administrator shall continue until, in the opinion of the Court, the license holder is brought into compliance with this Act and the Regulations or the Court is satisfied that it would no longer be beneficial to continue the provisional administration.
9. If the provisional administrator determines that the license holder cannot be brought into compliance with this Act and the Regulations, the provisional administrator shall notify the Court.
10. Where, for whatever reason, the remuneration and expenses of the provisional administrator are paid by the Authority, the Authority shall be reimbursed by the license holder, or out of its assets, in priority to all other claims, costs or expenses.
11. The Authority has a first charge over the assets of the license holder to secure any monies paid under subsection 10 and the provisional administrator has a second charge over the assets of the license holder for his or her remuneration, costs and expenses.
12. Upon approval of the final report of the provisional administrator by the Court, the Authority and the provisional administrator shall be relieved of any further responsibility in connection with the provisional administration of a license holder.

#### **10.12. Public statements**

1. The Authority may issue a public statement in such manner as it considers fit setting out:

- (a) enforcement action that the Authority intends to take against a license holder; or
  - (b) enforcement action that the Authority has taken against a license holder or former license holder.
2. A public statement issued under subsection 1 may include such information as the Authority considers appropriate, including:
  - (a) the reasons for the enforcement action taken or to be taken; and
  - (b) the nature of the enforcement action taken or to be taken.
3. Where it considers it in the public interest to do so, the Authority may issue a public statement in such manner as it considers fit with respect to:
  - (a) any person who the Authority has reasonable grounds to believe is carrying on, has carried on, intends to carry on or is likely to carry on unlicensed business;
  - (b) any matter relating to the insurance market where the Authority considers that the statement is desirable for:
    - (i) the protection of the public, whether within or outside Liberia, against financial loss arising out of the dishonesty, incompetence, malpractice or insolvency of persons engaged in business within the insurance sector; or
    - (ii) the deterrence of financial crime and other unlawful activities relating to the insurance sector.
4. Subject to subsection 5, where a public statement is to be issued under this section in relation to a license holder or a former license holder, the Authority shall give that person 7 days written notice of its intention to issue the public statement and the reasons for the issue of the statement.
5. If the Authority is of the opinion that it is in the public interest or in the interests of any of the customers, prospective customers or creditors of a license holder or former license holder that subsection 4 should not have effect or that the period referred to in that subsection should be reduced, the Authority may issue the public statement without notice to the license holder or former license holder or with such shorter period as it considers appropriate.

## **Chapter 11. SEIZURE, REORGANIZATION AND LIQUIDATION OF LICENSE HOLDERS**

### **11.1. Scope of this Chapter**

1. This Chapter applies to:
  - (a) a licensed insurer; and

- (b) a licensed insurance broker.
- 2. In this Chapter, “license holder” means a license holder specified in subsection 1.

### **11.2. Voluntary Liquidation of License Holder**

1. Notwithstanding the provisions of the Business Corporations Act, the reorganization and liquidation of license holders shall be subject to the provisions stated in this Chapter.
2. A license holder may enter into voluntary liquidation in accordance with Any voluntary liquidation of a license holder shall be subject to prior authorization by the Authority, which the Authority shall grant only if it appears to the Authority that:
  - (a) the license holder is solvent and has sufficient liquid assets to repay all its debts including, in the case of a licensed insurer, all liabilities due under its insurance contracts, without delay; and
  - (b) the liquidation has been approved by two-thirds of the shareholders of the license holder having the right to vote at a meeting called expressly for the purpose.
3. When it has received the authorization of the Authority, the license holder shall:
  - (a) immediately cease to carry on business, other than for the purposes of effecting an orderly liquidation;
  - (b) in the case of a licensed insurer, make any payments for which it is liable under insurance contracts;
  - (c) pay its creditors; and
  - (d) wind up all operations undertaken prior to the receipt of the authorization.
4. Within thirty days from the receipt of the authorization referred to in subsection 2, a notice of voluntary liquidation, setting forth such information as the Authority may prescribe, shall be sent by mail to all customers, creditors and any persons who are, or may be, entitled to the funds or property held by the license holder as a fiduciary or bailee.
5. A notice under subsection 4 shall also be posted conspicuously on the premises of each office and branch of the license holder and shall be given such publication as the Authority may direct.
6. The authorization to go into voluntary liquidation shall not prejudice the rights of a customer or other creditor to payment in full of his claim nor the right of an owner of funds or other property held by the license holder to the return thereof.
7. All lawful claims shall be paid promptly and all funds and other property held by the license holder shall be returned to their rightful owners within such maximum period as the Authority may prescribe.

8. When, in the judgment of the Authority, the license holder has discharged all the obligations referred to in subsection 7, the Authority shall cancel the license holder's license under section 4.9 and any assets remaining shall be distributed among its shareholders in proportion to their respective rights.
9. No distribution shall be made under subsection 8 before:
  - (a) all claims of its customers and other creditors have been paid or in the case of a disputed claim, before a license holder has turned over to the Authority or to any other person proposed by the liquidating license holder and approved by the Authority, sufficient funds to meet any liability that may be judicially determined;
  - (b) any funds payable to a customer or other creditor who has not claimed them have been turned over to the Authority or to any person proposed by the liquidating license holder and approved by the Authority;
  - (c) any other funds and property held by the license holder that could not be returned to the rightful owners in accordance with the provisions of subsection 7 have been transferred to the Authority or to any other person proposed by the liquidating license holder and approved by the Authority, together with the inventories pertaining thereto.
10. If the Authority finds that the assets of a license holder whose voluntary liquidation it has authorized are not, or will not be, sufficient for the full discharge of all its obligations or that completion of the liquidation is unduly delayed, it may, if it deems fit, take possession of the license holder and undertake compulsory reorganization of it or commence proceedings leading to its compulsory liquidation, in conformity with the procedures specified in sections 11.3 to 11.6.

### **11.3. Seizure of License Holders by Authority**

1. If the Authority is entitled to apply to the Court for the appointment of a provisional administrator of a license holder, it may, whether or not a provisional administrator has been appointed, seize and take possession of the license holder.
2. When taking possession of a license holder, the Authority shall post on the premises of the license holder a notice announcing its action pursuant to this Act, and the time when such possession shall be deemed to take effect and the time specified shall be no earlier than the posting of the notice consistent with administrative due process established by the regulator.
3. After entering into possession of a license holder, the Authority is vested with the full and exclusive power of management and control of the license holder, including the power to continue or discontinue its operations, to stop or limit the payment of its obligations, to employ any necessary staff to execute any instrument in the name of the license holder, to initiate, defend and conduct in its name any action or proceedings to which the license holder may be party, to terminate possession by

- restoring the license holder to its board of directors, and to reorganize or liquidate the license holder in accordance with the provisions of this Act.
4. As soon as possible after taking possession, the Authority shall make an inventory of the assets of the license holder and make a copy of the inventory available for examination by interested parties at the Authority's premises.
  5. The Authority has the power to determine compulsory reorganization of a license holder and in making such determination the Authority shall be guided by the obligation to protect the interests of customers and creditors having regard to safeguarding the integrity and the preservation of confidence in the Liberian insurance market.
  6. If the Authority exercises its power to seize a license holder under subsection 1, it shall, as soon as reasonably practicable, prepare a reorganization plan and, by a notice in a newspaper of general circulation, inform all interested parties of its decision to reorganize the license holder.
  7. The reorganization of a license holder under the provisions of this Act is subject to the following conditions:
    - (a) the reorganization plan shall be equitable to all classes of customers, other creditors and shareholders; and
    - (b) the reorganization plan shall provide for bringing in new funds so as to enable the license holder to comply, in the case of a licensed insurer, with the applicable contributed capital, solvency margin and capital resource requirements and in the case of a licensed insurance broker with the required contributed capital and capital resource requirements.
  8. The reorganization plan shall provide for the removal of any member of the board, officer, or employee responsible for the circumstances which led to the seizure of the license holder in accordance with subsection 1.
  9. The findings of the Authority as to the responsibility of a director, officer, or employee for the circumstances that led to the seizure shall be *prima facie* evidence against the person that he or she is responsible for such circumstances that led to the seizure.
  10. Any director, officer or employee responsible, whether directly or indirectly, in whole or in part, for the circumstances which led to the seizure of the license holder, upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$300,000.00 (Three Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
  11. When, in the course of reorganization, it appears that circumstances render the reorganization plan inequitable or its execution undesirable in view of the defined

objectives, the Authority shall either modify the reorganization plan or apply to the Court under section 11.4 for the compulsory liquidation of the license holder.

12. The Authority shall, within ninety (90) days from the date of seizure, commence process or proceedings leading to either reorganization or compulsory liquidation, or the seizure must be terminated.

#### **11.4. Compulsory Liquidation of a License holder**

1. Compulsory liquidation as determined by the Authority may be decreed only by the Court acting upon a submission by the Authority.
2. Immediately following a submission for compulsory liquidation to the Court, the Authority shall notify the members of the board, shareholders, customers and other creditors and interested parties of the license holder of the submission.
3. Any person given notification of the Authority's submission to the Court may, within a period of twenty days from the date of the notice, file with the Court any objections or reservations they may have and the Court shall give its ruling within a period of twenty days after the end of the period during which objections or reservations to the liquidation were admissible.
4. When the Court orders the compulsory liquidation of a license holder, it shall simultaneously upon rendering its decision, appoint the Authority as liquidator in accordance with the provisions of this Act and the Authority shall thereupon appoint, designate, and assign an appropriately qualified, skilled and experienced person as liquidation officer who shall carry out the task of liquidation under the supervision and direction of the Authority with diligence and efficiency.
5. The engagement by the Authority of a liquidation officer pursuant to subsection 4 shall be by written contract setting forth the terms and conditions of the engagement; provided, however, that notwithstanding any contrary provision of the contract, the Authority shall have the right to terminate it for cause on one day's prior notice.
6. The following provisions apply to the liquidation officer:
  - (a) a liquidation officer may succeed a previous liquidation officer; and
  - (b) compensation of the liquidation officer and his expenses shall be set by the Authority and paid out of the assets of the license holder on a priority basis.

#### **11.5. Protection of Assets where Court orders compulsory liquidation**

1. When the Authority has taken possession of a license holder as liquidator under the terms of the Act and thereafter entered into possession:
  - (a) any term, statutory, contractual or otherwise, on the expiration of which claim or right of the license holder would expire or be extinguished shall be extended by six months from the date of seizure;

- (b) any attachment or lien, except a lien existing six months prior to the seizure of the license holder, shall be vacated and no attachment or lien except a lien created by the liquidator in the application of the provisions of this Act shall attach to any of the property or assets of the license holder so long as such possession continues;
  - (c) any transfer of an asset of the license holder made after or in contemplation of its insolvency or the seizure with intent to effect a preference shall be voided.
- 2. No execution shall be returned against the assets of a seized license holder except, in the discretion of the Court, an execution effected pursuant to a judgment rendered prior to the date of the seizure for an amount not exceeding an amount to be determined by the Court and the Authority.
- 3. Within a period of six months counting from the date of the decision of the Court ordering the compulsory liquidation, the liquidator may terminate:
  - (a) any employment contract;
  - (b) any contract for services to which the license holder was a party; or
  - (c) any obligation of the license holder as a lessee.
- 4. A lessor who has received notice that the liquidator is exercising discretionary powers to terminate the lease under subsection 3(c) has no claim for rent other than rent accrued up to the date of termination of the lease, nor for damage by reason of such termination, provided that the date of termination of said lease shall not be earlier than the date of vacation of the leased premises.

#### **11.6. Liquidation Procedure**

- 1. As soon as possible after the decision of the Court ordering the compulsory liquidation, and in any event not later than sixty days after its appointment by the Court as liquidator, the Authority, acting by and through the liquidation officer appointed pursuant thereto, shall cause to be sent by mail, at the address shown on the books of the license holder, to all customers and creditors, a statement of the nature and amount for which their claim is shown on the books of the license holder. The statement shall note that any objection must be filed with the liquidator before a specified date not later than sixty days thereafter.
- 2. Within three months after the last day specified in the notice for the filing of claims, or such longer period as may be approved by the Authority, the liquidation officer shall:
  - (a) reject any claim if he or she doubts the validity thereof;
  - (b) determine the amount, if any, owing to each known creditor and the priority class of his or her claim under the provisions of this Act;
  - (c) notify each person whose claim has not been allowed in full and publish once a week for three consecutive weeks, in a newspaper of general circulation a

notice of the date and place where the schedule of the steps it proposes to take will be available for inspection, and the date, not sooner than thirty days counting from the date of the third publication in the newspaper, on which the schedule will be filed with the Court.

3. Within thirty days after the filing of the schedule referred to in subsection 2(c), any creditor, or shareholder, and any other interested party, may file an objection to any step proposed.
4. Any objections filed under subsection 3 shall be considered by the Court within thirty days, upon such notice to the liquidation officer and any interested parties as the Court may prescribe and if an objection is sustained, the Court shall direct that an appropriate modification of the schedule be made.
5. After filing the schedule, the liquidation officer may, from time to time, make partial distribution to the holders of claims which are undisputed or which have been allowed by the Court, or which are undisputed or which have been allowed by the Court, on condition that a proper reserve is established for the payment of disputed claims.
6. As soon as possible after all objections have been decided upon, the liquidator shall make final distribution.
7. The following claims have priority against the general assets of the license holder in the order indicated below:
  - (a) necessary and reasonable expenses incurred by the liquidation officer or in application of the provisions of this Act;
  - (b) wages and salaries of officers and employees of the license holder in liquidation for the three month period preceding the seizure of the license holder;
  - (c) taxes, rates and deposits owed to the Government, its institutions, agencies and local government bodies;
  - (d) fees and assessments due to the Authority;
  - (e) in the case of a licensed insurer, the claims of policyholders or other persons entitled to payments or benefits under insurance contracts entered into by the insurer;
  - (f) other creditors.
8. After payment of all other claims filed, at a rate to be fixed by the liquidation officer, with interest calculated up to the date of liquidation, and with the approval of the Court, any remaining claims determined to be legitimate which were filed after the prescribed time shall be paid.
9. If the amount available for any class of claimants is insufficient to provide payment in full, the said amount shall be distributed pro rata among the members of that class.

10. Any assets remaining after all claims have been paid shall be distributed among all shareholders in proportion to their participation.
11. Once all assets have been distributed in accordance with the provisions of this Act, the liquidator shall tender an audited account to the Court and upon approval of this account by the Court:
  - (a) the license of the license holder shall be cancelled;
  - (b) the Ministry of Commerce & Industry shall be notified;
  - (c) the liquidator shall be relieved of any liability in connection with the liquidation; and
  - (d) the liquidation shall be declared closed by the Court and shall terminate the juridical existence in Liberia of the license holder concerned.

## **Chapter 12. GENERAL REGULATORY AND SUPERVISORY POWERS**

### **12.1. Regulations**

1. The Authority shall issue Regulations relating to any matters required to be covered by this Act and, in addition thereto, the Regulations shall specify:
  - (a) classes and, if the Authority considers it appropriate, sub-classes of insurance business, separating the classes between life insurance business and general insurance business and specifying classes or sub-classes of mandatory insurance;
  - (b) information to be provided and returns to be submitted to the Authority by license holders;
  - (c) records to be kept by license holders, including the form, manner and place in which the records shall be kept and the period for which they shall be kept; and
  - (d) the criteria for determining whether a person is resident in Liberia for the purposes of this Act.
2. The Regulations may include such other requirements and other measures as the Authority considers appropriate for giving effect to this Act.
3. Without limiting subsection 2, the Regulations may specify:
  - (a) measures for the detection, prevention, remedying and reporting of financial crime; and
  - (b) the supervision by the Authority of insurance groups and non-insurance groups, including group governance and internal controls.

### **12.2. General provisions relating to Regulations**

1. The Regulations:

- (a) may make different provision in relation to license holders, persons, cases or circumstances of different descriptions;
  - (b) may include such transitional provisions as the Authority considers necessary or expedient; and
  - (c) come into operation on such date or dates as are specified in the Regulations.
2. In determining appropriate Regulations, the Authority shall have regard to international standards and best practice relating to the regulation and supervision of insurance business, insurance intermediaries and insurance loss adjusters, taking into account the nature of the insurance market in Liberia and its stage of development.
4. Before issuing or amending the Regulations, the Authority shall:
  - (a) provide persons that the Authority considers will be substantially affected with a copy of the proposed Regulations or amendments to the Regulations;
  - (b) give those persons a reasonable opportunity to make written representations to the Authority; and
  - (c) consider any written representations that it receives.
5. The Authority may comply with its obligations under subsection 1(a) in respect of a person by consulting with any professional or trade association of which the person is a member.
6. The Authority is not obliged to provide a response to any written representations that it receives under subsection 4.
7. The failure of the Authority to comply with subsection 4 does not affect the validity of the Regulations.
8. The Authority shall publish the Regulations that it issues, and any amendments to the Regulations, on its Internet site.
9. Unless otherwise provided by this Act, the Regulations may:
  - (a) specify types or descriptions of activity that are deemed not to be insurance business for the purposes of this Act; or
  - (b) exempt specified license holders or specified classes of license holders from a requirement under this Act.
10. Subject to subsection 11, the Authority may, on the application of, or with the consent of, a license holder, by notice in writing direct that specified provisions in the Regulations:
  - (a) do not apply to the license holder; or
  - (b) apply to the license holder subject to such modifications as the Authority may specify.

11. An exemption or modification under subsection 10 may be given subject to such conditions as the Authority considers appropriate, and section 12.6 applies to such conditions.
12. The Authority may, at any time, revoke or vary an exemption or modification given under subsection 10.

### **12.3. Reports and returns**

1. A license holder shall submit to the Authority such reports and returns relating to its financial condition and its business as may be specified in this Act or the Regulations, or as may otherwise be required by the Authority.
2. If the Authority considers that any report or return submitted by a license holder under subsection 1 is inaccurate or incomplete or is not prepared in accordance with this Act or the Regulations or is not in the form approved by the Authority, if any, the Authority may, by written notice, require the license holder to amend the report or return or submit a replacement.

### **12.4. Authority's Fit and Proper Criteria**

1. The Authority shall publish on its Internet site the general criteria that it uses for determining whether a person is "fit and proper".
2. The fit and proper criteria published by the Authority:
  - (a) shall include the following categories:
    - (i) honesty, integrity and reputation;
    - (ii) competence and capability; and
    - (iii) financial soundness; and
  - (b) shall specify categories or descriptions of persons to whom each category of criteria apply.

### **12.5. Applications under this Act**

1. Every application made under this Act shall:
  - (a) be in writing and, where appropriate, in the form approved by the Authority; and
  - (b) have included with it such documents or information as are specified by this Act and the Regulations.
2. The Authority may:
  - (a) require an applicant to provide it with such documents and information, in addition to those specified in subsection 1(b), as it reasonably requires to determine the application;

- (b) specify the form in which the documents and information are to be provided; and
  - (c) require any documents and information provided to be verified in such manner as it may specify.
3. If, before the determination by the Authority of an application:
- (a) there is a material change in any information or documentation provided by or on behalf of the applicant to the Authority in connection with the application, or
  - (b) the applicant discovers that any such information or documentation is incomplete, inaccurate or misleading, the applicant shall forthwith give the Authority written particulars of the change or of the incomplete, inaccurate or misleading information or documentation.
4. Any applicant who violates subsection 3 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

## **12.6. Conditions**

1. In this section:
- “approval” means an approval or permission granted under this Act or the Regulations;
- “condition” means a condition attached to a license or to an approval or exemption granted by the Authority and includes a condition as varied in accordance with this section; and
- “exemption” means an exemption granted under this Act or the Regulations.
2. A license may be issued or an approval or exemption granted subject to such conditions as the Authority considers appropriate.
3. If a license is issued, or an approval or exemption is granted, subject to one or more conditions:
- (a) the Authority shall, together with the license, approval or exemption, issue a written notice specifying the condition or conditions; and
  - (b) may state those conditions on the license, approval or exemption.
4. The Authority may, upon giving reasonable written notice to a license holder, at any time:

- (a) vary or revoke any condition; or
  - (b) impose new conditions on the license, approval or exemption.
5. A license holder may apply to the Authority in writing for a condition to be revoked or varied and, if the Authority is satisfied that the condition is no longer necessary or should be varied, it may revoke or vary the condition.
6. If the Authority revokes or varies a condition or imposes a new condition, the license holder shall, if requested to do so by the Authority, deliver its license, approval or exemption to the Authority for re-issue.

### **Chapter 13. MISCELLANEOUS PROVISIONS**

#### **13.1. Regulations may define and make provision for micro-insurance contracts**

1. The Regulations may:
- (a) specify a definition of “micro-insurance contract”; and
  - (b) modify or exclude provisions of this Act in relation to micro-insurance contracts.
2. The Regulations may:
- (a) include provisions and requirements relating to micro-insurance contracts, including their distribution and sale, that are not inconsistent with this Act; and
  - (b) exempt specified types or descriptions of persons from the requirement to obtain an insurance agent’s license to act as an insurance agent in relation to the distribution and sale of micro-insurance contracts.
3. Sections 8.9 and 8.10 apply to, and in respect of, a person acting as an unlicensed insurance agent in accordance with an exemption specified in subsection 2.

#### **13.2. Regulations may establish scheme for the receipt of complaints**

1. The Regulations may specify:
- (a) the circumstances in which complaints may be submitted against license holders by their customers by the Authority;
  - (b) procedures for the submission of such complaints; and
  - (c) where possible, the resolution of those complaints by the Authority.
2. The Authority shall establish mechanisms and procedures for the resolution of such complaints as may be submitted to it in accordance with Regulations made under subsection (1).

### **13.3. Restrictions on use of certain words and terms**

1. Subject to subsection 2, no person shall, except with the prior written approval of the Authority or unless authorized by another Law:
  - (a) use, whether in the name under which the person is registered or in the description or title under which the person carries on business in Liberia:
    - (i) the words “insurance”, “assurance” or “underwrite” or any combination or derivative thereof; or
    - (ii) any other word or phrase prescribed in the Regulations as a word or phrase that suggests insurance business, the business of an insurance intermediary or the business of an loss adjuster; or
  - (b) make any representation, whether in a document or in any other manner that is likely to suggest that the person is carrying on, or licensed or otherwise entitled to carry on:
    - (i) insurance business;
    - (ii) business as an insurance intermediary; or
    - (iii) business as a loss adjuster.
2. Subsection 1 does not apply to a license holder, provided that the name under which the license holder is registered, or the name which the license holder uses, does not suggest that the license holder carries on any business required to be licensed under this Act other than the business that it is authorized by its license to carry on.
3. Any person who violates subsection 1 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **13.4. Fees and Charges Payable to Authority**

1. The Regulations may provide for the fees and charges payable under this Act, including:
  - (a) application fees, which may be non-refundable; and
  - (b) annual license fees.
2. The Authority may refuse to take any action required of it with respect to a license holder under this Act for which a fee or charge is payable until the fee or charge and any other fees, charges and penalties payable by, or in respect of, the license holder have been paid.

3. Any fee or charge which is owed to the Authority under this Act may be recovered as a debt due to the Authority.

### **13.5. Administrative Fines**

1. Upon any Administrative determination by the Authority, the Regulations may provide for the imposition of fines not exceeding L\$500,000.00 (Five Hundred Thousand Liberian Dollars) . Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.
2. The Regulations shall specify:
  - (a) the procedures to be adopted by the Authority when imposing an administrative fine;
  - (b) the determination of, or the method for determining, the amount of the administrative fine that may be imposed for a contravention of this Act or the Regulations.

### **13.6. False or Misleading Representations, Statements, Reports or Returns**

1. No person shall make or assist in making a representation, statement, report or return, whether oral or written:
  - (a) that is required or permitted by this Act to be made to or, in the case of a document, submitted to the Authority; and
  - (b) that:
    - (i) contains a false statement of a material fact; or
    - (ii) omits to state a material fact required to be provided to the Authority or necessary to avoid the statement or document being materially misleading.
2. A person does not contravene subsection (1) if the person did not know and, with the exercise of reasonable diligence, could not have known that the representation or statement contained a false statement or omitted a material fact.
3. Any person who violates subsection 1 or 2 upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **13.7. Destroying, Defacing or Removing Documents**

1. A person who destroys, mutilates, defaces, hides or removes a document for the purpose of obstructing or frustrating:
  - (a) compliance with a notice issued by the Authority under this section 10.1,
  - (b) an inspection visit under section 10.2, or
  - (c) an licensed or authorized external auditor undertaking an audit of a relevant license holder under Chapter 9,

upon Administrative determination by the regulator commits an offence, shall be liable to Civil or Administrative penalty in the amount of L\$200,000.00 (Two Hundred Thousand Liberian Dollars). Upon failure by the corporate person or individual person to comply thereto shall be subject to additional Administrative measure including suspension of license, consistent with due process of law as provided under this Act or applicable Law in Liberia.

### **13.8. Statutory Review of Central Bank as Authority under this Act.**

1. During the review period specified in subsection 5, the Government shall carry out a review as to whether the Central Bank of Liberia is the appropriate entity to act as the Authority under this Act or whether some other entity, whether already existing or to be established, should become the Authority.
2. In undertaking the review, the Government shall:
  - (a) consider:
    - (i) the stage of development of the insurance market at the date of the review and its likely future development;
    - (ii) the costs of establishing and operating a separate entity as the Authority and how those costs should be funded, in the event that a separate entity is established;
  - (b) take full account of international standards and best practice in relation to the regulation and supervision of the insurance market and, in particular, the standards and best practice that apply to an insurance supervisory authority;
  - (c) have regard to:
    - (i) the necessity of ensuring that, as far as practicable given the stage of development of the insurance market, the arrangements for regulating and supervising that market implement and comply with international standards;
    - (ii) the desirability of ensuring that the costs of regulating and supervising the insurance market are proportionate to the size of the market.

3. The Government shall set out the conclusions of its review in a report and publish the report on or before the termination of the review period.
4. If the Government forms the view that a different entity, whether existing or to be established, should become the Authority under this Act, in place of the Central Bank of Liberia, the report shall, in particular:
  - (a) specify options for funding the entity;
  - (b) set out the expected impact of the change on license holders and policyholders;
  - (c) specify how international standards and best practice will be implemented;
  - (d) specify appropriate transitional arrangements for transferring the function of acting as Authority to the different entity, including arrangements for the transfer of the staff responsible for insurance supervision at the Central Bank to the entity.
5. For the purposes of this section, the review period is a period commencing five years after the date on which this Act comes into effect and terminating six years after the date on which this Act comes into effect.

### **13.9. Repeals, Amendments, Validation and Savings**

1. By the enactment of this Act, the following laws (and regulations) are hereby repealed, amended or otherwise affected as set out in this section:
  - (a) The Act Adopting an Insurance Law, 1973 is affected as follows:
    - (i) Chapters 1 to 5 of the Act are hereby repealed in their entirety;
    - (ii) Chapter 6 is hereby affected by the repeal of section 6.1. (Fee Schedule); and
    - (iii) Chapter 7 is hereby affected by deleting all references to the Insurance Commission and replacing them with references to the Authority under this Act;
  - (b) Chapter 37 of the Executive Law: Ministry of Transport, section 37.3 is hereby affected in paragraph (a) by deleting the reference to the Insurance Law;
  - (c) Title 38, Chapter 4 (Compulsory Liability Insurance), section 4.3 is hereby affected by deleting the references to the Commissioner or the Commissioner of Insurance and replacing them with references to the Ministry of Transport;
  - (d) The Act Adopting a New Financial Institutions Act is hereby affected as follows:
    - (i) in Part I, section 2, paragraph (16) (the definition of Non-bank financial services) by the deletion of sub-paragraph (vi); and
    - (ii) in Part II, section 8 by the deletion of subsection (1).

2. Notwithstanding the repeals and amendments specified in subsection 1, any contract, order, regulation, directive, appointment, decision or anything made or done before the coming into force of this Act, which was lawfully made or done under a provision repealed or amended by subsection 1 shall, subject to any modifications made to them by this Act, and in particular the Schedule, be valid and continue to be in force as if it was made or done under this Act until reviewed, cancelled, withdrawn or terminated under this Act or Regulations made under this Act.
3. Notwithstanding subsection 2, the Bureau of Insurance established under Chapter 2 of the Act Adopting an Insurance Law, 1973 is dissolved, the offices of Commissioner and Deputy Commissioner abolished and any Commissioner or Deputy Commissioners appointed at the effective date shall be considered to have vacated office on the effective date.

### **13.10. Transitional Provisions**

1. The transitional provisions in the Schedule have effect.
2. The Regulations may specify such other transitional provisions that are not inconsistent with the Schedule as the Authority considers necessary or appropriate and may provide that specified transitional provisions have effect to a date not earlier than the effective date.

## **SCHEDULE**

### **TRANSITIONAL PROVISIONS**

#### **Meaning of “former Act”**

1. In this Schedule, “former Act” means the Act Adopting an Insurance Law, 1973.

#### **Applications**

2. Where an application made to the Central Bank of Liberia by a person required to be licensed under this Act under the Act Adopting a New Financial Institutions Act has not been determined prior to the effective date, the application is deemed to have been rejected by the Central Bank of Liberia on the effective date.

#### **Licenses**

3. A person who, immediately prior to the effective date, was holding:
  - (a) a certificate of authority to carry on business as a domestic insurer granted under section 4.5 of the former Act, or
  - (b) a non-bank financial institution license to operate as an insurance company granted under section 8 of the Act Adopting a New Financial Institutions Act,

is deemed to have been issued an insurer’s license under this Act on the effective date and, unless the Authority otherwise specifies in writing, is authorised to carry on the classes of insurance business that it was authorised to carry on immediately before the effective date.

4. A person who, immediately prior to the effective date, was holding a license as a broker or agent issued under section 5.5 of the former Act that has not been cancelled is deemed to have been issued under this Act, on the effective date:
  - (a) in the case of a person holding a license as a broker, with an insurance broker's license; and
  - (b) in the case of a person holding a license as an agent, with an insurance agent's license.
5. Unless the Authority otherwise specifies in writing:
  - (a) a person deemed to have been issued with an insurance broker's license is authorized to carry on business in relation to the types and classes of business authorized under the former Act; and
  - (b) a person deemed to have been issued with an insurance agent's license is authorized to act as agent for the insurers for which it was authorized to act under the former Act.
6. For the purposes of this Schedule, a person does not hold a license issued under the former Act if the license:
  - (a) had, before the effective date, been cancelled or revoked; or
  - (b) was an expired license that had not been renewed.

#### **Liquidation of Authorized Insurer**

7. Any liquidation proceedings under section 5.13 of the former Act that have not been terminated on the effective date shall continue as if section 5.13 had not been repealed, except that the powers of the Commissioner under that section are, with effect from the effective date, vested in the Authority.

#### **Fees and Penalties**

8. Any fees and penalties due under the former Act that, on the effective date, are unpaid, remain payable to the Authority.

#### **Accounts and Financial Statements**

9. Subject to paragraph 10, the provisions of this Act that relate to financial statements and audit come into force and take effect as follows:
  - (a) if the effective date is the first day of the financial year of a license holder, on the effective date;
  - (b) if the effective date is any other date, on the first day of the financial year following the effective date.

10. Any accounts or financial statements submitted to the Authority on or after the effective date in relation to any financial year prior to the date specified in paragraph 9(a) or (b) may comply with the requirements of the former Act instead of the requirements of this Act and the Regulations.
11. Where paragraph 9(b) applies, the provisions of the former Act in relation to accounts and audit continue to apply during the period commencing with the effective date and ending with the date specified in paragraph 9(b), despite the repeal of the former Act.

### **Records**

12. Any requirement in this Act or the Regulations to keep financial or other records shall apply to equivalent records required to be kept under the former Act or under the Act Adopting a New Financial Institutions Act.

### **Enforcement action**

13. This Act shall apply to any enforcement action commenced by the Authority under the Act Adopting a New Financial Institutions Act as if it was commenced under this Act.

### **Regulations may Specify Later Effective Date**

14. The Regulations may provide for the following sections, or specified provisions within such sections, to take effect from the date or dates after the effective date as the Regulations may specify:
  - (a) Section 7.1 and 8.6 (Governance Framework);
  - (b) Section 7.2 and 8.7 (Risk Management);
  - (c) Section 7.3 and 8.8 (Key Functions);
  - (d) Section 7.4 (Reinsurance and Retrocession);
  - (e) Section 7.5 (Appointed Actuary); and
  - (f) Section 8.12 (Professional Indemnity and other Insurance).
15. The Regulations shall not postpone the taking effect of any provision under this Act for a period exceeding 2 years after the effective date.

### **16. Effective date**

This Act shall take effect immediately upon publication into handbills.

**ANY LAW TO THE CONTRARY NOTWITHSTANDING.**

2014

THIRD SESSION OF THE FIFTY-THIRD  
LEGISLATURE OF THE REPUBLIC OF LIBERIA

HOUSE'S ENGROSSED BILL NO. 12. ENTITLED:

"An Act to Repeal Certain Provisions of an Act Adopting an Insurance Law of 1973, and other Laws relating to Insurance and to enact in lieu thereof an Act to Provide for the Regulation and Supervision of Insurance Business of Insurance Brokers, Insurance Agents and Loss Adjusters (Insurance Act 2013)"

On motion, Bill read. On motion, the Bill was adopted on its first reading and sent to Committee Room on Tuesday, June 24, 2014 @ 14:22 G.M.T.

On motion, Bill taken from the Committee Room for its second reading. On motion, under the suspension of the rule, the second reading of the Bill constituted its third and final reading and the Bill was adopted, passed into the full force of the law and ordered engrossed today, Tuesday, July 1, 2014 @ 12:51 G.M.T.

*Milfred N. Boyer*

CHIEF CLERK, HOUSE OF REPRESENTATIVES

2014

THIRD SESSION OF THE FIFTY-THIRD  
LEGISLATURE OF THE REPUBLIC OF LIBERIA

SENATE'S ENDORSEMENT TO HOUSE'S ENGROSSED  
BILL NO. 12 ENTITLED:

"An Act to Repeal Certain Provisions of an Act Adopting an Insurance Law of 1973, and other Laws relating to Insurance and to enact in lieu thereof an Act to Provide for the Regulation and Supervision of Insurance Business of Insurance Brokers, Insurance Agents and Loss Adjusters (Insurance Act 2013)"

On motion, Bill read. On motion, the Bill was adopted on its first reading and sent to Committee Room on Thursday, July 3, 2014 @ 11:55 G.M.T.

On motion, Bill taken from the Committee Room for its second reading. On motion, under the suspension of the rule, the second reading of the Bill constituted its third and final reading and the Bill was adopted, passed into the full force of the law and ordered engrossed today, Thursday, November 20, 2014 @ 12:18 G.M.T.

*Abraham N. N. N. N.*

SECRETARY, LIBERIAN SENATE, R.L.

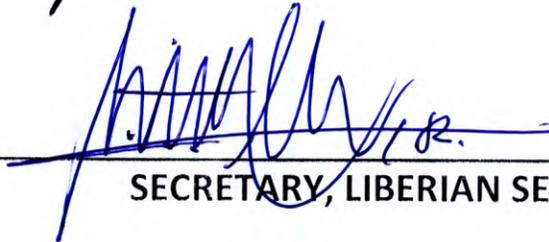
-2014-

-ATTESTATION TO-

“AN ACT TO REPEAL CERTAIN PROVISIONS OF THE ACT ADOPTING AN INSURANCE LAW, 1973, AND OTHER LAW RELATING TO INSURANCE AND TO ENACT IN LIEU THEREOF AN ACT TO PROVIDE FOR THE REGULATION AND SUPERVISION OF INSURANCE BUSINESS AND THE BUSINESS OF INSURANCE BROOKERS, INSURANCE AGENTS AND LOSS ADJUSTERS (INSURANCE ACT 2013)”



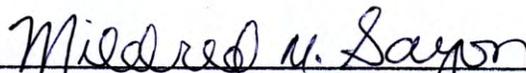
VICE PRESIDENT OF THE REPUBLIC OF LIBERIA/PRESIDENT OF THE SENATE



SECRETARY, LIBERIAN SENATE



SPEAKER, HOUSE OF REPRESENTATIVES, R.L.

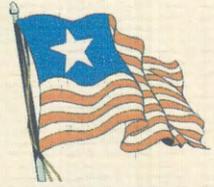


CHIEF CLERK, HOUSE OF REPRESENTATIVES, R.L.



# THE HONORABLE HOUSE OF REPRESENTATIVES

Capitol Building  
P. O. Box 9005  
Monrovia, Liberia  
Website: [www.legislature.gov.lr](http://www.legislature.gov.lr)



Office of the Chief Clerk

-2014-

## THIRD SESSION OF THE FIFTY-THIRD LEGISLATURE OF THE REPUBLIC OF LIBERIA

SCHEDULE OF HOUSE ENROLLED BILL NO. 21 ENTITLED:

“AN ACT TO REPEAL CERTAIN PROVISIONS OF THE ACT  
ADOPTING AN INSURANCE LAW, 1973, AND OTHER LAW RELATING  
TO INSURANCE AND TO ENACT IN LIEU THEREOF AN ACT TO  
PROVIDE FOR THE REGULATION AND SUPERVISION OF  
INSURANCE BUSINESS AND BUSINESS OF INSURANCE BROOKERS,  
INSURANCE AGENTS AND LOSS ADJUSTERS (INSURANCE ACT  
2013)”

PRESENTED TO THE PRESIDENT OF THE REPUBLIC OF LIBERIA FOR  
EXECUTIVE APPROVAL.

APPROVED THIS 22<sup>nd</sup> DAY OF DECEMBER A. D. 2014

AT THE HOUR OF 5:30 P. M.

THE PRESIDENT OF THE REPUBLIC OF LIBERIA