

Insurance & Reinsurance - United Arab Emirates

Resolution increases minimum share capital requirements for insurance companies

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The UAE Cabinet has issued Cabinet Resolution 42/2009, which came into force on January 31 2010 and increased the minimum required paid-up share capital of an insurance company to Dh100 million and the minimum required paid-up share capital of a reinsurance company to Dh250 million.

Previously, the main source of law regulating the industry was the Insurance Law (6/2007). However, this law does not specify a minimum percentage UAE shareholding requirement for insurance companies established in the United Arab Emirates. The resolution now provides guidance on this matter as it prescribes that UAE or Gulf Cooperation Council (GCC) national individuals, or wholly owned UAE or GCC national legal entities, must hold at least 75% of the share capital of an insurance company which is established in the United Arab Emirates. While this does not differ from what was previously required in practice, it formalizes the unwritten rule imposed by local authorities in the past.

As is the case with the Insurance Law, the provisions of the resolution are applicable to all national and foreign insurance companies that are licensed to operate in the United Arab Emirates, including companies undertaking the business of cooperative insurance, takaful and reinsurance, but excluding those operating in any of the UAE free zones.

The resolution allows all insurance companies three years from the date of its publication in the *Official Gazette* (January 31 2010) to increase their paid-up share capital to comply with the terms of the resolution. The resolution does not specify penalties for non-compliance; however, the Insurance Authority has the power to issue various types of penalty, including bans and fines.

While the issuance of the resolution is one of the latest developments in the UAE insurance industry, the recent activities of the Insurance Authority, which was formed in 2009 to regulate the insurance industry, should also be considered in this context. For example, the authority's recent activities, which may have an indirect effect on insurance companies, include the de-registration of a substantial number of brokerage firms that failed to comply with changes to the laws regulating the insurance industry.

Furthermore, the authority acknowledges that various regulations are in the process of being drafted and it has recently been reported in the media that the minister of economy and chairman of the Insurance Authority has issued a resolution bringing the executive regulations of the Insurance Law into force. It is understood from the authority that the regulations will apply to various types of entity operating in the insurance industry, including national and foreign insurance companies. However, further and specific details will become available only once the regulations are published.

For further information on this topic please contact [Sarah Standish](#) at Taylor Wessing (Middle East) LLP by telephone (+97 14 332 3324), fax (+97 14 332 3325) or email (s.standish@taylorwessing.com).

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