



# Cyprus

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## MARKET TRENDS AND REGULATORY FRAMEWORK

### 1. Please give a brief overview of the insurance and reinsurance markets in your jurisdiction, identifying market trends.

In Cyprus there is a well-established insurance industry, with all types of risk accepted. All insurance business, except for the Social Insurance Scheme which is operated by the state, is written in the private sector.

There are 41 insurance/reinsurance undertakings incorporated in Cyprus:

- 27 domestic business undertakings which transact all or most of their business in Cyprus.
- 11 international business undertakings which transact all or most of their business outside Cyprus.
- Three foreign undertakings which are branches of non-EU insurance/reinsurance undertakings doing business in or outside Cyprus.

During 2008, the last year for which official figures are available, total gross premiums written by domestic business undertakings and by branches of non-EU undertakings transacting domestic business were EUR742,793,906, of which EUR341,243,056 related to life assurance and EUR401,550,847 to non-life insurance. (As at 1 January 2011, US\$1 was about EURO.75.)

In the same year, the total gross premiums written by international business undertakings and branches of non-EU undertakings which transact international business from Cyprus were EUR58,841,000, of which EUR28,192,000 related to life assurance and EUR30,649,000 to non-life insurance.

### 2. What is the regulatory framework for insurance/reinsurance activities?

The Insurance Services and Other Related Issues Law (Insurance Law) applies to all insurance organisations, including intermediary organisations, which conduct either:

- Insurance business within Cyprus, whether located within Cyprus or not, including mutual insurance organisations and reinsurance companies.
- Insurance business outside Cyprus, where the company is registered in Cyprus.
- Business in Cyprus as a broker, agent, mediator or adviser.

The Insurance Law also applies to insurance organisations with their head offices in member states of the EU or European Economic Area (EEA) (or in Switzerland in the case of non-life insurance), which seek to provide services in Cyprus under the freedom to provide services or the freedom of establishment.

Section 3 of the Insurance Law disappplies the Law in certain cases, including where:

- The Republic of Cyprus itself underwrites risks.
- Businesses are engaged solely in assistance insurance, such as breakdown cover, where this is provided locally and consists only of benefits in kind and the total annual income collected in respect of this assistance insurance does not exceed EUR200,000.

In addition, the Insurance Law does not apply to:

- The provision of reinsurance cover carried out or fully guaranteed by the Republic for reasons of substantial public interest, in the capacity of reinsurer of last resort, in particular where a specific situation in a market means that it is not feasible to obtain adequate commercial cover.
- Mutual insurance organisations whose (*section 22(2), Insurance Law*):
  - articles of association contain provisions for calling up additional contributions or reducing their benefits;
  - annual non-life contributions do not exceed EUR5 million;
  - life contributions do not exceed EUR5 million for three consecutive years.

However, the Insurance Law does apply where contributions do exceed EUR5 million for three consecutive years or where half the annual non-life contributions are derived from its own members.

### Regulatory bodies

The administrative supervision of the application of the Insurance Law is delegated to the Superintendent of Insurance, with the Minister of Finance retaining an appellate role. The Superintendent and his assistants are public servants, appointed by the Council of Ministers, and together they form the Insurance Companies Control Service (Service).

The Superintendent grants licences under the Insurance Law and supervises those to whom such licences have been granted, withdrawing the licences where necessary. The Superintendent is also expressly responsible for safeguarding the interests of policyholders and any other parties entitled to compensation under a contract of insurance.



The Insurance Advisory Committee sits from time to time to propose measures to improve the operation of the insurance market and the education of those in the insurance industry, and to formulate a Code of Conduct for insurance businesses. The Committee is composed of the Superintendent, his assistants and four other individuals appointed by the Minister after consultation with the Insurance Association of Cyprus.

## REGULATION OF INSURANCE AND REINSURANCE CONTRACTS

### 3. What is a contract of insurance for the purposes of the law and regulation in your jurisdiction? How does it differ from a contract of reinsurance?

Section 2 of the Insurance Law defines insurance business as a contract governed by the Contracts Law, Cap. 149 and effected between an insurance undertaking and one or more insured persons (irrespective of whether or not an insurance policy document is issued) the purpose of which is granting insurance cover in one or more of the classes listed in Appendices 1 and 2 of the Insurance Law.

It can also, in certain circumstances (*see below*), include the effecting and execution by an insurance undertaking of contracts in relation to the following:

- Credit guarantee bonds.
- Contract bonds.
- Administration bonds.
- Release from prison guarantee bonds.
- Customs clearance bonds.
- Guarantee contracts of a similar nature.

However, this only applies if those contracts are effected as part of an insurance undertaking's business, in exchange for the payment of a premium, and not merely as part of non-insurance business carried on by the party effecting them.

The effecting and execution of contracts for the payment of annuities on human lives is also included in the definition of insurance business.

Section 2 of the Insurance Law defines reinsurance business as an undertaking that exercises only reinsurance business and has been licensed to do so under sections 19(7) and 23(3) of the Insurance Law. Under section 2 "reinsurance" is the undertaking of risks assigned to the business from an insurance business or from another reinsurance business. The criteria and conditions for a reinsurance business to obtain a licence are the same as for an insurance undertaking.

### 4. Are all contracts of insurance/reinsurance regulated in your jurisdiction?

All classes of insurance and reinsurance are regulated under the Insurance Law.

## REGULATION OF INSURERS AND REINSURERS

### 5. Are all insurers and reinsurers regulated in the same way in your jurisdiction?

Insurers and reinsurers are regulated in the same way in Cyprus.

### 6. Can insurers or reinsurers carry on non-insurance business? Please summarise any restrictions on their business activities.

Insurance undertakings are prohibited from carrying on business in Cyprus other than insurance (*section 13(1), Insurance Law*). For Cyprus insurance companies this prohibition also applies to any overseas business. Violation of the provisions of this section results in the imposition of an administrative fine.

Reinsurance undertakings must limit their activities to reinsurance and ancillary services necessary to the fulfilment of their business, including holding company and financial sector activities and the provision of statistical or actuarial advice, risk analysis or research for clients.

### 7. Are there any statutory limits or other restrictions on, or requirements relating to, the transfer of risk by insurance or reinsurance companies?

#### Transfers between Cyprus companies

The transfer of a portfolio of life assurance policies from one Cyprus insurance company to another can take place only with court approval (*section 102(1), Insurance Law*). Either the transferor or the transferee can apply to the court, and a copy of the application must be submitted to the Service within 15 days, accompanied by the documents prescribed in section 103.

Transfer of the General Business Class insurance policies portfolio of a Cyprus insurance company to another requires the approval of the Superintendent, and the application is made by the transferor to the Superintendent, accompanied by the prescribed fee.

#### Transfers to companies incorporated in other member states

Cyprus insurance/reinsurance undertakings can transfer all or part of their portfolios of contracts, including those concluded either under the right of establishment or the freedom to provide services, to an accepting office within or outside Cyprus subject to the competent authorities of the home member state of the accepting office certifying that, after taking the transfer into account, the transferee possesses the necessary solvency margin (*section 113, Insurance Law*).

Insurance companies can cede any amount of risk they agree with the reinsurance companies. There is no legal prohibition against an insurance company ceding 100% of its risk to a reinsurer.



## OPERATING RESTRICTIONS

### Authorisation or licensing

#### 8. Does the entity or person have to be authorised or licensed in your jurisdiction? If so, please outline the key steps involved in this process and the requirements that must be satisfied.

##### Insurance/reinsurance providers

To obtain a licence to carry on insurance or reinsurance business in Cyprus, the following conditions must be met:

- Payment of the required fee.
- Unless it is a mutual company, the applicant must have a paid-up share capital of at least:
  - EUR683,440 for non-life business;
  - EUR1,025,161 for life business;
  - EUR1,708,601 for reinsurance.
- The company must have an adequate minimum guarantee fund:
  - for non-life business the minimum amount required is from EUR2 million to EUR3 million, depending on the matrix of business to be underwritten;
  - for life business or reinsurance the minimum amount required is EUR3 million; and
  - for a captive reinsurance undertaking the minimum amount required is EUR1 million.

These figures are subject to annual adjustment for changes in the European index of consumer prices published by Eurostat.

- The company must have submitted a three-year scheme of operations.
- The company must provide a guarantee that it will conduct its business in accordance with sound insurance principles, in a manner that will both safeguard policyholders' interests and not come into conflict with moral or public order issues.
- The company must notify the Superintendent of the identity and the amount of the holding of every natural or legal person who has direct or indirect qualifying holdings in the company, and the Superintendent is satisfied that the owners of such holdings are fit and proper persons. This requirement does not apply to mutual insurers.
- The name of the company complies with the Insurance Law and the Companies Law, Cap.113, and includes the words, or words to the effect of, insurance company, reinsurance company or mutual organisation, as the case may be.
- The company maintains its central administration and registered office in Cyprus.
- The managers of the company are fit and proper persons.
- The company has arranged adequate reinsurance.

If the company intends to conduct reinsurance or life business, or offer accident and sickness cover for more than one year, it must have appointed a qualified internal actuary who is a fit and proper person approved by the Superintendent (*section 59, Insurance*

*Law*). If the company intends to offer insurance which is compulsory by law, it must undertake to join an insurers' fund recognised or prescribed by law before taking on any such business. Life and non-life business must be managed separately, although a degree of overlap of the solvency margins can be allowed by the Superintendent.

A Cyprus insurance company can apply to the Superintendent for permission to establish a branch or an agency in another member state of the EU, the EEA or Switzerland under the principle of freedom of establishment. The company must have appointed a general representative in the state(s) in which it intends to undertake business and it must submit a business plan. The Superintendent's decision on the application is based on an assessment of:

- The business plan.
- The company's administrative structure and financial situation.
- The qualifications of the managers and general representatives.

As far as the Superintendent in Cyprus is concerned, the agency or branch can start business in other member states following the notification of conditions, if any, by the supervisory authority of the other states to the Superintendent, or in any event within two months of the Superintendent's grant of permission.

A Cyprus insurance company can also conduct insurance business in other EU or EEA member states under the principle of freedom to provide services, after the requisite documents have been submitted to the Superintendent and forwarded by him to the relevant member state's supervisory authorities. The Superintendent can refuse to forward the documents if they are inadequate.

##### Marketing insurance/reinsurance services

Insurance and reinsurance mediation businesses must be registered under the Law (*section 164(1), Insurance Law*). Persons or companies carrying on insurance mediation business must display in all business documents the capacity in which they operate and their registered number.

The main categories of mediation businesses covered by the Insurance Law are as follows:

- Insurance agents, offering the products of only one or a restricted range of insurance providers.
- Insurance brokers, offering an unrestricted choice of providers.
- Insurance sub-agents, being subcontractors of insurance agents or insurance brokers.
- Insurance advisers.
- Tied insurance advisers.

Agents, brokers and sub-agents can advise on appropriate policies, facilitate agreement between the parties and conclude the contracts. If authorised to do so by their agreement with an insurer, they can collect premiums and pay them to the insurer, and they can settle claims on behalf of the insurer. Advisers are not involved in the conclusion of contracts, although, if authorised, they can collect premiums (but not settle claims). Tied advisers are those whose insurance advisory activities are incidental to their main trade or profession, and who offer the products of one insurer under an agreement with that insurer.



Except in the case of tied insurance advisers, companies engaged in insurance intermediation must include in their name a clear description of their function, for example by including the words “insurance agency company” or “insurance brokerage company” as the case may be. All intermediary companies and individuals must, at the time of their registration and for as long as they continue to provide intermediation services, either hold:

- Professional indemnity insurance covering work undertaken in any EU or EEA country for at least EUR1 million per claim and a total of at least EUR1.5 million per year for all claims.
- A comparable professional negligence civil liability guarantee.

These obligations do not apply if an insurance company or other company on whose account the intermediary acts has already provided an adequate indemnity.

#### Other providers of insurance/reinsurance-related activities

Not applicable.

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#### 9. Please summarise the main exemptions or exclusions from authorisation or licensing that are available in your jurisdiction, if any.

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##### Insurance/reinsurance providers

Apart from the fact that Cyprus has adopted the reduced minimum guarantee fund of EUR1 million allowed by Directive 2005/68 on reinsurance, there are no exemptions relating to insurance or reinsurance undertakings.

##### Marketing insurance/reinsurance services

There is a limited exemption for insurance mediation in respect of cover against loss or breakdown of goods, such as electrical items provided by retailers of such goods, and for baggage insurance cover provided by suppliers of travel services (*section 164A, Insurance Law*).

##### Other providers of insurance/reinsurance-related activities

Not applicable.

##### *Restrictions on ownership or control*

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#### 10. Are there any restrictions on the ownership or control of insurance-related entities in your jurisdiction (for example, age, nationality, qualification or other restrictions)?

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##### Insurance/reinsurance providers

The authorisation process for a Cyprus insurance company includes a requirement to notify the Superintendent of the identities and holdings of all shareholders. The Superintendent will issue an authorisation only if the owners are considered “fit and proper” (that is, persons of honesty, integrity, good reputation and financial standing). A person is not considered fit and proper if he:

- Has been convicted of an offence of dishonesty or violence.
- Is an undischarged bankrupt.
- Has been involved in an insurance company or other similar undertaking in the financial sector, the licence of which has been withdrawn for serious violation of its obligations.

In addition, the managers or controllers of the company must not only be fit and proper but also appropriately qualified. Managers and directors with executive responsibilities should be resident in Cyprus. If the applicant is dissatisfied with the Superintendent's decision, the matter can be referred to the Minister of Finance and ultimately to the Supreme Court for judicial review under Article 146 of the Constitution.

##### Marketing insurance/reinsurance services

To be registered as an insurance intermediary an individual must hold appropriate educational and professional qualifications. If the business is carried out by a company or partnership a reasonable percentage of the managers or partners must be appropriately qualified.

##### Other providers of insurance/reinsurance-related activities

Not applicable.

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#### 11. Do owners or controllers have to be pre-approved by or notified to the relevant authorities before taking, increasing or reducing their control or ownership of the entity?

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##### Insurance/reinsurance providers

Owners and controllers must be preapproved by the Superintendent before taking control of the entity. In addition, the Superintendent must be notified, in accordance with the prescribed form, of every future appointment, whether additional or as a substitution, of every voluntary withdrawal or termination of services and in general of every other change in the senior management body within one month from the time of the appointment, withdrawal, termination of services or other change.

The Superintendent must inform the company of any objection within one month from the date of the notification of the appointment. The Superintendent's decision is subject to appeal to the Minister of Finance under section 43 of the Insurance Law. The Minister's decision can be referred to the Supreme Court for judicial review under Article 146 of the Constitution.

##### Marketing insurance/reinsurance services and other insurance/reinsurance-related activities

The owners or controllers of other providers of insurance/reinsurance-related activities do not have to be pre-approved.

##### *Ongoing requirements for the authorised or licensed entity*

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#### 12. Please summarise the key ongoing requirements that the authorised or licensed entity must comply with.

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##### Insurance/reinsurance providers

Insurance and reinsurance businesses must continue to meet all the requirements for authorisation set out in *Question 8* for as long as they continue to operate. They must obtain the Superintendent's approval for the personnel changes described in *Question 11*.

Within four weeks from the end of each quarter of the financial year a return must be submitted to the Superintendent in the prescribed form containing details of approved investments, accompanied by a statement of the company's technical reserves.



Within six months after the end of each financial year, insurance and reinsurance businesses must submit to the Superintendent copies of audited financial statements and statements of the technical reserves and solvency margin.

#### Marketing insurance/reinsurance services

All intermediary companies and individuals must, at the time of their registration and for as long as they continue to provide intermediation services, either hold:

- Professional indemnity insurance covering work undertaken in any EU or EEA country for at least EUR1 million per claim and a total of at least EUR1.5 million per year for all claims.
- A comparable professional negligence civil liability guarantee.

These obligations do not apply if an insurance company or other company on whose account the intermediary acts has already provided an adequate indemnity.

#### Other providers of insurance/reinsurance-related activities

Not applicable.

#### Penalties for non-compliance with legal and regulatory requirements

**13. Please outline the possible consequences of an entity failing to comply with applicable legal and regulatory requirements (including the disciplinary powers any relevant regulators have, as well as possible customer remedies). What recourse do policyholders have if they have done business with a non-approved entity?**

#### Insurance/reinsurance providers

The Superintendent can withdraw the licence to carry on insurance business granted to a Cyprus insurance company or to a foreign insurance company in the event of failure to comply with regulatory requirements (*section 41, Insurance Law*). The Superintendent has the power to withdraw the licence granted to an insurance or reinsurance undertaking if (*section 41*):

- The undertaking ceases to satisfy any of the prescribed conditions for granting the licence.
- The undertaking does not begin operations within 12 months from receiving the licence.
- It fails to submit the required financial statements.
- It is convicted under section 213 of the Insurance Law of the criminal offence of issuing false accounts.
- It does not satisfy within 40 days a judgment issued against it.
- There is a liquidation procedure against it.

The business concerned has a right of appeal to the Minister of Finance under section 43 of the Insurance Law.

There is no recourse if the reinsurance or insurance business has done business with a non-approved entity. From the policyholder's point of view, the only recourse is through the courts.

#### Marketing insurance/reinsurance services

Not applicable.

#### Other providers of insurance/reinsurance-related activities

Not applicable.

#### Restrictions on persons to whom services can be marketed or sold

**14. Are there any restrictions on the persons to whom insurance/reinsurance services and contracts can be marketed or sold?**

There are no restrictions on the persons to whom insurance/reinsurance services can be marketed and sold.

#### REINSURANCE MONITORING AND DISCLOSURE REQUIREMENTS

**15. To what extent can/must a reinsurance company monitor the claims, settlements and underwriting of the cedant company?**

Reinsurance companies can monitor the claims and settlements of the insurance company (cedant company) at any time, subject to notifying the cedant company in advance. The law does not provide any rules as far as the monitoring is concerned and the extent of, and procedure for, monitoring are a matter for agreement between the insurer and the reinsurer.

**16. What disclosure/notification obligations does the cedant company have to the reinsurance company?**

Insurance companies are under a general obligation to disclose all relevant information to reinsurers but the Insurance Law does not specify any framework, and the parties are free to agree on the extent of, and arrangements for, disclosure.

#### POLICIES – CONTENT REQUIREMENTS AND IMPLIED TERMS

**17. Please outline the main general form and content requirements for insurance policies in your jurisdiction, including a description of the most commonly found clauses.**

Sections 126 and 127 of the Insurance Law set out the main requirements for insurance policies, which can be summarised as follows:

- Policies and the conditions attaching to them must be stated with clarity and precision and be in an official language of Cyprus (Greek or Turkish) or another official language of a member state of the EU or the EEA, as long as the policyholder has made a written request or as long as the policyholder has a right to choose the law applicable to the insurance contract.
- The detailed matters to be included in each type of policy are determined by the Superintendent and published in the Insurance Regulations.

Minimum standards for compulsory third-party motor insurance are set out in the Motor Vehicles (Third Party Insurance) Law, 96(I) of 2000 as amended.




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**18. Please identify any terms found in insurance policies in your jurisdiction that are implied by law or regulation (identifying the applicable laws or regulations and any mandatory provisions).**

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All the conditions of insurance policies concerning risks must be stated with clarity and precision and be in an official language of Cyprus as long as:

- The policyholder is either a citizen of Cyprus or has his permanent place of establishment or residence in Cyprus.
- The law governing the insurance policy is the law applicable in Cyprus.
- It concerns a type of insurance rendered compulsory by law in Cyprus.

Every policy issued by a Cyprus insurance company or other insurance undertaking must include information prescribed by the Insurance Regulations (*section 127(1), Insurance Act*). In addition, the undertaking must bring this information to the policyholder's attention. The Superintendent has the power to specify the information required.

As a common law jurisdiction, Cyprus treats insurance contracts as contracts of the utmost good faith, and if a proposer fails to disclose information that would be material to the insurer's assessment of the risk the insurance contract can be void.

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**19. Please identify customer protections which are generally included in insurance policies to supplement relief available under general law.**

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For classes of insurance which are compulsory by law, the Superintendent can require insurers to submit details of general and special conditions of the relevant insurance policies for approval before they are adopted.

Customers can proceed with a claim or a complaint to the internal legal department of the insurance company concerned. If they are unable to resolve their differences with the business concerned, they can lodge a complaint with the Superintendent, who will investigate the claim. However, the most significant customer protection mechanism remains recourse to the courts. Courts deal on a daily basis with claims concerning the alleged failure of insurance companies to comply with the conditions of the contract or with breach of contracts.

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**20. Please identify examples of standard policies or terms produced by trade associations or relevant authorities, if any, and explain how these can be obtained.**

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The main insurance trade associations in Cyprus are listed at the end of the chapter (*see box, Main insurance/reinsurance trade organisations*). None of them publishes standard policy terms.

Minimum standards for compulsory third-party motor insurance are set out in the Motor Vehicles (Third Party Insurance) Law, 96(I) of 2000, as amended (Motor Vehicles Third Party Law).

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**21. Please identify common clauses in reinsurance policies, including follow the form and follow the fortune reinsurance, and standard provisions concerning choice of law, arbitration, and right to take part in the underlying adjustment. Is facultative or treaty reinsurance more common in your jurisdiction?**

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The main requirements for reinsurance policies can be summarised as follows (*sections 126 and 127, Insurance Law*):

- Policies and the conditions attaching to them must be stated with clarity and precision and be in either:
  - an official language of Cyprus (Greek or Turkish); or
  - another official language of a member state of the EU or the EEA, if the policyholder has made a written request for this, or the policyholder has the right to choose the law applicable to the insurance contract.
- The detailed matters to be included in each type of policy are determined by the Superintendent and published in the Insurance Regulations.

The specific terms contained in individual policies vary according to the nature of the contract and the preference of the parties. Generally, European practices and norms predominate.

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**INSURANCE AND REINSURANCE POLICY CLAIMS**

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**22. What must be established to trigger a claim under an insurance policy?**

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To establish a claim under an insurance policy there must be a cause of action from an insured party for an insured risk.

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**23. Please provide brief circumstances in which third parties can claim under an insurance policy.**

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Section 4(3)(b) of the Motor Vehicles Third Party Law, which is identical to section 36(4) of the English Road Traffic Act 1930, contains the following:

“Notwithstanding anything in any Law contained, a person issuing a policy under this section shall be liable to indemnify the persons or classes of persons specified in the policy in respect of any liability which the policy purports to cover in the case of those persons or classes of persons.”

Generally, although the insured must have some interest in the subject matter to entitle him to effect insurance in respect of it, it is not necessary that he should specify in the contract, or even disclose to the insurers, either the nature or the extent of his interest.

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**24. Is there a time limit outside of which the insured/reinsured is barred from making a claim?**

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Each insurance company creates its own regulations regarding the time limit for claims. In addition, any action must generally be filed in accordance with the Limitation of Actions Law, although this is currently suspended until 31 March 2011.



## 25. Can the original policyholder or other third party enforce the reinsurance contract against a reinsurer?

There is no specific statutory provision, so this depends on the terms of the reinsurance agreement in the context of general contract law. Generally, the original policyholder can enforce the insurance contract against the reinsurer.

There are also government schemes that provide a guarantee or compensation. The Motor Insurers Fund (MIF) covers uninsured claims and also established a fund to secure payment of claims that might not be compensated if the insurer is bankrupt. However, this fund deals only with motor insurance claims and not claims that arise from any other type of insurance.

In addition, section 17 of the Compulsory Employers Liability Insurance Law provides for the establishment of a fund similar to the MIF, the object of which is to satisfy any claims with regard to:

- Any risks which are not covered by insurance, whether wholly or partially.
- A void policy.
- The insolvency of the insurance company.

## 26. What remedies are available for breach of an insurance policy?

The remedies available for breach of an insurance policy are damages for breach of contract, return of the premiums paid and interest on the premiums.

## INSOLVENCY OF INSURANCE AND REINSURANCE PROVIDERS

### 27. Please outline the regulatory framework for dealing with distressed or insolvent insurance or reinsurance companies, or other persons or entities providing insurance or reinsurance related services. Can excess coverage “drop down” to provide coverage at levels concerning which the existing coverage is insolvent?

Articles 151 to 163 of the Insurance Law set out the winding-up and liquidation procedures relating to regulated companies. Key points are summarised below.

#### Continuation of life insurance contracts

The winding-up and liquidation of an insurance undertaking does not entail termination of its life insurance policy contracts. Unless the court rules otherwise, the liquidator must make adequate run-off arrangements, for example by transferring the contracts to another insurance undertaking which either is in existence or will be established for the purpose of assuming that insurance business.

#### Reinsurance contracts

The liquidator of an insurance undertaking must ensure that adequate reinsurance cover has been secured for the insurance un-

## MAIN INSURANCE/REINSURANCE TRADE ORGANISATIONS

### Insurance Association of Cyprus

**Main activities.** The Insurance Association is the trade association for the insurance industry. Its member companies account for about 95% of the insurance business in Cyprus. The Association aims to represent its members' interests before the government, regulators, parliament and other political and trade bodies, and to promote the concept of insurance generally. The Association is a full member of the *Comité Européen des Assurances* as well as the International Union of Marine Insurance.

W [www.iac.org.cy/](http://www.iac.org.cy/)

### Motor Insurers Fund

**Main activities.** The Motor Insurers Fund is registered as a company limited by guarantee and is composed of all the insurance companies which carry on motor insurance business in Cyprus; it was modelled on the English Motor Insurers Bureau. Cyprus is a member of the Green Card system, through the Motor Insurers Fund.

W [www.mif.org.cy/](http://www.mif.org.cy/)

### Cyprus Hire Risks Pool

**Main activities.** The Cyprus Hire Risks Pool is an association which pools the risks of insuring public service vehicles, taxis and hire cars on behalf of all the insurance companies underwriting such business in Cyprus.

### Insurance Institute of Cyprus

**Main activities.** The Insurance Institute of Cyprus is affiliated to the Chartered Insurance Institute of England and offers education and training in the field of insurance.

W [www.iic.org.cy/](http://www.iic.org.cy/)

dertaking throughout the course of the liquidation (*section 162, Insurance Law*). The liquidation procedure does not preclude the setting-off of reinsurance claims and obligations.

#### Approved investments

No alteration can be made to the approved investments of either class of insurance in which the insurance undertaking has placed assets to cover its technical reserves, except to correct purely clerical errors or with the authorisation of the Superintendent (*section 163, Insurance Law*).

If it proves impossible to transfer the portfolio of an insurance undertaking in liquidation, its approved investments must be liquidated, making up a fund available for the satisfaction of the beneficiaries. If the insurance undertaking transacted both life and non-life business, separate funds should be maintained for each class of business. The liquidators must add to these funds



the yield and the value of the net premiums received in respect of the class of business concerned between the commencement of winding-up proceedings and the time of payment of the insurance claims or until any transfer of portfolio is effected.

The order of priority of claims against each fund is as follows:

- The fund's share of the expenses of liquidation.
- The claims of beneficiaries and of their heirs.

Any surplus is available for preferential claims and other claims against the company.

## TAXATION OF INSURANCE AND REINSURANCE PROVIDERS

### 28. Briefly describe the tax treatment for insurers, reinsurers, and other persons or entities providing insurance and reinsurance-related services in your jurisdiction.

#### General rate

Companies are taxed at 10% of chargeable income (*Income Tax Law 2002*).

#### Corporation tax for non-life insurers

For general insurance business, taxable profits are calculated by aggregating all of the gross premiums, interest, commissions and other income, and deducting any premiums returned to the insured and premiums paid on reinsurance as well as other expenses, including commissions.

The reserve for unexpired risks at the end of the year of assessment is deducted from the resulting figure, and the reserve similarly calculated for unexpired risks at the beginning of the year is added back to arrive at the final taxable profit.

Cyprus branches of foreign insurance companies can also deduct head office expenses up to 3% of net premium income (premiums received, less premiums paid for reinsurance). Income of the undertaking from other sources includes income from the management of any pension, provident or other fund.

Losses can be set off against income from other sources for the same year of assessment or, to the extent to which they are not set off, carried forward and set off against the company's income for subsequent years.

#### Corporation tax for life insurers

For life insurance business, taxable profits are calculated by aggregating all gross premiums and net investment income, and deducting any reinsurance premiums paid, net claims, surrenders, and expenses, including commissions. The reserve for liabilities regarding the long-term business in Cyprus at the end of the year of assessment is deducted from the resulting figure, and the reserve for liabilities at the start of the year of assessment is added. Cyprus branches of foreign insurance companies can also deduct head office expenses up to a limit of 2% of net premium income (premiums received, less premiums paid for reinsurance).

Where no tax is due, or the tax payable on the profits or benefits from long-term insurance business does not exceed 1.5% of the gross premiums (excluding contributions to any approved pension or provident fund or any other fund which the insurance undertaking manages for the benefit of its members), the undertaking must pay the shortfall by way of income tax prepayment.

Losses can be set off against income from other sources for the same year of assessment, or to the extent to which they are not set off, be carried forward and set off against the company's income for subsequent years. Income of the undertaking from other sources includes income from the management of any pension, provident or other fund.

## INSURANCE AND REINSURANCE DISPUTE RESOLUTION

### 29. Are there special procedures or venues for dealing with insurance or reinsurance complaints or disputes in your jurisdiction?

Insurance and reinsurance disputes are dealt with in the general court system and there are no specialist courts dealing with insurance or reinsurance disputes.

A law to establish the role of Financial Ombudsman was approved in July 2010. The process of appointing a Financial Ombudsman and introducing an alternative system for resolving disputes should be completed during 2011.

### 30. Please give a brief overview of the main dispute resolution methods used to settle reinsurance claims.

In the case of a disagreement between the insurance undertaking and the reinsurers, they can settle their dispute before the court or with the guidance of the Superintendent.

## REFORM

### 31. Please summarise any proposals for reform of the law, regulation or rules in your jurisdiction relating to the provision of insurance or reinsurance services.

The appointment of a Financial Ombudsman is a high priority and a draft law to establish the role was ratified on 8 July 2010. The appointment of the Financial Ombudsman, which should be completed in 2011, is intended to facilitate out-of-court settlement between users and providers of financial services, resulting in quicker and more efficient resolution of differences between consumers and service-providers, avoiding the time and cost of protracted legal proceedings.