

# Amendments to Insurance Law in Oman

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In an attempt to improve the efficiency of the insurance sector ("Sector") and improve the quality of the insurance services and products offered to consumers by underwriting new risks, the Capital Market Authority ("CMA") in Oman has made some essential amendments to the insurance law ("Law") through the issuance of Sultani Decree number 39/2014 in relation to the legal form and the share capital requirement of companies that conduct insurance business in Oman.

## Amendments

The Sector is mainly regulated by the Law and its implementing regulations. The new amendments include the following:

1. That the form of the company must be a public joint stock company ("PJSC") with an issued share capital of OMR 10,000,000, compared to OMR 5,000,000 before the amendment. Under the provisions of the Commercial Companies Law, the minimum required share capital of a PJSC is OMR 2,000,000. A minimum of 40% of the share capital needs to be floated and this shall apply to an insurance company when converting its legal form within a period of three years. We do not foresee any challenges or difficulties in satisfying the new requirements of the Law; the CMA, as a regulator, has previously paved the way for such amendments and most insurance companies have sufficient liquidity.
2. New applicants or existing insurance companies have the right to appeal a decision of the executive president rejecting a new application for establishment of an insurance company or its conversion, before the appeal committee at the CMA within sixty days from the date of rejection pursuant to the procedures stipulated in the Law and its implementing regulations. This requirement shall not be read in isolation from the requirement set out in Article 3 of the Law, which gives the executive president of the CMA the discretion if the national economy of Oman actually requires more insurance companies which could be used as one of the grounds for rejecting an application. This is not likely to be the case for insurance companies that have already got a license but are subject to the new amendments by converting to a PJSC and increasing share capital to OMR 10,000,000.
3. The penalties for breaching the provisions of the Law range from a fine of between OMR 10,000 to OMR 100,000. The penalties are seen by some people in the Sector to be on the high side. However, reading them with the other penalties set out in the Capital Market Law applicable to public joint stock companies, they could be considered as comparable. Public listed companies are subject to greater levels of disclosure and transparency than private companies.
4. A new power has been granted to the board of directors of the CMA to settle the crimes set out in the Law during the course of public suit before the issuance of a ruling, against a payment of an amount not less than double the minimum amount of the fine for the crime but not exceeding double the maximum fine. If a settlement is reached then the public suit shall be closed. Clearly, the CMA, as a regulator, is trying to minimise the number of crimes that are to be dealt with by the court which is beneficial to companies working in the Sector in terms of time and cost involved in judicial procedures.

## Conclusion

About two-thirds of insurance companies in the Oman market will be affected by the new amendments and will need to comply with the amendments within a period of three years. It is not clear how the new

amendments will be accommodated with the new Islamic Insurance law ("Takaful"), which is in the process of being drafted by the CMA. Given the fact that Takaful will be a law on its own, existing insurance companies will not be permitted to sell Islamic products.

The Sector has been liberalised in recent years by the amendments to the Law made by the CMA. Parallel to this, underwriting by insurance companies has started in other areas of investment such as health insurance, whereas areas such as car insurance have seen a decrease in recent years.

Property insurance is also on the rise following Cyclone Gonu's impact and damage caused to properties and infrastructure in the capital, Muscat, and other areas in Oman. Nonetheless, yearly announcements of the possibility of natural disasters occurring have also contributed to the rise of property insurance.