

Delivering expert knowledge to global counsel



Insurance & Reinsurance - Russia

Overview (September 2008)

Contributed by **CMS Cameron McKenna**

September 16 2008

Legislation

Lines of Business

Minimum Charter Capital

Regulating Bodies

Regulation of Foreign Investment

Legislation

Insurance business in Russia is regulated by the Civil Code and the Federal Law on Insurance Business in Russia.

Chapter 48 of the code (adopted in 1995 and 1996) covers insurance exclusively. Its provisions:

- set out the basic types of insurance;
- establish the principal terms of insurance contracts; and
- define the concepts of subrogation, reinsurance, compulsory state insurance (ie, budget-funded insurance) and other specific aspects of insurance.

Chapter 48 also incorporates many fundamental legal concepts that have developed internationally, including:

- insurable interest;
- average;
- indemnity;
- obligation of a policyholder to mitigate;
- subrogation; and
- the principle that no contract exists between an original policyholder and a reinsurance company.

The law deals with the regulatory aspects of insurance, including licensing and supervision. It came into force in 1993 and was the first law to regulate insurance business in Russia.

Lines of Business

The law sets out 23 classes of insurance for which an insurer may apply. Since July 1 2007 insurers have been required to conduct life and non-life insurance business separately. Thus, insurers may provide either (i) long-term life insurance and accident, health and medical insurance, or (ii) property, liability and entrepreneurial risks insurance (ie, non-life insurance) and accident, health and medical insurance.

Minimum Charter Capital

The legally defined minimum charter capital for insurance companies depends on the type of insurance business and is set at:

- Rb30 million (approximately €828,000) for companies intending to engage in accident, health and medical insurance business or property, liability and entrepreneurial risks insurance business;
- Rb60 million roubles (approximately €1.66 million) for companies intending to engage in life insurance (ie,

endowment, long-term life insurance) business - this may be conducted in addition to accident, health and medical insurance business; and

- Rb120 roubles (approximately €3.31 million) for companies intending to engage in reinsurance business, whether on its own or in combination with insurance business.

Regulating Bodies

The Ministry of Finance and the Federal Service for Insurance Supervision - the main regulator - are the principal governing authorities regulating insurance business.

The ministry's areas of responsibility include:

- drafting legislation and regulations in all areas set out by law, including legislation to liberalize the insurance market;
- developing technical expertise to regulate insurance companies, including insurance rates and accounting and statistical reporting; and
- improving the legal framework for insurance companies, insurance intermediaries and actuaries.

The regulator is responsible for licences and monitors insurance companies. In addition, it receives and interprets their financial reports and other information, and ensures that they comply with the capital adequacy regulations. It bears overall responsibility for issuing licences and supervising the insurance market.

Regulation of Foreign Investments

The law strictly prohibits foreign insurers from carrying out direct and cross-border insurance business in Russia. Article 4(5) states that:

“in the Russian Federation, the insurance of interests of Russian legal and natural persons (except for reinsurance and as otherwise provided for by federal laws) may be conducted only by insurers holding licences obtained as established by the law.”

Thus, foreign insurers may operate on the Russian insurance market only through their subsidiaries.

The law restricts foreign entry into the market by setting a market quota, which is calculated with reference to the aggregate charter capital of all insurance companies. The law states that if a share of 'foreign capital' in the aggregate charter capital of all Russian insurance entities exceeds 25%, the regulator may not licence insurance companies controlled by non-Russian entities. At present, the quota is around 9.6%. The law states that a foreign investor wishing to contribute to the charter capital of a Russian insurance company must obtain the regulator's prior consent, which may be refused only if such a contribution would result in the quota being exceeded. A Russian insurance company must obtain approval for any increase in its charter capital through foreign investment and for any transfer of shares in its charter capital to foreign investors.

The law also imposes a number of further restrictions as follows:

- Foreign-owned companies may not be involved in endowment insurance or compulsory insurance.
- Shares in the charter capital of an insurance company must be paid for in roubles.
- The general director (or chief executive officer) and the chief accountant (or chief financial officer) of a Russian insurance company must:
 - reside permanently in Russia;
 - hold a university degree recognized in Russia; and
 - have at least two years' professional experience.
- Foreign investors must have at least 15 years' experience in their domestic market and at least two years' involvement in the operation of Russian insurance companies. However, investors from the European Union have been exempt from these restrictions since January 2004.

For further information on this topic please contact [Anna Petrova](mailto:anna.petrova@cms-cmck.com) at CMS Cameron McKenna by telephone (+7 495 258 5000) or by fax (+7 495 258 5100) or by email (anna.petrova@cms-cmck.com).

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).

Author

Anna Petrova



Official Online Media Partner to the International Bar Association
An International Online Media Partner to the Association of Corporate Counsel
European Online Media Partner to the European Company Lawyers Association

© Copyright 1997-2008 Globe Business Publishing Ltd