

**Articles of Agreement of the
ECONOMIC COOPERATION ORGANIZATION
REINSURANCE COMPANY**

PREAMBLE

The three founding Member States of the ECO Reinsurance Company:

RECOGNIZING the important role of insurance in the development of the economies of the ECO region, both as provider of economic security and as generator of investible funds;

AWARE of the fact that, in order to meet the rapidly growing need for insurance cover generated in the ECO region, extensive use has to be made of foreign reinsurance services;

CONSCIOUS that the heavy outflow of insurance business, in the form of outward reinsurance covers, results in a substantial drainage of foreign exchange from each ECO Member State as well as from the ECO region as a whole;

TAKING note of Article VI of the Treaty of Izmir dated 12th March, 1977 and the Memorandum of Understanding on ECO Reinsurance Company dated 15th March, 1995 that the ECO Reinsurance Pool shall be converted into an ECO Reinsurance Company.

DECIDE hereby to establish a regional ECO Reinsurance Company which shall be governed by the provisions of this Articles of Agreement.



Part-One Definitions

Article I. Definitions

1. The following terms wherever used in this Articles of Agreement shall, unless the context otherwise specify or require, have the following meaning:

- a) **"General Assembly"** means the General Assembly of the Company;
- b) **"Board"** means the Board of Directors of the Company;
- c) **"Chairperson"** means the Chairperson of the Board;
- d) **"Company"** means the "ECO Reinsurance Company";
- e) **"Director"** means any person occupying the position of a Director in the Board;
- f) **"Managing Director"** means Chief Executive of the Company;
- g) **"ECO"** means the Economic Cooperation Organization;
- h) **"ECO Member State"** means any Member State of ECO;
- i) **"Prescribed"** means prescribed by rules or regulations made under this "Articles of Agreement";
- j) **"Region"** means the territories of the Member States of ECO;
- k) **"Founding Member States of the Company"** means Islamic Republic of Iran, Islamic Republic of Pakistan and Republic of Turkey;
- l) **"Representative"** means the representative of any shareholder of the Company being a member of the General Assembly of the Company.



Part-Two General Provisions

Article II. Name, Form and Status

1. The Company shall be a multinational corporate entity, established jointly through equitable participation by the Shareholders mentioned in Article V below, empowered to transact reinsurance business in conformity with the provisions of this Articles of Agreement.
2. The Company shall possess legal personality and full capacity to contract, acquire, hold and dispose of property, and shall have independent legal status.
3. In its relations arising out of its normal reinsurance functions and in general, the Company shall be subject to the relevant international law/regulations to be decided by the General Assembly.

Article III. Purpose

1. The purpose of the Company shall be to supplement the existing reinsurance services, promote the growth of the underwriting and retention capacities and support the economic development in the Region.

Article IV. Functions

To realize its purpose, the Company shall perform the following functions:

1. Operate as a professional international reinsurer under free market conditions without any government intervention and accept business, without compulsory cession, from the insurance markets within and outside the Region, and retrocede its surpluses after net retention, with priority given to the insurance markets within the Region.



2. Invest a sizeable portion of its funds within the Region, provided that such investments meet with the requirements of sound investment techniques.

3. The Company shall enjoy, in the host countries, in respect of its main and affiliated offices/branches, exchange control facilities for fulfilling its functions efficiently as a professional international reinsurer and also for discharging its obligations to the shareholders and/or their respective countries under this Articles of Agreement. The host countries would be prepared also to bear any strain on their foreign exchange resources due to operations of the Company as and when the circumstances so demand.

4. Serve as a regional center for collection of insurance and reinsurance information and the development of expertise in insurance and reinsurance fields, to be put at the disposal of the national insurance and reinsurance markets of the Region and also provide technical assistance as may be required from time to time by the insurance and reinsurance markets of the Region, and play an active role in promoting business cooperation among the insurers and the reinsurers of the Region.

Article V. Capital Stock and Shareholders

1. The authorized capital of the Company shall be thirty million United States Dollars, divided into three thousand shares with par value of ten thousand United States Dollars each and shall be registered in US Dollars (or any other hard currency to be agreed). The capital shall be subscribed as under:

- (a) 1,000 shares through the Bimeh Markazi Iran, in Iran;
- (b) 1,000 shares through the Pakistan Reinsurance Company Limited, in Pakistan;
- (c) 1,000 shares through the T.C Ziraat Bankasi, in Turkey;

2. The shares within a Member State of the Company and between the Member States of the Company shall be transferable to any national insurance or reinsurance company or financial institution.



3. The decision for such transfer of shares of the Company shall be taken on the recommendations of the Board and approval of the General Assembly by Qualified Majority vote.

4. The General Assembly may, at any time, increase or decrease the authorized capital of the company subject to the condition that three founding member States shall at all times hold equal number of shares and their total holding of shares shall always form the majority share capital of the Company (at least 51%).

5. Any insurance or reinsurance company or financial institution of any ECO Member State may become a shareholder of the Company.

6. The liability of a shareholder shall be limited to the amount of shares held by it.

Article VI. Headquarters and Liaison Offices

1. The Headquarters of the Company (hereinafter referred to as the Headquarters) shall be at Karachi, Pakistan. The Company may initially establish liaison offices in Iran, Turkey and then in other countries in accordance with the decision of the Board.

PART-THREE Organizational Structure

Article VII. General Assembly

1. The General Assembly shall be composed of one representative, nominated by each shareholder who shall carry one vote for each share. Each representative shall be entitled to cast the vote of the shareholder so represented. Any shareholder, after informing the Chairperson in writing, may authorize any other shareholder's representative to represent his/its vote at any meeting of the General Assembly.

2. The General Assembly shall hold regular meetings at the Headquarters, within six months of the closing of each financial year, to approve the annual

balance sheet, the profit and loss account and annual external Auditors' report of the respective year.

3. A notice convening the annual meeting of the General Assembly shall be sent by the Company to all the shareholders, by telefax, registered airmail or courier not less than 45 days prior to the date of such meeting. A copy each of the balance sheet, the profit and loss account, the report of the Board and the external Auditors' report shall accompany the notice.

4. The Chairperson shall call an extraordinary meeting of the General Assembly, either under a decision of the Board or upon the requisition made by the shareholders representing, at least, one-tenth of the total voting strength.

5. The notice for an extraordinary meeting of the General Assembly, together with the provisional agenda, shall be communicated to the shareholders not less than 21 days prior to the date of such meeting.

6. The General Assembly shall elect a shareholder to preside over each of its meetings.

7. The quorum for any meeting of the General Assembly shall be $2/3^{\text{rd}}$ of the total voting strength of the Company. The presence of a proxy shall be deemed to be the presence of a shareholder.

8. The decisions of the General Assembly shall be taken by $2/3^{\text{rd}}$ majority of those present and voting, except where three-fourth majority is required in accordance with the provisions of Article IX of this Articles of Agreement.

Article VIII. Functions of the General Assembly

The General Assembly shall:

- a) Approve the Board's annual report, external Auditor's report, balance sheet, and the profit and loss statement of account;



- b) Approve the allocation of the net profit, the establishment of the reserves and transfers to and from these reserves on the recommendation of the Board;
- c) Decide to increase or decrease the authorized capital subject to the Section-4 Article V;
- d) Decide to suspend the operations of or dissolve the Company as per Article XX;
- e) Decide to adopt amendments to this Articles of Agreement;
- f) Appoint the external Auditors and fix their remuneration on recommendation of the Board;
- g) Propose termination of this Articles of Agreement;
- h) Adopt or amend the rules and regulations on all matters which are necessary or expedient for the purpose of giving effect to the provisions of this Articles of Agreement;
- i) Take such other action, as may be appropriate, to implement this Articles of Agreement;
- j) Define policy guidelines for the investment of the funds of the Company;
- k) Define policy guidelines for the acceptance, retention and retrocession of reinsurance business of the Company;

Article IX. Qualified Majority Vote

Not less than three-fourth of the total voting strength shall be required for adopting decision in the meeting on the following subjects:

- a) Amendments to this Articles of Agreement;
- b) Suspension of the operations and the dissolution of the Company;
- c) Increase or decrease of the authorized capital,
- d) Interpretation of this Articles of Agreement;
- e) Termination of this Articles of Agreement;



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Article X. Board of Directors

1. a) The Board shall consist of six members, two each to be nominated by Ministry of Commerce, Government of Pakistan, through Pakistan Reinsurance Company Limited, Bimeh Markazi Iran and T. C. Ziraat Bankasi. The Board members should have high integrity and competence in the field of insurance, reinsurance, economics, finance, management, law, banking, Commerce with a minimum experience of ten years.
 - b) The Board shall be responsible for the operation of the Company and shall approve its budget.
 - c) The Board shall be responsible to the General Assembly.
 - d) The Board shall elect, from amongst its Directors, a Chairperson for a period of two years, who will be eligible for re-election.
2. The Board shall meet, as often as necessary, but with a minimum quarterly frequency. Such meetings shall ordinarily take place at the Headquarters but may, in special circumstances, be held in any ECO Member State.
 3. At a meeting of the Board, each Director, the Chairperson being one of them, shall have one vote. The presence of four directors shall constitute a quorum but participation of at least one Director from each participating country will be mandatory for the meeting of the Board. Decisions shall be taken by, at least, four supporting votes of the Directors.
 4. The term of office of a Director shall be four years, provided that a Director shall continue in office after the expiry of his term until his successor is elected.
 5. A Director shall be eligible for re-nomination.



6. A casual vacancy of a Director shall be filled in by co-opting a nominee of the shareholders who originally nominated such Director who shall hold office for the rest of the term of office. Such appointment shall be submitted for the approval of the General Assembly at its next meeting.

Article XI. Chairperson

1. The Chairperson shall:
 - 1) preside over and conduct the meetings of the Board.
 - 2) present annual report of the Board to the General Assembly.
 - 3) be responsible for monitoring the implementation of the decisions of the Board.

Article XII. External Auditors

1. Upon the recommendations of the Board, the General Assembly shall appoint qualified external auditors of international recognized standing audit firm, registered in the ECO Region.
2. The auditors shall be appointed for one year, subject to renewal.

Article XIII. Managing Director

1. The Managing Director shall be appointed by the Board. He shall be a person of high integrity and competence in the field of insurance and reinsurance with at least fifteen years experience. The term of office of the Managing Director, shall be a period of four years, but not more than two consecutive terms. The Managing Director shall not be a member of the Board, but shall attend the meetings of the General Assembly and the Board without the right to vote.
2. The Managing Director shall be the Chief Executive and legal representative of the Company and shall conduct its business in conformity with the decisions of the General Assembly and of the Board. He shall be responsible for the administration of the Company, including the appointment and the administration of the staff in accordance with the rules and regulations to be prescribed by the



Company and approved by the General Assembly. The Managing Director shall be assisted by three Assistant Managing Directors, each from one of the three founding shareholders, appointed by the Board on the recommendations of the Managing Director, for a period of four years, eligible for re-appointment.

3. The Assistant Managing Directors, shall be qualified for performing their duties as prescribed in the rules and regulations. They may attend the Board meetings, without the right to vote.

Article XIV. Staff of the Company

1. The Company may employ such officers and staff to perform such duties on full time basis as the Company may determine from time to time. Preference will be given to the nationals of the ECO Region. The recruitment policy and the terms and conditions of service will be determined by the Board from time to time. The Company may employ, on contract basis, part-time consultants, from within the region, on financial, technical and legal matters.

Such staff and consultants should secure high standards of efficiency and technical competence.

2. In the performance of their duties, neither the Managing Director nor the Assistant Managing Directors, consultant, officer or staff shall seek or receive instructions from any government or person or authority other than the General Assembly and/or the Board and/or the Managing Director, under the terms of this Articles of Agreement.

PART-FOUR Operations

Article XV. Acceptances

1. The Company may accept reinsurance treaties and facultative reinsurance business from any insurance and reinsurance institution located anywhere in the world.



Article XVI. Retrocessions

1. The Company shall retain all such business based on prudent decisions and as its technical and financial capacity permits.
2. The Company shall give priority in retrocession to the insurers and reinsurers operating within the Region.
3. The remaining retrocessions shall be offered by the Company to the foreign insurers and reinsurers as far as possible against reciprocity.
4. The Board shall approve the plan of retentions and retrocessions taking into account priorities referred to in this article.

Article XVII. Finance

1. The financial year of the Company shall commence on first January and end on 31st December of the same year.
2. At the end of each financial year, the Board shall cause the evaluation of the assets of the Company at book or market value, whichever is less. The Board shall make provisions Inter-alia, for the unexpired premium and the outstanding loss reserves, all other liabilities of the Company, bad debts and other contingencies and for depreciation on fixed assets.
3. The Company may open and operate deposit accounts preferably with ECO Trade and Development Bank or with any bank within or outside the Region as may be necessary or appropriate for the efficient conduct of the business of the Company.
4. No dividend shall be paid for the first two full financial years of the operations of the Company. Profits realized during this period shall be transferred to the Free Reserves.



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5. For the subsequent financial years, at least one-tenth of the annual net profit shall be transferred to the Free Reserves until such Reserves equal the authorized capital of the Company. The General Assembly may decide to continue such transfer to the Free Reserves beyond that limit.

6. In addition to the Free Reserves, the General Assembly shall, before proposing any dividend, set aside, out of the annual profits, such amount as it may deem necessary for meeting the contingencies.

7. The annual dividend shall be paid to the shareholders in accordance with the procedure to be prescribed by the General Assembly.

8. The accounts of the Company shall be maintained in US Dollars (or any other hard currency).

Article XVIII. Withdrawal of Members

1) Any shareholder may withdraw from this Articles of Agreement and thereby from the Company at any time after five years from the date of entry into force of this Articles of Agreement, by giving written notice to the Company not less than five months prior to the end of that year.

2) A shareholder who has withdrawn from the Company may be readmitted as a new shareholder in accordance with the provisions of this Articles of Agreement.

3) A shareholder who has withdrawn from the Company shall remain liable to the Company for its direct obligations and for its contingent liabilities until such time that all the business contracted prior to the date of the withdrawal has been settled. General Assembly may enter into an alternative agreement with such former shareholder.



Article XIX. Repurchase of Shares

1. When the Company repurchases the shares of a withdrawing member, pursuant Article XVIII, the repurchase shall be governed by the following conditions:

- a) The repurchase price shall be the equity stock value of the shares as certified by external Auditor of the Company at the date of termination of membership;
- b) The proceeds of these shares shall be placed by the Company on short term fixed deposit. The interest earnings thereon shall accrue to the benefit of the former member and shall be paid at the time of final settlement of the repurchase of the shares;
- c) The amount due under sub-paragraph (a) shall be withheld by the Company so long as the former member remain liable in any capacity to the Company and such amount may at the option of the Company be applied on such liability as it arises;
- d) Payment for the shares may be made from time to time to the extent by which the amount due under sub-paragraph (a) exceeds the aggregate liabilities of the former member, until such time as the full repurchase price has been settled.

Article XX. Dissolution of the Company

1. Should the Company exhaust half of its subscribed share capital, the General Assembly shall meet special session and pass a resolution for suspension and/or termination of the operations of the Company. Notwithstanding the provisions of this article, the General Assembly may, by qualified majority vote, adopt any other alternative appropriate solution.

PART-FIVE

Interpretation, Arbitration and External Relations

Article XXI. Interpretation and Arbitration

1. Any controversy arising out of or relating to this Articles of Agreement or relating to its interpretation shall be submitted to the General Assembly for decision which shall be taken by not less than three-fourth of the total voting strength, and shall be final.

2. Any dispute between the shareholders and/or between the shareholders and the Company pertaining to the contents and application of the provisions of this Articles of Agreement shall be referred to arbitration. Each party shall appoint one arbitrator and the third arbitrator shall be elected by the two appointed arbitrators. The party seeking arbitration shall send written notice of its intention and issues in dispute and the name and address of the arbitrator to the other party.

3. Within four weeks of receipt of such notice, the second party shall respond by appointing its own arbitrator in writing. In the event of failure to comply, based on the written request of the party seeking arbitration, secretariat of the ECO shall appoint the arbitrator on its behalf within four weeks. If two arbitrators failed to elect the third arbitrator within two weeks, secretariat of the ECO shall appoint him within four weeks following receipt of written request of the party seeking arbitration. Immediately following the appointment of the third arbitrator, they shall meet and determine the procedure to be followed. The arbitrators make their award as they consider fit with regard to costs.

4. The seat of arbitration shall be at secretariat of the ECO. All correspondences mentioned in sub-article 2 above shall be sent by registered mail, telefax and courier service.

Article XXII. External Relations

1. In order to perform its responsibilities and enhance the activities, the Company may establish cooperative relationship with the other relevant regional and international institutions/organizations including ECO regional institutions and specialized agencies.



PART-SIX

Final Provisions

Article XXIII. Immunities and privileges

1. The official communications/documents of the Company shall be accorded, by each Member State, treatment which is not less favourable than that accorded by it to any other international organization.

2. The property and assets of the Company located in ECO Member States shall be immune from all forms of seizure, nationalization or any other form of interference, by the Government.

3. All members of General Assembly, Board, Managing Director, the Assistants, staff and consultants of the Company, where they are not local citizens or nationals, shall enjoy in the Member States of ECO the same immunities and privileges as enjoyed by the executives and staff of secretariat of the ECO, such as traveling and foreign exchange facilities, exemption from immigration restrictions and alien registration requirements.

Article XXIV. Ratification or Acceptance

1. This Articles of Agreement shall be subject to ratification or acceptance by the relevant authorities in Member States. Instruments of ratification or acceptance shall be deposited with the secretariat of the ECO who shall duly notify the other signatories of each deposit and the date thereof.

Article XXV. Deposit

1. The original of this Articles of Agreement in a single copy in English language shall be deposited at the Secretariat of the ECO. Which shall send certified copies to all shareholders.



Article XXVI. Entry into Force

1. This Articles of Agreement shall come into force when instruments of ratification or acceptance shall have been deposited and full subscription of the share capital have been paid (as sub-paragraph (a) below) by the three founding members of the Company. Secretariat of the ECO shall inform the Members of the date of entry into force of this Articles of Agreement (Establishment Date).

(a) The founding members shall pay their full subscription of the share capital within 60 days after the day of depositing the last instrument of ratification or acceptance.

Article XXVII. Commencement of operations

1. As soon as this Articles of Agreement enters into force, each founding shareholder shall nominate representative to the General Assembly and appoint Directors to the Board for:

- a) Election of the Chairperson of the Board.
- b) Determination of the date by the General Assembly on which the Company shall commence its operation.

Article XXVIII. Amendments and Revisions to Articles of Agreement

1. Any amendment or revision of this Articles of Agreement may be recommended by any shareholder or the Board of Directors to the General Assembly and may be adopted by qualified majority vote.

2. When an amendment or revision has been adopted, the Company shall certify in an official communication addressed to all concerned Member States for acceptance or ratification. The amendment or revision shall enter into force two months after the date of depositary of the last instrument of ratification or acceptance of the amendment/revision, with the Secretariat of the ECO.



Article XXIX. Termination of Articles of Agreement

1. The General Assembly may, by qualified majority vote, propose the termination of the present Articles of Agreement to the Member States. The General Assembly shall fix a time within which each Member State shall notify the Secretariat of the ECO whether or not it accepts the proposal for termination. If the proposal is accepted by three-quarters of the Member States, it shall become effective and the General Assembly shall meet not later than 30 days after the receipt by the Secretariat of the ECO of the last required notification of acceptance, in order to take the necessary steps for winding up the Company.

2. During the winding-up period, General Assembly and the Company shall remain in existence for the following purposes:

- a) To realize Conserve and preserve its assets, and to settle its obligations vis-à-vis creditors holding claims out of reinsurance contract as a matter of priority, and then to other creditors;
- b) To proceed subsequently with the distribution of the remaining assets to the Shareholders, in proportion to the capital stock held by each of them, provided that such Shareholder has settled all its obligations vis-à-vis the Company.

Done at Islamabad (Pakistan) on 10th February, 2010, in one single copy in English language:

For the Islamic Republic of Iran



For the Islamic Republic of Pakistan



For the Republic of Turkey


