Ministry of Finance of the Republic of Namibia

Recommendations by the Board of Directors of the Namibia National Reinsurance Corporation in terms of the Namibia National Reinsurance Corporation Act

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Definitions

Term	Defection
Act or The Act	The Namibia National Reinsurance Corporation Act (Act 22 of 1998).
Board or The Board	The Board of Directors of the Namibia National Reinsurance Corporation.
Corporation or The Corporation	The Namibia National Reinsurance Corporation.
Minister or The Minister	The Minister of Finance of the Republic of Namibia.
The Corporation	Namibia National Reinsurance Corporation
Pillar I Cession	The cession of insurance business in terms of Section 39(1) of the Act.
Pillar II Cession	The cession of reinsurance business in terms of Section 39(4) of the Act.
Pillar III Cession	The cession of reinsurance business in terms right of pre-emption in Section 40 of the Act
Originating Commission	Originating commission is the commission paid by the insurer or reinsurer to source insurance business.
Risk Premium	The amount of premium required to cover claims arising under a particular risk heading.

Foreword

This document follows the Corporations' submissions made to the Minister on 3 July 2017.

The said submissions served as representation by the Corporation to the Minister for the purpose of the public consultation process with interested parties announced on 14 February 2017.

This document records herein proposals and recommendations to the Minister of Finance as required in terms of the Act.

The proposals and recommendations herein were also made taking into account the Industry feedback as published by the Ministry of Finance and after careful analysis thereof by the Corporation

In addition, the Corporation herein makes formal proposals with respect to the aspects on which the Act specifically requires the Board of Directors of the Namibia National Reinsurance Corporation Limited to make recommendations to the Minister, being

1. The exclusion of classes of business from the Pillar I Cession {Section 39(8)},
2. Commission payable {Section 43(2)}, and
3. Regulations {Section 47(1)}.

Insurance and Reinsurance Cession (Sections 39 and 40)

The Act

Section 39(1) of the Namibia National Reinsurance Corporation Act states that: "Subject to the provisions of section 43(1) and (3) and of subsection (8) of this section, every registered insurer and registered reinsurer shall, in accordance with the terms of, and with effect from a date specified in, a notice issued by the Minister in terms of subsection (2), cede in reinsurance to the Corporation a percentage of the value of each policy issued or renewed in Namibia by the registered insurer or registered reinsurer on or after the commencement of this Act."

Section 39(4) of the Namibia National Reinsurance Corporation Act provides that: "Subject to the provisions of section 43(1) and (3) and of subsection (8) of this section, every registered insurer and registered reinsurer shall, in accordance with the terms of, and with effect from a date specified in, a notice issued by the Minister in terms of subsection (5), cede in reinsurance to the Corporation a percentage of the value of each reinsurance contract placed by the registered insurer or registered reinsurer with any other insurer or reinsurer, whether within or outside Namibia, on or after the commencement of this Act."

The Act requires the Minister to specify by notice in the Government Gazette the percentage of cession for Pillar I and Pillar II.

Pillar I (Section 39) Cession

Background

Failure to implement the pillar I (Section 39) cession since the promulgation of the Act resulted in The Corporation's balance sheet not growing in line with that of the Industry.

The result thereof is a growing gap between reported reinsurance premium paid by the Industry, and the premium received by The Corporation.

Analysis of the Namibian Market

An analysis of the per event/item risk limits of insured assets / liabilities in Namibia, indicate that 80% (rounded for comparison purposes) of such event/item risk limits fall in a range up to NAD 30 million (rounded for comparison purposes).

The Reinsurance Gap

The Corporation's mandate is to retain premium in the country and its stated objective is to retain 80% of such premium written in the country.

The "reinsurance gap" reached NAD 1 billion (rounded for comparison purposes) in 2015.

Per event Capital Requirements

A number of models are publicly accepted for the calculation of the capital required to accept risk with an event/item limit up to NAD 30 million.

Available Models for Calculation

Standard & Poor's Risk Survey

The current measures used by the Corporation are per the Standard & Poor's Risk Survey.

Measure	Lower Range (Min) %	Upper Range (Max) %
Shareholder Funds	1.0	3.0
Total Assets	0.5	2.0
Cash	5.0	15.0
Net Earned Premium	0.75	2.0
Net Profit Before Tax	6.5	10.0

London Market Actuaries

The London Market Actuaries paper of 1990 entitled Reinsurance and Retentions (CISG 10/90), indicates that retention in the simplest form, can be expressed as the following "Rules of Thumb" measures.

Measure	Lower Range (Min) %	Upper Range (Max) %
Capital and Free Reserves	1.0	5.0
Retained Premium Income	1.0	10.0
Liquid Assets	400	600

Property and Liability Insurance Handbook (1965)
In the Property and Liability Insurance Handbook of 1965, Bernard Daenzer states that the minimum risk-bearing capacity "certainly should be 1% of its average annual net earnings during the last five years."

Additional Capital Requirements of the Corporation

Calculation of Capital Required
Using the measures described above the total assets and free capital required by the Corporation to accept a risk with event/item limit of NAD 30 million can be calculated.

Measure	Upper Range (Max) %	Event/item limit required	Calculated Capital Requirement
Capital and Free Reserves	5.0	NAD 30m	NAD 600m
Shareholder Funds	3.0	NAD 30m	NAD 1.0bn
Total Assets	2.0	NAD 30m	NAD 1.5bn

Capital Gap of the Corporation
Based on the above, the additional capital required, herein referred to as the capital gap, by the Corporation can be calculated.

Measure	Upper Range (Max) %	Event/item limit required	Calculated Capital Requirement	The Corporation FY2016	Capital Gap
Capital and Free Reserves	5.0	NAD 30m	NAD 600m	NAD 166m	NAD 434m
Shareholder Funds	3.0	NAD 30m	NAD 1.0bn	NAD 166m	NAD 834m
Total Assets	2.0	NAD 30m	NAD 1.5bn	NAD 245m	NAD 1,255m

Using the measure that results in the lowest calculated amount, the Corporation thus requires an additional minimum amount of capital and free reserves as at 31 March 2016 of at least NAD 434m in order to meet the objective of retaining NAD 30 million per item / event.

Future Value of Capital Gap

The Act allows for the capital growth required by the Corporation by the implementation of the Pillar I cession. As this cannot be done in one year, the capital gap will continue to grow over time.

The value of the capital gap is projected into the future using a conservative 1% per annum growth ratio, derived from the average growth ratio of Industry assets per the NAMFISA published data.

Capital Gap	2016	2026 10 YR	2036 20YR	2046 30YR
Additional Shareholder Funds Required	NAD 434m	NAD 479m	NAD 529m	NAD 584m

Proposals re Pillar I (Section 39) Cession Percentage

Background

Considering feedback by Industry, the Corporation investigated alternatives with a longer time horizon to achieve the aimed increase in capital at a lower percentage over an extended period.

The table below illustrates the minimum period that a Pillar I cession would need to remain in place at different percentages.

Pillar I Cession	7.50%	8%	10%	12.50%	15%	17.50%	18%	20%
Pillar I Cession Start	Jan-2017	Jan-2017	Jan-2017	Jan-2017	Jan-2017	Jan-2017	Jan-2017	Jan-2017
Number of Years Target Capital (NAD 600m)	27	24	20	17	15	13	10	10
Target Capital Year	2043	2040	2036	2032	2031	2029	2026	2026

Ring-fencing

As implemented in other countries that employ similar models, the Corporation proposes a fixed period for the implementation of Pillar I cession after which the percentage will be revised downward.

Short-term Insurance Business Pillar I (Section 39) Cession

The Board of Directors of the Corporation proposes to the Minister that one of the following four models be implemented:

1. Pillar I cession at 10% for a twenty-year (20) period, or
2. Pillar I cession at 12.5% for a seventeen-year (17) period, or
3. Pillar I cession at 15% for a fifteen-year (15) period, or
4. Pillar I cession at 18% for a ten-year (10) period.

The Board further proposes that with respect to short-term insurance business ceded to the Corporation, the cession be limited to 12.5%, as per alternative 2 above, of the premium.

It is further proposed that such cession be implemented for a seventeen-year (17) period after which the Pillar I cession percentage will be revised downward.

Long-term Insurance Business Pillar I (Section 39) Cession

Premiums charged to policyholders include an expense allowance which covers the cost of the acquisition and administrative expenses incurred by the insurer.

With respect to long-term insurance business it is practical to the risk premium portion of a premium on an insurance product, thereby ring-fencing the cost and administration components from the rest of the premium.

The Institute and Faculty of Actuaries defines risk premium as: “the amount of premium required to cover claims arising under a particular risk heading.” This usually refers to a single premium that covers a specific risk for a specific period of time. For example, in pricing unit-linked contracts, a company may cost for death or sickness cover by applying a monthly risk premium to the appropriate amount at risk in each month. The term also refers to a method of reinsurance, which operates in very much the same way.

The Board of Directors of the Corporation proposes to the Minister that one of the following four models be implemented:

1. Pillar I cession at 10% for a twenty-year (20) period, or
2. Pillar I cession at 12.5% for a seventeen-year (17) period, or
3. Pillar I cession at 15% for a fifteen-year (15) period, or
4. Pillar I cession at 18% for a ten-year (10) period.

The Board further proposes that with respect to long-term insurance business ceded to the Corporation, the cession be limited to 12.5%, as per alternative 2 above, of the risk premium, due to the significant risk pool of long-term insurance business.

It is further proposed that such cession be implemented for a seventeen-year (17) period after which the Pillar I cession percentage will be revised downward.

Proposals re Pillar II (Section 39) Cession Percentage

Background

The Pillar II cession (Section 39) requires that every registered insurer and registered reinsurer shall, in accordance with the terms of, and with effect from a date specified in, a notice issued by the Minister in terms of subsection (5), cede in reinsurance to the Corporation a percentage of the value of each reinsurance contract placed by the registered insurer or registered reinsurer with any other insurer or reinsurer, whether within or outside Namibia, on or after the commencement of this Act.

Short-term Insurance Business Pillar II Cession (Section 39)

The Board of Directors of the Corporation proposes that the Pillar II (Section 39) cession of reinsurance be set at a percentage of twenty percent (20%) with no fixed terms, i.e. this cession should remain in place indefinitely.

Long-term Insurance Business Pillar II Cession (Section 39)

Premiums charged to policyholders include an expense allowance which covers the cost of the acquisition and administrative expenses incurred by the insurer.

With respect to long-term insurance business it is practical to the risk premium portion of a premium on an insurance product, thereby ring-fencing the cost and administration components from the rest of the premium.

The Institute and Faculty of Actuaries defines risk premium as: "the amount of premium required to cover claims arising under a particular risk heading." This usually refers to a single premium that covers a specific risk for a specific period of time. For example, in pricing unit-linked contracts, a company may cost for death or sickness cover by applying a monthly risk premium to the appropriate amount at risk in each month. The term also refers to a method of reinsurance, which operates in very much the same way.

It is therefore proposed that with respect to long-term insurance business ceded to the Corporation, the cession be limited to 20% of the risk premium only, for an indefinite period of time.

Recommendations re Exclusion from Pillar I (Section 39) Cession

The Act

Section 39(8) of the Namibia National Reinsurance Corporation Act states that: "Notwithstanding the provisions of section 38, the Minister may from time to time, on the recommendation of the Board and by notice in the Gazette, exempt any registered insurer or registered reinsurer carrying on any class of insurance business from the provisions of subsection (1) or (4), as the case may be, for such period and subject to such conditions as he or she may specify in that notice."

This section thus allows the Minister, on recommendation of the Board of the Corporation, to exclude certain classes of insurance business from the Pillar I cession.

Micro-Insurance

Micro insurance is the protection of low-income people from specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. The target market for micro-insurance is low-income people.

As there is currently no official definition of micro-insurance in Namibian legislation or regulations, a definition of micro insurance is provided below.

"micro-insurance business" means the business of providing or undertaking to provide policy benefits under micro-insurance policies;

"micro-insurance policy" means –

(a) an insurance policy issued by a registered long-term insurer for the classes of insurance business set out in Section 13(1) of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998) and referred to in Annexure 1 and in respect of which the aggregate value of the insurance obligations relating to any insured under the insurance policy does not exceed the maximum amounts set out in Annexure 1; or,

(b) an insurance policy issued by a registered short-term insurer for the classes of insurance business set out in Schedule 1 to the Short-Term Insurance Act, 1998 (Act No. 4 of 1998) and referred to in Annexure 2 and in respect of which the aggregate value of the insurance obligations under the policy does not exceed the maximum amounts set out in Annexure 2;

Annexure 1

Class of long-term insurance	**Maximum aggregate value of insurance obligations**
Disability insurance business	N$ 50,000
Funeral insurance business	N$ 50,000
Health insurance business	N$ 50,000
Life insurance business	N$ 50,000

Annexure 2

Class of short-term insurance	**Maximum aggregate value of insurance obligations**
Fire	N$ 50,000
Vehicles	N$ 50,000
Personal	N$ 50,000
Miscellaneous	N$ 50,000

Fund and Sinking-Fund Insurance Business

Fund Insurance Business and Sinking Fund Insurance Business is defined in Section 1 of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998).

Section 1 of the Long-term Insurance Act defines a 'Sinking Fund policy' as a policy, excluding a life policy, which provides one or more sums of money at a fixed or determinable future date. A sinking fund was introduced to allow business entities to invest via a long-term insurance policy.

These types of insurance policy are geared towards investment and not risk protection.

As a reinsurer, the Corporation's business objective is to accept insurance risk, and not investment risk as would be the case for Fund Insurance Business and Sinking Fund Insurance Business

Recommendation in respect of Exclusions from Pillar I (Section 39) Cession

The Board of Directors of the Corporation recommends the exclusion of the following classes of insurance business from the policy level cession in terms of the Act:

1. Micro-insurance as defined above,
2. Fund insurance business as defined in section 1 of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998); and
3. Sinking fund insurance as defined in section 1 of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998).

Commission

The Act

Section 43(2) of the Namibia National Reinsurance Corporation Act states that: "The Minister shall from time to time, on the recommendation of the Board and by notice in the Gazette, published at least 60 days before the requirements of that notice take effect, determine and specify the rate of the reinsurance commission payable to registered insurers and registered reinsurers in terms of subsection (1), and shall also specify the date on which such rate shall become applicable for the purposes of that subsection."

This section requires that the Board of Directors of the Corporation recommend to the Minister the rates of commission to be paid on each class of insurance business ceded to the Corporation in terms of sections 39 and 40 of the Act.

Short-term Insurance Commission

Originating Commission

Insurance Contracts - Pillar I Cession (Section 39)

It is recommended that: On the percentage of the premium of each insurance contract issued or renewed in Namibia by the registered insurer or registered reinsurer and ceded to the Corporation in terms of section 39(1) of that Act the rate of commission payable shall be limited to the lesser of –

a. the amount of commission paid by the registered insurer and registered reinsurer; and

b. the maximum amount of commission specified in Regulation 6 to the Short-Term Insurance Act, 1998 (Act No. 4 of 1998).

Reinsurance Contracts – Pillar II Cession (Section 39) and Pillar III Cession (Section 40)

It is recommended that: On the percentage of the premium of each reinsurance contract placed by the registered insurer or registered reinsurer with any other insurer or reinsurer, whether within or outside Namibia and ceded to the Corporation in terms of section 39(4) of the that Act the rate of commission payable shall be limited to the minimum of –

a. the amount of commission paid by the registered insurer and registered reinsurer; and

b. the maximum amount of commission specified in Regulation 6 to the Short-Term Insurance Act, 1998 (Act No. 4 of 1998).

Profit Commission

What is Profit Commission?

Profit commission is a provision found in some reinsurance agreements that provides for profit sharing. Parties agree to a formula for calculating profit on a reinsurance contract after an allowance for the reinsurer's expenses, and the cedent then shares in such profit. (IRMI 2017)[1]

Why Profit Commission?

Properly used, profit commission is a useful way of sharing the profits and risks of an insurance portfolio between the risk carrier and the producer, better aligning the interests of each and cementing a stable and profitable partnership. (Mellville Jessup Weaver 2007)[2]

Reinsurance contracts issued for Namibian short-term insurance business generally have profit commission clauses included.

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[1] https://www.irmi.com/online/insurance-glossary/terms/p/profit-commission.aspx

[2] https://mjw.co.nz/wp-content/uploads/2015/03/mjw708aac.tpx_.pdf

What is the Problem with Profit Commission?
Section 43(2) of the Namibia National Reinsurance Corporation Act, 1998 (Act 22 of 1998) specifically states that: "No profit commission on profits, if any, accruing to the Corporation from any insurance business ceded to the Corporation in terms of the provisions of this Part, shall be payable to registered insurers and registered reinsurers."

Even though Government Notice 124 of 2007, published in Gazette 3877 on 16 July 2007 allowed the Corporation to pay profit commission, this notice was "ultra vires" and consequently" void ab initio".

Government Notice 124 of 2007 was withdrawn by Notice 267 of 2016 published in Gazette 6165 on 1 November 2016.

The current legal situation is thus that the Corporation may not pay profit commission.

Over-rider Commission

What is Over-rider Commission?
Over-rider commission is an additional amount of commission paid over and above the originating commission in order to compensate the insurer for cost or for claims ratio control.

Why pay Over-rider Commission?
Premiums charged to policyholders include an expense allowance which covers the cost of the acquisition and administrative expenses incurred by the insurer.

With respect to Insurance Contracts ceded to the Corporation, i.e. the Pillar I Cession (Section 39), the insurer will cede to the Corporation a portion of the full premium under the contract, thus inclusive of a portion of the administration cost charges.

However, the insurer would remain being responsible for the actual full cost of the administration of the said policy.

One aspect of paying over-rider commission would be to refund the insurer the administration cost component of the premium.

Paying Over-rider Commission
As proposed in Notice 267 of 2016 published in Gazette 6165 on 1 November 2016, which notice was later withdrawn, the Corporation proposes the payment of an over-rider commission on short-term insurance business over and above the originating commission that will be paid to the insurer in terms of proposed Notice 5.

Notice 5 in its current form provides for the repayment of the originating commission to the insurer, i.e. the refund of the commission that the insurer would have paid to source the business. This commission is an acquisition cost for the insurer, and consequently for the Corporation on the portion of business ceded to it, and therefore refunded to the insurer.

Section 43(1) of the Namibia National Reinsurance Corporation Act, 1998 (Act 22 of 1998) specifically provides for the Corporation to pay "just compensation in the form of a reinsurance commission".

The Board of Directors of the Corporation proposes that the over-rider commission Notice 267 of 2016 published in Gazette 6165 on 1 November 2016 be re-implemented in the proposed new notices in order to compensate insurers for income lost as a result of the removal of profit commission and to serve as an incentive to maintain a healthy book of business.

Why would Over-rider Commission be an Incentive?

Over-rider commission is calculated based on the final claims experience of a book of business, and pays an additional amount of commission based on the results of such final claims experience annually.

The better the claims experience (lower claims over the period), the higher the amount of over-rider commission that will be paid.

What is the Proposed Model for Over-rider Commission?

Pillar I Cession (Section 39)

Given the fact that Pillar I is a compulsory policy level cession, the Board of Directors of the Corporation recommends paying a fixed over-rider percentage on business ceded to the Corporation in terms of Pillar I at five (5) percent of the premium so ceded.

The Board of Directors of the Corporation is of the opinion that a rate of over-rider commission above five (5) percent of the premium ceded in terms of Pillar I would raise the acquisition cost of the business to a level that is not sustainable.

Pillar II (Section 39) and Pillar III (Section 40) Cession

Treaty Reinsurance Business

The Institute and Faculty of Actuaries defines treaty reinsurance as: "reinsurance that a reinsurer is obliged to accept, subject to conditions set out in an agreement between the ceding company and the reinsuring company. The ceding company usually agrees to cede all business that comes within the treaty with the reinsuring company and the latter agrees to accept it."

The Board of Directors of the Corporation recommend the payment of over-rider commission on short-term insurance treaty business ceded in terms of Section 39 (4-6) and Section 40 of the Namibia National Reinsurance Corporation Act, 1998 (Act 22 of 1998), on the following basis:

1. The Corporation will pay over-rider commission on a quarterly basis on the bordereaux submitted to the Corporation at a fixed percentage of five percent (5%) of premium,
2. Said over-rider commission will be adjusted per the table below, according to the final claims ratio achieved for the underwriting year,
3. The final claims ratio for an underwriting year will be determined within three (3) months of the end underwriting year,
4. The final claims ratio will be determined by combining data as submitted per bordereaux during the underwriting year,
5. Depending on the difference between the fixed ratio paid in terms of item 1 above, the difference will either be settled to or by the Corporation, and
6. Settlement to or by the Corporation will be made with four (4) months after the end of the underwriting year.

NON-MOTOR		**MOTOR**	
Claims Ratio%	**Over-Rider%**	**Claims Ratio%**	**Over-Rider%**
<= 40.00%	22.50%	<= 40.00%	22.50%
41.00%	22.00%	41.00%	22.50%
42.00%	21.50%	42.00%	22.50%

NON-MOTOR		MOTOR	
Claims Ratio%	Over-Rider%	Claims Ratio%	Over-Rider%
43.00%	21.00%	43.00%	22.50%
44.00%	20.50%	44.00%	22.50%
45.00%	20.00%	45.00%	22.50%
46.00%	19.00%	46.00%	22.50%
47.00%	18.00%	47.00%	22.50%
48.00%	17.00%	48.00%	22.50%
49.00%	16.00%	49.00%	22.50%
50.00%	15.00%	50.00%	22.50%
51.00%	14.00%	51.00%	21.50%
52.00%	13.00%	52.00%	20.50%
53.00%	12.50%	53.00%	19.50%
54.00%	12.50%	54.00%	18.50%
55.00%	12.50%	55.00%	17.50%
56.00%	12.00%	56.00%	16.50%
57.00%	12.00%	57.00%	15.50%
58.00%	11.50%	58.00%	14.50%
59.00%	11.50%	59.00%	13.50%
60.00%	11.00%	60.00%	13.00%
61.00%	11.00%	61.00%	13.00%
62.00%	10.50%	62.00%	12.50%
63.00%	10.00%	63.00%	12.50%
64.00%	9.50%	64.00%	12.00%
65.00%	8.50%	65.00%	12.00%
> 65.00%	NIL	66.00%	11.50%
		67.00%	11.50%
		68.00%	11.00%
		69.00%	11.00%
		70.00%	10.00%
		71.00%	9.00%
		72.00%	8.00%
		73.00%	7.00%
		74.00%	6.00%
		75.00%	5.00%
		> 75.00%	NIL

Facultative Reinsurance Business
The Institute and Faculty of Actuaries defines facultative reinsurance as: “a reinsurance arrangement covering a single risk as opposed to a treaty arrangement; commonly used for very large risks or portions of risk written by a single insurer, that are shared among several reinsurers.”

The Board of Directors of the Corporation recommend the payment of over-rider commission on short-term insurance facultative business ceded in terms of Section 39 (4-6) and Section 40 of the Namibia National Reinsurance Corporation Act, 1998 (Act 22 of 1998), at a rate of five (5) percent of the premium so ceded.

The Board of Directors of the Corporation is of the opinion that a rate of over-rider commission above five (5) percent of the premium ceded in terms of Section 39 (4-6) and Section 40 of the Namibia National Reinsurance Corporation Act, 1998 (Act 22 of 1998) would raise the acquisition cost of this business to a level that is not sustainable.

Non-Proportional Business
The Institute and Faculty of Actuaries defines non-proportional reinsurance as: "reinsurance arrangements, where the claims are not shared proportionately between the cedent and reinsurer."

The Board of Directors of the Corporation recommends that no over-rider commission be paid on non-proportional short-term insurance business ceded in terms of Section 39 (4-6) and Section 40 of the Namibia National Reinsurance Corporation Act, 1998 (Act 22 of 1998).

Recommendation re Short-term Insurance Commission

The Board of Directors of the Corporation recommends that the detailed model explained above be implemented with respect to originating and over-rider commission for short-term insurance business.

Long-term Insurance Commission

Insurance Contracts - Pillar I Cession (Section 39)

Given the recommendation to cede a percentage of risk premium only under the Pillar I cession for long-term insurance products, the Corporation would not as part of this cession receive a portion of the commission or administrative expenditure included in the original premium.

As such there is thus no need for commission to the paid on the Pillar I cession where only risk premium is ceded to the Corporation.

Reinsurance Contracts – Pillar II (Section 39) and III Cession (Section 40)

Given the recommendation to cede a percentage of risk premium only under the Pillar I cession for long-term insurance products, the Corporation would not as part of this cession receive a portion of the commission or administrative expenditure included in the original premium.

As such there is thus no need for commission to be paid on the Pillar II and III cession where only risk premium is ceded to the Corporation.

Recommendations re Long-term Insurance Commission

The Board of Directors of the Corporation recommends that a percentage of risk premium be ceded to the corporation for long term insurance, and it is thus not necessary to pay commission or administrative cost for Pillar II and III as well.

Regulations

The Act

Section 47(1) of the Namibia National Reinsurance Corporation Act states that: “The Minister may, after consultation with the Board, make regulations not inconsistent with the provisions of this Act relating to – “

This section requires that the Board of Directors of the Corporation make recommendations to the Minister with respect to regulations to be issued in terms of Section 47 of the Act.

Proposed Regulations

Definitions

1. In these regulations, any word or expression to which a meaning has been assigned in the Act, shall have the meaning so assigned to it, and unless the context otherwise indicates –

"the Act" means the Namibia National Reinsurance Corporation Act, 1998 (Act No. 22 of 1998), and includes the regulations made thereunder.
“bordereau” means a detailed memorandum providing premium, commission and loss data with respect to identified risks for a specified period.
“bordereaux” means the plural of bordereau.
“cede” means to assign or transfer the risk, or a portion thereof, attached under an insurance contract or reinsurance contract to a registered reinsurer.
“commission” means a fee paid to a registered insurer or registered reinsurer and is calculated as a percentage of the premium.
“Corporation” means the Namibia National Reinsurance Corporation Limited;
“day” means any business day other than a Saturday, Sunday or public holiday;
“fund insurance business” means fund insurance business as defined in section 1 of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998);
“in force” means insurance and reinsurance contracts issued by a registered insurer or registered reinsurer, as the case may be, on which the premiums are being paid or have been fully paid.
“loss event” means an occurrence of something that has been insured against, thus giving rise to a claim.
“memorandum” means a record made for future use.
“micro-insurance business” means the business of providing or undertaking to provide policy benefits under micro-insurance policies;
“micro-insurance policy” means –
(c) an insurance policy issued by a registered long-term insurer for the classes of insurance business set out in section 13(1) of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998) and referred to in Annexure 6 and in respect of which the aggregate value of the insurance obligations relating to any insured under the insurance policy does not exceed the maximum amounts set out in Annexure 6; or,
(d) an insurance policy issued by a registered short-term insurer for the classes of insurance business set out in Schedule 1 to the Short-Term Insurance Act, 1998 (Act No. 4 of 1998) and referred to in Annexure 7 and in respect of which the aggregate value of the insurance obligations under the policy does not exceed the maximum amounts set out in Annexure 7;

“quarter” means a period of three consecutive months into which a calendar year is divided.
“statement of account” means a document recording a summary of all transactions for a specified period.
“sinking fund insurance business” means sinking fund insurance business as defined in section 1 of the Long-Term Insurance Act, 1998 (Act No. 5 of 1998);
“waive” means to refrain from applying or enforcing the right to receive a cession in terms of section 39(4) or section 40(1) of the Act.
“waiver” means a document recording the waiving of the right to receive a cession in terms of section 39(4) or section 40 of the Act.

Application
2. These regulations shall apply in respect of short-term insurance business and short-term reinsurance business as contemplated by the Short-Term Insurance Act, 1998, (Act No. 4 of 1998), as well as in terms of long-term insurance business and long-term reinsurance business as contemplated by the Long-Term Insurance Act, 1998, (Act No. 5 of 1998).

Consent to act as director of the Corporation
3. The written consent, contemplated in section 4(4) of the Act, of a person appointed as a director of the Corporation, must be lodged with the Company Secretary and the Minister of Finance by that director in accordance with Annexure 1.

Returns and information to be supplied by registered insurers and reinsurers
4. (1) Every registered insurer and registered reinsurer shall, within forty-five (45) days after closing its records in terms of regulation 4(1), 5(1) or 6(1), as the case may be, supply to the Corporation any relevant information relating to all insurance and reinsurance contracts ceded to, or offered to and accepted by, the Corporation during the period to which such records relate, including -
(a) a bordereau of all insurance contracts issued, renewed or in force with it during that quarter, showing class of insurance business, total sum insured, currency and premiums due, less claims paid, less any commission payable, and the amount of outstanding claims on such insurance contracts (if any), in terms of with sections 39, 40, 41 and 43 of the Act; and 16
(b) a statement of account in respect of insurance cession business, setting out all premiums due to the Corporation, all claims paid and commission payable in respect of each insurance contract; and

Notification of risk accepted
5. Every registered insurer and registered reinsurer shall, in respect of insurance business and reinsurance business ceded to, or accepted by, the Corporation in terms of sections 39 and 40 of the Act, respectively, not less than 1 day prior to accepting any risk where the aggregate value of the insurance obligations relating to any risk insured under the insurance policy exceeds the maximum amounts set out in Annexure 2, report to the Corporation the following minimum information related to the risk accepted:
(a) Name of the insured;
(b) Name of the registered insurer or registered reinsurer;
(c) Date of acceptance of the risk;
(d) Lines of business as defined in the respective legislation;
(e) Gross liability;
(f) Estimated maximum loss percentage;
(g) Gross annual premium;
(h) Key risk insured;
(i) Key risk gross liability;
(j) Key risk estimated maximum loss percentage;
(k) Location of key risk;
(l) Percentage of risk accepted by insurer;
(m) Own retention percentage;
(n) Renewal date of contract;
(o) Payment frequency; and
(p) Details of co-insurance.

Notification of claim or loss event
6. Every registered insurer and registered reinsurer shall, in respect of insurance business and reinsurance business ceded to, or accepted by the Corporation in terms of sections 39 and 40 of the Act, respectively, notify within 1 day (of notification)of a claim or loss event with a gross estimate exceeding the maximum

amounts set out in Annexure 3, report to the Corporation in a form similar to the form contained in Annexure 4, the following minimum information related to the claim or loss event:
(a) Name of the insured,
(b) Name of the registered insurer or registered reinsurer,
(c) Date of the loss event,
(d) Date first notified to the registered insurer or registered reinsurer,
(e) Nature of the loss event,
(f) Expected amount of claim,
(g) Any other information that is relevant to the assessment of the claim or loss event.

Matters incidental to the payment of claims
7. (1) The Corporation shall to the extent of its portion of any claim referred to in regulation 3, 4 or 5 indemnify the registered insurer or registered reinsurer concerned for any expenses incurred in connection with investigating, adjusting, settling, compromising or contesting the validity of any such claim, and

(2) The Corporation shall to the extent of its portion of any claim referred to in regulation 3, 4 or 5 participate in all salvage and recoveries.

Waiver of inability to accept insurance business
8. A certificate contemplated in section 40(5) of the Act shall be in the same form as Annexure 5, and must contain the following information:
(a) Certificate Number;
(b) Name of the insured;
(c) Name of the registered insurer or registered reinsurer;
(d) Date of offer;
(e) Detail of risk offered;
(f) Date of issue of certificate;
(g) Period of waiver;
(h) Reason for waiver; and
(i) Any other information that is relevant to the assessment of the waiver.

Contracts
9. (1) Any contract entered into by the Corporation and any registered insurer or registered reinsurer ceding business to the Corporation in terms of sections 39 and 40 of the Act, shall contain terms and conditions that are substantially in accordance with the Act and these regulations.

(2) In the event of any conflict between the terms and conditions of any contract referred to in (1) above and a provision of the Act or these regulations, the Act or these regulations shall prevail.

Bookkeeping and accounts of the Corporation
10. The accounts, balance sheet and statement referred to in section 33(2) shall be prepared by the Corporation in accordance with generally accepted accounting practice.

Offences and penalties
11. Any registered insurer or registered reinsurer that -

(a) fails to comply with a provision of regulation 3, 4, 5, 6, and/or 7; or
(b) furnishes or submits returns or information required for the purposes of regulation 8, knowing such returns or information to be false in any material respect,
shall be guilty of an offence and on conviction be liable to a fine not exceeding N$15 000 or to imprisonment for a period not exceeding two years or to both such fine and such imprisonment.

General
12. Government Notice No. 155 of 5 August 1999 is herewith revoked; and
13. The requirements of this notice take effect 60 days after the date of publication of this notice in the *Gazette*.

Proposed Annexures to the Regulations

Annexure 1

CONSENT TO ACT AS DIRECTOR IN TERMS OF SECTION 4 (4)

A Consent

I hereby consent to my appointment as director/officer of the above-named company.
I certify that I am not disqualified in terms of section 6 of the Namibia National Reinsurance Corporation Act, 1998 from being a director/officer

Signed: ______________________________ Date ___________________________

(To be signed by: Director personally)

B Personal particulars									
1 Surname									
2 Full forenames									
3 Former surname and forenames									
	Year		Month		Day				
4 Identity number or, if not, available, date of birth									
5 Date of appointment									
6 Residential address									
7 Business address									
8 Postal address									
9 Nationality (If not Namibian)									
10 Occupation									
11 Resident in Namibia (Yes or No)									

12 Address of registered office, and registration number, if officer is a corporate body	

C Other Directorships

A list of directorships held must be attached.

Annexure 2

Class of Business	Maximum Aggregate Value of the Insurance Obligation
Disability Insurance Business	20,000,000
Funeral Insurance Business	20,000,000
Health Insurance Business	20,000,000
Life Insurance Business	20,000,000
Fire	250,000,000
Aviation	250,000,000
Vehicles	250,000,000
Guarantee	250,000,000
Miscellaneous	250,000,000
Personal	250,000,000
Co-insurance business	250,000,000

Annexure 3

Class of Business	Maximum Aggregate Value of the Claim or Loss
Disability Insurance Business	10,000,000
Funeral Insurance Business	10,000,000
Health Insurance Business	10,000,000
Life Insurance Business	10,000,000
Fire	10,000,000
Aviation	10,000,000
Vehicles	10,000,000
Guarantee	10,000,000
Miscellaneous	10,000,000
Personal	10,000,000

Class of Business	**Maximum Aggregate Value of the Claim or Loss**
Co-insurance business	10,000,000

Annexure 4

NOTIFICATION OF CLAIM OR LOSS EVENT

The Namibia National Reinsurance Corporation is herewith notified of the following claim or loss event

Name of the insured	
Name of the registered insurer or registered reinsurer	
Date of the loss event	
Date first notified to the registered insurer or registered reinsurer	
Date notified to the Namibian National Reinsurance Corporation	
Nature of the loss event	
Expected amount of claim	
Other relevant information	

Signed at ___________on this ________ day of ________________

____

Name
Position
Duly Authorised Official

Annexure 5

CERTIFICATE OF WAIVER OF INSURANCE BUSINESS

IN TERMS OF SECTION 40(5)

The Namibia National Reinsurance Corporation herewith declines the offer to participate in the following risk:

Certificate Number	
Name of the insured	
Name of the registered insurer or registered reinsurer	
Date of offer	
Detail of risk offered	
Date of issue of certificate	
Period of waiver	
Reason for waiver	
Other relevant information	

This certificate does not constitute a dispensation. The addressee must apply to the Namibia Financial Institutions Supervisory Authority (NAMFISA) for dispensation.

Signed at ___________on this ________ day of ________________

____
Name
Position
Duly Authorised Official

Recommendation re Proposed Regulations

The Board of Directors of the Corporation recommend that the above regulations and annexures be implemented.

Appendixes

Appendix 1 – References

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