



Date of Issue: November 2019

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Circular 14 of 2019

TO: All Insurers (Insurance Companies, Reinsurers, Mutual Societies)

All Insurance Brokers

CC: Insurance Council of Zimbabwe

Life Offices Association of Zimbabwe

Insurance Brokers Association of Zimbabwe

Zimbabwe Association of Reinsurance Offices

PROCEDURE FOR APPLICATION FOR AUTHORISATION TO PLACE INSURANCE BUSINESS OUTSIDE OF ZIMBABWE IN TERMS OF SECTION 72 OF THE INSURANCE ACT (REISSUE OF CIRCULAR 15 OF 2017)

1. This Directive is issued in terms of section 6(c) of the Insurance Act [Chapter 24:07].
2. The Insurance and Pensions Commission has noted, with concern, that some insurers / brokers are approaching the Exchange Control Division of the Reserve Bank of Zimbabwe for authorisation to pay premiums offshore in foreign currency prior to obtaining authorisation from the Commission to place insurance business outside of Zimbabwe as required by section 72(2) of the Insurance Act [Chapter 24:07].
3. The criteria for authorisation to place Zimbabwe insurance business outside of Zimbabwe is contained in section 72(4) of the Insurance Act [Chapter 24:07]. An insurer /broker must satisfy the Commission that there is no local registered insurer that is able to provide adequate insurance cover in respect of the risk concerned.
4. The procedure is outlined in detail in Circular 15 of 2017 attached hereto which the Commission hereby reissues.

5. Furthermore it has come to the attention of the Commission that some insurers/ brokers insist that reinsurers state on the market slip that they have no capacity to cover the risk concerned when in actual fact they do in exchange for continued business. This seriously compromises the local insurance industry and results in externalisation of risks which the local market is capable of covering as well as the loss of vital foreign currency.
6. To minimise instances of incorrect statement of capacity or lack thereof to cover risks, the following information, in addition to the information required in terms of Circular 15 of 2017, should be included on the market slip:
 - i. The total capacity of the reinsurer;
 - ii. Capacity used by the reinsurer to date;
 - iii. Remaining capacity of the reinsurer; and
 - iv. Reasons for refusing to cover the particular risk, in the case where the reinsurer has capacity
7. In granting authorisation, the Commissioner may, in terms of section 72(4) of the Insurance Act [Chapter 24:07], impose such conditions or limitations which it considers appropriate in the public interest.
8. Only after obtaining authority from the Commission should an applicant then approach the Exchange Control for approval of externalisation of the premiums denominated in foreign currency. The amount to be applied for to the Exchange Control Authorities should be based on the authority granted by the Commission.
9. Going forward, the Commission expects reinsurers, insurers and brokers to follow the correct procedure. Any application which does not follow the correct procedure will not be considered.



G. Muradzikwa

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

Cc. Reserve Bank of Zimbabwe

Exchange Control Department



CIRCULAR NO 15 OF 2017

**TO: REGISTERED INSURERS;
INSURANCE BROKERS**

**FROM: COMMISSIONER OF INSURANCE, PENSIONS AND PROVIDENT
FUNDS**

DATE: 9 NOVEMBER 2017

RESTRICTION OF PLACEMENT OF INSURANCE BUSINESS OUTSIDE ZIMBABWE

1. This Circular has been issued in terms of Section 72 of the Insurance Act [*Chapter 24:07*] which empowers the Commissioner, for the purposes of complying with the Act, to impose such conditions or limitations on any authority, as the Commissioner considers appropriate in the public interest.
2. In terms of section 72 (4) of the Insurance Act, the Commissioner may authorise an insurer or insurance broker to place any Zimbabwean insurance business with an insurer who carries on business outside Zimbabwe and who is not registered under the Insurance Act.
3. The Commission shall not grant authority referred to in clause 2 unless the Commission has satisfied itself that there is no registered insurer who is able to provide adequate insurance cover in respect of the risk or class of risk concerned.

Submission of Retrocession arrangements

4. At the beginning of each year, reinsurers shall submit to the Commission details of their retrocession arrangements and capacities for that particular year. These arrangements once endorsed by the Commission shall be compiled together with the insurer's capacities to establish the market capacities for the different classes of business.

Qualification for externalisation of Zimbabwean risks

5. Zimbabwean risks shall only qualify for externalisation under the following conditions—
 - (a) where the market does not have sufficient capacity due to the size of the risk;
 - (b) where the coverage being sought is beyond what local insurers and reinsurers are prepared to provide. However, where an application to externalise due to coverage is made, the applicant must split the risk as far as possible and ensure that aspects of the cover insurable locally are placed with local insurers and reinsurers;

Procedure for externalisation of risks

6. Where an insurer or reinsurer attempts to place a risk amongst insurers or reinsurers in Zimbabwe and fails to secure sufficient capacity, the insurer or broker may externalise part or all of the risk, and the following procedure shall be followed—
- a. The insurer or the insurer's reinsurance broker must circulate a market slip to all registered insurers and reinsurers. The fully completed market slip must indicate the amount of capacity which the local market can provide and the balance which remains unplaced and is eligible for externalisation.
 - b. Where any insurer or reinsurer declines to participate on a class of risk that is ordinarily insurable in Zimbabwe, the insurer or reinsurer must indicate on the negative market slip the reasons for declining participation.
 - c. The insurer must appoint a locally registered reinsurance broker or reinsurer, who must make an application to the Commission, at least thirty days before commencement of cover. ~~The application must be accompanied by the completed market slip and the terms on which the risk would be placed.~~ The application with the supporting underwriting terms must be on the letterhead of a locally registered reinsurer or reinsurance broker;
 - d. After written approval has been given by the Commission, the risk can only be placed externally through a locally registered reinsurer or reinsurance broker, according to the approved terms and conditions in the respective market slip;
 - e. The reinsurance broker or the reinsurer referred to in paragraph (b) must within seven (7) days of finalising placement furnish the Commission with the details of the risk placement which shall include, but not limited to, the following:
 - (i) premium rates;
 - (ii) policy wording;
 - (iii) warranties, terms and conditions;
 - (iv) policy schedule;
 - (e) the details of the risk referred to in paragraph (d) must be on a letterhead and duly authenticated.

Placement of risks authorised for externalisation

7. All risks authorised for externalisation shall be placed through a locally registered reinsurer or reinsurance broker.
8. The locally registered reinsurer or reinsurance broker must be responsible for—
 - (a) seeking and negotiating terms with external markets;

- (b) vetting securities to be used;
- (c) liaising with external securities on technical issues;
- (d) effecting remittances to external reinsurers;
- (e) securing appropriate evidence of cover ; and
- (f) compiling returns for all risks externalised to the Commission.

Authority for engagement of external loss adjustors to be granted by the Commission

- 9. Authority for the engagement of external loss adjusting or risk management services shall be solely granted through the Commission.
- 10. The Commission shall ensure that the services referred to in clause 9 shall only be sought upon proof from the local industry that such expertise is not directly or indirectly available.

Prohibition from participating in risks deemed to compromise insurance security

- 11. The Commission may prohibit a local insurer or reinsurer from participating on a risk despite indicating willingness where such participation may be deemed to compromise insurance security.
- 12. Reasons for the prohibition referred to in clause 11 shall include, but not limited to, the following—
 - (a) the insurer or reinsurer failing to comply with minimum capital requirements or such other regulatory requirements;
 - (b) the insurer or reinsurer without confirmed protection or cover or one who is failing to pay reinsurance or retrocession premiums as provided for under such arrangements;
- 13. Be guided accordingly



T. Karonga (Mr)

COMMISSIONER OF INSURANCE, PENSIONS AND PROVIDENT FUNDS