Insurance & Pensions Commission

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