

July 13, 2009

Circular No. 5. of 2009

Insurance Council of Zimbabwe (ICZ)

Zimbabwe Association of Reinsurance Organisations (ZARO)

Zimbabwe Insurance Brokers Association (ZIBA)

Zimbabwe Association of Funeral Assurers (ZAFA)

Life Offices Association (LOA)

Fund Administrators

Multiple Agents

re : CLARIFICATION ON CAPITAL COMPOSITION AND OTHER ISSUES

1. Capital Composition

(a) Short term Companies

Further to our circular no. 3 dated 14th May 2009, all companies should have adequate financial resources to timeously meet claims as and when they arise. In this connection, all short term companies should show proof to the Insurance and Pensions Commission (IPEC) that at least 75% of the 25% of the capital reserves to be raised by the 31st July 2009 are in the form of cash at bank, money market investments, equities or some other liquid or semi liquid investment acceptable to IPEC.

For the purposes of meeting the capital requirements by the 31st December 2009, at least 50 % of the capital reserves should be in liquid or semi liquid form.

(b) Long Term Companies

As in (a) above the aim is to ensure that claims are met timeously. Long term companies should prove to IPEC that at least 50% of the 25% to be raised by 31st July 2009 is in such investments as cash at bank, money market investments, equities or some other liquid or semi liquid investment approved by IPEC.

To meet the capital levels to be raised by the end of December 2009, at least 25% of the capital should be in liquid or semi liquid form:

c) Circular No. 8 of 2008

For purposes of meeting the capital levels to be achieved by the end of December 2009 both long and short term companies as well as other players registered by IPEC should be guided by the above circular.

It should be noted that all institutions failing to raise the requisite capital levels will leave IPEC with no option but to invoke Section 22 (1) (v) of the Insurance Act [Chapter 24:07] which might lead to the cancellation of registration.

2. Treaty Programmes

In terms of Section 32 of the Insurance Act " an insurer shall, in respect of the insurance business carried on by him.....comply.....with compulsory insurance." In this respect all insurers are required to submit their treaty programmes to IPEC. Such programmes should clearly indicate what each entity is retaining for net and what is to be reinsured. Please note that following dollarization, 100% fronting is no longer permitted. Direct companies must retain some of the risk. Proof of payment to the reinsurers should be submitted to IPEC.

3. Retrocession Programmes

Equally reinsurers are required to submit their retrocession programmes to IPEC clearly indicating how much they are retroceding and how much they are retaining for net. Proof of payment of premiums to their retrocessionaires should be forwarded to IPEC.

4. For those insurers or reinsurers who had submitted their treaties or retrocession programmes without proof of payment to IPEC or without retention; please submit the corrected versions to IPEC.

5. Items 2, 3, and 4 of this circular should be attended to urgently and submissions made to IPEC as soon as possible, in any case no later than 31st August 2009.


M.S. Mpofo

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS