CIRCULAR NO. 14 OF 2025

Date: 8 April 2025

To: **All Insurers**
All Reinsurers
All Insurance Brokers and Agents

Cc: **Insurance Council of Zimbabwe (ICZ)**
Zimbabwe Association of Funeral Assurers (ZAFA)
Life Offices Association of Zimbabwe (LOA)
Microinsurance Industry Association of Zimbabwe (MIAZ)
Insurance Brokers Association of Zimbabwe (IBAZ)

RE: MINIMUM REINSURANCE STANDARDS FRAMEWORK FOR THE INSURANCE INDUSTRY

---

1. The Insurance and Pensions Commission has developed Minimum Reinsurance Standards Framework for the insurance industry in Zimbabwe.
2. The framework has been developed in terms of section 72 of the Insurance Act [*Chapter 24:07*] which mandates the Insurance and Pensions Commission (IPEC) to approve the external placement of risks arising in Zimbabwe.

3. The development of the Minimum Reinsurance Standards aligns with international best practice and is crucial in promoting the local insurance industry by encouraging local retention thereby reducing the demand for foreign currency and supporting the country`s Balance of Payments position.
4. This Minimum Reinsurance Standards are effective from 15 April 2025 and all insurance industry players are expected to comply.

Grace Muradzikwa

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

IPEC MINIMUM REQUIREMENTS CHECKLIST FOR REINSURANCE ACCREDITATION

After compiling the information pack for application for an externalisation accreditation tick against each item whether you have complied with the requirements. This will help the Insurance and Pension Commission's (IPEC) turnaround time and completion of the process on the applications.

VERY IMPORTANT: Before assessing an application for consideration, ensure that the local regulatory authority has cleared the applicant and that also the applicant is awarded a minimum rating Grade as follows by a Rating Agent:

Rating Agency	Minimum Required Level
GCR	A
Standard & Poor	BBB
Fitch	BBB
Moody`s	Baa2
AM Best	B++

The user must tick every step for completion to ensure that the process is complete.

Item	Requirement(s)	Submitted	
		Yes	No
1.	**Received an online application?**		
	Check whether the applicant paid the accreditation application fee appropriate to their business? As follows: • Non-Refundable US$500 for reinsurer and direct underwriter, • Non- Refundable US$300 for Reinsurance Broker Confirm Receipt and advise the applicant on the next steps that will be undertaken by the Commission.		
2.	**Institution Information**		
	Check for the following:		
	a) Audited Financial statements for the last three years attesting to its financial soundness.		
	a) A no objection letter from the home supervisory authority confirming compliance with legal and regulatory requirements applicable to its jurisdiction.		
	b) Accreditation report by the Rating agent		
	c) Any other information (if any) that may help IPEC to fully understand credit worthiness of your institution.		
3.	**Successful Applications**		
	Should the application for accreditation be successful, a registration fee of: • US$10,000 will be payable in respect of Reinsurers and direct underwriters.		

	• US$5,000 for Reinsurance Brokers,		
4.	**Approval of Application (s)**		
	Write an approval memo for Licensing Committee, signed by the Director Insurance. Issue an approval certificate signed by the Commissioner. Update the Accreditation Register. File all the documents to Registry for filling.		

Insurance and Pensions Commission (IPEC)

Minimum Standards for Reinsurance

Effective Date: 15 April 2025

Table of Contents

Contents

Background

1. Section 72 of the Insurance Act [*Chapter 24:07*] mandates the Insurance and Pensions Commission (IPEC) to approve all reinsurance business for risks arising in Zimbabwe before external placement.
2. The major objective of this provision is to promote the local insurance industry by encouraging local retention thereby reducing the demand for foreign currency and supporting the country`s Balance of Payments position.
3. As part of strengthening the external placement process reinsurers and reinsurance brokers must secure prior IPEC support before externalizing any risk.
4. The recent development and adoption of minimum rates has not proven to be a foolproof solution for the externalisation process.
5. The need to strengthen the current externalisation process has motivated the development of minimum reinsurance standards for the local insurance industry.
6. This paper was developed pursuant to extensive industry consultations and consideration of minimum standards used in other jurisdictions.

Challenges Facing the Externalisation Process

7. The current externalisation process outlined in Circular 15 of 2017 is open to manipulation indicating that the externalisation process is not watertight and below are some of the challenges facing the process.

    a. The practice of using non-existing (re)insurance companies or related parties to externalise funds is prevalent.
    b. Overbearing influence by brokers.

   c. Use of quotations with low rates and unfavourable terms below the acceptance and tolerance limits of local industry, which follow minimum rates and terms of trade as agreed by ICZ.
   d. External placement to unrated players.

8. The loopholes in the externalization process eventually led to the development and adoption of minimum rates.
9. Our local reinsurers must align the offshore risk placement with reputable, financially sound, and creditworthy offshore reinsurers in order to supplement the provisions of the recently adopted minimum rates and Circular 15 of 2017, to ensure the sustainability of the entire value chain.

Minimum Reinsurance Standards

a. **Accreditation of Reinsurance Partners**

10. The current reinsurance practice is such that some local players do not carry out background checks on the integrity, financial standing, claims track record, and creditworthiness of their external counterparties.
11. This has resulted in the engagement of briefcase external counterparties who, in some cases become evasive at the claims stage, leading to non-settlement of claims and poor consumer outcomes.
12. For a long time, reinsurers have been free to choose any offshore counterparty of their choice without any minimum regulatory standards.
13. Due to this practice, the nation has lost millions of foreign currency in externalisation premiums at a time the country is under illegal economic sanctions and lacks access to affordable credit lines.
14. Below are the proposed minimum credit ratings for offshore reinsurers:

Rating Agency	Minimum Required Level
GCR	A
Standard & Poor	BBB
Fitch	BBB
Moody`s	Baa2
AM Best	B++

15. Additionally, all foreign counterparties wishing to participate in the offshore placement of risks be subjected to an annual accreditation process effective 15 April 2025.
16. The accreditation fees are as follows:
    - Reinsurance Broker US$5,000.00; and
    - Reinsurer US$10,000.00
17. No reinsurer shall place risk to an offshore reinsurer that does not meet the above provisions.
18. - Only reinsurers will be allowed to participate in retrocession, once they meet the accreditation requirements. Offshore direct underwriters will not be allowed to participate in risk sharing for the following reasons: -
    a) They may drive rating down rates and promote undercutting for major risks like telecoms, mines, and power plants at the detriment of the local direct insurers.
    b) Some of the offshore direct underwriters, have related entities in Zimbabwe and if allowed to participate may lead to connivance where they proceed on "internal arrangements" and risks are not placed on the market
19. All foreign reinsurers seeking to participate in the local insurance market will undergo accreditation based on the following criteria:

a) A no-objection letter from its home supervisory authority confirming compliance with legal and regulatory requirements applicable to its jurisdiction.

b) Audited financial statements covering the last three years attesting to its financial soundness.

c) Sound corporate governance practices that adhere to the standards set by its jurisdiction.

b. **Reporting on Externalised Business to IPEC**

20. Communication to IPEC in terms of Circular 15 of 2017 and Circular 14 of 2019 should be clear, transparent, and certain regarding the coverage given by the reinsurance.

21. Reinsurance companies are required to submit to IPEC their treaty programmes as well as capacities at the beginning of the year.

22. Industry participants must use the following template to submit quarterly reports on their externalized business:

Template for the Submission of Quarterly Reports for the Externalised Business

No	Insured	Policy No.	Insurance Class	Sum Insured	Premium	PML/EML	Gross Retention (inclusive of treaty)	Excess Capacity (%)	Facultative Reinsurance outside (%)	Reasons of Externalisation
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										

(a) Who is allowed to externalise the reinsurance business?

23. A locally registered reinsurer or reinsurance broker must place all risks approved for externalization, according to Circular 15 of 2017 (section 7).
24. Section 6(c) states that the insurer must appoint a locally registered reinsurer or reinsurance broker who must make an application to the Commission.
25. In our current practice, all regulated insurers, reinsurers, and brokers have applied to IPEC and received authorization letters. This raises the risk that an insurer might favour external reinsurers and force local insurers to sign negative market slips, thereby externalizing funds that would typically remain on the local market.
26. To address the challenge, all external placements shall be done through reinsurance brokers and reinsurance companies.

c. **Review of the negative market slip**

27. The negative market slip has been reviewed to ensure that it captures all the required details as stipulated in Circular 14 of 2019.
28. The negative market slip has been redesigned to capture all the details that will assist in monitoring market capacities for each insurer. The slip will now allow the reinsurer to state their available total capacity, what has been used in the risk being externalised, their capacity balance, and reasons for refusing cover despite available capacity.
29. The revised market slip has been agreed upon with the industry.

d. **Revamping of the IPEC Externalization Database**

30. Prior to establishing a system to administer the externalisation process, IPEC will incorporate tracking of insurer capacity levels in the industry.

31. The database will utilise the treaty capacities submission done at the beginning of the year.
32. The internal database will also be used in tandem with the quarterly submission of the externalised risks from the industry to verify the externalised risks and capacity utilisation.
33. The ultimate goal of this process alongside the development of an Electronic Supervisory System (ESS), would be to establish an electronic system to administer the same and monitor usage.

Conclusion

34. With due diligence and commitment, IPEC will be able to effectively control the reinsurance process and funds that cross the borders to other nations.
35. The provisions of this paper will be subject to annual reviews or as and when necessary.

Annexure 1: Negative Slip

Reinsurer/Reinsurance Broker	Risk Name	Previous year Capacity Utilisation percentage	Current year Capacity Given	Capacity Utilisation to date	PPTN	Amount	Remarks	If PPTN is 0%, how the remaining capacity will be used for	Signature and Stamp