



RESERVE BANK OF MALAWI

DIRECTIVE

NO.RI02-03/FRRL01

FINANCIAL REPORTING REQUIREMENTS FOR LIFE INSURANCE BUSINESS

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Effective Date

1st September 2003.

DIRECTIVE NO.RI02-03/FRRL01

FINANCIAL REPORTING REQUIREMENTS FOR LIFE INSURANCE BUSINESS

PART I: SHORT TITLE, AUTHORIZATION, APPLICATION, AND INTERPRETATION

Sec. 1: **Short Title** - Financial Reporting Requirements for Life Insurers

Sec. 2: **Authorization** - being applied by the Registrar of Insurance under delegated authority in terms of the order published in the Malawi Government Gazette Notice No. 23 of 22nd February 1991 which transferred all the regulatory and supervisory responsibilities of the Minister of Finance as provided for under Sections 17 and 82 of the Insurance Act of 1957 to the Governor of the Reserve Bank of Malawi.

Sec. 3: **Application** - All registered institutions transacting in life insurance business in Malawi.

Sec. 4: **Interpretation** - In this Directive unless the context otherwise requires

- 1) "Annual Return" means a set of financial reports in a prescribed format to be filed by all registered institutions to the Office of the Registrar within six months of the end of the financial year of each registered insurer duly endorsed both by the management and external auditor of the reporting institution as required. These will be over and above the audited statements as required by the Act.
- 2) "Quarterly Return" means a set of financial reports in a prescribed format to be filed by all registered institutions to the Office of the Registrar on a quarterly basis duly endorsed by the Principal Officer and the Finance Manager of the reporting institution.
- 3) "registered institutions" are insurance companies authorised to conduct life insurance business or any portion thereof.
- 4) "life insurance business" means the business of assuming the obligations of an insurer under life policies, funeral policies, industrial policies or sinking fund policies.

PART II: STATEMENT OF POLICY

Sec. 1: **Objectives**

- 1) To enhance off-site surveillance of registered institutions in Malawi;
- 2) To ensure that all registered institutions maintain a well developed accounting function and management information system;
- 3) To monitor on a continuous basis the underwriting practices of registered institutions;

- 4) To monitor on an on-going basis the attainability of the statutory solvency margin by registered institutions.

Sec. 2: Rationale

- 1) Returns are used for surveillance of the reporting institutions to monitor condition and performance of operations of both individual firms and the industry as a whole;
- 2) Timely submission of returns will help the Registrar to identify any lapses and weaknesses in the operations of reporting insurers, upon which corrective measures can be taken in a timely manner;
- 3) Timely submission of accurate returns is an indication of the existence of a well developed accounting function and management information system within the reporting registered institutions;

PART III: SUBMISSION OF ANNUAL RETURNS (SECTION 17)

Sec.1: Format of Annual Returns

All registered institutions shall submit to the Registrar annual returns as required under Section 17(1) of the Insurance Act 1957 in the format prescribed below:

- a) Statement of assets and liabilities or Balance Sheet (Form L 1)
- b) Profit and Loss Account (Form L 2)
- c) Revenue Statement (Form L 3)
- d) Specification of Other Assets (Form L 4)
- e) Specification of Other Liabilities (Form L 5)
- f) Specification of Management Expenses (Form L 6)
- g) Aging of Mortgage Portfolio (Form L 7)
- h) Details of Stocks and Shares Not Traded On a Stock Exchange
 - 1) Common Stocks (Form L 8a)
 - 2) Preference Stocks (Form L 8b)
- i) Supplementary Statements of Life Insurance Business
 - 1) Details of New Life Policies (Form L 9a)
 - 2) Details of Policies Terminated during the Quarter (Form L 9b)
 - 3) Details of Policies Terminated during the Year (Form L 9c)
- j) Valuation of Investment in Real Property (Form L 10)
- k) Summary and Valuation of the Liabilities of a Life Insurer (Form 11)

Sec.2: Submission of Certificate of Solvency

All registered institutions shall submit a certificate of the margin of solvency which shall constitute part of the Annual Return and shall be prepared in the manner prescribed under Form L 12.

Sec.3: Preparation of Returns

Reporting institutions shall be guided by the enclosed notes on each Form when compiling the Returns

Sec.4: Endorsement

Each report forming part of the Annual Return shall be endorsed by the Chairman of the Board, the Principal Officer and the External Auditor of the reporting registered institution.

Sec.5: Deadline for Submission of Annual Returns

All reports forming part of the Annual Return shall be submitted to the Office of the Registrar within six months of the end of each financial year in accordance with Section 17(1) of the Insurance Act 1957. Failure to meet this shall attract a penalty of K20,000 for each default and 20% thereof for each additional day that the insurer remains in default.

PART IV: SUBMISSION OF A QUARTERLY RETURN (SECTION 82)

Sec.1: Format of Quarterly returns

All registered institutions shall submit to the Registrar quarterly returns as required under section 82 of the Insurance Act 1957, comprising Forms L 1 to L 9 in the format prescribed under Part III of this Directive.

Sec.2: Endorsement

Each report forming part of the Quarterly Return shall be endorsed only by the Principal Officer and the Finance Manager of the registered reporting institution.

Sec3: Deadline for Submission of Quarterly Returns

All reports forming part of the Quarterly Return shall be submitted to the Office of the Registrar of Insurance (the Governor of the Reserve Bank of Malawi) within 20 days after the last day of every quarter. Failure to meet this shall attract a penalty of K10,000 for each default and 20% thereof for each additional day that the insurer remains in default.

PART V: REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS

Sec. 1: Remedial Measures - If the Registrar establishes that a registered institution is not in compliance with this directive and that there is an inherent or deliberate tendency of non compliance, remedial measures outlined under Section 66 of the Insurance Act of 1957 may be imposed.

Sec. 2: Administrative Sanctions - In addition to the remedial measures available to it as given above in Part V, Section 1, the Registrar of Insurance may impose any or all of the following administrative sanctions on an institution or its board of directors or managing officers for non-compliance with this directive:

- a) Prohibition from declaring and/or paying dividends;
- b) Suspension from establishing new branches;
- c) Suspension from engaging in new products or activities or from expanding existing services or activities;
- d) Suspension from acquisition of additional fixed assets;
- e) Suspension from declaring and/or paying salary incentives, severance packages, management fees, or other discretionary compensation schemes to directors or managing officers.

PART VI: EFFECTIVE DATE

The Directive No. RI02-03/FRRL01 supersedes all existing financial returns prescribed under the Insurance Act (cap 47:01) and shall take effect 1st September 2003.

Questions relating to this directive should be addressed to the Director, Supervision of Non-Bank Financial Institutions Department of the Reserve Bank of Malawi.

REGISTRAR OF INSURANCE