



RESERVE BANK OF MALAWI

APPLICATION FOR A LICENCE TO CONDUCT FUNERAL INSURANCE BUSINESS IN MALAWI

INTRODUCTION

An applicant proposing to establish a funeral insurance company in Malawi is expected to prepare a comprehensive submission that will outline the financial strength and the business experience of the owners and managers as well as business plan for the company to be established. It is advisable, therefore, that the applicant should carefully review the requirements of the instructions before embarking on the development of a submission and possibly incorporation of a company.

Applicants are encouraged not to restrict themselves to only responding to the questions asked or to the contents of the instructions but to provide all information they think is relevant to establishing the strength of their application.

BASIC CRITERIA

It is important for the applicant to take note that the Registrar of Financial Institutions will normally pay attention to certain basic requirements when conducting an assessment of an application for the establishment of an insurance business. Applicants are encouraged to carefully assess these matters before plans for the establishment of an insurance company are finalised. Such matters are:

- **Minimum Capital:** The nature and sufficiency of financial resources of the applicant to provide adequate start up capital. The minimum capital requirement for Funeral Insurance company is K5.0 million;
- **License Assessment Fee:** A certified cheque of K20,000.00 payable to the Reserve Bank of Malawi must be included with the application. The fee covers the cost of investigation and review of the application and is not refundable. The application will not be considered nor will it be processed until the assessment fee and all supporting information are received;
- **Licence Registration Fee:** If the application is successful, the applicant will be required to pay a registration of K20,000.00.
- The soundness and feasibility of the applicant's plan for future successful conduct of the business and for meeting the margin solvency test and capital requirements;
- Whether the business will be operated responsibly by persons who are fit as to character, competence and expertise for running the business of a financial institution; and
- Whether the establishment of the business is in the best interest of the financial system in Malawi.

GENERAL INSTRUCTIONS

This application for a licence to conduct funeral insurance business is divided into two questionnaires, each pertaining to a different aspect of the applicant. Information is requested about the:

- I. Applicant (Proposed Funeral Insurance Company)
- II. Directors, Executive Officers and Principal Shareholders

When completing this application and the supporting attachments, you should be guided by the following:

- **Executive Officer.** Any officer at the senior level of management of a funeral insurance company (whether or not he is a director) who participates in formulating policy and/or in making management decisions of that company.
- **Principal Officer.** Each funeral insurance business must have a designated individual who must be appointed as a principal officer. The individual must have at least a diploma in insurance as a minimum insurance qualification.
- **Principal Shareholder.** Any person who owns or controls 10% or more of the voting stock of the proposed funeral insurance company.
- **Response.** All responses to questions and all attachments to the application must be **typewritten**. Do not leave any questions blank or unanswered. If an appropriate answer is "No", "None", "Not Applicable", or "Not Known", so indicate. Inaccurate or incomplete information may result in delays in the processing of the application. Additional pages may be added if response space is inadequate.
- **Inquiries.** Inquiries concerning the preparation, filling, and status of this application should be made to: **The Director, Pension and Insurance Supervision Department, Reserve Bank of Malawi, P.O. Box 565, Blantyre, Malawi.**
- **Submission.** Upon completion, one original and one duplicate copy of the application and all attachments must be submitted to: **The Registrar of Financial Institutions, Reserve Bank of Malawi, P O Box 30063, Lilongwe 3, Malawi.**

I. INFORMATION ON THE PROPOSED FUNERAL INSURANCE COMPANY

This section requests information about the proposed funeral company applying for a licence to conduct funeral insurance business. The complete questionnaire must be filled out.

1. **Names and Address.** Please state name and registered address of the proposed funeral insurance company (corporate name to be used for the purpose of carrying on funeral insurance business).

2. **Legal Form.** Indicate the legal form of the applicant (e.g. private limited company, partnership etc).

3. **Incorporation.** Date and place of incorporation (Please provide copy of the certificate of incorporation).

4. **Business Commencement.** Indicate proposed date of business commencement

5. **Location.** Indicate proposed location of offices in Malawi.

- i. Head Office (give physical address)
- ii. Other offices (branches, agencies, etc)

6. **Capital Structures.** Indicate the capital structure of the proposed funeral insurance company

Total number of authorised shares	_____
Total authorised capital	K_____
Total paid up capital	K_____
Par value per share	K_____

7. **Shareholders List.** Provide a complete list of the initial shareholders of the proposed

funeral insurance business indicating the name of the shareholder, address, nationality, number of shares and percentage to be owned.

8. **Acquisition Debt.** Indicate to what extent borrowed or encumbered funds have been used by the initial shareholders, either directly or indirectly, to purchase their shares? Provide full details on the amounts, sources, collateral, and repayment terms for any such borrowed funds. (The Registrar of Financial Institutions will be concerned if the financing of initial capital resulted in pressure on the new entity, whether through dividends or fees, to service the debt of the shareholders.)
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9. **Premises.** Describe the premises and equipment to be utilized by the proposed funeral insurance company, indicating whether owned or leased, costs of acquisition or lease payments, from whom purchased or leased, and how such premises and equipment were determined to be adequate.
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10. **Auditors and Legal Advisers.** Give particulars of the auditors and legal advisers of the proposed funeral insurance business, keeping in mind the requirements of the Insurance Act respecting the appointment of auditors and actuaries.
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11. **Agency Agreements.** Has the proposed funeral insurance company entered into any agreement with any broker and/or agent relating to handling of business on its behalf? (If so, provide details including copies of the agreements).
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12. **Business Activities.** Provide particulars of the business the proposed funeral insurance company plans to engage in?
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13. **Business Plan.** Please provide a business/strategic plan (projections) for the applicant for a minimum of 3 years including information relating to the ownership structure, initial financial arrangements, and sources of continuing financial support, the sources, nature and scale of business envisaged, balance sheet and profit and loss projections for each

year and details of staffing and management. Assumptions used in preparing the plan and the financial projections should be realistic and based on actual comparative data for the market to be served and the current economic environment. The plan should also indicate how the proposed funeral insurance business will meet the margin of solvency and capital requirements of the Act. (see attached format)

14. **Memorandum of Association.** Provide a copy of the memorandum of association or other instrument or document by which the applicant is constituted
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15. **Articles of Association.** Provide a copy of the articles of association or other rules of the proposed applicant.
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16. **Insurance Forms:** Provide copies of each of the proposal and policy forms and any form describing the terms and conditions of or the benefits likely to be derived from policies intended to be used by the applicant.
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17. **Premium Rates.** Provide statements of premium rates, advantages and terms and conditions to be offered in connection with insurance policies and details of the bases and formulae from which rates have been calculated.
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18. **Underwriting Policy.** Provide the proposed underwriting policy of the company giving details on the manner in which insurance risks will be selected.
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19. **Administration Costs.** Provide a statement giving details of administration costs and commissions.
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20. **Reinsurance Arrangements.** Provide particulars including copies of proposed reinsurance arrangements entered or contemplated by the proposed funeral insurance company in respect of the proposed funeral insurance business.

21. **Investments.** Describe policies to be applied by the funeral proposed insurance company in investing insurance funds and provide copies of any documents prepared setting out such policies.

22. **Justification for the Application.** Describe why the proposed funeral insurance business will be in the best interest of the financial services industry in Malawi.

23. **Additional Information.** Please provide any other information regarding the proposed funeral insurance company that may assist the Registrar of Financial Institutions in reaching a decision on the application.

BUSINESS PLAN

Introduction

Insurance companies, like any organization, should have a business/strategic plan that sets forth the objectives and strategies of the board of directors. The plan should provide basic priorities and guidance for internal management and should be approved by the board of directors. The plan should not be a static document but should allow for change and flexibility as circumstances may require. Changes in objectives or strategic goals should be approved by the board of directors and then incorporated into an amended plan. The Registrar of Financial Institutions will review an institution's business or strategic plan at periodic examinations or when other regulatory issues arise.

Organizing groups applying for an insurance licence must submit for review a detailed business plan as part of the application process. When establishing a branch or making a significant change in operations, an institution may also be requested to submit an amended business plan.

A suggested format for preparing a business plan is attached; however, any alternative format may be used provided all pertinent information is included. The plan should identify the proposed market(s) to be served, products and services to be offered, projected profitability, capital adequacy, and managerial resources and capabilities. The plan should include at least three years' operating projections and should contain sufficient information to demonstrate a reasonable likelihood of success.

The Registrar of Financial Institutions may request additional information depending on the adequacy of the original materials submitted and/or on the results of any review or examination.

SUGGESTED FORMAT

I. Identifying Information.

- (a) **Name and location.** State the name and location of the institution including location(s) of any branches.
- (b) **Corporate structure.** Describe and provide a diagram of the institution's corporate structure including any parent company, subsidiaries, or affiliated entities.
- (c) **Origin and basis.** Briefly discuss how the organizing group came together and the reasons for wanting to start a funeral insurance company.

II. Market Analysis.

- (a) **Market.** Identify the market(s) to be served by the proposed funeral insurance company.
- (b) **Economy.** Describe the economic characteristics of the target market(s). Include any anticipated changes in the market, factors influencing such changes, and possible effect(s) on the institution.

III. Business Strategy and Objectives.

- (a) **Services.** Briefly describe the services to be offered by the institution.
- (b) **Assumptions.** List major assumptions upon which projections are based. Include, at a minimum: market growth rates, competition, premium rates, claims experience, management expenses, asset-liability mix, solvency tests, returns on assets and equity, dividends and liquidity.
- (c) **Pro forma statements.** Provide pro forma balance sheets, revenue and income (profit and loss) statements for three years. Show expected asset-liability mixes, volume of each type of product and service to be offered, short term and fixed asset investments, and compensation to be given to management and staff.
- (d) **External audits.** Indicate the provisions made for an annual external audit as is required by the Insurance Act.

IV. Leadership and Management.

- (a) **Officers and compensation.** Provide a list of officers showing the fees, salaries, and other forms of compensation or benefits to be given each individual.
- (b) **Insider agreements.** Describe any agreements for leases or services the institution intends to enter into with any of its directors, executive officers, or principal shareholders, or with any organization or affiliate controlled by a director, executive

officer, or principal shareholder. Provide copies of any such agreements including specific details of rates and terms and comparative market data upon which the rates and terms are based.

V. Capitalization and Additional Sources.

- (a) **Capital plan.** Describe plans for financing growth, internally or externally, over the first three years of operation.
- (b) **Additional capital sources.** Describe what sources of additional capital are available should the need arise.

II. INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL SHAREHOLDERS

This section requests biographical and financial information on individuals who are proposing to become principal shareholders, directors and executive officers of the proposed funeral insurance company. The complete questionnaire must be filled out by each principal shareholder, director or executive officer.

1. **Names and Address.** State your full name and address.

2. **Position.** State the position and/or title you will hold in the proposed funeral insurance company.

3. **Nationality.** State your nationality and passport number.

4. **Roles, Responsibility, and Reporting.** What role will you have in organising and managing the affairs of the proposed funeral insurance company? Indicate to whom you will report and/or from whom you will receive directions or instructions. If you will be an executive officer, describe the specific duties and responsibilities for the position(s) to be held. If you will be a director and will also have executive officer responsibilities within the proposed insurance company, indicate the nature and extent of such responsibilities.

5. **Qualifications.** Provide your professional and educational qualifications, listing in reverse chronological order, i.e. most recent first.

Degree or Certificate

Issued By:

Date Received

6. **Employment History.** Provide the following information; in reverse chronological order, regarding your employment history and professional experience during the past 10 years.

(a) Name and address of employer

(b) Nature or type of business

(c) Title and duties/responsibilities

(d) Date employed

(e) Date and reason for leaving

7. **Affiliations.** State the name of any other member of the insurance industry with which you are now or will be affiliated as a director or executive officer. Indicate your title or official capacity, duties/responsibilities in such other institution, and describe any relationship that now exists or will exist between the other institution and the proposed funeral insurance company.

8. **Shareholding.** If you are now or ever have been a principal shareholder (owning 10% or more of voting stock) of any other member of the insurance industry, provide details thereof including any relationship which now exists or will exist between the other institution and the proposed funeral insurance company.

9. **Professional Membership.** If you are now or have been a member of any professional or trade association concerned with insurance in Malawi or elsewhere, give reasons if your membership has been terminated.

10. **Convictions.** Have you ever been convicted of any offence, or has a petition for an administrative order or the substantial equivalent thereof been served on you, in Malawi or elsewhere, within the last 10 years? If so, provide details.

11. **Fraud.** Have you ever been adjudged by a court, in Malawi or elsewhere, to be civilly liable for fraud, malfeasance, or any other misconduct? If so, provide details.

12. **Bankruptcy.** Have you been adjudged bankrupt by a court, in Malawi or elsewhere, or has a bankruptcy petition ever been served on you within the last 10 years, have made any compromise arrangement or otherwise failed to satisfy your creditors in full within the last 10 years? If so, provide details.

13. **Winding-Up.** Has any body corporate, partnership or unincorporated institution with which you were associated as a shareholder, director, or manager, in Malawi or elsewhere, been wound up, made subject to an administration order, otherwise made any compromise or arrangement with its creditors or ceased trading either while you were associated with it or within one year after you ceased to be associated with it or has anything analogous to any of these events occurred under the laws of any other jurisdiction. If so, give particulars.

14. **Shares.** How many shares of stock in the proposed funeral insurance company are or will be registered in your name or in the name of a related party (as defined in the Insurance Act)? State the name(s) in which individual classes of shares will be registered.

15. **Beneficial Interest.** How many shares of stock in the proposed funeral insurance company, which are not registered in your name or in the name of a related party, will you have a beneficial interest in? State the name(s) in which the shares will be registered and the nature of the beneficial interest.

16. **Voting Authority.** What proportion of the voting power at any general meeting of the proposed funeral insurance company, or of any other organization of which the proposed insurance company is a subsidiary, will you be entitled to vote or exercise control over? Provide details of such voting authority or control.

17. **Financial Data.** Provide all such financial data that will reflect your assets and liabilities including bank accounts and information on other business run or owned by you. (Provide financial statements, preferably audited statements if available, for the last three years.)

18. **Additional Information.** Provide any other information regarding yourself that may assist the Registrar of Financial Institutions in evaluating your acceptability as a director, shareholder or executive officer of the proposed funeral insurance company.

DECLARATION

With regard to

APPLICATION FOR LICENCE TO CONDUCT BUSINESS AS A FUNERAL INSURANCE COMPANY

We, the undersigned, do hereby certify that:

- i) all the information given in response to and in support of the questions in this application is true and correct to the best of our knowledge and belief; and
- ii) this application is made in good faith with the purpose and intent that affairs and business of the proposed funeral insurance company will at all times be honestly conducted in accordance with good and sound business principles and in full compliance with all applicable laws and regulations.

We further certify that to the best of our knowledge and belief there are no other facts or information relevant to this application of which the Registrar of Financial Institutions should be aware, and we pledge to promptly inform the Registrar of Financial Institutions of any material change to this application which may arise while it is being considered.

Name

Signature

Title/Position

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Date: _____