



RESERVE BANK OF MALAWI

APPLICATION FOR A LICENCE TO CONDUCT BUSINESS AS AN INSURANCE COMPANY IN MALAWI

INTRODUCTION

An applicant proposing to establish an insurance company in Malawi is expected to prepare a comprehensive submission that will outline the financial strength and business experience of the owners and managers as well as a business plan for the company to be established. Experience has shown that the development of a submission involves commitment of significant level of resources and effort by the applicant as well as Reserve Bank of Malawi. 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 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:

- The nature and sufficiency of financial resources of the applicant to provide adequate start up capital. The minimum capital requirement for a Life insurance company is K75.0 million;
- The soundness and feasibility of the applicant's plan for future successful conduct of the company's business and for meeting the margin of solvency test and capital requirements;
- The applicant's record for running successful businesses for a period of at least five years, preferably in the financial sector;
- 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 in conformity to requirements of both Registrar's directives on fit and proper; and corporate governance; 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 insurance business is divided into three questionnaires, each pertaining to a different aspect of the applicant. Information is requested about the:

- I. Applicant (Proposed Insurance Company)
- II. Directors, Executive Officers and Principal Shareholders
- III. Institutional Controlling Shareholders (ICS's)

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 an insurance company (whether or not he is a director) who participates in formulating policy and/or in making management decisions of that company.
- **Principal Shareholder.** Any person who owns or controls 10% or more of the voting stock of the proposed insurance company.
- **Institutional Controlling Shareholder.** Any corporation, partnership, joint venture, association or other form of organisation which owns or controls 10% or more of the voting stock of the proposed 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.
- **Licence Assessment Fee.** A certified cheque in the amount of K200,000 payable to the "Reserve Bank of Malawi" must be included with the application. The fee covers the cost of the investigation and review of the application and is not refundable. The application will not be considered received 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 fee of K100,000.00.
- **Inquiries.** Inquiries concerning the preparation, filling, and status of this application should be made to: **The Director, Pension and Insurance Supervision, Reserve Bank of Malawi, P.O. Box 565, Blantyre, Malawi.**
- **Submission.** Upon completion, one original and one (1) 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, Capital City, Lilongwe 3, Malawi.**

I. INFORMATION ON THE PROPOSED INSURANCE COMPANY

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

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

Total number of authorised shares _____

Total authorised capital K_____

Total paid up capital K_____

Par value per share K_____

7. **Shareholders List¹.** Provide a complete list of the initial shareholders of the proposed

¹ No single controlling party, corporate or individual shall own more than 49.0 percent shareholding in an insurance company

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 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 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, Actuaries and Legal Advisers.** Give particulars of the auditors, actuaries and legal advisers of the proposed 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 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 insurance company plans to engage in?
- i. Classes of life business
 - ii. Classes of non-life
 - iii. Other business
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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 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

15. **Articles of Association.** Provide a copy of the articles of association or other rules of the proposed applicant.

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.

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.

18. **Underwriting Policy.** Provide the proposed underwriting policy of the company giving details on the manner in which insurance risks will be selected.

19. **Administration Costs.** Provide a statement giving details of administration costs and commissions.

20. **Reinsurance Arrangements.** Provide particulars including copies of proposed reinsurance arrangements entered or contemplated by the proposed insurance company in respect of the proposed insurance business. The contracts must be with well rates reinsurers acceptable by both the Registrar and the Insurance Association of Malawi.

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

22. **Actuarial Valuation.** Provide a copy of a statement by an actuary certifying to what extent he has satisfied himself that the proposed insurance company will conduct the proposed classes of life insurance on sound insurance principles and that financing arrangements are adequate.

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

24. **Additional Information.** Please provide any other information regarding the proposed insurance company that may assist the Registrar 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 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 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 an insurance company.

II. Market Analysis.

- (a) **Market.** Identify the market(s) to be served by the proposed 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. Distinguish among insurance services, saving services, credit services, investment management services, fiduciary services, etc.
- (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, liquidity and reinsurance ratios.
- (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 2009.

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 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 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 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. The individual designated as principal officer principal officer of an insurance company must be a chartered insurer and must have at least 10 years of experience in the insurance industry. The technical functions pertaining to claims, underwriting and reinsurance for insurance companies must be managed by chartered insurers and the accounting function must be managed by a qualified/chartered accountant (ACCA/CIMA) qualification and the person must be a member of the local professional accounting body, SOCAM.

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

6. **Auditors and Bankers.** State the names and addresses of the ICS's auditors and primary bankers during the past 10 years.

7. **Affiliates.** State the name, address, and type of business for any organisation that is or will be in any way affiliated with the ICS.

8. **Shareholding.** If the ICS is now or ever has been a principal shareholder (owning 10% or more of the 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 insurance company.

9. **Professional Membership.** If the ICS is now or will be a member of any professional or trade association concerned with banking or financial activities, in Malawi or elsewhere, provide details including whether such membership has ever been refused or terminated.

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

11. **Fraud.** Has the ICS 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.** Has the ICS been adjudged bankrupt by a court, in Malawi or elsewhere, or has a bankruptcy petition ever been served on the ICS within the last 10 years, or has the ICS made any compromise or otherwise failed to satisfy its creditors in full within the last 10 Years? If so, provide details.

13. **Liquidation: (a) Voluntary.** Has a notice for the voluntary liquidation of the ICS been

issued within the last 10 years in Malawi, or has the substantial equivalent thereof been issued in any other jurisdiction? If so, provide details including whether the liquidation has been fully resolved.

(b) Compulsory. Has a petition for the compulsory liquidation of the ICS been issued within the last 10 years in Malawi, or has the substantial equivalent thereof been issued in any other jurisdiction? If so, provide details including whether the petition or its equivalent is still unresolved.

14. **Shares.** How many shares of stock in the proposed insurance company are or will be registered in the name of the ICS or in the name of a related party? State the name(s) in which the shares will be registered and the class of shares if other than common shares.

15. **Beneficial Interest.** How many shares of stock in the proposed insurance company that are not registered in the name of the ICS or in the name of a related party, will the ICS have a beneficial interest in? State the name(s) in which 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 insurance company, or of any other organisation of which the proposed insurance company will be a subsidiary, is or will the ICS be entitled to vote or exercise control over? Provide details of such voting authority or control.

17. **Audited Accounts.** a) Provide audited accounts for the past three years.

b) If the proposed insurance company is a subsidiary of a foreign insurance company, provide:

- copies of financial statements of the foreign insurance company for the last 3 years in the form submitted to the insurance supervisory authority in the home jurisdiction of the foreign insurance company and audited shareholders' report;
- copies of statutory tests results in the foreign company's home jurisdiction (margin of solvency, early warning tests, etc); and

- a copy of the most recent report of the examination of the foreign company by the supervisory authorities, if available.

18. **Acquisition Debt.** If borrowed funds will be used to purchase shares of stocks in the proposed insurance company, provide a statement showing the amount, source, collateral and repayment terms of the borrowed funds. (The Registrar will be concerned if the financing of the initial capital resulted in any pressure on the new entity, whether through dividends or fees, to service the debt of the ICS.)

19. **Additional Information.** Provide any other information regarding the ICS that may assist the Registrar in evaluating its acceptability as an institutional shareholder.

DECLARATION

With regard to

APPLICATION FOR LICENCE TO CONDUCT BUSINESS AS 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 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 any material change to this application which may arise while it is being considered.

<u>Name</u>	<u>Signature</u>	<u>Title/Position</u>
_____	_____	_____
_____	_____	_____
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Date: _____