



RESERVE BANK OF MALAWI

**GUIDELINES FOR THE APPLICATION OF A
LICENCE FOR AN INSURANCE COMPANY
(Financial Services Act, 2010 and Insurance Act, 2010)**

PENSION AND INSURANCE SUPERVISION DEPARTMENT

PART I - PRELIMINARY

1.0 INTRODUCTION

The Reserve Bank of Malawi is responsible for the licensing and regulation of Insurance Companies. In line with the provisions of the Financial Services Act, 2010 and Insurance Act 2010, the Reserve Bank of Malawi has issued the following licensing guidelines to facilitate applications for a licence to operate an insurance company. These licensing guidelines are intended to provide guidance on the licensing criteria for persons applying for an insurance company's licence. The guidelines set out the licensing criteria, the various continuous requirements and conditions to be complied with by licensed insurance companies.

These Guidelines should be read in conjunction with the provisions of the Financial Services Act 2010, the Insurance Act 2010, and any subsidiary legislation made under the Acts.

2.0 DEFINITIONS

In these guidelines, unless the context otherwise requires -

“**applicant**” means all shareholders of the proposed insurance company for which an application for a licence has been submitted;

“**Registrar**” means the Registrar of Financial Institutions appointed under the Financial Services Act, 2010;

“**related party**” bears the same meaning ascribed thereto in section 33 of the Financial Services Act, 2010

3.0 FORM OF APPLICATION

Applications for a licence to operate an insurance company shall be made by completing the application form for a licence as an insurance company. Completion of the application form must take into account of the requirements outlined in this guideline, the Financial Services Act 2010 and the Insurance Act, 2010. Complete application forms must be submitted to the Registrar and the applicant must make sure that the application contains complete information on all requirements. Information must be typewritten in English and must be accompanied by supporting documents as required. If a response to

any requirement is 'no', 'none', 'not applicable' or 'not known' it must be so stated and an explanation provided, where necessary. Submitting inaccurate or incomplete information will delay processing of the application.

The application must be duly signed by the applicant(s) and must provide details of a contact person formally designated by the applicant(s) to act on its behalf on matters connected to the application. All communication between the Registrar and the applicant(s) will be conducted through the contact person provided.

4.0 APPLICATION PROCEDURES

- 4.1 Any company wishing to transact business as an insurance company in Malawi must apply to and be duly licenced by the Registrar of Financial Institutions in accordance with provisions of Financial Services Act, 2010 and the Insurance Act, 2010.
- 4.2 Application for a licence to transact business as an insurance company shall be made in the manner prescribed by the Registrar.
- 4.3 After meeting the requirements for the granting of a licence for an insurance company, an Approval in Principle (AIP) may be granted to the Applicant and the AIP shall be valid for six months only.
- 4.4 A licence will be granted upon the satisfactory fulfillment of the following requirements for commencement of operations:
 - 4.4.1 the meeting of shareholders has been duly held and other legal formalities regarding the organization of the business have been complied with;
 - 4.4.2 the applicant has complied with the requirements of the Registrar's directives regarding capital and reserves;
 - 4.4.3 the applicant has entered into a reinsurance agreement with a reinsurer, acceptable to the registrar;
 - 4.4.4 all other provisions of the Insurance Act, 2010 and other relevant financial services laws have been complied with
- 4.5 Failure to meet any of the licensing requirements may lead to a rejection by the Registrar of the application.
- 4.6 The applicant shall not commence operations before the Registrar certifies the proposed business premises as suitable for insurance business;

- 4.7 Proposed board members and top management may be invited to attend interviews at the Registrar's office.
- 4.8 The Registrar may, in his discretion, require further information before processing the application.

5.0 ENQUIRIES

Enquiries concerning the preparation, submission, and status of an application should be addressed to:

The Director
Pension and Insurance Supervision Department
Reserve Bank of Malawi
10 Hannover Avenue
PO Box 565
Blantyre.Tel: 01 820 444/299
Email: pisu@rbm.mw

PART II - REQUIREMENTS

1.0 REQUIREMENTS FOR A LICENCE AS AN INSURANCE COMPANY

The following are the requirements that must be met by an applicant wishing to be licensed as an insurance company.

- 1.1 The applicant must submit to the Registrar evidence that it:
 - 1.1.1 is a duly incorporated limited liability company in Malawi under the Companies Act, 1984;
 - 1.1.2 shall not engage in any business other than insurance business;
 - 1.1.3 has not compounded its debts or failed to honour its obligations;
 - 1.1.4 has the professional and technical capacity to carry out insurance business;
 - 1.1.5 has satisfied all the requirements of the Financial Services Act, 2010, Insurance Act, 2010, Registrar's Directives, other relevant laws or any such additional requirements or conditions as may be prescribed by the Registrar from time to time; and
 - 1.1.6 Possesses appropriate information and communication technology adequate for the purpose of providing insurance business.
- 1.2 The following should be included in the application pack:
 - 1.2.1 A non-refundable licence assessment fee of K300,000.00 in the form of a bank certified check to "Reserve Bank of Malawi";
 - 1.2.2 Duly completed application form for insurance companies in duplicate, and any other documents in support of the application form;
 - 1.2.3 Name, address (postal, physical and email) and telephone numbers of the person to whom enquiries may be referred;
 - 1.2.4 Details of the postal and physical addresses of the applicant's registered office and proposed Head Office, if different from the registered office;
 - 1.2.5 Attestation that the applicant or its subscribers, directors or officers have never mismanaged, either fully or partially, any fund whether in Malawi or elsewhere; and

1.2.6 Contact details of the regulatory authority in any other jurisdiction in which the applicant may already be conducting, or has conducted insurance administration business.

2.0 DOCUMENTS TO BE SUBMITTED IN THE APPLICATION

An application shall include the following:

2.1 A certified true copy of the Memorandum and Articles of Association of the Applicant company which must contain, among others, the following provisions:

2.1.1 the sole objective being to conduct the business of insurance;

2.1.2 a limitation on the issuance of any unissued share capital, rights issue, issuing preference shares or debentures by the insurance company without prior written approval of the Registrar;

2.2 Business plan which shall contain, among others, the following:

2.2.1 Business strategy and objectives of the insurance company. It should cover, the services to be rendered, strategy, profit growth, as well as implementation plan;

2.2.2 Applicant's five year financial projection including statement of financial position, statement of comprehensive income and cash flow statement and underlying assumptions;

2.2.3 The category and classes of insurance business that the proposed insurance company will engage in.

2.2.4 Pricing structure for all products and services that will be offered by the insurance company.

2.2.5 Undertaking by the investors that the proposed insurer will be adequately capitalized for the volume of its business at all times;

2.2.6 Organisational structure showing functional units and reporting relationships.

2.2.7 Ownership structure of the applicant showing names, profession/business of proposed investors, and percentage shareholding. Bio-data/resume of shareholders (where necessary) shall also be attached;

Applicants are invited to note that:

- a. Appropriate status enquiries shall be carried out on the fitness and propriety of any proposed investor who is not a body corporate but has shareholding of more than ten percent, as regards to:
- professional and educational qualifications;
 - employment history, including positions held and level of managerial experience and his/her contact details;
 - financial capacity;
 - Whether or not he/she has compounded debt, had a judgment debt, or been involved in any fraud;
 - Whether or not he/she has been indicted by any commission of inquiry;
 - Whether or not he/she has been refused or expelled from membership of a professional body or association; and
 - Whether or not he/she has been disqualified under any law in Malawi or elsewhere from acting in that capacity.
- b. Appropriate status enquiries shall be carried out on the fitness and propriety of corporate investors and must attach:
- Certificate of incorporation;
 - Board resolution supporting company's decision to invest in equity shares of the proposed insurer;
 - Names and current address (business and residential) of investors/directors and their related companies, if any;
 - Audited financial statements and reports of the company for the last three years; and
 - Latest copy of audited financial statements or statement of affairs for companies in operation for less than a year.

2.3 For existing companies, the following should be submitted:

- 2.3.1 the latest three years audited financial statements and management letters of the Applicant Company; and

- 2.3.2 the latest available actuarial reports where applicable
- 2.4 Policies and procedures that the applicant intends to put in place to ensure on-going compliance with the Financial Services Act, 2010, the Insurance Act, 2010 and any other relevant legislation;
- 2.5 Risk management framework of the applicant;
- 2.6 Reinsurance programmes;
- 2.7 Where the applicant intends to have branches, provide details of policy on branch expansion indicating policy objectives and probable location of branches;
- 2.8 The structure of proposed board and executive management, committees and internal controls. The reporting arrangement must be such that it provides for effective efficient and prudent management of the organisation. The following information shall also be provided:
- 2.8.1 the criteria for selecting board members:
- In the case of executive members, selection must comply with the requirements on fitness and propriety for appointments into top managements issued by the Registrar;
 - Provide additional information on appropriate competences to enable them to fulfill their duties.
- 2.8.2 Clearly specify the roles and responsibilities of the board and its subcommittees;
- 2.8.3 The full names and address and detailed curriculum vitae outlining the relevant qualification and experience of each of the proposed board members and the executive officers of the insurance company including directorship of other companies for the past ten years;
- 2.8.4 Evidence that the proposed chief executive officer has consented to his appointment; and
- 2.8.5 Outline the succession plan policy for key officers.
- 2.9 Attestation by each of the proposed members of the board and executive management that he or she has never;

- 2.9.1 compounded his/her debt, had a judgment debt, or been involved in any fraud;
- 2.9.2 been indicted by any commission of inquiry;
- 2.9.3 been refused or expelled from membership of a professional body or association;
- 2.9.4 been convicted by any court of law or is under any pending criminal prosecution; and
- 2.9.5 been disqualified under any law in Malawi or elsewhere from acting in that capacity.

3.0 MINIMUM CAPITAL AND SOLVENCY REQUIREMENTS

- 3.1 The Applicant should describe plans for financing growth, internally and externally, over the first five years of operation. Describe all additional sources of capital that are available should the need arise in the future ensuring that the proposed business is adequately capitalized at all times. (The applicant should demonstrate that they have the financial capacity to provide adequate capital resources for the company, and that should need arise, they have the capacity to recapitalize)
- 3.2 The applicant should indicate the capital structure of the proposed business by giving the following details; authorized capital, paid up capital, total issued shares and the par value of each issued share.
- 3.3 The minimum paid up capital for insurance companies is as below:
 - a) General insurance Companies -K50,000,000.00
 - b) Life Insurance Companies -K75,000,000.00
- 3.4 For existing companies, solvency margin as prescribed in the Minimum Capital and Solvency Requirements for General and Life insurers respectively shall apply.
- 3.5 The applicant should state to what extent borrowed or encumbered funds will be used in the initial shareholders funds, either directly or indirectly. The statement should provide full details on the amounts, sources, collateral, and repayment terms for any such borrowed funds.

4.0 REQUIREMENTS FOR COMMENCEMENT OF OPERATIONS

The insurance company should be ready to commence business within six months of the grant of an AIP. Before commencement of operations, it should seek approval from the Registrar through a letter which should contain the following:

- 4.1 Copy of the shareholders' register;
- 4.2 Copy of the share certificate issued to each investor
- 4.3 Copy of the opening statement of affairs signed by the directors and appointed auditors of the company.
- 4.4 Copies of operational manuals;
- 4.5 Minutes of pre-commencement Board meeting;
- 4.6 Evidence of installation of appropriate information and communication technology facilities;
- 4.7 Copies of a letter of offer and acceptance of employment in respect of management team;
- 4.8 Evidence of readiness of various operating policies and procedures that will ensure an effective and efficient management information system;
- 4.9 Evidence of establishment of standing board committee on audit and risk management;
- 4.10 Undertaking by:
 - 4.10.1 each of the members of the board and the top management that the insurance company shall not engage in any other business other than the business of insurance.
 - 4.10.2 each of the members of the top management to ensure that the insurance company will observe high standards of integrity, professionalism and fairness in its operation as well as keep and maintain proper books and records at all times.
 - 4.10.3 The undertaking by each of the members of the top management to ensure that the insurance company shall have in place Anti- Money Laundering procedures to ensure compliance with the Money Laundering and Terrorist Financing Act, 1996.

- 4.11 Attestation of willingness and capacity on the part of the insurance company to comply with the provisions of the Insurance Act 2010 and Registrar's licensing and supervisory requirements and standards on a continuous basis.

PART III - TRANSITIONAL ARRANGEMENTS

- 1.0** For existing insurance companies, requirement 3.4 in Part II should be complied with within timeframes agreed with the Registrar of Financial Institutions.
- 2.0** All other applicants must comply with requirement 3.3 in Part II on submission of the application.
- 3.0** All other requirements should be complied with at the submission of the application for a licence to operate an insurance company.

PART IV - SUBMISSION

Duly completed application form and supporting documents should be submitted in both hard and soft copies in sealed envelopes to the following address:

**The Registrar of Financial Institutions
Reserve Bank of Malawi
Independence Drive
PO Box 30063
Lilongwe 3**

The licensing requirements, other guidelines and relevant forms can be downloaded from the Reserve Bank of Malawi's website: <http://www.rbm.mw>

REGISTRAR OF FINANCIAL INSTITUTIONS

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