



REGISTRAR OF FINANCIAL INSTITUTIONS

**GUIDELINES FOR THE APPLICATION OF A LICENCE FOR AN
INSURANCE COMPANY IN MALAWI**

(Financial Services Act and Insurance Act)

FINANCIAL SECTOR REGULATION DEPARTMENT

PART I - PRELIMINARY

1.0 INTRODUCTION

The Registrar of Financial Institutions ('the Registrar') is responsible for licensing and regulation of insurance companies in Malawi. In line with the provisions of the Financial Services Act and the Insurance Act, the Registrar has issued these Licensing Guidelines to facilitate processing of applications for a licence to operate an insurance company. The Guidelines are intended to provide guidance on the licensing criteria for persons applying for an insurance company's licence.

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

2.0 DEFINITIONS

In these Guidelines, unless the context otherwise requires -

"Applicant" means any person who submits an application for a licence to operate an insurance company;

"Core Capital" for general insurers, life insurers and reinsurers means capital as determined in the applicable respective Directives on capital and solvency;

"Insurer" bears the same meaning ascribed thereto in the Insurance Act;

"Registrar" means the Registrar of Financial Institutions appointed under the Financial Services Act;

"Related party" bears the same meaning ascribed thereto in section 33 of the Financial Services Act.

3.0 FORM OF APPLICATION

- 3.1 An application for a licence to operate an insurance company shall be made by completing the application form in *Appendix I*.
- 3.2 Completion of the application form must take into account the requirements outlined in these Guidelines, the Financial Services Act, the Insurance Act and applicable Regulations.
- 3.3 Complete application forms accompanied by supporting documents must be submitted to the Registrar, and the applicant must make sure that the application contains complete information on all requirements.
- 3.4 The applicant should not leave any requirements blank or unanswered. 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.
- 3.5 Submitting incomplete information will delay processing of the application. For the avoidance of doubt, incomplete submissions will not be processed.
- 3.6 Submitting inaccurate or misleading information will result in an outright rejection of the application.
- 3.7 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 person wishing to operate an insurance company in Malawi must apply to the Registrar for a licence to conduct business as an insurer in the category of business (general insurance or life insurance) specified by that person.
- 4.2 An application for a licence to conduct business as an insurer shall be made in the manner prescribed in these Guidelines.
- 4.3 After meeting the requirements for the granting of a licence to conduct business as an insurer, a conditional licence may be granted which shall be valid for a maximum period of six months.
- 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, reserves and governance;
 - 4.4.3 the applicant has entered into a reinsurance agreement with a reinsurer acceptable to the Registrar; and
 - 4.4.4 all other provisions of the 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 senior management may be invited to attend interviews at the Registrar's office.
- 4.8 The Registrar may, in his discretion, require further information to support processing of the application.

5.0 ENQUIRIES

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

The Director
Financial Sector Regulation Department
Reserve Bank of Malawi
10 Hannover Avenue
P O Box 565
BLANTYRE

Tel: 01 820 444/299

E-mail: fsr@rbm.mw

PART II – SPECIFIC 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 insurer in Malawi: -

- 1.1 An applicant must be a body corporate duly incorporated in Malawi.
- 1.2 An applicant must have appropriate information and communication technology adequate for the purpose of managing, administering and processing insurance business. The Registrar may prescribe the minimum requirements for a management information system.
- 1.3 An applicant must have the appropriate professional and technical capacity to carry out insurance business.
- 1.4 The minimum paid up capital and core capital for general insurers are as detailed below:
 - 1.4.1 General insurers licensed to carry on all classes of general insurance business - Seven Hundred and Fifty Million Kwacha only (**K750,000,000.00**).
 - 1.4.2 General insurers licensed to carry on two or less classes of general insurance business - Four Hundred Million Kwacha only (**K400, 000,000.00**).
 - 1.4.3 General insurers shall maintain a minimum core capital of eighty percent of the minimum paid up capital of the general insurer.

- 1.5 The minimum paid up capital and core capital for life insurers are as detailed below:
- 1.5.1 Life insurers licensed to carry on all classes of life insurance business shall have a paid up capital of One Billion Kwacha only (**K1,000,000,000.00**).
 - 1.5.2 Life insurers licensed to carry on all classes of life insurance business shall have a core capital of Eight Hundred Million Kwacha only (**K800,000,000.00**).
 - 1.5.3 Life insurers licensed to carry on only one class of life insurance business shall have a paid up capital of Three Hundred Million Kwacha only (**K300,000,000.00**).
 - 1.5.4 Life insurers licensed to carry on only one class of life insurance business shall have a core capital of Two Hundred and Forty Million Kwacha only (**K240,000,000.00**).
- 1.6 The minimum paid up capital and core capital for reinsurers are as detailed below:
- 1.6.1 Reinsurers licensed to carry on reinsurance business shall maintain a paid up capital of One Billion Five Hundred Million Kwacha only (**K1,500,000,000.00**).
 - 1.6.2 Reinsurers licensed to carry on reinsurance business shall maintain a core capital of One Billion Two Hundred Million Kwacha only (**K1,200,000,000.00**).
- 1.7 The applicant should clearly indicate sources of capital and 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 of the amounts, sources, collateral and repayment terms for any such borrowed funds.

- 1.8 Where an applicant is a foreign investor, the applicant shall register the capital with the Reserve Bank of Malawi.
- 1.9 The applicant, if licensed, will not conduct any business other than that for which it is licensed.
- 1.10 The applicant or any of its shareholders, beneficial owners (details of whom must be clearly provided by the applicant), directors, officers, related parties or associated persons, must never have been found guilty of any wrongdoing.
- 1.11 The applicant must indicate the category of insurance business with respect to which the application is made. For the avoidance of doubt, the Registrar shall not licence a person to carry on both life insurance business and general insurance business.
- 1.12 An insurer shall pay an annual supervisory levy to the Registrar within four months after close of the financial year in line with the regulations on supervisory levies as outlined below, provided that this requirement shall apply to a new insurer after two years of operation: :
- 1.12.1A general insurer shall pay a minimum supervisory levy of Two Million Five Hundred Thousand Kwacha only (**K2,500,000.00**) or 1% of the audited annual profit of the preceding year, whichever is greater, provided it does not exceed Eight Million Kwacha (K8, 000,000.00).
- 1.12.2A life insurer shall pay a minimum supervisory levy of Two Million Five Hundred Thousand Kwacha only (**K2, 500,000.00**) or 1% of the audited annual profit of the preceding year, whichever is greater, provided it does not exceed Ten Million Kwacha (K10, 000,000.00).
- 1.12.3A reinsurer shall pay a minimum supervisory levy of Three Million Kwacha (**K3, 000,000.00**) or 1% of the audited annual profit of the preceding year, whichever is greater, provided it does not exceed Ten Million Kwacha (K10, 000,000.00).

- 1.13 An applicant must submit an undertaking by the investors (shareholders including beneficial owners) that the proposed insurer will be adequately capitalized for the volume of its business at all times.
- 1.14 The proposed insurance company shall have a minimum of five board members, the majority of whom shall be independent and resident in Malawi.
- 1.15 The shareholders, proposed board of directors and senior management of the proposed insurance company shall meet fit and proper requirements to manage an insurance company in line with the Registrar's relevant directive.
- 1.16 The applicant shall appoint a principal officer in line with the requirements of the Insurance Act and the Registrar's relevant directive.
- 1.17 The applicant shall satisfy all the requirements of the Financial Services Act, Insurance Act, 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
- 1.18 An applicant must pay a non-refundable licence assessment fee of One Million Kwacha only (K1,000,000.00) payable to the Reserve Bank of Malawi.

2.0 APPROVAL PROCESS

In assessing an application for a licence to conduct business as an insurer, the Registrar shall consider whether the applicant has submitted all the required information and documents as follows: -

- 2.1 Duly completed application form for an insurance company, and any other documents in support of the application;

- 2.2 Certificate of incorporation;
- 2.3 A certified true copy of the Memorandum and Articles of Association of the Applicant company which must contain, among others, the following provisions:
 - 2.3.1 the sole objective being to conduct insurance business;
 - 2.3.2 a limitation on the issuance of any unissued share capital, rights issue, issuing preference shares or debentures by the insurer without prior written approval of the Registrar;
- 2.4 Business plan which shall contain the following:
 - 2.4.1 Business strategy and objectives of the insurance company covering the services to be rendered, strategy, profit growth as well as implementation plan;
 - 2.4.2 Applicant's five-year financial projection including statement of financial position, statement of comprehensive income, cash flow statement, capital and solvency projection, and underlying assumptions;
 - 2.4.3 The category and classes of insurance business that the proposed insurer will engage in;
 - 2.4.4 Pricing structure for all products and services that will be offered by the insurer;
 - 2.4.5 Organisational structure showing functional units and reporting lines;
- 2.5 Ownership structure of the applicant showing names, profession/business of proposed investors (including beneficial owners), and percentage of shareholding;
- 2.6 Bio-data/ résumé of individual shareholders and profile of institutional shareholders;

- 2.7 Copy of the share certificate issued to each investor;
- 2.8 Evidence of installation of appropriate information and communication technology facilities;
- 2.9 Evidence of readiness of various operating policies and procedures that will ensure an effective and efficient management information system;
- 2.10 Copies of policies and procedures that the applicant has put in place including:
 - 2.10.1 Risk management framework of the applicant;
 - 2.10.2 Reinsurance programmes;
 - 2.10.3 Business continuity plan.
- 2.11 The nature and sufficiency of financial resources of the applicant, including the financial resources of the applicant's shareholders;
- 2.12 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. In this regard, the applicant should demonstrate that they have the financial capacity to provide adequate capital resources for the insurance company, and that should need arise, they have the capacity to recapitalize;
- 2.13 Name, address (postal, physical and e-mail) and telephone numbers of the person to whom enquiries may be referred;
- 2.14 Details of the postal and physical addresses of the applicant's registered office and proposed head office, if different from the registered office;

- 2.15 Attestation that the applicant or its subscribers, directors or officers have never been involved in financial mismanagement in Malawi or elsewhere;
- 2.16 Attestation of willingness and capacity on the part of the insurer to comply with the provisions of the Insurance Act and Registrar's licensing requirements and standards on a continuous basis;
- 2.17 Contact details of the regulatory authority in any other jurisdiction in which the applicant may already be conducting or has conducted insurance business;
- 2.18 Where the applicant intends to have branches, provide details of policy on branch expansion indicating policy objectives and probable location of the branches;
- 2.19 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 insurance company;
- 2.20 The criteria for appointing board members and executive officers:
 - 2.20.1 Appointments must comply with the requirements of the Registrar's Directives on corporate governance and fitness and propriety;
 - 2.20.2 Provide additional information on appropriate competences to enable them to fulfill their duties;
 - 2.20.3 Clearly specify the roles and responsibilities of the board of directors and its committees.
- 2.21 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 insurer, including directorship of other companies for the past ten years;

- 2.22 Evidence of establishment of board committee on audit;
- 2.23 Evidence that the proposed chief executive officer has consented to the appointment;
- 2.24 Outline the succession plan policy for key executive officers;
- 2.25 Attestation by each of the proposed members of the board and executive officers that he or she has never: -
 - 2.25.1 compounded his/her debt, had a judgment debt, or been involved in any fraud;
 - 2.25.2 been indicted by any commission of inquiry;
 - 2.25.3 been refused or expelled from membership of a professional body or association;
 - 2.25.4 been convicted by any court of law or is under any pending criminal prosecution; and
 - 2.25.5 been disqualified under any law in Malawi or elsewhere from acting in that capacity.
- 2.26 Corporate investors shall be required to submit board resolution supporting company's decision to invest in equity shares of the proposed insurer as well as: -
 - 2.26.1 Names and current address (business and residential) of investors/directors (including beneficial owners) and their related companies, if any; and
 - 2.26.2 Audited financial statements and reports of the company for the last three years or latest financial statements for companies in operation for less than a year.
- 2.27 The Registrar may require further and better particulars relating to any requirement as specified in these Guidelines and the application shall

not be processed until such adequate, better and further information has been submitted and accepted by the Registrar.

2.28 The Registrar further reserves the right to demand any information not detailed in these Guidelines so long as the Registrar deems it necessary in order to protect the interest of the public.

2.29 An executive officer who was an executive officer of any financial institution in Malawi which had its license revoked for acting in contravention of a financial services law shall not be permitted to hold the position of an executive officer or responsible person in the insurance industry.

3.0 COMMENCEMENT OF OPERATIONS

3.1 The insurance company shall commence business within six months of the grant of a conditional licence.

3.2 Before commencement of operations, the insurance company shall seek written approval of the Registrar who shall ascertain suitability of the proposed premises for insurance business.

PART IV - SUBMISSION

Duly completed application form and supporting documents should be submitted to the following address:

The Registrar of Financial Institutions
Reserve Bank of Malawi
Independence Drive
P O 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>