

REGISTRAR OF FINANCIAL INSTITUTIONS

GUIDELINES FOR THE APPLICATION OF A LICENCE FOR AN INSURANCE OR REINSURANCE BROKER IN MALAWI

(Financial Services Act and Insurance Act)

January 2021

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PART I - PRELIMINARY

1. INTRODUCTION

The Registrar of Financial Institutions ("the Registrar") is responsible for licensing and regulation of insurance and reinsurance brokers. In line with the provisions of the Financial Services Act, 2010 and Insurance Act 2010, the Registrar has issued these licensing guidelines to facilitate processing of applications for a licence to operate as an insurance or reinsurance broker. The guidelines are intended to provide licensing criteria for applicants of an insurance and reinsurance broker's licence or licence renewal.

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. DEFINITIONS

In these Guidelines, unless the context otherwise requires: -

"Act" means Insurance Act;

"Applicant" means an applicant for licensing as an insurance broker or reinsurance broker under these Guidelines;

"Composite Insurance broker" means a person who, for any compensation, commission or other things of value operates as both an insurance broker and a reinsurance broker;

"Insurance broker" means a person who, for any compensation, commission or other things of value, with respect to persons or property, deals directly with the public, and: -

(a) acts or aids in any manner in soliciting, negotiating or procuring the making of any contract of insurance, whether or not the person has agreements with insurers allowing the person to bind coverage and countersign documents on behalf of insurers;

(b) provides risk management services, including claims assistance where required; or

(c) provides consulting or advisory services with respect to insurance;

"Principal officer" means the principal officer of an insurer or an insurance intermediary, appointed under the Act;

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

"Reinsurance broker" means an intermediary who for remuneration or fee, solicits, negotiates or places reinsurance business or retrocessions on behalf of a ceding insurer without having the authority or power to bind reinsurance on behalf of such insurer;

"**Renewal period"** means a period between 1 January and 28 February, when applications for renewal of licence should be made to the Registrar.

PART II: APPLICATION PROCEDURES

1. An application for a licence as an insurance broker, reinsurance broker or composite insurance broker shall be made by completing the application forms provided in ***Schedule I.***

2. An 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. The application must be supported by information outlined in ***Part VI***. An application which does not contain all the information as required in ***Part VI*** shall be deemed incomplete and will not be processed.

4. Submitting inaccurate or misleading information will result in an outright rejection of the application.

5. The Registrar may, in his discretion, require further information to support the processing of the application.

6. An application shall be accompanied by a non-refundable licence assessment fee of Two Hundred Thousand Kwacha (**K200,000.00**) payable to the Reserve Bank of Malawi.

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.

8. The application must be submitted to the following address:

The Registrar of Financial Institutions
Reserve Bank of Malawi
Convention Drive
P O Box 30063
Capital City
LILONGWE 3

PART III: CATEGORIES OF INSURANCE BROKERS

1. Application for licensing of an insurance broker shall be made in any of the following categories, namely: -

(a) Insurance broker;
(b) Reinsurance broker; or
(c) Composite Insurance broker.

PART IV: LICENSING REQUIREMENTS

1. An applicant for an insurance, reinsurance or composite insurance broker shall be a body corporate registered under the Companies Act.

2. The name of the applicant must include the words ***"Insurance or Assurance Broker"*** or ***"Reinsurance broker"***

3. The minimum paid-up capital for each category of insurance brokers shall be as follows: -

No.	Category of Insurance Broker	Amount of Capital
1	Insurance Broker	K20,000,000.00
2	Reinsurance Broker	K25,000,000.00
3	Composite Insurance Broker	K30,000,000.00

4. Provided that existing insurance or reinsurance brokers shall comply with minimum capital requirements outlined in paragraph 3 above within three years.

5. Evidence of capital injection is required prior to being granted a licence. The applicant should state to what extent borrowed or encumbered funds will be used in the initial shareholders' funds, either directly or indirectly, provided that borrowed funds shall be limited to 60 percent of the total capital injection. The statement should provide full details on the amounts, sources, collateral and repayment terms for any such borrowed funds.

6. At least 60.0 percent of the paid up capital must be in the form of liquid assets such as bank deposits and Malawi Government Treasury Bills in favour of the insurance broker (applicant). The residual amount may be assets, but those assets that are directly beneficial to the insurance broking business and registered in the name of the insurance broker.

7. Where an applicant is a foreign investor, the applicant must comply with exchange control regulations.

8. The application for registration should be accompanied by a business plan, which should include a three-year financial projection of premium generation, commission income, other income and projected expenses.

9. The proposed insurance or reinsurance broker must have a principal officer. The principal officer of an insurance or reinsurance broker must be a chartered insurer or have equivalent professional insurance qualification acceptable to

the Registrar and must have at least 5 years' relevant satisfactory work experience in insurance or reinsurance business at a management position.

10. A composite insurance broker must have separate functional units for direct business and reinsurance business headed by separate chartered insurers with experience in respective areas.

11. An applicant for a composite insurance broker shall provide an undertaking not to compel insurers where the broker also deals in direct business to use it for reinsurance business placement. However, after following a due and transparent process if the insurer appoints the composite broker as a reinsurance broker for arranging reinsurance on the same risk on which the composite broker acted as a direct broker, the composite broker shall ensure that there are proper systems and controls in place to see that the interests of the client and the insurer are not prejudiced.

12. The proposed insurance, reinsurance broker or composite insurance broker must have a minimum of three members of the Board of directors, the majority of which must be independent. The directors must have a diverse mix of skills, knowledge and experience needed for the effective and prudent operation of an insurance broking firm.

13. The applicant will be required to effect professional indemnity insurance policy and fidelity guarantee insurance policy with minimum coverage of Twenty Million Kwacha only (**K20,000,000.00**) and Five Million Kwacha only (**K5,000,000.00**), respectively. Evidence of cover must be submitted with the application.

14. The professional indemnity and fidelity guarantee insurance policies referred to above shall contain an endorsement that stipulates that the insurer must notify the Registrar of any cancellation or non-renewal of any of the above policies.

15. The applicant, its shareholders or any of its proposed executive officers should not hold any securities issued by an insurer or a related person or associated person of an insurer;

16. The applicant should not have any of its issued securities held by an insurer or its related person or associated person;

17. The proposed executive officers, shareholders or their associated persons should not have been found guilty of any serious wrongdoing at any disciplinary proceedings or during any court proceedings;

18. The applicant shall not seek to be licensed under a name identical with the name of another insurance entity or so nearly resembling the name of another insurance entity already licensed under this Act or the Financial Services Act;

19. The applicant must not have entered into an agreement relating to the preferential offer of insurance or reinsurance services with any person carrying on insurance or reinsurance so as to impair his impartiality in placing insurance or reinsurance business;

20. The applicant must secure the appointment as a broker by not less than 50 percent of insurers and in case of a reinsurance broker, not less 50 percent of local insurers and at least two of international reinsurance companies or brokers

21. The applicant must have robust IT systems to enable smooth operations and reporting as an insurance, reinsurance or composite insurance broker.

22. Shareholders, senior management officials and principal officer must not have an adverse credit history.

PART V: APPROVAL PROCESS

For purposes of the licence application, an applicant must submit the following: -

1. A certified true copy of the certificate of incorporation.

2. Copies of Articles and Memorandum of Association.

3. Ownership structure of the applicant showing names, profession/business of proposed investors including beneficial owners and percentage shareholding, whichever is applicable.

4. Bio-data/résumé and certified true copies of educational and/or professional certificates of owners.

5. Audited financial statements and reports of the institutional owners for the last three years, where applicable.

6. Certified financial statements of the individual owners.

7. Organisational structure showing functional units and reporting relationships including names of the persons designated for each senior post.

8. A corporate organisation chart showing all related entities (parent company, subsidiaries and associated companies).

9. Where the applicant intends to have branches, provide details of locations of branches.

10. List of the board directors and senior management of the insurance, reinsurance and composite insurance broker, including copies of their bio-data/ résumé, professional and educational certificates.

11. Evidence of professional indemnity insurance policy and fidelity insurance policy with minimum coverage of Twenty Million Kwacha only **(K20,000,000.00)** and Five Million Kwacha only **(K5,000,000.00)**, respectively.

12. Business plan which shall contain business strategy and objectives of the insurance, reinsurance or composite insurance broker. The plan must cover the services to be rendered, profit growth, as well as implementation plan. The Business plan should also include the applicant's three (3) year financial projection plan comprising statement of financial position, statement of comprehensive income and underlying assumptions. The financial projection plan should clearly project premium generation, commission income, other income and projected expenses;

13. Evidence of appointment agreements with insurance companies or reinsurance companies or reinsurance brokers;

14. An attestation that the proposed executive officers, shareholders or their associated persons have not been found guilty of any serious wrongdoing at any disciplinary proceedings or during any court proceedings;

15. Credit reference report for the principal officer.

PART VI: OTHER MATTERS

1. The applicant shall be required to commence insurance or reinsurance broking business within six months from the date of licence.

2. The Registrar shall satisfy himself, at any time before or after licensing, of the suitability of the premises for insurance business including branches.

3. An insurance or reinsurance broker shall obtain prior written approval of the Registrar on opening and closing of the branches.

PART VII: LICENCE RENEWAL REQUIREMENTS

1. A licence to operate as an insurance, reinsurance or composite insurance broker shall expire on the 31st day of March, every year and shall be required to be renewed upon satisfactory compliance with minimum capital requirements and all other requirements for a licence as an insurance, reinsurance and composite insurance broker.

2. An application to renew a licence to operate as an insurance broker should be submitted to the Registrar between 1 January and 28 February of each year.

3. An application to renew a licence shall be submitted to the Registrar in the format prescribed under ***Schedule II.***

4. An application shall be accompanied by a non-refundable licence renewal fee of Seventy-Five Thousand Kwacha only (**K75, 000.00**) payable to the Reserve Bank of Malawi.

5. Any submission received by the Registrar after 28 February shall attract a penalty fee of Sixty Thousand Kwacha only (K60,000.00) and thereafter Twenty Thousand Kwacha only (K20,000.00) for each additional month of non-renewal. An insurance or reinsurance broker who does not wish to renew its licence must inform the Registrar within the renewal period of the intention not to renew.

6. Any application made after 1 April shall be considered as a new application.

7. An application to renew a licence shall be supported by documents indicated in ***Part VII*** above.

8. An applicant for licence renewal shall submit, as part of the application pack, a copy of its business' financial statements.

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
P O Box 565
BLANTYRE

E-mail: fsr@rbm.mw

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

Dr Wilson Banda
REGISTRAR OF FINANCIAL INSTITUTIONS

ii. Details of the share structure of the corporation in terms of authorised share capital by each class of shares, number of shares issued, and outstanding, voting rights associated.

iii. List of all shareholders who own 10.0 percent or more of the shares of the insurance broker.

iv. An organizational chart showing inter-corporate share holdings and linkages where the corporation is a member of a group of companies. If any member of the group is a registered an insurance broker, give its Registration Number.

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10. Provide names of individuals, together with details of their qualification and work experience, who will be in charge of the branches of the broking firm. Indicate how the branch operations will be supervised and monitored.

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11. Does the applicant or any of the promoters of the applicant carry on any business or have an interest in any business other than the insurance brokers business? If yes, give full details, including the name of the business, its address, and the nature of its business?

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12. Other information:

i. Has the applicant (s), or any affiliate of the applicant ever been refused a licence under the Financial Services Law or under the laws of any other jurisdiction which required such licensing, or has any such licence been suspended or cancelled? (if yes, please provide details).

ii. Provide details if any of the shareholder(s) has ever been:

i charged or convicted under the Laws of Malawi or any other country.

ii a defendant in any proceedings in any civil court or tribunal in any country where fraud, theft, misrepresentation, negligence or other similar conduct was alleged.

iii declared bankrupt or made a voluntary assignment in bankruptcy, or been subject of proceedings relating to insolvency, dissolution or winding up of business.

iv a recipient of a judgement or garnishment in any civil court in any country.

v refused professional indemnity insurance or a fidelity bond or ever had any of such insurance cancelled.

iii. Is there any person or entity, whose name is not disclosed in this application who has any direct or indirect beneficial interest in the applicant?

iv. Give the name of the Auditor engaged to audit the account of the applicant.

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13. Insurance markets:

i. List all insurance markets to be served by product line (covering both life and general insurance) and geographical area. List names of principal insurance companies whose products will be brokered and the nature of arrangements with such companies. Provide copies of any agreements with insurers and reinsurers.

DECLARATION

With regard to

APPLICATION FOR LICENCE TO CONDUCT BUSINESS AS AN INSURANCE BROKER, REINSURANCE BROKER OR COMPOSITE INSURANCE BROKER

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 brokerage firm 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 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.

NAME	SIGNATURE	TITLE/POSITION

Date:.....

SCHEDULE II

LICENCE RENEWAL APPLICATION FORM

1. Name of applicant:

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2. Mailing address:

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3. Phone no(s):

   Fax no:

   E - mail:

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4. Location of offices:

   I. Head office (provide physical address)

   II. Other offices (branches, agencies, etc)

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5. Principal Officer:

   I. Name of the principal officer and contact details. (Provide resume, including professional certificates, if new appointment only).

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6. Submission of financial statements

7. Confirmation of the applicant to meeting of capital requirements

8. Other responsible persons (technical and accounting)

   i. Names of individuals managing the technical and accounting functions. (Provide resume, including professional certificate if new appointment)

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9. List of Directors (Provide resume, professional experience, board positions, if new appointment)

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10. List of shareholders and respective proportion of shareholding

11. List of service providers including Auditors

12. Provide names of individuals heading branches

Any other relevant information for renewal of license including but limited to whether the applicant or any affiliates of the applicant: -

   i. has during the period been refused a licence under the Financial Services Law or under the laws of any other jurisdiction which required such licensing, or has any such licence been suspended or cancelled? (if yes, please provide details)

   ii. has been charged or convicted under the Laws of Malawi or any other country.

iii. has been a defendant in any proceedings in any civil court or tribunal in any country where fraud, theft, misrepresentation, negligence or other similar conduct was alleged.

iv. has been declared bankrupt or made a voluntary assignment in bankruptcy, or been subject of proceedings relating to insolvency, dissolution or winding up of business.

v. has been a recipient of a judgement or garnishment in any civil court in any country.

vi. has been refused professional indemnity insurance or a fidelity bond or ever had any of such insurance cancelled.

DECLARATION

With regard to

APPLICATION FOR LICENCE RENEWAL TO CONDUCT BUSINESS AS AN INSURANCE, REINSURANCE OR COMPOSITE INSURANCE BROKER

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 brokerage firm 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 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.

NAME	SIGNATURE	TITLE/POSITION

Date.....