

INSURANCE CONFERENCE 2022

**STRENGTHENING RESILIENCE IN A CHANGING
ECONOMIC LANDSCAPE – THE CASE OF INSURANCE**

Topic: The changing Regulatory Landscape

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Background

- **Insurance Act. No. 38, 2021:** Marks a major shift in Insurance supervision and regulation in **the past 25 years**
- Insurance Act No. 27, 1997 (Amended 2005) remained unresponsive to changes in the business environment.
- Objectives of No. 38, 2021:
 - Enhanced corporate governance;
 - Management & Shareholding; Reinsurance
 - **New entities:** Microinsurance, Underwriting agents, Medical schemes... among other usual functions.



Background

- **Objectives summarized:** Making the regulatory environment more responsive to changes or emerging risks in the insurance value chain.
- **Potential Remains High** for Growth: Do we have what it takes to ride the headwinds & provide solutions
- **Focus:** Go beyond building internal resilience – to supporting & building resilience in all segments of the economy – providing risk coping mechanisms.

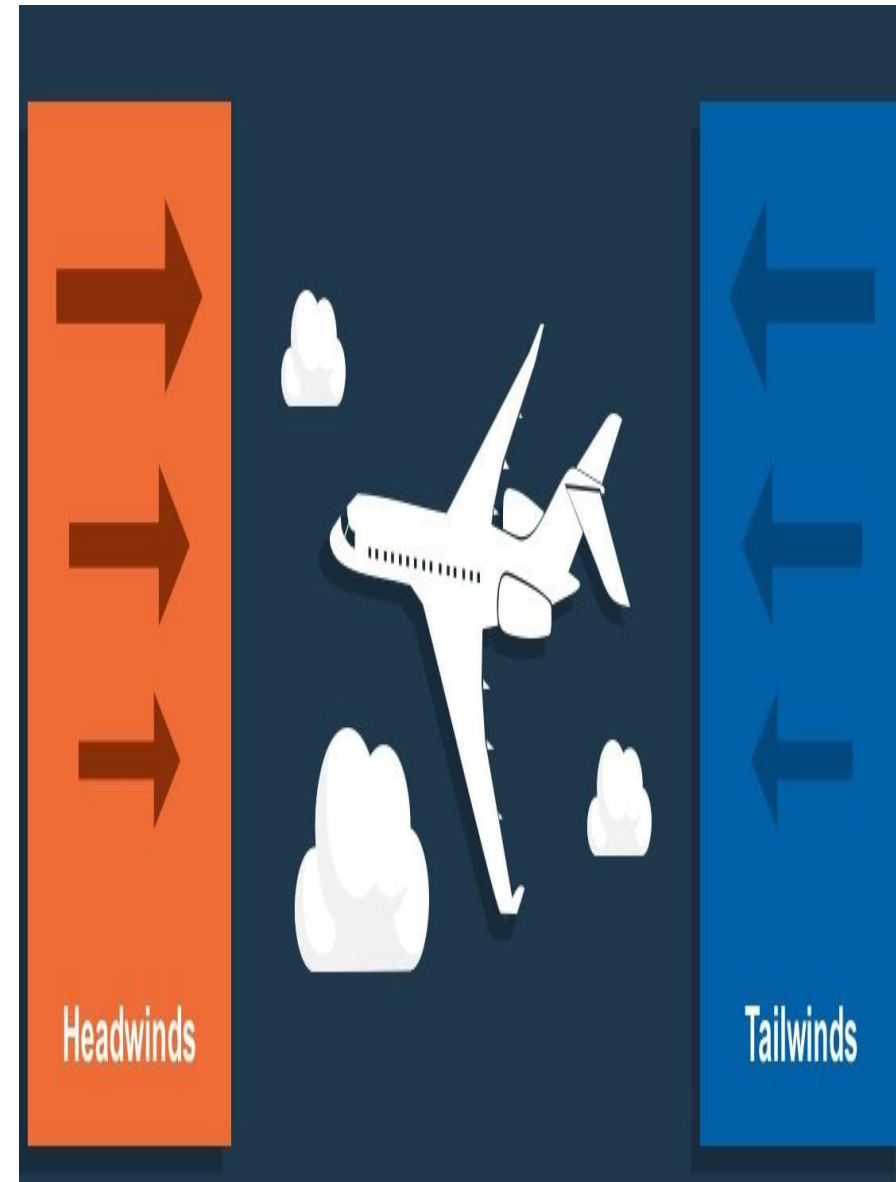


Background – GDP contributions remains extremely low

Country	Insurance Pen. Rate (GWP/GDP)	Insurance Uptake (% of adults)
Ghana	1%	22.7%
Kenya	2.3%	24.5%
Rwanda	1.6%	17%
Uganda	0.79%	14%
Zambia	1.26%	6.5%

Headwinds

- **Governance risks** (Strategic risks)
- **Financial Soundness** – Big topline shallow bottom line trap, Quality of assets, capital not linked to risks assumed, Underwriting risks – rate softening on all lines of business;
- **Regulatory/Compliance & Legal Risks** (Statute book);
- **Business Conduct** Risks (TCF);
- Emerging **digital platforms**: Global products offering;
- Ever changing **needs of customers** (demographic needs);
- **Economic Zones/ Free Trade Areas** – SADC Regional Transit Guarantee;
- **Climate Change, Global Inflation,**



Tailwinds propelling Resilience



- **Customer centricity:** Products & Services - professional due care;
- **Innovation:** to address the needs;
- **Sustainable** partnerships;
- **Accelerated** Digitization;
- **Increased risk** awareness;
- **Ability to adapt** to change;



Regulatory framework

“A responsive regulatory framework is the foundation for strengthening resilience and future growth – it can act as a tailwind to move the market forward”

- To make No. 38 more responsive to changes in the economic or business landscape: “prescribe”, “prescribed” - 84 times against No. 27 which has 16 provisions relating to SI.
- No. 38 – 180 Sections vs. No. 27 - 135: Assumption - market has reviewed No. 38 extensively – detailed assessments of requirements.
- Task: Share Regulations under development – can be done to comply.



Regulations Under Development – Phased Approach (Phase 1).

- The Insurance (**Licensing**) Regulations;
- The Insurance (**Fit & Proper**) Regulations;
- The Insurance (**Capital & Solvency**) Regulations;
- The Insurance (**shareholding**) Regulations;

- Finalized & Combined into one - The **Insurance (General) Regulations 2022**.
- **Critical elements** in the General Regulation: Capital & Solvency and Licensing.



Regulations Developed – Phased Approach (Phase 1).

- **SHAREHOLDING** – Four year transition period.

Phase 2: Regulations Under Development

- The Insurance (**Microinsurance**) Regulations;
- The Insurance (**Tribunal**) Regulations;
- The Insurance (**Marine**) Regulations;
- The Insurance (**Business Conduct**) Regulations;
- The Insurance (**AML/CFTP**) Regulations;
- The Insurance (**Reinsurance**) Regulations;
- Other Regulations **Phase 3: Medical schemes (towards end of 2023)**



Regulations Developed – Phased Approach (Phase 1).

- **CAPITAL & SOLVENCY** – Progressive Implementation & Transition plan (3 year Period)
- The Authority will issue minimum milestones that must be fulfilled each year towards the ideal CAR ratio of 150%.
 - Measures to meet **Quality of Capital** Test;
 - **All factors** will apply from year 1 except for -
 - **Investment** concentration limits – gradual
 - **Reinsurance** factors - gradual
- Entities to submit **written undertakings/plans** within 6 months of commencement order. **Solvency webinars/ Training or any topics.**



Regulations Developed – Phased Approach (Phase 1).

- **LICENSING** – Perpetual licensing subject to **meeting conditions** laid out in the Act.
- **Merits** – better planning and a reflection of business profiles i.e. long term business
- Constant monitoring **based on a risk based approach** – Authority will periodically review entities
- Conditions among others:
 - **Capital adequacy** requirements;
 - **Governance & prudential requirements;**
 - **Business conduct** Requirements;



Other critical Provisions in the Act.

- **Corporate Governance Requirements:**

Sec. 59: Board members - 5: 60% independent, Brokers 3

Sec. 102: Establishment of audit committee

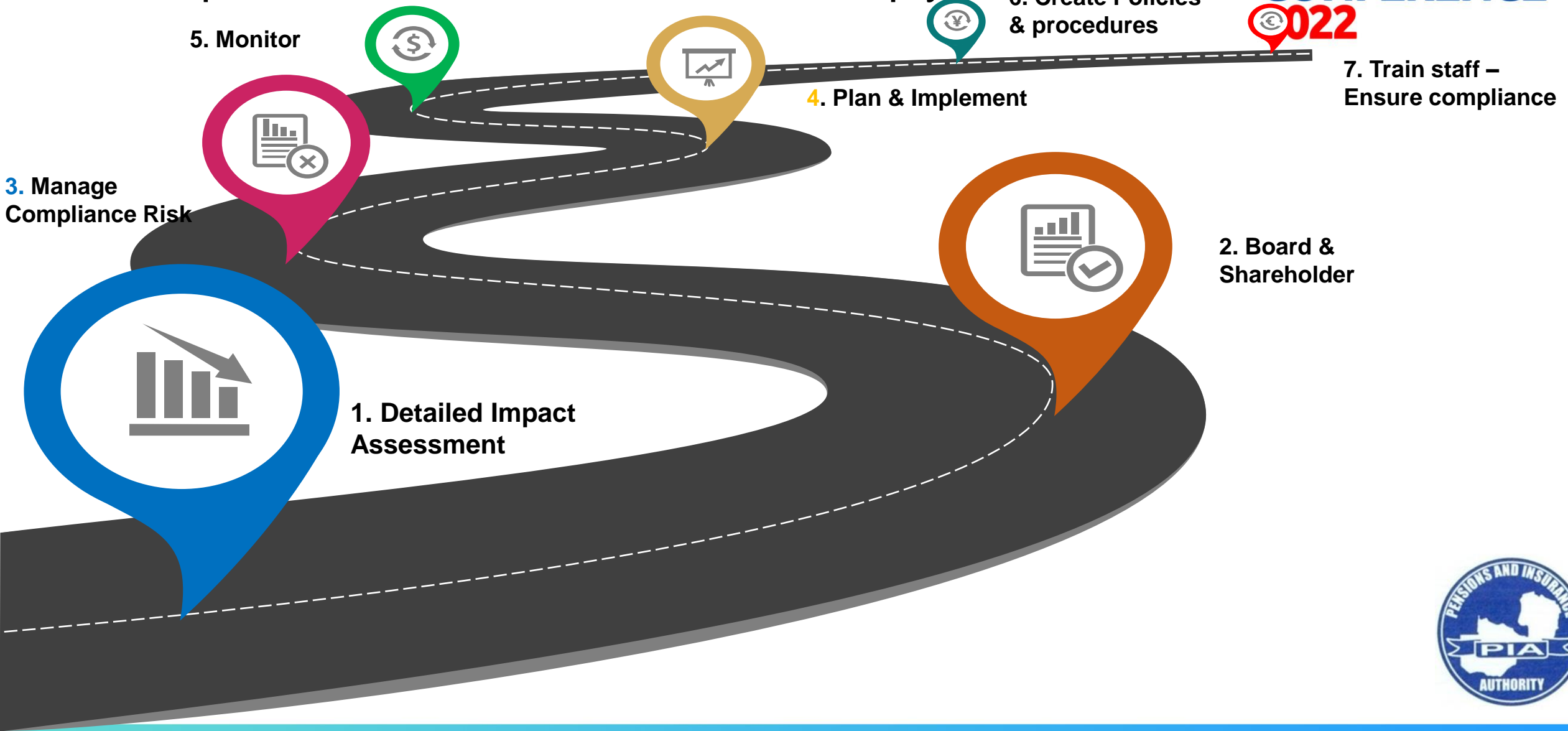
- **Financial Regulations – Annual & Quarterly Statements;**

Sec: 110 – Quarterly publications of quarterly and annual statements

Sec: 106 – Quarterly statements (ZMW 450 per day) insurers 30 days

Quarterly statements (ZMW 450 per day) brokers 60 days

Roadmap: What should entities do to comply?





What should entities do to comply?

- 1. Detailed impact Assessment of critical provisions**
 - Provisions from the Act that may not have transition periods i.e. Financial Provisions – returns, Board Composition, etc.
- 2. Board/shareholder – involvement & Supervision - due to compliance costs**
- 3. Manage compliance Risks (compliance scorecards) – Track and Monitor progress (Board Level);**
- 4. Plan, implement and oversee compliance;**
- 5. Review, create policies and procedures to ensure compliance;**
- 6. Train staff**



What should entities do to comply with the Act?

1. Coordinate compliance **training** for critical staff;
2. **Be on the look out for additional standards & guidelines - -**
Regulatory engagements and training/Authority aims to foster a common understanding.

Thank you

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