

12 July 2016

**To: Principal Officers- All registered (re)insurers
All insurance agents and brokers and reinsurance brokers
Chairperson-NIBA
Chairperson-AIM
Chairperson-NIA**

CIRCULAR LETTER: I/STI/05/2016

Effective Date: With Immediate Effect

**SUBJECT: THE ENFORCEMENT OF REGULATION 6(4) OF THE REGULATIONS TO
THE SHORT-TERM INSURANCE ACT, 1998 (Act No.4 of 1998) ("THE STI
ACT")**

1. INTRODUCTION

- 1.1. This Circular is issued in terms of the NAMFISA's functions and powers, and those of the Acting Chief Executive Officer in his capacity as such and his various capacities as Registrar in terms of the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001) and all other authorising legislation.
- 1.2. The Circular is applicable to all registered insurers, reinsurers, agents and brokers.
- 1.3. The purpose of this Circular is to inform all registered insurers, reinsurers, agents and brokers of the:



1.3.1. correct application of Regulation 6(4) of the Regulations to the STI Act ("the Regulations"); and

1.3.2. treatment of zero commissioned policies.

2. THE LAW

2.1. Regulation 6(1) provides that no consideration, in respect of the short-term insurance business, shall be paid to an agent or broker other than by way of commission in monetary form. The implication of Regulation 6(1) is that no fee shall be paid to an agent or broker other than a commission, the maximum value which, is set out in Regulation 6(4).

2.2. Regulation 6(4) limits the commission payable to agents and brokers. Regulation 6(4) specifically provides as follows in this regard:

6 (4) No commission shall exceed-

(a) in respect of a vehicle policy, 12,5 per cent;

(b) in respect of any short -term insurance policy other than a vehicle policy, 20 per cent,

of the premium payable under any such policy: Provided that commission payable to an insurance agent shall not exceed -

(i) in respect of a policy referred to in paragraph (a), 10 per cent;

(ii) in respect of a policy referred to in paragraph (b), 15 per cent, of the premium payable under any such policy.

2.3. On the basis of Regulation 6(1), no commission or administrative or any other costs shall be paid to an agent or broker in respect of a zero commissioned policy.



3. THE CURRENT PRACTICE

3.1. The Registrar has observed the following practices:

- 3.1.1. An insurer/reinsurer and an agent or broker agree on a commission payable exceeding the maximum percentages prescribed in Regulation 6(4); and
- 3.1.2. An agent or broker charge administrative or other related costs on zero commission policies.
- 3.1.3. Unclear description of the commission payable on insurance policy fee schedules.

4. THE PROCESS GOING FORWARD

4.1. All insurers, reinsurers, agents and brokers, shall in the calculation of the commission payable, state in clear terms that the amount payable as commission is the maximum of:

(a) in respect of a vehicle policy, 12,5 per cent;

(b) in respect of any short -term insurance policy other than a vehicle policy, 20 per cent,

of the premium payable under any such policy: Provided that commission payable to an insurance agent shall not exceed -

(i) in respect of a policy referred to in paragraph (a), 10 per cent;

(ii) in respect of a policy referred to in paragraph (b), 15 per cent, of the premium payable under any such policy.

4.2. In respect of policies provided on zero commission, the policyholder shall not be charged any administrative or related costs for effecting of the policy.

4.3. The commission payable must be stated in clear terms to ensure the policyholder's understanding of the amount payable as commission. It is



therefore directed that the fee schedules as it relates to insurance policies must read as follows:

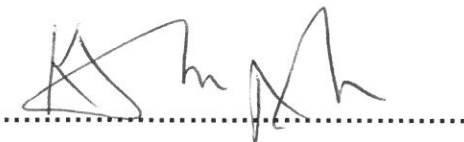
4.3.1. for an insurance broker in respect of motor vehicle policy:
"Commission payable to the insurance broker by the insurer (being the maximum of 12.5 % of the Policy Premium)";

4.3.2. for an insurance broker in respect of any short -term insurance policy other than a vehicle policy: *"Commission payable to the insurance broker by the insurer (being the maximum of 20% of the Policy Premium)";*

4.3.3. for an insurance agent in respect of motor vehicle policy:
"Commission payable to the insurance agent by the insurer (being the maximum of 10% of the Policy Premium)"; and

4.3.4. for an insurance agent in respect of any short -term insurance policy other than a vehicle policy: *"Commission payable to the insurance agent by the insurer (being the maximum of 15% of the Policy Premium)"*

I trust that all registered insurers, reinsurers, agents and brokers will give their full corporation to ensure effective compliance with Regulation 6(4) to the STI Act.

A handwritten signature in black ink, appearing to read 'K. Matomola', is written over a horizontal dotted line.

KENNETH S. MATOMOLA

ACTING CEO

REGISTRAR: SHORT-TERM INSURANCE