

28 November 2017

**To: Principal Officers of Registered Insurers
Registered Insurance Brokers**

CIRCULAR LETTER: ST/04/2017 & LT/04/2017

SUBJECT: CLARIFICATION ON LEVY PAYABLE BY LONG-TERM AND SHORT-TERM INSURERS IN TERMS OF THE GOVERNMENT NOTICE 265/2017

1. Reference is made to Government Notice No. 265 published on 10 October 2017 ("levy gazette") imposing levies on financial institutions in Namibia.
2. The purpose of this Circular is to provide clarification on the definition of the term "gross written premium" and clauses 3 and 4 of the levy gazette.
3. Definition of "gross written premium":
 - 3.1. **"Gross written premium"** means income receivable in terms of an insurance contract gross of commission and reinsurance premiums excluding taxes and levies.
 - 3.2. Recognition and measurement of this income during an entity's financial year should be in line with International Financial Reporting Standards.
4. In respect of clause 3 of the levy gazette:
 - 4.1. business written directly by long-term insurers attracts a levy of 0.41%;
 - 4.2. business written through long-term insurance brokers attracts a levy of 0.48%;
 - 4.3. the 0.48% levy payable by long-term insurers is premised on the total gross written premium transacted/written by a long-term insurance broker for the



account of a registered long-term insurer and not only that portion of the business that is collected by the registered broker and paid over to the registered insurer;

- 4.4. apart from the intention of clause 3 being clear when read in its totality, sub-clause 3(2) also states that "...that long-term insurer must pay a levy of 0.48% of the gross written premiums which the long-term insurance broker has written." Inclusion of "written" instead of "received on behalf of the insurer" in this sentence further clarifies and supports the stated intention.

5. In respect of clause 4 of the levy gazette:

- 5.1. business written directly by registered short-term insurers attracts a levy of 1%;
- 5.2. business written through registered short-term insurance brokers attracts a levy of 1.09%;
- 5.3. the 1.09% levy payable by registered short-term insurers is premised on the total gross written premium transacted/written by a registered broker for the account of a registered short-term insurer and not only that portion of the business that is collected by a short-term insurance broker and paid over to the registered insurer;
- 5.4. apart from the intention of clause 4 being clear when read in its totality, sub-clause 4(2) also states that "...that short-term insurer must pay a levy of 1.09% of the gross written premiums which the short-term insurance broker has written." Inclusion of "written" instead of "received on behalf of the insurer" in this sentence further clarifies and supports the stated intention.

6. A further query that has arisen in relation to the levy gazette is whether a registered insurer is entitled to pass on the levy payable in terms of clauses 3.2 or 4.2 of the levy gazette to the registered broker or whether the registered insurer must bear this cost itself. The levy gazette requires that this levy be paid by the registered insurer to NAMFISA. However, the levy gazette does not prohibit the registered



2

insurer from recovering the amount payable in terms of clause 3.2 or 4.2 of the levy gazette from the relevant registered broker that transacted the gross written premium for the account of the registered insurer.

7. NAMFISA therefore will consider approaching the Minister to issue an amendment to the levy gazette aimed at further clarifying the above.

8. I trust that the above provides the necessary clarity.

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

KENNETH S. MATOMOLA
CHIEF EXECUTIVE OFFICER