

4 March 2014

To: Principal Officers - All registered insurers and reinsurers
All insurance agents and brokers and reinsurance brokers
Chairperson - LAAN
Chairperson - NIBA
Chairperson - AIM
Chairperson - NIA

DIRECTIVE: I/STI & LTI/05/2014

Effective date: 1 April 2014

SUBJECT: ENTERTAINMENT OF AGENTS AND BROKERS

1. Introduction

- 1.1 This directive is issued by virtue of NAMFISA's functions and powers, and those of its CEO in his capacity as the Registrar of Long-term and Short-term Insurance, in terms of the Namibia Financial Institutions Supervisory Authority Act No. 3 of 2001, and is applicable to all registered insurers and reinsurers, insurance agents and brokers and reinsurance brokers under the Long-term Insurance Act No. 5 of 1998 ("LTI Act") and the Short-term Insurance Act No. 4 of 1998 ("STI Act").
- 1.2 The purpose of this directive is to give guidance and to correct the current practice in the insurance industry regarding entertainment and other benefits given to insurance agents and brokers and reinsurance brokers on top of and in addition to the commission in monetary form they are legally entitled to.



2. The current insurance practice

- 2.1 The Registrar has observed a practice in the insurance industry whereby the registered insurers are remunerating agents and brokers by means other than as provided for in the law. The benefits, consideration or payments take many forms e.g. overseas trips, expensive gifts, hunting trips, etc. as a way of rewarding these agents or brokers as top performers in addition to the legal commission for bringing in business.
- 2.2 The practice contravenes Regulation 13 to the LTI Act and Regulation 6 to the STI Act.
- 2.3 The aforementioned practice will no longer be tolerated and allowed to continue, the law is clear and the Regulations set out the manner and limits of consideration for any insurance business related services performed by agents and brokers.

3. The law

- 3.1 Regulation 13(1) to the LTI Act states that: "No consideration shall in respect of long-term insurance business, directly or indirectly, be paid, allowed or given to, or accepted by or on behalf of, an insurance agent or an insurance broker or reinsurance broker or any other person as remuneration for rendering services as an intermediary towards effecting, maintaining or servicing any long-term policy otherwise than by way of commission in monetary form".
- 3.2 Regulation 13(2) states that: "The commission payable in respect of a long term policy shall, regardless of the number of intermediaries involved, in total not exceed the maximum rate of commission specified in Annexure A".



3.3 Regulation 6(1) to the STI Act states that: "No consideration shall in respect of short-term insurance business, directly or indirectly, be paid, allowed or given to, or accepted by or on behalf of, an insurance agent or an insurance broker or a reinsurance broker or a Lloyd's intermediary or any other person as remuneration for rendering services as an intermediary towards effecting, maintaining or servicing any short-term insurance policy otherwise than by way of commission in monetary form."

3.4 Regulation 6 (2) states that: "The commission payable in respect of a short-term insurance policy shall, regardless of the number of intermediaries involved, in total not exceed the maximum rate of commission payable in terms of sub regulation (4)."

4. Conclusion

4.1 It is clear that Regulations 13 and 6 to the LTI and STI Acts respectively allow only consideration in respect of insurance business to be paid by way of commission in monetary form. There is no provision made for any additional consideration in whatever form apart from the limits set in the regulations and in fact prohibits any other consideration.

4.2 All benefits, consideration and payments received by agents and brokers from registered insurers are considered remuneration for rendering services as an intermediary as contemplated in the Regulations.

5. Directive

5.1 All registered insurance agents, brokers and reinsurance brokers must be remunerated by means of commission in monetary form only.



- 5.2 Insurers must cease remunerating agents and brokers by any other means over and above the legal commission in monetary form for services rendered as agents and brokers with effect from **31 March 2014**.
- 5.3 The Registrar shall take the necessary action to give effect to section 69 of the LTI Act and section 68 of the STI Act against any person found to be remunerating agents and brokers above the legally set limits.
- 5.4 The Registrar shall take the necessary action to give effect to Regulation 16(a) to the LTI Act and Regulation 9(a) to the STI Act against any person who contravenes Regulations 13 and 6 to the LTI and STI Acts respectively.

The Registrar therefore requires full cooperation and support in this process by all industry players and stakeholders at large. Should you still need more clarity, please do not hesitate to contact either the Long-term Insurance manager or the Short-term Insurance manager.



Phillip N. Shiimi

CEO of NAMFISA and Registrar of Long-term and Short-term Insurance