

DIRECTIVE

NO. : I/LTI/01/2024 & I/STI/01/2024

**TO : ALL REGISTERED SHORT-TERM INSURERS
ALL REGISTERED LONG-TERM INSURERS
ALL REGISTERED BROKERS
NAMIBIA INSURANCE ASSOCIATION
NAMIBIA INSURANCE BROKERS ASSOCIATION
ASSOCIATION OF INSURANCE MARKETERS
NAMIBIA SAVINGS AND INVESTMENT ASSOCIATION**

DATE : 31 JANUARY 2024

EFFECTIVE DATE : WITH IMMEDIATE EFFECT

**SUBJECT : SUBMISSION OF QUARTERLY REPORTS AND
AUDITED ANNUAL FINANCIAL STATEMENTS**

1. INTRODUCTION

- 1.1 This Directive is issued by virtue of the functions and powers Namibia Financial Institutions Supervisory Authority (“NAMFISA”) and those of its Chief Executive Officer in his capacity as the Registrar of all registered long-term and short-term insurers and reinsurers (“the Registrar”) in terms of the Long-term Insurance Act, 1998 (Act No. 5 of 1998) (“the LTI Act”) and the Short-term Insurance Act, 1998

(Act No. 4 of 1998) (“the STI Act”), read with the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001).

- 1.2 The purpose of this Directive is to notify the short-term and long-term insurance industry of the quarterly and annual reporting requirements henceforth, in light of the international financial reporting standard (“IFRS”) 17 that became effective from 1 January 2023.

2. THE LAW

- 2.1 In terms of section 6(a) of the STI Act and section 6(a) of the LTI Act, the Registrar may by written notice require any registered insurer and registered reinsurer to submit any document or information relating to the affairs of the insurer or reinsurer as the Registrar may require in the performance of his functions in terms of the STI Act and the LTI Act.
- 2.2 The LTI Act does not prescribe a particular manner in which the liabilities under insurance contracts are to be measured. In terms of section 35(1) of the LTI Act, it is at the discretion of the valuator of the insurer or reinsurer to adopt any reasonable valuation basis which its valuator considers, according to generally accepted actuarial standards and principles, actuarially sound and which places proper and adequate value on such liabilities having regard to-
 - 2.2.1 the expected income from premiums payable to and investments made by the registered insurer or reinsurer;
 - 2.2.2 the expected expenses and benefits payable by the registered insurer or reinsurer in respect of the carrying on of its insurance business; and
 - 2.2.3 the expected rates of mortality and morbidity among the various persons whose lives are insured under policies issued by the registered insurer or reinsurer.

- 2.3 Section 35(2) of the LTI Act only places a limitation on the recognition of debit liabilities (i.e. to zeroize such liabilities on a per policy level).
- 2.4 Section 35(1) and (2) of the Short-term Insurance Act, 1998 (Act No. 4 of 1998) (“the STI Act”) stipulates the method for calculating the liability under unmatured domestic policies. Section 35(3) of the STI Act however allows for the Registrar to direct registered insurers or reinsurers to adopt, for the purposes of calculating its liabilities under all unmatured domestic policies, a different method of calculation which in the opinion of the Registrar will provide a more accurate calculation of such liabilities.
- 2.5 In accordance with Directive I/STI/01/2018 & I/LTI/01/2018, all registered insurers are required to complete and submit to the Registrar within 30 calendar days of the end of each quarter, the quarterly return as created by NAMFISA on its Electronic Regulatory System, and all registered reinsurers are required to complete and submit to the Registrar within 60 calendar days of the end of each quarter, the quarterly return as created by NAMFISA on its Electronic Regulatory System.
- 2.6 As such, this Directive should be read together with Directives I/STI/01/2018 & I/LTI/01/2018 (attached hereto for ease of reference) in so far as the Directives relate to the submission of accounts and complete information.

3. CURRENT PRACTICE

- 3.1 The quarterly returns created by NAMFISA on its Electronic Regulatory System are currently based on regulatory requirements and are submitted within the required timelines each quarter.

- 3.2 All registered short-term and long-term insurers and reinsurers are further required to submit the information listed in the table below to the Registrar annually, within six months after the end of its financial year:

Short-term insurers and reinsurers	Long-term insurers and reinsurers
Gross written premiums	Gross written premiums
Outward reinsurance premiums	Outward reinsurance premiums
Gross claims and loss adjustment expenses	Gross policyholder benefits paid
Gross claims and loss adjustment expenses recovered from reinsurers	Reinsurance recoveries
Commission incurred	Commission incurred
Total expenses (excluding commission and gross claims and loss adjustment expenses)	Total expenses (excluding commission and gross policyholder benefits paid)
Investment income	Investment income
Current and non-current investment assets	Current and non-current investment assets
Total current and non-current assets	Total current and non-current assets
Total assets	Total assets
Prepayments (asset)	Prepayments (asset)
Deferred acquisition costs	Deferred acquisition costs
Goodwill (asset)	Goodwill (asset)
Total equity	Total equity
Total current and non-current liabilities	Total current and non-current liabilities
Total liabilities	Total liabilities
Premium debtors (including premium debtors aged 120+ days)	Premium debtors (including premium debtors aged 120+ days)
Deferred tax balance	Deferred tax balance
Net profit for the year	Net profit for the year

Cash and cash equivalents	Cash and cash equivalents
Technical liabilities (gross provision for unearned premiums, gross provision for outstanding claims, gross provision for claims incurred but not yet reported, and alternative risk transfer)	Technical liabilities (gross provision for unearned premiums, gross provision for outstanding claims, gross provision for claims incurred but not yet reported, and policyholders' liability)
Amounts receivable from reinsurers, intermediaries and policyholders	Amounts receivable from reinsurers, intermediaries and policyholders
Dividend declared	Dividend declared
Total amount received in respect of premiums during the preceding financial year	Related party assets
Total amount of premiums paid in respect of reinsurance business in the preceding financial year	Regulation 15 return
Regulation 8 return	

4. THE PRACTICE GOING FORWARD

- 4.1 The regulatory reporting requirements in terms of quarterly reporting remain as is currently designed on NAMFISA's Electronic Regulatory System until the said return has been realigned to collect data based on the IFRS 17 accounting standard. NAMFISA aspires to align the quarterly return to collect data based on IFRS 17 subsequent to the transition period.
- 4.2 All registered long-term insurers and reinsurers are required, in accordance with section 35(1) of the LTI Act, to continue to measure liabilities under insurance contracts (i.e., technical liabilities) based on any reasonable valuation basis which its valuator considers, according to generally accepted actuarial standards and

principles, actuarially sound and which places a proper and adequate value on such liabilities having regard to the items listed in section 35(1) paragraphs (a) to (c) of the LTI Act. Those registered long-term insurers or reinsurers that have already changed their reporting systems to comply with IFRS 17 reporting requirements are required to continue to measure and report insurance contract liabilities in accordance with section 35(1) of the LTI Act in its quarterly returns, provided that such registered long-term insurers or reinsurers shall inform the Registrar of any change in methodology to measure its insurance contract liabilities upon submission of the corresponding quarterly return.

- 4.3 In terms of section 35(3) of the STI Act, all registered short-term insurers or reinsurers are required to continue to measure liabilities under insurance contracts (i.e., technical liabilities) based on the same methodology currently used to measure said insurance contract liabilities in its quarterly returns. Those registered short-term insurers or reinsurers that have already changed their reporting systems to comply with IFRS 17 reporting requirements may, in terms of section 35(3) of the STI Act, measure and report insurance contract liabilities in accordance with IFRS 17 in its quarterly returns, provided that such registered short-term insurers or reinsurers shall inform the Registrar of the change in methodology upon submission of the corresponding quarterly return.
- 4.4 In addition, all registered insurers and reinsurers will be required to continue to submit the information listed in paragraph 3.2 of this Directive to the Registrar on an annual basis, within six months after the end of its financial year, and in the form to be determined by the Registrar (referred to hereafter as the “annual return”) until the quarterly return has been realigned on NAMFISA’s Electronic Regulatory System to collect data based on the IFRS 17 accounting standard. The external auditors of the registered insurers and reinsurers will be required to perform agreed upon procedures on the information to be submitted in the annual return in accordance with international standard on related services (“ISRS”) 4400 (revised) – *agreed-upon procedures engagements*, where such information is not explicitly

disclosed in the entity's audited annual financial statements, to verify the information is, in all material aspects, valid, accurate and complete. The annual return template will be distributed to all registered long-term insurers and reinsurers during the month of April 2024. All registered short-term insurers and reinsurers are required to continue submitting the existing annual return for short-term insurers and reinsurers. The technical liabilities to be reported in the annual return are required to be measured in accordance with the same methodology applied to report technical liabilities in the quarterly returns.

- 4.5 The Registrar reserves the right to request any additional information in terms of section 6(a) of the STI Act and section 6(a) of the LTI Act.

5. LEVY CONSIDERATION

- 5.1 Under the implementation of IFRS 17, the levy basis for the long-term and short-term insurance and reinsurance industries will remain unchanged. The IFRS 17 framework introduces new guidelines for the accounting of insurance contracts, aiming to enhance transparency and comparability of financial reporting. However, the calculation and assessment of levies for regulatory purposes will continue to be based on the existing levy basis and rates (i.e., gross written premiums for long-term and short-term insurers, using the rates specified in paragraphs 3 and 4 of Government Notice No. 265 – *Imposition of levies on Namibia Financial Institutions: Namibia Financial Institutions Supervisory Authority Act, 2001, (GG 6438)* published on 10 October 2017). This decision is made in recognition of the unique nature of the insurance industry and aims to provide stability and consistency during the transition to the new reporting standard. NAMFISA remains committed to facilitating a smooth transition for industry participants while maintaining the necessary regulatory oversight and financial stability within the sector.

- 5.2 All the levy returns are required to be submitted by all registered long-term insurers and reinsurers, and all registered short-term insurers and reinsurers in the current form and manner as determined by the NAMFISA and onto NAMFISA's Electronic Regulatory System.

6. THE DIRECTIVE

6.1 The Registrar hereby directs:

- 6.1.1 all registered insurers to continue completing and submitting to the Registrar within 30 calendar days of the end of each quarterly, the quarterly return as is currently on NAMFISA's Electronic Regulatory System;
- 6.1.2 all registered reinsurers to continue completing and submitting to the Registrar within 60 calendar days of the end of each quarterly, the quarterly return as is currently on NAMFISA's Electronic Regulatory System;
- 6.1.3 all registered insurers and reinsurers to submit to the Registrar annually, within six months after the end of its financial year, the information listed in paragraph 3.2 of this Directive to the Registrar on an annual basis, within six months after the end of their financial year, and in the form to be determined by the Registrar (i.e., annual return) until the quarterly return has been realigned on NAMFISA's Electronic Regulatory System to collect data based on the IFRS 17 accounting standard. The external auditors of the registered insurers and reinsurers are required to perform agreed upon procedures on the information to be submitted in the annual return, where such information is not explicitly disclosed in the entity's audited annual financial statements, to verify the information is, in all material aspects, valid, accurate and complete;
- 6.1.4 all registered insurers and reinsurers to measure their technical liabilities to be reported in the annual return in accordance with the same methodology applied to report technical liabilities in their quarterly returns; and
- 6.1.5 all registered long-term insurers and reinsurers, and all registered short-term insurers and reinsurers to submit their levy returns in the current form

and manner as determined by NAMFISA and onto NAMFISA's Electronic Regulatory System.

We trust that all registered insurers and reinsurers will give their full cooperation to ensure effective compliance with the above.

For further information or clarification on this Directive, please do not hesitate to contact Mr. Louis Potgieter at telephone number (061) 290 5213 or via e-mail at lpotgieter@namfisa.com.na.

A handwritten signature in black ink, appearing to read 'K. Matomola', with a stylized flourish at the end.

KENNETH S. MATOMOLA

REGISTRAR OF SHORT-TERM AND LONG-TERM INSURANCE