

8 June 2015

To: Principal Officers - All registered Short-Term Insurers
Cc: All investment managers
Chairperson – NIA

Circular: I/STI/04/2015

**SUBJECT: APPROVED BILLS, BONDS, SECURITIES, LOANS, INSTITUTIONS
AND COUNTRIES**

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 Short-Term Insurance, in terms of the Namibia Financial Institutions Supervisory Authority Act No. 3 of 2001, and is applicable to all registered short-term insurers under the Short-term Insurance Act No. 4 of 1998 ("STI Act").

1.2 The purpose of this Directive is to identify bills, bonds, securities, loans, institutions and countries approved by the Registrar of Short-Term Insurance for the purposes of item 4 of Annexure B to Regulation 8 made in terms of section 71 of the STI Act ("Regulation 8").

2. The current practice

2.1 Short-term insurers use their discretion, or the discretion as delegated to service providers like investment managers, to select appropriate bills, bonds, securities, loans, institutions and/or countries in which to invest their assets.



3. The law

3.1 In terms of Item 4 of Annexure B to Regulation 8 read with Item 6 of Schedule 2 of the Act, allowable investment instruments for registered short-term insurers include:

Item 4 – Bills, bonds or securities issued by the government of or by the local authority in a country other than Namibia, which country the Registrar has approved in terms of item 6 of Schedule 2 to the Act, and also bills, bonds and securities issued by an institution in such an approved country, which institution the Registrar has likewise approved.

4. Conclusion

4.1 In terms of item 4 of Annexure B to Regulation 8, short-term insurers may invest in:

- i) Bills, bonds or securities issued by the government of or by the local authority in a country other than Namibia, which country the Registrar has approved, and also bills, bonds and securities issued by an institution in such an approved country, which institution the Registrar has likewise approved.

5. The Circular

5.1 For the purposes of item 4 of Annexure B to Regulation 8, registered short-term insurers may invest in foreign bills, bonds or securities issued by the government of or by the local authority in a country other than Namibia, which country is regarded as "**Investment Grade**" as per **Annexure A** of this Circular, and also bills, bonds and securities issued by an institution in such a country, which



institution is likewise regarded as “**Investment Grade**” as per Annexure A of this Circular, which countries and institutions are hereby approved, provided that the foreign bills, bonds or securities are also regarded as “**Investment Grade**” as per Annexure A of this Circular. Notwithstanding the aforementioned approval, the registered short-term insurer must still conduct an appropriate level of due diligence to understand the inherent risks and to determine whether the instrument (s), issuer (s) and country (ies) warrants investing in.

5.2 The Board of a registered short-term insurer which seeks to invest in a country or institution other than those indicated as per Annexure A of this Circular must obtain the Registrar’s approval before investing in such country or institution.

5.3 The onus to comply with Regulation 8 remains with the registered short-term insurers and they are not exempted from their obligations by this approval of the Registrar.

5.4 In terms of Regulation 9(b)(ii), any person who contravenes or fails to comply with Regulation 8(1) or (2) is liable to a fine not exceeding N\$150 000 or to imprisonment for a period not exceeding ten years or to both such fine and such imprisonment

5.5 The Registrar of Short-Term Insurance has the right to repeal or amend this Circular or the annexure(s) thereto, and to withdraw the approvals as and when it is deemed necessary.

5.6 The Registrar will in the future also disclose criterion for approval of investments in bills bonds or securities issued by or loans to an institution in Namibia as envisaged in terms of item 3 Annexure B to Regulation 8.



The Registrar therefore requires full cooperation and support in this process by all industry players and stakeholders at large.

Kindly contact the General Manager: Insurance Division or the Manager: Short-term Insurance at 061-290 5000 or e-mail sti@namfisa.com.na should you need more clarity on this Circular.



Phillip N. Shiimi
CEO OF NAMFISA AND
REGISTRAR OF SHORT-TERM INSURANCE

ANNEXURE A

Rating Agency Credit Scale

Moody's	S&P	Fitch	Grade
Aaa	AAA	AAA	Investment Grade
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non- Investment Grade
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	