

Enquiries: Ms. I. Shebo

16 August 2013

Principal Officers - All registered Insurers and Reinsurers

Chairperson - LAAN

Circular Letter: ID/LT 1/2013

Effective date: 01 October 2013

**INTERPRETATION OF WHAT THE REGISTRAR REGARD AS AGGREGATE OF THE
INSURER'S LIABILITIES UNDER UNMATURED LONG-TERM POLICIES**

1. Background

- 1.1 This circular is issued by virtue of NAMFISA's functions and powers, and those of its Chief Executive Officer in his capacity as the Registrar of Long-term Insurance, in terms of the Namibia Financial Institutions Supervisory Authority Act No. 3 of 2001 and is applicable to all registered insurance and reinsurance companies under the Long-term Insurance Act No. 5 of 1998 (LTI Act).
- 1.2 The circular is aimed at clarifying and enhancing a common interpretation on the meaning of the term "un-matured liabilities" under domestic policies in respect of long-term insurance business in Namibia which serves as the basis for calculation of levies in terms of the Levy Gazette No. 2947 published in 2003.



2. The law

2.1 Section 25 (1) of the NAMFISA Act states that the Minister must, on the recommendation of the board, impose by notice in the Gazette levies on financial institutions.

2.2 Section 25 (2)(a)(i) states that the Minister must in the notice referred to in subsection (1) determine the amounts of the levies referred to in subsection (1) or the basis or manner of determining the amounts.

In terms of the Levy Gazette Number 2947;

2.3 Every registered insurer under the Long-term Insurance Act, 1998 (Act No. 5 of 1998) must pay an annual levy equal to 0.1% of the aggregate of the insurer's liabilities under un-matured long-term policies.

2.4 The expression "liabilities under un-matured long-term policies" means the liabilities as determined at the end of the long-term insurer's financial year which ended in the calendar year preceding the levy year, and the value of such liabilities are the net liabilities under un-matured policies reflected in the long-term insurer's financial statements.

3. The Current Practice

3.1 The Authority has observed that there is a misunderstanding of the meaning of the term "aggregate un-matured liabilities", the basis on which levies are calculated or determined by registered insurers. As a result, the use of the incorrect levy basis results in incorrect levy payments to NAMFISA.

3.2 Certain regulated entities have submitted "Levy Payment Schedules" with aggregate un-matured liabilities calculations which substantially differ from the aggregate un-matured liabilities as disclosed in the audited annual financial statements, resulting in subsequent levy payment disputes.



4. Basis for Levy Calculation and Payment

- 4.1 The calculation of levies should be based on the amounts disclosed as policyholder liabilities, (thus, long-term insurance un-matured liabilities) in the insurer's annual financial statement. NAMFISA will therefore not accept any other basis of calculation.
- 4.2 Aggregate of the insurer's liabilities under "un-matured long-term policies" refers to the total in-force policies under the category policyholder liabilities for long-term insurance.
- 4.3 With effect from 01 October 2013, the Registrar will no longer accept any "Levy Payment Schedule" with supporting calculations of "aggregate un-matured liabilities", which differs from the disclosure in the audited annual financial statement.
- 4.4 This means that insurers who often report "aggregate un-matured liabilities" in their audited annual financial statements which includes non-long term insurance liabilities (e.g. retirement annuities etc.) should change the way such "aggregate un-matured liabilities" are reported. Alternatively the auditors should include a note in the audited annual financial statement explaining any variances.
- 4.5 All Levy Payments will be imposed strictly on verifiable "aggregate un-matured liabilities" as reported in the audited annual financial statement.

5. Conclusion

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 Ms. Irene Shebo at 061-290 5149 or ishebo@namfisa.com.na.

Regards,



Phillip N. Shiimi

REGISTRAR OF LONG-TERM INSURANCE