

GOVERNMENT NOTICE

FRIENDLY SOCIETIES

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X

2018

**STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS
ACT, 2018**

The Namibia Financial Institutions Supervisory Authority has under section 410 of the Financial Institutions and Markets Act, 2018 (Act No. X of 2018), made the standards set out in the Schedule.

**Gersom Katjimune
Chairperson**

Windhoek,

2018

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018 [Act No. • of
2018]

DRAFT STANDARD

STATEMENT OF THE LIABILITIES OF A FRIENDLY SOCIETY

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No: FS.S.6.2

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018 [Act No. • of 2018]**Statement of the liabilities of a friendly society****Standard No. FS.S.6.2**

issued by NAMFISA under section 410(7)(b) of the Financial Institutions and Markets Act, 2018

Definitions

1. (1) In this Standard, “Act” means the *Financial Institutions and Markets Act, 2018* [Act No. • of 2018], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act;
- (2) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation-
 - (a) as defined in section 1 of the Act-
 - (i) friendly society;
 - (ii) Generally Accepted Accounting Practice;
 - (iii) International Auditing Standards;
 - (iv) NAMFISA;
 - (b) as defined in section 284 of the Act-
 - (i) board;
 - (ii) liabilities;
 - (iii) fair value; and
 - (iv) society.
2. This Standard applies to all societies registered under the Act and the board and principal officer of each society shall be responsible for ensuring that the statement of liabilities of the society meet the requirements of this Standard.

4. Every society must, at least annually, prepare a statement of its liabilities other than those requiring actuarial scrutiny, and every society must at least triennially prepare a statement of its liabilities inclusive of those liabilities requiring actuarial scrutiny in the format set out in the Schedule to this Standard.
5. The statement of liabilities of a society must comply with Generally Accepted Accounting Practice and International Auditing Standards.
6.
 - (a) A society shall deposit its statement of liabilities within 90 days of the end of its financial year, except that where such statement includes liabilities requiring actuarial scrutiny, the society shall deposit its statement of liabilities within 90 days after the date of completion of the valuation by the valuator of the liabilities requiring actuarial scrutiny, but in any case not later than 180 days following the end of the financial year.
 - (b) A society whose liabilities include liabilities subject to actuarial scrutiny shall deposit a statement of its liabilities, including those liabilities subject to actuarial scrutiny, at the end of the financial year in which the Act comes into force, or at the end of the third financial year following the date on which the society's liabilities were last determined, whichever is later.
7. Where the statement of liabilities of a society include liabilities subject to actuarial scrutiny, the actuarial processes that produce said liabilities shall conform to generally accepted actuarial practice, be based on data which is sufficient, complete and accurate, and shall comply with the requirements of Standard No. FS.S.6.8, except where otherwise allowed in writing by NAMFISA.
8. The statement of liabilities shall, subject to clauses 9 and 10, disclose in accordance with the Schedule to this Standard:
 - (a) The liabilities for unmatured contracts in force that require actuarial scrutiny separately for each such line of business issued pursuant to the rules of the society;
 - (b) The liabilities for unmatured contracts in force other than those requiring actuarial scrutiny separately for each such line of business issued pursuant to the rules of the society;
 - (c) The liabilities for matured contracts and benefit claims that have been reported but have not been settled as of the date of the statement;
 - (d) The liabilities for matured contracts and benefit claims that have been incurred but have not yet been reported as of the date of the statement;

- (e) The liabilities for accrued expenses separating between those due and unpaid and those not yet due, and further, between those allocated to administration and those allocated to investment operations;
 - (f) The liabilities for accrued taxes, if any, separating between those due and unpaid and those not yet due;
 - (g) The liabilities that have been determined by NAMFISA in respect of contingences, business or provisions and that have not been determined by a valuator or otherwise;
 - (h) Miscellaneous liabilities; and
 - (i) Paid up Share Capital, if any.
9. Notwithstanding anything contained in clauses 7 and 8 above, and subject to clause 11, a liability or contingent liability which is covered by reinsurance shall not be shown as a liability on the statement of liabilities if the reinsurance has been effected with:
- (a) a reinsurer authorized to carry on reinsurance business pursuant to Chapter 2 of the Act; or
 - (b) another registered society.
10. The statement of liabilities of a society related to its insurance business shall report amounts (both amounts of insurance and the associated liabilities) determined on a net of reinsurance basis where such reinsurance has been ceded by the society to an insurer or reinsurer that has been registered by NAMFISA, and on a gross of reinsurance basis where such reinsurance has been ceded to an insurer or reinsurer that has not been registered by NAMFISA, and in both cases, the amounts and liabilities thereof, i.e. ceded and assumed, shall be separately disclosed in the statement of liabilities identifying the insurer or reinsurer as the case may be.
11. The statement of liabilities of a society related to its insurance business shall include amounts (both amounts of insurance and the associated liabilities) related to insurance assumed from insurers or from reinsurers disclosing those amounts assumed from insurers or reinsurers registered by NAMFISA separately from those assumed from insurers or reinsurers not registered by NAMFISA, and identifying each such insurer or reinsurer in each case.
12. If any of the liabilities or contingent liabilities of a society that are to be included in the statement of liabilities in accordance with clauses 7, 8, 9 and 10 are of indeterminate amount, and have not been valued by a valuator pursuant to section 304 of the Act, the society concerned shall in writing request NAMFISA to determine the basis upon which such liabilities must be valued, and any determination so made by NAMFISA shall be binding upon the society.

13. NAMFISA may recover from the society all expenses necessarily incurred in making a determination under clause 12.
14. The liabilities of a society shall be separately stated in respect of each object or kind of business for which a separate account is required by the rules of the society.
15. NAMFISA will assess the adequacy and appropriateness of disclosure in the statement of liabilities and may request further information and additions to the statement if NAMFISA deems it appropriate.

DRAFT

Schedule to the Statement of Liabilities

Business Requiring Actuarial Scrutiny – Net of Reinsurance Ceded to Registered Insurance Entities– Report At Least Triennially Liabilities in Respect of Unmatured Contracts in Force		
Class of Business	Amount in Force	Liability
Life Insurance		
Annuity		
Accident and Sickness		
Other Health		
Other Line A		
Other Line B etc		
Reinsurance Details		
Ceded to Registered Entities		
Ceded to Unregistered Entities		
Assumed from Registered Entities		
Assumed from Unregistered Entities		
Other Liabilities – All Business Report Annually		
Classification of Liability	Amount	
Amounts Due in Respect of Reported Claims		
Amounts Due in Respect of Unreported Claims		
Reinsurance Details – Amounts Due in Respect of Reported Claims – As per item above.		
Classification of Liability	Amount	
Member Contributions Received but not yet Due		
Unearned Member Contributions – Note 1		
Accrued Expenses Due and Unpaid – Administrative		
Accrued Expenses Due and Unpaid – Investment		
Accrued Taxes Due and Unpaid		
Accrued Expenses – Administrative		
Accrued Expenses – Investment		
Accrued Taxes		
Provision for miscellaneous contingencies		
Other determinable liabilities not included elsewhere – Note 2		
Indeterminate Liabilities for which NAMFISA has determined the basis		
Dividends to Shareholders due and unpaid		

Accrued Dividends to Shareholders	
Paid-Up Capital	

1. Where a member pays a yearly contribution on June 30 - as of December 31, one-half of that contribution has been 'earned' and one-half is 'not earned' and must be reported as a liability.

Valuator's Certificate – to be included in any statement of liabilities which include liabilities in respect of business for which actuarial scrutiny is required.

I _____ the undersigned, hereby certify that the liabilities of the _____ Friendly Society included in this statement for which actuarial scrutiny is required were determined by me on the basis of assumptions and methods which conform to generally accepted actuarial standards of practice using data which I believe to be sufficient, complete and accurate.

Signed at _____ this day of _____

Signature of Valuator

Interrogatory re Statement of Liabilities

1. Is the society a defendant in any legal action(s) as of the date of the statement of liabilities? If so, append an explanation of the action(s) and indicate what provision for liability has been included in the statement.
2. Are any tax filings of the society known to be under investigation? If so, append an explanation and indicate what provision for liability has been included in the statement.
3. Have the society's auditor and valuator engaged in consultations regarding matters pertaining to the determination of the society's accounts, data, investments or other subjects related to the determination of the society's liabilities? If so, disclose any issues of concern by either or both that were raised with board and the manner in which those issues have been addressed.

4. Are there any reported claims for which the society is holding a provision in the statement of liabilities that is materially less than the amount claimed? If so, append an explanation.
5. Does the society have contracts in force guaranteeing to pay death benefits? If so, what is the largest single amount of benefit that it has in force and what proportion of it has been ceded to a reinsurer?
6. Does the society have contracts in force guaranteeing to pay income benefits (life annuities)? If so, append a description of the provision for improvements in longevity that has been made in the determination of the liabilities.
7. Does the society monitor claims ratios for short-term lines of business (e.g. accident and health)? If so append an explanation of the monitoring process and recent results.
8. Does the society monitor the adequacy of its claims reserves for short-term lines of business (e.g. health and short-term disability income)? If so, append an explanation of the monitoring process and recent results.
9. Have any of the expenses of the society not directly allocable to the operations of the businesses on which the statement of liabilities is based been included in the statement of liabilities? If so, append a description of the amounts involved and the methodology used to allocate and report them in this statement.
10. Does the total of the liabilities and paid-up capital reported in this statement, together with the most recent total of the liabilities in respect of business requiring actuarial scrutiny, if this statement does not include same, exceed the total of the assets of the society as reported in the statement of assets prepared as of the same date? If yes, append an explanation together with a summary of the steps to be taken to ensure the society's capacity to continue in operation.

Attestation by Principal Officer

I _____ Principal Officer of _____ Friendly Society do hereby attest that the responses to the foregoing Interrogatory re the Statement of Liabilities are complete and accurate.

Signed at _____ this day of _____

Signature of Principal Officer

DRAFT