THE LIBERIA OFFICIAL GAZETTE

PUBLISHED BY AUTHORITY

VOLUME. XV MONDAY, MARCH 23, 2016 NO. 29

EXTRAORDINARY

The Government of the Republic of Liberia announces that the Central Bank of Liberia (CBL), pursuant to its mandate under the New Insurance Act of 2013, specifically Section 12.1 of the Act has issued on March 23, 2016, Regulation No. CBL/RSD/INS/008/2016 herein under:

REGULATION NO.CBL/RSD/INS/008/2016
CONCERNING NO PREMIUM NO COVER OF INSURANCE BUSINESSES

BY ORDER OF THE PRESIDENT

MARJON KAMARA
MINISTER OF FOREIGN AFFAIRS

MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA
MARCH 23, 2016

1.0 Introduction

Pursuant to its authority under Section 12.1 of the new Insurance Act of 2013, the Central Bank of Liberia (CBL) hereby prescribes and issues these regulations concerning no premium no cover of insurance businesses as follows:

2.0 Background

2.1 As a result of the growing challenges arising from huge levels of outstanding premiums reported in the financial statements of Insurance Companies, the Central Bank of Liberia (CBL) has carried out a detailed review of the subject. The findings of the review show:

a. Insurance Companies have continued to report huge amounts of outstanding premiums while at the same time making equally large amounts of provision for bad debts without significant subsequent recoveries of the debts.

b. There are wide disparities between what insurers claim are due from policyholders and what policyholders agree they actually owe the companies.

c. There are several cases of a significant amount of premiums that had been paid over to insurers but due to lack of appropriate record keeping, these could not be matched against relevant obligations.

d. The huge outstanding premiums have had a significant knock-on effect on Reinsurers.

Firstly, Insurance Companies are unable to pay their reinsurance premiums whilst the premiums remain unpaid by the policyholders. Subsequently, the Reinsurers are unable to pay their retrocessionaires. This creates serious credit risk exposures for both the Insurers and the Reinsurers.

Secondly, when the premium debts are eventually declared bad or doubtful and have to be written off, it creates complications for Reinsurers as they (the Reinsurers) would have already placed the business with their retrocessionaires.

e. The current state of affairs has not only increased the credit risk of Insurers, but has also introduced uncertainty in the market as to the capacity of many Insurers to meet their obligations to policyholders and other stakeholders. This has contributed significantly to the inability of Insurance Companies to pay claims promptly and adequately, thereby threatening public confidence in the system; and the safety and soundness of the system.

2.2 In order to protect the interest of policyholders and other stakeholders from the adverse consequences of the existing practices, Insurance Companies, Insurance Brokers, Agents, and all policyholders (corporate and individuals) are required to comply with the following issued by the Central Bank of Liberia in accordance with section 12.1 of the Insurance Act, 2013 with effect from 1st April 2016.

3.0 Strict Observance of "No Premium, No Cover" Policy

3.1 All insurance covers must now be provided on a strict "No Premium, No Cover" basis. Consequently, only covers for which at least Fifty Percent (50%) of the premium has been received directly by the Insurance Company shall be recognizable as income in the books of the Insurer.

3.2 Cover may be granted on an annual or time-on-risk basis (i.e for a period other than a year). Irrespective of the cover granted, at least fifty percent (50%) of the premium must be received by the Insurance Company before cover is granted.

3.3 Insurance Brokers are reminded that they are not allowed to receive insurance premiums directly in their names. All cheques for insurance premiums are required to be written in the name of the Insurance Company granting cover. A broker who receives a premium in cash on behalf of the insurer must remit same to the insurer within 24 hours.

3.4 Where premiums are paid by a policyholder to a Lead Insurer in the case of Co-insurance, the lead insurer must within 24 hours of receiving the premium notify all the co-insurers in writing each case of the receipt of such insurance premium. This lead insurer must then pay the appropriate premiums to the respective co-insurers within 7 days of the notification.

4.0 Remittance of Premiums to Reinsurers

4.1 All remittances by insurance companies of reinsurance premiums to reinsurers must be in accordance with the terms of the reinsurance contract. Evidence of such remittance to reinsurers by the insurance company shall be a condition for determining the admissibility of reinsurance debtors in the insurer's financial statement.

5.0 Transitional Arrangement

5.1 All Insurance Brokers, Agents and Insurance Companies are required to carry out a reconciliation of their accounts and all unremitted premium comprising at least fifty percent (50%) of the underwritten premium must be paid over to the Insurers and Reinsurers as the case may be by 31st March, 2016.

5.2 All premiums comprising of at least fifty percent (50%) of underwritten premium that remain outstanding as at 31st December 2016 must be written off.

6.0 Penalties

6.1 Any Insurer, who grants cover without having received at least fifty percent (50%) of premium, shall be liable to a penalty of 10 times the amount of premium involved.

6.2 A lead insurer who fails to pay the co-insurers premiums received on their behalf within 7 days of receiving such premiums shall be liable to a penalty of 10 times the amount of premium not remitted to the co-insurer(s).

6.3 All penalties imposed on an insurance operator pursuant to this regulation must be disclosed in its annual financial statements and reported to shareholders.

BY ORDER OF THE PRESIDENT

MARJON V. KAMARA

MINISTRY OF FOREIGH AFFAIRS

MINISTRY OF FOREIGH AFFAIRS

MONROVIA, LIBERIA

MARCH 23, 2016