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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/004/2016 herein under:

**REGULATION NO.CBL/RSD/INS/004/2016
CONCERNING LICENSING OF INSURANCE COMPANIES AND CHANGES IN
OWNERSHIP AND MANAGEMENT**

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 licensing of insurance companies and changes in ownership and management as follows:

2.0 Application for an insurer's license.

- 2.1 Application for an insurer's license shall be made by submitting a completed application form, along with an official application letter addressed to the Executive Governor.
- 2.2 The application shall be accompanied by the following documents:
 - (a) certified copies of:
 - (i) the applicant's certificate of incorporation;
 - (ii) a certificate of good standing issued by the Corporate Registry no more than 14 days prior to the date the application is submitted to the Authority;
 - (iii) the applicant's articles of incorporation or restated articles of incorporation;
 - (iv) any certificate of amendment of the articles of incorporation, or articles of amendment, filed at the Corporate Registry, unless the certificate or articles of amendment relate to amendments incorporated in a restated articles of incorporation;
 - (v) the most recent notice filed at the Corporate Registry of the designation of a registered agent;
 - (vi) all statements of board resolutions filed under section 5.1, subsection 5 of the Association Law, 1976 Liberian Codes of Laws Revised; and
 - (vii) any articles or certificate of merger or consolidation filed by, or in relation to, the company at the Corporate Registry.
 - (b) a completed personal or corporate questionnaire for each of the applicant's
 - (i) significant owners;
 - (ii) directors;
 - (iii) senior managers; and
 - (iv) key functionaries;
 - (c) a curriculum vitae for each individual for whom a personal questionnaire has been submitted;

- (d) details of the person named in the application as the applicant's auditor and the written consent of that person to act as auditor;
- (e) where the actuarial function, or any part of the actuarial function will be undertaken by an external actuary, details of the external actuary and the written consent of that person to act in that capacity;
- (f) a business plan complying with subsections 3.1 to 3.3 and Appendix of these Regulations;
- (g) a copy of the most recent audited financial statements of the applicant's holding company and consolidated group financial statements, if any; and
- (h) the prescribed application fee.

3.0. Requirements for the business plan.

3.1 A business plan shall, as far as is practicable and relevant to the applicant and the proposed insurance business:

- (a) follow such form as may be approved by the Authority;
- (b) contain such information, and be accompanied by such documentation, as may be specified in the approved application form, this subsection, subsection 2 and Appendix; and
- (c) be signed by the Chief Executive of the applicant, the Chairman of the Board and one other director of the applicant.

3.2 The business plan shall:

- (a) cover the first three years of operation;
- (b) reflect the risk profile of the proposed insurance business; and
- (c) provide sufficient detail to enable the Authority to make a proper assessment of the proposed insurance business.

3.3 Any assumptions made in the business plan, whether in relation to the financial projections or otherwise, must be identified, the reasons for adopting the assumptions fully explained and the assumptions justified.

4.0 Summary of matters to be included in business plan.

Complying with the more detailed requirements of this subsection, subsections 3.0 and 5.0 and Appendix, the business plan shall include or cover the following:

- (a) a description of the proposed insurance business;
- (b) a statement of the applicant's short, medium and long-term objectives, with details of how these objectives will be achieved, including the proposed marketing strategy;

- (c) the applicant's underwriting, reinsurance, risk management and investment strategies and policies;
- (d) financial projections for three years;
- (e) the proposed governance arrangements;
- (f) the human and other resources that will be required to carry on the business and achieve the applicant's objectives;
- (g) the proposed outsourcing arrangements; and
- (h) contracts, or proposed contracts with connected persons.

5.0 Financial projections.

1. The financial projections in the business plan must cover the first three financial years following authorization and must include the information specified in the Appendix.
2. The financial projections must:
 - (a) include set-up costs and specify the accounting policies on which the projections are based;
 - (b) demonstrate that the applicant has sufficient financial resources to support the insurance business for which a license is sought and to provide the required margin of solvency needed throughout the three years after authorization;
 - (c) have been subjected to appropriate stress testing; and
 - (d) demonstrate that the capital and other financial resources will be adequate for the stress tested scenarios.
3. The applicant must provide, together with the business plan:
 - (a) a report of the applicant's auditors on the adequacy of the company's business plan and whether it has been properly prepared on the basis of the assumptions stated; and
 - (b) in the case of an applicant for a life insurer, an actuarial report on the adequacy of the insurer's investment strategy and policies and of the policies to provide for its technical provisions.
4. An applicant must provide evidence that the minimum contributed capital has been paid up before the issuance of the license.

6.0 Display of license.

A licensed insurer shall display its license, or a copy of its license, prominently at each place in Liberia where its insurance business is carried on.

7.0 Authority's fit and proper assessment.

1. The following persons are required to satisfy the Authority's fit and proper criteria, on the application for a license and on an on-going basis:
 - (a) the significant owners;
 - (b) the directors, senior managers and key functionaries; and
 - (c) the auditor, of an applicant for an insurer's license or a licensed insurer, as the case may be.
2. If, whether before the Authority has approved the appointment of a person specified in subsection 1, or at any subsequent time, a licensed insurer (or an applicant for an insurer's license) becomes aware of any information that is reasonably material to the Authority's fit and proper assessment of the person, it shall notify the Authority of the information as soon as reasonably practicable.

8.0 Licensed insurers to undertake fit and proper assessments.

1. A licensed insurer shall:
 - (a) take reasonable care to satisfy itself prior to an appointment that its directors, senior managers and key functionaries and its auditor are fit and proper for the role to which they are appointed;
 - (b) take reasonable care to satisfy itself prior to appointing a person as its agent that the person concerned is fit and proper to act as its insurance agent; and
 - (c) establish and maintain procedures for verifying the fitness and propriety of the persons specified in paragraphs (a) and (b) on an ongoing basis.
2. In determining whether a person is fit and proper, a licensed insurer shall have particular regard,
 - (a) in relation to a significant owner, to
 - (i) the person's honesty and integrity; and
 - (ii) the person's financial soundness; and
 - (b) in relation to a director, senior manager, key functionary or auditor, to
 - (i) the person's honesty and integrity; and
 - (ii) the person's competence to perform the duties and carry out the responsibilities that the person has, or will have if appointed.
3. In determining whether information may be reasonably material to the Authority's fit and proper assessment, for the purposes of Section 7.0, subsection 2, and in carrying out its own fit and proper assessments, a licensed insurer shall have regard to the matters included in the Guidance issued by the Authority.

9.0 Capitalization

- 9.1 Pay a minimum capital requirement for each class of insurance business in Liberia as follows:
- | | | |
|----|----------------------------|------------------|
| a. | General Insurance Business | US\$1,500,000.00 |
| b. | Life Insurance Business | US\$750,000.00 |
| c. | Reinsurance Business | US\$5,000,000.00 |
- 9.2 The minimum capital requirement must be deposited in an Escrow Account in favor of the proposed insurer in a local bank up to the granting of a final license.
- 9.3 The Authority reserves the right to change the minimum capital as and when necessary in keeping with the Section 6.5 of the New Insurance Act of 2013.
- 9.4 The proposed insurer is required to declare the sources of funds and all supporting documents.

10.0 Conditions for Granting Provisional License

- 10.1 Pursuant to the authority vested in it by the new Insurance Act of 2013, the Authority herewith determines that organizers or promoters, who satisfy the following requirements stated below, shall be issued a Provisional License.
- a. Deposit the statutory minimum capital requirement based on the class of insurance business indicted in Section 9.0, subsection 1 above in an Escrow Account in favor of the subject insurer, in a bank under the supervision of the Authority, prior to undertaking any construction work.
 - b. Allot shares and submit copies of share certificates.
 - c. Submit other information as may be required by the Authority.
 - d. Submit a written commitment affirming their compliance with the minimum capital requirements at all times.
- 10.2 The Provisional License shall be valid for a term of six months from the date of its issuance during which the organizational process shall be completed. Applicants failing to meet this deadline will have to re-apply to the Authority and/or submit a formal communication requesting an extension prior to the deadline.

11.0 Conditions of Provisional License

Upon the issuance of a provisional license, the organizers or promoters of a proposed insurer shall be required to undertake and/or conclude the following requirements during the period of the provisional license:-

- a. Develop, purchase, lease and or construct premises of the insurer with adequate insurance facilities, including offices, lobby, conference room, equipment, computers, etc.
- b. Ensure that organizational cost or pre-operational expenses shall not exceed 20% of the statutory minimum capital requirement.
- c. Submit a plan of utilization of the portion of statutory minimum capital covering the organization cost or pre-operating expenses.
- d. Submit to the Authority regular monthly progress report on organizational set-up.
- e. Recruit Chief Executive Officer and key management staff for the insurer.
- f. Ensure that the proposed insurer shall not advertise or display its name until a full insurance license is issued by the Authority.
- g. Undertake to submit other information as may be required by the Authority.

12.0 Final Approval and Issuance of Final License

12.1 A final license shall be issued to a proposed insurer to carry on the selected class of insurance business, if to the Authority, the proposed insurer has satisfied the below:-

- a. The proposed insurer had fully complied with the terms and conditions of the provisional license as stipulated in Sections 10 and 11;
- b. The Authority had conducted a pre-opening inspection and assessment to ensure that all other requirements including adequacy of the premises and procedures, installation of equipment, computers, forms, records, etc., are complied with;
- c. The proposed insurer has submitted for the Authority's review and approval the following documents: underwriting policies/ manuals, accounting policy, reinsurance policy, risk management policy, and internal audit policy; etc. and

- d. Payment of a licensing fee of US\$5,000.00 is paid and an undertaking to pay an annual operating levy of US\$4,000.00 or an amount as may be determined from time to time by the Authority.

14.0 Fees for Insurance License

14.1 The proposed applicant insurer shall be required to pay a non-refundable application fee, a licensing fee and an annual operating levy as stated below:

- a. Application - US\$ 1,000.00
- b. License - US\$5,000.00
- c. Annual operating levy - US\$4,000.00

The Authority reserves the right to change these fees as and when necessary in keeping with the Section 13.4, subsection 1 of New Insurance Act of 2013.

APPENDIX

REQUIREMENTS FOR BUSINESS PLANS

Business Strategy

The business plan shall contain the information specified in this Appendix in relation to its business strategy under the following headings:

Background

The following background information must be provided:

1. A description of the applicant.
2. If the applicant is a member of a group:
 - (a) a description of the group and the applicant's position within it, including a corporate structure chart ("family tree") with applicable shareholdings;
 - (b) the significant activities of the group.
3. Details of any insurance business currently and previously carried on by the applicant, with details of the past history of any business previously carried on.

Business Outline

The business plan must contain an outline of the proposed insurance business, including:

1. A description of the general nature of the insurance business to be undertaken, together with the principal risks that will be covered.

2. A general statement of the applicant's short, medium and long-term objectives, with a description of how these objectives will be achieved.

Underwriting Strategy

Details of the proposed underwriting strategy must be provided, specifying:

1. The classes and types of policy to be written, indicating whether liability policies (if to be written) will be written on claims made basis, an occurrence basis, or both.
2. The proposed underwriting policies or guidelines, together with a comparison of proposed premium rates with those charged by existing insurers in the insurance market.
3. The proposed claims handling and accounting techniques.
4. The proposed deductibles, excesses and retentions.

Marketing Strategy

A brief description of the proposed marketing strategy, including:

1. The target market(s).
2. The proposed sources of business, such as insurance brokers, agents, direct selling and branch offices, with the approximate percentage of business expected from each source.
3. The proposed commission structures.

Reinsurance Strategy

A full explanation of the proposed reinsurance strategy together with a description of the reinsurance arrangements proposed to be put in place on authorisation. The following shall be included:

1. Details of the applicant's maximum retention per risk or event after all reinsurance/retrocession ceded, by class of business, indicating proposed limits and premiums.
2. Details of the principal reinsurers, and in the case of applicants for a reinsurance license, retrocessionaires, in each case with details of name, address, country of incorporation and financial strength rating.
3. A description relating the reinsurance back to the original business being carried on by the applicant as described in the business plan.
4. Where a significant proportion of the program is to be ceded to a single reinsurance company or group, additional information shall be given as to why this is considered to be appropriate, including details of the security provided and the financial adequacy of the proposed reinsurer.
5. Any statistics or risk profiles showing the maximum catastrophe exposure for the applicant and the net retained exposure.

Copies or drafts of reinsurance treaty cover notes covering the business to be written by the applicant must be attached to the business, if available.

Investment Strategy

The business plan must include:

1. A description of the applicant's proposed investment strategy and policies together with the arrangements for the maintenance of adequate liquidity, including details of:
 - (a) the diversification, currency and types of investments which are expected to represent the insurance funds, and the proposed counterparties;
 - (b) the estimated proportion which will be represented by each type of investment;
 - (c) any limits to be established;
 - (d) any loans that it is proposed will be made;
 - (e) the arrangements proposed to be made for the custody of assets;
 - (f) the proposed policies for matching assets and liabilities; and
 - (g) any plans that the applicant has to purchase or sell derivatives, if permitted.
2. An explanation of the rationale for the chosen investment methodology.
3. Details of the persons who will serve on the investment committee.

Risk Management Strategy

A summary of the applicant's strategy for identifying the risks that the applicant considers could affect the success of the business, stating in relation to specified risks whether they are considered to be a high, medium or low risk, with details of how they will be addressed.

Details of the risk management strategy in relation to the following risks shall be provided:

1. Environment (e.g., economic; competition).
2. Strategy (e.g. nature of the business; business ethics; changing group structure);
3. Market (e.g. asset risk; credit risk; litigation risk, interest rate risk);
4. Technological change (e.g. product design; client base; new distribution systems); and
5. Fraud.

Financial projections

1. The financial projections must include a brief description of the amount, forms and sources of capital that will be available for the business of the applicant.

2. The projections must clearly demonstrate that the capital available will be adequate for the applicant's operations.
3. The projections must include a forecast revenue account by class of business which must include at least the following:
 - (a) projections of expected premium income and reinsurances ceded and net premium income analyzed by class of business;
 - (b) provision for unearned premium by class of business;
 - (c) investment income, which must be consistent with the investment strategy;
 - (d) estimates of claims analyzed by class of business;
 - (e) projections of management expenses;
 - (f) projections of commission income, which must be consistent with the reinsurance strategy;
 - (g) projections of commission expenses, which must be consistent with the underwriting and marketing strategies;
 - (h) projections of net profits before and after tax; and
 - (i) projected income surplus accounts, showing expected dividend payments.
4. The projections must include a forecast balance sheet which shall show, at a minimum, details of the following:
 - (a) non-current assets appropriately analyzed and classified;
 - (b) investments analyzed by types, such as listed securities, government bonds and fixed deposits;
 - (c) outstanding premiums;
 - (d) amounts due from reinsurers;
 - (e) cash and bank balances;
 - (f) other assets appropriately described;
 - (g) capital and reserves analyzed into paid-up capital, additional paid-up capital, retained earnings and contingency reserves;
 - (h) technical and mathematical provisions analyzed by class of business and clearly identifying outstanding claims, IBNR, unearned premiums, and life mathematical reserves (the Life Fund); and
 - (i) other liabilities.

5. Supporting documentation explaining the adequacy of the provisions must also be provided.
6. The projections must include a forecast cash flow which must include future capital expenditure to be undertaken.
7. The projections must include a forecast statement of solvency which must show:
 - (a) the computation of the margin of solvency required by these Regulations;
 - (b) the valuation of assets, valued in accordance with the requirements of these Regulations; and
 - (c) the surplus of net admissible assets over the required margin of solvency.
8. The business plan shall contain an outline of the source of future capital in the event that existing capital and premium income prove insufficient to meet liabilities during the projected plan period, making reference to
 - (a) the provider of the capital;
 - (b) the form in which the capital will be provided; and
 - (c) the source of the finance for such capital.
9. The business plan shall also provide an explanation of any other contingency plans to mitigate future capital needs, such as through the use of reinsurance.

Applicants for a life insurance license

In the case of applicants for a life insurance license, the financial projections must include a statement showing the following:

- (a) for each of the next three financial years following authorization, the number of policies expected to be issued analyzed by product line.
- (b) the technical bases that will be used by the actuarial function for each class of business, including the bases needed for calculating premium rates and mathematical reserves;
- (c) the total sums assured per product line; and
- (d) the method of distributing profits between policyholders and shareholders.

Governance Structure and Human Resources

1. The business plan must include a corporate and governance structure chart and a description of the proposed apportionment of significant responsibilities between the applicant's management team.
2. The structure chart must set out the management structure, responsibilities and reporting lines.

3. Details must be provided as to how the duties of directors and senior managers are, or will be, segregated.
4. Where the applicant is part of a group, the business plan must include the group reporting structure, indicating the material entities within the group and provide information on related party transactions and relationships between the material entities in the group.
5. The following information must be provided concerning the board, or proposed board, of the applicant company:
 - (a) The minimum number of times the board is required to meet during a year.
 - (b) A list of reports required to be submitted by management to the board and the frequency with which such reports are to be submitted.
 - (c) The proposed sub-committees of the board, including their composition and terms of reference.
6. The business plan must include a summary of the arrangements by which procedures and controls will be established and maintained in the organization, including an explanation of how these will be overseen. The business plan shall set out the capacity of the applicant's procedures and controls to monitor and control all significant aspects of the applicant's operations, and shall include (but not be restricted to), details of:
 - (a) the internal controls, or proposed internal controls, including with respect to
 - (i) underwriting, reinsurance, claims, investments and information technology systems;
 - (ii) the detection and prevention of criminal activities, including money laundering and terrorist financing;
 - (iii) acceptance controls and levels and monitoring of risk aggregation;
 - (b) the arrangements for reporting to the Authority that is in place or will be put in place;
 - (c) the risk management controls and procedures;
 - (d) reports and management information that will be provided regularly to the person responsible for the apportionment and oversight function and to the board and executive management; and
 - (e) disaster recovery and business continuity plans.

Human and other Resources

1. The business plan must provide details of the human resources and other non-financial resources, including premises and systems that the applicant considers that it will require to carry on the proposed insurance business and indicate how it is anticipated that these will be obtained.

2. The details of the human and non–human resources must include
 - (a) the persons responsible for underwriting, reinsurance, claims, investments, IT and financial reporting, including preparation of regulatory returns;
 - (b) staffing levels in each area, department or unit;
 - (c) proposed staff training;
 - (d) information technology and management information systems;

Outsourcing and Contracts

1. The business plan must:
 - (a) specify any outsourcing arrangements that the applicant proposes to put in place, including with respect to underwriting, claims, investment management and information technology functions;
 - (b) provide background information concerning the third party or third parties to whom functions will be outsourced;
 - (c) in respect of the outsourcing arrangement, specify the oversight arrangements that will be put in place, providing details of those persons will be responsible for overseeing the outsourcing arrangements and as to how the outsourcing will be monitored and controlled;
 - (d) contain information on any contracts, or proposed contracts, with connected persons.
2. The business plan shall have attached to it copies of contracts, or draft contracts,
 - (a) transferring the applicant’s functions to other companies and any other contracts the contents of which influence the financial situation of the applicant; and
 - (b) with brokers and agents.

BY ORDER OF THE PRESIDENT

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