

Date: 23 February 2015

MEDIA RELEASE

ANNOUNCEMENT:

GOVERNMENT GAZETTE ON INCREASES TO COMPULSORY CESSIONS CEDED BY EVERY REGISTERED INSURER AND REINSURER TO THE NAMIBIA NATIONAL REINSURANCE CORPORATION

1. PURPOSE AND BACKGROUND

Namibian National Reinsurance Corporation (NAMIBRE) is pleased to inform the insurance industry and the public at large of the gazetting of an increase in the compulsory cession of insurance to NAMIBRE, which was gazetted on the 13th February 2015. The last time an increase was made to the compulsory cessions was 2006. The cessions are made in terms of section 39 of the Namibian National Reinsurance Corporation Act, 1998 (Act no. 2 of 1998) which makes it mandatory for all registered insurers and reinsurers to cede, by way of reinsurance a certain percentage of the value of each policy issued or renewed in Namibia to NAMIBRE. Section 39 (5) gives the Minister of Finance the powers to determine and specify the percentage of the value of the policy to be ceded by all registered insurers and reinsurers. Once gazetted, the provisions of the gazette come into effect 60 days after the date of the publication, which in this case will be April, 13th 2015.

2. PROVISIONS OF THE GAZETTES

As per the provisions of the Act, two notices were issued and gazetted by the Minister of Finance and applies to both short-term and long-term insurance as follows:

1. From the date the Gazette becomes effective, the proportion of reinsurance business ceded by all registered **long term and short term insurers and reinsurers** to NAMIBRE where there is no stand-alone reinsurance contract issued in Namibia, will increase from the current 7.5 percent. The increase will be effected in a gradual manner of 2.5 percent per annum until it the said percentage reaches 20 percent.

Where there is stand-alone reinsurance contract issued in Namibia, the compulsory cession will remain at 20% as gazetted in 2006.

2. Furthermore, the compulsory cession of business by all registered long-term insurers and reinsurers is implemented for the first time by said gazette entry. NAMIBRE's business strategy mainly focused on the short term insurance industry in the past, and consequently the compulsory cession of long-term insurance was not previously implemented.

3. THE IMPACT OF THE INCREASE IN COMPULSORY CESSION ON THE ECONOMY

Namibre was established by the Namibian Government for the purpose of curbing the outflow of capital, by way of insurance, from the Namibian economy. The rationale is to ensure that funds generated from insurance within the local economy is retained in the local economy to contribute to economic growth.

Industry data as maintained and published by NAMFISA indicate that between 2006 and 2014 the amount of funds generated from insurance leaving the country in the form of reinsurance increased from N\$ 186m to N\$ 676m. Accordingly, the increase in compulsory cessions will address the increase in the capital which is retained in the domestic economy and increase funding which can be channelled towards much needed national infrastructure development projects.

Issued by:

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