

Rwanda

## Regulation on Group-Wide Supervision for Insurers

### Regulation 45 of 2022

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# Regulation on Group-Wide Supervision for Insurers

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## Rwanda

# Regulation on Group-Wide Supervision for Insurers

## Regulation 45 of 2022

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**Assented to on 2 June 2022**

**Commenced on 17 June 2022**

*[This is the version of this document from 17 June 2022.]*

Pursuant to Law N° 48/2017 of 23/09/ 2017 governing the National Bank of Rwanda as modified to date, especially in its articles 6, 6 bis, 8, 9, 10 and 15;

Pursuant to Law N° 030/2021 of 30/06/2021 governing the organisation of insurance business, especially in its articles 36 and 65;

Pursuant to Law N° 007/2021 of 05/02/2021 governing companies, especially in its article 126;

Having reviewed Regulation N° 38/2021 of 21/1/2021 on group-wide supervision for insurers;

The National Bank of Rwanda, hereinafter referred to as the « Supervisory Authority», issues the following regulation:

### Chapter One

#### General provisions

#### Article one – Purpose

The purpose of this Regulation is to establish group-wide supervision framework for effective management of risks arising from insurer's related persons, insurance groups or financial conglomerates or mixed conglomerates.

#### Article 2 – Scope

This Regulation applies to insurers and their related persons, insurance groups, financial conglomerates and mixed conglomerate.

#### Article 3 – Definitions of terms

In this Regulation, unless the context requires otherwise, the following words and expressions shall mean:

- 1° **affiliate:** any entity, incorporated or unincorporated, where at least five per cent (5%) or more of ordinary shares is directly or indirectly owned by an insurer or controlled by insurer;
- 2° **group-wide supervision:** an overall evaluation of an insurer that considers all risk exposures of an insurer and its subsidiaries, or an insurer belonging to a financial conglomerate or insurance group, whether the risks arise from an insurer itself, or in a parent institution, subsidiary, affiliate or associate, whether regulated or non-regulated entities;
- 3° **financial conglomerate:** two or more legal entities, at least one of which is an insurer and one is a regulated entity in the field of securities or banking, where one has control over one or more insurance legal entities or one or more regulated entities in the field of securities, banking or possibly other non-regulated legal entities, whose exclusive or predominant activities consist of providing significant services in at least two different financial sectors (banking, securities, insurance);

- 4° **mixed conglomerate:** a group of entities with financial and non-financial businesses including regulated entities engaging in the business of insurance and may also engage in banking, pension and securities;
- 5° **insurance group:** two or more legal entities, at least one of which is an insurance legal entity, where one has control over one or more insurance legal entities and possibly other non-regulated legal entities, and whose primary business is insurance;
- 6° **cyclical shareholding:** arrangements under which entities of the insurance group downstream of the parent entity hold shares in the parent entity.

## **Chapter II**

### **Supervisory requirements**

#### **Article 4 – Prudential limits**

An insurer with subsidiaries or part of an insurance group or financial conglomerates or mixed conglomerate shall, on group-wide basis and/or solo basis, comply with the following:

- 1° minimum capital and solvency required;
- 2° investment requirements;
- 3° liquidity requirements; and
- 4° any other prudential limits as the Supervisory Authority may prescribe.

#### **Article 5 – Consequences for non-compliance with prudential limits**

Where an insurer with subsidiaries or is part of an insurance group, a financial conglomerate or a mixed conglomerate does not comply with the prudential limits specified in this Regulation, the Supervisory Authority may prescribe such higher capital adequacy requirements, to ensure compliance with such limits on a consolidated basis.

#### **Article 6 – Information to be submitted to the Supervisory Authority**

Every insurer shall on, an annual basis, submit to the Supervisory Authority information, set out in Appendix to this Regulation.

The information specified in Paragraph One of this Article shall be submitted not later than 31 March of the following year.

#### **Article 7 – Submission of the annual financial statements**

Every insurer shall submit to the Supervisory Authority a copy of the latest annual audited financial statements of its holding company, subsidiaries and affiliates, within a period of four months (4) following the financial year to which such audited financial statements refer.

#### **Article 8 – Submission of the consolidated audited financial statements of the insurer's subsidiary**

An insurer having subsidiaries shall submit to the Supervisory Authority a copy of the consolidated audited financial statements within a period of four months (4) that follow the financial year to which such audited financial statements refer.

## **Article 9 – Notification of change**

An insurer with subsidiaries or part of an insurance group, financial group or mixed conglomerate shall notify the Supervisory Authority of any key change that may occur in its holding company, subsidiaries or affiliates.

The key changes that shall be notified to the Supervisory Authority include the following:

- 1° changes in the shareholding including the beneficial ownership;
- 2° change in business model and insurance group strategy;
- 3° changes in governance (board and senior management);
- 4° any other change that may directly or indirectly have impact on an insurer.

## **Article 10 – Submission of unaudited financial statements**

An insurer having a subsidiary or part of an insurance group, financial conglomerate or mixed conglomerate shall submit to the Supervisory Authority, on a quarterly basis unaudited financial report on both a solo and consolidated basis including:

- 1° solvency and capital adequacy position;
- 2° transactions with insurer's connected persons;
- 3° liquidity position.

The Submission of the report required under previous paragraph is done within thirty (30) calendar days of the following quarter.

## **Article 11 – The power of the Supervisory Authority vis à-vis insurer's subsidiary or affiliate or related person**

Without prejudice to the provisions of Articles 5 to 8 of this Regulation, the Supervisory Authority may require the insurer's subsidiary or affiliate or related person to submit personal declaration or any report in the form as may be set out by the Supervisory Authority to ensure that the operations and affairs of such entities are not detrimental to the stability and soundness of the concerned insurer and are conducted in compliance with the law.

## **Article 12 – Determining entities to be included in the group-wide supervision**

The Supervisory Authority may, for the purposes of meeting the requirements of this Regulation, determine which entities have to be included in the group-wide supervision.

## **Article 13 – Reporting standards**

Any report or information required under article 6 to 11 of this regulation shall be prepared in accordance with International Financial Reporting Standards (IFRS).

However, the Regulator may, for supervisory purposes, require consolidated financial information, which may differ from the consolidation required under International Financial Reporting Standards (IFRS).

## **Article 14 – Indicating a person that has control over entities in the insurance group**

The Supervisory Authority may require an insurer to indicate persons who have control over every insurance legal entity in the group in which it belongs.

### **Article 15 – Restriction on cyclical shareholding**

Cyclical shareholding is prohibited.

### **Article 16 – Fit and proper requirement**

Every board member or senior manager of an insurance group shall meet the fit and proper criteria as set out in Regulation on corporate governance for insurers.

### **Article 17 – Valuation of assets and liabilities**

The valuation bases of assets and liabilities of insurance group shall be consistent with those prescribed on the solo entity under Risk Based Capital requirement.

### **Article 18 – Collaboration with other supervisory authorities**

The Supervisory Authority, as part of supervisors of insurance groups subject to group-wide supervision, cooperates and exchanges with other supervisory authorities, and provide them with necessary information for the purposes of group-wide supervision.

Without prejudice to paragraph one of this Article, where Supervisory Authority has no direct legal power over certain legal entities while they are in the scope of the group-wide supervision, the Supervisory Authority may use its power over regulated entities and/or consult with other involved supervisors to achieve intended supervisory objective.

### **Article 19 – Approaches to conduct Group-wide supervision**

The Supervisory Authority uses the following approaches to conduct Group-wide supervision:

- 1° qualitative group-wide supervision and
- 2° quantitative group-wide supervision.

### **Article 20 – Basis for qualitative group-wide supervision**

The qualitative group-wide supervision is used to assess the overall strength of the whole group to which an insurer belongs, based on the information provided relating to:

- 1° corporate structure;
- 2° risk management;
- 3° board and management oversight;
- 4° internal control;
- 5° any other qualitative information that the Supervisory Authority may deem important to achieve group-wide supervision objective.

### **Article 21 – Basis for quantitative group-wide supervision**

The quantitative group-wide supervision considers the following:

- 1° capital adequacy;
- 2° intra group transactions;

- 3° earnings;
- 4° liquidity;
- 5° investment;
- 6° any other quantitative information that the Supervisory Authority may deem important to achieve group-wide supervision objective.

The “Quantitative group-wide supervision” shall be extended to all relevant entities within a group including the parent, subsidiaries and affiliates.

### **Article 22 – Special inspection**

When it deems necessary, the Supervisory Authority may undertake an inspection of the operations and affairs of an insurer’s subsidiaries or its affiliate in order to ensure that the operations and affairs of such insurer’s related persons or affiliate are not detrimental to the stability and soundness of the concerned insurer.

### **Article 23 – Joint inspection**

Where it deems necessary, an inspection conducted under Article 20 of this Regulation may be done in collaboration with the relevant authority or body, which exercises supervision or regulation over such insurer’s related persons or affiliate.

## **Chapter IV Miscellaneous and final provisions**

### **Article 24 – Corrective measures and sanctions**

An insurer that is in violation of the requirements of this Regulation shall be subject to corrective actions and sanctions as provided for by the law governing the organization of insurance business in Rwanda and the regulation on administrative and pecuniary sanctions applicable to insurers.

### **Article 25 – Drafting, consideration and approval of this Regulation**

This Regulation was prepared, considered and approved in English.

### **Article 26 – Repealing provisions**

Regulation N° 38/2021 of 21/1/2021 on group-wide supervision for insurers and all prior provisions contrary to this Regulation are hereby repealed.

### **Article 27 – Commencement**

This regulation shall come into force on the date of its publication in the Official *Gazette* of the Republic of Rwanda.

## **Appendix**

### **Forms**

*[Editorial note: The forms have not been reproduced.]*