

Rwanda

## Regulation on Administrative and Pecuniary Sanctions Applicable to Insurers

Regulation 48 of 2022

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## Regulation on Administrative and Pecuniary Sanctions Applicable to Insurers

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## Rwanda

# Regulation on Administrative and Pecuniary Sanctions Applicable to Insurers

## Regulation 48 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 amended 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 article 182;

Having reviewed Regulation of the National Bank of Rwanda n° 03/2017 of 22/02/2017 on administrative and pecuniary sanctions applicable to insurers

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

## Chapter One General provisions

### Article One – Purpose

This regulation aims at establishing administrative and pecuniary sanctions applicable to insurers for violations of the law governing the organization of insurance business and its implementing regulations, directives and decisions of the Supervisory Authority.

### Article 2 – Definitions

In this Regulation, the following terms and expressions shall mean:

- 10° **senior manager**: management personnel at executive level of the insurer. This includes:
  - d. the Chief Executive Officer (CEO)/Managing Director (MD);
  - e. Senior Executives reporting to the Board or to Board Committees; and
  - f. Senior Executives reporting to the Chief Executive Officer (CEO)/Managing Director (MD).
- 11° **director**: a member of the board of directors;
- 12° **private insurer**: a legal entity other than a public insurer licensed by the supervisory authority to carry out insurance business;
- 13° **public insurer**: public institution authorized by law to carry out insurance business.

## **Chapter II**

### **Corrective and disciplinary measures**

#### **Article 3 – Disciplinary measures applicable to an insurer**

Where a private insurer fails to comply with the provisions of the Law governing insurance business or its implementing regulations, directives and decisions of the Supervisory Authority, the Supervisory Authority may, depending on the seriousness of the infringement, apply one or many of the following corrective measures:

- 1° written warning;
- 2° permanent or temporary prohibition from conducting certain activities of insurance business;
- 3° suspension of all assistance from the Supervisory authority;
- 4° prohibition from declaring or paying dividends;
- 5° revocation of license;
- 6° any other disciplinary measure that the supervisory authority may deem appropriate.

#### **Article 4 – Grounds and effects of revocation of license**

The Supervisory Authority may revoke the license granted to a private insurer if:

- 1° it has not commenced insurance business within six (6) months from the date on which the license was granted;
- 2° it has ceased operating for a period of more than one month;
- 3° it has obtained the license through incorrect statements or fraudulent means;
- 4° it no longer meets the applicable licensing criteria;
- 5° the parent company is undergoing liquidation and this may have negative impact on the going concern of the insurance business
- 6° it is involved in money laundering and financing terrorism activities;
- 7° performs activities compromising the soundness of the insurance sector;
- 8° any other conduct that, in the opinion of the supervisory authority, may jeopardize the reputation of the financial sector.

Before revoking a license, the Supervisory Authority shall give written notice to the person authorized to engage in insurance business stating the grounds for revoking the license.

Where the Supervisory Authority revokes the license of a private insurer, it shall delete this licensee from the Register of Licensed Insurers and take any other appropriate measure.

#### **Article 5 – Sanctions applicable to senior managers and directors**

The Supervisory Authority may request the suspension or dismissal of a Director or a Senior Manager of a private insurer or public insurer in case it determines that he or she has infringed the Law governing insurance business or its implementing regulations, directives and decisions of the Supervisory Authority.

However, the Supervisory Authority reserves the power to suspend or dismiss the Director or a senior manager of a private insurer in case of infringements of Law governing insurance business or its implementing regulations, directives and decisions of the Supervisory Authority.

### **Article 6 – Pecuniary sanctions**

Without prejudice to the provisions of Articles 3 and 5 of this regulation, where a private insurer or a public insurer where applicable fails to comply with the provisions of the Law governing insurance business or its implementing regulations instructions, directives and decisions of the Supervisory Authority, relevant sanctions specified in the appendix may apply.

### **Article 7 – Recovery of the amounts related to pecuniary sanctions**

The sums related to pecuniary sanctions imposed to an insurer in accordance with this regulation shall, within ten (10) calendar days, be paid on the Supervisory Authority's account communicated in writing to the infringer in the notification of the applied sanction.

The Supervisory Authority may revoke a license of the insurer who fails to comply with the provision of paragraph one of this Article or persists in its infringement.

## **Chapter III Final provisions**

### **Article 8 – Repealing provisions**

Regulation of the National Bank of Rwanda N° 03/2017 of 22/02/2017 on administrative and pecuniary sanctions applicable to insurers and all prior regulatory provisions contrary to this regulation are repealed.

### **Article 9 – Commencement**

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

## Appendix

### Pecuniary sanctions

Nature of violation		Penalty (Frw)
1.	<p>A private insurer who:</p> <ul style="list-style-type: none"> <li>(i) operates any business other than insurance business unless authorized by law or by the Supervisory Authority;</li> <li>(ii) operates a business contrary to the category the license was issued for</li> <li>(iii) appoint an insurance broker who is not licensed</li> <li>(iv) pays a commission or a fee to an unlicensed insurance intermediary</li> </ul>	4,000,000
2.	<p>A private insurer who:</p> <ul style="list-style-type: none"> <li>(i) fails to keep accounting records in accordance with regulations or fails to keep accounting records at the principal office in the territory of the Republic of Rwanda;</li> <li>(ii) fails to appoint an external auditor;</li> <li>(iii) knowingly obstructs its auditor from carrying out his/her duty of auditing</li> </ul>	1,000,000
3.	Failure to notify to the Supervisory Authority about any material changes in licensing's initial conditions.	1,000,000 per each case of material change
4.	Failure to put in place a written underwriting and pricing policy	1,000,000
5.	Insurer failing to follow its pricing policy and the set premium rates	5% of the minimum paid-up capital

6.	Failure to submit to the Supervisory Authority documents/ reports required by any regulation or directive or submitting an incomplete report or submitting erroneous documents.	50, 000 per day of delay counted from the due date of reporting and per document until submission of required document, a complete report or corrected documents as may be the case.
7.	Failure to notify to the Supervisory Authority change in management and Board of an insurer	500,000 per each change not notified
8.	Failure to apply for approval of appointment of members of Board of Directors and the Management	100,000 per each unapproved member of Board of Directors and the Management
9.	Issuing insurance policy on credit unless acceptable by the supervisory authority	0.5% of premium receivables of every quarter
10.	Failure to comply with restrictions on payment of dividends	20% of dividend distributed
11.	Delay to pay annual supervision fee by licensed insurer	50 000Frw per day of delay
12.	Insurer conducting business outside Rwanda without the prior written approval of the Supervisory Authority	5% of gross premium written on business conducted outside Rwanda
13.	Failure to establish and keep a register of insurance policies	500 000Frw
14.	Failure to prepare financial statements that comply with International Financial Reporting Standards (IFRS)	500 000Frw
15.	Failure to publish audited financial statements	50 000Frw /day of delay
16.	Failure to settle admitted claims on time	5% of admitted claims
17.	Failure to put in place effective measures to deter, prevent,	1000 000Frw

	detect, report and remedy fraud in insurance	
18.	Failure to put in place investment policy investment policy in line with the Supervisory Authority's investment guidelines	1000 000Frw
19.	Investment in derivatives without prior approval of the supervisory authority	500 000Frw
20.	Failing to comply with restrictions on exposure, loans and advances	500 000Frw
21.	Failing to maintain appropriate technical provisions	0.05 % of technical provisions
22.	Failure to maintain adequate reinsurance arrangements in respect of risks insured	1000 000Frw
23.	Failure to implement and submit to the supervisory authority an action plan for implementing all recommendations set out in the inspection report and prudential meeting recommendations within the agreed set deadline.	100,000Frw per day for each recommendation not implemented
24.	Any other violation of a provision of the law governing insurance business and its implementing regulations, directives, instructions and decisions of the Supervisory Authority	A fine of 500,000Frw per each violation