

PIA CIRCULAR NO. 1 OF 2005

October 17, 2005

TO: All Insurance Companies and Insurance Brokers

Re: INSURANCE CREDIT POLICY GUIDELINES

Find hereunder the Insurance Credit Policy guidelines issued to you pursuant to Section 99 of the Insurance Act no. 27 of 1997. These guidelines shall guide players in the market with respect to premium payments with effect from December 1, 2005.

Guidelines

1. Premiums must be paid as they fall due.
2. The broker must pay the premium to the insurer who issued the policy within sixty days of the policy inception date provided that where the insurer and insured have agreed otherwise it shall be stipulated in the contract.
3. A contract of general insurance will incorporate a cancellation condition which stipulates that the policy will be cancelled if the premium is not paid by due date.
4. An insurer who invokes the cancellation conditions shall be entitled to premium for time on risk.
5. An insurer who cancels a policy shall do so in writing to the broker or to the client (for direct business) and shall issue a circular to the Secretariats of the Insurers Association of Zambia and the Insurance Brokers Association of Zambia for onward transmission to all their members detailing the insurance policy so cancelled and the insurance broker or direct insured client involved.

6. No insurer shall accept or issue a previously cancelled insurance policy unless the outstanding premium has been settled to the insurer who issued the original contract of insurance.
7. Every insurer shall furnish the Registrar of Pensions and Insurance with full details of all outstanding premiums not later than twenty one days after the end of each quarter.
8. Any credit period extended to an insured entity shall not exceed 11 months and must be finalised within 21 days of policy inception plus first premium installment. If an insurer delays in confirming the agreement then the first installment shall be deferred by the equivalent number of days.
9. When making premium payments to insurers, brokers shall make reference to the specific policies and debit notes being settled.
10. Where a claim occurs before the cancellation period the insurer shall pay the claim provided that the full premium shall be paid immediately.
11. If a broker at its own volition decides to extend credit to its clients such agreement will in no way derivate from the broker's obligations under the Insurance Act.
12. All insurance brokers shall maintain a bank account at a bank approved by the Pensions and Insurance Authority to be known as the 'client account' into which shall be deposited all premiums received by the broker. Only agreed commissions and charges may be transferred from the client account to the broker's office account.

We are certain that these guidelines will add to standards already formulated for the conduct of insurance business.

Chris M. Mapipo
REGISTRAR OF PENSIONS AND INSURANCE