

CENTRAL BANK OF THE GAMBIA

**GUIDELINE THREE:
NO-PREMIUM NO-COVER**

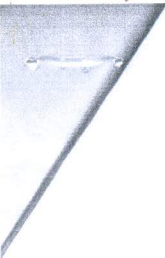
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PREAMBLE

Section 63 (1) of the Insurance Act 2003 states: "The receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium is paid in advance. Section 63 further states: "An insurance premium collected by an insurance broker in respect of an insurance business transacted through the insurance broker shall be deemed to be premium paid to the insurer involved in the transaction."

In order to protect the interest of policyholders and the insurance industry from the negative consequences of outstanding premiums, insurance companies are required to comply with Guideline Three " NO - PREMIUM NO – COVER" to the effect that:

- 1) All insurance covers shall only be on a strict '*no premium no cover*' basis. In essence, insurance companies shall provide cover only after payment has been received, directly by the insurer or indirectly through a duly licensed insurance broker. Any insurer, who grants cover without having received premium, shall be liable to a penalty in the sum of D25, 000 (twenty five thousand Dalasi) in respect of each cover so granted, and or suspension of the license of the Insurer.
- 2)
 - (a) All insurance brokers shall within 72 hours of receiving insurance premium on behalf of any insurer, notify the insurer in writing of receipt of insurance premium. Notification shall be accompanied by the broker's credit notes acknowledging indebtedness to the insurer (or insurers in the case of co-insurance). Upon the receipt of such credit notes, the insurer shall issue cover and forward the policy documents along with the related debit notes to the insurance broker. An insurance broker who fails to notify the insurer of premium received on his behalf shall be liable to a penalty of not less than D15, 000 (fifteen five thousand Dalasi) plus D2,000 (two thousand Dalasi) for each day of default and or suspension of the license of the broker.
 - (b) An insurance broker who under section 53 of the Insurance Act 2003 fails to remit to an insurer any premium collected:
 - (i) Shall pay to the insurer the premium collected and to the Bank, a penalty of ten per centum of the premium collected.
 - (ii) May have its registration as broker cancelled.

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- 3) Where premiums are paid to a lead insurer in the case of co-insurance, the lead insurer shall act as if it were a broker as prescribed in clause 2 of this Guideline. A lead Insurer who fails to notify all co-insurers of premium received on their behalf shall be liable to a penalty of not less than D25, 000 (twenty five thousand Dalasi) plus D2,500 (two thousand five hundred Dalasi) for each day of default and or suspension of the license of the lead insurer.
 - 4) A lead insurer who fails to remit premiums to other co-insurers within 30 days shall be liable to a penalty of 5 times the amount of premium not remitted.
 - 5) Section 53 (1) of the Insurance Act 2003 states: " Where an insurance business is transacted through an insurance broker, the insurance broker shall, not later than thirty days of collecting the premium, pay to the insurer any premium collected by it. " All insurers shall, not later than 30 days from the end of the quarter, notify the Bank of all premiums received by brokers or lead insurers but not remitted. Any insurer who fails to submit returns shall be liable to a penalty in the sum of D2,000 (two thousand Dalasi) for each day of default;
 - 6) All Insurance brokers or lead insurers shall, not later than 30 days from the end of each quarter, submit to the Bank returns of premiums received. Any insurance broker or lead insurer who fails to do so shall be liable to a penalty in the sum of D2,000 (two thousand Dalasi) for each day of default;
 - 7) All remittances by insurers of reinsurance premiums to reinsurers shall be in accordance with the terms and conditions of the reinsurance contract. Evidence of such remittances to reinsurers shall be a condition for determining admissibility of reinsurance debtors in the insurer's financial statement;
 - 8) Penalties imposed shall be disclosed in the annual financial statements for the information of shareholders.
 - 9) The penalties in this Guideline are complementary and not alternative to those in the Insurance legislation.
 - 10) This Guideline shall come into force with immediate effect.