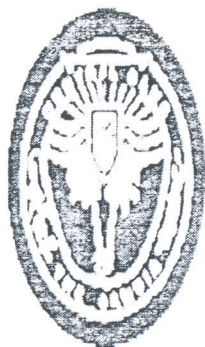


CENTRAL BANK OF THE GAMBIA



GUIDELINE TWO:

GUIDELINES ON MANAGEMENT AND TECHNICAL
SERVICES AGREEMENTS FOR INSURANCE
COMPANIES

MARCH 2015

GUIDELINES ON MANAGEMENT AND TECHNICAL SERVICES AGREEMENTS

1.0 **Preamble**

These Guidelines are issued under the provisions of Section 93 of the Insurance Act 2003 and shall govern the relationship between subsidiary insurers in The Gambia and their parents. And where appropriate these Guidelines apply to insurers that are not subsidiaries.

2.0 **Nature of Relationship**

The parent company shall act at all times as a source of financial and managerial strength to the subsidiary insurer. To that end, all transactions between the parent and subsidiary shall be on arm's length basis.

3.0 **Arm's Length Transactions**

Transactions between a subsidiary insurer and its parents and/or other companies affiliated with the parent organization shall be consistent with safe and sound insurance practices. Accordingly, all transactions shall be at a minimum the same as those offered to non-affiliated companies. This ensures that both parties in the deal act independently and are not subject to any pressure or duress from the other party.

4.0 **Services Rendered By Parent**

The parent organization has the right to utilize resources within the organization or retain any company to provide a service to the subsidiary. However, the cost of the service or product must commensurate with the market value in the local market. Invoices should be sufficiently detailed so that an audit trail is created. If the product/service is not available locally, the cost of such product/service in the parent's market or the market from where the product or service is derived may suffice. The parent organization shall not charge a fixed percentage of pre-tax profit without the prior written approval of the Central Bank of The Gambia (CBG).

5.0 Services Rendered by the Subsidiary

When the subsidiary is providing services to an affiliate or the parent organization the same obligations as detailed in paragraph 4 shall apply. In a situation where the insurer subsidiary provides services to the parent company or an affiliated company, the parent company or the affiliate shall bear the cost.

6.0 Cost Pooling and Appointment

Certain costs are pooled for all affiliated companies. Under such circumstances, the parent shall provide detailed documentation on how the cost is derived to ensure that the subsidiary is not overcharged.

7.0 Salaries and Other Benefits

The parent company may pay expatriates whatever it deems appropriate provided that there shall be no claim for reimbursement from the subsidiary. The subsidiary shall be responsible for the payment of salaries to its staff and those on secondment from the affiliates, but not more than the subsidiary can bear. The parent organization is entitled to supplement local pay and bonuses. Salary, bonuses and allowances shall be subject to the appropriate tax laws of The Gambia.

8.0 Pre-Incorporation Expenses

Pre-incorporation expenses are costs incurred prior to the issuance of an Insurance licence. Such expenses may be capitalized and amortized over a maximum of five (5) years subject to approval by the CBG. Pre-incorporating expenditure shall only be recognized if: (i) it is directly related to the establishment of the insurance company; (ii) is reasonable and does not exceed 20 percent of the start-up capital; and (iii) is approved by the Board of Directors of the subsidiary insurer.

9.0 Board Composition and Appointment of Senior Management

The operations of every insurance company shall be directed by a Board consisting of a maximum of six (6) members. Gambian nationals or foreign nationals legally resident in The Gambia shall form the majority in the Board.

An insurance company must secure the written approval of the Bank prior to the appointment of Board Directors and Senior Management. Senior management means the Managing Director, Executive Director, General Manager, Financial Controller and other persons deemed to hold a position of significant influence. Expatriate staff shall be limited to not more than two except: (i) if the newly established subsidiary obtains special dispensation from the CBG; and (ii) provides an acceptable plan on how it intends to recruit and train local staff to take over from expatriate staff.

10.0 Indemnities

Management and technical services agreements shall be subject to the laws of The Gambia.

11.0 Review of Technical and Management Service Agreements by the CBG

Technical and Management Services Agreements shall be submitted to the CBG for review annually. The CBG shall require the parent and the subsidiary to jointly develop a plan to address and correct practices deemed "abusive" and not to the interest of the subsidiary.

12.0 Disclosure

Insurance Companies are required to disclose all payments in respect of Technical Service Agreements in their financial statements.

13.0 Penalties

Failure to comply with the provision of these Guidelines shall be punishable by: (i) a fine of D1000 per day until such time that the "abusive" practice(s) are addressed and (ii) require the parent institution to repatriate the funds paid by the subsidiary.

14.0 Effective Date

This guideline shall come into force on Thursday April 02, 2015.