Public Notice

Pursuant to the power vested in it under Article 55 (1&2) of Proclamation No 746/2012 as amended under Proclamation No.1163/2019, the National Bank of Ethiopia is planning to issue a prudential directive necessary to supervise a reinsurer.

Accordingly, the National Bank of Ethiopia hereby invites any interested/concerned person to comment on the draft directive within one month commencing from the date on which this notice is posted on its website.

Drop your comments at belayt@nbe.gov.et , or send them via the Post Office to Insurance Supervision Directorate at the P.O.Box No. 5550 .

Licensing and Supervision of Reinsurance Business
Prudential Requirements for Reinsurers
Directives No. SRB/2/2020

Whereas, maintaining solvency of reinsurers is critically important for the maintenance of primary insurers' solvency and consequently it becomes necessary to require reinsurers to comply with financial reporting and regulation;

Whereas, it is necessary to ensure that licensed reinsurers are financially and operationally sound,

Whereas, inappropriate and inadequate retrocession arrangements could expose reinsurers to risks including insecurity, operational, legal, liquidity, and the combination of these and other risks which may affect the reinsurer's financial soundness and reputation, and ultimately contribute to their failure;

Whereas, setting standards to reinsurers with regard to operation and documentation of underwriting, claims management, selection of retrocessionaires, designing of retrocession programs and implementation; review, monitoring and control of the entire operations; and transparent reporting-of risk transfer programs is essential;

Now, therefore, the National Bank of Ethiopia has issued these directives pursuant to the authority vested in it by Articles 5(8) and 64(2) of the Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019.

1. **Short Title**

These directives may be cited as **"Prudential Requirements for Reinsurers Directives No. SRB/2/2020".**

2. Definitions

For the purpose of these directives, unless the context provides otherwise:

2.1. **"admitted asset"** means any property, security, item or interest of a reinsurer recorded in its balance sheet but excluding:

- 2.1.1. an asset that is pledged or mortgaged or charged for the benefit of anyone other than the reinsurer to the extent that it is so mortgaged;
- 2.1.2. deferred expense and prepayments;
- 2.1.3. furniture, fixtures, dead stocks, stationeries... etc;
- 2.1.4. due from reinsurers and ceding companies outstanding for more than one year;
- 2.1.5. preliminary expenses incurred during the formation of the company;
- 2.1.6. unsecured or inadequately secured loans and sundry receivables, if any;
- 2.1.7. computer software, goodwill and other intangible assets;
- 2.1.8. any assets, with an unrealizable character;
- 2.1.9. assets in excess of limits set under Sub-article 5.1.6 of these directives and
- 2.1.10. any other asset the National Bank may consider unrealizable, for reasons of inadequate security or any other justifiable cause that may render such assets non-admissible;

2.2. **"admitted liabilities"** means all liabilities, as reported in the balance sheet including adjustment on it on legitimate grounds of actuarial, accounting, and insurance principles, laws and regulatory requirements;

2.3. **"admitted capital"** means the difference between admitted assets and admitted liabilities;

2.4. **"admitted current assets"** means all assets reasonably expected to be sold, consumed or exhausted through the normal operations of a reinsurer within the fiscal year but excluding non-admitted assets under Sub-article 2.1 of these directives;

2.5. **"admitted current liabilities"** means all liabilities of a reinsurer that are expected to be settled in cash within the fiscal year including adjustments on it on legitimate grounds of accounting and insurance principles, laws and regulatory requirements;

2.6. **"board"** means the board of directors of a reinsurer;

2.7. **"cession"** means that portion of risk which the ceding company transfers to the reinsurer;

2.8. **"ceding company"** means an insurer or reinsurer that cedes part of the insurance or reinsurance it has accepted from an insured to a reinsurer;

2.9. **“cover note”** means a document between the reinsured and the reinsurance broker in which the broker informs the reinsured (its client) of the cover that has been obtained and hence the performance by the broker toward discharging its contractual duty of obtaining a cover;

2.10. **“credit rating”** means evaluation of credit worthiness or financial strength of a reinsurer by. A.M. Best, Fitch, Moody’s, Standard & Poor’s or any other such credit rating agencies acceptable to the National Bank;

2.11. **“due diligence”** means research, analysis and assessment of a reinsurer prior to entering into a reinsurance or retrocession agreement;

2.12. **“due from (re)insurer(s)”** means receivables from (re)insurers arising from reinsurance contracts;

2.13. **“due to (re)insurer(s)”** means payables to (re)insurers arising from reinsurance contracts;

2.14. **“eighths method(1/8th)”** means a basis of estimating unearned premium reserve, based on the assumption that annual policies are written evenly over each quarter and risk is spread evenly over the year or a method of premium reserving that is based on a quarterly accounting frequency;

2.15. **“expected maximum loss (EML)”** means the value of the largest expected loss that could result from an event, assuming the normal functioning of protective features and proper functioning of most (perhaps not all) active suppression systems such as firefighting appliances;

2.16. **“exposure”** means sum insured or the amount of the maximum monetary loss that a reinsurer is liable to pay in respect of a particular risk or series of risks arising out of the occurrence of a certain specified event or events;

2.17. “**exposure retention’”** means part of the sum insured a reinsurer retains for its own net account from a single risk;

2.18. **“facultative retrocession”** means a type of retrocession that gives coverage for exposure(s) of individual risks that fall outside the automatic treaty capacity, scope and risk appetite of a reinsurer. Facultative retrocession is negotiated separately and a reinsurer retains the option to accept or decline each individual risk offered;

2.19. **“financial year”** means the financial year of a reinsurer running from July first of any one year to June thirty of the following year;

2.20. "**fronting**" means an arrangement whereby a reinsurer accepting a risk with the intent of ceding all or most of the exposure or assuming an exposure less than its retention capacity on a given risk;

2.21. **"general insurance business"** means all classes of business other than long-term insurance business;

2.22. **"large or catastrophic exposure"** means one or more related risks, under the reinsurance contract, the consequences of loss of which could be disastrous;

2.23. **"legal reserve"** means part of net profit a reinsurer is legally required to retain to its account;

2.24. **" long-term insurance business"** means

- 2.24.1. life insurance;
- 2.24.2. annuity;
- 2.24.3. pension;
- 2.24.4. permanent health insurance;
- 2.24.5. personal accident or sickness insurance underwritten by the insurer incidental to any of the business as referred to 2.23.1 to 2.23.4 hereinabove; and
- 2.24.6. any other class of business as determined by the National Bank.

2.25. **"margin of solvency"** means the excess of admitted assets over admitted liabilities to be maintained by a reinsurer;

2.26. "**National Bank**" means the National Bank of Ethiopia;

2.27. **"non-proportional treaty"** means a type of reinsurance where the allocation of liabilities between the cedant and the reinsurer is based on claims and not on the sum insured. The reinsurer accordingly undertakes to indemnify the cedant when the amount of claims exceeds a previously agreed amount (the deductible) and up to a maximum limit (the limit of cover);

2.28. **"proportional treaty"** means a type of reinsurance treaty whereby the primary insurer and the reinsurer share liabilities (sums insured), premiums and claims in a clearly defined proportion as described within the underlying treaty*;*

2.29. **"real estate"** means building and/or facility capable of generating investment income, and land acquired for the construction of building and/or development of facility for the purpose of generating investment income;

2.30. **''reinsurance"** means an agreement whereby a person provides insurance to a risk assumed by an insurance company;

2.31. **“reinsurer”** means a person that provides protection through the sale of reinsurance contracts;

2.32. **“reinsurance broker”** means a person that works for the ceding insurer and reinsurer to place its risks with another reinsurer(s);

2.33. **“retrocession”** means the process in which a reinsurer transfers risks it has reinsured to another reinsurer;

2.34. **“retrocessionaire”** means the assuming reinsurer in a retrocession, where the ceding reinsurer is known as the retrocedant;

2.32 **“slip”** means a paper document or an electronic message on which a reinsurer confirms the amount of the risk that it is prepared to underwrite, together, generally, with a summary of the terms and conditions of the reinsurance contract pending the final wording is agreed and signed; and

2.33 **“treaty retrocession”** means an obligatory retrocession arrangement, usually for one year in cases of non-proportional and in continuous mode in the case of proportional treaties subject to prior notice of cancellation, which stipulates the technical particulars and financial terms applicable to the reinsurance of some class or classes of business.

3. Scope of Application

The provisions of these directives shall be applicable to all reinsurers licensed under Insurance Business Proclamation No. 746/2012 and Reinsurance Company Establishment Directives No. SRB/1/2014.

4. General Requirements

A reinsurer shall:

4.1 have a sound retrocession program that at a minimum sets out:

- 4.1.1 purpose and objectives of seeking retrocession and risk diversification;
- 4.1.2 types of retrocession appropriate to each class of business; policy terms and conditions; cession and retention per risk, by line of business and aggregate exposure for the whole company;
- 4.1.3 liquidity requirements taking into account possible mismatch between the payment of claims and the receipt of reinsurance recoveries;
- 4.1.4 appetite for credit risk;
- 4.1.5 selection of retrocessionaires including how to assess their security, automatic underwriting capacity, sufficient scope and continuity;
- 4.1.6 criteria for providing and acquiring facultative covers;
- 4.1.7 transaction tracking system, management, reporting and internal control of the overall retrocession operations;

4.1.8 scope of authority and specification of matters reserved for the Board and management; and

4.1.9 limits on the amount and type of reinsurance that will be automatically covered by treaty retrocession.

4.2 have a sound retrocession program that should be guided by the objectives to maximize retention within the country, develop adequate capacity, secure the best possible protection for the retrocession costs incurred and simplify the administration of business;

4.3 formulate and execute its overall strategic direction of operations including its retrocession program and review them at least once in a year or whenever there have been material changes in the circumstances under which the retrocession contract was concluded;

4.4 put in place appropriate written policies and procedures for its operations, underwriting, accounting, investment and reporting;

4.5 put in place tracking, reviewing, monitoring and controlling mechanisms for its entire operations, as part of the overall internal control, risk management and governance structure, that shall be adequate to ensure that:

4.5.1 operations, risk management, internal controls and reporting at a minimum conforms to respective provisions of these directives;

4.5.2 all underwriting is carried out in accordance with clearly stated policies and procedures;

4.5.3 adequate retrocession cover is in place at all times;

4.5.4 claims are reported to the retrocessionaires and collected timely, followed up and settled in accordance with the retrocession agreement;

4.5.5 for timely settlement of balances due to and from retrocessionaires; and

4.5.6 material deviations from the requirements of these directives are reported to management and the board as identified.

4.6 seek actuarial advices as appropriate to ensure continued soundness of its risk and capital management strategy including at the time it enters into, modifies or terminates a retrocession arrangement;

4.7 perform due diligence on retrocessionaires and reinsurance brokers it transacts business with in addition to the requirements stipulated under Sub-Article 5.2.3 of these directives;

4.8 stipulate and implement procedures and processes to approve, monitor and confirm the placement of each facultative risk which shall be secured before the commencement date of the policy;

4.9 follow procedures for monitoring retention per risk, by line of business and aggregate exposures to ensure that limits or policies or procedures are not breached, including procedures to see that excess concentrations are brought back within the limits or otherwise managed;

4.10 promptly inform the National Bank in writing when it became aware of any retrocession issues, including fall in the credit rating of any of retrocessionaires, that could materially impact its financial condition;

4.11 ensure that retrocession covers, particularly for large and catastrophic exposures, are adequately addressed and determine whether the retrocession arrangements entered into are sufficient to mitigate losses to acceptable levels as prescribed in the retrocession program;

4.12 adhere strictly to the prescription contained in the retrocession treaty for receipts, payments and accounting treatment;

4.13 keep separate accounts in respect of long-term reinsurance business and general insurance business and report on each as per the formats prescribed and forming part of these directives;

4.14. submit to the National Bank:

4.14.1. duly completed and separate semi-annual financial returns and non- financial information in respect of general insurance business, long- term insurance business, in soft copy of plain text and pdf format and hard copy within 30 days after the end of half year in the return formats attached herewith which shall form part hereof; and

4.14.2. annual audited financial statements together with revenue accounts and other supporting schedules within 90 days from the close of the financial year.

4.15. prepare annual and semi-annual financial and non-financial returns in the formats prescribed in these directives.

5 Specific Requirements

5.1. Reinsurance Operations

5.1.1. Statutory Deposit

A reinsurer shall deposit with the National Bank 15% of its paid-up capital in cash or government securities.

5.1.2. Legal Reserve

A reinsurer shall, at the end of each financial year, transfer to its legal reserve account a sum of not less than 10% of its net profit until such reserve equals its paid-up capital.

5.1.3. Technical Provisions

5.1.3.1. **General Reinsurance Business**

A reinsurer at a minimum shall hold technical provisions as follows:

5.1.3.1.1. **Unearned premium provision (UPP) on**

a) gross premium of all:

i. annual policies and short-term policies shall be calculated using 1/8th method; and

ii. long-term polices shall be calculated using 1/8th method on the prorate premium.

b) cession:

i. shall be calculated as per the agreement set out in the retrocession treaty. If the retrocession treaty does not provide such specification, the reinsurer shall use the method stipulated under Sub-Article 5.1.3.1.1(a) of these directives, and

ii. for all non-proportional treaties(excess of loss and stop loss) shall not be applicable unless special agreement has been concluded with the retrocessionaire.

c) net premium

shall be the difference between Sub-Articles 5.1.3.1.1(a) and 5.1.3.1.1(b) of these articles.

5.1.3.1.2. **Outstanding Claims**

a) A reinsurer shall keep and maintain outstanding claims provisions for every insurance and reinsurance arrangement accepted on the basis of loss information advices received from cedants, brokers and where such advices are not received, on an actuarial estimation basis.

b) Provision for claims under litigation or dispute, at the date of reporting, shall be maintained at 100% of the sum insured or amount disputed or limit of liability, as appropriate, plus the actual or estimated legal costs, and shall be reported together with outstanding claims. However, a separate schedule for such claims shall be maintained by the reinsurer for reference and follow-up.

5.1.3.1.3. **Provisions for Incurred But Not Reported (IBNR) Claims**

Provision for incurred but not reported (IBNR) claims shall be 10% of net earned premium or the amount determined by an actuary or the method proposed in writing by an actuary whichever is the higher.

5.1.3.1.4. **Other Technical Provisions on:**

a) Premium:

i. other than that determined in accordance with Sub-Article 5.1.3.1.1 (a), (b) and (c) may be set aside by supporting it through adequate justification and explanation;

ii. shall not be mixed up with unearned premium provision(UPP) and be reported separately and independently as required in the return formats; and

iii. shall be compiled in a separate schedule and delivered to the National Bank upon request.

b) claims:

i. shall not be mixed up with outstanding claims and be reported separately and independently as specified in the return formats;

ii. other than that determined in accordance with Sub-Article 5.1.3.1.2 (a) and (b) of these directives may be set aside against adequate and justifiable explanation; and

iii. shall be compiled in a separate schedule and delivered to the National Bank upon request.

5.1.3.2. **Long-term Reinsurance Business**

5.1.3.2.1. **Unearned Premium Provision (UPP)**

Unearned premium provision for long-term reinsurance business on gross premium, net premium and cession accounts shall either be determined by the method defined by the actuary of the reinsurer for the purpose of quarterly returns or shall be done by the actuary himself/herself/itself for audited accounts purpose.

5.1.3.2.2. **Outstanding Claims**

Outstanding claims on long-term reinsurance business **s**hall be determined as stipulated under Sub-Article 5.1.3.1.2 of these directives.

5.1.3.2.3. **Provision for Incurred But Not Reported Claims**
Provision for incurred but not reported (IBNR) claims for long-term reinsurance business **s**hall be determined in accordance with the method specified under Sub-Article 5.1.3.1.3 of these directives.

5.1.3.2.4. **Other Technical Provisions**
Other technical provisions for long-term reinsurance business **s**hall be determined as stipulated under Sub-Article 5.1.3.1.4 of these directives.

5.1.4. **Margin of Solvency**
A reinsurer shall keep admitted capital that shall not be less than 20% of net written premium of the preceding 12 months.

5.1.5. **Liquidity**
The ratio between admitted current assets and admitted current liabilities shall not fall below 100%.

5.1.6. **Investment of Funds**

5.1.6.1. **Reinsurance Funds**
Reinsurance funds invested in:

5.1.6.1.1. government securities and/or bank deposits shall not be less than 60% of total admitted assets; provided, however, that aggregate deposits (checking, savings and time deposits) held with any one bank shall not exceed 20% of total admitted assets;

5.1.6.1.2. equity shares shall not exceed 10% of total admitted assets;

5.1.6.1.3. real estate shall not exceed 20% of total admitted assets; and

5.2. **Retrocession Operations**

5.2.1. **Retention and Cession Limits**
A reinsurer shall set and maintain prudent limit on:

5.2.1.1. the net amount to be retained per risk, by line of business and aggregate for the whole company. However,

5.2.1.1.1. if the treaty retrocession agreement allows or for clear and justifiable reason(s) the exposure retention exceeds the limit set in accordance with sub-article 5.2.1.1 of these directives, it shall be subject to approval by the Board;

5.2.1.1.2. The limits must, at least, be based on an evaluation of the reinsurer's risk profile and the cost of reinsurance.

5.2.1.2. cessions reflecting security and size of the reinsurer, and

5.2.1.3. the maximum foreseeable amount of reinsurance protection to be obtained from approved reinsurers.

5.2.2. **Aggregate Net Exposure Protection**
A reinsurer shall protect its aggregate net exposure through appropriate reinsurance.

5.2.3. **Use of Credit Rating**
A reinsurer shall transact retrocession business with lead and follower reinsurers having minimum credit rating of at least "A-" and "BB" or equivalent respectively.

5.2.4. **Evidences for Interim Retrocession Arrangement**
Until such time of obtaining retrocession contracts, a reinsurer shall secure duly signed and sealed cover note(s) and/or confirmed slip(s), by respective retrocessionaires, which at a minimum sets out:
5.2.4.1. the risk(s) retroceded;
5.2.4.2. the duration of the coverage;
5.2.4.3. the percentage of risk assumed by each retrocessionaire;
5.2.4.4. the premium or consideration to be paid by the reinsurer;
5.2.4.5. where applicable, any exclusions to terms of coverage; and
5.2.4.6. any standard clauses that are to be relied upon or incorporated by reference into the retrocession contract.

5.2.5. **Retrocession Contracts**
A reinsurer shall conclude final retrocession contracts, including any amendments thereto within 45 days of the effective date of the retrocession coverage. The contract should bear the signature of the duly authorized persons and the seal of both the reinsurer and the retrocessionaire(s).

6. **Accounting Treatment**

6.1. Balances due to retrocessionaire(s) shall be paid or cleared in accordance with the terms and conditions of the retrocession agreements.

6.2. Claims shall be reported to the retrocessionaire(s) in accordance with the terms and conditions of the retrocession agreements.

6.3. Balances due from retrocessionaire(s) shall be collected or settled in accordance with the terms and conditions of the retrocession agreements.

6.4. Balances due to and due from retrocessionaire(s) shall be reported separately in the balance sheet.

6.5. All retrocession transactions shall be reconciled at least once in a year and balances due to and due from, with respect to subsidiary and controlling accounts, shall be clearly documented and reported separately in the interim and audited statements.

7. **Documentation on Retrocession**

A reinsurer shall:

7.1. maintain at all times a sound and up to date and comprehensive retrocession program, policy and procedures;

7.2. document the steps taken to address the adequacy and effectiveness of the retrocession arrangements, particularly for large and catastrophic exposures;

7.3. document the manner in which it determines the exposure retention per risk, by line of business and aggregate for the company, including the assumptions underlying the determination;

7.4. keep summary of the calculation of expected maximum loss(EML), whenever applied;

7.5. maintain documents evidencing the interim retrocession arrangements, such as slip and/or cover note, and retrocession contracts for all classes of business in a timely and orderly manner;

7.6. file with the National Bank any new treaty retrocession arrangement, giving full details, documentation, reasons for such an arrangement together with the approval of the board of directors within 15 days of holding the board's meeting. The reinsurer shall further ensure that the renewal of such a retrocession arrangement coincides with its financial year; and

7.7. maintain complete accounting records, statements and schedules for all reinsurance transactions, direct or inward, at a minimum as specified in the format prescribed.

8. **Submission of Documents to the National Bank**

A reinsurer shall submit to the National Bank:

8.1. soft and hard copies of strategic documents, policies and procedures;

8.2. retrocession program within 30 days before the commencement of the financial year;

8.3. changes made to the strategic document, policies and retrocession program, but in full text, within 15 days after approval by the board;

8.4. its retrocession contract, within 60 days of the commencement of the financial year;

8.5. treaty cover note and/or slip and information on credit rating of lead and follower retrocessionaires together with their share in the reinsurance arrangement, 15 days before the commencement of the financial year; and

8.6. further documents, information or explanations with respect to issues that may be raised in connection with all the provisions under these directives and Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business(Amendment) Proclamation No.1163/2019.

9. **Prohibition**

9.1. A reinsurer shall not accept exposures in excess of its limits of retention unless the necessary retrocession arrangements are in place.

9.2. Fronting is prohibited.

10. **Applicability of Laws**

All other relevant provisions of Insurance Business Proclamation No.746/2012 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019 and directives issued for insurance business shall be applicable.

11. **Effective Date**

These directives shall enter into force as of the… day of ………. 2021.

Annex-1

Definition of Classes of Insurance Business

1. **General Insurance** Business

For the purpose of these directives, classes of general insurance business shall include:

1.1. Accident Insurance

Group or personal accident contracts of insurance that provide fixed pecuniary benefit to a person who sustains injury or death as a result of accident and for whose benefit the contract is made

1.2. Aircraft Insurance

Provides coverage for the loss, or damage to an aircraft, and liability for passengers and third parties, freight transport by air, and any other covers customarily provided under this class of insurance.

1.3. Burglary and House Breaking and Theft Insurance

Insurance against loss of or damage to property caused by theft, burglary, housebreaking or robbery.

1.4. Engineering Insurance

Insurance of various perils arising out of explosion or collapse of boiler & pressure plant; breakdown of electrical or mechanical plant, lifts and cranes; and machinery break down (MBD) and resultant damage to the insured's surrounding property and liability to third parties arising there from. **It** shall also include contracts of insurance in respect of Contractors' All Risks (CAR), Electronic

Equipment Insurance (EEl), Erection All Risks (EAR), and damage to property on site and third party liability arising there from, Loss of Profits following Machinery Breakdown Insurance (LOP), Deterioration of Stock in Cold Storage Insurance Policy (DOS) as well as any other insurance customarily included under this class of insurance.

1.5. Employer's Liability Insurance

Insurance against liability arising out of occupational disease or bodily injury to, or the disability or death of, an employee of the insured occurring as a result of or in the course of employment.

1.6. **Fire Insurance**

Insurance against loss of or damage to the property insured caused by fire, lightning, smoke or explosion due to ignition, and includes sprinkler leakage insurance and extension of cover such as storm, flood, earthquake etc. as well as any other insurance customarily included under this class of insurance.

1.7. **Goods in Transit Insurance**

insurance, other than marine insurance, against loss of or damage to property while in transit or during delay incidental to transit.

1.8. **Liability Insurance**

Includes directors' and officers' insurance, product liability insurance, public liability insurance, professional indemnity insurance and any other liability insurance not specified in other classes as defined herein.

1.9. **Marine Insurance**

Insurance against ship hull, liability arising out of bodily injury to, or the death of, a person or the loss of or damage to property during a voyage or marine adventure at sea or on an inland waterway, or during incidental delay or during transit, otherwise than by water, incidental to such a voyage or marine adventure.

1.10. **Medical Expense Insurance**

Insurance that provides coverage for medicine, visits to the doctor or emergency room, hospital stays and other medical expenses and such other incidental costs.

1.11. **Motor Insurance**

Provides protection against loss of or damage to the motor vehicle and the loss of use of it; and/or against liability arising out of bodily injury to or the death of a person, or loss of or damage to property caused by the motor vehicle or the use or operation of it.

1.12. Pecuniary **Insurance**

Includes:

a) Credit Insurance: insurance against loss caused by the insolvency, default or death of a person to whom credit is given, not being insurance included in or incidental to any other class of insurance;

b) Fidelity Insurance: insurance against loss caused by the unfaithful performance of duties by a person in a position of trust or insurance whereby an insurer undertakes to guarantee the proper fulfillment of the duties of an office;

c) Surety Insurance: insurance whereby an insurer undertakes to guarantee the due performance of any contract or undertaking, or the payment of indemnity for any default;

d) Money Insurance: insurance against loss or damage to cash in safe and/or cash in transit; and

e) Other similar insurances customarily falling under this class of insurance.

1.13**. Others**

Includes other classes of general insurance not mentioned herein above.

2. Long Term Insurance Business

For the purpose of these directives, classes of long term insurance business shall include:

2.1. Term Life Assurance

Term life assurance covers the insured person for a specific period of time, the "term" that is mentioned in the policy. **It** pays an amount of money to a designated beneficiary only when the insured person dies within that specific period.

2.2. Whole Life Assurance

A type of life insurance policy that stays in force for the insured's entire life, as long as the premiums are paid.

2.3. Endowment Assurance

A form of life assurance that provides for the payment of a specific sum directly to a policy holder at the designated date or to his beneficiary should he dies before this date.

2.4. Permanente Health Insurance

A type of insurance coverage that pays for medical and surgical expenses that are incurred by the insured.

2.5. Investment linked insurance

An insurance policy issued by an insurer engaged in long term insurance business of which the amount of the insurer's liability depends on the value of returns from applying the premium in selected investments, but which provide guaranteed benefits on maturity or death of the insured;

2.6. Others

Includes other classes of long term insurances not mentioned herein above