



INSURANCE





The Insurance Industry is part of the Non-Bank Financial Institutions (NBFI) sector.

What is Insurance and its Purpose?

Insurance is a contractual agreement between an insurance company and a policyholder, in which the policyholder makes periodic payments (premiums) in exchange for compensation in the event that the insured risk occurs.

Who Sells Insurance Products and Services?

- a) **Insurer:** is the company (also known as the Underwriter) with which a policyholder enters into an insurance contract. The Insurer is therefore ultimately responsible for honouring the insurance claim in accordance with the policy Terms and Conditions.
- b) **Insurance Broker:** is an intermediary (company) responsible for assisting the potential policyholder to source the best insurance cover from various insurers, in line with the clients' needs. The Insurance Broker also assists clients to process insurance claims.

- c) **Corporate (Insurance) Agent:** is an intermediary (company) that sells insurance products on behalf of a particular insurer. The Corporate Agent represents the interests of the insurer whose products they're selling.
- d) **Individual Representatives:** are individual employees or contracted persons who sell insurance products on behalf of the Insurer, the Broker or Corporate Agent. Individual representatives commonly assist prospective clients to complete related documentation when applying for insurance cover.

Why Should I Take Out Insurance?

Insurance is a service that allows an individual to transfer the cost associated with the occurrence of an unfortunate event to a third party.

Should such an event occur, the insured person can have peace of mind that they are covered financially.

What are the Common Types of Insurance?

i. General Insurance/short-term: A short-term insurance policy provides cover against loss, damage, liabilities and more. An individual pays a premium (either monthly or annually) to an insurance company who in return provides the cover to compensate them when they suffer a loss on insured items.

ii. Long term/ life Insurance: A Life Insurance policy guarantees that the insurer pays a sum of money to named beneficiaries when the insured policyholder dies, in exchange for the premiums paid by the policyholder during their lifetime.





Seven Principles of Insurance

Principles of Insurance provide guidance and facilitate understanding to both the industry players and members of the public. These Principles are:

- 1. Utmost Good Faith:** requires the client to provide full disclosure of requested information to the Insurer to enable an accurate assessment of the risk to be covered. Similarly, the Insurer must disclose all relevant information regarding the Terms and Conditions of the contract.
- 2. Indemnity:** is a guarantee to restore the policyholder to the position they were in before the loss. The Insurer commits to compensate the policyholder for the amount of the loss up to the amount agreed in the insurance contract.
- 3. Subrogation:** subrogation is a legal right that insurers have to pursue a third party that caused an insurance loss to the insured. Third Party Liability Insurance is therefore highly recommended to minimize individual liability.
- 4. Insurable Interest:** a person or entity has an insurable interest in an item/event/action/individual when the damage or loss of the object would cause a financial loss or other hardships to the person.
- 5. Principle of Contribution:** if the insured has taken out more than one policy on the same subject matter, then, according to this principle, the insured can claim the compensation only to the extent of the actual loss either from all Insurers or from any one Insurer. If one Insurer pays the full compensation, then that insurer can claim a proportionate claim from the other Insurers.
- 6. Loss Minimisation:** according to this principle, the insured persons must always try their utmost to minimize the loss of their insured property, in case of uncertain events such as a fire outbreak or blast, etc. The insured must take all possible measures and necessary steps to control and reduce the losses in such a scenario. The insured must not neglect nor behave irresponsibly during such events, on the basis that the property is insured.
- 7. Nearest Cause (causa Proxima):** means that when a loss is caused by more than one cause, the proximate or the nearest or the closest cause should be taken into consideration to decide the liability of the Insurer. This principle states that to find out whether the Insurer is liable for the loss or not, the proximate (closest) and not the remote (farthest) cause must be looked into.



Remember.....

- 1. NBFIRA Licensed:** only purchase insurance policies from service providers that have been licensed by the **Regulatory Authority**. Any unlicensed service provider is operating illegally and must be reported to by the **Regulatory Authority**. If you are in any doubt, review the updated list of licensed entities on the **Regulatory Authority's** website.
- 2. Policyholder Contract Disclosures:** ensure that you understand the penalties for terminating, cancelling or withdrawing your policy.
- 3. Signing of Blank or Incomplete Documents:** make certain that all fields of your insurance forms are completed before you sign.
- 4. Oral Disclosure:** ensure that anything agreed verbally regarding your policy is put in writing.
- 5. T's & C's:** make sure that you clearly understand the Terms and Conditions of your Policy. Do not sign up for something you do not understand.

Consumer Protection – How do I Lodge my complaint with NBFIRA?

The **Regulatory Authority** has a legal duty to protect consumers by promoting Fairness, Efficiency & Orderliness within the Insurance industry.

If you are unsatisfied with the nature and quality of service from a service provider within the Insurance industry or are unable to amicably resolve a dispute, you may escalate your complaint to the **Regulatory Authority** through our Complaints Portal on our website www.nbfira.org.bw.

Refer to our Complaints Procedure on guidelines on how to lodge a complaint.

How is the Insurance Industry Regulated?

The Insurance Industry is regulated by the **Regulatory Authority** using the NBFIRA Act (2016) and the following industry specific legal framework:

- Insurance Industry Act (2015)
- Insurance Industry Regulations (2019);
- Insurance Industry Prudential Rules (Policyholder Protection Rules and the Insurance Intermediary Conduct Rules) (2012)

NBFIRA Ethics Hotline

Have you observed or suspect fraudulent or unethical activities within the NBFI sector or the **Regulatory Authority**? Be part of the solution and make an anonymous report to:

Call on the Toll-Free Number: 16133
Email to: nbfira@tipoffs.com
Website: www.tipoffs.com
Postal address: P.O. Box 448, Gaborone

NBFIRA CONTACT DETAILS

For more information, contact us on:

Private Bag 00314, Gaborone
Physical Address: 3rd floor Exponential
Building, Plot 54351 New CBD, Off PG
Matante Road, Gaborone

Tel: +267 310 2595/3686100
Fax: +267 3102376/3102353
Email: info@nbfira.org.bw
Website: www.nbfira.org.bw

NBFIRA



"NBFIRA... Working Towards Financial Stability"