

CASH BEFORE COVER REQUIREMENTS COME TO AFRICA

As of October 1, 2011, the insurance law that governs in 14 countries in Africa has been amended to include a “cash before cover” requirement. The Inter-African Conference on Insurance Markets (CIMA) operates in the following countries:

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| 1. Benin | 8. Equatorial Guinea |
| 2. Burkina Faso | 9. Gabon |
| 3. Cameroon | 10. Guinea Bissau |
| 4. Central African Republic | 11. Niger |
| 5. Chad | 12. Mali |
| 6. Congo | 13. Togo |
| 7. Cote d’Ivoire | 14. Senegal |

Under CIMA Regulation # 11 001/CIMA/PCMA/PCE/2011 of April 11, 2011, new rules on premium payment and policy inception will apply to most insurance policies in the CIMA zone.

The most important details of the regulation are outlined below.

PREMIUM PAYMENT

The new Article 13 prohibits insurers from subscribing or renewing an insurance policy whose premium is not paid. The effective date of the policy is subject to payment of the premium, without which the insurance policy cannot be made effective.

Notwithstanding the above considerations, a maximum payment period of 60 days from the effective date or renewal date of the policy may be awarded to the insured for policies with premiums exceeding **80 times the annual minimum wage** for each country. As the annual minimum wage for the various countries ranges from about \$700 to \$1200, only premiums in excess of \$56,000 – \$80,000, depending on territory, would be eligible for an extension of 60 days. In order for the 60-day payment period to be put into effect, a written commitment by the insured to pay the premium before the expiration of the period will be required.



The extended payment provision does not apply to Motor, Goods in Transit, or Health insurances, for all of which, premiums must be paid in cash.

In case of non-payment within the agreed period, the policy will be automatically terminated.

Note: if a check or a bill of exchange delivered for payment returns unpaid, the insured is immediately formally required to effect payment within eight working days of receipt of the document or the formal demand notice. At the end of this period, if the bill is not settled, the policy will be automatically terminated.

PREMIUM COLLECTION

Brokers will now be unable to collect premiums, whether annual or partial. Nor can a broker pay out a check or receive checks payable to the broker for insurance premiums. However, to facilitate the administrative management of collections, brokers will be allowed to receive checks paid to the order of the insurers.

This prohibition does not apply to cash payments of less than 1,000,000 (one million) CFA francs (approximately \$2,000) per policy.

IMPLICATIONS FOR MULTINATIONALS

Multinational firms are advised to plan for early payment of premiums for any local insurances purchased in CIMA countries. Receipt of the premium by a global master program insurer is not deemed to be receipt by the local insurer affiliate.

Gras Savoye's extensive African network is present in almost all CIMA countries and able to serve clients throughout the region.

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For further information, please refer to the Gras Savoye/Willis Network Country Manager in the relevant country.

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