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Thirty-First Meeting of the Technical Management
Committee (TMC) on the Yellow Card
Reinsurance Pool

Kampala, Uganda
8 –9 September 2011

**REPORT OF THE THIRTY-FIRST MEETING OF THE TECHNICAL MANAGEMENT
COMMITTEE ON THE YELLOW CARD REINSURANCE POOL**

A. INTRODUCTION

1. The Thirty-First Meeting of the Technical Management Committee (TMC) of the Yellow Card Reinsurance Pool was held from 8th to 9th September 2011, in Kampala, Uganda at Protea Hotel.

B. ATTENDANCE, OPENING OF THE MEETING, ADOPTION OF THE AGENDA AND ORGANISATION OF WORK

Attendance

2. Members of the Technical Management Committee (TMC) from the National Bureaux of Burundi, Kenya, Uganda and Zimbabwe and Djibouti as member and Chairperson of the Council of Bureaux attended the Meeting. The Pool Manager: PTA Reinsurance Company (ZEP-Re), and the COMESA Secretariat also attended the meeting as ex-officio members. The list of participants is attached to this report as Annex II.

Opening of the Meeting (*Agenda item 1*)

3. The Chairperson of the Council of Bureaux on the Yellow Card Scheme, Mr. David Boucher, Commercial Manager, GXA Assurances of Djibouti, welcomed the members of the TMC to the Thirty-First Meeting of the Technical Management Committee. He then called upon the Managing Director of the National Insurance Corporation (NIC) of Uganda (National Bureau of Uganda) to make an opening statement.

4. Mr Sam Njoroge, the Managing Director of the National Insurance Corporation (NIC) of Uganda, the National Bureau of Uganda, welcomed the TMC members and wished them a pleasant stay in Kampala. He recounted the challenges that the National Bureau of Uganda had and informed the TMC of the efforts made in resolving long outstanding claims issues with National Bureaux and the Pool; in establishing a good working relationship with the Insurance Industry and concerned government authorities and in regaining the confidence of the public, during the last seven months since the new management assumed the leadership. He thanked the National Bureaux and the Pool for the support given to NIC and assured that he would resolve outstanding issues if any. The Managing Director invited the participants to find time and visit Uganda 'the Pearl of Africa'. Finally, he wished the TMC fruitful deliberations.

5. Earlier, Mr Berhane Giday, Chief Programme Officer at COMESA Secretariat, joined the Chairperson, in welcoming members of the Technical Management Committee to the 31st TMC, on behalf of the COMESA Secretariat. He thanked the National Bureau of Uganda for having accepted to host the TMC meeting. He acknowledged the efforts made by the new leadership of NIC in addressing old outstanding issues and commended the Managing Director for his able leadership and the staff members for the achievements made and urged them not to relent and assured them the full support of the COMESA Secretariat. He requested the TMC to deliberate upon the agenda items tabled before it and make recommendations to the Council of Bureaux with a view to improving the efficiency of the Pool and the overall operations of the scheme.

Adoption of the Agenda and Organisation of Work (*Agenda item 2*)

6. The meeting adopted the following agenda with amendments:

1. Opening of the Meeting
 2. Adoption of the Agenda and Organisation of Work
 3. Progress Report on the implementation of recommendations of the TMC and decisions of the Council of Bureaux of the Yellow Card scheme
 4. Progress Report of the Pool Managers on the operations of the COMESA Yellow Card Reinsurance Pool
 5. Reinsurance Pool Financial Highlights as at 31st July 2011
 6. Pool Manager's Report and Financial Statements for the year ended 31st December 2010
 7. Draft Dividend Policy
 8. Progress report on the outstanding issues specifically claims that have been handled and settled by other National Bureaux on behalf of the National Bureau of Zimbabwe
 9. Study report on the application of the policy condition on the notification of accident of Yellow Card claims
 10. Providing Yellow Card cover to motorists from non member countries
 11. Date and Venue of the next meeting
 12. Any Other Business
 13. Adoption of the Report and Closure of the Meeting
7. The Committee adopted the following working hours:

Thursday **8th September, 2011**

Morning : 09:00 – 13:00 hours

Afternoon : 14:30 – 17:00 hours

Friday **9th September, 2011**

Afternoon : 16:00 to 17:00 hours Adoption

ACCOUNT OF PROCEEDINGS

Progress Report on the Implementation of the Recommendations of the TMC and Decisions of the Council of Bureaux of the Yellow Card scheme (*Agenda item 3*)

8. The Secretariat presented document No CS/CB/TMC/XXXI/2, Progress Report on the Implementation of the Recommendations of the Technical Management Committee (TMC) and Decisions of the Council of Bureaux on the Yellow Card Scheme. The report provided details

on the progress made since the last TMC meeting. The highlights of the presentation were as follows:

Capacity Subscription

9. The TMC was informed that the National Bureau of Burundi had transferred the total amount of its capacity subscription of US\$100,000 to the Pool on 18th August 2011 and that confirmation of receipt of payment by the bank was being awaited. The meeting was also informed that the National Bureaux of Sudan and Malawi had not paid their subscription to the Pool.

Reimbursement of Capacity Subscriptions

10. On the status of refund of capacity subscription, the TMC was informed that out of the total amount of US\$. 1,050,000 collected, a total of US\$. 800,000 had been refunded to the National Bureaux over the years. The rest US\$. 250,000 would be refunded as per the decision of the Council of Bureaux that refunds should only be made after a two years waiting period upon full settlement of the capacity subscription of US\$.100, 000.

Recommendations

11. The TMC recommended as follows:

- a) The TMC urged the National Bureau of Malawi, which had not made any payments at all and the National Bureau of Sudan that had only made partial payments, to pay their capacity subscription in full;
- b) The Secretariat and the Pool Managers should continue their follow ups with the National Bureaux of Sudan and Malawi and the COMESA Coordinating Ministries to ensure that their financial obligations to the Pool and the Yellow Card Scheme are remitted; and
- c) The Pool Managers should engage the National Bureau of Sudan to off-set the outstanding capacity subscription payable by National Bureau to the Pool with the claim amount payable by the Pool to the National Bureau.

National Stakeholders' Workshops

12. The meeting was informed that pursuant to the decision of the 24th Meeting of the Council of Bureaux, National Stakeholders' workshops were held in Tanzania and Kenya. The meeting was further informed that the Secretariat in conjunction with the COMESA Coordinating Ministry and the National Bureau of Malawi agreed to organize a joint Malawi and Mozambique stakeholders' workshop in November, 2011, with a view to engage Mozambique to join the scheme.

Recommendations

13. The TMC recommended as follows:

- a) National Bureaux should hold at least two workshops annually to sensitize stakeholders, namely: traffic police officers and transporters on the Yellow Card

scheme and familiarize Primary Insurance companies and Agents, with the operations of the scheme;

- b) The Secretariat should provide technical support to National Bureaux organizing stakeholders' workshops; and
- c) National Bureaux should allocate budget for organizing and conducting national stakeholders' workshops.
- d) The Secretariat should propose measures to be adopted on National Bureaux who had not paid their capacity subscription to the RI Pool

Status of Long Outstanding Yellow Card Claims

14. The TMC meeting was informed that most long outstanding claims between National Bureaux reported in the previous meetings had been settled and these include the following:

a) the National Bueaux of Uganda and Kenya:

- i) Susan Mukuma Vs SDV Transami
- ii) Bynkda David & Saijadi Rebecca Vs SDV Transami

b) National Bureau of Tanzania and Kenya:

- i) The National Bureau of Tanzania made a partial payment of US\$25,091 towards the outstanding claims.

c) Claims settled by the National Bureau of Burundi on behalf of the National Bureaux of Uganda, Tanzania, Kenya and Rwanda:

- i) No progress was made since the last 30th TMC meeting.

e) Congo DR and Kenya - SANGE/UVIRA CLAIM

- i) No progress had been made by the National Bureau of Congo DR in providing the necessary claim supporting documentations.

15. In the discussion that followed, the TMC expressed concern on the overall handling of the claim and underscored that the delays might lead to undesirable outcome and urged the Pool Managers to be fully involved in the process of the claims.

Recommendations

16. In order to expedite the claims process, the TMC recommended that:

- a) the Pool Managers jointly with the Issuing National Bureau and/or the lead Reinsurer, if required with legal expert and an interpreter, should mount a mission to DR Congo as soon as possible and by mid October 2011 at the latest to establish the facts and collect the required information and documents and take a position on the claims
- b) The cost of the mission to DR Congo should be considered as part of the cost of claims handling and

- c) The Pool Managers should submit a report on their findings and the position established on the claim to the 25th Meeting of the Council of Bureaux, which will be held from 26th to 28th October 2011, in Nairobi, Kenya.

Progress on the withdrawal of unused Old Cards by National Bureaux

17. The TMC meeting was informed that despite the Secretariat having made several follow ups, only the National Bureau of Uganda had responded of having successfully retrieved all unused old Yellow Card books from their members and destroyed them in their presence.

Recommendations

18. The TMC reiterated its recommendations that:
- a) National Bureaux should ensure that all old Yellow Card books are accounted for and that the outstanding stock be withdrawn from members to ensure that the old Yellow Cards are not being issued; and
 - b) National Bureaux should send reminders to all their members requesting them to hand over all unused old Yellow Card books to their National Bureaux and members who fail to meet this requirement should not be supplied with new Yellow Card books.

2010/2011 Budget Contribution

19. Regarding the budget contribution, the Secretariat informed the TMC meeting that the following three National Bureaux had not paid their contribution to the Budget of the Council of Bureaux and their status of accounts were as show in the table below:

| National Bureau | Outstanding 2010 / 2011budget | Arrears | Total O/S |
|-----------------|-------------------------------|-----------------------|-----------------------|
| DR Congo | US\$30,995 | US\$76,009.04 | US\$107,004.04 |
| Malawi | US\$30,995 | US\$136,936.00 | US\$167,931.00 |
| Sudan | US\$30,995 | US\$86,090.69 | US\$117,085.69 |
| Rwanda | US\$21,464 | - | US\$ 21,464.00 |
| Total | US\$114,449 | US\$299,035.73 | US\$413,484.73 |

Recommendation

20. The TMC recommended that the National Bureaux of Malawi, Democratic Republic of Congo, Rwanda and Sudan be urged to pay their contribution to the budget of the Council of Bureaux at the earliest possible and before the 25th Council of Bureaux meeting.

Progress report on the implementation of the YC-MIS in the Northern Corridor Countries

21. The TMC was informed that no progress was made as the Developer (Modernization Alternatives Ltd) withdrew their services at the time the Secretariat was making preparations to roll out the YC-MIS in the Northern Corridor.

22. The TMC was further informed that preparations were underway to engage a new Consultant with the help of the IT Division of the Secretariat and was hopeful that the YC-MIS would be rolled out in the Northern Corridor before the end of 2011

Recommendation

23. The TMC expressed concern on the delays in the implementation of the YC-MIS and recommended that the Secretariat should in future enter into a contract that would require the recruited IT Firm to reimburse the Secretariat expenses and additional costs incurred as a result of withdrawal from the contract.

Comparison of Yellow Card Rates and Nationally Issued Motor Vehicle Cover

24. The TMC was informed that no progress had been made on the comparison of Yellow Card premium rates with the rates charged on nationally issued compulsory third party motor vehicle insurance cover due to non submission of the requested information by National Bureaux, with the exception of the National Bureau of Kenya, to the Secretariat.

Recommendation

25. The TMC reiterated its earlier recommendation that the National Bureaux should provide to the Secretariat as soon as possible their Yellow card and local third party rates.

Suspected Forged Yellow Cards printed and issued in Tanzania

26. Regarding the reported issue of suspected forged Yellow Cards confiscated and provided to Secretariat by the National Bureaux of Democratic Republic of Congo, Burundi and Rwanda, Secretariat raised and discussed the issues with the National Bureau of Tanzania, the Insurance Supervisory Authority, Traffic Police and concerned stakeholders during the workshop held in June, 2011, in Dar es Salaam, Tanzania. Following the discussions, the workshop recommended urgent measures. The Secretariat and National Bureau (NIC) discussed and agreed on the immediate implementation of the measures recommended as follows:

- i) Engage Transporters' Association, Traffic Police and Association of Tanzania Insurers (ATI) to involve them in the fight against the printing and use of forged Yellow Cards;
- ii) Conduct awareness workshops, jointly with ATI, for Transporters/Drivers, Traffic Police, Customs Officers and the Insurance Officers and other stakeholders to educate them on the implications of using forged Yellow Cards;
- iii) Put up posters and adverts at key border posts including in Tunduma, Namanga, Sirary and Kasumula; and
- iv) Advertise on T.V, Radio and newspapers to caution the public against using fake Yellow Cards.

Recommendation

27. In order to address the issue of motorists buying Yellow Cards across the borders and to minimize the circulation of forged cards, the TMC recommended as follows:

- a) National Bureaux should hold workshops on the Yellow Card scheme to sensitize Agents, Customs Officers, Traffic Police officers and Transporters at border posts; and
- b) National Bureaux should periodically review their Yellow Card Premium rates to be compatible with rates of other National Bureaux.

Progress on the Printing of Yellow Card Books and Promotional Materials

28. Regarding the activities of printing of Yellow Card books and promotional materials, recommended by the 30th TMC, the TMC was informed that the following progress was made:

- i) The Printer (TAWS) was advised of the new printing arrangement and National Bureaux are now able to make direct orders for supply of Yellow Card books upon remittance of the printing and delivery costs to the Printers; and
- ii) The artworks for the promotional materials (Posters) were designed and submitted for proof reading by the Secretariat.

Recommendations

29. The TMC reiterated its recommendation that

- a) the Secretariat should supply any future orders for promotional materials on the Yellow Card scheme to National Bureaux on request and on a cost recovery basis;
- b) The National Bureau of Kenya should assist the Secretariat in making follow ups on the printing and delivery of Yellow Cards and promotional materials; and
- c) The Secretariat should provide the designed artwork of the promotional materials to the National Bureau of Kenya for proof reading, comments and follow up with the Printers.

Progress Report of the Pool Managers on the Operations of the COMESA Yellow Card Reinsurance Pool as at 31st July 2011 (Agenda item 4)

30. The Pool Managers presented document number CS/CB/TMC/XXXI/3, a progress report on the operations of the COMESA Yellow Card Reinsurance Pool as at 31st July, 2011 and the highlights of their presentation were as follows:

a) Premium returns

31. On the premium returns, the TMC was informed that the premium booked by the Pool for the period under review was US\$.3, 190,486.67 as compared to US\$.1, 511,566.67 in 2010. The Pool Manager's 30% share was US\$.957, 146 as compared to US\$.453, 470 as at July 2010. The marked increase of 111% was mainly attributed to the National Bureau of DR

Congo's submission of outstanding returns for the period January 2004 to August 2010. The TMC also noted that returns were not submitted by the National Bureaux of Eritrea, Sudan and Malawi. The summary of returns submitted by each National Bureau compared to the same period last year is show in Annex I.

b) Premium Remittances

32. During the period under review, premium remitted to the Pool for returns processed and confirmed as at 31st July 2011, was US\$1,062,904.00 and the 30% of the total booked premium for the period was US\$957,146.

c) Claims

33. With regard to Claims Bordereaux, the Pool Managers reported that some National Bureaux submitted their claims late and without supporting documents and thereby making recoveries from Excess of Loss Reinsurance Treaty difficult. The position of claims returns submitted to the Pool and details of large claims are shown in table 2:

d) Claims intimations below US\$10,000

34. The Pool received several claims intimations and the sum owing to the Pool as at 31 July 2011 amounted to US\$ 359,681 (US\$ 130,058 in July 2010).

e) Inter-Bureaux claims processed through the Clearing house

35. The TMC was informed that details of inter-bureaux claims were forwarded to the Pool, who in return had reimbursed the handling National Bureau for the same as shown in table 1 below. The TMC also noted that the Pool Managers had received 57 claims of USD 232,193 which were under process for reimbursement.

Total Inter-Bureaux Claims Paid (through the Clearing House) to date

Table 1

| Issuing Bureau | Handling bureau | No of claims | Amount in US\$ | % |
|----------------|-----------------|--------------|-------------------|-------------|
| Ethiopia | Djibouti | 328 | 510,317.82 | 61.87% |
| Uganda | Rwanda | 17 | 76,615.00 | 9.29% |
| Kenya | Uganda | 13 | 69,178.29 | 8.39% |
| Rwanda | Burundi | 24 | 56,527.47 | 6.85% |
| Rwanda | Uganda | 7 | 21,916.00 | 2.66% |
| Kenya | Rwanda | 4 | 17,904.22 | 2.17% |
| Uganda | Kenya | 4 | 16,672.71 | 2.02% |
| Uganda | Burundi | 3 | 11,879.71 | 1.44% |
| Tanzania | Kenya | 3 | 9,790.93 | 1.19% |
| Ethiopia | Sudan | 1 | 9,500.00 | 1.15% |
| Tanzania | Burundi | 2 | 8,744.36 | 1.06% |
| Zambia | Kenya | 1 | 7,292.25 | 0.88% |
| Rwanda | Kenya | 1 | 4,994.46 | 0.61% |
| Kenya | Malawi | 1 | 2,209.52 | 0.27% |
| Burundi | Uganda | 1 | 1,295.26 | 0.16% |
| Total | | | 824,838.00 | 100% |

f) Claims intimations above US\$10,000-Large claims

36. The TMC was informed that the total claims reported to date accrued to US\$.7, 653,786.88 out of which US\$.2, 353,203.58 would be retained for the Pool's net account. The TMC also noted that the amount recoverable from the Reinsurers was US\$. 5,265,795.59. The details of large claims reported to the Pool since inception to date is shown in table 2 below:

Table 2 Figs in US\$

| STATUS | TOTAL | RETAINED | RETRO |
|---------------|---------------------|---------------------|---------------------|
| Outstanding | 4,653,296.15 | 1,173,222.73 | 3,470,912.42 |
| Settled | 3,000,490.73 | 1,179,980.85 | 1,794,883.17 |
| TOTAL | 7,653,786.88 | 2,353,203.58 | 5,265,795.59 |

37. The TMC was informed that the National Bureau of Ethiopia and Kenya, each generated 38% of the total claims followed by the National Bureau Rwanda with 10.% and that the three National Bureaux accounts to 86% of the total Yellow Card claims in the COMESA region.

Proposed changes

38. Taking into account lessons learned over the years and current developments and with a view to address operational challenges and enhance the efficiency of the Pool and the overall operations of the Yellow Card scheme, the following proposals were submitted:

A. The Pool to fully absorb the cost of Common XL Protection

39. The Pool Managers recalled the recommendation of the 30th Meeting of the TMC that the Pool Manager should submit a report to the 31st Meeting of the TMC on how the Pool should fully absorb the excess of loss premium, as over the years the National Bureaux had not been able to collect members' share of the XL Treaty. The Pool Manager explained that, currently the Pool absorbs only the 1st layer of the excess of loss premium, while members bear the 2nd & 3rd layers. However, since the inception of the Pool, members had not settled the amounts of excess of loss premium due from them. This led to the accumulation of US\$ 853,247 as at 31st December 2010 and a bad debts provision of US\$ 748,108 was provided for.

40. In order therefore, to address the issue, it was proposed that the Pool absorbs the retrocession premiums on all the layers, namely: 1st layer, 2nd and 3rd layer in exchange for reduction in the premium commission. This saving from the payment of commission would assist the Pool to cover the cost for all the layers as shown below:

- a) The cost for the 2nd & 3rd Layers in year 2010 and year 2011 was; US\$ 105,139 and US\$ 125,460 respectively.
- b) 30% premium ceded to the pool in 2010 : 1,571,314
 - i) 10% commission: 2010 premium : \$157,131
 - ii) 8% commission: 2010 premium \$125,705
- c) The above illustration shows that the cost of 2nd and 3rd layers in 2011 was UD\$125,406, which is equivalent to 8% premium commission of \$125,705

41. In order therefore, for the Pool to fully absorb the cost of the Common XL Protection, members should reduce the commission charged on premium from the current 10% to 2%.

Recommendation

42. Taking into account the challenge of National Bureaux in collecting the accumulated Excess of loss premiums due from member for the 2nd and 3rd Layer over the years, the TMC recommends to the Council of Bureaux the following:

- a) the commission rate payable to primary insurers on the 30% cession to the Pool be reduced from 10% to 5%, with effect from 1st January 2012;
- b) the Reinsurance Pool of the Yellow Card scheme should absorb the total premium for the common excess of loss treaty, with effect from 1st January 2012;
- c) National Bureaux should collect and settle in full total Excess of Loss premium due from their members up to 31st December 2011;
- d) The Pool Manager should review the commission rate payable to the members of the national bureau every two years taking into account the cost of the Common XL treaty arrangement and 30% total premium cession to the pool; and
- e) The Pool Managers should prepare a brief of the benefits of the revised common XL cover arrangement and circulate to the National Bureaux for them to explain the new arrangement to their members.
- f) The Pool Managers should submit a progress report which give a picture of the status of operations since the last TMC meeting in comparison to the preceding period and the same period last year with a detailed current figures and breakdowns covering all activities that would enable the TMC to review the progress and guide the overall operations

Increase in the number and cost of small claims- Franchise

43. The TMC was informed that retrocession placement was and had been a major issue in the Yellow Card operations. The TMC was further informed that during the years there had been a tremendous growth in premium and claims. It was pointed out that claims amounts had increased due to inflation and other reasons. To address the issues, the Pool Managers had restructured the Reinsurance programme in January 2008 by increasing the franchise to USD 15,000 up from USD 10,000. However, this had not eased the financial pressure on the Pools' own account (that is in excess of \$10,000 up to \$15,000)

44. Therefore, taking into account the increase in cost of claims since 1998: the inception of the Reinsurance Pool as demonstrated in table 3 below, it is necessary to review the limit of small claims borne by the Issuing Bureaux from a franchise of US\$ 10,000 to a franchise of US\$ 15,000.

Table 3

| INSURED | PRIMARY INS. CO. | ISSUING | CLAIM REF | HANDLING | TOTAL CLAIM | RETENTION |
|-----------------------|------------------|----------|-------------|----------|-------------------|-------------------|
| Nsereko Teddy | Sonarwa | Rwanda | PTA/2008/41 | Uganda | 10,385.21 | 10,385.21 |
| Akida PLC | | Ethiopia | | Djibouti | 13,039.50 | 13,039.50 |
| East-West Ethio Trans | | Ethiopia | C08 - 00029 | Djibouti | 13,096.67 | 13,096.67 |
| Aselef Getachew | Awash | Ethiopia | C08 - 00057 | Djibouti | 13,039.50 | 13,039.50 |
| Timret Freight Trans. | | Ethiopia | C08 - 00077 | Djibouti | 13,039.20 | 13,039.20 |
| Endris Mohammad | | Ethiopia | C08 - 00068 | Djibouti | 13,096.67 | 13,096.67 |
| Kemal Abdalla | | Ethiopia | C08 - 00082 | Djibouti | 13,039.20 | 13,039.20 |
| Tikur Abay Transport | Africa | Ethiopia | C08 - 00098 | Djibouti | 13,039.50 | 13,039.50 |
| Comet transport | | Ethiopia | C08 - 00101 | Djibouti | 13,039.20 | 13,039.20 |
| Kasmabelle Plc | United | Ethiopia | C08 - 00099 | Djibouti | 13,039.50 | 13,039.50 |
| Shebelle Transport | EIC | Ethiopia | C09 - 00039 | Djibouti | 13,039.50 | 13,039.50 |
| Trans Ethiopia Share | Africa | Ethiopia | C09 - 00021 | Djibouti | 14,547.71 | 14,547.71 |
| Giorgis Girmay | Awash | Ethiopia | C09 - 00032 | Djibouti | 13,039.50 | 13,039.50 |
| Hadji Ahmed Yesuf | EIC | Ethiopia | C10 - 00001 | Djibouti | 13,039.50 | 13,039.50 |
| Ato Ashenafi Yami | United | Ethiopia | | Djibouti | 13,039.50 | 13,039.50 |
| Ato Lulie Asresse | NIB | Ethiopia | | Djibouti | 13,039.50 | 13,039.50 |
| Orchid Business Group | Awash | Ethiopia | C10 - 00038 | Djibouti | 13,039.50 | 13,039.50 |
| | | | | | 220,638.86 | 220,638.86 |

Recommendation

45. After some discussion, the TMC agreed to recommend to the 25th Meeting of the Council of Bureaux that the limit of small claims borne by the Issuing Bureaux be reviewed from a franchise of US\$ 10,000 to a franchise of US\$ 15,000 with effect from 1st January 2012.

Pool Managers Report and Financial Statement as at 31st of July 2011 (Agenda item 5)

46. The TMC was informed that for the period under review the Pool had recorded a gross premium income of US\$ 957,146 representing an increase of 111% over the figure reported by the 31st July 2010, which was US\$453,479. Table 4 below shows the highlights of the developments specifically the Gross premium Income, Reserve Fund, Total Assets, Capacity Subscription and Short term Investments as at July 2011.

47. The financial highlights are as shown below:

Table 4

| | July 2011 US\$ | Growth % | July 2010 US\$ | Growth % | June 2009 US\$ |
|----------------------|-------------------|-------------|-------------------|-------------|-------------------|
| Gross premium income | 957,146 | 111.1 | 453,470 | 62.4 | 279,145 |
| Reserve fund | 4,441,463 | 0.1 | 4,436,652 | 2.6 | 4,325,510 |

| | | | | | |
|------------------------|-----------|--------|------------|------|-----------|
| Total assets | 6,581,065 | 6.8 | 6,162,161 | 7.3 | 5,740,967 |
| Capacity subscription | 250,000 | (16.7) | 300,000.00 | - | 300,000 |
| Short-term investments | 3,907,704 | 3.0 | 3,793,725 | 29.5 | 2,932,269 |

Investments

48. The TMC was informed that the volume of investments during the period ended 31st July 2011 rose to US\$ 3,907,704 from US\$ 3,793,725 in 31st July 2010. This was mainly due to increased remittances from member National Bureaux. The investment portfolio spread was as follows:

Table 5

| INSTITUTION | INVESTMENT | July 2011 | July 2010 |
|---------------------------|----------------|------------------|------------------|
| | | US\$ | US\$ |
| PTA Bank | Fixed deposits | - | 1,385,294 |
| Kenya Commercial Bank | Fixed deposit | - | 887,128 |
| KCB Rwanda | Fixed deposits | 98,453 | - |
| Government of Kenya | Treasury Bills | 681,795 | - |
| Commercial Bank of Africa | | 2,020,576 | 1,110,477 |
| Stanbic Investment Bank | Fixed deposit | 1,106,881 | 410,826 |
| Total | | 3,907,704 | 3,793,725 |

Income from Investments

49. The TMC was informed that the Pool had realized an income of U\$94,879 as at 31st July 2011, from the investments they had made compared to US\$ 94,083 recorded in the same period last year.

Recommendation

50. The TMC recommended that the Pool Manager should review the the Investment Policy to indicate the limit of exposure of the Pool funds invested at any one institution or instrument tool.

Pool Managers Report and Financial Statements for the Year Ended 31st December 2010 (Agenda item 6)

51. The Pool Managers presented the audited report and accounts for the Year ended 31st December 2010, as required under Article 6, of the Constitution of the Yellow Card Reinsurance Pool. In their presentation of the report, the Pool Managers provided highlights the Pool Income Statement, Cash flow Statement and the Pool Balance Sheet among other items.

Management letter

52. The Pool Managers further presented the Management letter from the External Auditors: Deloitte & Touche addressed to the Technical Management Committee on certain matters which they identified during their audit of the financial statements.

Recommendations

53. The Committee considered the issues identified by the External Auditors which included performance rating on areas reviewed, underwriting income completeness, continuous increase in receivables, unallocated receipts in receivables, submission of monthly reports and lack of awareness of the existence of Yellow Card by the General public and recommended as follows:

- a) the Auditors observation that the Pool debtors had a continuous increase from the previous year is not correct and should be revised to reflect the correct picture;
- b) the observation on lack of awareness of the existence of the Yellow Card by the general public is unsubstantiated and should be removed;
- c) the recommended implementation dates for action should be specific;
- d) the Secretariat should implement the YC-MIS without further delays, among others, to improve communication among members and the Pool and oversee the printing and issuing of Yellow Cards by primary insurance companies;
- e) the Pool Manager should implement the decision of the Council of Bueaux to increase collection of the outstanding debts from members; and
- f) the Pool Manager should ensure, without delay, that all receipts from the National Bureaux are matched with the relevant debit note and report the progress made to the 25th Meeting of the Council of Bureaux which will be held on 26- 28 October 2011, in Nairobi, Kenya.

Recommendations

54. The Committee received the External Auditors Report, namely the Annual Report and Accounts as at 31st December, 2010, and agreed to recommend to the Council of Bureaux as follows:

- a) The retired Auditors: Deloitte & Touche, whose contract expired, in 2010, be extended for further period of one year and at a fees US\$5,000;
- b) The Pool Managers should assist the Secretariat in the process of selection and appointment of the Pool's External Auditors for the period 2012, and
- c) the audited accounts be submitted for consideration and approval by the Council of Bureaux, as provided in Articles 6 item 4(d) and (f) of the Constitution of the COMESA Yellow Card Reinsurance Pool.

55. The TMC further recommended as follows:

- a) the TMC noted that US\$18,598 profit was recorded for the year 2010 and directed that the Pool Managers to liaise with the Auditors on the bad debtors provisions made for excess of loss premium due from members taking into account the measures recommended by the 31st TMC to address the issues;
- b) the TMC noted with concern the high amount of loss ,US\$368,000 on exchange rates and urged the Pool Managers to take necessary measures to address the issue;
- c) the Pool Managers should submit a detailed report to the 25th Meeting of the Council of Bureaux explaining how the loss on currency exchange rates stated in item b) above was incurred and

- d) the TMC recommended that the remuneration of the Pool Managers be revised taking into account the following factors into account:
- i) the gross premium written;
 - ii) the profitability of the Pool; and
 - iii) the returns achieved on investment being managed by the Pool.

Draft Dividend Policy (*Agenda item 7*)

56. The Pool Managers introduced document No CS/CB/TMC/XXXI/4: Draft Dividend Policy. The Manager recalled the recommendation of the TMC that there was need to come up with a basis for allocation of dividend to members and explained the proposed criteria for allocation of dividend among the members.

Recommendation

57. In the discussion that followed, the TMC recommended that the draft dividend policy should be further reviewed taking into account the following criteria for allocation of dividend to member National Bureaux during the period under consideration and present the document to the 25th Meeting of the Council of Bureaux which will be held on 26-28 October 2011, in Nairobi, Kenya:

- a) Premium contribution by each National Bureau
- b) Premium settled by each National Bureau
- c) Loss ratio of each National Bureaux

58. The TMC further recommended that higher weighting points should be given to premium settled, followed by premium contribution and then claims ratio.

Progress Report on the outstanding issues specifically claims that have been handled and settled by other Bureaux on behalf of the National Bureau of Zimbabwe (*Agenda item 8*)

59. The representative from the National Bureau of Zimbabwe presented document number CS/CB/TMC/XXXI/7, Progress Report on the outstanding issues specifically Claims that have been handled and settled by other Bureaux on its behalf.

60. The TMC Meeting was informed that follow ups were made with respective National Bureaux and the progress made was as below:

a) R/I Pool

61. On the claims reimbursement amounting to US\$3,422 due to the Pool, the Pool Managers could not provide supporting documents to enable the National Bureau of Zimbabwe to effect reimbursement. No other liabilities had been advised to them as outstanding by the Pool Managers.

b) Zambia National Bureau

62. The TMC noted that a visit was conducted by the National Bureau of Zimbabwe to the National Bureau of Zambia and invoices were obtained in respect of claims paid on their behalf. The TMC further noted that:

- i) The National Bureau of Zimbabwe reimbursed the National Bureau of Zambia of a total of \$31,805.71 (including handling fees) relating to 12 claims settled on their behalf. A total of US\$3,804 was deducted from their reimbursement dues being settlement in respect of 4 claims settled by the National Bureau of Zimbabwe on behalf of the National Bureau of Zambia.
- ii) The National Bureau of Zimbabwe had in their records a total of 14 outstanding claims relating to the 2010 period and before. However, the National Bureau of Zimbabwe had advised the National Bureau of Zambia not to process any of these claims as the book from which the cards were issued was reported having been stolen.

c) Malawi National Bureau

63. Only two claims were reported by the National Bureau of Malawi as claims handled on behalf of the National Bureau of Zimbabwe and one claim was settled and the other one was still outstanding. The TMC also noted that, despite several reminders to Malawi requesting them to provide with the documentation for reimbursement, nothing has been supplied.

d) Other National Bureau

64. The TMC further noted that no other National Bureaux had informed them of having settled or handling any claim on their behalf.

Recommendation

65. The TMC noted the report and recommended to the Council of Bureaux that since the Pool Managers had not provided supporting documents to enable the National Bureau of Zimbabwe to effect reimbursement, the claims amount of US\$3,422 shown in the statement be written off.

Study Report on the Application of the Policy Condition on the Notification of Accident of Yellow Card Claims (Agenda item 9)

66. The Secretariat presented document No CS/CB/TMC/XXXI/5, Study Report on the Application of the Policy Condition on the Notification of Accident of Yellow Card Claims. The TMC was informed that the third party insurance policy just like any other general insurance policies carried operative clauses and conditions that governed the admissibility of any claim. The accident notification condition was one of the insurance policy conditions that needed to be adhered to by the insured. Non compliance of the accident notification condition may render the claim to be repudiated by the insurers and hence making the condition to be a condition precedent to any claim being admissible.

67. Since the Yellow Card insurance cover is an extension of prime policy, it should follow all the terms and conditions applicable to the policy cover and the legal provision of the compulsory third party motor insurance of the visited countries as provided in the protocol.

68. Regarding the general policy condition applicable on general motor policies in the region, the meeting noted that out of the thirteen member countries requested to provide motor policy specimens on notification condition, only eight countries provided their specimen policies.

The finding from the analysis of the data collected on policy condition of notification as shown in table 6 below:

Table 6

| S/N | Country | Applicable Condition |
|-----|----------|--|
| 1. | Zimbabwe | As soon as possible & within 30 days of occurrence of accident |
| 2. | Uganda | As soon as possible |
| 3. | Zambia | As soon as possible |
| 4. | Uganda | As soon as possible |
| 5. | Rwanda | As soon as possible |
| 6. | Malawi | As soon as possible |
| 7. | Tanzania | As soon as possible |
| 8. | Kenya | As soon as possible |

Recommendations

69. The TMC recommended as follows:

- a) The Yellow card should follow the applicable accident notification condition of the prime policy and the provisions of the compulsory third party motor vehicle insurance of that particular member country in which the incident would have occurred;
- b) Member insurance companies selling yellow cards to embark on awareness campaigns to sensitize the drivers, insured and/or their legal representatives to comply with the need to notify the handling Bureau in the country the incident would have taken place or occurred;
- c) Print the notification condition and attaching a copy to each and every Yellow Card sold during issuance;
- d) The Secretariat should consider the possibility of reflecting the Notification Condition on the Card and
- e) Issuing Bureaux to promptly report the accident to the handling Bureaux immediately such accidents are reported directly to them as stipulated in the operations manual.

Providing Yellow Card Cover to non COMESA member Motorists visiting the COMESA Region (Agenda item 10)

70. The Secretariat presented document number CS/CB/TMC/XXXI/6, providing Yellow Card cover to non COMESA member motorists visiting the COMESA Region. The TMC was informed that the Yellow card Scheme had undergone some several changes and improvements during the years. One of the changes made was to allow National Bureaux to issue Yellow Cards to motorists coming from non member countries visiting the COMESA region. The TMC noted the challenges and opportunities in issuing of Yellow Card covers to non COMESA member states, which included the business opportunities, requirement of prime policy to obtain Yellow card cover, possibility of Issuing Yellow card as a standalone cover and lack of Agents in many border posts that sell Yellow cards

71. The meeting was further informed that the National Bureau of Zimbabwe had recently engaged an insurance agent namely Association of Automobile (AA) to issue Yellow Cards to non COMESA member motorists visiting the COMESA region.

72. In the discussion that followed, the National Bureau of Zimbabwe informed the TMC that they had engaged the Revenue Authority of Zimbabwe (ZIMRA) to issue the Act cover at the border posts on behalf of the Insurance market in return for a consideration. The TMC was further informed that the premium income generated monthly from such was high and that the premium and claims were paid from the Pool. The profit generated by the Pool was shared equally amongst the member insurance companies in the market.

Recommendations

73. Taking into account the effort made by the National Bureau of Zimbabwe and with a view to advance the initiative, the TMC recommended as follows:

- i) The National Bureau of Zimbabwe should convene a Tri-party meeting of COMESA Secretariat, AA and ICZ in mid October 2011 to discuss the issues and develop a draft terms of engagement and submit the draft to the 25th Meeting of the Council of Bureaux which would be held from 26 – 28 October 2011, in Nairobi, Kenya for consideration;
- ii) National Bureaux / Primary insurance companies should issue Yellow cards to motorists from countries that are not party to the scheme, in conformity with the provisions of the protocol, the Inter- Bureaux agreement and the operations manual;
- iii) National Bureaux should establish or appoint or designate Agents at their busiest border posts to issue Yellow Cards to cross border motorists; and
- iv) National Bureaux should organize workshops on the operation of the Yellow card for insurance Agents to enhance their knowledge and promote the scheme.

74. The TMC further recommended that National Bureaux should emulate the Insurance Industry of Zimbabwe and explore the possibilities of engaging the Revenue Authorities to issue Yellow cards and the local cover at the border posts in return for payment of commission.

Date and Venue of the next meeting (Agenda Item 11)

75. The Secretariat will consult with National Bureau of Tanzania and communicate to members on the date and venue of the next TMC.

Any Other Business (Agenda item 12)

76. On any other business, the Chairperson brought to the attention of the meeting of the new legislation that had been passed in Ethiopia with regards to third party compensation limits. He informed the meeting that the new limits were too low and feared that this would negatively impact on the sales of Yellow Cards in Djibouti as motorists traveling to Ethiopia once involved in accidents would be requested to pay any excess over the limits provided under the new legislation.

77. In the ensuing discussion, the meeting was informed that the problem of low limit of liability for third party compensation was also a challenge in other member countries including e

Uganda and Malawi. The meeting was further informed that a preliminary study had been conducted on the harmonization of the third party motor vehicle insurance laws of Member States by a consultant from Uganda and Zimbabwe. However, the study had not been finalized and validation workshop was not held due to unavailability of funds.

78. The delegates from the National Bureau of Zimbabwe reiterated that such challenges of low third party compensation limits would impact negatively in building the confidence of the Inter border motorists in the use of the Yellow Card insurance cover.

Recommendation

79. The TMC recommended that the Secretariat should explore measures to address the issue of low limits of third party liability and report to the next TMC.

Adoption of the Report and Closure of the Meeting (*Agenda item 13*)

80. The Meeting considered the draft report paragraph by paragraph, and adopted the report after making some amendments.

81. The representative of the National Bureau of Zimbabwe, Mr. Charles Madziva, Chief Executive Officer, SFG Insurance gave a vote of thanks on behalf of the delegates. Mr Madziya thanked the National Bureau of Uganda for their warm welcome and hospitality. He thanked the Secretariat for organising the meeting and the Chairperson for the able manner in which he conducted the deliberations of the meeting.

82. In closing the meeting, the Chairperson David Boucher, Directeur Commercial, GXA Assurances thanked participants for their contributions.

Annex I**PREMIUMS RETRUNS SUBMITTED BY NATIONAL BUREAUX AS AT 31 JULY**

| Country | 2011 | | 2010 | | Increase in premiums |
|--------------|--------------|-------------------|-------------|----------------|----------------------|
| | Returns | Premiums | Returns | Premiums | |
| DRC | June, 2011 | 267,030.00 | March, 2010 | - | 267,030.00 |
| Ethiopia | June, 2011 | 148,854.00 | April, 2010 | 112,232.00 | 36,622.00 |
| Zimbabwe | March, 2011 | 142,817.00 | March, 2010 | 29,261.00 | 113,556.00 |
| Kenya | May, 2011 | 137,907.00 | March, 2010 | 149,630.00 | (11,723.00) |
| Tanzania | March, 2011 | 101,342.00 | None | - | 101,342.00 |
| Uganda | May, 2011 | 58,050.00 | None | 47,578.00 | 10,472.00 |
| Zambia | March, 2011 | 42,467.00 | March, 2010 | 68,368.00 | (25,901.00) |
| Rwanda | Feb. 2011 | 23,398.00 | None | 12,141.00 | 11,257.00 |
| Burundi | None | 17,925.00 | None | 9,784.00 | 8,141.00 |
| Djibouti | May, 2011 | 17,356.00 | March, 2010 | 23,406.00 | (6,050.00) |
| Malawi | None | 0.00 | None | 1,070.00 | (1,070.00) |
| Sudan | None | 0.00 | None | - | - |
| Eritrea | August, 2010 | 0.00 | none | - | - |
| Total | | 957,146.00 | | 453,470 | 503,676 |

Annex II

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LISTE DE PARTICIPANTS****BURUNDI**

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