



# Liberalization of Insurance Sector in Democratic Republic of Congo: New Dimensions

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**Liberalisation of the Insurance Industry in the Democratic of Congo is now a fact. The new Insurance Law of the Democratic Republic of Congo of 17th March 2015, replace legislation that goes back to the immediate post-independence period of the 1960s.**

## **1. History of the monopoly policy of the national insurance in DRC**

The ancient insurance law of the DRC instituted the monopoly on all insurance activities over the territory of the DRC. This was done through a public company known as “Société Nationale d’Assurances” [SONAS].

The idea behind this was to put an end to the liberalization of the insurance activities that resulted in outflows of capital from the DRC to rich developed countries.

Despite this, SONAS did not perform and encountered enormous difficulties characterized in particular by the non-payment of wages, misappropriation of funds, the permanent state of tension and conflict between SONAS and brokers, etc.

Until the enactment of the new insurance law, this situation has remained unchanged, blocking the way for other private companies, to operate in the insurance sector in a country of over 70 million of inhabitants.

## **2. From monopoly to liberalization of insurance sector in DRC**

The Law No. 15/005 of 17 March 2015 on the code of insurance is finally available in the Democratic Republic of Congo [DRC]. It puts an end to the monopoly granted to SONAS, liberalized the sector and establishes an insurance regulatory authority in DR Congo. Its entry into force in March 2016, one year from the date of promulgation.

By devoting competition, the DRC puts an obligation to ensure the regulation and control of the market and the discipline of the operators, in the interest of policyholders, with the financial security offered by insurance companies. Hence, the creation of a Regulatory Authority and Insurance Supervision.

It is therefore appropriate to expect a significant mobilization of resources and better service to policyholders. We expect to see competition between companies in this area as the spirit is to comply with the rules.

## **3. The benefit of the liberalization of insurance in DRC**

Insurance is one of the essential activities in economic and social development of modern countries.

The application of this law will certainly contribute to the safety of families and the survival of businesses by offsetting the consequences of accidents that threaten their property or the security of their income. Also it should be stressed that it will generate a collective savings which being invested in the service of the national economy, will greatly contribute to the development of the latter.

Moreover, legal certainty is, indeed, a major concern of investors and therefore a condition of the country's economic development and improvement of view of its citizens. This law comes to reassure investors about their legal security offered as part of the Insurance Code. The more investment, more economic development will ensure a positive impact on improving the living conditions of Congolese.

The peculiarities of insurance operations lead States to legislate in this area to impose a particular law relating to the insurance contract, and the mode of operation of insurance companies and their supervision by the authorities.

Insurance operations fall within the competitive sector of the economy and it is not desirable that the State there has a predominant part. However, it must set the conditions for new companies, including mutual insurance, could be authorized to practice insurance operations.

By liberalizing the insurance market ending the monopoly granted to the National Insurance Company, the state must assume its responsibilities regarding the regulation and control of the market and the discipline of operators in the interest of persons thanks to the financial security offered by insurance companies. Therefore, this Act provides for the establishment of a regulatory authority and insurance supervision.

#### **4. What is in the new insurance law of DRC?**

The new insurance law has over 500 articles, structured into seven books, applies to insurance and reinsurance operations carried out and in DR Congo but does not concern the insurance operations managed by social security.

However it applies to direct insurance and reinsurance operations subscribed by accredited companies in complement and after notice of guarantee by social security. In short, a legal instrument adapted to the both national and international realities

As said previously, this law is structured into seven following books:

- *Book I: insurance business;*
- *Book II: insurance and reinsurance undertakings;*
- *Book III: The institutional framework and state control;*
- *Book IV: general agents, brokers and other insurance intermediaries;*
- *Book V: Special insurance organizations;*
- *Book VI: accounting and tax regimes;*
- *Book VII: Transitional provisions, repeals and final.*

#### **5. In conclusion!**

The insurance field is open to investors from all backgrounds, national and foreign, to benefit from this modern legal framework offered by the Insurance Code even more that this sector remains to this day immensely untapped.

Pending its entry into force in March 2016, SONAS has only a few months to adapt or disappear. The time it is installed as the Insurance Regulatory Authority in DR Congo.