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REPORT

On Bill No. 2082/PJL/AN to Institute a Mandatory Legal Assignment of Reinsurance Premiums, Contributions and Treaties in Cameroon

Presented

On Behalf of the Committee on Finance and the Budget

By

Honourable NDONGO ETEME Edgar, General Rapporteur

Right Honourable Speaker,

Fellow Members,

During its sittings of 19 June 2025, the Chairmen's Conference deemed admissible Bill No.2082/PJL/AN to Institute a Mandatory Legal Assignment of Reinsurance Premiums, Contributions and Treaties in Cameroon and, pursuant to the provisions of Sections 24 and 38 of the Standing Orders of the National Assembly, entrusted the said bill to the Committee on Finance and the Budget for a substantive study.

To discharge its task, your Committee on Finance and the Budget met on Monday, 23 June 2025.

The Bill was defended by the Minister of Finance, assisted by the Minister Delegate to the Minister of Finance in the presence of the Minister Delegate at the Presidency of the Republic in charge of Relations with the Assemblies.

In her opening statement, the Chair of the Committee on Finance and the Budget began by warmly welcoming members of Government and their entourage. Thereafter, she saluted Government's determination to make it mandatory for all insurance companies to transfer a portion of their premiums to a public reinsurer in order to manage unexpected losses of a certain magnitude.

She, however, sought clarifications and reasons for dissolving some reinsurers, namely the National Reinsurance Company (NRC) and Cameroon's Reinsurance Company (CARCO).

It emerged from the explanatory statement that this bill institutes a mandatory legal assignment of reinsurance premiums, contributions and treaties in Cameroon.

As a reminder, legal assignment is a mechanism through which insurance companies obligatorily transfer a specified share of their premiums or contributions to the reinsurer or public reinsurance body to effectively settle claims according to a system of double levels of coverage.

It was indeed noted that most insurance companies operating in Cameroon tend to resort to international reinsurance, thus generating substantial yearly capital overflow of roughly CFAF 45 billion. Under such circumstances, the State recorded a shortfall of about CFAF 119 billion between 2019 and 2023. The mechanism thus seeks to retain savings generated by the insurance sector in Cameroon, which is the CIMA zone's second largest market, for investment in the local economy.

Mandatory legal assignment will thus contribute towards bolstering our economy, while mitigating capital flow, hitherto invested abroad by local insurers.

It will further help improve the State's oversight over the insurance sector, through its involvement in every deal subscribed on the market. From this perspective, the SONARA fire disaster could have been covered. Many African countries like Senegal, Burkina Faso, Algeria or Gabon are already using the mechanism with tangible outcomes.

In essence, this bill comprises **4 (four) chapters**, divided into **28 (twenty-eight) sections** dealing with: **(i)** the substance of legal assignment; **(ii)** the conditions for its management and; **(iii)** penalties for offenders.

Also, it is worth noting that legal assignment does not apply to savings and equity.

The proposed mechanism mainly seeks to ensure full oversight over the insurance system, prevent capital flight, and bolster the domestic economy.

Taking the floor to furnish additional explanations, the Minister of Finance was keen to depict the prevailing global context in which developing countries increasingly face difficulties to procure funds necessary to finance economies and foreign exchange earnings, a situation that has prompted States to devise resilient strategies that would reduce their payment deficits. Such is the situation of Cameroon with numerous challenges to overcome.

The Minister of Finance then posited that in order to overcome such challenges, our country had recourse to the bill on legal assignment in the insurance policy sector by pursuing the import substitution policy in the financial sector as advocated by the President of the Republic and whose implementation rests with Government.

It is worthy to note that to lure policyholders to avail their services and stay solvent, insurance companies cede a part of their insurance risk to reinsurers in exchange for a premium. However, since reinsurers or accepting insurance companies are mainly based abroad, such legal assignments cause a high incidence of capital flight from Cameroon amid the dwindling situation of foreign exchange earnings.

For example, remittances increased from 43.68 billion in 2019 to 52.74 billion CFA francs in 2023. This represents an increase rate of 20.75% in five years and an average capital flight of 49 billion CFA francs per annum. Worse, still, reinsurers harvested at least 119 billion CFA francs from the insurance sector in Cameroon from 2019 to 2023.

Continuing his statement, the Minister disclosed that legal assignment is a mechanism through which a portion of funds transferred yearly are available in the domestic insurance market. This is achieved by making it mandatory for every insurance company to pay a fixed amount as premiums or contributions to a specialised body or a public reinsurer.

He further made it clear that the fixed amount paid as premiums or contributions is not a new cost incurred. It is an amount deducted from funds previously transferred to a foreign based reinsurer.

In addition to purely financial considerations, the bill under scrutiny would enable Government to develop the insurance sector while bolstering its capacity to regulate and streamline the sector.

As for the commercial trappings of the bill under scrutiny, the Minister revealed that legal assignment would enable Cameroon's insurance companies to assume a larger portion of the risk and formalise a higher number of reinsurance contracts. In this way, it would increase their portfolio and insurance activities in the country, especially as insurance activities in Cameroon currently represent less than 1% of GDP as compared to 3.8% in countries such as Morocco and between 7 and 13% in developed countries.

As concerns the provision of guidance, the Minister explained that transferring a portion of risks assumed at the national level would make it possible for the body responsible for managing legal assignment to create a centralised, complete and updated risk protection data base and take stock of the occurrence of disasters in the country.

To this end, strategic institutions would be meticulously followed up to avoid such critical situations as the SONARA fire disaster.

The sector would also be reorganised through the reform process provided for in the bill under scrutiny since it would be possible to obtain information on contracts formalised by insurance companies and combat under-invoicing that insurance companies use to pay lower sums for claims filed, especially in the domain of automobile insurance where such claims occasion a shortfall in tax proceeds for the State.

The expected spin-offs from such structural reforms and current economic difficulties point to the relevance of legal assignment and its capacity to engender sustainable growth in the insurance sector.

The Minister also stressed that the new legal dispensation set in motion by this bill on legal assignment would spare the State and stakeholders in the insurance sector of past unsavoury experiences. In actual fact, it is not the product of a specialised insurance body since the same law would, unlike the previous legal dispensation that petered out after the National Reinsurance Fund was dissolved in 2000, guide any organ created to translate it into reality.

The Minister concluded his statement by explaining that multiple controls by appropriate services of his ministry would be necessary at the national level to sustain legal assignment and at continental level by the Inter-African Conference on Insurance Markets (CIMA) that would provide supervisory and independent services on best practices. What is more, the shares owned by the body responsible for managing legal assignment would, in addition to multiple shareholders from private and public sectors, enhance good governance in the sector.

During the ensuing general discussion, your Committee members commended Government for tabling this important bill whose implementation could significantly reduce capital flight in the insurance sector and consequently increase government revenue.

Their concerns, however, focused on:

- default in providing insurance cover for State property. In this wise, your Committee members sought to know the compensation procedure in the event of an accident caused by an administrative vehicle;
- glaring delays in coming up with enabling instruments of certain laws, especially Surety Law, Cargo Insurance Law and laws pertaining to Universal Health Insurance (UHI) Cover;

- reasons for the low insurance subscription rate by Cameroonians;
- failure to make expertise a prerequisite for appointment to the post of insurance director in the Ministry of Finance;
- the possibility of placing the authority in charge of legal assignment under the authority of the Directorate General of Taxes;
- the need to know if the Deposits and Savings Fund (DSF) is effectively carrying out its tasks and also know DSF's impact on financing the country's economy;
- having the Ordinance take into account the impact the Israeli-Iranian Conflict would have on the price of a barrel of oil in Cameroon;
- progress report on the rehabilitation of the National Refinery Company (SONARA);
- economic impact of the bill under scrutiny on SONARA and other companies;
- compliance by insurance companies of Cameroon with legal provisions in force and incorporation of stipulations of the CIMA Code.

Addressing the concerns of your Committee members, the Minister of Finance was keen, as concerns reasons for dissolving some reinsurers, precisely NRC and CARCO, to retrace the general crisis situation in different countries in the 1990s and which prompted a reform process that culminated in the dissolution of several companies and creation of institutions such as the Central African Banking Commission (COBAC) to oversee the functioning of the Central Bank and the Inter-African Conference on Social Security (CIPRES) to oversee social security institutions.

According to the Minister, the economic crisis had negative consequences on the National Reinsurance Company (NRC) and

Cameroon’s Reinsurance Company (CARCO). Bad governance and mismanagement were also contributory factors to the dissolution of NRC and CARCO.

In actual fact, however, insurance companies are currently well managed because of the guidance they receive at the national level from the Ministry of Finance and from CIMA at the supranational level.

As concerns default in providing insurance cover for State property, the Minister made it clear that insurance is not a panacea-it is simply a means of resolving a problem and so the State has its own insurance company. Hence, there is a set procedure in the event were an accident is caused by an administrative vehicle. Meanwhile, the ministry whose vehicle is indicted for causing the accident forwards the liability file to the Ministry of Finance to indemnify the victim and the civil servant entrusted with the vehicle is made to reimburse the money spent.

Concerning glaring delays in coming up with enabling instruments of certain laws, especially Surety Law, Cargo Insurance Law and laws pertaining to Universal Health Insurance (UHI) Cover, the Minister reiterated that even though the said laws are fraught with some shortcomings, they are good laws. And delays in producing enabling instruments after promulgating laws are due to technical hurdles that need to be lifted. He went on to reveal that some of the enabling instruments of the laws mentioned have already been transmitted to the Prime Minister’s Office.

As regards Universal Health Insurance (UHI) Cover, the Minister disclosed that UHI is being implemented progressively and is widely accepted.

Talking about failure to make expertise a prerequisite for appointment to the post of insurance director in the Ministry of Finance, the Minister pointed out that it is quite feasible to appoint a person of proven expertise in the insurance sector.

However, in addition to such expertise, the choice of such a manager is subject to other socio-political criteria in our country.

As for the possibility of a purely government authority in charge of legal assignment becoming ineffective as previous public reinsurers have shown, the Minister began by pointing out that Government is not keen to manage the company directly. It rather subscribes to joint management and would encourage the private sector to acquire shares.

Using the case of Commercial Bank of Cameroon as an illustration, the Minister averred that Government only exercised its pre-emptive rights in this company and it would only play a supervisory role once the company has been restructured. A similar process is underway with the General Banking Company and ENEO.

On the issue of placing the body responsible for managing legal assignment under the authority of the Directorate General of Taxes, the Minister posited that such is not the case. It is the task of collecting taxes that has been transposed to the task of collecting insurance premiums.

With respect to the need to know if the Deposits and Savings Fund (DSF) is effectively discharging its tasks and also know DSF’s impact on financing Cameroon’s economy, the Minister posited that DSF is expected to play an important role as an institutional investor.

He, however, added that since the tasks carried by DSF are novel, COBAC and BEAC plan to come up with a CEMAC regulation in that respect.

Talking about having the Ordinance take into account the impact the Israeli-Iranian Conflict would have on the price of a barrel of oil in Cameroon, the Minister posited that the Ordinance was drafted before the onset of the armed conflict between Israel and Iran.

He also added that since the refineries of Iran had not been bombed, fuel price at the pump is still the same in Cameroon even though price increases per barrel of oil on the international market range from 15 to 17%.

As concerns the progress report on the rehabilitation of SONARA, the Minister acknowledged that there was default in providing insurance cover for SONARA.

After financial negotiations with reinsurance companies, the resulting agreement made it possible to pay creditors, namely banks and traders. As for SONARA's reconstruction, 4 (four) proposals were submitted for appraisal and that which will have Cameroon's crude oil refined was selected.

As regards the impact the bill under scrutiny would have on SONARA and other corporations, the Minister posited that the supervisory authority provided for at the national level is apt to better track the performance of insurance companies and permit the censor of uninsured companies in view of obliging them to take out an insurance policy.

As for compliance by insurance companies of Cameroon with legal provisions in force and with the CIMA Code, the Minister disclosed that mandatory legal assignment targets all categories of insurance subscriptions in Cameroon and the institution of legal assignment is the consequence of our country's implementation of the CIMA Code.

After the Minister's answers, your Committee members proceeded with a second round of questions.

During the second round of questions, your Committee members sought clarifications on:

- existence of regulation on activities of the State as an insurer in the event of a claim;
- veracity of information that gate takings during the Cameroon-Russia friendly match were wired into the personal account of the President of the Cameroon Football Federation (FECAFOOT);
- the need for the Ministry of Finance to conduct an audit of the accounts of FECAFOOT;
- existence of an index-based agricultural insurance in Cameroon;
- measures to be taken by Government to cope with the new customs policy of the United States;
- the need to fix a deadline for producing enabling instruments after a law has been promulgated.

Addressing these other concerns raised by your Committee members, the Minister reiterated, as concerns regulation on activities of the State as an insurer, that in the event where an accident is caused by a State employee, the Minister of Finance indemnifies the victim if it is established that a State employee caused the accident. Subsequently, the ministry whose administrative vehicle was involved in the accident takes action for the civil servant who was entrusted with the vehicle to pay damages.

As to whether gate takings during the Cameroon-Russia friendly match were wired into the personal account of the President of FECAFOOT, the Minister posited that he does not lend credence to information conveyed through the social media.

Regarding the need for the Ministry of Finance to conduct an audit of the accounts of FECAFOOT, the Minister disclosed that his ministry does not have the mandate to audit FECAFOOT’s accounts.

However, he posited that the accounting officer of the Ministry of Finance posted to FECAFOOT duly prepares special accounts on funds received from Government.

As concerns measures to be taken by Government to cope with the new customs policy of the United States, the Minister pointed out that the incidence of the new policy on trade has no significance to Cameroon because of Cameroon’s exit from the African Growth and Opportunity Act (AGOA).

On the need to fix a deadline for producing enabling instruments after a law has been promulgated, the Minister posited that enabling instruments need to be properly designed and drafted within reasonable deadlines. He acknowledged that Parliament has the mandate to draw Government’s attention to do so.

At the end of the general discussion, your Committee members went on to scrutinise Sections of the Bill.

Sections 1 to 4 were adopted as tabled.

Under Section 5, your Committee members sought to know if its provisions apply to all insurance branches, especially life insurance, death insurance, thrift and loan societies and are not out of step with the CIMA Code.

Addressing your Committee's concern, the Minister of Finance posited that the provisions of the Section have nothing to do with taxation since they have to do with a portion of the premium that is paid to the body responsible for managing legal assignment.

Section 5 was adopted unamended after this exchange of views.

Section 6 was adopted in its initial form.

Under Section 7(1) of the English version, your Committee members pointed out that there was a semantic error in the use of the word "**decree**" which needs to be replaced with an appropriate word, "**order**".

Still under Section 7(1) of the French version, your Committee members proposed that the rate of premiums or contributions that would be collected during the implementation of the bill under scrutiny should be specified.

Addressing the concern on semantics, Government accepted the correction.

Talking about specifying the rate of premiums to be transferred, the Minister disclosed that Government's decision in that regard was taken after consultations and discussions with all stakeholders, namely the Ministry in charge of insurance and the private sector. Besides, it would be preferable to fix the rate in the enabling instrument because the rates are variable and an enabling instrument is more flexible and easy to amend. Such is not the case with substantive law which requires due process.

Section 7(1) of the English version now reads: "the rate should be laid down by **order** of the …"

After this exchange of views, Section 7 was adopted as corrected in the English version.

Section 8 was adopted as tabled.

Under Section 9 of the English version, your Committee members sought to correct the use of the words “**les tax**” by replacing them with the words “**net of taxes**”.

Government accepted the correction.

Section 9 of the English version now reads: “The mandatory …shall be payable on the premium, **net of taxes** …”

Section 9 was adopted as corrected in the English version.

Section 10 was adopted without amendment.

Under Section 11, your Committee members sought to know if the Insurance Directorate of the Ministry of Finance in charge of legal assignment has the requisite competence to discharge the task entrusted to it.

In response, the Minister revealed that insurance companies are currently placed under the supervisory authority of the Insurance Directorate with a hybrid structure, budgetary autonomy and very qualified staff.

Section 11 was adopted unamended after this exchange of views.

Sections 12 to 18 were adopted as tabled.

Under Section 19, your Committee members requested for appropriate explanation of the provisions of the Section.

In response, the Minister averred that the provisions have to do with a kind of deposit, that is payment of premiums as a form of a deposit to cover a possible casualty.

After this exchange of views, Section 19 was adopted in its initial form.

Under Section 20, your Committee members requested the Minister to adduce reasons for requiring premium payments in the fourth quarter.

They also moved an amendment, under Section 21, designed to replace the words “**en espèces**” with the words “**au comptant**” in the French version in order to comply with legal provisions at national and international levels to combat terrorism and money laundering which totally prohibit cash handling.

In reply, the Minister posited, as concerns reasons for premium payments in the fourth quarter, that the aim is to provisionally pay for possible claims.

As regards the amendment moved, Government accepted it.

Section 20 now reads in French: “les dépôts des primes … sont constitutées **au comptant** …".

The amendment of Section 20 also applies to Section 21.

After this exchange of views, Sections 20 and 21 were adopted as amended.

Sections 22 to 25 were adopted as tabled.

Under Section 26, some Committee members proposed that the time necessary for creating a public reinsurance company be clearly spelt out to enable Cameroon's economy to benefit from the foreign currency earnings envisaged.

Other Committee members opined that the said public reinsurance company should be a mixed ownership company so that it can benefit from the merits of OHADA-like management.

In reply, the Minister averred that the deadline for creating the said public reinsurance company would not exceed one year.

He also explained that government authority is used in the bill under scrutiny as a generic term with several forms of government authority. Hence, all the capital of the said government authority is not provided by government.

Section 26 was adopted as tabled after the Minister's clarifications.

Sections 27 and 28 were adopted as tabled.

Your Committee members also took advantage of their deliberations to recommend as follows:

- that enabling instruments should be drafted concomitantly with bills in order to forestall delays in the implementation of bills passed by Parliament;
- that the competency profile of certain managerial positions which require proven expertise for good performance by companies be defined;
- that a private entity with the State as shareholder be created in lieu of a government authority directly managed by the State, considering that the latter have shown their shortcomings in the past;
- that capacity should be built at regional level in order to improve processing and payment;

- that financial services be decentralised in order to get rid of difficulties encountered by small and medium-sized enterprises (SMEs) in rural areas;
- that procedures to finance small and medium-sized enterprises be simplified to facilitate their access to loans and improve their competencies;
- that the Guarantee Fund for Automobile Insurance be operationalised.

Having come to the end of their deliberations, the members of your Committee on Finance and the Budget adopted each of the Sections in its initial or amended form as well as the entire Bill No.2082/PJL/AN to Institute a Mandatory Legal Assignment of Reinsurance Premiums, Contributions and Treaties in Cameroon.

They now pray the entire House to kindly endorse their conclusions.