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PRESS RELEASE

REVISED MOTOR INSURANCE PREMIUMS

January 15, 2018 - Following the industry's revised motor insurance premium rates effective January 01, 2018 the National Bank of Rwanda as the regulator of Rwanda's insurance sector would like to inform the Public that it is aware of the increased premiums and the factors that led to this increase.

The insurance sector plays a critical role to the development of the economy including risk transfer and indemnification thereby facilitating financial intermediation, savings mobilisation, as well as facilitation of trade and commerce. However, over the past few years, the insurance sector in general and the motor insurance in particular has faced significant challenges including significant losses driven mainly by weak underwriting and price undercutting as well as high claims ratios.

To address these concerns, the BNR, in 2013, commissioned ActServ, an insurance consultant firm, to conduct an actuarial study of motor insurance in order to assess the technical profitability of this sub-sector and determine minimum premium rates. The study recommended an upward revision of premium rates at the time but these were not immediately implemented and the performance of the motor insurance sub-sector continued to deteriorate. The rates prevailing up until 2017 were set in 2008 and have been superseded by events such as the increase in claims trend by third parties (eg. bodily injury compensation currently calculated between Frw 2,500 to Frw 3,000 per day against Frw 500 before 2010), increased cost of spare parts and reinsurance.

It is against this background that the premium rates were revised upwards by ASSAR with effect from 1 January 2018. The change in prices will remove distortions that were threatening to crush this sector. If the sector was to collapse, the consequence on the economy would be disastrous, knocking off billions of economic wealth from the Gross Domestic Product (GDP) index.

The BNR will continue working together with different stakeholders to ensure that the financial sector in general and the insurance sector in particular is financially sound and stable. BNR also urges the Public to be vigilant drivers, to report and avoid fraud as well as ensure that claims are not overstated. These will help in keeping rates affordable going forward.

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