PRESS STATEMENT BY THE INSURANCE AND PENSIONS COMMISSION ON THE 2009 COMPENSATION EXERCISE

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A very good afternoon to you members of the fourth estate and thank you for coming to this press briefing on this very topical issue, which you have incessantly engaged us on.

I am pleased to announce that we are finally here, as the 2009 loss of value compensation regulations have finally been gazetted.

Opening Remarks

As you may recall, the President of the Republic of Zimbabwe constituted a Commission of Inquiry in 2015 to investigate the causes and extent of the loss of value of life insurance policies and pensions suffered by policyholders and pension scheme members following the conversion of Zimbabwe dollar policies to the multicurrency regime in 2009.

The Justice George Smith-led Commission of Inquiry found that some policyholders and pension scheme members were prejudiced during the conversion process. The Inquiry's Report recommended that the affected policyholders and pension scheme members should be compensated.

Gazetting of the Regulations

Pursuant to the Commission of Inquiry's recommendations, I am pleased to announce the gazetting of the Pensions and Provident Funds (Compensation for Loss of Pre-2009 Value of Pension Benefits) Regulations, 2023, which were gazetted on Friday 29 September 2023 through Statutory Instrument 162 of 2023.

The objectives of the regulations, which are applicable to private occupational and individual pension products are:

(a) to recognise the loss of value of pension products suffered during the investigative period (01 January 2000 to 28 February 2009) by ensuring that the affected members are compensated to the fullest extent practicable;

(b) to provide the criteria by which all funds and insurers compensating affected members may assess and quantify the prejudice suffered by those members.

Eligibility for compensation

Every member or former member of a fund or insurer that offered private occupational or personal pension plans during the period 01 January 2000 to 28 February 2009.

For the avoidance of doubt, this includes:

a) active member;
b) active pensioner;
c) deferred pensioner;
d) suspended pensioner;
e) beneficiary;
f) members or beneficiaries who exited the fund through death or other means contemplated by the rules of the fund
g) For defined benefit schemes, only members who exited during the period 01 January 2000 to 28 February 2009, shall be compensated.

Pensioners paid in currencies other than the Zimbabwe dollar during the same period are not eligible for compensation under these regulations, as they did not experience loss of value. The form of compensation will depend on whether the affected individual is still employed or is now receiving a pension.

Applicable forms of compensation

All compensation will be done in Zimbabwe dollars. However, in the event that a fund is generating enough foreign currency from its investments, compensation may be made in that currency.

Compensation Roadmap

Following the gazetting of the regulations on 29 September 2023 with an effective date of 01 October 2023, below are the steps to be followed until the actual payment of the benefits:

(i) Industry to Submit Compensation Plans

Liable insurer or pension fund to submit compensation plan to the Insurance and Pensions Commission (IPEC), including the list of eligible policyholders or pension fund members and the compensation amounts within 90 days after the Regulations come into effect (by 31 December 2023).

(ii) IPEC Approval of the Compensation Plans

IPEC is to analyse the compensation plan and either approve or reject the proposed compensation plan (if it does not meet the expected standard) within 30 days after receiving the compensation plan (by 30 January 2024).

After approval of the compensation plan, the insurer or pension fund will publish in the media, the names of the members entitled to compensation.

They will also be expected to disclose the following information to the affected members:

(a) a summary of the actuarial report on the implementation of its approved compensation scheme; and

(b) the individual member's compensation amount and relevant pay-out timelines; and

(c) the complaints mechanism in place.

(iii) Payment of Benefits

If IPEC approves the compensation plan, the insurer or pension fund will be expected to start paying eligible policyholders or pension fund members no later than 30 days after the IPEC approval (by 02 March 2024).

The extent of compensation and industry capacity to compensate

While we do appreciate that stakeholders have different expectations regarding how much will be paid, there is a need to take into account that the regulations state that "full indemnification of the quantified loss of value of pension benefits over the investigative period is not practicable given that the losses were for the greater part fortuitous. Nevertheless, it is right, fair, proper and desirable for those affected by the loss to receive some compensation from relevant pension funds and insurers, and from the State".

It is for that reason that IPEC expects the industry to ensure that it compensates eligible members to the fullest extent practicable.

We do believe that the industry has the capacity to compensate eligible members to the fullest extent practicable.

Penalties for non-compliance

IPEC does not expect non-compliance given that we have involved the industry throughout this exercise. However, the regulations have proactively provided penalties in the unexpected event of non-compliance. We will invoke the stated provisions, should it become necessary.

Compensation key to confidence restoration

As you may be aware, the 2009 loss of value has contributed significantly to the low confidence that the industry is currently grappling with. It is in this vein that we believe making good the compensation, will help to restore confidence in insurance and pensions, which is key if the industry is to be sustainable.

It is now all hands on deck to ensure that we successfully carry out this exercise for the benefit of all our stakeholders.

With these remarks, I thank you for your kind attention.