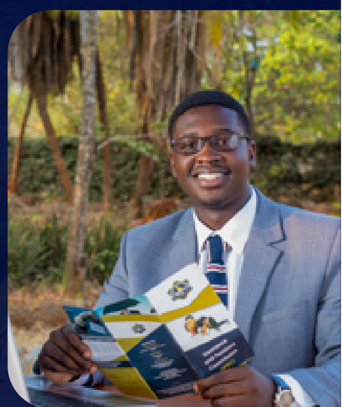
CONSUMER EDUCATION NEWSLETTER

A PUBLICATION OF THE INSURANCE & PENSIONS COMMISSION



4th EDITION

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About IPEC

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21], to regulate the insurance and pensions industry with the objective of developing the industry and protection of insurance policyholders and pension fund members' interests.

IPEC's key role is to promote the general stability of the insurance and pensions industry.

The Commission is accountable to the Ministry of Finance and Economic Development.

Our Vision

A safe, vibrant and sustainable insurance and pensions industry by 2022

Our Mission

To regulate, supervise and strengthen the insurance and pension industry for the protection of policyholders and pension scheme members through regulatory excellence.

Our Core Values

Fairness: We shall develop and apply rules, regulations and procedures equitably among all clients and stakeholders.

Integrity: We are ethical and honest in our dealings with all our clients and stakeholders

Excellence: We are exemplary in the way we do our business. We strive to exceed expectations by upholding the utmost quality standards in carrying out our work.

IPEC Functions

(a) To register insurers, mutual insurance societies and insurance brokers in terms of the Insurance Act [Chapter 24:07] and, subject to that Act, to regulate and monitor their business;

(b) To register pension and provident funds in terms of the Pension and Provident Funds Act [Chapter 24:09] and, subject to that Act, to regulate and monitor their management and administration;

(c) To monitor the activities of insurers, mutual insurance societies, insurance brokers and pension and provident funds to ensure that they maintain set standards and ensure compliance with the Insurance Act [Chapter 24:07] and the Pension and Provident Funds Act [Chapter 24:09], as the case may be;

(d) To provide information to the public on matters relating to insurance and pension and provident funds and to encourage and promote insurance and investment in such funds;

(e) To advise the Minister on matters relating to insurance and pension and provident funds; and

(f) To perform any other function that may be conferred or imposed on the Commission in terms of this Act or any other enactment.

Message from the Commissioner

Greetings and welcome to the forth edition of our Consumer Education newsletter.

As some of you may be aware, the Minister of Finance and Economic Development, Professor Mthuli Ncube appointed the new IPEC board and Commissioner mid last year.

We are grateful for the confidence that the Minister bestowed on us and we pledge our commitment to work hard to ensure IPEC achieves its mandate in terms of the Insurance and Pensions Commission Act.

We would also like to thank you all for the kind and warm wishes following our respective appointments.

The Board is alive to the challenges facing the insurance and pensions industry, which inculde among others; low consumer confidence, due to legacy issues, particularly the loss of value after the conversion of insurance and pension values from the Zimbabwe dollar to the United States dollar in 2009.

While the Commission of Inquiry that investigated the issue came up with a number of recommendations, I am glad to advise that the Commission is making good progress in implementing these recommendations.

The major outstanding recommendation is that of compensation, which together with the Government, we are currently seized with and we expect a solution in due course.

We fully understand the impatience among pensioners and policyholders on this matter considering the time it has taken to resolve it. However, we believe it is equally important for us to follow the due process for the benefit of the policyholders and pension scheme members as well as the industry.

Meanwhile, following the re-introduction of the Zimbabwe dollar through statutory instrument 142 of 2019, the industry was faced with another challenge of how to convert insurance and pension values again from the United States dollar to Zimbabwe.

To this end, in line with its mandate of protecting the interests, rights and benefits of policyholders and pension scheme members, the Commission with the asssitance of the World Bank came up with a guidance paper to the insurance and pensions industry in response to the currency reforms.

The Commission has since issued the Guideline for the Insurance and Pensions Industry on adjusting insurance and pension values in response to currency reforms in terms of Section 3 (1) (a) of Statutory Instrument 69 of 2020.

On this and other consumer education articles, please read this newsletter.
Enjoy the reading!

Grace Muradzikwa

Commissioner of Insurance, Pension and Provident Funds

From the Editor's Desk

One of our key mandates as the Commission is ensure that insurance companies and pension funds treat their customers fairly.

To achieve this, we use various instruments at our disposal, among them consumer education so that policyholders and pension scheme members may know their rights and responsibilities.

We believe that when consumers know their rights and responsibilities, they are able to exercise or enforce their rights when treated unfairly.

Therefore, this newsletter is solely dedicated to educate the public about insurance and pension matters so that they are better informed when contracting with insurance companies and pension funds.

In this edition we touch on various issues among them, what you need to know about credit insurance, what cash before cover means in insurance, why pension funds should have assets registered in their names and why you should tell your family about your insurance policies and pension savings.
There are many more educative articles on insurance and pension matters.

Happy reading!

Lloyd Gumbo

Public Relations Manager

What you need to know about credit insurance

Ever took out a loan from the bank or bought something on credit?

You might have been sold what is called consumer credit insurance, which provides cover in the event that you can no longer afford to meet your credit repayments for specified reasons.

Consumer credit insurance provides protection against unforeseen circumstances that affect one's ability to repay their loan such as retrenchment, sickness, injury or death.

That is where credit insurance comes in.

However, it is important to note that credit insurance cover varies from one insurer to another but at a minimum, is expected to cover things such as death, retrenchments and injury.

On getting a loan from a bank, say amounting to $50 000 in your personal capacity, the bank normally adds an insurance amount onto the loan amount. This insurance amount is set as a percentage of the full loan.

If you repay say $15 000 out of the expected full loan repayment, but then get retrenched, become incapacitated or die, the consumer credit insurance policy is triggered to meet the outstanding amount provided the cirmustances leading to failure to repay the full loan, are covered within the terms and conditions of the policy.

Under the circumstances, it is your right to choose the insurer of your choice. However, it is now common practice that most lending institutions have standing arrangements with some insurers, under which they negotiate standard insurance terms for all their consumer borrowers.

If you agree to this arrangement, you have a right to receive the policy terms and conditions so that you know the circumstances under which, the policy can be triggered. In the event that you are unable to repay the loan due to circumstances provided in the policy's terms and conditions, you can then cause the policy to be triggered.

You should also let your family know about the existence of the policy so that in the event that you die before repaying the full amount, they can also cause the cover to be triggered provided the circurmstances leading to your death are covered in the policy terms and conditions as well.

In the event of dispute with the credit provider or the insurer, you can approach the Insurance and Pensions Commission (IPEC) for intervention so that your dispute can be resolved fairly and transparently.

What you need to know about **passenger liability** **insurance cover**

All owners and operators of passenger public service vehicles operating in Zimbabwe are required by the Road Traffic Act to have passenger liability insurance.

This is an insurance policy, which covers passengers' death, permanent disability, medical or funeral expenses in the event of an accident involving a passenger public service vehicle.

Currently, compensation for death or permanent disability stands at $20 000 per passenger while medical or funeral expenses is $7 500 cumulatively.

However, vehicle owners and operators are required to pay the premium per passenger per year, upfront.

There is also an option to pay the premiums termly (i.e. every 4 months).

Usually, the cover can be directly purchased by the vehicle owner or operator from any short-term insurance company, which is registered with the Insurance and Pensions Commission in terms of the Insurance Act [Chapter 24:07].

In the event of an accident and there are injuries and/or death, the vehicle owner or operator should claim on behalf of the injured or deceased passengers, from the insurance company, which issued the policy.

The claim documents required when making such a claim include a claim form, death certificate, medical invoices, police report, and doctor's report, depending on the nature of the claim.

As a passenger, you are urged to always check that the public transport vehicle you are using has a disc displayed on the windscreen, confirming the passenger insurance cover, the details of the insurer that issued the policy and the period of validity.

In the event that a vehicle without liability cover is involved in an accident, the owner or operator of the vehicle will be liable to use his/her own funds to meet the costs of any casualities from the accident.

Given that the vehicle had no liability cover at the time of the accident, there would be no insurance compensation available to the passenger or their surviving family.

This means that the persons making the claim will have to seek compensation directly from the owner or operator of the vehicle.

Cash before cover, what policyholders should know

Cash before cover simply means that insurance companies will not guarantee insurance cover until and unless the insured has paid premiums that are due.

This is applicable whether it is at policy inception or renewal.

An insurance contract is premised on the principle that if you have not paid your insurance premiums, you cannot expect the insurance company to cover you.

Insurance premiums are due in advance because they provide coverage immediately upon the effective date and continue to provide coverage every minute the policy is valid.

If you fail to pay your premiums on a short-term insurance policy, you cannot expect the insurer to cover you if you lodge a claim.

If no premium is paid in advance, there is simply no cover. In fact, if premium instalments are missed, then the insured no longer has a binding insurance contract with the insurer. Non-payment or a missed payment is regarded as a cancellation of the policy by the insured.

Therefore, given that the unforeseen event can materialise anytime, it is recommended that as a policyholder you pay your premium to renew the policy before expiry.

Depending on the mode of payment, once you have paid, you should immediately bring this to the attention of the insurer so that it can be recorded.

Short-term insurance is insurance that you take out on your possessions such as your household property, car, cell phones, laptops, business property and other assets against loss due to events such as fire, burglary or damage. You can also buy short-term insurance to cover your health or disability, events, as well as a legal liability to others.

This article was written by the Insurance Council of Zimbabwe (ICZ) but there were additions by IPEC.

ICZ is an association of short-term insurance and reinsurance operators who are registered and duly licenced by the Insurance and Pensions Commission (IPEC).

For a full list of all ICZ members please visit: www.icz.co.zw.

Insurance Council of Zimbabwe

There is insurance for all your life needs

Life is priceless. Although money cannot replace life, life cover provides the necessary financial security to individuals and their dependants.

A life policy can provide cover for your entire life or for a specifically set period, such as throughout a child's tertiary education.

The policy pays out a lump sum to dependents upon the death of the life assured.

There are also other life policies that pay benefits on continued survival of the policyholder such as pure endowment policies and endowment policies.

The are also critical illness policies that pay benefits upon someone being diagnosed with a specified critical illness.

Other policies are income protection policies that provide regular income for a specified period or until dealth upon someone being incapaciatated to continue active employment.

In addition to paying a death benefit, a life policy also builds cash values. Other benefits include:

- Estate duty payments;
- Lump sum pay outs to the surviving

family/dependants;

- Company profit sharing such as sum assured plus declared bonuses/profits;
- Pension boosting; and
- Collateral/mortgage protection: you may borrow on the basis of a life plan.

So how much life cover do you require?

This will depend on your personal circumstances and will be influenced by factors such as mortgages, loans, children's education and household bills. It is important to understand all the other benefits that will come to your family. For example, your employer may pay-out your accumulated retirement savings and some life cover.

Ultimately the amount of cover you can buy depends on your budget. Do not be discouraged if what you can afford is far below your requirements – every little amount will be of help.

Individual retirement plan

This is a savings plan for individuals who want to save in order to receive an income during retirement. The difference between a retirement plan and other savings vehicles, is that it is more regulated to ensure that investors do not lose out.

Moreover, contributions to retirement plans and any resulting investment returns are tax free (up to a limit). In most instances, a member can make personal contributions on a recurring or ad hoc basis. Because pension income is never enough, anyone below the retirement age tends to benefit greatly from this plan.

Broadly speaking, the beneficiaries of this plan are those who are self-employed, working for employers who are offering pension funds, or pension fund members who would like to boost their retirement income.

Members will have access to their retirement benefits on or after age 55 and at any point on medical reasons – subject to a medical certificate or confirmation from the doctor (ill health or early retirement). Your dependants will have access to your accumulated funds in the event of your death.

Health insurance policy plans

Personal and family health cannot be taken for granted. Medical services are expensive and one illness an easily wipe out years of savings.

With a health plan, you take charge of your life. Health insurance packages offer different levels of services and expenditure to suit your budget and your family's specific needs. In addition, your expenses can be lowered by using 'in network' doctors, hospitals, pharmacies and other health care providers.

Some low budget products have even been launched that pay for medical treatment at government and local authority mission clinics and hospitals, while hospital cash plans offer you a fixed cash amount for a day spent in a hospital.

When comparing plans, look to see what expenses are covered and the annual limits for the policy. Will the policy pay for physicals, shots and other preventative care? How about prescription drugs or dental care?

Savings plan

A savings plan is a great way to save regularly and can help anyone reach their financial goals. There are many types of savings vehicle available on the market, such as education and general savings plans.

Knowledge is power

All the products we have discussed in this article meet specific needs. Some will overlap with products that you already have or with the benefits that you currently get at work. The Life Offices Association (LOA) recommends you make use of financial advisors and reputable online financial planning resources, offered by most local financial firms.

This article was written by the Life Offices Association, which is an association of Life Offices. There were additions by IPEC.

Life Offices Association of Zimbabwe

Funeral assurance unpacked

Funeral assurance is a special branch of insurance where the benefit from the insurance company is used to meet the costs of the funeral upon the death of the insured. The benefit provided by the funeral assurer comes in the form of a funeral service, a cash benefit that can be used to pay for funeral expenses or a combination of cash and funeral service.

It should be noted that while there are some similarities between life assurance and funeral assurance, the two are not actually the same. What is common between the two is that the benefit or claim is triggered by the death of the insured.

With funeral assurance the pay out or benefit is usually in the form of funeral-related goods and services like hearses, coffins/caskets and mourners' transport. The key objective is to make sure that the deceased receives a decent, dignified and hassle-free burial, and that the financial burden faced by the bereaved is lessened.

On the other hand, a life assurance policy mostly pays out in cash or some other liquid assets. The payment or benefit is made to the chosen and surviving beneficiaries of the policy holder, such as the spouse and children. The payment or claim is triggered by the death of the life policyholder and is usually made well after the funeral and burial of the policy holder.

Having a funeral policy does not stop one from having a life assurance policy since the two serve different purposes.

Situations have been observed where a bread winner with a funeral policy passes on and dependents then move on to enquire on further benefits for them based on the funeral policy, only to be told otherwise.

If any benefits accrue to survivors over and above the funeral costs based on a funeral policy, this would be by arrangement and not based on the principle of funeral assurance.

It is therefore, recommended to take up both a funeral policy and a life assurance policy in order to be fully covered.

You are also encouraged to be fully cognisant of the different benefits provided under these arrangements.

This article was written by the Zimbabwe Association of Funeral Assurers (ZAFA), which is an association of funeral assurers. There were additions by IPEC

IPEC issues directive on USD policies and pensions

The Insurance and Pensions Commission has issued a Guideline for the insurance and pensions Industry on adjusting insurance and pension values in response to the currency reforms.

The Guideline was issued in March this year in terms of Section 3 (1) (a) of Statutory Instrument 69 of 2020 .

Policyholders and pension scheme members were paying USD-premiums and pension contributions since dollarisation in February 2009 until the promulgatuion of Statutory Instrument 142 of 2019, which re-introduced the Zimbabwe dollar.

As a result, IPEC believes that the monetary reforms resulted in "extraordinary gains" for most insurance companies and pension funds.

In pursuit of its mandate to protect the interests of policyholders and pension scheme members, IPEC issued the Guideline whose effective date is the 31st of December 2018 and shall apply to all business that was there at that time.

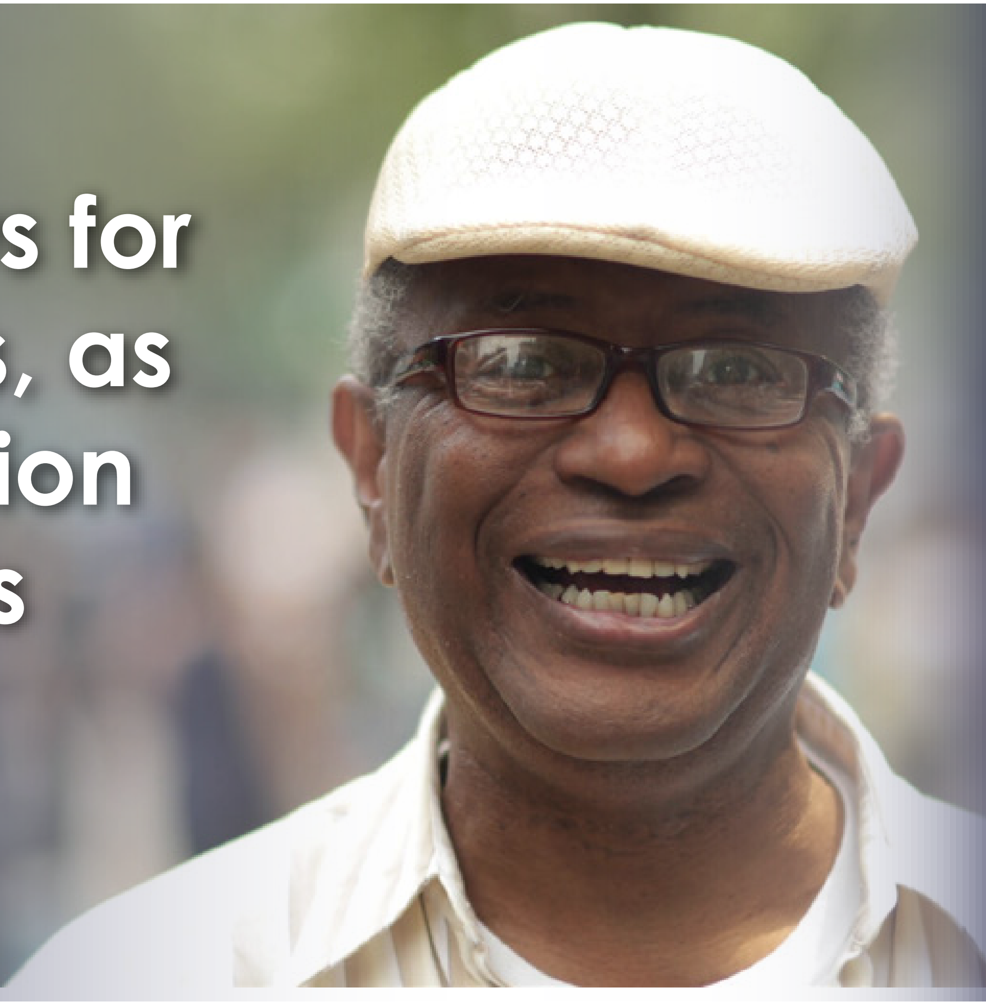
The Guideline shall remain in application until either when the value of benefits in USD-equivalence as of the Determination Date has been fully restored or an earlier date as may be declared by IPEC.

The Guideline provides the key principles to be adhered to by all insurance companies and pension funds when determining and allocating revaluation gains that arose as a result of the currency reforms in an endeavour to preserve the value of benefits for policyholders and scheme members.

The primary objectives of the Guideline are to:

- Ensure fair and equitable treatment of insurance policyholders and pension fund participants by insurance companies and pension funds following the recent currency reforms;
- Provide standards/principles to be adhered to by the industry on treatment of revaluation gains emanating from the recent currency reforms. This will enhance uniformity and comparability of industry results on treatment of revaluation gains;
- Provide standard methodologies to be used in determining and allocating revaluation gains; and
- Avoid a repeat of the 2008/2009 challenges that arose from lack of sufficient guidance from relevant authorities and professional bodies.

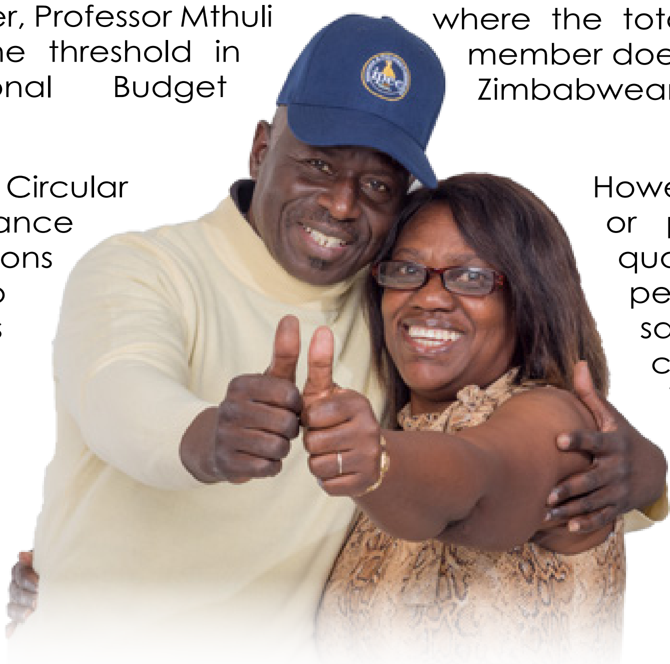
The Guideline applies to all insurance companies, pension and provident funds and fund administrators, and covers adjustment of values due to the 2019 currency reforms for all valid insurance contracts, pension and provident fund benefits effective 01 February 2009 to 22 February 2019.



Good news for pensioners, as commutation threshold is reviewed upwards

Pensioners receiving monthly pay-outs of less than $500, now have an option to receive full or part of their pension benefits at once.

Previously, only those receiving less than $50 per month in pension pay-outs could receive all their benefits as a lumpsum. However, Finance and Economic Development Minister, Professor Mthuli Ncube reviewed the threshold in the 2020 National Budget Statement.



To this end, through Circular 15 of 2019, the Insurance and Pensions Commission wrote to the pensions industry, in December last year setting the minimum amount for preservation purposes.

Reads the circular: "From the date of issue of this circular and for the purposes of determing whether the member is entitled to full or partial commutation, the trustees shall apply the basis stated below:

"The trustees, upon application by the member, shall be empowered to commute the whole of the pension for a lump sum, where the total pension payable to a member does not exceed six thousand Zimbabwean dollars per month."

However, before approving full or partial commutations of qualifying members' benefits, pension funds must be satisfied that such commutations will not result in the fund failing to pay benefits to other members or their beneficiaries due to illiquidity.

Why pension funds should have assets in their names

A pension fund recently lost 80% of the buildings that it had bought from the sponsoring employer, because it failed to register them in the fund's name.

The sponsoring employer was liquidated and all its assets, including the buildings bought by the pension fund, were counted as still belonging to the sponsoring employer. As a result, the buildings went with the liquidated assets.

The Court ruled that the sponsoring employer owned the buildings since there was no proof of ownership on the part of the pension fund beyond a mere agreement of sale.

In the case of insured schemes where the assets are registered in the name of the the life assurer, pension funds can still lay a claim on the assests as provided for in terms of section 16 of the Pension and Provident Funds Act.

In terms of section 6(a) of the Pension and Provident Funds Act [Chapter 24:09], a fund upon registration becomes a body corporate that is capable of owning assets in its own name.

Section 15(1) of the same Act goes further to require every registered fund to

"maintain such books of account and other records as may be necessary for the purposes holding of assets of the fund."

This requirement is at the centre of pension fund administration, owing to the fact that the fund can only assert its rights on any asset that it purports to own if the fund has evidence to prove that it is the **legal owner** of the assets.

Legitimacy of ownership in immovable property is proved through possession of a Title Deed bearing the endorsement of the Registrar of Deeds. Therefore, once a fund acquires immovable property, it must prioritise registering them in its own name.

If the fund fails to register the property in its name, the previous owner or the developer will be considered the legal and rightful owner. Legally, the evidence of an agreement of sale and proof of payment of purchase price is merely an indication that the process of acquiring ownership had started, but it does not amount to proof of ownership. Ownership is only valid when a deed of transfer is executed through a Conveyancer and the transfer deed is duly stamped and registered.

The basic purpose of the registration is to record and prove the ownership of the property. The process of registering the property also ensures that in any disputes of ownership, the rights of the seller to dispose of the property and any encumbrances such as mortgages can easily be established as part of the conveyancer's due diligence process.

Prior to the deed of transfer being executed, duly stamped and registered, no right, title or interest in an immovable property is considered to have been transferred. In such cases, should a dispute arise in relation to its ownership, the fund cannot easily prove its rights on the property and will have to go through the costly court route to try and prove that it purchased the same.

While this route is available, it is costly and only offers only temporary relief. The outcome of the court proceedings are at the discretion of the court, which may not even rule in favour of the fund, especially if there is no satisfactory evidence presented before it to prove the purchase.

Pension funds are run by trustees who are elected or appointed to manage the affairs of the fund on behalf of and for the benefit of the fund members. It is, therefore, the duty of trutees to ensure that when their fund has acquired some assets, these should be registered in the name of the fund even if they have been bought from the sponsoring employer.

Why you need to tell your family about your insurance and pension policies.

Mr Ranson Dube loved his family and always wanted the best for them. He would sacrifice spending time with them during weekends, instead spending most of his time at work to supplement his salary so that he could provide for them. He wanted to send his children to the best schools.

Unfortunately, Mr Dube lost his battle with cancer after having tried several treatments, which cost a lot of money, some of which was borrowed from friends and relatives.

With the breadwinner gone, leaving behind a mountain of debts, the family had one option; sell their house, clear the debts and relocate to their rural home. The first-born twins, Patrick and Portia, who were due to write their Ordinary Level examinations in six months' time would have to defer their examinations. There was not enough money to pay for their examination fees.

As the family consulted the extended family about the price of the house, one Uncle, Baba Mavis, enquired whether there was no pension scheme at his late brother's workplace.

That is when they asked his former workmates, who confirmed that indeed he had been contributing to a pension scheme at work.

While this was supposed to be good news, the family did not expect much. After all, if there were significant savings, the deceased would have told them about it and there would have been no reason to borrow for his hospital bills. With resigned faces, the family reluctantly approached the pension fund to ask how much was in the late' pension pot. They expected just enough to transport some household goods to their rural home in Chivhu.

But they were shocked when Tsitsi at the pension fund told them how much was due to them as beneficiaries.

The money was enough to settle the debts, pay examinations fees for Patrick and Portia as well as schools fees for their siblings; Peter, who was in form three, Petros in form one and the last born, Petronella, in grade six.

Imagine what would have happened to the family if Baba Mavis had not asked about the deceased's pension savings. That is why it is important for people who are contributing towards pension savings or have life policies to disclose this to their families so that they can claim in the event of the member dying.

Myths are told about how married couples do not disclose the existence of pension savings or life policies to their families, fearing that the spouse may be tempted to kill them so that they get the benefits. This is far-fetched. It is important for families to disclose the existence of pension savings or life policies.

Failure to do that may result in the remaining family living in abject poverty, downgrading their lifestyle or, worse still, selling their only house to clear debts left behind by the deceased and relocating to their rural home. Yet there would be money at the pension fund, which could go a long way in reducing the burden of losing a loved one, who was probably the breadwinner.

Records submitted to the Insurance and Pensions Commission by pension funds and administrators indicate that there were about 59 000 members who have not claimed their benefits to the tune of about $31 million as at 31 December 2019.

It is possible that some of these members may have died but their beneficiaries have not claimed the money because they do not know about its existence.

Therefore, it is important to disclose the existence of pension savings or life policies to the family so that they can get what is due to them.

Prof Ncube meets the insurance and pensions industry

Finance and Economic Development Minister, Professor Mthuli Ncube recently met with the insurance and pensions industry where he underscored the need to restore confidence in the sector.

He reaffirmed Government's commitment to reform the insurance and pensions industry for the betterment of lives of policyholders and pension scheme members.

"Key on the Government's agenda, is the need to implement reforms recommended by the Justice Smith-led Commission of Inquiry as re-affirmed in the recent consecutive National Budget Statements," said Prof Ncube.

"Government's efforts will be in vain if we do not get commitment from industry practitioners and IPEC. Let us all play our part to ensure the future sustainability and relevance of the industry.

"Restoration of consumer confidence should be a key priority for every player in the industry. Government, through IPEC is already seized with the need to restore consumer confidence."

The Minister said Government and IPEC were already implementing various measures to restore confidence in the sector.

Among the measures are, issuance of the Guideline for the Insurance and Pensions Industry on adjusting insurance and pension values in response to currency reforms, strengthening the supervisory framework for Treating Customers Fairly and consumer education programmes.

Speaking at the same event on behalf of the insurance and pensions industry, chairperson of the Zimbabwe Insurance and Pensions Apex Council, Mr Tassius Chigariro welcomed the meeting with the minister saying the industry would like to be viewed as a strategic long-term development partner.

"Our purpose is to share ideas with the government on how we can work together and help you tackle the national challenges.
"Our Industry desires to play a positive and contributory role in the economic development of our country. We want to play a role in ensuring food security for our nation.

"We want to play a role in ensuring that long-term savings are channelled appropriately to the development of the nation in a way that also generates favourable returns for the aging population," said Mr Chigariro.

INSURANCE AND PENSIONS COMMISSION

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