Consumer Education **Newsletter**

6TH Edition

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Commissioner's Remarks

Just when we thought we had dodged the full impact of the Covid-19 pandemic and were hopeful that lockdowns would be a thing of the past, the year 2021 started with a more ruthless second wave.

This second wave of the pandemic wreaked havoc, with an astronomical increase in Covid-19 fatalities.

Resultantly, more restrictive measures were introduced while at the same time, the country started its vaccination programme in earnest.

Regrettably, it seems we are on the brink of a third wave given the significant increase in Covid-19 cases. We all have to abide by the World Health Organisation measures to stop the spread of the virus.

The pandemic has brought about many challenges that resulted in businesses being challenged to revamp their operations and adapt to the new normal. The insurance and pensions industry is no exception.

Driven by the need to ensure that the industry continues to settle claims and pay benefits even during the Covid-19 induced lockdown, the Commission issued Circular 1 of 2021 in January, calling for industry players to activate Business Continuity Plans in response to the lockdown measures. The regulator also facilitated that the insurance and pensions industry be accorded the essential services status by the government..

While the Covid-19 related deaths stretched the resources of funeral and life assurance companies, it is gratifying to note that the sector weathered the storm as assurers managed to meet policyholders claims.

To entrench consumer protection in the insurance and pensions industry, the Commission continued to issue instruments to insurance companies and pension funds.

In particular, the Commission issued a Treating Customers Fairly Framework, which provides key principles and outcomes to be observed by all insurance companies and pension funds to ensure fair treatment of customers.

As reported elsewhere in this edition, there are consequences for insurance companies and pension funds that unfairly treat their customers.

The Commission noted an increase in the number of suspended pensioners since the onset of the Covid-19 pandemic because of their failure to submit certificates of existence to prove that they are still alive.

One reason could be that pensioners were unable to travel due to the Covid-19 related regulations.

To this end, the Commission issued Circular 7 of 2021, which allowed pension funds to relook at the policies governing the submission of life certificates to avoid unjustified suspension of pensioners' benefits on account of failure to submit certificates of existence.

The Commission is also implementing various projects that are meant to enhance consumer protection. One of the key projects include the asset separation exercise, which is aimed at ensuring that assets belonging to policyholders are not unfairly transferred to shareholders.

Together with key stakeholders in the insurance and pensions industry, the Commission is spearheading the development of relevant and appropriate mortality tables for Zimbabwe. The tables will help in accurate and fair pricing of life and pension products. You can read more on this, in the article in this edition.

As stated in the last edition, the Commission is also seized with implementation of the Revaluation Guideline for the Insurance and Pensions Industry on adjusting insurance and pensions values in response to the 2019 currency reforms.

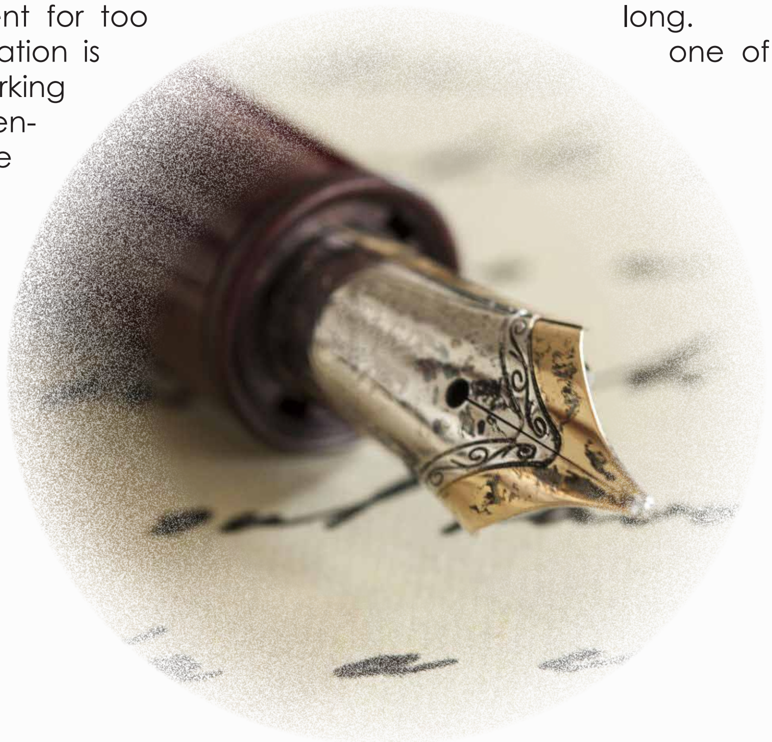
Whilst regulated entities are at various stages of compliance, I am happy to advise that in compliance with the requirements of the Revaluation Guidance, some pension funds have declared bonuses that are as high as 800%.

The Commission continues to engage with stakeholders to ensure that the industry fully complies with the requirements of the Guidance Paper so that policyholders and pension scheme members can get what is rightfully theirs.

IPEC is working closely with key stakeholders on securing compensation for policyholders and pension scheme members whose policies lost value following the 2009 adoption of the multicurrency regime.

A compensation roadmap is being developed and is expected to be implemented this year. The Commission fully understands the anxiety from stakeholders, particularly pensioners who have been patient for too long.

Revamping insurance and pension legislation is one of the key projects that the Commission is working on to enhance consumer protection. The Pension and Provident Funds Bill is already before Parliament while Cabinet approved principles of the Insurance and Pensions Commission Bill and the Insurance Bill.



Once these Bills are passed into law, the Commission will be better equipped to fulfil its mandate of protecting the interests of insurance and pension consumers.

This edition has several articles that I believe you will find informative and educative.

Happy reading!

Grace Muradzikwa

Commissioner

From the *Editor's Desk*

Welcome to the sixth edition of the Consumer Education Newsletter, one of the platforms we use to sensitise you, our dear reader, about insurance and pension matters.

We hope you will find the articles in this edition educative to enable you to make informed decisions when you enter into contracts with insurance companies and pension funds under our regulation.

In this edition, we tell you more about the Treating Customers Fairly Framework that the Commission issued to the insurance and pensions industry to ensure that consumers of insurance and pension products/services are fairly treated.

We are aware that many may be wondering what it means when we say IPEC regulates the insurance and pensions industry. We have an article in this edition which explains what regulation entails.

Ever been worried about the prices of insurance and pension products in Zimbabwe? Well, there is an article, which explains the Zimbabwe Mortality Tables project, which IPEC together with key stakeholders is developing to ensure that we have Zimbabwe-specific mortality tables that will be used in pricing insurance and pension products.

Given that it's the tobacco selling season, and some farmers see some of their income from the sales floors being deducted towards insurance, we have an article that explains how tobacco insurance works.

Considering that utmost good faith is one of the key principles in insurance, we are once again publishing the article on full disclosure so that you know the risks of failure to disclose material facts.

There are many more interesting reads in this edition.

So go ahead and read.

Lloyd Gumbo

Public Relations Manager

How exactly does IPEC regulation work?

You may have heard a lot about IPEC being the regulator of the insurance and pensions industry in Zimbabwe. But you probably wondered what regulation really is all about.

Well, this article will help you appreciate better what IPEC regulation entails.

Simply, regulation means working to correct any market failures in order to protect consumers.

This is done by setting the regulatory framework to govern the operations of insurance companies and pension funds. There are standards that players in the insurance and pensions industry are expected to observe in their operations.

In exercising its regulatory mandate, IPEC also plays a supervisory role by making sure that insurance companies and pension funds observe regulatory requirements.

There are three pillars of regulation, which are prudential supervision, market conduct supervision - commonly called Treating Customers Fairly and Anti Money Laundering and Combating Financing of Terrorism supervision.

Prudential supervision

If unregulated, acts by insurance and pension funds can cause serious damage to the interests of customers and damage the financial sector. This is why promoting safety and sound practices is important.

In exercising this mandate, the Commission focuses on the following elements; Capital adequacy, Asset Quality, Reinsurance ability, Adequacy of Claims and Actuarial issues, Management soundness (Governance), Earnings and profitability, Liquidity and Sensitivity to Markets Risks. This is commonly known as the CARAMELs Model.

Market Conduct Supervision

To protect consumers of insurance and pension products from unfair market practices, the Commission undertakes market conduct supervision. This is meant to ensure that insurance companies and pension funds treat their customers fairly in their operations. To achieve this, the Commission enforces compliance with regulations and set standards. For instance, insurance companies and pension funds are expected to develop products that meet customer needs, taking into account their circumstances, and to settle claims and pay benefits timeously. These are typical market conduct supervision issues, which the Commission deals with.

Anti-Money Laundering & Combating Financing Terrorism

To ensure that the insurance and pension industry does not become a hub for laundering proceeds of crime, the Commission conducts Anti-Money Laundering & Combating Financing of Terrorism (AML/CFT) supervision. In executing this mandate, IPEC supervises and monitors its regulated entities to ensure that they are effective in preventing money laundering risks.

Prudential, Market Conduct and AML/CFT supervision is done through offsite surveillance and onsite investigations.

Fair Treatment FOR INSURANCE AND PENSION CONSUMERS

Insurance companies and pension funds are expected to fairly treat their customers throughout the product life cycle. When they fail to observe that, the Insurance and Pensions Commission (IPEC) penalises the truant ones.

To ensure fair treatment of insurance and pension consumers in line with its market conduct supervisory role, IPEC issued a Treating Customers Fairly (TCF) Framework to insurance companies and pension funds this year.

The Framework sets principles and rules on how insurance and pension service providers can achieve fair outcomes for their customers from product design and promotion, through advice, to claims and complaints handling.

The TCF Framework is based on six internationally accepted regulatory and supervisory outcomes, which insurance and pension service providers are required to deliver to policyholders and pension fund members.

The six outcomes are:

- Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture;
- Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly;
- Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale;
- Where consumers receive advice, the advice is suitable and takes account of their circumstances;
- Consumers are provided with products that perform as insurance and pension service providers have led them to expect, and the associated service is of an acceptable standard and as the consumer has been led to expect; and
- Consumers do not face unreasonable post-sale barriers imposed by insurance and pension service providers to change product, switch provider, submit a claim or make a complaint.

Consumer complaints against insurance companies and pension funds will be used as one of the key indicators of possible unfair treatment of customers.

However, it is important to note that TCF shall not be measured by the level of satisfaction or dissatisfaction of insurance and pension consumers. For instance, some consumers may be satisfied with their treatment because they have limited understanding of their rights and responsibilities even if they have been unfairly treated. Others may be dissatisfied with their treatment even if they have been fairly treated.

Full compliance with the TCF Framework is expected to result in improved confidence in insurance and pensions, which will ultimately lead to a sustainable insurance and pensions industry where consumer financial services are met.

New mortality tables for Zimbabwe on the cards

The Insurance and Pensions Commission and stakeholders in the insurance and pensions industry in Zimbabwe are developing mortality tables for the country.

These tables will help in accurate and fair pricing of life and pension products.

A mortality table is also known as a life table or actuarial table. It shows the probability of a person's death before their next birthday, based on their current age.

Mortality tables are key in the development of life insurance and pension products as they help determine the pricing of the products.

Zimbabwe has for a long time relied on either outdated country mortality tables or those developed in other countries such as South Africa and the United Kingdom.

Whilst insurance companies and pension funds in Zimbabwe may have been updating these tables through mortality investigations but using mortality experiences from other countries, this practice has disadvantages. It ignores the differences in economic, social and demographic situations, mortality changes over time due to new lifestyles, working habits and medical advancements.

To close this gap, IPEC partnered with key stakeholders to develop relevant and appropriate mortality tables for Zimbabwe.

The stakeholders are; Life Offices Association (LOA), Zimbabwe Association of Pension Funds (ZAPF), Zimbabwe Association of Funeral Assurers (ZAFA), Actuarial Society of Zimbabwe (ASZ), National Social Security Authority (NSSA) and the Macroeconomic and Financial Management Institute For Eastern and Southern Africa (MEFMI).

A working group comprising representatives of IPEC and the above organisations is already working on the project, which is expected to be completed early next year.

Relevant and appropriate Zimbabwe-specific tables are expected to assist in the setting of assumptions for financial products and improved financial sustainability of the insurance and pensions industry; enabling accurate determination of actuarial reserves for International Financial Reporting Standards (IFRS) purposes as well as for compliance with statutory requirements, for improved risk management regarding solvency and reinsurance programmes; and to keep up with international best practice regarding financial sector capacity development.

What you need to know about tobacco insurance

Tobacco insurance is one of the common forms of agriculture insurance that has been embraced by smallholder farmers in Zimbabwe.

The common perils that tobacco farmers insure against are hailstorm, lightning, barn fires and goods in transit, which covers theft that may occur between the farm and the auction floors.

Whilst insurance in general is voluntary, for contract tobacco farmers, insurance is one of the major conditions as contractors want to secure their investments in the event of a loss caused by the insured peril.

Unlike other common forms of insurance where the policyholder pays premiums in advance, insurance for risks associated with farming such as tobacco insurance are only paid for after selling the crop. This is generally done through a stop order facility.

Therefore, it is important for farmers to understand that once they have signed up for insurance, they are bound by the terms and conditions of the contract.

What we have noted is that some tobacco farmers think that they should not pay for insurance if the insured event did not occur. That is not true.

The insurance contract comes into effect soon after signing. This means that the insurance company is already bound to compensate the farmer in the event of the insured event happening.

On the other hand, the farmer is also bound to pay the premium whether the insured event occurs or not.

To this end, farmers should understand the terms and conditions of the contracts before signing up so that they can make informed decisions.

On our part as the regulator, we expect insurance companies to explain the terms and conditions of their policies to their customers.

The Commission does not condone mis-selling. Therefore, any registered insurance company that is found to have misled customers is penalised.

Farmers who feel that they have been unfairly treated by insurance companies can lodge their complaints with us for assistance at no cost.

Full disclosure:

Why is it important in insurance?

Disputed insurance claims are a common feature in the insurance industry, the world over.

The recent uproar over a decision to reject a R2.4 million life insurance claim due to non-disclosure by a health and insurance group, Momentum, in South Africa, brings the issue of non-disclosure of material facts into sharp focus. In that incident, a policyholder died from gunshot wounds sustained during a hijacking, and the insurer refused to settle the claim on the basis that the policyholder had failed to disclose existing high blood sugar levels.

After referral to the Ombudsman for Long-Term Insurance, the matter was ruled in favour of Momentum Life. Whilst Momentum Life ended up paying the R2.4 million, probably to save its reputation, it is important to note that non-disclosure of material facts results in an insurance company justifiably refusing to settle a claim. In this regard, full disclosure is a fundamental principle in insurance, and a breach can be considered a misrepresentation of material facts.

What exactly does misrepresentation of material facts involve?

In insurance, misrepresentation involves intentionally providing false information or withholding information that, if disclosed, might result in the parties to the contract changing the terms and conditions or deciding not to enter into the contract.

Whilst reluctance to give out what appears to be too much information regarding personal life is human nature, withholding critical information when entering into contracts can render a contract invalid, when such information is revealed at the claiming stage.

In Insurance, the principle of utmost good faith requires both the insurance company and the person taking out insurance (policyholder or insured) to disclose all information concerning the contract and the circumstances surrounding the asset being insured. Such information about the subject of insurance is essential for the insurer to undertake risk assessment and price the risk.

It is the duty of the policyholder to keep the insurance company updated, with all relevant material information, which may include:-

- Change of address of the insured asset in the case of movable assets;
- Change of use of the insured asset, for example changing the use of an insured motor vehicle or house from private use to commercial use;Changes in behaviour such as smoking or car racing or other life-threatening activities in the case of life insurance; and

- Any health-related or medical developments, for instance, terminal illness in case, the policyholder has been diagnosed.

It is important to note that changes in such circumstances may affect the insurance policy by either increasing or reducing the premiums. For instance, if a policyholder has upgraded his/her home security by erecting an electric fence, it may result in the premium going down due to improved security, which lowers the risk of possible loss.

Full disclosure is important as it helps the insurance company to correctly price the premium or to make a decision on whether to enter the contract or not. It is therefore important to disclose all material facts at the onset of an insurance contract and on an ongoing basis for the insurance company to adjust its price and/or cover to avoid rejection of compensation at the point of making a claim.

Failure to disclose material facts by the insured customer may result in the insurance policy being of no force.

The duty of disclosure also requires the insurance company to treat customers fairly and in doing so, the company should demonstrate that it meets the following principles as best practice:

- Fair treatment of policyholders should be central to the corporate culture;
- Products and services marketed and sold should be designed to meet the needs of identified consumer groups and are targeted accordingly;
- Consumers are provided with clear information and are kept appropriately informed before, during, and after the point of sale;
- When consumers receive advice, the advice should be appropriate and tailored to the unique circumstances of any individual;
- Consumers are provided with products that perform as firms have led them to expect; and
- Policyholders do not face unreasonable post-sale barriers to switch the service provider, submitting a claim or making complaints.

Insuring the future: Global Money Week competition

IPEC Commissioner, Dr Grace Muradzikwa handing over a brand new laptop to Tadiwa Mhete from the University of Zimbabwe, as prize for winning the IPEC Global Money Week competition for the Tertiary students category.

As part of this year's Global Money Week (GMW) commemorations, the Commission conducted a competition meant to increase financial literacy among the country's young people. In the contest, high school students were required to record a 60-second video speaking about the importance of insurance. Tertiary students were to record a 90-second video speaking about how to make pensions make sense in Zimbabwe.

The Commission received entries from eight out of the country's ten provinces. It was pleasing to see all corners of the country represented, with entries from rural Plumtree and Chiredzi.

We were excited by the quality of entries that we received as students went all out in researching and presenting on their respective topics.

The winning students for both the high school and tertiary categories walked away with brand new laptops while runners up got tablets.

The GMW is an annual global awareness campaign on the importance of ensuring that young people, from an early age, are financially aware, and are gradually acquiring the knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve financial well-being and financial resilience.

Below are reflections by the winning students.

TADIWA MHETE (UNIVERSITY OF ZIMBABWE)

Winner: Tertiary category

On a day that started off so regularly, it came both as a surprise and an esteemed honour to be the winner of the IPEC Global Money Week competition. I simply could not believe it! My reaction to the news was nothing short of exceptional and an expression of extreme joy for, in a way, it was an answered prayer. I had been saving and working towards getting a new laptop to use at school and so it came at the perfect time.

The Global Money Week competition gave me a chance to really look at pensions and the issue of money from a whole different perspective, which I believe especially as the youth;

we must pay more attention to. Investment value creation and securing an adequate pension income are key things, which will affect each and every one of us hence substantiating the vast attention they should receive. I will forever be grateful to the whole IPEC team for such an opportunity. I will definitely put the laptop to good use. Many thanks!

Thembinkosi Ncube (Lupane State University)

Runner Up: Tertiary category

The Insurance and Pensions Commission this year celebrated the Global Money Week in style with a competition that was aimed at increasing financial awareness amongst the youth. Being fascinated about all things finance and awareness, I couldn't resist taking part. I managed to be a runner up under the tertiary students' category and walked away with a Samsung Tab E.

I would like to point out this to all the youths, there is every possible solution to life's questions and difficulties if you know how to play your financial cards right. Did you know that it's possible to guarantee that you will visit all the world's Seven Wonders or living in a beach house. Pensions can actually help you do just that. By starting to save now, you give yourself a chance to enjoy pension benefits after retirement.

To achieve a poverty-free Zimbabwe, we need youths who are financially aware that the decisions they make about their money today will affect them either positively or negatively in the future. Be financially smart!

Kimberley Chikomba (Regina Mundi)

Winner: High School category

Scrolling up and down on Instagram, an advert appeared on my screen. To be honest at that point, I did not even know what IPEC was. I took a screenshot after looking at the requirements and like most students, one would like to know if there is a catch. What really moved me was how informative the topic was and a platform for sharing such information. "Why insurance is important?"

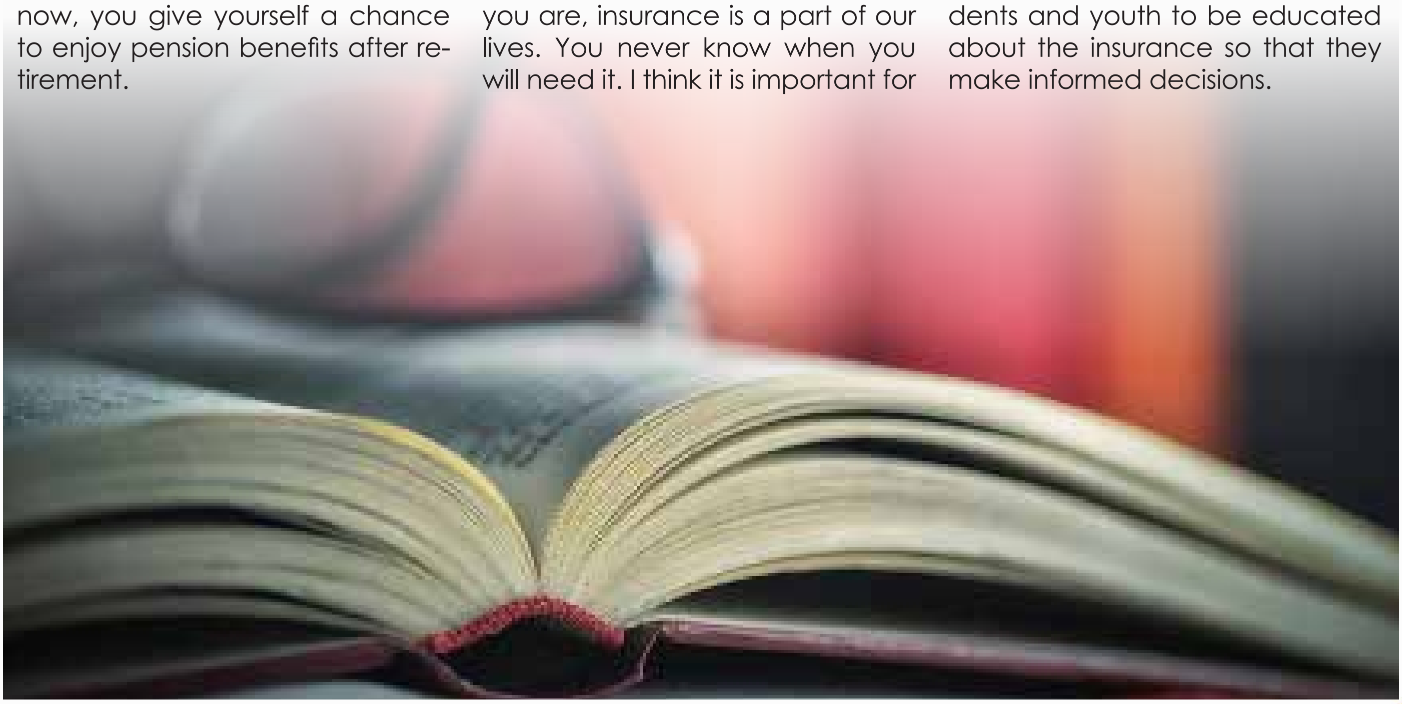
Youths of today do not see insurance as a necessity. I do not blame them, society has had its say on it. After my research, I began to view insurance differently. Suddenly it made a lot of sense. Being able to have a financial backbone when uncertainty comes up sounds pretty good. The process might seem exhausting for most but the thought of enjoying a nice cup of coffee when the future is blurry makes it worth every cent. It does not matter how old you are, insurance is a part of our lives. You never know when you will need it. I think it is important for the youth and people generally to get educated on insurance because the future is still in our hands and what better way to secure it than to get insured.

Takunda Brendon Gudza (Home schooling in Chiredzi)

Runner Up: High School category

I was genuinely inspired to enter the IPEC competition not to win but instead, I entered the competition to voice my opinion on the importance of insurance. It was a bonus for me to be selected as runner up in my category to win a brand new Tablet.

Insurance is an important financial tool. It can help you live life with fewer worries knowing you will be compensated after loss of your valuable asset (s) in the case of general insurance. For life assurance, you have a peace of mind knowing that your family or dependents having financial security in the event that you die. Funeral assurance on the other hand, helps us give our loved ones dignified send offs. Without insurance, recovering your lost assets may be difficult while securing the future of one's children in the event of the breadwinner dying without a life policy may prove to be the worst nightmare. Given all these factors, it is therefore, important for students and youth to be educated about the insurance so that they make informed decisions.




Thank You!