Consumer Education **Newsletter**

7TH Edition

Insurance & Pensions Commission
ipec

Measures to preserve pension values

Commissioner's Remarks

One of the major challenges facing the insurance and pensions industry is low public confidence, owing to the loss of value caused by inflation and the unintended consequences of the 2009 and 2019 currency reforms.

The Commission is aware that restoration of confidence is key to the sustainability of the insurance and pensions industry. This is why this is a focus area for the Commission.

To achieve this, the Commission is implementing various initiatives, which include; review of existing legislation used to regulate the insurance and pensions industry-the Insurance and Pensions Commission Act, the Insurance Act and the Pension and Provident Funds Act. The Commission is also issuing directives, circulars and frameworks to the insurance and pensions industry in line with its mandate of protecting the interests of policyholders and pension scheme members.

In addition, the Commission is implementing projects that are specially designed to help restore confidence in the industry as well as facilitate market development. The projects include; Zimbabwe Integrated Capital and Risk Programme Framework (ZICARP), feasibility study on agricultural index-based insurance, insurance lab, the asset separation exercise, development of Zimbabwe-specific mortality tables, and compensation for the 2009 and 2019 losses of insurance and pension values.

ZICARP is an integrated risk-based supervisory framework whose objective is to create a sound insurance regulatory and supervisory system to enhance policyholder protection and stability of the insurance industry.

Regarding the feasibility study on agricultural index-based insurance and the insurance lab, this edition has an article on this, where you can read more on it.

The asset separation exercise is a condition precedent to the compensation for the 2009 losses, to ensure that there is no transfer of assets from policyholders to shareholders, and vice versa.

Zimbabwe has for a long time relied on either outdated country mortality tables or those developed in other countries such as South Africa and the United Kingdom. For this reason, the Commission is spearheading the development of Zimbabwe-specific tables, which will provide a sound basis for the development of appropriate

insurance and pension products/services, pricing and reserving for the same.

A consultant has been appointed to develop the mortality tables and we expect to launch the new mortality tables before the end of 2022.

With respect to compensation for the 2019 loss of value, the Commission has already started disbursing US$100 to the first tranche of beneficiaries after receiving US$400 000 from Kuvimba Mining House. On the 2009 compensation, we are at the tail end of the compensation framework exercise.

The Commission will continue with initiatives that ensure the protection of policyholders and pension scheme members and a safe, vibrant, and sustainable industry.

I trust you will find this edition informative.

Grace Muradzikwa
Commissioner of Insurance, Pension & Provident Funds

From The **Editor's Desk**

Welcome to the seventh edition of the Consumer Education newsletter, which we have transformed from a bi-annual newsletter to a quarterly one to allow for regular engagement with you, our readers.

We are elated at the feedback that we continue to receive from our stakeholders, and we will endeavour to continue educating you on insurance and pension issues.

This edition carries a range of content that we are certain you will find informative.

In this issue, we have an article that on the measures being implemented to preserve pension fund members' value. We also have an article that provides an update on compensation for the 2009 and 2019 losses of value following currency changes during the two episodes.

In another article, we also explain why motorists who buy used vehicles should change ownership within the first two insurance terms for them to be compensated in the event of a claim.

Another article that explains why its important for policyholders to regularly review the value of their assets to ensure that they are adequately covered, to avoid disappointment at claim stage.

I believe you will find these, and other articles in this edition, very educative.

As always, we value your feedback. Please keep them coming so that we can provide you with content that meet your expectations.

Enjoy the read!

Lloyd Gumbo
Public Relations Manager

Inflation: How IPEC is working with pension funds to preserve value

The recent increase in inflation may have left many pension scheme members worried about its impact on their pension savings.

While inflation and an unstable economic environment are a threat to pension funds, as they tend to erode pensioners' value, the Insurance and Pensions Commission (IPEC) and pension funds have put various measures in place to mitigate this risk.

Normally, inflation erodes value for cash and cash equivalent assets while properties and equities tend to hedge against inflation.

However, about 80 percent of the pension sector's assets are invested in properties and equities, which helps reduce the impact of inflation.

In addition, the Commission is enforcing compliance with the Guideline for the Insurance and Pensions industry on Adjusting Insurance and Pension Values in Response to Currency Reforms. The guideline provides for regular review of pension benefits.

The Commission is also enforcing asset separation to ensure that fund members' assets are clearly distinct.

This helps ensure that fund members' assets are not transferred to shareholders and vice versa.

The Commission has also increased the threshold for alternative investments to 15 percent from 10 percent of a fund's total assets. This covers private equity investments in sectors such as renewable energy, agriculture, mining, tourism and other ventures run by private entities.

As a result, pension funds can invest in private equity in order to diversify their investments. Some of the private equity investments conferred with prescribed asset status are foreign currency-denominated, making it possible to get better returns while at the same time preserving value.

To diversify investment options, the Commission has also allowed offshore investments, where pension funds can invest at most 15 percent of their assets offshore.

The authorisation for the payment of contributions and related benefits in foreign currency through Statutory Instrument 280 of 2020, is another measure that will help preserve value for pension funds.

The Commission has also issued an expenses framework, which sets maximum limits for administration and investment management expenses to ensure that these do not erode pensioners' funds.

Compensation for 2019 losses begins in earnest

The Insurance and Pensions Commission (IPEC) has started disbursing US$100 to the most vulnerable pensioners and beneficiaries affected by the unintended consequences of the 2019 currency reforms.

To cushion pensioners and beneficiaries affected by the currency changes, Government availed 5 percent shareholding, which was worth US$75 million in Kuvimba Mining House, to compensate the affected private occupational pensioners and beneficiaries.

The funds are being administered through IPEC and the Ministry of Finance and Economic Development.

In June 2021, the Minister of Finance and Economic Development, Professor Mthuli Ncube, facilitated the payment of US$400 000 to IPEC from the dividend declared by Kuvimba Mining House, for disbursement to pensioners.

The Commission's task was to determine the criteria to be used in disbursing the US$400 000, given that the number of pensioners and beneficiaries averages about 60 000.

The Commission settled on a means test approach, where the US$400 000 would be disbursed to pensioners who were receiving less than ZW$1000 annual pension as at 31 December 2020.

To this end, the number of eligible pensioners and beneficiaries to receive US$100 each was almost 4 000. To ensure easy accessibility of the disbursement by pensioners and beneficiaries throughout the country, the Commission partnered BancABC Bank, to disburse the money to eligible pensioners and beneficiaries in United States dollars.

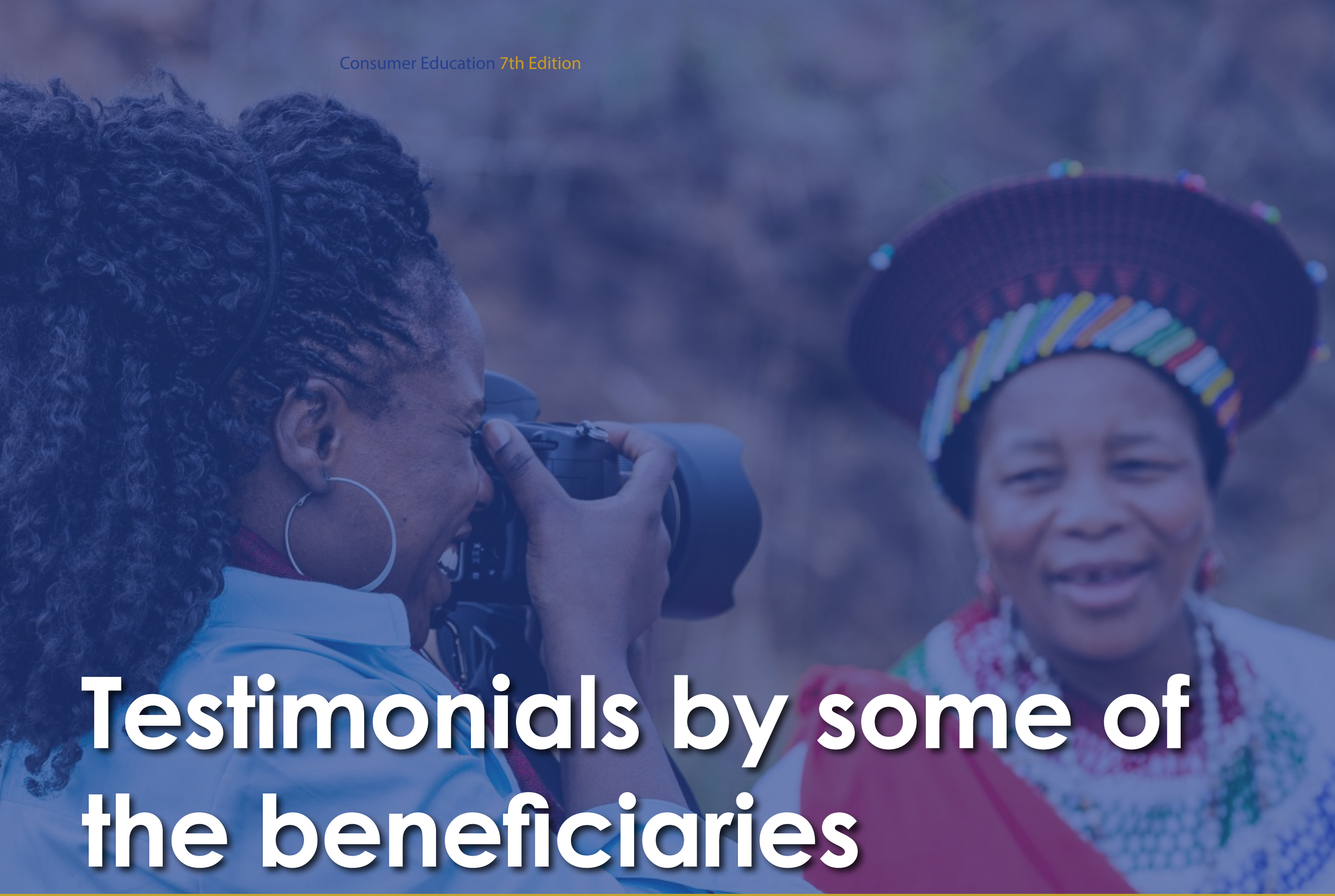
The partnership was informed by the bank's wide branch network, including its kiosks in TM Pick n Pay outlets throughout the country.

By the end of May 2022, about 60 percent of the eligible pensioners and beneficiaries had collected their US$100.

To check out the full list of eligible pensioners and beneficiaries, you can click on this link:

https://ipeczw-my.sharepoint.com/:x:/g/personal/frusike_ipec_co_zw/EVDHnuzDOnRAsmKB-Lce--kB5BPr2fAZ_oU8y9ZFV1YQxA?e=NVYYVQ

Other segments of pensioners and beneficiaries will also be paid as and when further dividends are paid.



Testimonials by some of the beneficiaries

Themba Rufeyo of Chegutu

"I am one of the beneficiaries of the US$100 that was paid as compensation by IPEC and Government for the 2019 loss of value following the currency changes that were introduced. The money really helped a lot as we least expected it. We were elated when we received the message that we are eligible."

Judith Guyo of Concession

"I was surprised to receive the message that I was eligible for the US$100 compensation.

"I used the money to buy fertilizer and some herbicides for my maize crop. I expect a bumper harvest, thanks to the compensation money that I received."

Phyllis Chipangura of Bulawayo

"I am a beneficiary of my late husband's pension. The compensation money I received, helped me settle my debts and buy food for the family and we are all grateful for the money because we did not expect it."

Change vehicle ownership within the first 2 terms

Motorists who buy used vehicles must register the vehicles in their names within the first two insurance terms, for insurance companies to settle claims that arise thereafter.

This is applicable to third party insurance policies provided in the Road Traffic Act. The duration of an insurance term is four months.

According to Finance Act number 7 of 2021, which became effective from 01 January 2022, failure to register the vehicle in the new owner's name during the first eight months after changing ownership of the vehicle, may result in the insurance company declining to settle claims, which may arise.

The Vehicle Registration and Licensing Act [Chapter 13:14], requires new vehicle owners to register change of ownership within 14 days after acquiring the vehicle.

Insurance companies are required to operate in terms of the laws of the land as they are expected to follow public policy.

Section 46 (1) of the Finance Act number 7 of 2021 says; "(1) If the name of the person to whom a certificate of insurance is issued in terms of section 23(2)(b) is not recorded on the registration book of the insured vehicle or trailer as the owner thereof then, despite that fact, such person is deemed to be the owner of the vehicle or trailer for the first two terms of the policy of insurance concerned.

"(2) If after the expiry of the second term of a policy the name of the person to whom a certificate of insurance is issued in terms of section 23(2)(b) is still not recorded on the registration book of the insured vehicle or trailer as the owner thereof, then—

(a) the insurer may refuse to honour the policy of insurance; and

(b) the person in whose name the policy was issued shall be personally liable for the amount for which the insurer would have been liable to pay out under the policy, in addition to any amount that a court may find the person liable for in respect of the death or bodily injury or bodily injury to, any person caused by or arising out of the use of the motor vehicle or trailer concerned on a road."

What it means is that if the new owner does not change of ownership within eight months after acquiring the vehicle, then they may not be indemnified.

Click here (https://www.zimra.co.zw/customs/special-excise-duty-on-change-of-ownership-of-second-hand-motor-vehicles) to see the price of the Special Excise Duty on Change of ownership of second-hand motor vehicles.

Meanwhile, motorists are advised that motor vehicle insurance is not transferable.

This means that after buying a vehicle that already has insurance, the new owner should buy their own cover as the insurance in the name of the previous owner cannot be used to file a claim that arises after having sold the vehicle.

Why you should revalue your assets

For Tapiwa, buying his own vehicle that he would drive as he pleased topped his new year's resolutions for 2022.

A Mercedes Benz enthusiast, who knows literally everything about the make, the badge on his vehicle had to be a silver circle with a three-pointed star in the centre.

With each new Mercedes release, Tapiwa already knows its specifications like how the GLE 450 4MATIC SUV has 9G-TRONIC 9-speed, inline-6 turbo with mild hybrid drive and turbo torque with hybrid electric assist.

That is why as soon as his loan from the bank reflected in January this year, he caught the first bus to Musina where he bought a second-hand Mercedes Benz C200.

Tapiwa paid about $14 000, inclusive of the purchase price and duty.

As soon as he arrived back in Harare, he bought comprehensive motor insurance policy for his new acquisition at a value of about ZW$3, 3 million, which was the market value at that time.

Short-term insurance, such as comprehensive motor insurance, the objective is to indemnify the policyholder so that they can be taken back to where they were before the loss.

So, if Tapiwa's 2012 Mercedes Benz C200 is involved in an accident and is a write-off, the replacement should be a 2012 Mercedes Benz C200. That is the concept of indemnity.

However, for this to happen, Tapiwa should have insured his vehicle for the correct value, as it is his duty to advise the insurance company the market value of his vehicle.

This is applicable to all assets that are insured.

Therefore, if the value of the asset has changed, under whatever circumstances, during the term of insurance, the policyholder has the responsibility of advising the insurance company of this change, so that the insurance company can recalculate the premium that the policyholder should pay.

The asset value helps in determining the premium. Therefore, if one undervalues their asset, the insurance company will calculate the premium based on that lower value.

However, when a claim arises, the insurance company will look at the prevailing market value of the asset at the time of the loss.

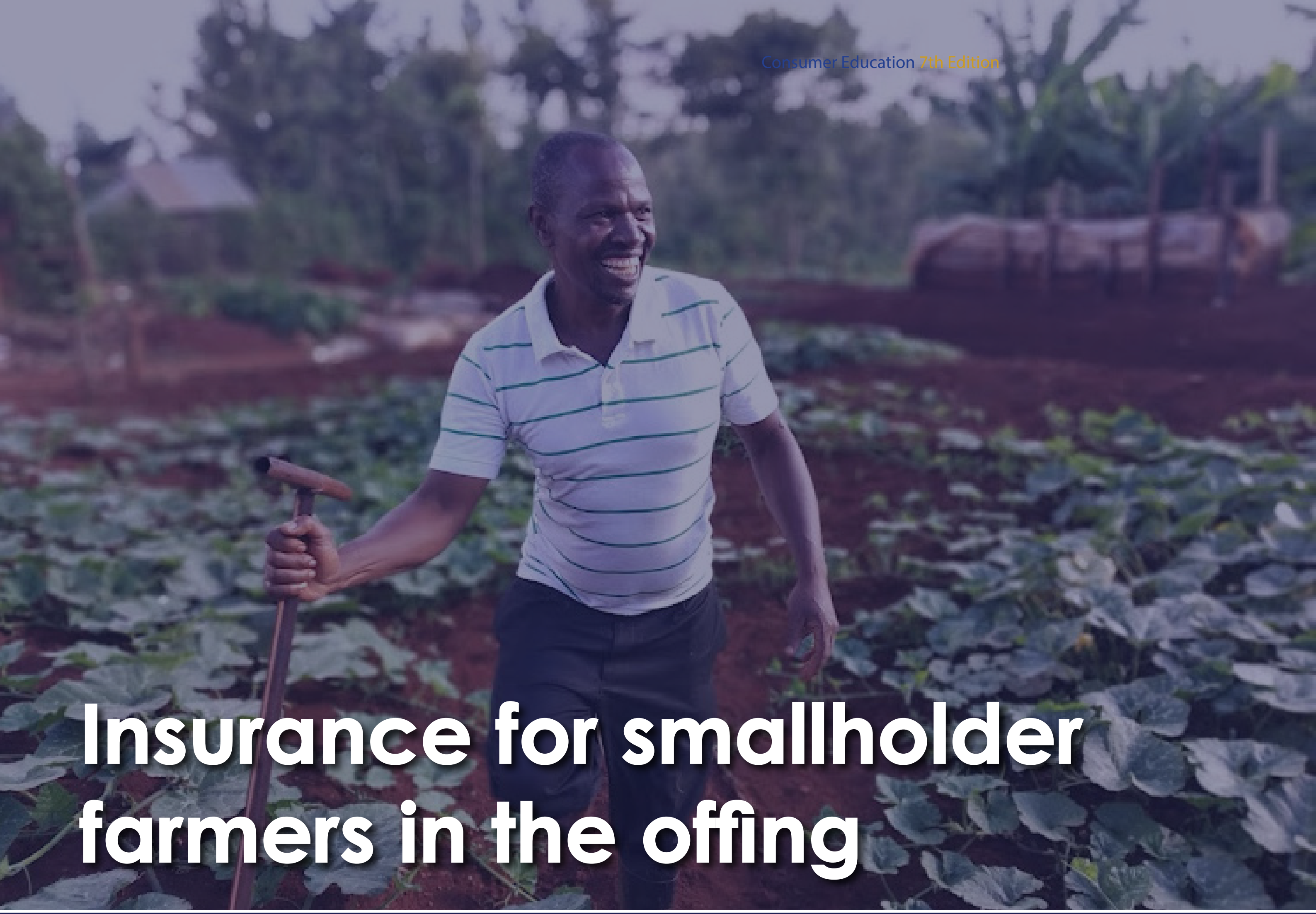
If the policyholder valued their asset at ZW$5 million but the market value has since gone up to ZW$10 million, at the time of the loss, it means that the policyholder would have underinsured their asset by 50 per cent. Under the circumstances, the insurance company will apply what is called the Average Condition to determine their claim obligation.

Given the obtaining inflationary environment, it is critical for policyholders to regularly review their sum insured to ensure that they are adequately covered.

Failure to regularly review assets value by policyholders may result in underinsurance, which will end up not providing the indemnity that they require.

Just like in Tapiwa's case, the value of his Mercedes Benz can no longer be ZW$3,3 million given the recent exchange rate movements.

He needs to revalue his sum insured to match the market value so that in the event of a total loss, he can replace his Mercedes Benz with the same model closer to the state it was before the loss.



Insurance for smallholder farmers in the offing

Most smallholder farmers in Zimbabwe rely on rainfall for their agricultural enterprise, yet agricultural seasons have become more unpredictable due to the impact of climate change.

The country is vulnerable to climate-related risks, such as extreme weather events ranging from drought, floods, excessive rainfall to heatwaves.

As a result, smallholder farmers regularly suffer losses.

To help smallholder farmers withstand these unforeseen events, the Insurance and Pensions Commission has partnered with the International Finance Corporation (IFC), an arm of the World Bank, to conduct a feasibility study on agricultural index-based insurance in Zimbabwe.

Agricultural index-based insurance has helped smallholder farmers in other countries, including on the African continent, to recover from climate-induced losses.

The partnership under the banner, *Agriculture Insurance Support Project,* will see IFC conducting a feasibility study on agricultural insurance, help IPEC to develop the regulatory framework for agricultural insurance, and facilitate knowledge exchange to help Zimbabwe's insurance providers learn best practices from more developed agri-insurance markets.

The objective is to develop an insurance solution to protect smallholder farmers from weather-related crop damage and other shocks.

Commenting on the partnership between IPEC and IFC, IPEC Commissioner Grace Muradzikwa said: "One of our key roles as the regulator is to develop the insurance sector in Zimbabwe. This partnership has, therefore, come at an opportune time given that the country is prone to climate change-related risks, including extreme weather events."

On his part, IFC's Country Manager for Zimbabwe, Adamou Labara said:

"Agriculture is central to Zimbabwe's economy, but it is a risky endeavour that is becoming riskier as weather patterns become less predictable.

IFC's partnership with IPEC will reduce the risks for Zimbabwe's farmers by developing the foundation of agriculture insurance in the country. Supporting the agribusiness sector is an important part of IFC's strategy to promote private sector growth across Africa."

Meanwhile, IPEC is participating in the Inclusive Insurance Innovation Lab coordinated by Access to Insurance Initiative whose objective is to enhance access to agricultural insurance for smallholder farmers.

IPEC Celebrates the Global Money Week 2022

The Insurance and Pensions Commission joined the rest of the world in celebrating the Global Money Week (GMW) in March, with various educational activities to strengthen financial literacy among young people.

The theme for this year's commemorations, which marked the GMW's 10th anniversary was "Build your future, Be smart about money".

The theme captures the importance of planning for one's future when making financial decisions.

Global Money Week is an annual global awareness-raising campaign on the importance of ensuring that young people, from an early age, are financially aware. They must be equipped with the knowledge, skills, and attitudes that they need to make sound financial decisions, so that they achieve financial well-being and resilience.

One of the Commission' statutory mandates is to educate the public on insurance and pension matters.

To this end, the Commission joined hands with fellow financial sector regulators in Zimbabwe, that is the Reserve Bank of Zimbabwe (RBZ) and the Securities and Exchange Commission of Zimbabwe (SECZ), as well as other entities, to raise financial literacy among young people.

This was done through a series of activities, including visits to schools, video and essay competitions, educational videos, piggy bank talks, radio programmes, and hosting students at financial institutions.

On its part, the Commission dedicated the whole of March to celebrating the Global Money Week through educational videos by the Commissioner and Senior Management.

These were shared via the Commission's official social media platforms and website.

IPEC ran a video competition, in which primary school, high school and tertiary students were required to record themselves speaking on a topic provided by the Commission for each category.

The competition was received with so much eagerness from both students and parents, who urged their little ones to participate. About 50 entries were received from different institutions and provinces in Zimbabwe, compared to 16 who participated in the competition in 2021.

Given the relaxed Covid-19 restrictions, IPEC partnered with the Securities and Exchange Commission (SECZ) and the Reserve Bank of Zimbabwe (RBZ), and visited Dominican Convent Primary School, Harare Institute of Technology, and the University of Zimbabwe to conduct seminars.

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