2020 ANNUAL REPORT

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ABOUT THE INSURANCE AND PENSIONS COMMISSION

Who we are

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 protecting the interests of policyholders and pension scheme members.
The Commission reports 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 Values

Fairness

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

Integrity

We are fair, ethical and honest in our dealings with all our stakeholders. In doing so, we apply agreed policies equally to all, maintain the highest of personal, professional and ethical conduct.

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.

CORPORATE INFORMATION

Address: 160 Rhodesville Avenue, Greendale, **Harare**

Telephone Numbers: 0242- 443358/61/443422 or 0772 154 281-4

Email: enquiry@ipec.co.zw

Website: www.ipec.co.zw

Names of External Auditors: Nolands Harare, Chartered Accountants

Lawyers: Sawyer and Mkushi Legal Practitioners
Muvingi and Mugadza Legal Practitioners

Banks: FBC Bank and CBZ Bank

INSURANCE & PENSIONS COMMISSION

30 March 2021

Honourable Prof. M. Ncube

Ministry of Finance and Economic Development

Mgandane Dlodlo Building, 6th Floor, B. Block,

Cnr. Samora Machel Avenue/Simon Mazorodze Street,

Harare

Dear Honourable Minister

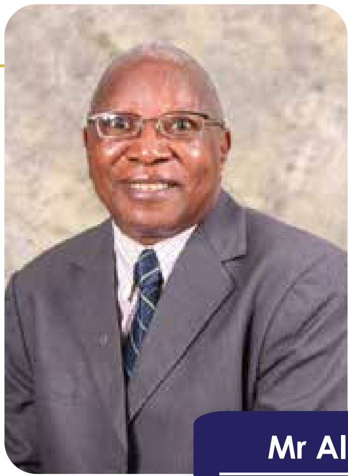
INSURANCE AND PENSIONS COMMISSION ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

In accordance with Section 49 (1)(d) of the Public Finance Management Act, [Chapter 22;19], I have the pleasure of presenting to you the IPEC Annual Report and financial statements for the year ended 31 December 2020.

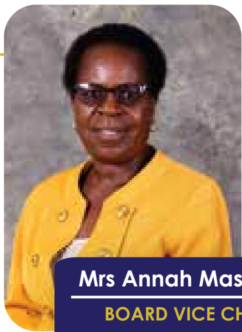
Yours faithfully,

A J Nduna

THE BOARD OF DIRECTORS

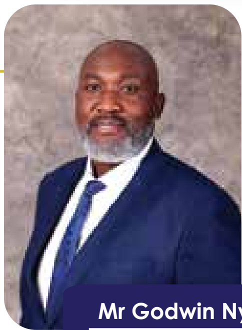


Mr Albert J Nduna
BOARD CHAIRPERSON



Mrs Annah Mashingaidze
BOARD VICE CHAIRPERSON

Mr David Mureriwa
BOARD MEMBER



Mr Godwin Nyengedza
BOARD MEMBER

Mrs Judith Rusike
BOARD MEMBER

Dr Grace Muradzikwa
EX-OFFICIO MEMBER

MANAGEMENT

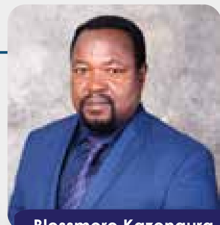
Dr Grace Muradzikwa
COMMISSIONER

Cuthbert. T. Munjoma
DIRECTOR PENSIONS

Sibongile Siwela
DIRECTOR INSURANCE & MICROINSURANCE

Robson Mtangadura
DIRECTOR ACTUARIAL

Samantha Nhende
DIRECTOR LEGAL & COMPANY SECRETARIAL

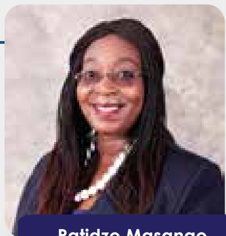


Blessmore Kazengura
DIRECTOR FINANCE

Vincent Mutata
INTERNAL AUDITOR

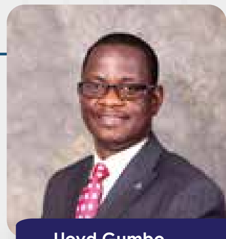
Georgina Shadaya
EXECUTIVE ASSISTANT TO THE COMMISSIONER

Kudakwashe Madhara
ICT MANAGER



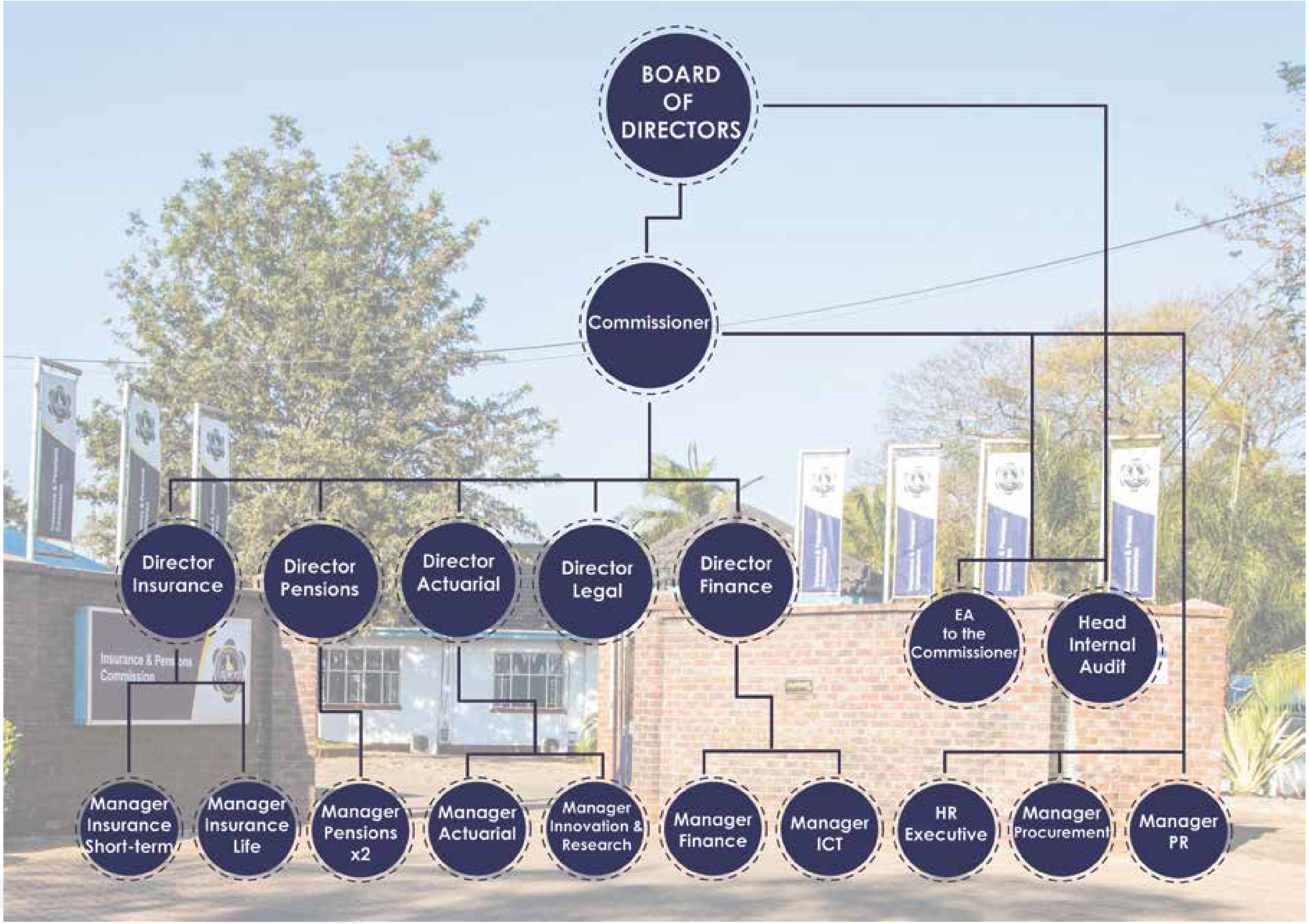
Ratidzo Masango
HUMAN RESOURCES EXECUTIVE

Takesure Chabaya
PROCUREMENT MANAGER



Lloyd Gumbo
PUBLIC RELATIONS MANAGER

MANAGEMENT ORGANOGRAM



CHAIRMAN'S STATEMENT

Introduction

It is my pleasure to present the 2020 Annual Report for the Insurance and Pensions Commission (IPEC).
The report provides an outline of the role of the Commission and how it is discharging its mandate of protecting pension members and policyholders.

Overview of the Operating Environment

The 2020 operating environment was very difficult as the Covid-19 pandemic changed the business environment with serious socio-economic disruptions on the industry. To protect policyholders and pension members from disruptions caused by the pandemic, the Commission issued circulars to its regulated entities for them to implement robust business continuity plans to ensure efficient service delivery even during the lockdown.
The economy is estimated to have contracted by -4.1% in 2020 compared to the Sub-Saharan Africa figure of -2.6%. The decline is mainly attributable to a severe decline of -9.7% in the manufacturing sector and -7.5% in distribution. The two sectors were affected by the supply chain disruptions during the lockdown period.
The year can best be described as a tale of two halves with the first half largely characterised by uncertainty, galloping inflation, massive depreciation of the Zimbabwe Dollar, reduced business confidence and lack of effective demand. On the other hand, the second half of the year was characterised by discovery of the ZW$ exchange rate equilibrium on the foreign exchange auction. The stability of the exchange rate resulted in price stability, which anchored inflationary expectations as disinflation.

Exchange Rate and Inflation

The ZW$ averaged US$1: ZW$17.4 in January 2020 before depreciating to US$1: ZW$32.4 in June 2020. The exchange rate, which largely fuelled inflation saw annual inflation increasing from 473.3% in January 2020 peaking at 837.3% in July 2020 before disinflation from August 2020.The December annual inflation was at 348.6%.

The Foreign Currency Auction system brought the much-needed stability to the exchange rate with improved inflows. Thus, the maintenance of a peg at US$1: ZW$82 for the greater part of the second half was sustained by the strong Balance of Payments position.

Despite the mixed macroeconomic environment, the Commission made meaningful achievements to protect policyholders and pension members and to improve its visibility.

Achievements

Major operational achievements during the year include the following: -

- Issued and enforced a Guideline on Adjustment of Insurance and Pension Values in Response to 2019 Currency Reforms, whose major outcome was an upward review of pension values up to 800%.

- Enhanced the regulatory and supervisory framework through issuance of regulatory circulars, guidelines and directives, which have force of law. These include Guideline on Resolution of Troubled Entities, Risk Management and Corporate Governance, Minimum Disclosure Requirements, Circulars on Responsiveness to Covid-19, and the review of the Prescribed Asset Framework, among others.

- Re-registered pension fund rules for all active pension funds to align them with changes in the legal and regulatory frameworks to protect pension scheme members.

- In line with its statutory mandate of advising Government, the Commission assessed various developmental projects that were eventually accorded prescribed asset status by Government.

- Conducted all planned offsite inspections targeted at high-risk areas notwithstanding the impact of the Covid-19 on the operations of the industry and that of the Commission.

Recognitions

The Board is proud to inform you that in 2020, the Commissioner Dr Grace Muradzikwa won the Megafest Outstanding Businesswoman of the Year Award. She also won the Institute of Corporate Directors Woman Director of the Year Public Entities Award. The Company Secretary, Ms Samantha Nhende won the Company Secretary of the Year Public Entities Award.

In addition, the Commission won the Responsible Investment Award at the provincial and national level in 2020 for its Corporate Social Responsibility activities. Well done team IPEC!!

Executive Management Appointments

Mr Robson Mtangadura was appointed as Actuarial Director effective 01 October 2020. Robson is a qualified Actuary with the Institute and Faculty of Actuaries (UK), holds PGDip Actuarial Science (UCT) & BCom Actuarial Science (NUST). He brings extensive industry experience to the Commission.

Board Appointments

Mrs Duduzile Shinya joined the Commission Board on 1 September 2020 to serve on the Operations Committee and the Finance and Risk Committee. She is a Chartered Accountant who holds (BCompt) Degree, SA and Bcompt Hons (MBL) UNISA, SA. She has 19 years working experience and has served on many Boards including Institute of Chartered Accountants, CBZ Bank and Old Mutual Group.

Mr Clemence Muzondo joined the Commission Board on 1 September 2020 to serve on the Operations Committee and the Audit Committee. He is a Chartered Accountant, who holds (BAcc) UZ, (MBL) UNISA SA. He has 30 years working experience and has served in various Boards among them; West End Medicare and FSG Zimbabwe Boards.

Annual General Meeting

The Commission held its second Annual General Meeting on 30 June 2020. The meeting was attended by the Commission's key stakeholders and clients, including the Office of the President and Cabinet, the Office of the Auditor General, the State Enterprises and Restructuring Agency, the Ministry of Finance and Economic Development, External Auditors, and other regulatory bodies. During the AGM, the 2019 Audited Financial Statements and Annual Report were adopted.

Financial performance of the Commission

The Commission adopted the International Accounting Standard 29 Financial Reporting in the hyperinflationary Economies" (IAS 29). IPEC's total restated revenue for the year-ended 31 December 2020 amounted to ZW$ 308 million, which was a 32% increase from 2019 revenue of ZW$ 232.8 million. Total expenditure for the period under review was ZW$ 140.9 million against total expenditure of ZW$139 million in 2019. The Commission recorded a surplus of ZW$ 83 million against a ZW$457 million deficit realised in 2019. Major sources of revenue were levies (78%). Investments were on the money market and the equities market.

Strategic Focus

The Commission has a new 5-year Strategic Plan running from 2021-2025. The Plan is anchored on the National Development Strategy NDS (1) 2021 – 2025 and is a main contributing partner in the Economic Growth Stability thematic area. The plan will guide strategic focus and interventions whose main objective is to restore confidence and vibrancy of the insurance and pensions industry.

The Board, Management and Staff are committed to ensuring that the Commission takes its strategic role in the economy and that pension fund members and policyholders are well protected. The strategy is agile, robust, and resilient to ensure that the Commission is proactive and adapt quickly to any changes in the operating environment.

Outlook and 2021 Focal Areas

The economy is projected to recover and register a growth of 7.4% on the back of a good agriculture season, mining sector growth as well as growth in the finance and insurance sector. The disinflation trend is expected to continue with annual inflation being contained below 10% by December 2021. The main risks to this growth forecast would be the resurgence of the Covid-19 pandemic which started in December 2020, nevertheless, the vaccination programme brings a ray of hope. In addition, the energy and fuel increases have a cost push effect on inflation coupled with wage pressures emanating from low disposable incomes in the public sector might dampen the inflation outlook.

To Improve Confidence in the Sector

The Commission will work on concluding the Justice Smith Recommendations on the Commission of Inquiry regarding the pre-2009 loss of value this calendar year. On the 2019 loss of value caused by the Currency Reforms the Commission has started working on implementation modalities regarding the US$75 million Compensation from Government. The Commission applauds the Government for the commitment. However, the pensioners will only start receiving their payments once cashflows from

Government can be easily ascertained.

In addition, the Commission will conclude the asset separation for life companies. It is our view that this should translate into more benefits accruing to the policyholders once the exercise is concluded. Lastly, to improve confidence in the industry, the Commission in collaboration with regulated entities in the process of producing mortality tables for the country which will be used to ensure that products are correctly priced.

To Improve Compliance
Many hard infrastructure projects in the NDS (1) shall be financed from either the banking sector or the non-banking sector. Accordingly, to ensure that there is effective resource mobilisation, the Commission will enforce compliance with prescribed assets requirements. The Commission is already collaborating with the industry to come up with a revised framework on Prescribed Assets to reach a broad-based consensus. The industry is encouraged to come up with projects of their own that can be awarded Prescribed Assets status, to ensure compliance.

Strengthened Legal Framework
The Commission anticipates the passage into law of the Insurance Bill, Pension and Provident Funds Bill and the Insurance and Pensions Commission Bill in 2021. These bills will address weak areas in current legislation, improve social protection gaps and enhance prudential regulation of entities.

Continental Free Trade Area
The principal objective of the Africa Continental Free trade Area is to support the creation of a single liberalised market for trade in services. Traditionally trade in services has been protected under Southern Africa Development Community and even the Common Market for East and Southern Africa. Thus there are many opportunities for the regulated industry as they will have access to an open market of 1.35 billion people in Africa. Industry products will be competing with the rest of the African market. The Commission stands ready to facilitate for the industry to be better informed.

Appreciation
I wish to express my gratitude for the support received from the Ministry of Finance and Economic Development, Corporate Governance Unit, IPEC Board members, management and staff and fellow financial sector regulators and the cooperation received from insurance and pension industry players.

Lastly, I would like to recognise our key stakeholder without whom we would not exist, the pensioner and the policyholder. The Commission's efforts and commitment are to ensure that your investments are protected and that you will have a liveable pension.
The road might be winding but we see light at the end of the tunnel.

I thank you.

Albert J Nduna
BOARD CHAIRMAN

COMMISSIONER'S FOREWORD

Overview of Market Statistics

Pensions

The pensions industry has remained resilient in the face of COVID-19 induced challenges and hyperinflation during the year under review. Key positives were noted in investment earnings driven by fair value gains on real assets which constitute the huge chunk of pension funds' balance sheets. The total asset base of the industry increased in nominal terms by 273.06% from ZW$29.55 billion as at 31 December 2019 to ZW$110.24 billion as at 31 December 2020. This was against an annual inflation rate of 348.6% for December 2020, implying a decline in the industry's assets in real terms.

Whilst the rate of asset growth was below inflation, the Commission managed to ensure that the fund members enjoyed the nominal growth in asset value through enforcing the requirements of the Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms. This saw pensioner values being adjusted upwards to reflect the revaluation gains realised by the funds. The Commission continues to work towards ensuring that fund members enjoy the returns from investments and is thus working at guiding and enhancing the quality of asset valuations to ensure consistency and fair price discovery.

Insurance Sector

The Insurance industry wrote gross premium amounting to ZW$18.48 billion for the year ended 31 December 2020, representing a nominal increase of 586% from ZW$2.69 billion written in 2019 resulting in a real growth of 52.9%. The soundness of the industry was enhanced as compliance to minimum capital improved from 66% in January 2020 to an average compliance of 87% by December 2020. Funeral assurance companies had the lowest average compliance ratio at 38%.

Total assets for the insurance industry increased by 191% from ZW$17.19 billion in 2019 to ZW$50.04 billion as at 31 December 2020, a negative real return of -35.1%.

Investment Performance

The money market continued to offer negative real returns as the average return on 30-day money market

investments was -75% whilst 90-day instruments returns were -75.5%
Real returns from government securities were -73% whilst prescribed assets returns were also negative with average returns of -74%. This effectively means that the bond market investments by the sector do not preserve policyholder value.

The equities market was a haven for many investments with the All-Share Index having positive real returns of 153% whilst the Top Ten Index had real returns of 80.5%. However, the continued suspension of Old Mutual and PPC on the Zimbabwe Stock Exchange has been affecting the liquidity of small pension funds who are exposed to the tune of 80%. The real estate market continued to offer real returns on investments despite the valuation inconsistencies.

Prudential Regulation and Supervision
In 2020 the Commission started the implementation of Risk Based Supervision (RBS) framework on a pilot phase. RBS is a comprehensive, formally structured system that assesses risks within the financial system. Thus, the RBS approach has guided the way off site inspections were conducted as onsite inspections were suspended due to Covid-19 lockdown restrictions.

Actuarial Reports
The Risk Based Supervision was also used to evaluate actuarial valuation reports of big institutions of systemic risk in the industry. The assessment of the reports was done in collaboration with the World Bank. The conclusion from the reports was that most submissions failed to meet the requirements of the Guidance Paper. Affected institutions were engaged by the Commission and they have submitted compliance roadmaps.

Pensions
In the implementation of RBS, the Commission developed a targeted approach to supervisory activities. It was noted that there was scope for the industry to enhance corporate governance, administrative efficiency, and containment of administration expenses; service providers' accountability, investment policies and market conduct related issues. These areas formed part of the Commission's 2020 supervisory activities and were the subject of the offsite inspections that were conducted during the year.

Specific risk areas that informed areas of supervisory focus were Inactive Funds, Expenses, private equity investments and pension contribution arrears. Issuance of guidelines providing corrective measures that should be implemented by the industry shall form part of the priorities for 2021.

Insurance
The prudential supervision of the insurance industry was mainly targeted at entities failing to comply with minimum capital requirements. The cross-cutting findings from such entities was corporate governance deficiencies largely through overbearing shareholder influence and lack of separation between ownership and management. In addition, poor risk management practices, undercapitalization and non-compliance with prescribed asset requirements were also issues identified during inspections. Thus in 2020 a total of 10 offsite inspections were conducted.

Anti-Money Laundering /Combating the Financing of Terrorism
In collaboration with the Financial Intelligence Unit, IPEC hosted a virtual workshop in 2020, to unpack the 2019 National Risk Assessment Report, National

Strategic Plan and Institutional Risk Assessment Guidelines to the industry. The workshop was meant to create a shared understanding of key risks in the insurance and pension industry. It also provided guidance to the industry on conducting of institutional risk assessment.

Following the awareness workshop, the industry is expected to conduct institutional risk assessments. In line with the FATF recommendation 1, of assessing risks and applying a risk-based approach the Commission is developing a risk rating tool to assist in quantifying and assessing sectoral risks. The process shall inform the supervisory priorities and interventions.

Market Conduct Supervision

To ensure fair outcomes for policyholders and pension scheme members in their dealings with regulated entities, the Commission came up with a Treating Customers Fairly Framework. The framework sets principles and rules on how insurance and pension service providers can achieve fair outcomes for their customers throughout the product life cycles. The Commission handles complaints from policyholders, pension scheme members, beneficiaries and third-party claimants and deal with them in a fair, transparent, and timely manner.

To increase its accessibility, the Commission decentralised its services by opening a dedicated Complaints Handling Office in Bulawayo during the period under review. Complaints were received through different means that included but not limited to walk-ins at IPEC offices or at exhibitions and roadshows, completed complaint forms, letters, emails and IPEC website through the IPEC system portal and its official social media platforms.

Legal and Regulatory Reforms

Great milestones were achieved by the Commission in 2020. The Commission issued 27 regulatory Circulars to the industry during the review period to enhance its oversight function on its regulated entities. Further, supervisory manuals and frameworks for prudential, market conduct and AML/CFT were enhanced as part of strengthening the regulatory and supervisory regime.

In addition, two notable legislation S.I. 280 of 2020 which authorised the charging of levy in the currency of transaction was a welcome development to industry. The Commission is upbeat that this will protect members and policyholder.

Consumer Awareness and Protection

In line with its statutory mandate of sensitising the public about insurance and pension matters, the Commission embarked on various consumer awareness initiatives to sensitise insurance and pension consumers about their rights and responsibilities. Some of the initiatives implemented include radio programmes, journalists mentorship programme on insurance and pension reporting, leveraging digital and social media as well as publication of the Consumer Education newsletter.

Institutional Capacity Development

The Commission now has a fully-fledged Actuarial Department, which is key in providing regulatory excellence. The department has been handling most technical projects at the Commission and will enlarge its scope in 2021 as it takes more anticipated projects from Government.

To enhance institutional capacity, the Commission continued to benefit from the regional and international engagements with the World Bank Group, the Macroeconomic Institute for Eastern and Southern Africa (MEFMI), the International Organisation of Pension Supervisors (IOPS), the International Association of Insurance Supervisors (IAIS), the Organisation for Economic Co-operation and Development (OECD), and Toronto Centre. The Commission highly appreciates technical assistance support and capacity building initiatives offered by the different bodies.The Commission successfully co-opted part of the staff members into various projects targeting research and implementation that will be carried out by IOPS in 2021. Undoubtedly, all these activities will enhance the visibility and capacity of the Commission going forward, in the process ensuring effective supervision and monitoring of the pensions industry. The Director of Pension supervision is now a Macroeconomic and Financial Management institute of Eastern Southern Africa (MEFMI) Candidate Fellow.

Evolving Projects

The Commission was seized with the implementation of many projects during the year under review. The projects are aimed at the protection of the interests of pension fund members and policyholders and facilitating the stability and growth of the industry.

Asset Separation

Section 29 of the Insurance Act [Chapter 24:07] and section 16 of the Pension and Provident Funds Act [Chapter 24:09] require separation of assets between shareholders and policyholders; and between insurance and pension business. The verification of whether insurers were complying with statutory provisions relating to separation of assets is being done retrospective to 2009. Benefits expected from the ongoing verification exercise include: -

- Identifying assets that may have been misappropriated from policyholders to shareholders or vice versa

- Quantifying the assets that may have been misallocated and apportioning them to their rightful owners.
- Enhancing compliance with the legal requirements for asset separation as a way of improving good governance in the insurance and pension sector. The project, which is being done at industry level is now at the tail end.

Conclusion of this project will inform additional regulatory and governance reforms and controls to ensure transparency, fairness and equity between policyholders and shareholders.

Guidance Paper

In March 2020, the Commission issued a Guideline on Adjusting Pension and Insurance Values in Response to the 2019 Currency Reforms. The paper provides guidance on determination and distribution of currency change revaluation gains to policyholders and pension fund members in a fair and equitable way.

The Commission has successfully implemented the guidance paper, resulting in an equitable distribution of assets following the 2019 currency reforms. The outcome of the exercise has been an increase in bonuses declared by pension funds and pension increases that are informed by the amount of revaluation gains on each fund's investment portfolio.

The Guidance Paper has helped to minimise intergenerational transfer of wealth between policyholders and members through ring fencing of assets bought before currency change. Isolated cases of partial compliance are being addressed to ensure full compliance with the guidelines. Going forward, the Commission will continue to enforce requirements of the Guidance Paper until there is price stability in the economy.

2019 Currency Change Pensioners Compensation
Post 2017, the Government embarked on major economic structural reforms to address the challenges besetting the economy through the Transitional Stabilisation Programme (TSP). Of the several policies implemented, currency reforms had significant impact on the unintended loss of value for pensioners and policyholders.

In the 2021 National Budget Statement, the Minister of Finance and Economic Development allocated US$75 million to compensate pensioners on loss of value due to the 2019 currency changes. The Commission is working with the insurance and pensions industry and the Ministry of Finance and Economic Development to come up with an appropriate compensation framework, as well as disbursement modalities.

Implementation of Justice Smith Compensation Framework
The Commission remains committed to implement the compensation as recommended by the Justice Smith-led Commission of Inquiry. Whilst the industry had been directed to prepare compensation schemes in line with the Inquiry recommendation, progress was slowed down by the 2019 Currency Reforms. The Commission had to prioritise the following: -

• Issuance and enforcement of the Guidance Paper in Response to 2019 Currency Reforms. The adjustment of values following the 2019 currency reforms was easier to administer owing to data integrity and less complexity than the 2009 conversion.

• Asset separation exercise, which is also expected to enhance benefits of policyholders and members, particularly those of insured funds should there be assets that had been misallocated.

• Allow further stakeholder engagements on the recommended compensation framework in light of the macroeconomic environment which has since changed when the inquiry was concluded in 2017.

• Strengthening IPEC's regulatory and supervisory capacity to deal with the challenge of weak regulation identified by the Commission of Inquiry.

To this end, it is expected that the matter will be concluded in 2021 following progress registered on the above matters.

Other Projects
Zimbabwe Integrated Capital and Risk Project (ZICARP) whose objective is to modernise the risk and solvency assessment regime in line with international standards. The Project is be tested using December 2020 audited financial statements to ensure project roll out by May 2021. The development of Mortality Tables commenced in 2020 and is expected to be completed in 2021. IFRS 17 is an International Financial Reporting Standard to standardise insurance accounting

globally to improve comparability and increase transparency, and to provide users of accounts with the information they need to meaningfully understand the insurer's financial position, performance and risk exposure. The Commission developed a draft IFRIS 17 Governance and Project Charter with industry dry runs expected in the first quarter of 2021.

Inhibitors

The Commission faced the following inhibitors in its quest to ensure full compliance with legal and regulatory requirements:

- Continued mushrooming of unregistered funeral and legal aid societies.

- Low compliance with prescribed asset status.

- Regulatory fines not dissuasive enough to deter non-compliance

- Corporate governance deficiencies particularly improperly constituted/absence of Board of Trustees and Principal Officers, as well as conflicted Board appointments and perennial Trustees.

- Weak governance and accountability framework for umbrella funds.

- Conduct of business outside the scope of licensable activities, particularly with Fund Administrators doubling as Asset managers and underwriting annuities and GLAs under the guise of self-insurance.

Way forward

In line with our new strategic plan the Commission is being capacitated to ensure regulatory excellence. A study has been concluded on regulatory models and the Commission will select a model appropriate for our jurisdiction. The Commission is growing as an organisation and so are the risks that it will face. Thus, its regulatory structure will need to be enhanced. The focus of Risk- Based Supervision will ensure adequate safeguards to pensioners and policyholders.

Appreciation

On behalf of Management and staff, I wish to express my profound gratitude to the Board for its excellent stewardship, guidance and support.

My appreciation also goes to the Ministry of Finance and Economic Development and Corporate Governance Unit, Commission's clients and stakeholders, including regulated entities, policyholders and pensioners, fellow financial sector regulators and cooperating partners.

Grace Muradzikwa
COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

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Governance

Governance Report

1.1 Governance Statement

The Insurance and Pensions Commission alues the importance of good corporate governance and is committed to conducting the business of the Commission through its core values; excellence, fairness and integrity. As a public entity, IPEC is primarily governed by the Public Entities Corporate Governance Act Chapter [10;31].
The Board and management are committed to and strive to fully comply with the regulatory and corporate governance requirements governing its operations. The Commission commits itself to the maintenance of sound insurance principles and practices in Zimbabwe. A comprehensive and holistic governance structure has been put in place to ensure that the Commission effectively and efficiently execute its mandate.

The year 2020 was challenging but the Board, Management and Staff worked tirelessly to comply with governance requirements.

1.2 Governance Structure

The Commission's Board is composed of non-executive members, Committee members and the Commissioner, who is an ex-officio member. This is in line with section 5 of the Insurance and Pensions Commission Act (Chapter 24:21) and section 11 of the Public Entities Corporate Governance Act [Chapter 10;31]. The members of the Board were appointed for their knowledge, skills and experience that brings independent judgment to the deliberations and decisions in pension and insurance matters.

The Board is the main decision-making body, setting the strategic guidance and leadership of the Commission. A Non-Executive Chairman superintends the Board. The responsibility of the Chairman is to manage the Board effectively, to provide strategic guidance and leadership to the Board and to facilitate the Board's interface with management. A Vice Chairperson is also ready to assume the responsibilities of the Chairperson when the need arises. Along with the Chairperson and the Executive Director, are Non-Executive Directors who are responsible for ensuring that the Board fulfils its responsibilities under the relevant Acts and the Board Charter. The need to adhere to gender balance, skills mix and expertise are all in compliance with the provisions of the Insurance and Pensions Commission Act [Chapter 24:21] and the Public Entities Corporate Governance Act [Chapter 10:31].

1.3 Gender Representation

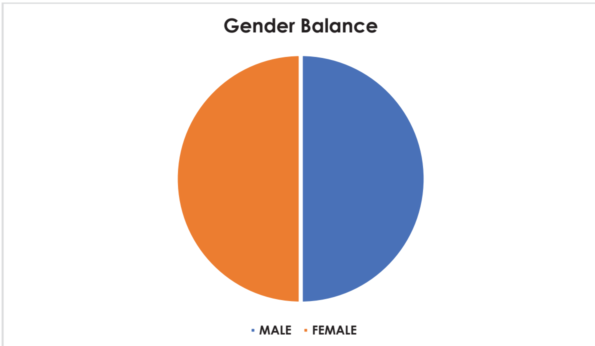


Fig.1

The gender representation on the IPEC board is proportionate with 50% females and 50% males . This has been extended to Committee members that do not sit on the Board. This is in sync with section 17 of the Constitution of Zimbabwe and section 11(7) (a) of the Public Entities Corporate Governance Act which places a responsibility on the State and line Ministers respectively to ensure that so far as practicable, there are equal numbers of men and women on the Board of every public entity for which he or she is responsible

1.4 Developments

Following the Minister's approval, the Commission was in September 2020, joined by Mr Clemence Muzondo who sat on the Audit and Operations Committees, and Mrs Duduzile K. Shinya who sat on the Finance and Risk, and Operations Committees. Although the ultimate goal of the Commission is to increase its Board membership from a maximum of five non-executive members, the co-opting of Committee members has alleviated pressure on the five (5) directors and has improved independence.

1.5 Board Committees

Specific Committees have been established by the Board with different roles and responsibilities to ensure the effective discharge of the Board's mandate. The overall goal of running the Commission, however, remains within the purview of the Board. The functions of each Committee are reviewed from time to time, when necessary.

During the accounting period, the Board operated with four Committees to which it delegated certain functions. The Committees, as below, operated under respective terms of references approved by the Board ;

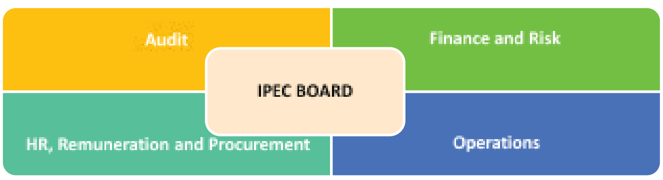


Fig.2

The Committees were composed as follows:

HR & PROCUREMENT	AUDIT	OPERATIONS	FINANCE & RISK
G Nyengedza*	J Rusike*	D Mureriwa*	A Mashingaidze*
Nduna	D Mureriwa	A Mashingaidze	G Muradzikwa**
J Rusike	C Muzondo	D Shinya	G Nyengedza
G Muradzikwa**		C Muzondo	D Shinya
		G Muradzikwa**	

**Committee Chairperson **Ex Officio Member*

The HR Committee remained unchanged whilst the other three Committees received additional Committee members (Duduzile Shinya and Clemence Muzondo), who joined IPEC in September 2020.

1.6 Analysis of Board and Committees Attendance Register

Notwithstanding that 2020 has been a difficult year, Board and Committees attendance was encouraging. Meetings were largely held virtually during the accounting period thanks to the capacitation of Board members to join and participate in Board meetings virtually.

1.7 Board Attendance

Attendance for the year 2020 was as follows:

Director	HR (7)	Operations (6)	F&R (5)	Audit (4)	Board (10)	AGM (1)	AML/ CFT (1)	Strategy (1)	Board Evaluation (1)	Workshop With Industry(1)	Total (37)	% Attendance
Nduna	7				10	1	1	1	1	1	22/22	**100%**
Mashingaidze		5	5		10	1	1	1	1	1	26/27	**96%**
G. Nyengedza	7	6			10	1	1	1	1	1	29/29	**100%**
D. Mureriwa		6		4	10	1	1	1	1	1	25/25	**100%**
J. Rusike	7			4	9	1	1	1	1	1	24/25	**96%**
G. Muradzikwa	7	6	5	4	10	1	1	1	1	1	37/37	**100%**
D. Shinya		1	1					-			2/3	**67%**
C. Muzondo		1		1				1			3/3	**100%**
Overall Attendance	**100%**	**83.3%**	**100%**	**100%**	**90%**	**100%**	**100%**	**87.5%**	**100%**	**100%**		

The Board's attendance was over 80% all around which is commendable given the difficult year.

1.8 Board Training and Development

Due to restrictions induced by the Covid 19 Pandemic, planned training for the year was negatively affected. However, the Commission benefited from virtual webinars and seminars that were conducted both locally and internationally. Board members and senior management also embarked on personal development programmes to strengthen and compliment their skills.

1.9 Board Remuneration

The remuneration of the Board is in terms of sections 12 and 14 of the PECOG Act. It is the responsibility of the Minister to formulate and seek approval from Cabinet, the remuneration of Board members of public entities.

The Ministry and CGU approved an increase of all State Enterprise Board fees with effect from 1 April 2020. The Communication was received in December and Board members were remunerated accordingly. The Commission falls into the "With Surplus – Noncommercial" category which was increased by 500%. The following constitute the fees applicable per quarter:

DESIGNATION	RETAINER	SITTING FEES	COMMITTEE SITTING FEES
Chairperson	45 360	10 080	5 550
Vice Chairperson	37 800	7 560	4 030
Member	30 240	7 560	4030

2. Internal Checks, Control and Auditing

The Legal and Secretarial department was audited by the Internal Audit department in June 2020, using a form submitted to public entities in 2018 and the report was shared with the Board.
The Commission also received communication from the Corporate Governance Unit in October 2020 requesting all public entities to fill in a self-assessment form. The Commission submitted its form inside the deadline and awaits feedback.

3. Disclosure and Transparency

The Commission adheres to key aspects of transparency and disclosure as part of a comprehensive corporate governance framework.
Resolutions made by the Board for the period January to December 2020 were extracted and submitted to the Ministry of Finance and Economic Development and to the Office of the President and Cabinet's Corporate Governance Unit in line with the requirements of the Public Entities Corporate Governance Act [Chapter 10:31].

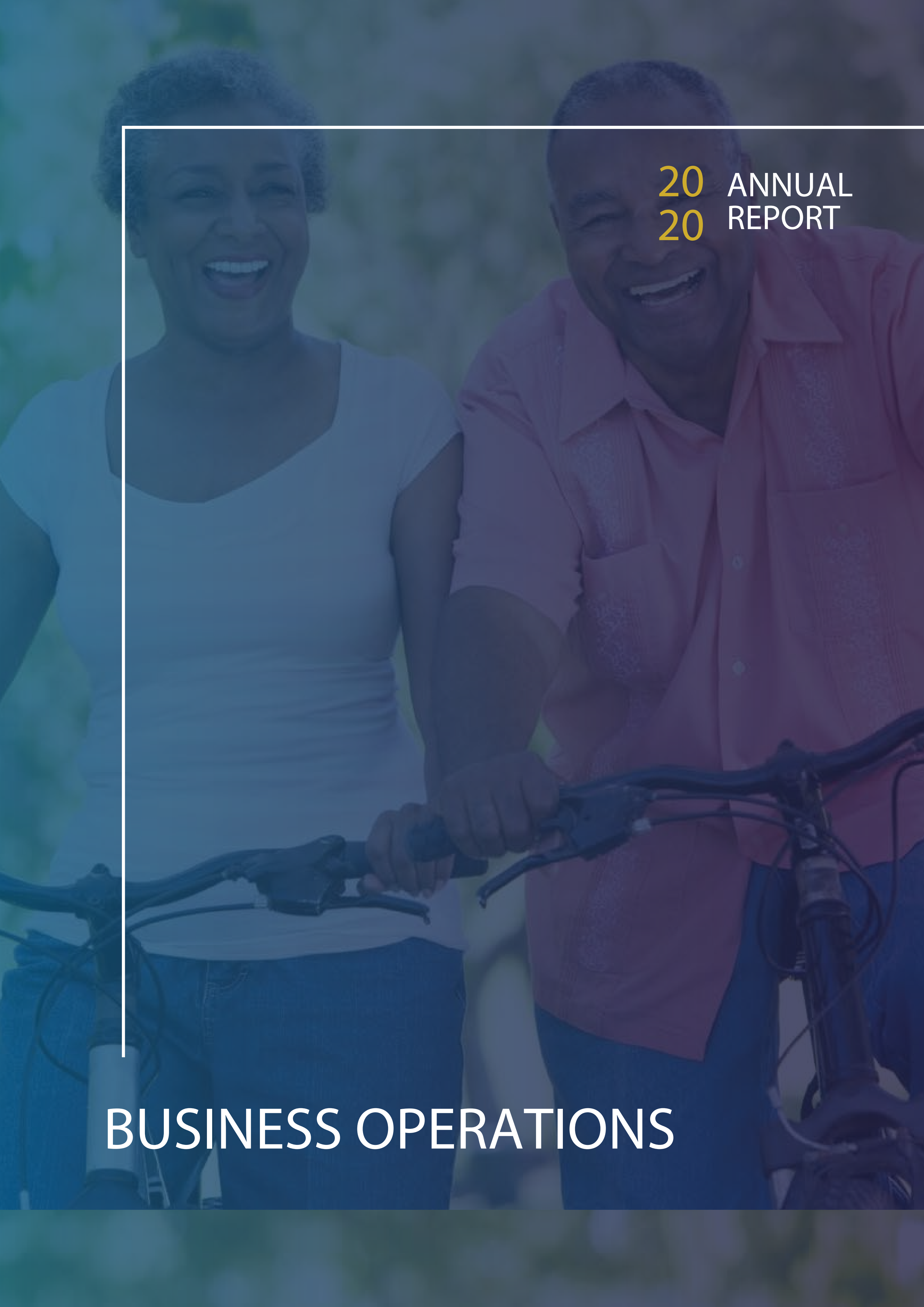
4. Regulatory Environment

The legal framework governing the operations of the Commission consists of the following:

i. Constitution of Zimbabwe
ii. Insurance and Pensions Commission Act (Chapter 24:21)
iii. Pensions and Provident Funds Act (Chapter 24;09);
iv. Insurance Act (Chapter 24:07);
v. Money Laundering and Proceeds of Crime Act (Chapter 9;24);
vi.Public Entities Corporate Governance Act (Chapter 10:31),
vii. Public Finance Management Act (Chapter 22:19);
viii.Companies and Other Business Entities Act (Chapter 24:03),
ix.Public Procurement and Disposal of Public Assets Act (Chapter 22: 23),
x.Labour Act (Chapter 28:01).

5. Statement of Compliance

Based on the information set out in the Legal and Governance report, the Commission complied with all the legislative and corporate governance requirements throughout the accounting period.



2020 ANNUAL REPORT

BUSINESS OPERATIONS

PENSION SECTOR

Summary of Industry Statistics

The number of registered pension funds stood at 967 as at 31 December 2020 compared to 1 067 funds reported as at 31 December 2019. Of the 967 registered funds, 936 were defined contribution schemes, constituting 96.79% of the industry's funds with the remainder being defined benefit schemes.

The industry's total membership, excluding beneficiaries increased by 8.99% to 881 330 as at 31 December 2020 from 808 635 as at 31 December 2019. The increase was largely attributable to new entrants mainly from life companies' administered funds.

The breakdown of membership as at 31 December 2020 and 31 December 2019 is shown in Table 1 below: -

Table 1: Breakdown in Membership

	Membership as at ...	
Membership Class	**31 December 2020**	**31 December 2019**
New Entrants	9,379	38,714
Actives excluding new entrants	316,570	310,662
Pensioners	33,208	48,531
Deferred Pensioners	350,537	381,746
Suspended Pensioners	12,773	12,791
Unclaimed Benefits	158,863	16,191
Total Membership (excluding beneficiaries)	881,330	808,635
Beneficiaries	23,374	26,289
Total Membership (including beneficiaries)	904,704	834,924
Exits	7,257	10,261

Source: Computed from Unaudited Returns Filed by Pension Funds

Members with unclaimed benefits increased significantly due to data rectification conducted by funds in response to the Commission's call to sanitise data on fund membership. This resulted in some members that were previously omitted from the schedules being reinstated.

To reduce the high number of members with unclaimed benefits, the Commission has urged pension funds to be proactive in empowering their members with knowledge on how to timely claim their benefits.

The Commission has also launched a website and sms-based search engine onto which information on unclaimed benefits has been uploaded to inform members of their benefits. Pensioners and the public are urged to make use of the search engines to trace their unclaimed benefits or those for their beloved ones.

The table below shows the key highlights for the pensions industry: -

Table 2:Key Highlights of the Pensions Industry as at 31 December 2020

Indicator	Insured Funds	Self-Administered Funds	Stand-Alone Self-Administered Funds	Total
Number of Funds	786	166	15	**967**
Members	355,079	118,854	407,397	**881,330**
Share of total membership	40%	13%	46%	**100.00%**
Total Income (ZW$billion)	24,894,946,306	28,121,492,113	26,193,601,908	**79,210,040,326**
Total Contributions (ZW$)	1,343,838,884	1,879,738,870	2,026,256,755	5,249,834,509
Rental Income (ZW$)	3,046,438	174,858,393	854,878,541	**1,032,783,372**
Investment Income (ZW$)	23,166,891,801	24,861,463,636	23,512,921,554	**71,541,276,992**
Investment Income over total assets	67.15%	66.65%	61.17%	64.90%
Total Expenditure (ZW$)	941,922,907	1,906,043,136	2,153,929,612	**5,001,895,655**
Total Benefits Incurred (ZW$)	714,855,758	1,103,893,314	1,459,566,848	**3,278,315,921**
pension benefits per pensioner (ZW$)	19,262.20	40,792.38	18,502.73	21,285.16
Expenses/Contributions	16.30%	51.06%	27.09%	32.91%
Expenses/Total Income	0.88%	3.41%	2.10%	2.18%
Income Surplus(Deficit) (ZW$)	23,953,023,399	26,215,448,977	24,039,672,296	**74,208,144,672**
Total Assets (ZW$)	34,499,474,411	37,299,552,847	38,441,751,053	**110,240,778,311**
Total Assets per member (ZW$)	96,871	309,908	89,773	121,853
Prescribed Assets (ZW$)	3,129,394,003	3,350,778,265	581,816,555	**7,061,988,822**
Prescribed Assets Ratio	9.07%	8.98%	1.51%	6.41%
Contribution Arrears (ZW$)	133,424,333	217,057,294	1,324,625,337	**1,675,106,964**

Source: Computed from Unaudited Returns Filed by Pension Funds

Asset Quality

The industry's asset base increased in nominal terms by 273.06% from ZW$29.55 billion as at 31 December 2019 to ZW$110.24 billion as at 31 December 2020. This was against an annual inflation rate of 348.6% for December 2020, implying a decline in the industry's assets in real terms.

Furthermore, the decline in asset base is also reflected by a decrease of 23.49% from USD 1.76 billion as at 31 December 2019 to USD1.35 billion as at 31 December 2020.

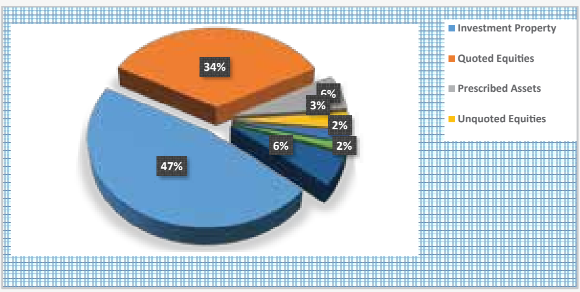
The increase in the asset base was mainly due to revaluation of investment property and quoted equities, which increased by 598.65% and 604.28% respectively. These two major asset classes accounted for 81.15% of total industry assets.

The industry's asset base of ZW$110.24 billion translates to a pension penetration rate of 10.3%, expressed as a percentage of the GDP. This indicates that the pensions industry still plays a pivotal role in the development of the economy.

In addition, the pensions industry's share of ZSE's market capitalisation as at 31 December 2020 was 34.75%, implying that the sector remains critical to the development of the country's stock market.

The distribution of the industry's assets as at 31 December 2020 is shown in Figure 1 below: -

Figure 1: Distribution of Pension Industry Assets as at 31 December 2020



The proportion of contribution arrears to total assets declined from 6.52% as at 31 December 2019 to 1.52% as at 31 December 2020 although there was a nominal increase to ZW$1.68 billion as at 31 December 2020 from ZW$0.62 billion as at 31 December 2019.

Of the ZW$1.68 billion, 78.57% is owed to stand-alone funds. Furthermore, two stand-alone funds constituted more than half of the industry's contribution arrears.

The increase in the absolute value of contribution arrears is on account of two main factors namely:-

a) Treatment of interest on arrears as per the requirements of the Guidance Paper on Currency Reforms which require funds to use the greater of

(i) actual rate of return on the fund's asset

(ii) rate of return on risk free assets; and

(iii) unsecured overdraft lending rate for the pension fund's bank.

b) Continued non-payment of pension contributions by employers is due to viability challenges that were worsened by the Covid-19 Pandemic.

The value of prescribed assets increased by 478.69% to ZW$ 7.06 billion as at 31 December 2020 from ZW$ 1.22 billion reported as at 31 December 2019. Whilst there was an increase in the nominal value of prescribed assets investments, compliance was still low at 6.41% against the regulatory minimum of 20%.

Table 3: Compliance levels for Prescribed Assets

Sector	31 December 2020		31 December 2019	
	Amount (ZW$b)	Ratio (%)	Amount (ZW$b)	Ratio (%)
Stand-Alone Funds	0.58	1.51	0.12	2.58
Self-Administered Funds	3.35	8.98	050	8.75
Insured	3.13	9.07	0.60	9.73
Total/Average ratio	**7.06**	**6.40%**	**1.22**	**7.41%**

Source: Computed from Unaudited Returns Filed by Pension Funds

To improve prescribed assets compliance, the Commission continues to engage industry and Government to explore all the possible ways to come up with value preserving instruments, which can be accorded prescribed asset status.

The following instruments were accorded prescribed asset status during the review period: -

Approved Prescribed Assets

Item	ISSUER	PURPOSE	AMOUNT	Currency	Date Approved
1	Agribank and FBC Agro Bills	Financing the 2019/20 Agricultural season	100 million	ZW$	16 Jun 2020
2	Agribank and FBC Agro bills	Financing the 2019/20 Agricultural season	200 million	ZW$	3 Sep 2020
3	Copper Meadows	Development of residential stand	400 million	ZW$	6 Jun 2020
4	Datvest – Coutic Investments (Pvt) Ltd	To construct a specialist hospital	3.5 million	USD	3 Sep 2020
5	Guruve Solar Park	Solar Energy Project in Dunavet, Guruve	4.75 million	USD	6 Jun 2020
6	IDBZ	To finance priority infrastructure projects	2 billion	ZW$	24 Jan 2020
7	IDBZ	To finance priority infrastructure projects	250 million	USD	24 Jan 2020
8	IH Advisory/ Innscor Africa Limited	To purchase stock feed for Innscor and Colcom and to finance contract farming	100 million	ZW$	2 Apr 2020
9	Mazvel Investments (Pvt) Ltd (IDBZ SPV)	Development of residential stands in Mt Pleasant, Harare	10.2 million	USD	3 Sep 2020
10	Northern Farming/CICADA	To support contract farming for the 2020 winter wheat farming season.	150 million	ZW$	8 May 2020
11	Untu Capital (Additional 40 million on prior amount)	Onward lending finance Micro, Small and Medium Enterprises.	40 million	ZW$	8 May 2020
12	Whakiwe (Pvt) Ltd (IDBZ SPV)	Development of residential stands in Wilsgrove Park, Bulawayo	2.6 million	USD	3 Sep 2020
13	Zimbabwe Electricity Industry Pension Fund	Development of a specialist hospital and specialist psychiatric rehabilitation centre in Harare	4.695 million	USD	22 Oct 2020
14	Nurture BX Genetics	To purchase cattle, train farmers and breed improvement	Equivalent of up to 30 000 livestock units	USD	18 Nov 2020
15	New Glovers (Pvt) Ltd	solar Energy Project in Munyati, Kwekwe	8.3 million	USD	18 Nov 2020
16	Untu Capital (Additional 40 million on prior amount)	Onward lending finance Micro, Small and Medium Enterprises.	40 million	ZW$	18 Nov 2020

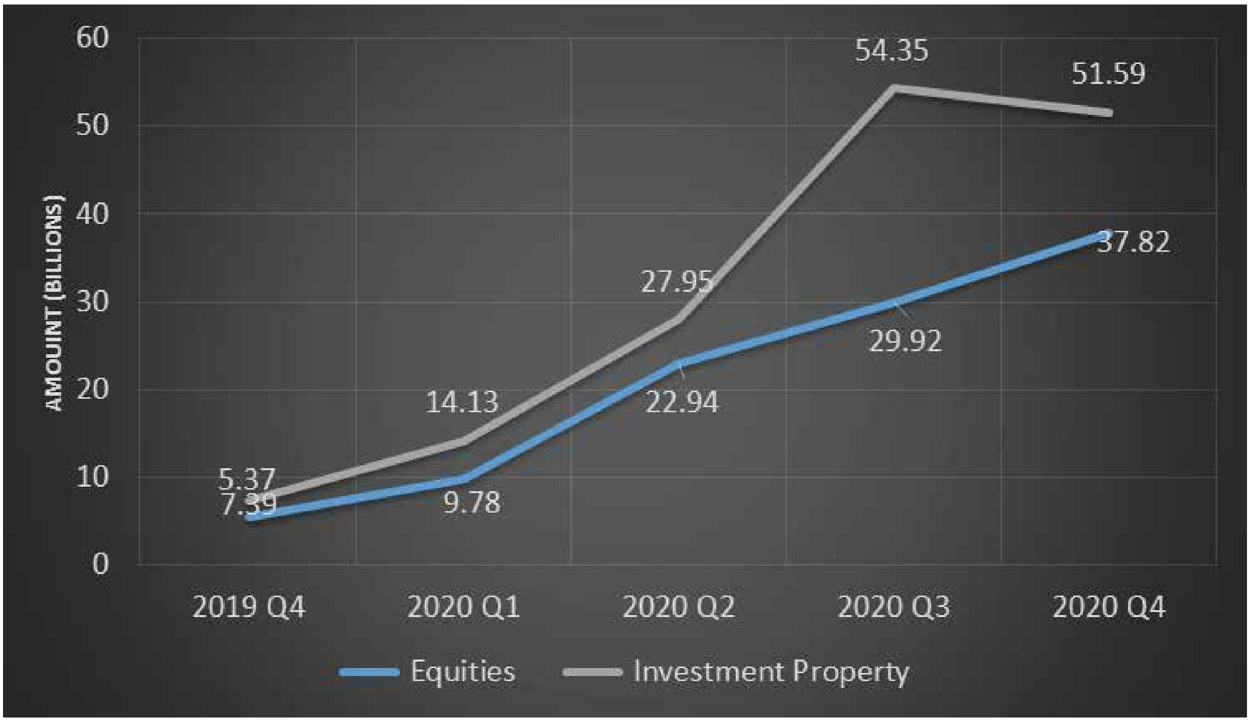
Given the low prescribed asset compliance levels of 6.41%, the Commission urges the industry to invest in approved prescribed assets to reach the minimum required level of compliance.

Income

The income for the sector increased from ZW$22.27billion to ZW$79.21billion during the same period. The income for the period under review was mainly driven by fair value gains and interest from investments amounting to ZW$56.42 billion. The fair value gains were mainly due to the revaluation of investment properties and adjustment in prices of listed equities which accounted for 81.15% of the industry's assets.

It is important to note that whilst there is significant income for the period under review, the greater proportion of that income is fair value gains which, is not available for immediate distribution to the members given that they are not in cash form.

Figure 2: Equities and Investment Property Trend



It should be noted that values of investments in quoted equities have been growing at a decreasing rate since June 2020 on account of the continued suspension of trades on Old Mutual, SeedCo and PPC, counters in which most insurers and pension funds are invested. Whilst the SeedCo counter had resumed trading, the other two counters remained suspended, and their values were informed by the last traded share prices prior to the suspension date.

Supervisory Responses

On-site and Off-site Surveillance

Two onsite inspections were conducted on Old Mutual Life Company Guaranteed Fund and the Clothing Industry Pension Fund. The inspections were concluded successfully, and the two entities are implementing Corrective Orders issued to the entities.

Ten offsite inspections were conducted during the second half of 2020, covering various thematic areas which included expenses, inactive funds, unclaimed benefits, private equity, contribution arrears and inactive funds.

The inspections were aimed at unpacking key risks facing the industry to inform regulatory interventions. Implementation of the recommendations of the inspections is being done through review of existing frameworks, new regulatory Circulars and Directives. Most of the recommendations will be implemented in 2021 as they require wide-stakeholder engagements.

Regulatory Developments

The following Regulations and regulatory Circulars were issued in 2020 to enhance financial soundness of the industry: -

Document	Release Date	Content
S.I. 91 of 2020	17 April 2020	Pension and Provident Funds (Amendment) Regulations, 2020 (No. 25). Regulatory requirements for fund administrators and reporting templates for funds pension funds
Statutory Instrument 280 of 2020	27 November 2020	Writing of Forex business
Circular 2 of 2020	7 February 2020	Minimum Disclosure Guidelines
Circular 11 of 2020	9 June 2020	Risk Management and Corporate Governance Guidelines
Circular 21 of 2020	10 October 2020	Review of Prescribed Asset Framework
Circular 26 of 2020	30 November 2020	Implementation of IAS 29.

Fund Registrations

The Commission registered 27 funds during the period 31 December 2020. Of these funds, 24 were full registrations while 3 were provisional registrations.

Registrations of Redrafted Fund Rules

In view of the need to align fund rules with changes in legislation and emerging international best practice, the Commission embarked on registration of redrafted rules. As at 31 December 2020, redrafted rules for 542 out of the 592 active funds had been registered. Registration of redrafted rules targeting inactive funds has started with redrafted rules for 51 funds having been registered.

Re-registration of Funds

In a quest to establish a credible register of registered funds in the industry, the Commission embarked on an exercise of re-registering all funds. As at 31 December 2020, 586 funds had been registered out of the expected 939 funds.

Implementation of the Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms

Pursuant to the issuance of the Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms, through Statutory Instrument 69 of 2020, the Commission continues to enforce and monitor implementation of the Guideline.

This is an important guideline which is meant to ensure that there is equitable distribution of revaluation gains among policyholders and pension fund members arising from currency reforms effected in 2019.

As at 31 December 2020,100 regulated entities out of the expected 186 entities had submitted their Actuarial valuations reports and supporting documents required for compliance with the Guidance Paper.

The Commission has successfully implemented the Guideline, which has seen bonus and pension increases of over 800% in some funds.

2021 FOCUS AREAS

The 2021 Commission's regulatory focus areas for the Pensions Industry in 2021 will be anchored on implementing strategic initiatives in the Strategic NDS1 and the 2021 National Budget Statement. In the spirit of risk-based supervision, supervisory initiatives will also be tailored to deal with challenges and risks identified in the sector through the Commission's supervisory processes. IPEC will continue to pursue some of the projects and initiatives commenced in 2020.

In anticipation of the passage of the Pensions Bill into law, the Commission is set to issue Regulations that prescribe the threshold of offshore investments for pension funds. In addition, there will be a review of the following: -

- Investment Guidelines to include emerging asset classes e.g., VFEX, REITs, threshold for private equity etc.
- Asset Valuation Guidelines – Property, Private Equity and Bonds
- Governance and disclosure Requirements for Private Equity Investments
- Offsite Inspections on Pooled Investments
- Guideline on requirement for life Offices to seek regulatory approval for any proposed changes to the PPFM documents for Guaranteed Funds.
- Collaboration with SECZ in tracking unclaimed shares on ZSE.

To improve on governance of pension funds and administrators, the Commission will continue to enforce requirements of the Risk and Corporate Governance Guidelines issued in 2020, including reviewing the governance framework to cater for specific requirements for umbrella funds, including preservation funds and shared services in a group.

In terms of restoration of confidence, key initiatives will include, continued enforcement of Guidance Paper on Currency Reforms, coming up with implementation modalities for the US$75million Compensation for the 2019 loss of value, closure on Compensation for 2009, ensuring product relevance, implementation of Asset Separation Project recommendations and stakeholder engagements.

Other market development initiatives will include the establishment of a policyholder and pension fund member protection scheme, a co-existence framework for private occupational schemes and NSSA, Micropensions Framework and implementation of the National Financial Inclusion Strategy.

In anticipation of the passage of the IPEC Bill into law, the Commission has braced itself to take over regulation of NSSA, which is expected to go a long way in consolidating the regulation of the public scheme and private occupational pension funds.

INSURANCE SECTOR

Overview of the Insurance Sector

a) Registered entities

For the year ended 31 December 2020 the insurance sector was made up of 2,156 players as depicted in Table 4 below.

Table 4: Architecture of the Insurance Industry as at 31 December 2020

Class of Business	Number of registered players
Life Assurance	12
Funeral Assurance	8
Non-life Insurance	16
Composite Insurers	2
Micro Insurers	2
Non-life Reinsurers	5
Composite Reinsurers	3
Insurance brokers	32
Reinsurance Brokers	7
Agents	2069
Total	**2156**

b) Sector Gross Premium Written

The Insurance Industry wrote gross premium amounting to ZWL$18.48 billion for the year ended 31 December 2020, an increase of 586% from ZWL$2.69 billion written for the year ended 31 December 2019.

Table 5: Gross Written Premium as at 31 December 2020

Class of Business	Dec 2019 (ZWL$ Million)	Dec 2020 (ZWL$ Million)	% Increase /Decrease
Life Assurers*	596.93	3,651.58	512%
Life Re	22.16	153.08	591%
Non-life Assurers	1,375.00	9,107.00	562%
Non-life Re	665.00	5,299.00	697%
Funeral Assurers	34.50	274.14	695%
Total	**2,693.59**	**18,484.80**	**586%**

**GWP for life assurers excludes contributions from insured funds.*

c) Compliance with Minimum Capital Requirements (MCR)

The Industry's average compliance level with the minimum capital requirements was 87%. As at 31 December 2020, sectors with a 100% compliance ratio were the reinsurance brokers, short-term insurers, reinsurance companies and micro-insurers. Funeral assurance companies had the lowest average compliance ratio at 38%, followed by the life assurers at 83%.

Table 6 below shows compliance levels with the MCR.

Table 6: Compliance with MCR

Class of Business and Number of Players	MCR (ZWL m)	No. of Entities	No. of Compliant Co. (Dec - 20)	% Compliance Status (Dec. 20)
Insurance Brokers	1.5	32	28	88%
Reinsurance Brokers	1.5	7	7	100%
Funeral Companies	62.5	8	3	38%
Short-term Insurers	37.5	18	18	100%
Reinsurance	75	8	8	100%
Life Assurers	75	12	10	83%
Microinsurers	4.5	2	2	100%
Average Compliance level				**87%**

d) Assets

Total assets for the insurance industry grew by 191% from ZWL$17.19 billion as at 31 December 2019 to ZWL$50.04 billion as at 31 December 2020. Table 7 below shows asset breakdown by sector.

Table 7: Assets for the Insurance sector as at 31 December 2020

Class of Business	31 Dec 2019 (ZWL$000)	31 Dec 2020 (ZWL$000)	% Change
Life Assurers*	13,672,084	32,599,565	138%
Non-Life Insurers	1,904,425	8,869,400	366%
Funeral Assurers	288,389	867,898	201%
Non-Life Reinsurers	1,134,695	6,403,360	464%
Composite Reinsurers	190,793	1,297,297	580%
Total	**17,190,386**	**50,037,520**	**191%**

** Assets for life assurers excludes assets relating to insured pension funds.*

e) Reinsurance

The short-term insurance companies had an average retention ratio of 42.8%. This ratio is within an acceptable range as it is in line with best practice. Reinsurers had a retention ratio of 64%, whilst life assurance companies had 97.6% and funeral companies were at 100%. Companies are encouraged to make use of reinsurance facilities so as to spread risk.

f) Earnings

The Insurance industry as a whole managed to record profits after taking into consideration their technical results and management expenses. The sector recorded an overall profit after tax figure of ZWL16.39 billion as shown in Table 8 below;

Table 8: Insurance Industry Earnings

Sector	Profit after tax (ZW$ Million)
Insurance Brokers	327
Reinsurance Brokers	119,09
Funeral Companies	46,67
Short-term Insurers	2,432,46
Reinsurance	2,112,81
Life Assurers	11,350
Total	**16 388,03**

g) Legal and regulatory developments Foreign Currency Denominated Policies

To restore confidence in the insurance sector, the Commission engaged the Ministry of Finance and Economic Development to allow the sector to write Foreign Currency denominated insurance policies. This was successfully granted through the gazetting of the following Statutory Instruments:

- Statutory Instrument 280 of 2020 – Which specifies classes of Insurance Business whose premiums and claims can be charged and become payable in foreign currency.

- Statutory Instrument 268 of 2020, which provides for levies to become chargeable in foreign currency on foreign currency denominated business.

- Statutory Instrument 85 of 2020 – Which provides for the payment of goods and services using free funds, whose definition is also provided for.

- Statutory Instrument 59 of 2020 – which reviewed levels of Minimum Capital Requirements and converted them to the ZWL currency.

The following Circulars were issued in 2020 to improve the supervisory efficiency of the department.

- Circular 20 of 2020- Submission of online quarterly returns.

• Circular 19 of 2020- Appointment of Atchison Actuarial Services for the asset separation exercise.

• Circular 18 of 2020 – Exemption of domestic FCA Nostro Accounts for the Insurance Sector from the 20% liquidation requirement.

• Circular 17 of 2020 – Call for Insurers to participate in the MAP refresher programme being done by Finmark Trust.

• Circular 16 of 2020- Request for information on Covid 19 related and business interruption policies and claims

• Circular 15 of 2020- Request for information on foreign currency denominated business

• Circular 13 of 2020 - Increasing the Professional Indemnity and capital levels for Loss Adjusters

• Circular 9 of 2020 – Extension of deadline for submission of first quarter returns

• Circular 8 of 2020 – Provision for skeletal staff in Insurance Companies for the provision of services

• Circular 7 of 2020 – Payment of premiums in foreign currency in line with S.I 85 of 2020 - and Exchange Control Circular 3 of 2020

• Circular 3 of 2020 – Minimum disclosure guidelines

h) Zimbabwe Intergrated Capital and Risk Project – Zicarp

The Risk Based Capital Framework, called the Zicarp project is nearing its completion with dry runs for Quantitative Impact Study 2 (QIS2) now in progress. The Commission and the Consultant are working closely with the industry to finalise crafting of the Framework with implementation of the same earmarked for second quarter of 2021.

i) IFRIS 17

IPEC developed a draft IFRIS 17 Governance and Project Charter to outline expected timelines and deliverables for the sub-committees. Industry dry runs for the standard are expected to begin in the third quarter of 2021.

j) 2021 Focus Areas for the Insurance Sector

<table>
<tr><th></th><th colspan="2">Focus Area</th><th>Activities</th></tr>
<tr><td rowspan="5">1</td><td rowspan="5">Increase compliance with regulatory requirements</td><td>Minimum Capital Requirements</td><td>- Monitor levels of compliance with MCR
- Apply regulatory sanctions on non-compliant entities
- Index MCR to the USD</td></tr>
<tr><td>Prescribed Assets</td><td>- Monitor the implementation of Prescribed Assets compliance roadmaps from all non-compliant entities and apply regulatory sanctions to non-compliant entities.
- Continue to encourage industry to come up with projects of their own that can be awarded Prescribed Assets status.</td></tr>
<tr><td>Statutory Levies</td><td>- Monitor and enforce compliance with regards to the payment of levies on a quarterly basis</td></tr>
<tr><td>AML/CFT compliance</td><td>- Monitor compliance with AML/CFT requirement by the insurance sector</td></tr>
<tr><td>Disclosure in Financial statements</td><td>- Monitor compliance of entities with the disclosure guidelines in their financial statements.</td></tr>
<tr><td>2</td><td>Shareholding Structures.</td><td colspan="2">- Conduct an inspection to establish the level of compliance with minimum shareholding structures for regulated as stipulated in Insurance regulations S.I 49 of 1989 and as amended in S.I. 59 of 2005.</td></tr>
<tr><td>3</td><td>Product Approvals</td><td colspan="2">- To continue to approve innovative products.
- Reassess existing products if need arises.</td></tr>
<tr><td>4</td><td>Offsite and Onsite Inspections</td><td colspan="2">- Conduct quarterly offsite inspections
- Continuously update institutional profiles of entities
- Conduct onsite inspections when the environment normalises
- Follow up on corrective orders issued in 2020 and prior and enforce compliance</td></tr>
<tr><td>5</td><td>Frameworks</td><td colspan="2">- Finalise the No Premium No Cover policy
- Implementation of the Zicarp project
- Conduct industry training on IFRS 17
- Review Directive on Corporate Governance and Risk Management
- Review the Agents and Broker guidelines
- Develop a cyber-security framework.
- Review the Microinsurance framework
- Promulgate and gazette the Underwriting Management Agency Framework
- Finalisation of the insurance sector Risk Matrix</td></tr>
<tr><td>6</td><td>Quarterly Reports</td><td colspan="2">- Implementation of the online submissions of quarterly returns
- Improve the Online submission system to do more work including analysis of submitted figures.
- Timeous production of quarterly reports</td></tr>
<tr><td>7</td><td>Financial Inclusion</td><td colspan="2">- To promote the Financial inclusion agenda
- Review the microinsurance framework
- Approve relevant products
- Register micro insurance companies</td></tr>
</table>

20 20 ANNUAL REPORT

Risks in the Insurance and Pensions Industry

Economic Risk

Economic risk was considered Medium due to the viability of the sector which was affected by the possibility of company closures on account of COVID-19. Resultantly, this will affect insurance coverage due to the relevance and sustainability of life policies and pensions which became questionable.

It was further affected by low disposable incomes which adversely affects insurance uptake thereby increasing cost of doing business due to inflation and the Covid-19 Pandemic.

High unemployment was also worsened by retrenchments across all sub-sectors of the economy thereby seeing an increased number of funds applying for dissolutions and paid-up status.

Operational Risk

Operational risk was considered High on account of the threat to business continuity.

Cyber security threats also increase operational risk arising from increased use of electronic platforms.

Reputational Risk

The currency reforms implemented in 2019 have seen the insurance and pensions industry paying benefits in local currency on contracts that had been made in foreign currency. This has heightened the industry's reputational risk considering that this is a second major currency reform since 2009.

The expectation of policyholders and pension scheme members will be to receive their benefits in foreign currency notwithstanding the currency reforms.

Market Risk

Market risk was considered medium on account of asset-lability mismatches due to the unavailability of value preserving short-term investment assets which match the liability profiles of insurance companies and pension funds.

Regulatory and Compliance Risk

Regulatory and compliance risk remained high on account of continued non-compliance with the minimum capital requirements and low uptake of prescribed assets as entities fear repeat loss of value.

In addition, there was considerable low uptake of prescribed assets which was at 8.29% against minimum requirements of 20% as at 30 September 2020.

Liquidity Risk

Liquidity risk was considered medium as 46.83% of total assets is in investment property, which is worsened by growth in contribution arrears, suspension in contributions and funds being in paid up status;

Credit Risk

Credit risk was considered medium due to sponsoring employers failing to pay contributions on time and to adhere to agreed payment plans.

Risk Mitigatory Measures

The Commission considered the following mitigatory measures to manage the risks identified as threats to the insurance and pensions sector.

i. Issuance and enforcement of Guidance Paper on Currency Reforms to ensure equitable distribution of Revaluation Gains following the 2019 Currency reforms – S.I. 69 of 2020.

ii. Lobbying Government for a bailout package to augment Private occupational pensions that had been affected by the 2019 currency reforms.

iii. Ongoing Review of the Acts – the Insurance Act, IPEC Act and the Pensions & Provident Funds Act.

iv. Issued SI 280 of 2020 that allows insurance in US$.

v. Issued Circular 26 of 2020 IAS 29 (Financial Reporting in hyperinflationary economies

vi. Issued Risk Management and Corporate Governance Guidelines for the Pensions Industry (Circular 11 of 2020)

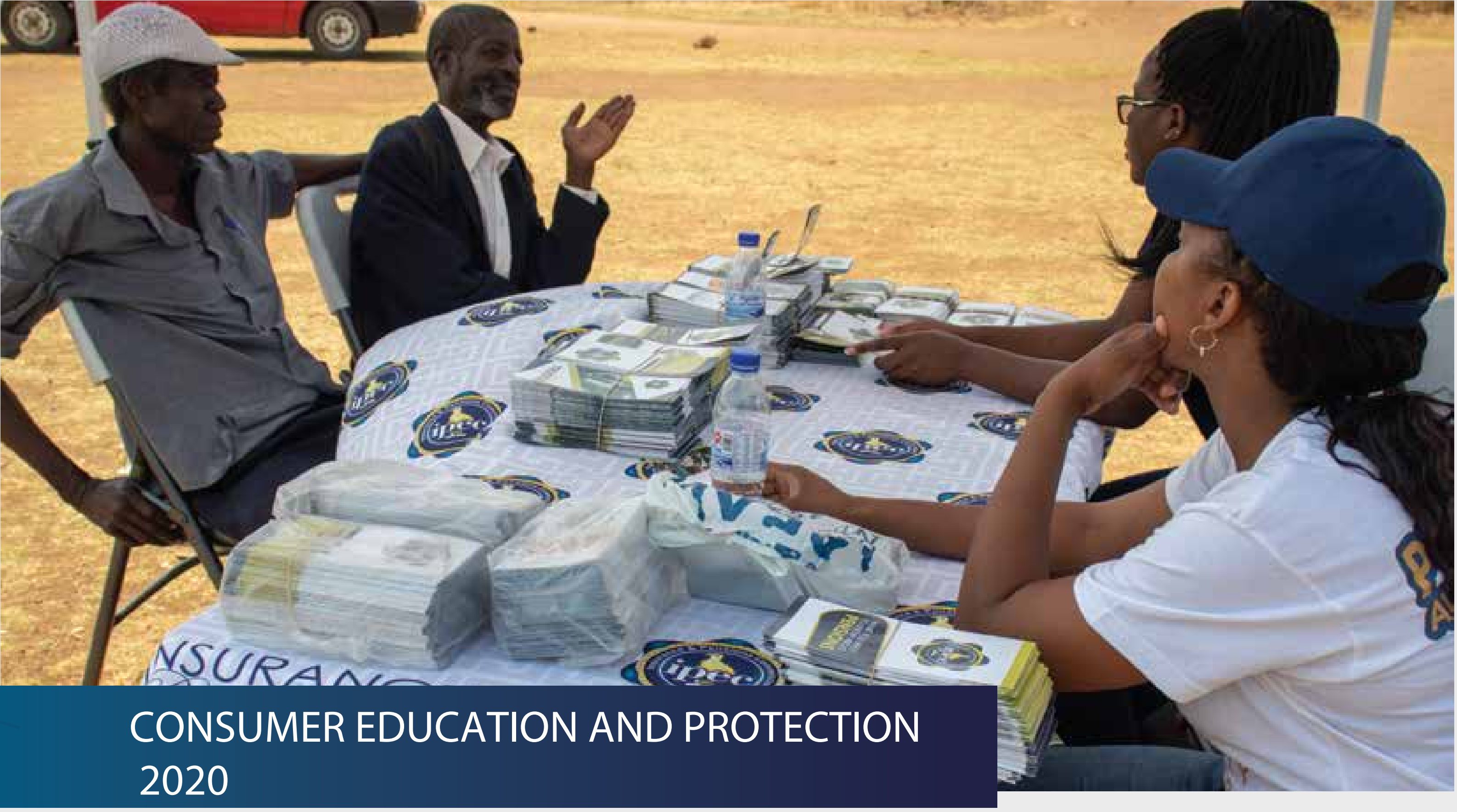
vii. Challenged the industry to review product relevance, particularly guaranteed benefits, and level annuities in an inflationary environment

viii. Encouraging consolidation of small unviable funds into umbrella arrangements

ix. Issuance of inflation indexed instruments.

x. Reviewing the Prescribed Asset Framework to include alternative investments, private equity, and PPPs.

IPEC Commissioner, Dr Grace Muradzikwa leading the insurance and pensions industry handing over Covid-19 donations to the President, His Excellency, ED Mnangagwa and Vice President and Minister of Health and Child Care, General (Rtd) Dr CGDN Chiwenga



CONSUMER EDUCATION AND PROTECTION 2020

One of the Insurance and Pensions Commission' statutory mandates is 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 …"

In line with this mandate, the Commission uses a multifaceted approach in sensitising the public about insurance and pension matters. This is meant to enable consumers to acquire knowledge, skills, attitude and behavior to be aware of financial opportunities, make informed choices in line with their circumstances and take effective action to improve their welfare.

Whilst some of the intended consumer awareness initiatives for 2020 were disrupted owing to the Covid-19 restrictions, the Commission had to be agile by quickly adjusting to the new normal.

To this end, the Commission implemented the following initiatives to engage and sensitise consumers about insurance and pension matters and to enhance its visibility.

Radio and Television programmes
The Commission sponsored 10 weekly consumer education radio programmes on eight (8) national and community radio stations, i.e. Radio Zimbabwe, Star FM, Capitalk FM, Nyami Nyami FM, Diamond FM, Hevoi FM, Midlands 98.4 FM and YaFM. The programmes focused on the rights and responsibilities of insurance and pension consumers as well as general information about insurance and pension matters. The programmes were conducted in English, Shona and Ndebele during prime time, which is the time that commands the greatest listenership.

The Commission also appeared on the Mai Chisamba Show on the national broadcaster, Ztv sensitising viewers about unclaimed benefits and the rights of those with benefits due to them to claim them.

Journalists Mentorship Programme
To generate interest and objective media coverage of the insurance and pensions industry given the perceived complexity about insurance and pension matters, the Commission continued to train journalists on

insurance and pensions matters. About 35 journalists from across the country and drawn from electronic, digital and print media completed a 4-month insurance and pensions journalists mentorship programme in the process producing at least 150 media articles from the sessions. The sessions were conducted virtually in partnership with the National Social Security Authority (NSSA).

Consumer Education Newsletters
To enhance consumer awareness of insurance and pension matters, the Commission published two (2) bi-annual eNewsletters, which exclusively focus on consumer education. The newsletters were uploaded on the IPEC website and posted on various social media platforms. The articles in the newsletters also attracted mainstream media coverage.

Exhibitions
One of the Commission' strategies in enhancing its visibility and accessibility, is to utilise public exhibitions in educating consumers about insurance and pension matters. To this end, the Commission exhibited at the World Consumer Rights Day commemorations in Gweru, International Women's Day commemorations in Harare and the launch of the Consumer Protection Act in Harare as well as the Zimbabwe Agricultural Show.

Digital and Social Media
With the increased internet usage in 2020 attributed to Covid-19 lockdown restrictions, the Commission leveraged digital and social media for its consumer education initiatives. The Commission posted consumer awareness messages on the website and social media, with the website recording more than 120 000 visits while social media posts reached about 212 000 accounts.

Consumer Protection
Consumer protection through market conduct supervision is one of the key mandates of the Commission.

To ensure fair outcomes for policyholders and pension scheme members in their dealings with regulated entities, the Commission came up with a Treating Customers Fairly Framework. The framework sets principles and rules on how insurance and pension service providers can achieve fair outcomes for their customers throughout the product life cycles.

It is generally believed that consumers who feel that they are protected have more confidence in the financial services sector. To this end, the Commission handles complaints from policyholders, pension scheme members, beneficiaries and third-party claimants and deal with them in a fair, transparent and timely manner.

To increase its accessibility, the Commission decentralised its services by opening a dedicated Complaints Handling Office in Bulawayo during the period under review.

Complaints are received through different means that include but not limited to: -

- Walk-ins at IPEC offices or at exhibitions and roadshows;
- Completed complaint forms;
- Letters;
- Emails; and
- IPEC website through the IPEC system portal and its official social media platforms.

Insurance complaints
During the period under review, the Commission handled 131 insurance-related complaints

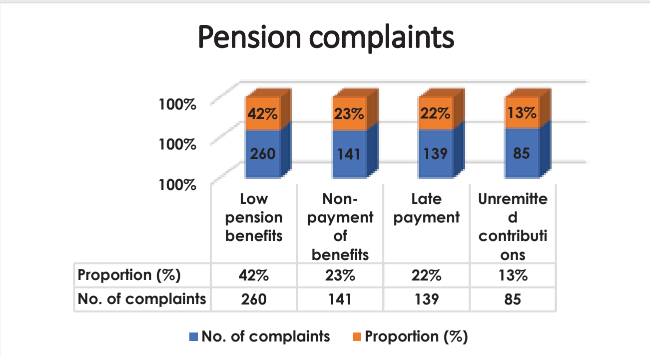
compared to 420 handled in 2019. The reduction in the number of complaints could be attributed to improved fair treatment of consumers by insurance underwriters and pension funds and the Covid-19 lockdown restrictions. The table below depicts the insurance-related complaints handled by the Commission in 2020.

Class of business	Number of Complaints Received	Number of Complaints Resolved	Under investigation as at 31 Dec 2020	Nature of complaints
Short Term	55	50	5	• Delay in settlement of claims • Application of average on motor insurance policy • USD denominated policies
Life Companies	58	43	15	• Low value pay-outs in terms of benefits • Non-payment of benefits • Delay in settlement of claims
Funeral Assurers	13	13	-	• Non-payment of bus benefit • Steep increase in monthly premium • Rejection of claims
Brokers	5	5	-	• Delay in settlement claims • Repudiation of claims
Total	**131**	**111**	**20**	

Pension complaints

During the year under review, the Commission handled 625 complaints compared to 611 complaints received in 2019.

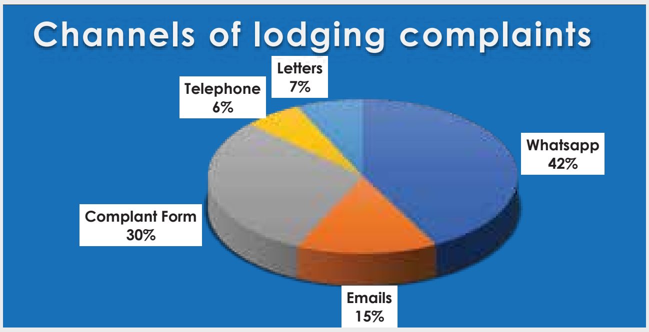
The figure below depicts the nature of complaints handled by the Commission in 2020.



Of the 625 complaints received, 168 were resolved, 197 were under investigation while 260 complaints related to implementation of the Commission of Inquiry recommendation on the compensation of pension scheme members owing to the loss of value occasioned by the 2009 currency reforms.The bulk of complaints under investigation related to unremitted contributions, additional information required from pensioners and investigations by pension funds on payments made through cheques submitted to members' former employers, as well as searching archives for legacy complaints.

Those to do with non-remittance are at various stages of resolution as some employers have submitted payment plans to respective fund administrators whilst others have started making part payments.

The figure below shows the channels used by the public to lodge complaints and communicate with the Commission during the period under review



CORPORATE SOCIAL RESPONSIBILITY

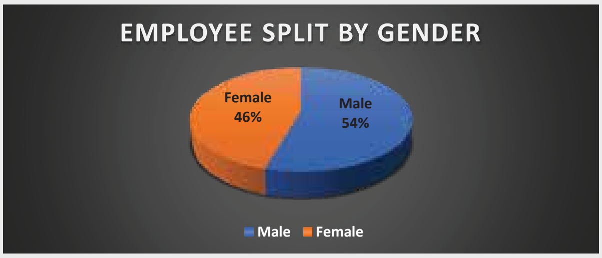
In line with its Corporate Social Responsibility policy, the Commission donated a solar system to power the borehole at Silobela Old People's Home in Midlands Province to alleviate the challenges faced by the institution with unsustainable electricity bills. The Home also uses the borehole to irrigate the vegetable garden.

In early 2020, the Commission also commissioned a solar lighting system it donated to Mucheke Old People's Home in Masvingo.

HUMAN RESOURCES MANAGEMENT

Staff complement:

As of 31 December 2020, the total number of staff in post was 85 against an approved establishment of 92, which translates to 89.5%.
The gender mix was 46 male and 39 female employees, which translates to a ratio of 54:46 as shown in the chart below.



In addition to the staff in post were nine (9) interns-three (3) male and six (6) females.

Number of staff recruited during the year:

The Commission recruited 21 employees in 2020.
Key positions recruited were:

- Actuarial Director
- Finance Manager
- Pensions Manager
- Executive Assistant to the Commissioner

Staff resignations during the year:
Ten staff members resigned in 2020, reflecting a 12% staff turnover for the year. Those who resigned were:

- Pensions Director;
- Head - Internal Audit;
- Research and Innovation Manager;
- Legal Principal Analyst;
- PA to the Commissioner;
- Registry Officer;
- 3 Analysts; and
- Office Orderly.

Resignations were mainly attributable to the difficult economic environment, which resulted in a number of employees opting for employment where they would earn in foreign currency.

Staff Training and Development

The Commission staff attended the following training programmes, workshops and conferences during the year 2020:

CONFERENCE/WORKSHOP	PERIOD
Virtual WPPP/IOPS Meeting	February 2020
Workers Committee Convention	February 2020
Customer Care and Complaints Handling	March 2020
Toronto Centre/World Bank: Coping with Common Challenges in Developing Insurance Markets	March 2020
AFRITAC South WebEx: Insurance Regulatory and Supervisory responses during Covid 129 Pandemic	July 2020
Actuarial Society of Zimbabwe Conference	August 2020
CENFRI workshop on Unpacking Evolving Challenges and Responsibilities for IPEC	September 2020
Risk Based Supervision and Proportionality Regional Program	September 2020
Toronto Centre International Programme for Insurance and Pensions Supervisors on Crisis Management, Technology Risk and Climate Change – Integrating these Threats into Supervisory Risk Assessments	September 2020
Presentation from Mashonaland Holdings on property valuations	September 2020
MEFMI Fellow Programme	Director Pensions - Undergoing training for 18 months
Certified Pension Specialist Course	August 2020
IAIS – FSI A2ii- Cyber risk, Introduction to Regulation and Supervision	September 2020
Singapore Regional Training Institute (STI)'Are remittance flows another casualty of COVID 19?'	October 2020
MEFMI (Pensions and Pandemics)	November 2020.
IoDZ. Webinar SI 134 of 2019 Session 1	October 2020
The Africa Insurance Pulse – First Edition Launch	October 2020
Actuarial Society of South Africa Conference	October 2020
Procurement Regulatory Authority of Zimbabwe Virtual Summer School.	October 2020.
The Big Debate 'Relevance of Pensions medical insurance in Zimbabwe'	November 2020.
AIRDC members online meeting #2020-6	October 2020
2020 Formalisation and licencing Regime	October 2020
IPRA Webinar – Procrastination, Retirement Savings and Annuities – By Professor Jeffrey Brown.	October 2020.
Risk- Based meeting with the World Bank	October 2020
OESAI CONFERENCE – Sustainable Regulations	October 2020
IPMZ- Certificate in Payroll administration.	October 2020
World Bank RBS Workshop: Objectives	November 2020
World Bank RBS Workshop: Framework for assessment	December 2020
World Bank RBS Workshop: Standardised approach to inspections	December 2020
World Bank RBS Workshop: Minimum disclosure requirements	December 2020
World Bank RBS Workshop: Staffing for the modifies framework	December 2020
World Bank RBS Workshop: Risk Management at IPEC	December 2020
World Bank RBS Workshop: Communicating with Supervised entities and stakeholders	December 2020

Technical assistance for capacity building was received in the following areas:

- Workshop on Unpacking the evolving challenges and responsibilities for IPEC conducted for all staff by CENFRI, a technical assistance agency.

- Risk-Based Supervision workshop conducted by the World Bank to enhance the supervisory and regulatory skills of IPEC staff.

- Seminar on "coping with common challenges in developing insurance markets" organised by Toronto Centre and the World Bank.

- The IPEC Pensions Director went through a selection process, which was carried out by The Macroeconomic and Financial Management institute of Eastern and Southern Africa for an 18-months Fellowship Programme to develop him into an expert in insurance regulation. Once he has completed the training, he will become a resource person for training in the region.

Performance Management

The Commission implemented performance-based salary increase during the first quarter of 2020. A culture of performance is growing within IPEC. Staff are becoming increasingly aware that performance is being monitored, is measured each quarter and that good performance will be rewarded.

Employee Engagement

The Commission engages employees on conditions of service as well as welfare issues. Employees were engaged across the organisation through the Commission's Works Council to raise and discuss issues that affect staff in their day-to-day activities.

The Commission also introduced an employee recognition policy – the Employee and Manager of the quarter and Year awards, during the first quarter of 2020. This has had a positive motivational effect on staff and has created a strong employer and employee relationship. Employees feel that they are being rewarded for enabling IPEC to meet its objectives, and as a result, employees feel more connected to the Commission.

Strategic plan

The IPEC strategic plan was anchored on the need to support national developmental priorities and aspirations as espoused in National Budget Statements, the Transitional Stabilisation Programme's strategic objectives, initiatives and quick wins, as well as the attainment of Vision 2030 - a prosperous and empowered upper middle-income status by 2030.

The strategic plan focused on 4 P's (People, Processes, Partnerships and Performance).

Human Resources strategic objectives for 2020 focused on capacity building of staff in, amongst other areas:

- AML/CFT.

- Attaining regional exposure so as to enable staff to benchmark regulation and supervisory practices with regional best practice.

Emphasis was also placed on:

- Enhancing Human capacity and retention

- Strengthening performance driven culture

Human Resources strategic objectives for 2020 also focused on resourcing the Commission adequately in terms of head count, skills mix and experienced staff.

Reviewing of IPEC structure in line with the strategy was also a key strategic focus area and is an on-going exercise.

Safety and Health

Breast Cancer Awareness Day

The Commission conducted a virtual Breast Cancer Awareness session for all staff on the 23rd of October 2020. This is in keeping with IPEC's efforts to ensure a healthy and productive workforce.

IPEC Breast Cancer Awareness day, which was held on the 23rd of October 2020.

IPEC Staff Wellness day

The Commission also conducted a staff wellness day on the 26th of November 2020, which was organized through First Mutual Health. A virtual talk on mental and physical wellness talk was done for staff.

Staff also had hypertension, body mass index, eye, dental, blood sugar, breast cancer as well as prostate cancer checks.

Virtual Marathons

The IPEC Marathon team continued with virtual races throughout the year, which included the Nyaradzo Memorial, the Old Mutual and CBZ Harare, the Cimas iGo, the HAC Miler, Exide, Victorial Falls and IPEC challenge marathons.

The Commission had its own monthly 100 km marathon challenge to help staff become active during lockdown. Every last weekend of the month, IPEC had the Commissioner's Challenge marathon – a 5km run/walk.

Covid 19 update

As part of IPEC's quest to ensure a safe working environment for all employees and stakeholders, the Commission implemented the following precautionary measures to protect staff, clients and stakeholders as well as to ensure continuation of IPEC operations:

- **Compulsory Testing**

All staff reporting for duty were tested on a regular basis.

- **Masks and gloves**

Wearing of masks by staff was made compulsory, including sanitisation and maintenance of social distance in offices, in line with government and World Health Organisation.

- **Pool vehicles**

All pool vehicles were sanitised and fumigated regularly and social distance was being observed in pool vehicles.

- **Medication**

Vitamin C and Zinc tablets were available for all staff at the HR office.

The Commission also suspended receipt of hard copy correspondence. All letters were being scanned and emailed in line with the circular issued by the Commission titled DELIVERY OF ELECTRONIC MAIL TO INSURANCE AND PENSIONS COMMISSION.

Information Communication Technology

Information Communication Technology (ICT) Department supports the mandate of the Commission as defined in Commission's enabling Act. Investments in information technology are driven principally by the desire to improve the way work is done; to improve decision making; to adhere to various laws, regulations, and policies; and to help the organization manage its risks.

ICT developments for the year 2020

1. Software and Applications

1.1. IPEC business system

IPEC runs on an Enterprise Resource Planning (ERP) system called SAP S/4 HANA as its core system. As part of continuous system improvements, the Commission has enhanced the quarterly returns submission process by incorporating the feedback from the industry players. The new submission process significantly reduces the time taken to capture and submit quarterly returns while improving the user's experience through easy upload of an Excel template.

Going into the year 2021 the Commission will leverage on the vast data that is being deposited onto the Commission's system by the regulated entities. IPEC intends to implement data mining, data analytics and business intelligent tools to assist in smarter and more effective industry regulation.

1.2. Continuing the digital journey…

As a way of digitalizing IPEC's business processes, the Commission successfully migrated to Microsoft office 365 application during the year 2020. Microsoft office 365 is a cloud-based office application giving access to Word, Excel, Outlook emails and PowerPoint for the purposes of enhancing business productivity. Application packages like Teams for virtual meetings, OneDrive for cloud storage and work planning and scheduling tools supported remote working needs, which were critical especially during the Covid-19 Pandemic related restrictions.

The Commission went a step further to improve virtual communication experience by implementing an advance video conferencing facility thereby transforming the IPEC board room into a video conference room.

1.3. Conclusion

Information Communication Technology is ever evolving. Management will therefore continue to prioritise and capacitate the ICT function in order to improve on the efficiency and effectiveness of the Commission.

ANNUAL FINANCIAL STATEMENTS

General Information

Country of incorporation	Zimbabwe
Nature of business	The Commission supervises and regulates Insurance companies
Directors	Mr Albert Nduna - Chairperson Mrs Annah Mashingaidze - Vice - chairperson Mr David Mureriwa - Board Member Mr Godwin Nyengedza - Board Member Mrs Judith Rusike - Board Member Mrs Duduzile Shinya - Committe Member Mr Clemence Muzondo - Committe Member Dr Grace Muradzikwa - Ex-Officio (Commissioner)
Registered office	160 Rhodesville Avenue Greendale Harare Zimbabwe
Postal address	P.O. BOX HR6773
Bankers	CBZ Bank Limited FBC Limited
Auditors	Nolands Harare Chartered Accountants 7 Glenara Avenue South Eastlea, Harare Contacts : +263 (242) 481037/9 Email : enquiries@nolandshre.co.zw

Contents

Directors' Responsibilities and Approval

The Directors are required in terms of the Insurance and Pensions Commission Act [Chapter 24:21] to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Commission as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Commission's cash flow forecast for the year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the Commission has or had access to adequate resources to continue in operational existence for the foreseeable future.

Preparer of the financial statements

The financial statements were prepared under the supervision of Mr B. Kazengura who is the Finance Director and has the following qualifications: Bachelor of Technology Honours in Accounting (UZ) and is an affiliate member of the Association of Chartered Certified Accountants (ACCA).

The external auditors are responsible for independently auditing and reporting on the Commission's financial statements. The financial statements have been examined by the Commission's external auditors and their report is presented on pages 4 to 7.

The financial statements set out on pages 8 to 31, which have been prepared on the going concern basis, were approved by the board of Directors on _________/__________/__________ and were signed on their behalf by:

Approval of financial statements

Mr Blessmore Kazengura (B Tech. HACC-UZ, ACCA) - Preparer

Dr Grace Muradzikwa -Commissioner

Mr Albert Nduna - Chairperson

Independent Auditor's Report

To the Minister of Finance and Economic development and the Board of directors of the Insurance & Pensions Commission,

Adverse Opinion

We have audited the accompanying financial statements of the **Insurance & Pensions Commission,** which comprise the Statement of Financial Position as at 31 December 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the year then ended, and a summary of significant accounting policies and the explanatory notes as set out on pages 48 to 71.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the accompanying financial statements do not present fairly, the financial position of the **Insurance & Pensions Commission,** as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Insurance and Pensions Commission Act [Chapter 24:21].

Basis for Adverse Opinion

(a) Comparative information and Opening balances

As described in note 2.1, the prior year financial statements for the year ended 31 December 2019 included an Adverse opinion on International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates". During financial year ended 2019, the Commission operated in an environment where suppliers were applying multi-tier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. Due to the economic environment the Commission operated in, the Commission ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument 133 of 2016, between the RTGS FCA, Bond Notes and the Nostro FCA during the period 1 January 2019 to 22 February 2019. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates" would apply.

In view of these matters described in the above paragraph on the financial statements for the financial year ended 31 December 2020, no corrections have been made to the underlying historical amounts that now form the basis of the corresponding figures for the year ended 31 December 2019. These misstated comparatives also affect the calculation of the comparative inflation adjusted amounts in terms of requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") which affected financial statements for financial periods beginning on or after 1 July 2019.

Furthermore, we were unable to determine whether the opening balances of the Commission as at 1 January 2019 were fairly presented. Since the opening balances as at 1 January 2020 entered into the determination of the financial performance, changes in equity and cash flows of the for the financial year ended 31 December 2020, we were unable to determine whether adjustments might have been found necessary in respect of the financial statements of the Commission for the financial year ended 31 December 2020.

The comparability and misstatements' effects have not been quantified. However, they have been determined to be inherently both material and pervasive given their nature and the impact when the underlying historical amounts are restated for hyperinflation.

(b) Inappropriate exchange rates used in the current year (Non-compliance with IAS 21)

To comply with the legislation as described in note 3.10 to the financial statements, the transactions presented in the period 1 January 2020 to 31 December 2020, were converted to the local reporting currency (ZWL) using the official exchange rate which was derived from interbank forex trading market and managed floating exchange rate system. However, according to International Accounting Standard (IAS) 21, the official exchange rate from these two systems is subject to a longer-term lack of exchangeability. According to IAS 21 where there is longer-term lack of exchangeability, the exchange rates may be entity-specific i.e., they may vary from entity to entity depending on the method of estimation used and the starting rate used in estimating the exchange rate. This resulted in a material and pervasive departure from the requirements of IAS 21.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
IAS 29 - Financial Reporting in Hyperinflationary Economies The Commission has applied IAS 29 – Financial Reporting in Hyperinflationary Economies in its preparation of the financial statements for the year. IAS 29 Financial Reporting in Hyperinflationary Economies is a key audit matter due to the significance of the balances, transactions, complexity and subjectivity over the application of the standard. The standard requires significant judgments to be made by Directors considering when applying guidelines provided in IAS 29.	Our procedures included: • Reviewing the IAS 29 computations including evaluating the rationale for the cumulative inflation rate, consumer price indices, any adjustments to the economic indicators and justifications thereof, validation of the source of data used, testing and validation of key assumptions and sensitivity of the application of a variation of the parameters among others. • Reviewing the judgments and assumptions made by the Directors during the application of the requirements of IAS 29; and; • Assessing whether disclosures in the financial statements appropriately reflect the effects of the adoption of IAS 29.

Responsibilities of the Board and Those Charged with Governance for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Insurance and Pensions Commission Act [Chapter 24:21], and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board.

- Conclude on the appropriateness of Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bernard Matamba:

Per: - Bernard Matamba
PAAB Practising Number: -77
Nolands Harare Chartered Accountants

Date, Harare

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted		Historical	
		2020	2019	2020	2019
Assets					
Non-Current Assets					
Property and equipment	6	101,037,148	76,733,831	101,037,148	17,089,940
Right-of-use assets	7	5,995,157	1,443,243	1,335,224	321,435
Intangible assets	8	3,330,990	8,282,703	3,330,990	1,844,700
Investment at fair value	13	34,983,199	291,302	34,983,199	64,878
		145,346,494	**86,751,079**	**140,686,561**	**19,320,953**
Current Assets					
Other financial assets	9	-	341,029	-	75,953
Inventories	10	2,596,841	1,063,614	857,427	236,885
Loans to executive directors, managers and employees	11	2,719,868	1,176,926	2,719,868	262,122
Trade and other receivables	12	20,554,623	32,949,304	20,554,623	7,338,375
Cash and cash equivalents	14	191,476,601	36,819,612	191,476,601	8,200,359
		217,347,933	**72,350,485**	**215,608,519**	**16,113,694**
Total Assets		**362,694,427**	**159,101,565**	**356,295,080**	**35,434,647**
Equity and Liabilities					
Equity					
Reserves		4,870,779	4,870,779	78,089,678	11,005,081
Retained income		222,831,515	139,795,059	143,213,270	21,214,482
		227,702,294	**144,665,838**	**221,302,948**	**32,219,563**
Liabilities					
Non-Current Liabilities					
Lease liabilities	15	932,095	1,313,446	932,095	292,527
Deferred income	16	123,200,000	-	123,200,000	-
		124,132,095	**1,313,446**	**124,132,095**	**292,527**
Current Liabilities					
Trade and other payables	17	10,272,026	12,993,395	10,272,026	2,893,852
Lease liabilities		588,012	128,886	588,012	28,705
		10,860,038	**13,122,281**	**10,860,038**	**2,922,557**
Total Liabilities		**134,992,132**	**14,435,728**	**134,992,132**	**3,215,084**
Total Equity and Liabilities		**362,694,427**	**159,101,565**	**356,295,080**	**35,434,647**

The financial statements and the notes on pages 8 to 31, were approved by the board of directors on _______/________/_______ and were signed on its behalf by:

Mr Blessmore Kazengura (B Tech. HACC-UZ, ACCA) - Preparer

Dr Grace Muradzikwa -Commissioner

Mr Albert Nduna - Chairperson

Statement of Profit or Loss and Other Comprehensive Income

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted		Historical	
		2020	2019	2020	2019
Revenue	18	308,012,549	232,824,787	177,613,503	18,045,351
Other operating income	19	4,195,956	1,250,568	3,511,346	116,573
Other operating gains	20	45,020,576	6,720,375	36,599,679	1,945,265
Operating expenses	27	(140,966,113)	(139,074,191)	(101,099,662)	(15,635,287)
Operating profit		**216,262,967**	**101,721,539**	**116,624,866**	**4,471,902**
Investment income	23	7,867,847	10,270,014	5,995,932	609,481
Finance costs	24	(1,673,204)	(162,955)	(622,009)	(36,327)
Net monetary loss		(139,421,154)	(569,277,833)	-	-
Other non-operating gains	25	-	158,321	-	35,293
Profit/ (loss) for the year		**83,036,456**	**(457,290,914)**	**121,998,788**	**5,080,349**
Other comprehensive income		**-**	**-**	**67,084,597**	**10,805,870**
Total comprehensive income/ (loss) for the year		**83,036,456**	**(457,290,914)**	**189,083,385**	**15,886,219**

Statement of Changes in Reserves

Figures in Zimbabwe Dollar	Revaluation Reserve	Other NDR	Total reserves	Retained Income	Total
Inflation adjusted					
Balances as at 01 January 2019	-	**4,870,779**	**4,870,779**	**597,085,973**	**601,956,751**
Loss for the year	-	-	-	(457,290,914)	(457,290,914)
Other comprehensive Loss for the year	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	(457,290,914)	(457,290,914)
Balances as at 31 December 2019	-	**4,870,779**	**4,870,779**	**139,795,059**	**144,665,838**
Profit for the year	-	-	-	83,036,456	83,036,456
Other comprehensive Loss for the year	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	83,036,456	83,036,456
Balances as at 31 December 2020	-	**4,870,779**	**4,870,779**	**222,831,515**	**227,702,294**

Historical

Figures in Zimbabwe Dollar	Revaluation Reserve	Other NDR	Total reserves	Retained Income	Total Equity
Balances as at 01 January 2019	**84,775**	**114,436**	**199,211**	**16,134,133**	**16,532,555**
Profit for the year	-	-	-	5,080,349	5,080,349
Other comprehensive income for the year	10,805,870	-	10,805,870	-	10,805,870
Total comprehensive income for the year	**10,805,870**	-	**10,805,870**	**5,080,349**	**15,886,219**
Balances as at 31 December 2019	**10,890,645**	**114,436**	**11,005,081**	**21,214,482**	**32,219,563**
Profit for the year	-	-	-	121,998,788	121,998,788
Other comprehensive income for the year	67,084,597	-	67,084,597	-	67,084,597
Total comprehensive income for the year	**67,084,597**	-	**67,084,597**	**121,998,788**	**189,083,385**
Balances as at 31 December 2020	**77,975,242**	**114,436**	**78,089,678**	**143,213,270**	**221,302,948**

Statement of Cashflows

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted 2020	Inflation adjusted 2019	Historical 2020	Historical 2019
Cash flows from operating activities					
Cash (used in)/generated from activities	26	127,520,139	(437,248,212)	86,464,871	(1,464,471)
Interest income		4,518,858	10,270,014	3,238,505	609,481
Finance costs		-	(162,955)	-	(36,327)
Net cash from operating activities		**132,038,997**	**(427,141,154)**	**89,703,375**	**(891,317)**
Cash flows from investing activities					
Investment of equity		(63,207,970)	-	(23,497,387)	-
Sale of financial assets		-	-	85,201	-
Purchase of property and equipment	6	(56,743,287)	(73,875,679)	(21,094,159)	(7,172,396)
Sale of property and equipment	6	-	524,177	-	50,891
Purchase of other intangible assets	8	(6,668,297)	-	(2,478,921)	-
Loans to executive directors, managers and employees		(1,542,942)	(1,044,080)	(2,457,747)	(101,367)
Net Cash from financing activities		**(128,162,497)**	**(74,395,582)**	**(49,443,012)**	**(7,222,872)**
Cash flows from financing activities					
Government grant		123,200,000	-	123,200,000	-
Payment of lease liabilities		(1,535,349)	(1,857,348)	(737,360)	(180,325)
		121,664,651	**(1,857,348)**	**122,462,640**	**(180,325)**
Total cash movement for the year		**125,541,152**	**(503,394,083)**	**162,723,002**	**(8,294,515)**
Cash at beginning of the year		36,819,612	534,216,817	8,200,359	14,600,077
Effect of exchange rate movement on cash balances		29,115,836	5,996,878	20,553,239	1,894,797
Total cash at end of the year	14	**191,476,601**	**36,819,612**	**191,476,601**	**8,200,359**

Accounting Policies

1 Nature of the business

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 for the protection of insurance policyholders and pension fund members' interests.

2 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the IPEC Act [Chapter 24:21], except for the non compliance with International Accounting Standards (IAS) 21, The effect of Changes in Foreign Exchange Rates explained note 2.1.

2.1 Functional and presentation currency

Items included in the financial statements of the Commission are measured using the currency of primary economic environment in which the entity operates(the functional currency). The financial statements are presented in Zimbabwe Dollars (ZWL), which is the Commission's functional and presentation currency.

The Commission operated in a multi-currency environment which included foreign currencies, mainly the United States Dollars (USD) and quasi-currency instruments in the form of electronic balances and bond notes which, during the reporting period, were officially pegged to the US$ at an official exchange rate of 1:1 in October 2018. Multi-tier pricing in the market depending on the mode of payment (US$, bond note, mobile money or RTGS$) and persistent shortages of foreign currency resulting in delays in settling foreign obligations at the official exchange rate, particularly subsequent to monetary policy changes in October 2018, triggered deliberations on whether the US$ remained the functional currency for companies operating in Zimbabwe.

Given the environment that the Commission is currently operating in, the directors have assessed in terms of International Accounting Standards (IAS) 21, if there has been a change in the functional currency used by the Commission during the year. In their assessment the Directors included considerations of whether the various modes of settlement may represent different forms of currency. The following was considered:

(a) On the 1st October 2018 the Reserve Bank of Zimbabwe (RBZ) through Exchange Control Directive RT120/2018, directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Real Time Gross Settlement (RTGS) FCAs for local RGTS transactions and Nostro FCAs for foreign currency transactions at a parity rate of

(b) On the 22nd of February 2019 Statutory Instrument 33 of 2019 (SI 33) was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency named the RTGS Dollar/ ZWL at a base rate of USD1:ZWL 2.5. Another Exchange Control Directive RU 28 of 2019 was issued at the time which introduced an interbank market for trading US$ as well as other currencies in the multi-currency regime.

(c) On June 24 2019 the Government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that all transactions be made in local currency (RTGS Dollar/ZWL).

(d) On July 24 2020 the Government gazetted Statutory Instrument 185 of 2020 which brought back the use of multi-currencies.

As a result of these currency changes announced by the monetary authorities, the directors assessed as required by IAS 21 and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB), whether use of the US$ as functional currency remained appropriate. Based on the assessment, the directors concluded that the Commission's functional currency became ZWL with effect from 1 October 2018. However, this could not be effected at law, because there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirement and International Financial Reporting Standards (IFRS) from October 2018 to 22 February 2019 resulted in auditors expressing an adverse opinion on the 2019 financial statements.

Accounting Policies

3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Trade receivables, loans and other receivables

The Commission assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Commission makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Commission is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

3.2 Property and equipment

The cost of an item of property and equipment is recognised as an asset when:

-it is probable that future economic benefits associated with the item will flow to the Commission; and

-the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent to initial recognition, property and equipment is stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies

3.2 Property and equipment (Continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Commission. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	25 years
Furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Other property and equipment	Straight line	5 years
SAP Hardware	Straight line	5 years
Right of use asset	Straight line	5 years
Leasehold improvement -Town office	Straight line	5 years
IT equipment	Straight line	3 years
Computer software	Straight line	3 years
Leasehold improvements-162 Rhodesville offices	Straight line	1 year

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

3.3 Intangible Assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Accounting Policies

3.3 Intangible Assets (Continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation Method	Average Useful life
Computer Software	Straight line	3 Years
SAP Software		Indefinite

3.4 Financial Instruments

Financial instruments held by the Commission are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Commission ,as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Trade and other receivables
Classification
Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Commission's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement
Trade and other receivables are recognised when the Commission becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

Accounting Policies

3.4 Financial Instruments (Continued)

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Commission recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Commission measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Commission makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Measurement and recognition of credit losses

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy

The Commission writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Commission recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Commission becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Accounting Policies

3.4 Financial Instruments (Continued)

Derecognition

Financial assets

The Commission derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Commission neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Commission recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Commission retains substantially all the risks and rewards of ownership of a transferred financial asset, the Commission continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.5 Leases

The Commission assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Commission has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Commission as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Commission is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Commission recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Commission uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Commission under residual value guarantees;
- the exercise price of purchase options, if the Commission is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Commission is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

3.5 Leases (Continued)

Right of use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position. Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Commission incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

3.6 Inventory

Inventories are measured at the lower of cost and net realisable value. Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

3.7 Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

3.8 Provisions and contingencies

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

3.9 Revenue from contracts with customers

The Commission recognises revenue from the following major sources:

- Levies form Pension funds and Insurance companies
- Annual fees from members
- Application fees
- Registration fees

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Commission recognises revenue when it transfers control of a product or service to a customer.

3.9 Revenue from contracts with customers (Continued)

Revenue from Pension funds and Insurance companies

Revenue from levies is recognised at the beginning of every quarter and this is the point in time when the Commission transfers the regulatory services to Insurance and Pensions companies intending to do business in that quarter.

Annual fees from members

Revenue from annual fees is recognised at the beginning of the year as this is the point in time when the Commission is unconditionally entitled to receive the annual fees.

Application fees

Revenue from application fees is recognised at the point in time when a prospective client makes an application to the Commission.This is the point in time when the Commission is unconditionally entitled to receive the application fees income.

Registration fees

Revenue from registration fees is recognised at the point in time when the Commission registers a new member and this is the point in time when the Commission becomes unconditionally entitled to receiving registration fee income.

3.10 Translation of foreign currencies

A foreign currency transaction is recorded, on initial recognition in Zimbabwe Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Commission receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Commission initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Commission determines a date of transaction for each payment or receipt of advance consideration. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

The exchange rates which were being used by the Commission were based on the following developments which occurred during 2019 and 2020:

(a) lnterbank forex trading market, which was introduced in February 2019. The biggest problem with the market was that it was not a free market but it was influenced by the RBZ. The government then suspended the market in March 2020 and declared the exchange rate between the USD and local currency to be 1:25.

(b) On the 23 June 2020, the Zimbabwe Government introduced a managed floating exchange rate system and set up a Currency Stabilization Task Force as part of measures to arrest exchange rate volatility and inflation. RBZ monitors daily exchange and intervene as necessary and shall release forex into the interbank market based on a well-defined forex stabilization policy. However, not every organisation had access to the system.

3.10 Translation of foreign currencies (continued)

In accordance with IFRS Interpretations Committee Meeting on Foreign Exchange Restrictions May 2018 Paragraph 21-55, it appears that the Zimbabwean Dollar is subject to a longer-term lack of exchangeability for a number of entities, and one in which it is becoming increasingly difficult to observe any exchange transactions that might provide an exchange rate for immediate delivery of Zimbabwean Dollar for another currency. This is shown by the following factors:

(a) The legal supply of foreign currency in Zimbabwe is made only through administrated mechanisms regulated and directed by the jurisdictional authorities;

(b) Many Zimbabwean foreign operations are unable to obtain foreign currency to make investment-related payments (such as dividend payments to foreign investors), and have been unable to obtain foreign currency for this purpose for several

(c) More generally, the exchangeability of Zimbabwean Dollar for any purpose is limited. Since the introduction of the FCAS and the interbank market before, Zimbabwean foreign operations have been able to access foreign currency via the administered mechanism in small amounts and for limited purposes, which are listed on the priority list. Due to the legalisation of transacting in foreign currency however, entities are also now able to obtain some foreign currency from their trading activities.

3.11 IAS 29 Hyperinflationary economies

The Public Accountants and Auditors Board through its pronouncement 01/2019 provided guidance to all entities that report based on the International Financial Reporting Standards (IFRSs) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS29) in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial period ended on or after 1 July 2019 apply the requirements of IAS29 " Financial Reporting in Hyperinflationary economies."

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS 29 compliant.

Sources of price index

Indices used were obtained from the Zimbabwe Statistical Office for the period from February 2009 to December 2020.

Year	Indices	Average indices	Conversion factor
December 2017	61.13	61.13	40.48
December 2018	88.81	67.63	36.59
December 2019	551.63	240.28	4.49
December 2020	2474.51	918.45	1

4 Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the Commission has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Commission's financial statements is described below.

The Commission has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 January 2019.

Leases where Commission is lessee Impact on financial statements

On transition to IFRS 16, the commission recognised an additional Z$ 321 435- of right-of-use assets and Z$ 321 232- of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, commission discounted lease payments using its incremental borrowing rate at 01 October 2019. The discounting rate applied is 45% per annum.

5. New Standards and Interpretations

The Commission has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Commission's accounting periods beginning on or after 1 January 2018 or later periods:

5.1 Standards and interpretations effective and adopted in the current year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
None		

5.2 Standards and interpretations not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 17 Insurance Contracts	1 January 2021	Impact is immaterial.

6 Property and equipment

Reconciliation of property, plant and equipment- 2020

	Opening balance	Additions	Disposals	Revaluations	Elimination of costs	Elimination of accumulated depreciation	Depreciation	Total	
								Inflation adjusted	Historical
Land	2,000,000	-	-	8,033,000	(2,000,000)	-	-	8,033,000	8,033,000
Buildings	3,000,000	184,495	-	12,717,000	(3,184,495)	112,851	(112,851)	12,717,000	12,717,000
Furniture and Fixtures	1,196,900	1,167,484	-	5,760,030	(2,364,384)	634,419	(634,419)	5,760,030	5,760,030
Motor vehicles	6,373,000	10,989,271	(276,573)	46,518,000	(17,085,698)	3,359,324	(3,359,324)	46,518,000	46,518,000
Office equipment	322,220	221,092	-	1,383,898	(543,312)	123,587	(123,587)	1,383,898	1,383,898
IT equipment	1,187,872	3,913,767	-	8,129,972	(5,101,639)	1,175,033	(1,175,033)	8,129,972	8,129,972
Computer software	80,650	875,228	-	1,100,281	(955,878)	78,482	(78,482)	1,100,281	1,100,281
Leasehold improvements	476,479	3,318,586	-	3,946,502	(3,795,065)	55,310	(354,009)	3,647,803	3,647,803
SAP Hardware	2,000,000	-	-	3,320,000	(2,000,000)	994,039	(994,039)	3,320,000	3,320,000
Cellphones	98,600	298,880	-	805,141	(397,480)	109,427	(109,427)	805,141	805,141
Other property and equipment	259,450	125,356	-	9,622,023	(384,806)	348,657	(348,657)	9,622,023	9,622,023
	17,089,940	21,094,159	(276,573)	101,335,847	(37,907,526)	6,991,129	(7,289,828)	101,037,148	101,037,148

Reconciliation of property, plant and equipment- 2019

	Opening balance	Additions	Disposals	Revaluations	Elimination of costs	Elimination of accumulated depreciation	Depreciation	Inflation adjusted	Historical
Land	1,931,993	-	-	68,007	-	-	-	8,980,000	2,000,000
Buildings	2,340,222	15,329	-	3,000,000	(2,605,963)	296,540	(46,128)	13,470,000	3,000,000
office	-	254,926	-	-	-	-	(37,219)	425,513	94,769
Furniture and Fixtures	519,555	984,480	(128)	1,196,900	(1,871,628)	570,813	(203,092)	5,374,081	1,196,900
Motor vehicles	534,876	10,903,846	-	6,373,000	(13,674,367)	3,173,001	(937,356)	28,614,770	6,373,000
Office equipment	89,048	307,736	-	322,220	(689,017)	399,371	(107,138)	1,446,768	322,220
IT equipment	704,190	601,050	-	1,187,872	(1,968,162)	1,036,317	(373,395)	5,333,545	1,187,872
Computer software	41,130	218,099	-	80,650	(264,195)	20,768	(15,802)	362,119	80,650
Leasehold improvements-Town office	-	727,169	-	-	-	-	(29,547)	2,139,391	476,479
SAP Hardware	922,142	82,418	-	2,000,000	(1,619,321)	1,036,856	(422,095)	8,980,000	2,000,000
Cellphones	73,051	150,628	-	98,600	(227,626)	13,433	(9,486)	442,714	98,600
Other property and equipment	52,684	115,578	(1,226)	259,450	(574,894)	509,918	(102,060)	1,164,931	259,450
	7,208,891	14,361,259	(1,354)	14,586,699	(23,495,173)	7,057,017	(2,283,318)	76,733,831	17,089,940

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2020	2019	2020	2019

7 Leases (commission as lessee)

The Commission leases three office buildings one located at number 162 Rhodesville Road, Greendale Harare, the other one at Shop number 5 Kingstones House along Leopard Takawira Street in Harare and the other one at Shop number 18 Stand number 15529, corner main street and 9th Avenue, Bulawayo . The lease term is 1 year for the Rhodesville offices and 5 years for both Shop number 5 Kingstones House and Shop number 18 Bulawayo .

Details pertaining to leasing arrangements, where the Commission is lessee are presented below:

The Commission adopted IFRS 16 for the first time in the prior financial period. The information presented in this note for right-of-use assets therefore only includes Shop number 5 Kingstones House and Shop number 18 Bulawayo only. The 162 Rhodesville Road lease is shortterm as defined and the lease rentals were expensed accordingly.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings	7,419,160	1,519,200.39	1,652,374	338,352
Accumulated depreciation	(1,424,004)	(75,957.33)	(317,150)	(16,917)
	5,995,157	**1,443,243**	**1,335,224**	**321,435**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 27), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	807,627	75,957	300,233	16,917

8 Intangible assets

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Revaluations	Elimination of cost	Total Inflation adjusted	Total Historical
Computer software SAP	1,844,700	2,478,921	(992,631)	-	3,330,990	3,330,990
Reconciliation of intangible assets - 2019						
Computer software SAP	3,813,488	1,844,700	1,844,700	(3,813,488)	1,844,700	1,844,700

9 Other financial assets

	Inflation adjusted 2020	Inflation adjusted 2019	Historical 2020	Historical 2019
At fair value through profit or loss - designated				
Other financial asset	-	341,029	-	75,953
Cabs money market deposit maturing on 07 December 2028, interest 3%				
Non-current assets				
Designated as at FV through profit (loss) (FV through income)	-	341,029	-	75,953

Financial assets which are debt instruments

The commission has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

10 Inventories

	Inflation adjusted 2020	Inflation adjusted 2019	Historical 2020	Historical 2019
Stationery	1,549,891	247,085	423,012	55,030
Fuel coupons	1,046,949	816,529	434,414	181,855
	2,596,841	**1,063,614**	**857,427**	**236,885**

11 Loans to executive directors, managers and employees

Schedule of loans to executive directors, managers and employees

	Inflation adjusted 2020	Inflation adjusted 2019	Historical 2020	Historical 2019
Staff loans	2,719,868	1,176,928	2,719,868	262,122
At beginning of the year	262,122	721,790	262,122	160,755
Advances	3,299,995	1,127,622	3,299,995	251,141
Repayments	(842,248)	(672,484)	(842,248)	(149,774)
	2,719,868.21	**1,176,928**	**2,719,868**	**262,122**

12 Trade and other receivables

	Inflation adjusted 2020	Inflation adjusted 2019	Historical 2020	Historical 2019
Financial instruments:				
Trade receivables	7,615,717	1,616,656	7,615,717	360,057
Loss allowance	(829,301)	(536,847)	(829,301)	(119,565)
Trade receivables at amortised cost	**6,786,416**	**1,079,809**	**6,786,416**	**240,492**
Non-financial instruments:				
Employee costs in advance	-	16,891	-	3,762
Prepayments	13,768,208	31,852,603	13,768,208	7,094,121
Total trade and other receivables	**20,554,623**	**32,949,304**	**20,554,623**	**7,338,375**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2020	2019	2020	2019
12 Trade and other receivables (Continued)				
Split between non-current and current portions				
Non-current assets	-	-	-	-
Current assets	**20,554,623**	**32,949,304**	**20,554,623**	**7,338,375**
13 Investments at fair value				
Investments held by the commission which are measured at fair value, are as follows:				
Mandatorily at fair value through profit or loss:				
Listed shares	34,983,199	291,302	34,983,199	64,878
Split between non-current and current portions				
Non-current assets	34,983,199	291,302	34,983,199	64,878
14 Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	174,934,455	11,785,478	174,934,455	2,624,828
Short-term deposits	16,542,146	25,034,134	16,542,146	5,575,531
	191,476,601	**36,819,612**	**191,476,601**	**8,200,359**
15 Lease liabilities				
Non-current liabilities	932,095	1,313,446	932,095	292,527
Current liabilities	588,012	128,886	588,012	28,705
	1,520,107	1,442,332	1,520,107	321,232
16 Deferred income				
	123,200,000	-	123,200,000	-

This amount consists of a grant from the Ministry of Finance which is earmarked to purchase IPEC premises.

17 Trade and other payables				
Financial instruments:				
Trade payables	1,446,948	1,188,350	1,446,948	264,666
Other payables	821,892	11,117	821,892	2,476
Statutory obligations	1,864,719	602,648	1,864,719	134,220
Accrued leave pay	4,689,618	4,130,100	4,689,618	919,844
Accrued salaries	49,660	6,392,826	49,660	1,423,792
Accrued interest payable	12,046	54,087	12,046	12,046
Non-financial instruments:				
Un allocated deposits	1,387,143	614,268	1,387,143	136,808
	10,272,026	**12,993,395**	**10,272,026**	**2,893,852**
Financial instrument and non-financial instrument components of trade and other payables				
At amortised cost	8,884,882	12,379,128	8,884,882	2,757,044
Non-financial instruments	1,387,143	614,268	1,387,143	136,808
	10,272,026	**12,993,395**	**10,272,026**	**2,893,852**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2020	2019	2020	2019
18 Revenue				
Revenue from contracts with customers				
Levies	260,764,091	224,204,657	147,487,965	17,667,241
Registration fees	925,297	1,178,695	711,830	77,200
Application fees	180,423	471,735	76,900	4,300
Annual fees	46,142,738	6,969,700	29,336,807	296,610
	308,012,549	**232,824,787**	**177,613,503**	**18,045,351**
Disaggregation of revenue from contracts with customers				
The commission disaggregates revenue from customers as follows:				
Timing of revenue recognition				
At a point in time				
Levies	260,764,091	224,204,657	147,487,965	17,667,241
Annual fees	46,142,738	6,969,700	29,336,807	296,610
Registration fees	925,297	1,178,695	711,830	77,200
Application fees	180,423	471,735	76,900	4,300
	308,012,549	**232,824,787**	**177,613,503**	**18,045,351**
19 Other operating income				
Fines and penalties	2,992,553	28,483	2,783,066	600
Tender bonds	1,600	-	1,600	-
Bank interest	47,753	249,218	27,774	4,521
Other income	1,154,050	972,868	698,907	111,452
	4,195,956	**1,250,568**	**3,511,346**	**116,573**
20 Other operating gains (losses)				
Gains (losses) on disposals of assets				
Property and equipment	(314,504)	723,498	(172,804)	50,468
Unrealised gains equity				
Unrealised gains equity	16,219,244	-	16,219,244	-
Foreign exchange gains				
Net foreign exchange gains	29,115,836	5,996,878	20,553,239	1,894,797
Total other operating gains	45,020,576	6,720,375	36,599,679	1,945,265
21 Employee costs				
Employee costs				
Basic	49,505,745	53,686,581	35,309,460	6,198,596
Medical aid	7,043,041	2,583,348	4,959,359	210,960
NSSA	507,937	618,374	343,789	48,875
Zimdef	677,661	499,852	440,577	44,524
Pension	3,353,400	3,224,496	1,972,480	289,363
Recruitment costs	605,617	924,897	367,310	77,406
Management fuel allowances	3,414,533	2,188,199	2,480,905	242,919
	65,107,934	**63,725,748**	**45,873,879**	**7,112,643**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2020	2019	2020	2019
22 Depreciation, amortisation and impairment losses				
Depreciation				
Property and equipment	6,902,294	3,057,070	6,369,025	680,862
Right-of-use assets	807,627	75,957	300,233	16,917
	7,709,921	3,133,028	6,669,258	697,779
23 Investment income				
Interest income				
Investments in financial assets:				
Bank and other cash	4,471,219	10,033,619	3,210,688	595,452
Debt instruments at fair value through profit or loss	47,639	236,395	27,817	14,029
Total interest income	4,518,858	10,270,014	3,238,505	609,481
Dividends received	135,146	-	135,119	-
Profit or loss on stock	3,213,843	-	2,622,308	-
Total investment income	7,867,847	-	5,995,932	609,481
24 Finance costs				
Interest expense	1,673,204	162,955	622,009	36,327
25 Other non-operating gains (losses)				
Fair value gains (losses)				
Financial assets mandatorily at fair value through profit or loss	-	158,321	-	35,293
26 Cash (used in)/generated from operations				
Profit/ (loss) before taxation Adjustments for:	**83,036,456**	**(457,290,914)**	**121,998,788**	**5,080,349**
Depreciation and amortisation	6,902,294	3,133,028	6,669,258	697,779
(Gains) losses on disposals of assets	314,504	(723,498)	172,804	(50,468)
Net monetary loss	139,421,154	569,277,833	-	-
Gains on foreign exchange	(29,115,836)	(5,996,878)	(20,553,239)	(1,894,797)
Interest income	(4,518,858)	(10,270,014)	(3,238,505)	(609,481)
Finance costs		162,955	622,009	36,327
Fair value gains	(16,219,244)	(158,321)	(16,219,244)	(35,293)
Profit or loss on stock	(3,213,843)	-	(2,622,308)	-
Other non-cash items	-	-	1,295,613	113,988
Right of use asset	-	-	-	(338,351)
Non cash effect of IAS 29	(57,226,572)	(522,298,668)	-	-
Changes in working capital:				
Inventory	(1,533,227)	(59,218)	(620,542)	(209,435)
Trade and other receivables	12,394,681	(19,817,738)	(8,417,939)	(6,979,491)
Trade and other payables	(2,721,370)	6,793,220	7,378,174	2,724,402
	127,520,139	**(437,248,212)**	**86,464,871**	**(1,464,471)**

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted		Historical	
		2020	2019	2020	2019
27 Operating expenses					
Advertising and public communications		(1,515,794)	(960,139)	(972,442)	(97,572)
Anti - Money laundering		(67,344)	-	(22,080)	-
Auditors remuneration - external auditors		(262,496)	(879,533)	(262,496)	(142,703)
Bad debts movement		(709,736)	353,539	(709,736)	78,812
Bank charges		(843,988)	(2,548,371)	(517,666)	(263,616)
Board fees and expenses		(2,125,450)	(1,461,611)	(1,708,374)	(201,398)
Cleaning		(399,926)	(169,917)	(223,282)	(17,567)
Commission of Inquiry on Conversion		(2,414,100)	(2,900,191)	(2,321,250)	(126,605)
Conferences		(1,446,887)	(7,748,244)	(798,125)	(665,548)
Consultancy fees		(4,867,518)	(4,162,460)	(4,129,926)	(566,695)
Consumer awareness		(5,238,756)	(15,528,814)	(3,999,503)	(1,641,610)
Corporate social responsibility		(1,077,362)	(75,235)	(649,746)	(7,500)
Covid expenses		(6,644,752)	-	(4,878,680)	-
Depreciation		(7,709,921)	(3,133,028)	(6,669,258)	(697,779)
Employee costs		(65,107,934)	(63,725,748)	(45,873,879)	(7,112,643)
Insurance		(1,441,280)	(1,996,695)	(1,079,145)	(204,934)
IT expenses		(3,614,152)	(1,567,629)	(2,587,286)	(307,480)
IMT		(2,175,522)	-	(1,729,724)	-
Lease rentals on operating lease		(1,535,349)	(1,386,935)	(731,680)	(136,083)
Legal fees		(375,896)	(1,842,285)	(307,705)	(151,616)
Licencing operating		(512,507)	-	(336,587)	-
Motor vehicle expenses		(5,026,698)	(5,739,909)	(3,519,660)	(474,093)
Municipal expenses		(1,056,741)	(248,515)	(662,349)	(25,538)
Parking fees		(7,110)	(32,276)	(4,410)	(3,271)
Postage		(5,166)	(2,312)	(3,065)	(140)
Printing and stationery		(2,872,615)	(2,326,766)	(1,923,850)	(311,111)
Repairs and maintenance		(2,249,344)	(3,528,053)	(1,146,427)	(422,997)
Review and evaluation		(257,937)	(2,349,032)	(75,020)	(200,902)
Security		(1,902,331)	(761,668)	(1,328,168)	(71,777)
Staff welfare		(9,193,122)	(4,545,898)	(6,636,097)	(838,929)
Subscriptions		(1,954,501)	(3,258,371)	(724,414)	(296,737)
Telephone and fax		(1,348,996)	(622,457)	(999,687)	(68,663)
Training		(5,004,880)	(5,925,639)	(3,567,946)	(658,592)
		(140,966,113)	**(139,074,191)**	**(101,099,662)**	**(15,635,287)**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2020	2019	2020	2019
28 Related parties				
Related party	**Relationship**			
Ministry of Finance and Economic Development	Parent Ministry			
Board of Directors (refer to index page)	Non-executive directors			
Related party transactions				
Board fees and expenses	2,125,450	1,461,611	1,708,374	201,398

29 Risk management

Capital risk management

The Commission's objective when managing capital (which includes reserves, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Commission's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

	Inflation adjusted 2020	Inflation adjusted 2019	Historical 2020	Historical 2019
Lease liabilities	1,520,107	1,442,332	1,520,107	321,232
Trade and other payables	10,272,026	12,993,395	10,272,026	2,893,852
Total borrowings	11,792,132	14,435,728	11,792,132	3,215,084
Cash and cash equivalents	(191,476,601)	(36,819,612)	(191,476,601)	(8,200,359)
Net borrowings	(179,684,468)	(22,383,884)	(179,684,468)	(4,985,275)
Equity	227,702,294	144,665,838	221,302,948	32,219,563
Gearing ratio	(0.79)	(0.15)	(0.81)	(0.15)

Financial risk management

Overview

The Commission is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Commission's risk management policies are established to identify and analyse the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities

The Commission finance and audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Commission. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Financial risk management

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Figures in Zimbabwe Dollar

29 Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Commission is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Foreign currency risk

The Commission is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising Interbank market rate. The foreign currencies in which the Commission deals primarily are US Dollars.

30 Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Commission can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

		Inflation adjusted		Historical	
Assets	Note(s)				
Financial assets mandatorily at fair value through profit or loss	14				
Listed shares		34,983,199	291,302	34,983,199	64,878
Total		34,983,199	291,302	34,983,199	64,878

31 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern.This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2020	2019	2020	2019

32 Events after reporting period

The Coronavirus pandemic: outlook

In December 2019, a novel strain of the coronavirus was reported in Wuhan, China. The World Health Organisation has declared the outbreak to constitute a "Public Health Emergency of International Concern". The Government of Zimbabwe on 17 March 2020 declared the outbreak of the Coronavirus a National Disaster. The impact of this virus on the operations of the Commission is depended on various developments which include duration and spread of the outbreak, impact of the virus on the Commission's stakeholders and other unforeseen events.

IPEC invoked its Business Continuity Plan (BCP) which ensures that the Commission continues to offer essential services to insurance policyholders and pension fund members, industry, government, staff and key stakeholders. This entails observing social distancing for both staff members and visitors to IPEC offices. Staff have been capacitated to work from home, only coming to the office as an exception. Personal protective equipment has also been provided to staff as a way of minimising risk of infection.

Initial assessment of the Commission is that current COVID19 pandemic will not affect the ability of IPEC to continue as a going concern due to the BCP measures being implemented and support from IPEC Board and Ministry of Finance and Economic Development. The Commission continues to service all stakeholders taking full advantage of available ICT platforms where possible. Interaction within IPEC as well as with external stakeholders continues to be done through digital platforms offered by various telecoms service providers listed as critical services and are therefore able to continuously provide these services. Whilst it is generally accepted that Zimbabwe, just like the global economy, is likely to be negatively impacted by the pandemic, we remain confident that the Commission's pro-active and prudent approach to the risk and financial management will allow the business to navigate the difficult environment.

The Commission's assessment is that revenues, and therefore business operations, will not be negatively affected in a material manner. Current revenue performance indicates that the Commission is performing beyond budget projections.

However, the above notwithstanding, because of the uncertainties relating to the current pace, spread and containments of the COVID19 pandemic, it may result in an adverse impact on the Commission's future financial position, operations, financial results, and cash flaws. The COVID19 continued business disruption and the related financial effect and impact cannot be reasonably estimated at this time.

Suffice to say assessment of financial reporting information as at 31 December 2020 is that COVID19 virus will not significantly impact the Commission's service delivery and going concern status.

2020 ANNUAL REPORT

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 3rd Annual General Meeting of the Insurance and Pensions Commission (IPEC) will be held on Wednesday, 30 June 2021 at 1000 hours, virtually, for the purpose of transacting the following business:

AGENDA

1. Chairperson's Welcome and Opening Remarks

2. Adoption of the Notice Convening the Meeting

3. Confirmation of the Minutes of the 2020 Annual General Meeting

4. To receive, consider and adopt the Chairperson's Report

5. To receive, consider and adopt the Commissioner's Report for the year ended 31 December 2020 and update on operations.

6. To receive, consider and adopt the Financial Statements of the Commission, for the year ended 31 December 2020

7. To approve the Auditor's remuneration for the 2020 financial year.

8. To approve the remuneration of Directors for the 2020 financial year.

9. To re-appoint Nolands Chartered Accountants (Zimbabwe) as the auditors of the Commission until the next annual general meeting.

By Order of the Board

Samantha Nhende
Company Secretary
1 June 2021

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PROTECTING THE INTERESTS OF INSURANCE AND PENSION CONSUMERS

2020 IPEC ANNUAL REPORT

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