



Circular 28 of 2024

To: Zimbabwe Association of Funeral Assurers (ZAFA)

Life Offices Association of Zimbabwe (LOA)

Insurance Brokers Association of Zimbabwe (IBAZ)

Reinsurance Brokers Association of Zimbabwe (RBAZ)

Microinsurance Industry Association of Zimbabwe (MIAZ)

Cc: Principal Officers-All Funeral Assurers

All Principal Officers - Life Offices

All Principal Officers - Microinsurers

All Principal Officers – Insurance and Reinsurance Brokers

Date: 18 December 2024

AMENDMENTS TO CIRCULAR 12 OF 2023 (FUNERAL DIRECTIVE)

1. Following the issuance of the Funeral Directive through Circular 12 of 2023 and various engagements with industry players, the Commission has amended the Funeral Directive.
2. The following is a summary of the changes to the Directive:

Section 3.2

IPEC will develop the Policyholder Database and recover the costs from the industry. Whilst the development of the Policyholder Database is being developed, funeral underwriters should honour all multiple policies in full.

Section 4


The maximum sum assured of US\$6,000 funeral policies has been restricted to only local policies.

A maximum sum assured of US\$10,000 or ZWG equivalent will be permitted on regional funeral policies while a US\$25,000 or ZWG equivalent maximum sum assured has been placed on international funeral policies.

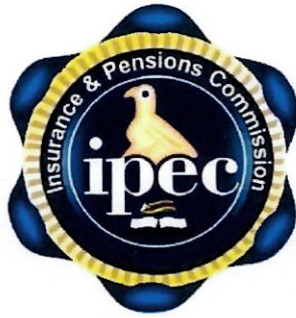
Section 7

Due to the prevailing macroeconomic environment, policyholders will now have the option to convert their existing annually renewable funeral policies to long-term policies with a maturity period of no more than 25 years from the date of conversion to guarantee equity and affordability of funeral policies or maintain the yearly renewable policies.

For new policies, all funeral underwriters are to always make available both options to policyholders.


Grace Muradzikwa

COMMISSIONER IF INSURANCE, PENSION AND PROVIDENT FUNDS



INSURANCE AND PENSIONS COMMISSION

Directive on Funeral Assurance Products

Funeral and Life Companies

December 2024

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1. Preamble

- 1.1. Pursuant to the Insurance and Pensions Commission's mandate to protect the rights, benefits and other interests of policyholders in terms of section 5(a) of the Insurance Act [Chapter 24:07], the Commission hereby issues this Directive on Funeral Products.
- 1.2. This Directive is issued in terms of section 6(c) of the Insurance Act [Chapter 24:07] as read with section 3 (1) (d) of Statutory Instrument 69 of 2020 which empowers the Commissioner to formulate standards for the conduct of insurance business with which registered assurers may be required to comply.
- 1.3. The Directive is issued in line with the Treating Customers Fairly Framework which the Commission issued to ensure that underwriters treat customers fairly while adopting the proper practices and procedures in the distribution of funeral products.
- 1.4. The main objectives of the Directive are to:
 - 1.4.1. Provide minimum guiding principles to ensure that all the assurance players that offer funeral products have effective systems in the design and distribution of funeral products in Zimbabwe,
 - 1.4.2. Guide the life and funeral assurance industry on the reforms to be applied to funeral policies and
 - 1.4.3. Outline the minimum expectations and requirements for the design and distribution of funeral assurance products in Zimbabwe.

2. Scope of Application and Effective Date

- 2.1. This Directive applies to all life and funeral assurers registered to underwrite funeral assurance products in Zimbabwe.
- 2.2. The Directive should be used in conjunction with all other legislation pertaining to the underwriting of funeral policies in Zimbabwe, including Circulars, Guidelines and Frameworks issued by IPEC.
- 2.3. The Commission reserves the right to amend this Directive from time to time.

3. Funeral Assurance Policy Reforms

3.1. Arbitrary Lapsing of Funeral Policies

- 3.1.1. All underwriters providing funeral assurance products are expected to comply with Section 60 (1) (a) and (b) of the Insurance Act [Chapter 24:07] in terms of the grace periods allowed before a policy lapses.
- 3.1.2. All funeral policies issued must be accompanied by the Schedule stipulated in Section 60 of the Insurance Act.
- 3.1.3. The schedule specifies grace periods applicable for different periods for which premiums would have been paid as per the table below.

Table 1 – Grace Periods and Corresponding Durations in Force

No	Grace Period	Duration in Force
1	6 months	5 years or over and less than 7 years
2	9 months	7 years or over and less than 9 years
3	12 months	9 years or over and less than 11 years
4	18 months	11 years or over and less than 14 years
5	24 months	14 years or over and less than 17 years
6	36 months	17 years or over and less than 21 years
7	48 months	21 years or over and less than 25 years
8	60 months	25 years or over

- 3.1.4. All funeral assurance policies must not be arbitrarily lapsed without formal communication to the policyholders at least thirty (30) days prior to the date of lapse.

3.2. Multiple Funeral Assurance Policies

3.2.1. In terms of this Directive, the following terms are defined as follows:

Multiple Funeral Assurance Policies: These are several (more than one) funeral assurance policies taken by a policyholder with one or more funeral underwriters covering one life.

Secondary Funeral Assurance Policy: A funeral assurance policy issued after another funeral assurance policy covering one life.

3.2.2. For the purposes of this Directive, the funeral cover provided under Group Life Assurance Schemes is not interpreted as multiple funeral assurance policies.

3.2.3. In line with treating customers fairly, Assurers are liable to pay out a full sum assured where there are multiple policies.

3.2.4. Section 3.2.3 of the Directive, which is in line with treating customers fairly mandates all funeral underwriters to pay out a full sum assured where there are multiple policies. Industry players have not shown commitment to comply with these provisions with some players paying as little as 10% of the sum assured where the policyholder had multiple policies. Their main argument is that if multiple policies are settled in full, it may result in insurance fraud as some individuals will take out funeral policies not to meet funeral expenses but to make a profit out of the death of the insured life.

3.2.5. To address the challenge, the industry was advised to develop a policyholder database to ensure that already covered lives do not continue to get secondary coverage. After several engagements, the industry disregarded the Commission's call for the development of a policyholder database citing issues of competition.

3.2.6. To ensure that policyholders get what they are promised at the onboarding stage, IPEC will develop the Policyholder Database and recover the costs from the industry. Whilst the development of the Policyholder Database is in progress, funeral underwriters should honour all multiple policies in full.

4. The Maximum Sum Assured

4.1. Each local funeral policy covering a single life shall be limited to a maximum sum assured not exceeding an amount of Six Thousand United States dollars (US\$6,000) or ZWG equivalent using the prevailing interbank rate.

4.2. Given that Zimbabweans are resident in diverse countries where the costs of funeral services are also different, the following maximum sum assureds shall be applicable for policies issued outside Zimbabwe:

4.2.1. US\$10,000 or ZWG equivalent at the prevailing interbank rate for a funeral policy issued within the region and covering a single life.

4.2.2. US\$25,000 or ZWG equivalent at the prevailing interbank rate for a funeral policy issued internationally and covering a single life.

5. Payment of Cash In Lieu of Services (for existing funeral policies).

5.1. In terms of Section 58 (3) (a) of the Insurance Act, every funeral underwriter must have reserves to pay cash should policyholders opt for cash in lieu of service.

5.2. Funeral underwriters are expected to have adequate assets to back their various liabilities in either cash or service.

5.3. Where a policyholder has continuously paid premiums for an existing secondary policy and met all the terms and conditions of the policy, he/she is entitled to cash in lieu of service that is equivalent to the sum assured of the policy.

6. Asset Separation

Funeral underwriters are required to separate Policyholders' and Shareholders' Assets in line with Section 29 of the Insurance Act [Chapter 24:07].

7. Annually Renewable Funeral Assurance Policies

- 7.1. The Life and Funeral assurance sectors currently have annually renewable group and individual funeral policies.
- 7.2. Annually renewable policies expire at the end of every 12 months and the policyholder is expected to renew or take a new policy yearly up to the time of death. The practice is unfair to the policyholder given the prevalence of annually renewable policies over long-term funeral policies.
- 7.3. To ensure fairness and affordability of funeral policies, policyholders will be given an option to convert their annually renewable funeral policies to long term policies with a maturity term not exceeding 25 years from the date of conversion.
- 7.4. Accordingly, all funeral underwriters should offer both the annually renewable and long-term funeral products for policyholders to make a choice. In this regard, all funeral underwriters are required develop new pricing reports for all products converted from annually renewable contracts to long-term contracts for the Commission`s approval.

8. Separation of Funeral Assurance from Funeral Services

To address issues of conflict of interests between funeral underwriters and funeral undertakers owned by a common shareholder, the funeral underwriters shall submit a ZIMRA Approved Transfer Pricing Policy between the funeral assurer and the funeral service company to the Commission by 01 October yearly.

9. Enforcement

9.1. Where the Commission considers that violation of the provisions of this Directive has been committed, the Commission shall inform the assurer in writing and allow the assurer to make written representations on the matter. Before taking any action in terms of section 9.2 below, the Commission shall inform the assurer concerned, in writing, of:

- a) the contravention of which the assurer is believed to be guilty of and, in substance, the grounds for that belief, and
- b) the action the Commission proposes to take in respect of the alleged contravention and shall afford the assurer an adequate opportunity to make representations in the matter within a period not exceeding 14 days.

9.2. If, after considering any representations made by the assurer concerned in terms of point 9.1 above, the Commission is satisfied that the assurer has contravened any provisions of this Directive, the following monetary penalties will apply as prescribed in terms of Statutory Instrument 69 of 2020;

- a) A fine not exceeding level four for each day that the contravention continues up to a maximum of sixty days;
- b) A fine not exceeding level 5 or imprisonment for a period not exceeding six months or to both fine and imprisonment in the event of continuous contravention after the lapse of the sixty days period.

9.3. Provided that, where the Commission considers that immediate action is necessary to prevent irreparable damage to the assurer or its policyholders, creditors or shareholders, the Commission may take such action before affording the assurer an opportunity to make representations.