



Circular No. 2 of 2019

4 March 2019

ZIMBABWE ASSOCIATION OF PENSION FUNDS (ZAPF)
ZIMBABWE ASSOCIATION OF FUNERAL ASSURERS (ZAFA)
LIFE OFFICES ASSOCIATION (LOA)
INSURANCE COUNCIL OF ZIMBABWE (ICZ)
INSURANCE BROKERS ASSOCIATION OF ZIMBABWE (IBAZ)
REINSURANCE BROKERS ASSOCIATION OF ZIMBABWE (RBAZ)
ZIMBABWE INSURANCE LOSS ASSESSORS (ZILA)

**REPORTING GUIDELINE TO INSURANCE AND PENSIONS INDUSTRY FOLLOWING THE
MONETARY POLICY STATEMENT OF 20 FEBRUARY 2019**

Introduction

1. This Circular serves to notify all reporting entities in the insurance and pension industry that the Insurance and Pensions Commission is in consultation with policymakers in Government, regulatory and supervisory bodies, as well as industry practitioners to put in place the necessary guidance for valuation of liabilities in line with asset revaluation brought into effect by the recent Monetary Policy of 20 February 2019. The objective is to come up with a standardised way of treating assets and liabilities in a way that ensures fairness and value preservation for all parties in an insurance or pension contract.

Background

2. The last quarter of 2018 witnessed a deterioration of macroeconomic fundamentals, which has had an adverse impact on the insurance and pension industry. The scarcity of foreign currency, and the associated exchange rate distortions arising from a fixed exchange of US\$1:\$1 Bond/RTGs

presented challenges of dual prices, which in turn affected valuation of both assets and liabilities.

3. The 20 February 2019 Monetary Policy Statement by the Reserve Bank of Zimbabwe Governor ushered in both opportunities and challenges for businesses in Zimbabwe, including insurance and pension businesses and their respective clients.
4. The Insurance and Pensions Commission is alive to the challenges and wishes to advise that the envisaged guidance seeks to provide for the following :-

31 December 2018 Reporting

5. All entities shall be required to ensure that financial reporting as at 31 December 2018 is objective and realistic. Financial Statements should go beyond adherence to International Financial Reporting Standards (IFRS) and other rules and regulations that govern reporting to provide additional disclosures/information that will enhance the usefulness of the reports to relevant users.
6. It is the Commission's belief that statutory reports for the year ended 31 December 2018 should be objective, reliable and adaptive to Government policy in line with the recent Monetary Policy Statement. The intention of the Guidance shall be to ensure fair allocation of revaluated assets by avoiding extinction of pension member/policyholder assets due to accounting technicalities or otherwise. The same would apply to any related liabilities and obligations which must be recognized and presented fairly.

Reporting Post-Monetary Policy Statement

7. Detailed and realistic financial reports for the year ended 31 December 2018 shall be useful as industry take into consideration the implications of the Monetary Policy Statement. The following questions, among other issues, arise and will need close attention and appropriate recording and reporting:-
 - a) Conversion date/timing;
 - b) Conversion rate; and,
 - c) Dealing with the implications of the above decisions.
8. Meanwhile, the Commission urges all reporting institutions to adopt a cautious approach to protect the interests of all stakeholders, including policyholders

Product Pricing/Re-pricing

9. Whilst we appreciate the need to review and revise product prices in some cases, industry players are advised to exercise restraint, especially in view of the fact that not all existing policyholders have had the privilege to get an increase on their current income. Arbitrary alterations of policy conditions on the part of insurers without consent of policyholders is a violation of the basic tenets of insurance contracts. In all cases, existing policyholders deserve to be treated fairly, and their interest protected.
10. Please be advised that the Commission is in the process of consulting all stakeholders to inform the necessary regulatory guidance.
11. Be guided accordingly.



B. Kazengura

ACTING COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS