



Circular No. 6 of 2016

13 July 2016

Zimbabwe Association of Funeral Assurers (ZAFA)
Insurance Council of Zimbabwe (ICZ)
Life Offices Association of Zimbabwe (LOA)

**GUIDELINES ON INSURANCE PRODUCTS FOR LIFE, FUNERAL ASSURANCE AND
NON LIFE INSURANCE COMPANIES**

1. Reference is made to the above guidelines which have been discussed at length with industry players.
2. The guidelines on the development of new products by insurance companies have now been finalized and insurance industry players are required to comply with them.
3. The guidelines are effective with immediate effect.
4. Should you require any clarification(s) on these guidelines, please do not hesitate to contact the Insurance and Pensions Commission.

M. S. Mpofu (Mrs.)

Commissioner of Insurance, Pension and Provident Funds

**GUIDELINES/OPERATIONAL
MANUAL ON INSURANCE
PRODUCTS FOR LIFE, FUNERAL
ASSURANCE AND NON LIFE
INSURANCE COMPANIES**

TO : LIFE ASSOCIATION OFFICES (LOA)
: ZIMBABWE ASSOCIATION OF FUNERAL ASSURERS (ZAFA)
: INSURANCE COUNCIL OF ZIMBABWE (ICZ)

DATE : 13 JULY 2016

1. Background

The Commission has noted with concern that companies are introducing new products without regulatory approval.

In light of the concerns noted above, the Commission hereby issue these guidelines on the development of new products by insurance companies. The prime purpose of these guidelines is to ensure that insurance companies develop products that satisfy an identified need in the market and that policyholders and potential policyholders are well informed and are treated fairly before, during and after the life of an insurance contract.

The guidelines provide the minimum principles to be adhered to by insurance companies in product design and development, pricing, marketing, as well as withdrawal of the products from the market. The guidelines also offer guidance on the minimum disclosure requirements that should be complied with before any insurance product can be marketed.

The guidelines provide only the minimum requirements and as such insurance companies can provide any additional information and/or documentation.

2. BASIS OF THE GUIDELINES

These guidelines are being issued in terms of Section 6(c) of the Insurance Act (Chapter 24:09) which defines the functions of the Commission as the formulation of standards for the conduct of insurance business with which registered insurers may be required to comply in terms of the Act.

3. **OBJECTIVES OF THE GUIDELINES**

The objectives of these guidelines are to ensure the following;

- a) Financial viability of the proposed product hence the ability of the insurer to meet claims as and when they arise
- b) Suitability, sustainability and affordability of the product to policyholders
- c) Marketing and promotion of new products is not misleading and inadequate
- d) Financial soundness and safety of the insurer's existing insurance business
- e) Fair treatment of policyholders and potential policyholders in line with the Treating Customers Fairly (TCF) thrust

4. **THE CONTENTS OF THE APPLICATION**

The application for a new product proposal to the Commission should at a minimum include the following documents;

- a) The motivation letter
- b) The proposal form
- c) The sample policy wording and/or policy terms and conditions
- d) The actuarial report for the new product development and the actuarial certificate
- e) Compliance certificate
- f) Marketing brochure/material to be used in marketing the product
- g) Service level Agreements between the insurer and its service providers, where applicable

4.1 Motivation letter- This should give a brief overview of the product that is, how the product works and its key features, as well as its target market. It should also demonstrate the extent to which the proposed product meets the needs of the target market.

4.2 Scope of Actuarial Report

Whilst actuarial reports are prepared in line with the Guidance Notes from the Actuary's principal regulator, the following key issues should be disclosed in the actuarial report for a new product proposal;

- ✓ Scope of the report
- ✓ List of acronyms and abbreviations

- ✓ Description of the product and its salient features
- ✓ Pricing assumptions and bases in relation to interest rates, mortality rates, expenses, e.t.c
- ✓ A detailed method on the calculation of surrender values and/or paid up values
- ✓ Justification on the absence of surrender values and/or paid up values where this is applicable
- ✓ Break down of total premium clearly showing the pure risk premium, commission, expenses, profit margin and any other loadings
- ✓ The minimum capital required to underwrite the product
- ✓ A comment on the adequacy of the available economic capital vis-à-vis the minimum capital required for the new product(s)
- ✓ Stress testing results
- ✓ Actuarial recommendations and conclusions
- ✓ Any other information as may be deemed necessary

It is also imperative to note that the actuarial report should comply with the Minimum standards developed by the Actuarial Society of Zimbabwe (ASZ) and the actuary's principal regulator. The report should be signed by a duly qualified actuary who has a practising certificate in that area in a very legible manner.

The Commission will refuse to accept actuarial reports that do not satisfy the minimum criteria as detailed above. Should the Commission deem the report below standard and the insurer fails to submit a revised actuarial report within thirty (30) days; the Commission will proceed to close its file on the insurer's application to launch a new product.

The Commission further reserves the right to report the signing Actuary to his/her principal regulator should his/her report materially deviate from the minimum expected actuarial standards.

- 4.3 Proposal Form and Claim Form-** A sample of these two documents should also accompany the application for a new product proposal. The forms should clearly and legibly indicate the name of the insurance company as well as the name of the product.

The proposal form should ask questions about the subject matter of cover as well as serving to;

- a) Elicit information- the form should provide the underwriter with information needed to decide whether or not to accept the risk, and if so at what price and on what terms
- b) Make a legal offer - the form should constitute a legal offer by the proposer
- c) Describe the cover available
- d) Establish a warranty, that is, the wording and declaration in a proposal form often warrants the truth of the answers thereon.

4.4 Policy terms and Conditions- The terms and conditions of the product should form part of the attachments to be submitted when an application for a new product proposal is made. At a minimum, the terms and conditions of a policy should include;

- ✓ The name of the insurer and the name of the product;
- ✓ The level of premiums to be paid as well as the frequency by which they are paid (monthly, quarterly or annually);
- ✓ Break down of total premium clearly showing the pure risk premium, commission, expenses, profit margin and any other loadings
- ✓ Amount and/or method to determine benefits to be paid out upon the occurrence of the insured event. The event that triggers a claim should be clearly stated;
- ✓ A provision on "Grace periods" and "cooling off periods" and refund of premiums
- ✓ Non-forfeiture provisions;
- ✓ Exclusions under the policy;
- ✓ Non-Premium Reviewability clause;
- ✓ Profit/loss sharing arrangements;
- ✓ Re-instatement provision;
- ✓ Policy termination/cancellation clause;
- ✓ Dispute resolution clause/ complaint handling procedure. In particular, the Insurance and Pensions Commission should be cited for appeal purposes, clearly indicating the regulator's contact details
- ✓ Mode of communication to be used between the insurer and the insured
- ✓ Any other information as may be considered necessary

NB: The premium reviewability clause should only be allowed to new policyholders and not existing policyholders whose contracts have not lapsed. The premium reviews can only be implemented upon written approval from the Commission.

For insurance products to be sold through electronic means; a master policy document has to be lodged with the Commission. Access to any documents in respect of a policy by the policyholder should be easy and convenient. Where any documents in respect of the policy in question have not been provided to the policyholder, either in physical or electronic form, access to these documents should not entail an additional cost for the policyholder.

Any changes to the policy terms and conditions should only be effected after the Commission's approval.

4.5 Marketing Brochure/Flier

At a minimum, the brochure should include

- a) Details of the insurer
- b) Name of the product and its salient features including the premium and amount of cover
- c) Details regarding the claims process and all exclusions
- d) Any other as may be deemed necessary

4.6 Certifications

The application should be accompanied by two certificates namely

- a. Actuarial certificate from the actuary
- b. Certificate of compliance with the relevant laws from the insurer's Compliance Officer. The Compliance officer should also sign the form annex attached hereto and should be on the insurer's letterhead.

5 Approval/Disapproval of the product by the Commission

Provided all the information required for a new product proposal has been submitted by the applicant, the finalisation of the Commission's decision on whether to approve/disapprove the product will be made within thirty (30) days from the date when all the information that the Commission reasonably requires has been submitted.

The insurer can only commence marketing the product once it has been approved.

- 6 **Withdrawal of the Product from the market-** An insurer should not unjustifiably remove a product from the market. The insurer should notify the Commission within ninety (90) days before withdrawing a product from the market. In the application for product withdrawal, the insurer should indicate;
- a. The reasons for withdrawing the product from the market
 - b. Measures the insurer has put in place to ensure that the existing policyholders are not prejudiced and that their rights are not compromised
 - c. An indication as to whether the withdrawal is temporary or permanent
 - d. The insurer should also publish in the press the withdrawal of the product from the market once the withdrawal application has been approved by the Commission.


Whilst the insurer may initiate withdrawal/termination of the product from the market, the Commission reserves the right to withdraw/ terminate certain products from the market should it have good reasons to do so in view of protecting policyholders' and prospective policyholders' interests.

7 **Effective date**

These guidelines will be implemented with immediate effect.

8 **Enforcement Measures**

Should an insurer launch a new product in the market without regulatory approval, a daily penalty equivalent to level six will be applied by the Commission until the insurer regularizes the approval process.


M.S. Mpofu (Mrs.)

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

COMPLIANCE CERTIFICATE FOR NEW PRODUCTS

I, being the compliance officer ofinsurance company, hereby certify the following;

- a) insurance company is compliant with the minimum capitalisation threshold of \$..... as at (*specify date*) in line with IPEC's requirements.
- b) There is enough excess shareholders' funds above the minimum regulatory threshold to underwrite (*name of the product*)
- c) An actuarial assessment was done on the financial viability of the product and all reports relating to such an assessment are available for inspection
- d) The product meets all the Treating Customers Fairly (TCF) outcomes
- e) All other relevant laws and statutes have been complied with in developing the product.

Signature.....

Date.....