2018 ANNUAL REPORT

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2018 ANNUAL REPORT Contents

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ABOUT US

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 Core Values

Fairness – we shall develop and apply rules, regulations and procedures equitably among all clients and stakeholders.

Integrity - We are ethical and honest in our dealings with all our clients and stakeholders.

Excellence –adherence to highest quality standards

Corporate Information

www.ipec.co.zw

160 Rhodesville Avenue,
Greendale,
Harare

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443422 or
0772 154 281-4

enquiry@ipec.co.zw

Names of External Auditors:

Nolans Harare, Chartered Accountants, 7 Glenara Avenue South, Cnr. Samora Machel Avenue, Eastlea, Harare.

Lawyers:

Sawyer and Mkushi Legal Practitioners, 11th Floor Social Security Centre, Park Ln, Harare.

Muvingi and Mugadza Legal Practitioners, 7th Floor, Pegasus House, 52 Samora Machel Avenue, Harare.

Major Banks:

FBC Bank
2 Lanark Road,
Belgravia, Harare

CBZ Bank
53 Old Enterprise Road,
CBZ Corner, Harare

The Board

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

Management


Dr Grace Muradzikwa
COMMISSIONER


Josphat Kakwere
DIRECTOR PENSIONS


Samantha Nhende
COMPANY SECRETARY & HEAD OF LEGAL


Sibongile Siwela
DIRECTOR INSURANCE & MICROINSURANCE


Blessmore Kazengura
DIRECTOR FINANCE


Cuthbert. T. Munjoma
E.A TO THE COMMISSIONER


Vincent Mutata
INTERNAL AUDITOR


Mary Takavarasha
MANAGER PENSIONS

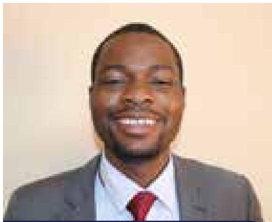

Cleophas Mabvunure
MANAGER INSURANCE & MICRO INSURANCE


Lloyd Gumbo
PUBLIC RELATIONS MANAGER

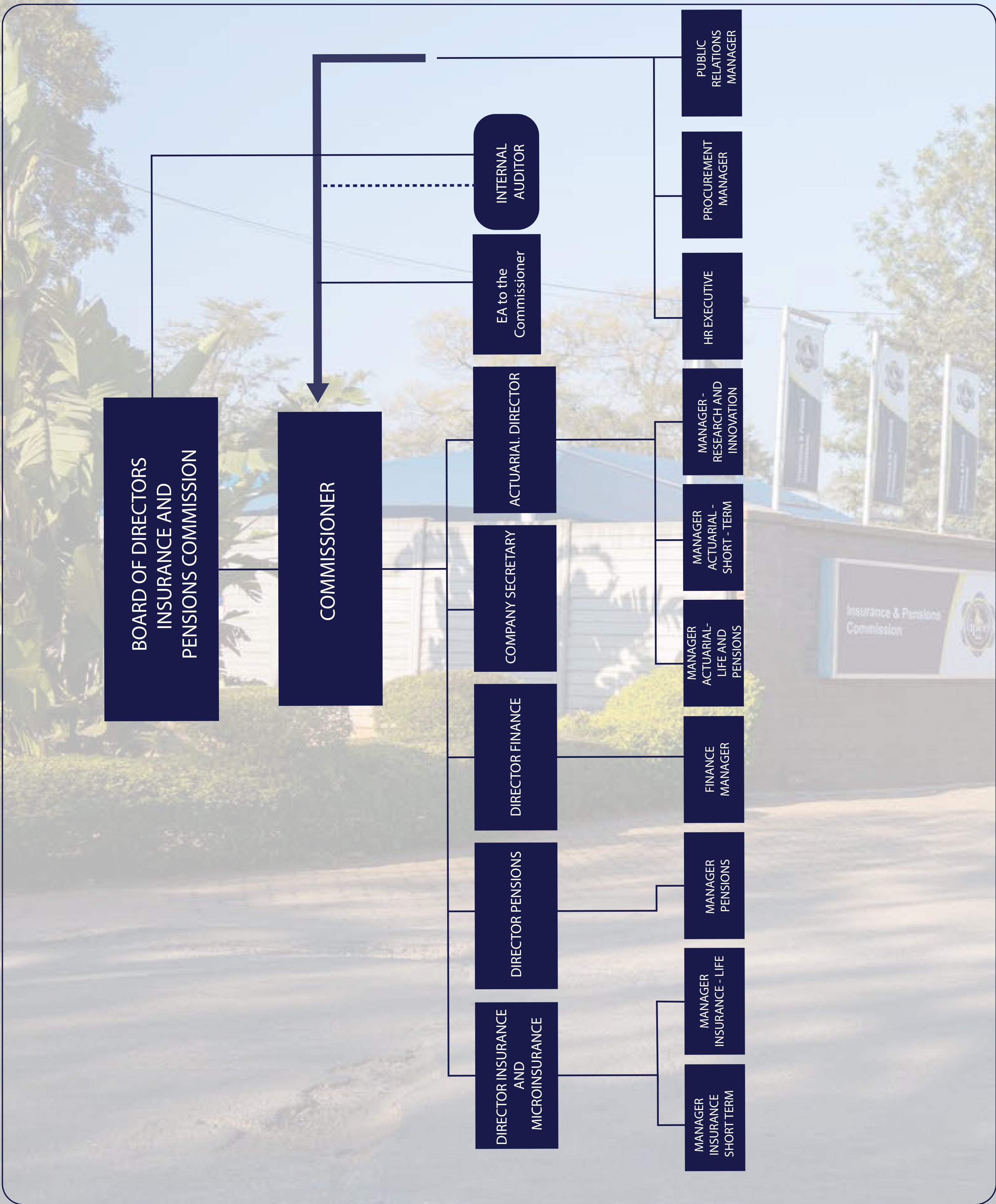

Ratidzo Masango
HUMAN RESOURCES EXECUTIVE


Munyaradzi Machinjika
MANAGER RESEARCH AND INNOVATION


Kudakwashe Madhara
ICT ADMINISTRATOR


Takesure Chabaya
PROCUREMENT OFFICER

ORGANOGRAM


BOARD OF DIRECTORS INSURANCE AND PENSIONS COMMISSION
COMMISSIONER
INTERNAL AUDITOR
EA to the Commissioner
ACTUARIAL DIRECTOR
COMPANY SECRETARY
DIRECTOR FINANCE
DIRECTOR PENSIONS
DIRECTOR INSURANCE AND MICROINSURANCE
PUBLIC RELATIONS MANAGER
PROCUREMENT MANAGER
HR EXECUTIVE
MANAGER - RESEARCH AND INNOVATION
MANAGER ACTUARIAL - SHORT - TERM
MANAGER ACTUARIAL- LIFE AND PENSIONS
FINANCE MANAGER
MANAGER PENSIONS
MANAGER INSURANCE - LIFE
MANAGER INSURANCE SHORT TERM

CHAIRPERSON'S STATEMENT

Board Chairperson – Albert Joel Nduna
(Effective 1 June, 2019)

Introduction

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 insurance and pensions business in Zimbabwe, for the protection of policyholders and pension scheme members. The Board of Directors of the Commission provides policy and strategic oversight to ensure IPEC achieves its mandate in terms of the IPEC Act.

I wish to extend my special gratitude to the 2018 IPEC Board led by Mrs Lynn Mukonoweshuro for their positive contribution to the achievements of IPEC during the year under review until the expiry of their term of office in February 2019. The current board was appointed by the Minister of Finance and Economic Development in June 2019. We are grateful for the confidence that the Minister bestowed on us and we pledge our commitment to continue building on the successes of our predecessors.

This Annual Report is a review of the performance of IPEC and the insurance and pensions industry under its regulation, for the period 01 January 2018 to 31 December 2018.

World Economic Growth Rates

Global economic growth slowed down in 2018, partly due to weaker performances experienced in Europe and Asia, who are the major customers of Zimbabwe's key exports. In addition, the uncertainty concerning Brexit has the potential to compromise global trade. Table 1 summarizes global economic growth developments and prospects for selected regions and countries.

Table 1: Global Economic Growth & Outlook (%)

	2016	2017	2018	2019 Proj.
World Output	**3.4**	**3.8**	**3.6**	**3.3**
Advanced Economies	**1.7**	**2.3**	**2.2**	**2.0**
US	1.7	2.4	2.2	1.8
Euro Area	1.6	2.2	2.9	2.3
Japan	0.6	1.9	0.8	1.0
Emerging Market & Developing Economies	**4.6**	**4.8**	**4.5**	**4.4**
China	6.7	6.8	6.6	6.3
India	8.2	7.2	7.1	7.3
Sub-Saharan Africa	**1.4**	**2.9**	**3.0**	**3.5**
Zimbabwe [1]	0.6	4.7	6.2	-3.2
Latin America & the Caribbean	**-0.6**	**1.2**	**1.0**	**1.4**

Source: IMF World Economic Outlook (April 2019)

Summarised 2018 Macroeconomic Environment-Zimbabwe

In line with the above global slowdown in economic growth, the country's growth prospects were inevitably constrained by the reduction in prices of our key exports on the world market. Given that Zimbabwe is an import-dependant nation, the challenges in world markets resulted in the local economy experiencing major economic challenges manifested through forex shortages, liquidity challenges, fiscal deficits, company closures and low disposable incomes.

In order to induce competitiveness of our exports and to correct structural imbalances in the economy, the country embarked on the Transitional Stabilisation Programme (2018-2020), which resulted in the separation of nostro-accounts from local currency-denominated bank accounts in October 2018.

However, inflation rose sharply and closed the year at about 42%. The Commission considered such a down turn to be a normal challenge whenever a country pursues de-dollarisation, for instance in South American countries such as Argentina, Chile and Venezuela.

General market indiscipline and other undesirable practices including multi-tier pricing models transpired due to general lack of confidence in the local currency owing to legacy issues.

Financial Performance of the Commission

IPEC is wholly funded through levies from insurance premiums and pension contributions. The Commission's total revenue for the twelve months ended 31 December 2018 was US$8.86 million, a 12% growth from the US$7,9million realised in the prior year. During this review period, the Commission managed to grow its surplus from US$5, 08 million in 2017 to US$5.5 million in 2018 on account of prudent finance management measures by IPEC. The Commission retained the funds to finance critical capital projects such as the planned purchasing of new offices.

Financial Highlights of the Insurance and Pensions Sector

The Insurance Industry realised a gross written premium of US$869 million for the year ended 31 December 2018 compared to US$660 million reported in December 2017. Pension contributions on the other hand, decreased by 23% to US$335.7 million The reduction in contributions was on account of pension funds applying for paid up status and retrenchment of active members.

Managment Changes

Mr Tendai Karonga, the previous Commissioner, resigned effective 1 June 2018 to pursue personal interests while Mr Pururai Togarepi, Director Insurance and Microinsurance also left the organisation effective 1 June 2018, to pursue other interests.The Board thanks Mr Karonga and Mr Togarepi for their contributions to the achievements of the Commission.

Mr Vincent Mutata, Internal Auditor, joined the Commission during the year. We welcome him to the Commission and wish him well in his quality assurance duties.

Appreciation

I wish to acknowledge the contribution of management and staff and fellow financial sector regulators. I also wish to acknowledge the continued support and guidance received from the Ministry of Finance and Economic Development and cooperation by insurance and pension industry players and other key stakeholders.

Conclusion

As the Commission, we pledge to deploy strategies, policies and activities in pursuit of a safe, vibrant and sustainable insurance and pensions industry in the best interest of all our stakeholders.

Albert Nduna
Chairperson, Insurance and Pensions Commission

COMMISSIONER'S FOREWORD

Commissioner – Grace Muradzikwa
(Effective 3 June, 2019)

Overview of the Industry

The table presents the architecture of the insurance and pensions industry as at 31 December 2018:

Licence Category	Number of Players
Insurance Companies	56
Pension Funds	1,102
Insurance Brokers	32
Dedicated Pension Fund Administrators	5
Loss Assessors	37
Individual Insurance Agents	2,002
Corporate Agents	134
Total	**3,368**

The above players can further be broken down into 11 life assurers, 9 funeral assurers, 16 short-term insurers, 2 composite insurers, 2 dedicated micro-insurers, 8 reinsurers, 8 reinsurance brokers and 32 insurance brokers.

Total membership for the 1,102 pension funds stood at 795,444. Of the 1,102 pension funds, only 523 were active, constituting 47.5% of the total pension funds.

Gross premiums written increased by 31.5% from US$660.71 million in 2017 to US$869 million for the review period. The growth was driven by a 90% growth in short-term business. Pension contributions for the review period stood at US$335.72 million, which was a 23% decline from the 2017 contributions of US$434.63 million.

The reduction in contributions was on account of pension funds applying for paid up status and retrenchment of active members.

Total assets for the insurance industry grew by 43.52% from US$2.9 billion in 2017 to US$4.2 billion in 2018 whilst pension assets grew by 20% from US$4.35 billion in 2017 to US$5.22 billion for the review period. The growth in assets was mainly due to revaluations of listed equities and property in line with inflation developments.

Operating Environment

The macroeconomic environment was characterised by foreign currency shortages, which impacted negatively on the remittance of reinsurance and retrocession premiums. Inflationary pressures during the last quarter of the year had the effect of eroding values of fixed income investments and not-for-profit policies and pension benefits. Month-on-month inflation opened the year at 0.3% in January 2018 to close the year at 42.09%. The separation of RTGS from Nostro balances in October 2018 triggered a spate of price hikes. Month-on-month inflation surged to 16.44% in October 2018, from 0.92% in September 2018.

Government launched the Transitional Stabilisation Programme (TSP), 2018-2020 in October 2018, an 18-month successor economic blue print to the Zimbabwe Agenda for Sustainable Social Economic Transformation (ZIMASSET).

The TSP's set targets for the insurance and pension industry, which include broadening insurance support to agriculture, increasing insurance penetration ratio from 4% to 20% by year 2020, relaxing licensing requirements for microinsurance service providers and intermediaries and instituting pension reforms. The implementation of recommendations of the Commission of Inquiry report was also among the set targets.

Management's Focus

The Commission maintained its momentum in spearheading various projects to ensure safety, growth, sustainability and restoration of policyholder and pension scheme members' confidence in the industry.

Mindful of the need to put in place a sound legal framework as the cornerstone for effective regulation, the Commission revamped the Insurance, the Pension & Provident Funds, and the IPEC Bills, which are aimed at strengthening the existing insurance and occupational pension legislation.

In September 2018, Government mandated IPEC to spearhead the implementation of recommendations of the Justice Smith-led Commission of Inquiry into the Conversion of Insurance and Pension Values from the Zimbabwe dollar to the United State dollar. The Commission commenced implementation of the recommendations during the last quarter of 2018.

Management also intensified the number of planned on-site inspections and off-site surveillance to improve the industry's compliance with regulatory requirements. A number of public awareness programmes were rolled-out to enhance awareness on insurance and pension matters.

Pursuant to the National Financial Inclusion Strategy (2016 to 2020), the Commission relaxed registration requirements for dedicated micro-insurers to promote insurance inclusion through microinsurance. Accordingly, Statutory Instruments 39 and 40 of 2018 were gazetted to support insurance inclusion.

Other critical projects that were initiated during the review period include preparing the industry for implementation of International Financial Reporting Standards (IFRS) 17, development of an integrated risk-based capital framework, pension reforms to ensure relevance and sustainability of pensions, as well as improvements in pension benefits.

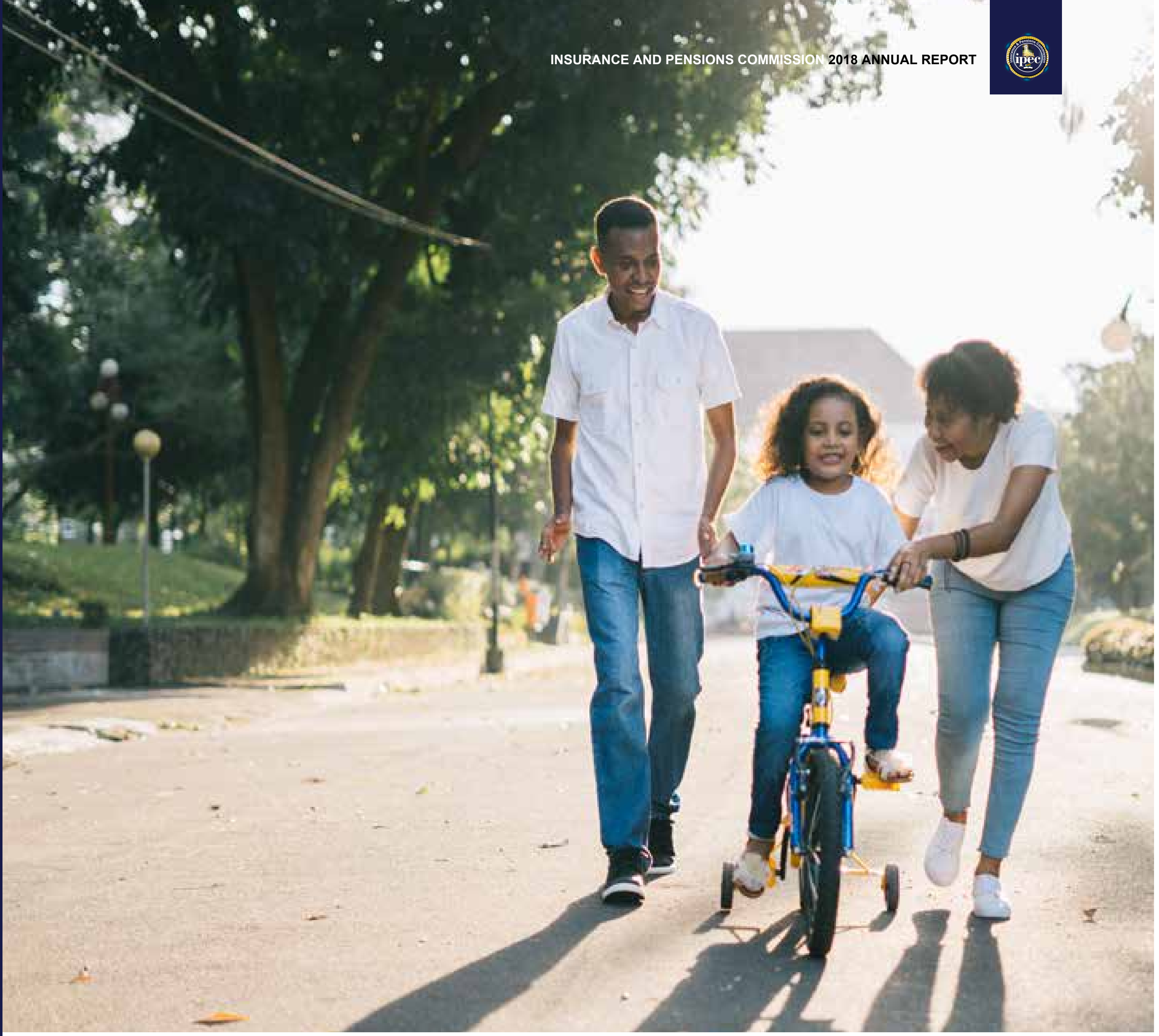
Corporate Transactions

Major corporate transactions reported during the year included Old Mutual's "managed" separation, which resulted in Old Mutual Limited's secondary listing on the Zimbabwe Stock Exchange, merger of NICOZ Diamond and Tristar, rebranding of Baobab to Emeritus Reinsurance and Colonnade Re's takeover by WAICA Re. Regal Insurance was suspended from writing new business because of its failure to meet policyholder liabilities as they fell due.

Capacitation of the Commission

IPEC conducted a skills audit during the review period with a view to ascertaining skills gaps and informing capacity development initiatives. Following the skills audit, the Commission implemented various capacity development initiatives, including increasing the head count from 44 in 2017 to 66 by 31 December 2018, balancing the skills mix, seeking technical assistance from development partners and in-house training.

The Commission benefited from a World Bank Group's two-year capacity development programme supported by First Initiative and the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI). Focus of the two-year technical assistance programme include benchmarking



insurance and pension legislation and regulatory frameworks and manuals, as well as basic and intermediate training on regulation and supervision.

During the review period, management attended meetings relating to IPEC's membership to regional and international bodies. These included CISNA bi-annual meetings, ESAAMLG Taskforce and Council of Ministers' meetings, Africa Insurance Organisation bi-annual meetings, IOPS meeting and the Organisation of Eastern and Southern Africa Insurers.

Challenges

The industry is faced with challenges that include low disposable income, which act as a barrier to insurance inclusion, low consumer confidence, outdated legislation, pension contribution arrears, resurgence of inflation pressures, which is threatening benefit values for policyholders and pensioners and existence of bogus insurance companies, particularly funeral assurers and legal aid societies, among others .

Conclusion

I call upon concerted efforts from all key stakeholders to address the afore-stated challenges. To the insurers, I wish to reiterate the call to uphold one of the cardinal principles of insurance, that of utmost good faith.

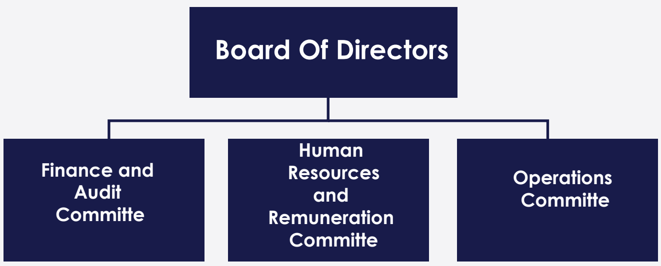
Grace Muradzikwa
Commissioner of Insurance, Pension and Provident Funds

LEGAL AND COMPANY SECRETARIAL

Introduction

The Board of Directors of the Insurance and Pensions Commission recognises the importance of good corporate governance and is committed to conducting the business of the Commission with sound judgement, professionalism and integrity. The Commission complies with regulatory and corporate governance requirements and is committed to strict adherence to the laws governing its operations.

Governance Structure



Board of Directors

Section 5 of the Insurance and Pensions Commission (Chapter 24:21) provides that the operations of the Commission shall be controlled by the Insurance and Pensions Commission Board shall consist of—

(a) the Secretary of the Ministry responsible for finance and the Commissioner, as ex officio members; and

(b) not more than five other members appointed by the Minister.

(3) Members referred to in paragraph (b) of subsection (2) shall be appointed for their knowledge of and experience in pension and insurance matters, or for their suitability otherwise for appointment.

The Board is the main decision making body, setting the strategic direction of the Commission and overall corporate governance, ensuring that appropriate systems and controls are in place. During the period under review, the Board was led by a Non-Executive Chairperson, Mrs. Lynn Mukonoweshuro. The role of the Chairperson is to manage the Board effectively, to provide leadership to the Board and to facilitate the Board's interface with management. Together with Non-Executive Directors, the Chairperson is responsible for ensuring that the Board fulfils its responsibilities under governing Acts and the Board Charter.

The terms of appointment of the Board members, gender balance, skills mix and expertise were all in compliance with the provisions of the Public Entities Corporate Governance Act [Chapter 10:31].

Corporate Governance Adherence Status

The Board established a robust governance structure to enable the Commission to deliver its mandate. In particular, the Board is committed to achieving high standards of Corporate Governance. All Board Frameworks were reviewed to align them with the Public Entities Corporate Governance Act [Chapter 10:31] and the Public Entities Corporate Governance (General) Regulations, 2018 published in Statutory Instrument 168 of 2018.

Changes on the board

The following Directors' tenure was from 4 February 2016 to 5 February 2019:

Board Members	Designation
Mrs. Lynn Mukonoweshuro	Chairperson
Mr. George Mazhude	Vice Chairman
Mr. Willard Manungo*	Member
Mrs. Annah Mashingaidze	Member
Mr. Abednicho Dube	Member
Mr. Tafadzwa Zinyoro	Member

*Mr Manungo was replaced by Mrs Rusike with the coming in of Section 11(5)(ii) of the Public Entities Corporate Governance Act [Chapter 10:31] which states that no Permanent Secretary of a line or other Ministry shall be appointed to or hold office as a member of any such board.

Board Meetings

Section 33(1) of the Public Entities Corporate Governance Act [Chapter 10:31] provides that Board meetings should be held at least once every three months. Scheduled Board meetings were held quarterly in accordance with the Board Calendar.

Board Committees

The Board established and delegated specific roles and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Commission, however, remains with the Board. The sub-committees, namely the **Finance and Audit Committee, the Human Resources and Remuneration Committee and the Operations Committee,** aid the Board and its Directors in giving detailed attention to specific areas of the directors' duties and responsibilities.

The terms of reference of each committee are approved by the Board and reviewed where necessary. The committees meet quarterly or as the need arises. The Board receives minutes of the committees and the committee chairpersons updates the full Board on agenda items covered and the resolutions made by their respective committees.

Finance and Audit Committee

The Finance and Audit Committee provides an oversight of the financial management and financial reporting policies of the Commission, oversight on risk management, internal controls, corporate governance and Information Communication Technology (ICT).

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee of the Insurance and Pensions Commission assists the Board in the effective discharge of its responsibilities in relation to compensation, human capital matters in support of the Commission's Strategy, executive performance, recruitment, staff development and succession.

Operations Committee

The purpose of the committee is to provide assurance to the board with regards to the soundness and effectiveness of the framework of the Commission in ensuring delivery of outcomes expected in the strategic plan, in particular in Risk Management, Prudential and Market Conduct Supervision, Legal, Actuarial and Anti-Money-Laundering/Combating the Financing of Terrorism issues.

The Board Committees were constituted as shown below:

Table 1: Board Committees

Finance and Audit Committee	Operations Committee	Human Resources & Remuneration Committee
i. Mrs. A. Mashingaidze* ii. Mr. G. Mazhude iii. Mrs. J. Rusike	i. Mr. G. Mazhude* ii. Mrs. A. Mashingaidze iii. Mr. A. Dube iv. Mrs. L. Mukonoweshuro v. Mr. T. Zinyoro	i. Mr. A. Dube* ii. Mr. T. Zinyoro iii. Mrs. L. Mukonoweshuro iv. Mrs. J. Rusike

** Committee Chairperson*

Analysis of Board and Committees Attendance Registers

The Board met four (4) times during the accounting year. The following is the Board meetings' attendance register for 2018:

Table 2: Meeting Attendance

Board Members	Main Board Meetings(4)	Special Board Meetings (7)	Finance and Audit (4)	Special Finance and Audit (2)	Human Resources and Remuneration Committee(4)	Special Human Resources and Remuneration Committee Meetings(0)	Operations Committee meetings(4)	Special Operations Committee Meetings(1)	Meetings with the Internal Auditor (1)
Mrs. L. Mukonoweshuro	4	7			3	0	4	1	
Mr. G. Mazhude	4	7	4	2			4	1	1
Mr. A. Dube	4	6			4	0	4	1	
Mrs. A. Mashingaidze	4	7	4	2			4	1	1
Mr. T. Zinyoro	4	6			4	0	3	1	
Mr Manungo/ Mrs. J. Rusike	3	2	2	-	3	0			

Director Training and Development

The Commission is committed to training the directors to equip them with the relevant skills to effectively execute their duties.

Regulatory Environment

The legal framework governing the operations of the Commission consists of the Insurance and Pensions Commission Act (Chapter 24:21); Pension and Provident Funds Act (Chapter 24;09); Insurance Act (Chapter 24:07); Money Laundering and Proceeds of Crime Act (Chapter 9;24); Public Entities Corporate Governance Act (Chapter 10:31), Public Entities Corporate Governance (General) Regulations, 2018 (S.I 168 of 2018), Public Finance Management Act (Chapter 22:19); Companies Act (Chapter 24:03), Public Procurement and Disposal of Public Assets Act, 2016, Public Procurement and Disposal of Assets (General) Regulations, 2018 Statutory Instrument 5 of 2018, and the Labour Act (Chapter 28:01). In the year 2018, the Public Entities Corporate Governance Act (Chapter 10:31) was gazetted on the 11th of May 2018 and became law effective on 8 June 2018.

Statement of Compliance

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

INTERNAL AUDIT

Statement of Internal Control

Purpose

The system of internal control is designed to manage risk to a reasonable level in order to achieve strategic objectives and expected results. By its nature, internal control can therefore only provide reasonable and not absolute assurance of internal controls' effectiveness.

Scope of Responsibilities

Board/ Management

It is the responsibility of the Board through senior management to establish and maintain a system of internal control that will prevent or detect fraud and/or irregularities.

Internal Audit

It is the responsibility of Internal Audit to evaluate the adequacy and effectiveness of the internal control, risk management and governance processes and detect material misstatements due to fraud and error, and make appropriate recommendations to management, which are designed to enhance the prevention and detection of fraud.

Internal Control Status

In the year 2018, Internal Audit focused on adding value to the Commission by providing assurance on internal control, risk management and governance processes by carrying out audits in line with the Audit Committee approved annual audit plan.

The objective was to ensure that existing internal controls are adequate and effective to mitigate the Commission risks. Observed weaknesses were communicated both to Management for actioning and the Audit Committee for its oversight role, as well as monitoring whether management implemented the agreed action plans in line with recommendations for improvements in processes and procedures. Internal Audit co-operated with external auditors to ensure efficiency and effectiveness of statutory audits by making available all internal audit reports.

The internal control system is satisfactory, with however, room for improvement in areas where weaknesses were noted. Notwithstanding the foregoing, it must be noted that the process of risk assessment and establishment of adequate and effective risk measure is a continuous process, where new risks arise commensurate with activities undertaken by the Commission.

OPERATIONS

OPERATIONS

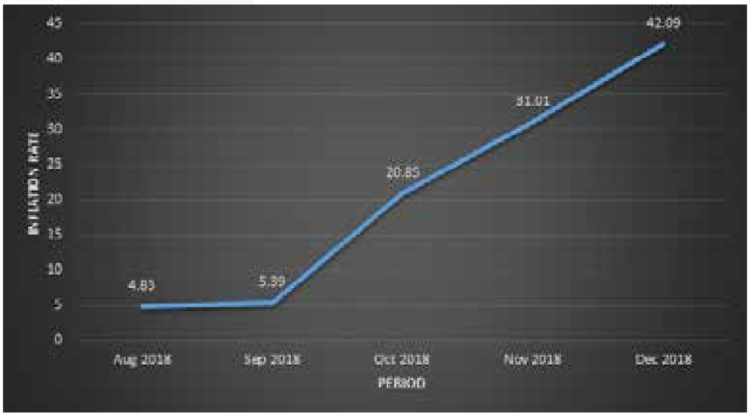
PENSIONS REPORT

Pensions operating environment

The pensions industry has been grappling with confidence challenges since the adoption of the multiple currencies in 2009, which saw erosion of pension fund values that was attributed to the preceding decade of hyperinflation. The loss of values crystallised at the time of conversion of pension and insurance values from Zimbabwean Dollar values to the United Stated Dollar. The industry, as at the end of 2018 was faced with yet another challenge that threatened pensioner and policyholder values, before the implementation of the recommendations of the Commission of Inquiry into the Conversion of Insurance and Pension Values from ZWD to USD, which among other issues seeks to redress lost pension values.

In October 2018, the Reserve Bank of Zimbabwe announced the separation of RTGS balances from FCA Nostro accounts for various foreign currency balances, whilst maintaining a 1:1 exchange rate between the USD and RTGS balances. Subsequent to this announcement, inflation increased, with year to year inflation for December 2018 reaching 42.09% from a low of 3.5% in December 2017. Figure 1 below, shows the spike in inflation rates after the policy announcement.

Figure 1 Inflation Trends



Source: Reserve Bank of Zimbabwe

The industry was also not spared from the effects of the 2% intermediate money transfer tax.

Overview of pensions industry

The statistics in this report are based on unaudited financials from the industry for the year 2018.

Table 1 below shows the key indicators of the pensions industry as at 31 December 2018:-

Table 1: Summary of Key Industry Statistics

Indicator	Insured Funds	Self-Administered Funds	Stand-Alone Self-Administered Funds	Total
Number of Funds	913	173	16	1,102
Members	345,094	119,217	331,133	795,444
Share of total membership	43.38%	14.99%	41.63%	100.00%
Total Income ($)	186,076,206	538,499,404	265,022,377	989,597,986
Total Contributions including interest on arrears($)	97,695,584	109,831,650	128,194,351	335,721,585
Rental Income ($)	1,000,188	9,479,259	37,581,11	48,060,558
Investment Income	92,094,334	416,096,481	94,151,064	602,341,879
Total Expenditure ($)[1]	92,476,233	110,697,148	166,307.345	369,480,726
Total Benefits Incurred ($)	81,899,789	81,550,614	101,707,173	265,157,576
Average monthly pension benefits per member	166.77	241.08	145.72	167.55
Expenses/Contributions[2]	10.65%	25.37%	23.80%	20.49%
Expenses/Total Income	5.59%	5.18%	11.51%	6.95%
Income Surplus(Deficit)	93,599,973	427,802,256	98,715,031	620,117,260
Total Assets ($)	1,330,247,183	1,969,915,549	1,916,719,725	5,216,882,457
Percentage of Total Assets	25.50%	37.76%	36.74%	100.00%
Gross assets per member [3]	3,855	16,524	5,788	6,558

Registered Funds

The pensions industry had **1,102** registered occupational pension funds as at 31 December 2018, decreasing from **1,572** funds as at 31 December 2017. The reduction was mainly as a result of improved reporting by one life insurer who had been reporting some of its sponsoring employers as pension funds.

Of the 1 102 registered funds, 523 funds, constituting 47.46% were active, hence more than half of the funds were inactive.

The funds were administered through seven (7) life assurers and five (5) pension fund administrators. In addition, 16 of the funds were stand-alone pension funds.

Total membership of occupational pension funds was 795,444 reflecting an increase of 2.67% from the 774 760 reported as at 31 December 2017. The increase in membership was mainly due to new entrants to the labour market, who totalled 13,567 for the year under review. The number of members who exited the industry totalled 8,685 during the year ended 31 December 2018.

The spread of pension fund membership for the industry was as depicted in table 2 below:

Table 2: Membership Distribution by Class

Class of membership	Insured	Self-Administered	Stand Alone	Total	%age of total membership
New Entrants	7,415	4,672	1,480	13,567	1.70 %
Active Members (Excluding New Entrants)	124,344	83,262	146,689	354,295	44.54%
Pensioners	8,037	6,973	25,671	40,681	5.11%
Deferred Pensioners	200,388	17,165	106,912	324,465	40.79%
Unclaimed Benefits	3506	4,128	42,324	49,958	6.28%
Suspended pensioners	1,404	3,017	8,057	12,478	1.56%
Total Membership	**345,094**	**111,121**	**338,645**	**795,444**	**100%**

The graph below shows the trends in membership from 2016 to 2018.

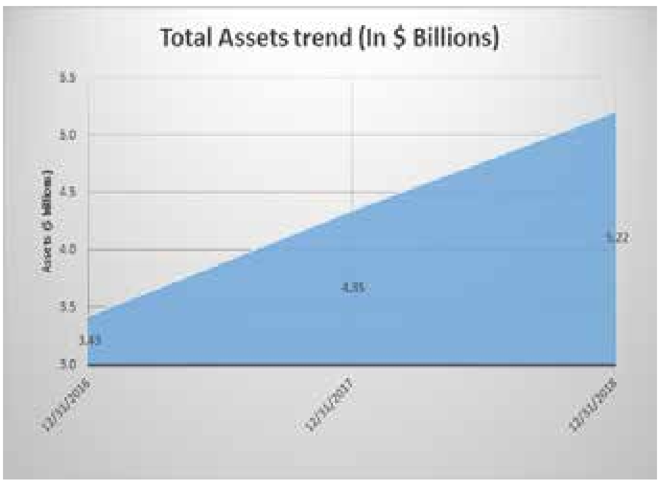
Figure 1: Growth in total membership

Assets

The pensions industry had a total asset base of $5.22 billion as at 31 December 2018, reflecting a 20% increase from the $4.35 billion reported as at 31 December 2017. The increase was mainly driven by fair value gains on quoted equities as a result of the bull run experienced on the Zimbabwe Stock Exchange. However, the real value of the assets was adversely affected by inflationary pressures, which started to surface in the last quarter of 2018 that saw the December inflation reaching 42.09% compared to the low December 2017 inflation of 3.5%.

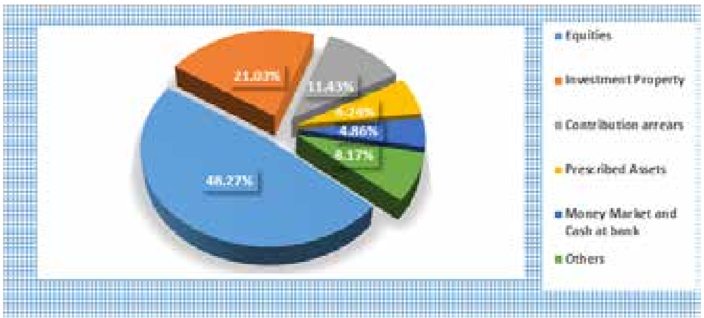
Figure 3 below shows the growth of the asset base from 2016 to 2018:-

Figure 2: Growth in assets



The industry's asset portfolio is as shown in Figure 3 below.

Figure 3: Distribution of Total Assets for the Pensions Industry as at 31 December 2018



As shown in Figure 3 above, listed equities and investment properties totalling $3.62 billion were the major asset components, contributing 79.28 % of the total assets, up from the 2017 figure of $2.45 billion, which accounted for 56.45% of total assets.

The prescribed asset ratio in December 2018 increased marginally to 6.24% from the December 2017 figure of 5.71%.

Contribution arrears of $600 million, accounting for 11.43% of total assets continued to be a cause for concern, compromising the ability of pension funds to pay benefits to pensioners and exiting members. The contribution arrears were mainly attributable to viability challenges faced by the sponsoring employers and were a reflection of the general depressed performance of the economy.

Earnings

The industry reported a surplus of **$620 million** for the year under review, reflecting a decrease of 39.24 % from the surplus of **$1.02 billion** reported for the same period in the year 2017 on account of lower fair value gains.

The income for the year under review was mainly driven by Fair value gains on equities, dividends from investments, rental income and interest from investments which amounted to **$572.43 million,** accounting for **57.84%** of the total income.

Delegates follow proceedings at the Pensions Reform workshop in Harare in September 2018

Total expenditure for the year amounted to **$369.48 million**, decreasing by **$31.01 million** from **$400.49 million** reported for the year ended 31 December 2017. The relative decline was mainly a result of a decrease in administrative expenditure from **$139.88 million** in 2017 to **$104.32 million** for the year ended 31 December 2018.

The average expense ratio to total income was 6.95% as at December 2018 compared to 8.37% in December 2017. Notwithstanding this improvement, the expense ratio continues to be a regulatory concern.

Pension Coverage Ratio

As at 31 December 2018, Zimbabwe's occupational pension coverage ratio, as defined by the percentage of total pension membership, excluding pensioners and beneficiaries, to the working age population, was **8.57%.**

The total number of pensioners and annuitants, excluding beneficiaries, translated to a pensioner coverage ratio of **9.55%** of the projected population above the age of 65 years as at 31 December 2018. This implied that on average only 10 out of a 100 Zimbabweans who were above retirement age were receiving a pension.

This a cause for concern and there is need to increase pension coverage to avoid old age poverty. The Commission is exploring means of increasing the coverage ratio through awareness campaigns on the importance of pension products.

Major developments

Commission of Inquiry Update (C.O.I)

The Insurance and Pensions Commission was effectively given the mandate to implement the recommendations of the COI in September 2018. This followed gazetting of the Commission of Inquiry Report in March 2018.

The Commission of Inquiry concluded that there was loss of value in the industry that resulted in pensioners receiving pension benefits that were below their reasonable expectations. The loss of value was attributable to factors mainly at three levels, macro, regulatory and entity specific. The COI observed that at macro level, value was lost mainly due to the unprecedented hyperinflation that the country experienced and the manner in which values were converted from Zimbabwean Dollar to USD that did not take into account the real time value of money in terms of contributions and premiums paid at different time periods. This, in most cases resulted in the transfer of value from the older generations to the younger generations in pension funds.

In addition, the demonitisation of the Zimbabwean Dollar saw the entire pension industry receiving USD135,000 in lieu of the bank balances that were held by the pensions industry at the time of the adoption of the multi-currency regime.

At regulatory level, the COI observed that there was regulatory failure in that there was no adequate guidance that was given to the industry in the handling of the conversion of pension and insurance policy values from ZWD to USD values.

In addition, regulation and supervision of the sector was also found to have been weak on account of a compromised board of directors, in which some of the directors were industry players. The Insurance and Pensions Commission was also inadequately capacitated to effectively supervise the sector.

The Commission of Inquiry also attributed the loss of value to service providers due to the following reasons in the insurance and pensions industry:

a) failure to revalue liabilities in view of asset revaluations, where cumulatively 25 zeros were slashed;
b) high administrative expenses;
c) failure to take into account value of contributions/premiums at the time of conversion;
d) poor record keeping;
e) failure to separate shareholder, policyholder and pension fund assets; and
f) Generally weak corporate governance practices in the sector.

To redress the ills that were identified as causes of loss of value, the COI made various recommendations that called for reforms in the laws governing the insurance and pensions industry, improvement in governance structures at both regulatory and supervised entity level as well as capacitation of IPEC.

More importantly among other recommendations, the COI proposed a compensation framework to address the issue of loss of value by pension fund members and policyholders.

The COI's compensation framework recommendation advocates for the recalculation of policy and pension benefits to be paid out against the assets that survived the hyperinflationary period.

The Commission came up with a pension reforms paper that had a raft of measures that were aimed at dealing with challenges bedevilling the pensions industry and also incorporating the COI recommendations.

Pensions Reforms

The challenges that the proposed reforms sought to address, which were also highlighted by the COI can be summarised as follows:

i. Low confidence levels
ii. Poor corporate governance in the industry
iii. Limited investment options
iv. High levels of contribution arrears
v. High expense ratios for some pension funds
vi. Poor data integrity
vii. Fragmented regulation

The main objectives of the proposed reforms were that if fully implemented would change the landscape of the pensions industry in Zimbabwe in the following ways:

i. Improving sustainability, affordability, adequacy and the coverage of the pensions;
ii. Harnessing long term domestic savings for economic development; and
iii. strengthening the governance, management and improve efficiency in the delivery of pension services

Some of the proposed reforms were incorporated in the 2019 National Budget Statement and these included conversion of all defined benefit pension funds to defined contribution funds for parastatals and local authorities, as well as the harmonisation of contribution rates for all parastatals, containing administration expenses as well as opening up of the industry to competition.

Registration of pension funds

In 2018, IPEC registered 22 pension funds of which 11 were provisional registrations. There were also mergers within the industry where the following funds integrated:

a) Dairiboard Pension Fund and Lyons Pension Fund
b) FBC Holdings Pension fund and Eagle Insurance
c) Innscor Africa and Colcom Foods Ltd Pension Fund

These mergers were as a result of common shareholding at the sponsoring employer level. Such development usually result in increased economies of scale for the bigger pension funds and hopefully improve benefits.

Dissolutions

In 2018, the Commission approved three (3) applications for dissolutions. These were mostly on account of financial challenges faced by the sponsoring employers, some of whom have since closed down.

Pension and Provident Funds Bill

The Commission reviewed the fourth draft of the Pension and Provident Funds Bill in March 2018. The Bill is intended to replace the current Pension and Provident Funds Act [Chapter 24:09] which is now out of sync with the prevailing socio-economic environment and international best practices.

The objective of the review was to assess and incorporate the comments made on the Bill by the Commission of Inquiry and the World Bank thereby enabling the subsequent peer review of the Bill with the Ministries of Justice, Legal and Parliamentary Affairs, and Finance and Economic Development.

Pension and Provident Funds Regulations

The primary Pension and Provident Funds Regulations [Statutory Instrument 323/1991] which has been amended several times, was consolidated in order to incorporate all amendments into the primary regulations.

Onsite inspections

The Commission conducted five (5) onsite inspections

The main matters of concern that were observed during the inspections included the following;

i. poor and compromised corporate governance systems emanating from some boards not being properly constituted or the trustees being unqualified for the position of trusteeship;
ii. inadequate policies and procedures;

iii. weak internal controls;

iv. high levels of contribution arrears, which affected benefit payments to members and also resulted in opportunity costs on investments;
v. high expense ratios mainly owing to operational inefficiencies and high property expenditure; and
vi. weak IT systems and poor record keeping.

Troubled institutions/entities

Offsite surveillance of pension funds through analysis of quarterly returns revealed that there were a number of stand alone parastatal pension funds, which were troubled as characterised by high actuarial deficits, high contribution arrears with some not having had any contributions since adoption of the multiple currency regime in 2009. Some of these had funding gaps as low as 19%. Others applied for paid up status.

Challenges in pension industry

The Pension industry continued to face challenges of low confidence, high contribution arrears which closed the year at $596.24 million and actuarial deficits as well as loss of value in investable assets as a result of the harsh economic environment created by inflation and currency distortions.

Poor corporate governance practices that emanated from conflicted trustees and lack of competence in the administration and investment of funds by the majority of trustees worsened the challenges of the industry.

The pensions industry also faced problems of poor data integrity due to outdated IT systems in use, lack of expertise in individuals that are using systems hence affecting the final output of data produced and lack of backup policies and disaster recovery plans.

These challenges adversely affected the financial soundness of pension funds and resulted in members and stakeholders questioning the relevance of pensions.

INSURANCE REPORT

Overview

Insurance Entities

The insurance industry was made up of 88 registered players excluding agents as at 31 December 2018. The table below shows the architecture of the insurance industry during the review period:

Class of Business	Number of Registered Players
Life Assurance	11
Funeral Assurance	9
Non-life Insurance	16
Composite Insurers	2
Microinsurers	2
Non-life Reinsurers	3
Composite Reinsurers	5
Insurance Brokers	32
Reinsurance Brokers	8
Total	**88**

Agents

In addition, the following intermediaries operated in the insurance industry:-

Class of Intermediary	Number of Registered Players
Corporate Agents	134
Individual Agents	2,002
Loss Assessors	37
Total	**2,173**

Industry Gross Premium Written

The insurance industry wrote business amounting to $869 million for the year ended 31 December 2018, an increase of 31.5% from $660.71 million written for the year ended 31 December 2017 as shown in the table below:

Class of Business	Dec2017 (US$ million)	Dec 2018 (US$ million)	% Increase/Decrease
Non-life Insurers	143.9	273.6	90.13
Non-life reinsurers	107.9	116.4	7.88
Life Assurers	361.3	426.0	17.91
Life Reassurers	7.71	9.1	18.03
Funeral Assurers	39.9	43.9	10.03
Total	**660.71**	**869.0**	**31.53**

Assets in the Insurance Industry

Total assets for the insurance industry grew by 43.52% from $2.9 billion in 2017 to $4.2 billion in 2018. The breakdown of the assets is as follows:

	US$ '000'	US$ '000'	% Increase/Decrease
Class of Business	**31 Dec 2017**	**31 Dec 2018**	
Non-life Insurers	235,422	351,872	49.46
Non-life Reinsurers	140,830	177,394	25.96
Life Assurers	2,445,284	3,549,925	45.17
Reassurer	36,755	49,576	34.88
Funeral Assurers	71,769	76,569	**6.69**
Total Assets	**2,930,060**	**4,205,336**	**43.52**

Penetration Ratios

The insurance industry penetration ratio decreased from 3.03% recorded for the year 2017 to 2.80% recorded for the year ended 2018.

This may be attributable to the decrease in consumer confidence as inflation started to trend upwards in 2018. This is shown in the table below:

	Penetration ratio 2017	Penetration ratio 2018
Life Assurance	1.88%	1.40
Short Term Insurance	1.1%	1.26%
Overall	**3.03%**	**2.80%**

Major Developments

Zimbabwe Integrated Capital and Risk Project (ZICARP)

The Commission is in the process of revamping the industry`s regulatory capital requirements from being prescriptive to risk-based. To this end, IPEC has engaged African Actuarial Consultants (AAC) as the project consultant to assist in developing a risk-based capital regulatory framework in line with international standards. The project seeks to develop a framework that ensures each insurance company holds enough capital commensurate with its size and peculiar risks. The project was launched in March 2018 and will be implemented in November 2020.

Commission of Inquiry

IPEC was mandated by Government to spear-head post-inquiry reforms recommended in the Report of the Commission of Inquiry into the Conversion of Insurance and Pension Values. The Commission has written to the industry requesting for their proposed compensation framework. This will be used in coming up with a compensation framework for the industry as mandated by the Government.

Industry Challenges

The following were the main challenges which were noted in the insurance industry:

a) Low consumer confidence owing to the loss of value suffered during hyperinflation and the subsequent unguided conversion of values on dollarisation of the economy, monetary policy changes such as separation of USD and RTGS accounts caused some confusion and hesitation form policyholders;

b) Weak corporate governance practices owing to outdated legislation;

c) The increase of financially unsound insurance companies.

d) Foreign currency shortages to pay external reinsurance premiums and retrocessions, which must be transacted in foreign currency;

e) Low insurance penetration rate of 2.80% as at 31 December 2018

f) Absence of a Policyholder Protection Fund and an effective troubled institution resolution framework, thus exposing policyholders of failed insurance companies;

g) Current inflationary pressures in the economy have an impact of eroding values of fixed premium insurance policies;

h) Low disposable incomes, which act as a barrier to insurance inclusion since insurance premiums are normally at the bottom of the ladder of people's budgets;

i) Insurance fraud, which is mainly attributed to fraudulent claims and over insurance; and

j) Existence of bogus insurance companies, particularly funeral assurers and legal aid societies, among others.

Recent Monetary Reforms

Recent monetary reforms which resulted in demonetisation of the United States Dollar resulted in some challenges in the insurance industry and the Commission has written to the Reserve Bank of Zimbabwe and the Ministry of Finance and Economic Development asking for the following exemptions for the insurance industry;

a) Allowing Current fully paid USD Policies to Run to their Natural Expiry;
b) Insurance industry to come up with options for policies that were paid in instalments;
c) Exempting International Travel Insurance;
d) Granting of special exemption to the ICZ Motor Insurance Pool and the COMESA Yellow Card Insurance Pool to continue writing insurance business in foreign currency,
e) Prioritisation of foreign currency allocation to reinsurers for reinsurance and retrocession premiums.
f) Purchase of USD insurance for bonded goods as required by Zimra.

Insurance and Legal Reforms

In response to the challenges of outdated legislation governing insurance and pensions, Treasury is currently amending the Insurance Act and the Insurance and Pensions Commission Act.
The envisaged amendments are aimed at the following:-

- Aligning regulatory frameworks with the dynamic changes in the insurance sector in terms of product developments and technological changes;
- Enhancing corporate governance provisions in the insurance and pension legislation;
- Enhancing consumer protection through improved disclosure requirements;
- Aligning insurance and pension legislation with core principles for effective insurance supervision as espoused by the International Association of Insurance Supervisors (IAIS).
- Addressing challenges currently experienced in the sector to ensure a sound regulatory framework, which promotes the maintenance of a safe, vibrant and stable insurance industry..

CONSUMER EDUCATION AND PROTECTION

As part of its regulatory mandate, the Commission is responsible for consumer education and protection.

In terms of consumer education, the Commission implements awareness initiatives to educate existing and potential policyholders and pension scheme members about insurance and pension matters and their rights and responsibilities.

In line with its consumer protection mandate, IPEC, through the Complaints Handling Unit, handles complaints from policyholders and pension scheme members, third party claimants, beneficiaries, its regulated entities and other relevant stakeholders.

Whilst in the past, complaints handling fell under the operations departments, i.e. insurance and pensions, the Commission established a stand-alone Complaints Handling Unit, housed under the Public Relations department from July 2018, to enhance effectiveness and efficiency in the handling of complaints from policyholders and pension scheme members.

CONSUMER EDUCATION

The Commission has a statutory mandate 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…"

To achieve this, it uses a multifaceted approach to enhance the public's awareness of insurance and pension matters, particularly the rights and responsibilities of policyholders and pension scheme members.

The various consumer education initiatives were mediated through print, electronic, and digital media, workshops, roadshows and exhibitions among others. The initiatives targeted the country's 10 provinces and the languages used were English, Shona and Ndebele. The activities were conducted in partnership with various stakeholders and existing networks.

The following initiatives, which were implemented, showcase how the Commission is consumer-centric in its approach.

Television and Radio programmes

During the period under review, the Commission had 40 episodes of a weekly 3-5 minutes comic drama on national television, Ztv during prime time, where drama was used to educate viewers about various insurance and pension matters. The Commission also had 37 live radio interviews, five live television interviews and 53 news appearances on both radio and television.

Print Media

The print media recorded 176 articles on insurance and pension-related matters during the period January to December 2018. The Commission also published 26 000 consumer education newsletters and distributed them as inserts in a national weekly newspaper. About 30 000 consumer education brochures were also printed and distributed during the reporting period.

Roadshows and Exhibitions

The Commission conducted four (4) roadshows and participated in three (3) exhibitions during the period under review. The roadshows and exhibitions reached over 10 000 people directly. The roadshows were conducted in Murehwa, Mt Darwin, Gweru and Mutare and were broadcast live on national radio station, Radio Zimbabwe. Exhibitions were under the auspices of the Zimbabwe International Trade Fair in Bulawayo, Harare Agricultural Show in Harare and the Chitungwiza Consumer Fair in Chitungwiza.

Insurance and Pensions Road Show in Mt Darwin

Workshops: Catching them young

The Commission had its inaugural commemoration of the Global Money Week (GMW) 2018 by visiting schools in Harare to educate pupils about insurance and pension matters.

High Achievers Coach Educational Centre pupils pose for a photo after a lecture on insurance and pension matters by IPEC

The thrust of the presentations to more than 400 pupils at Harare private schools was through an interactive financial inclusion discussion, focusing on the importance of transferring risk and the need to plan for retirement.

The Commission also actively engaged on social media i.e Facebook and Twitter, educating the public about insurance and pension matters. These activities reached over 20 000 young people inclusive of pupils whose schools, were visited and the public in general, who were engaged on social media platforms.

An initiative of the Child & Youth Finance International (CYFI), the annual financial awareness campaign seeks to inspire young people and children to learn about money matters, livelihoods and entrepreneurship.

Use of digital and social media

The Commission leveraged on the power and influence of digital and social media, to interact with the public using the website, Twitter, Facebook and WhatsApp to educate them about insurance and pension matters. The platforms were also utilised to inform the public about developments in the insurance and pension sector.

Media Relations

Insurance & Pensions Reporting Journalists Mentorship Programme
Given the important role that the media play in disseminating information and the complexity of insurance and pension matters, the Commission engaged journalists through a 10-month Insurance and Pensions Reporting Journalists Mentorship Programme, to enhance their understanding of insurance and pension matters.

The thrust of the programme is to equip journalists with the requisite knowledge about insurance and pension matters so that they can communicate objectively.

Fifteen journalists from the print, electronic and digital media enrolled for the 2018 mentorship programme and they produced and published a combined 133 articles during the 10-month training.

Insurance and Pensions Media Awards

In order to inspire excellence in the coverage of insurance and pension matters, the Commission introduced the Insurance and Pensions Media Awards to recognise and inspire objective coverage of insurance and pension matters, during the period under review.

Guest of honour Mr Zvinechimwe Churu (left), former IPEC Board Chairperson, Mrs Lynn Mukonoweshuro (second from right) and Dr Grace Muradzikwa (right) representing Insurance Council of Zimbabwe hand over the Overall Insurance and Pensions Journalist of the Year (2018) Award to Patience Rusare (second from left)

CONSUMER PROTECTION

As part of its consumer protection mandate, the Commission handles complaints from policyholders, pension scheme members, third parties, beneficiaries and regulated entities.

As a result of the Commission's consumer awareness initiatives, there was a sharp upward trend of complaints received during the 6-months period. While in the past, the Commission used to receive about 50 complaints per month, the Commission received in excess of 100 complaints per month during the period July-December 2018. To improve efficiency in complaints handling, the Commission implemented the following initiatives:

Filing of complaints online

Social media platforms were opened for complaints filing, which were cheaper and easily accessible. For instance, an IPEC WhatsApp number, email, Facebook and Twitter pages, were always published to allow the public to give feedback or file complaints. As a result, about 60% of the complaints received, during the period under review, were lodged either through the WhatsApp platform or digital and social media pages instead of walk-ins, which used to be the dominant way of lodging complaints.

Complaints lodging at Roadshows and Exhibitions

To better serve policyholders and pension scheme members, the Commission developed complaints registration forms that were taken to roadshows and exhibitions during the period July-December 2018.

An IPEC officer assisting a stakeholder file a complaint during a road show in Murehwa

Insurance complaints

Between July and December 2018, the Commission handled 220 insurance-related complaints, 99 of which were resolved. The other cases were still under investigation. The majority of the outstanding cases related to Regal Insurance Company, which was under investigation and had been suspended from writing new business.

The majority of the complaints against insurance underwriters related to alleged delays and non-settlement of claims, rejection of claims and application of the condition of average.

Pensions Complaints

Between July and December 2018, the Commission handled 343 pensions-related complaints, 306 of which, were resolved. The remaining cases were still under investigation.

The majority of the cases handled, related to alleged loss of value owing to dollarisation of the economy in 2009, unpaid benefits, late payment of benefits, suspension of benefits and unremitted contributions.

Corporate Social Responsibility

Corporate Social Responsibility is one of the key activities that organisations undertake to boost their reputations and brand.

The Commission donated groceries to two Old People's Homes- Idawako Old People's Home of Marondera and Entembeni Old People of Bulawayo with 26 and 36 inmates respectively.

Christmas cheer

IPEC Director of Pensions,
Josphat Kakwere hands over groceries to Idawako Old People's Home representetives

Former IPEC Board Member, Tafadzwanashe Zinyoro (Left) and IPEC Director of Finance, Blessmore Kazengura hand over groceries to Entembeni Old People's Home.

Going forward, the Commission will consider more sustainable projects as part of its corporate social responsibility activities.

HUMAN RESOURCES

Staff complement

As at December 2018, IPEC had a staff complement of 61. This comprised of 42 male and 19 female employees.

Number of staff recruited during the year

23 new members of staff were recruited during 2018. Key positions recruited were Internal Auditor and 4 Principal Analysts.

Staff turnover during the year

There were 3 resignations in 2018:

Position	Date of resignation	Reason for resignation
Commissioner	31 May 2018	To pursue personal ventures
Director Insurance	31 May 2018	To pursue personal ventures
Manager Pensions	31 December 2018	Greener pastures
Analyst Pensions	28 February 2018	To pursue doctoral studies in south Africa

Staff training and development initiatives which the Commission undertook in 2018 aimed to develop and upskill employees so that they could perform at their optimum. Efforts were also made to give staff members exposure to regional bodies. The aim being to expose IPEC officers to regulatory systems and practices in other jurisdictions and best practices.

IPEC also approached technical assistance service providers such as the World Bank for assistance with the development of IPEC staff's regulatory skills. Below are some of the training and development initiatives that the Commission undertook in 2018.

Conferences/workshops	Period
Association of Insurance Supervisors	January 2018
CISNA Legal Committee Meeting	February 2018
Cyber Security Conference	March 2018
Macro-Economic and Financial Management Institute of Eastern and Southern Africa (MEFMI)	March 2018
Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)	March 2018
Team building Exercise	April 2018
Customer Care training	April 2018
Zimbabwe Association of Pension Funds Conference	May 2018
Customer Care and Complaints Handling conducted by SAZ	June 2018
Institute of People Management of Zimbabwe Conference	July 2019
Insurance Institute of Zimbabwe Winter School	August 2018
Organisation of eastern and Southern African insurers (OESAI)	August 2018
World Bank Supervision and Regulation Basic Training (Insurance and Pensions industries)	September 2018
Institute of Internal Auditors Conference	September 2018
Insurance Institute of Zimbabwe Conference	October 2018
Management Development Programme	October 2018

Performance Management

The Commission adopted the Integrated Results Based Performance Management System (IRBM) in 2018.

The IRBM system enables the organisation to carry out structured and meaningful personnel performance appraisals based on results rather than on workload completion. Individual performance at each organizational level is linked to the contribution of the individual to one or more desired Key Result Areas (KRAs) for his/her department. Departmental performance is also linked to the organizational KRAs. The system has a direct relationship with the budgeting as well as the resources allocation processes.

Strategic plan

Human Resources strategic objectives for 2018 focused on resourcing the Commission adequately in terms of human (head-count, skills mix and experienced staff), competitive remuneration and material resources as well as improving work culture and people.
The Commission also put in place a leadership development programme to develop and enhance leadership skills in its management team.

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

ONE TEAM, ONE GOAL: IPEC staff members during a team building exercise in 2018

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Independent auditor's report

To the members 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 2018, 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 8 to 37.

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 Insurance & Pensions Commission, as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act (Chapter 24:03) and Statutory Instruments (SI 33/99 and SI 62/96).

Basis for Adverse Opinion

The Commission operated in an environment in which suppliers applied the multi-tiered pricing structure during the period October 2018 to 31 December 2018 where a single product had different prices depending on the mode of payment, whether US Dollar cash, electronic payment, mobile money or bond notes.

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. IAS 21 requires the use of a spot rate in accounting for these transactions. During the 2018 financial year, the Commission experienced premiums on the official foreign exchange rate of 1:1 between the RTGS balances; Bond Notes and the USD prescribed by Statutory Instrument 133 of 2016. The trading circumstances on the ground between 1 October and 31 December 2018 in substance, shows that the rate between RTGS$ and US$ was anything other than 1:1 during that period. The Commission could not apply the market spot rates and closing rate since the official legal exchange rate was 1:1 and they were no observable market spot rates and closing rate which could be applied during the reporting period. This constitutes a material and pervasive departure from the requirements of International Financial Reporting Standards.

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.

Emphasis of Matter

We also draw your attention to Note 19 in the financial statements which indicates a change in functional currency from US Dollar to RTGS Dollar effective 22 February 2019 in terms of International Accounting Standard 21. As explained in Note 19, this event is a non-adjusting event in terms of International Accounting Standard 10 since, the change in functional currency was triggered by the monetary policy statement of the 20th of February 2019 , the Exchange Control Directive RU 28 of 2019 which introduced an interbank market for the RTGS Dollar and the US Dollar issued on the 22nd of February 2019 and the statutory Instrument 33 of 2019 issued on the 22nd of February 2019 which, for accounting and other purposes, deemed all assets and liabilities that were valued in US Dollar immediately before the 22nd of February 2019 to be valued in RTGS Dollar at a rate of 1:1. These events indicate conditions that arose after the reporting period. Our Opinion is not modified in respect of this matter.

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. Based on our professional judgement, there were no key audit matters.

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 Companies Act (24:03) and Statutory Instruments (SI 33/96 and SI 62/96), 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 Date

PAAB Practising Number: -77

Nolands Harare Chartered Accountants

Insurance & Pensions Commission
Financial Statements for the year ended 31 December 2018

General Information

Country of incorporation and domicile Nature of business and principal activities	Zimbabwe The Commission supervises and regulates Insurance companies and Pension funds to protect policy holders and pension fund members.

Directors	Mrs Lynn Mukonoweshuro	Chairperson
	Mr George Mazhude	Vice chairperson
	Mr Abednicho Dube	
	Mr Tafadzwa Zinyoro	
	Mrs Annah Mashingaidze	
	Mr Willard L. Manungo	
	Mr Blessmore Kazengura	(Ex-Officio) Acting Commissioner
Bankers	CBZ Bank Limited FBC Building Society Limited.	
Auditors	Nolands Harare Chartered Accountants 7 Glenara Avenue South Eastlea	
Business address	160 Rhodesville Avenue Greendale Harare Zimbabwe	
Postal address	P.O. BOX HR6773	

Insurance & Pensions Commission Financial Statements for the year ended 31 December 2018

Index

The reports and statements set out below comprise the financial statements presented to the members:

Financial Statements

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Directors Responsibilities For Financial Reporting

The Directors acknowledge that they are ultimately responsible for the internal financial control systems established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the board 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 on the Commission is on identifying, assessing, managing and monitoring all known forms of risk. 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 financial statements are prepared in accordance with appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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 assessed the ability of the Commission to continue as a going concern and believe that the preparation of the financial statements on a going concern basis is still appropriate. However, the Board of Directors believe that under the current economic environment a continuous assessment of the economic environment will need to be performed to determine the continued appropriateness of this assumption.

Preparation of the financial statements

The financial statements were prepared under the supervision of Mr B. Kazengura who is the Director Finance 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 reviewing 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 page 4 - 7.

The financial statements and the notes thereto set out on pages 8 to 37, which have been prepared on the going concern basis, were approved by the Board and signed on its behalf by ;

Board Chairperson ______________________ **Date** ______________________

Commissioner ______________________ **Date** ______________________

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Statement of Financial Position

Figures in United States Dollar	Note(s)	2018	2017
ASSETS			
Non Current Assets			
Property and equipment	4	811,382	854,386
Intangible assets	5	438,708	271,101
		1,250,090	**1,125,487**
Current Assets			
Inventories	6	27,450	8,543
Staff loans	7	160,755	141,071
Trade and other receivables	8	557,636	295,278
Other financial assets	9	14,271,666	8,895,840
Cash and cash equivalents	10	433,574	521,572
		15,451,081	9,862,304
TOTAL ASSETS		**16,701,171**	**10,987,791**
RESERVES AND LIABILITIES			
Reserves			
Revaluation reserve		84,775	84,775
Non distributable reserve		114,436	92,260
Accumulated fund		16,134,133	10,588,704
		16,333,344	**10,765,739**
Liabilities			
Current Liabilities			
Trade and other payables	11	61,085	95,696
Provisions	12	306,742	126,355
Total Liabilities		367,827	222,051
TOTAL RESERVES AND LIABILITIES		**16,701,171**	**10,987,791**

The financial statements and the notes thereto on pages 8 to 37, were approved by the board of directors on the
____/___, 2019 and were signed on its behalf by:

Chairperson

Commissioner

Insurance & Pensions Commission
Statement of Income and expenditure

For the year ended 31 December 2018

Figures in United States Dollar	Note(s)	2018	2017
Revenue	13	8,322,787	7,497,407
Total revenue		8,322,787	7,497,407
Other operating income		78,688	60,572
		8,401,475	**7,557,979**
Other operating gains /(losses)			
Profit / (loss) on disposal and derecognition of assets		(30,172)	(11,269)
Fair value gain		7,408	-
Total operating income and gains		**8,378,710**	**7,546,710**
Expenses	14	(3,319,156)	(2,827,353)
Operating surplus		**5,059,554**	**4,719,357**
Investment income	15	485,875	360,295
Surplus for the year		**5,545,429**	**5,079,652**
Other comprehensive income		-	-
Total comprehensive income for the year		**5,545,429**	**5,079,652**

Insurance & Pensions Commission

Statement of Changes in Reserves

For the year ended 31 December 2018

Figures in United States Dollar

	Note	Revaluation reserve $	Non Distributable reserve $	Retained Income $	Total $
Balance at 31 December 2016		**84,775**	**92,260**	**5,509,052**	**5,686,087**
Surplus for the year		-	-	5,079,652	5,079,652
Balance at 31 December 2017		**84,775**	**92,260**	**10,588,704**	**10,765,739**
Surplus for the year		-	-	5,545,429	5,545,429
Equity investments	9.1	-	22,176	-	22,176
Balance at 31 December 2018		**84,775**	**114,436**	**16,134,133**	**16,333,344**

Insurance & Pensions Commission

Statement of Cash flows

For the year ended 31 December 2018

Figures in United States Dollar	Note(s)	2018	2017
Cash flows from operating activities			
Cash generated from operations	**16**	5,074,769	4,464,532
Interest income		485,875	360,295
Net cash from operating activities		5,560,643	4,824,827
Cash flows from investing activities			
Purchase of property and equipment		(131,743)	(109,553)
Purchase of Intangible assets		(167,607)	
Purchase of financial assets		(5,346,242)	(4,221,496)
Proceeds from disposal of property and equipment		16,643	-
Cash flows from investing activities		(5,628,950)	(4,331,049)
Cash flows from financing activities			
Repayments /(Advances) on staff loans		(19,684)	(128,365)
Net movement in cash equivalents during the year		**(87,997)**	**365,413**
Cash and cash equivalents at the beginning of the year		521,572	156,159
Cash and cash equivalents at the end of the year	**10**	**433,574**	**521,572**

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

1 Nature of business

The Insurance and Pensions Commission was established in 2005. Its objective is to supervise and regulate Insurance companies and pension funds for the protection of policy holders and pension fund members.

1.1 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 Companies Act (Chapter 24:03) and Statutory instrument SI 33/99 and SI 62/96.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in US Dollars, which is the Commission's functional currency. The Commission's functional currency will change during the year ended 31 December 2019 (Refer to note 19; Events after the end of the reporting

1.2 Property and equipment

Property and equipment is initially measured at cost. Cost includes all the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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 the 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

Fair value estimation	Depreciation method	Average useful life
Buildings	Straight line	30 years
Furniture and fittings	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
It equipment	Straight line	3 years
Other property, plant and equipment	Straight line	5 years
SAP Hardware	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year.If the expectations differ form previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another assets.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

1.2 Property and equipment (continued)

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 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.

1.3 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 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 the 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 on 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 armotisation period and the amortisation method for intangible assets are reviewed every period - end Intangible assets with indefinite useful lives will be tested for impairment on an annual basis.

Item	Useful life
Computer software	Indefinite

2 Income and Expenditure

Income is accounted for on an accruals basis. Expenditure for goods and services is recognised for accounting purposes at the time expenditure is incurred.

2.1 Presentation currency

The financial statements are prepared in United States Dollar which is also the functional currency of the organization.

2.2 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
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading)

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial Instruments (continued)

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).

Note: Financial instruments and risk management presents the financial instruments held by the Commission based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Commission are presented below:

Loans receivable at amortised cost

Classification

Loans to directors, managers and employees are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans 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 these loans.

Recognition and measurement

Loans receivable are recognised when the Commission becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial Instruments (continued)

2.2.1 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 (note 8).

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.

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.

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income.

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:
-The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a

Trade and other receivables

- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.

- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

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.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial instruments (continued)

2.2.1 Trade receivables (continued)

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. Details of the provision is presented in note 12 .

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 (note 14).

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.

Derecognition

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss.

2.2.2 Trade and other payables

Classification

Trade and other payables (note 11), 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial instruments (continued)

2.2.2 Trade and other payables(continued)

Recognition and measurement(continued)

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Commission to liquidity risk and possibly to interest rate risk. Refer to note for details of risk exposure and management thereof.

2.2.3 Cash and cash equivalents

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

2.2.4 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.

Financial liabilities

The Commission derecognises financial liabilities when, and only when, the Commission obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial instruments: IAS 39 comparatives

Classification

The Commission classifies financial assets and financial liabilities into the following categories:
-Financial assets at fair value through profit or loss - designated
-Held-to-maturity investment
-Loans and receivables
-Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial instruments (continued)

2.2.5 Financial instruments: IAS 39 comparatives

Initial recognition and measurement

Financial instruments are recognised initially when the Commission becomes a party to the contractual provisions of the instruments.

The Commission classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value

is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.
Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or

have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Commission establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the Commission assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Commission, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial Instruments (continued)

2.2.5 IAS 39 comparatives (continued)

Impairment of financial assets (continued)

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.2 Financial instruments (continued)

2.2.5 IAS 39 comparatives (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Commission's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.
At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Commission has the positive intention and ability to hold to maturity are classified as held to maturity.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.3 Inventories

Inventories are measured at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, cost of conversion and other cost 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 the Commission is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in the net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.4 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 settle the obligation.

2.5 Revenue from contracts with customers

The Commission is in the business of providing regulatory services to the Insurance and Pensions industry in return for levies and fees . Revenue from contracts with customers is recognised when control of the services is transfarred to the customer at an amount that reflects the consideration to which the Commission expects to be entitled in exchange for its regulatory services.The Commission has generally concluded that it is the principal in its revenue arrangements because it typically controls its services the before transfering them to the customers.

Levies income

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 company's intending to do business in that quarter of the year.

Externalisation fees revenue

Revenue from externalisation fees is recognised at the point in time when the Commission has granted its customer the authority to place risk outside the country.This is the point when control over the externalisation certificate/authority transfers to the customer.

Annual fees

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 annual fees.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.6 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 9 Financial Instruments

In the current year, the Commission has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Commission's financial statements are described below.

The Commission has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Commission has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the Commission has applied the requirements of IFRS 9 to instruments that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. Comparatives in relation to instruments that have not been derecognised as at January 1, 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at January 1, 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other debt investments and equity investments are subsequently measured at fair value through profit or loss, unless specifically designated otherwise.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.6 Changes in accounting policy (continued)

The Commission may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The Commission may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The directors reviewed and assessed the Commission's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Commission's financial assets as regards to their classification and measurement:

Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the Commission's financial liabilities.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.6 Changes in accounting policy (continued)

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

The following table presents a summary of the financial assets as at January 1, 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVTPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income."

	Previous measurement	New measurement category:IFRS 9			
	IAS 39	FVTPL	Amortised cost	Remeasurement - Adjustment to equity	Change attributable to :
Previously fair value through profit or loss (designated):					
Cash and cash equivalents	521,572	521,572	-	-	No change
Financial assets at FVTPL	14,271,666	14,271,666	-	-	No change
Trade and other receivables	-	-	557,636	-	No change
	14,793,238	**14,793,238**	**557,636**	**-**	

Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9

The following table presents a summary of the financial liabilities as at January 1, 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVTPL" denotes "fair value through profit or loss".

	Previous Measurement	New Measurement IFRS 9 Category	
	IAS 39	Amortised cost	Change Attributable to:
Previously Fair Value through profit or loss (Designated)			
Prepayments and deposits	52,045	52,045	No change
Trade and other payables	9,040	9,040	No change
	61,086	61,086	

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

2.6 Changes in accounting policy (continued)

Application of IFRS 15 Revenue from contracts with customers

In the current year, the Commission has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Commission financial statements are described below. Refer to the revenue accounting policy for additional details.

The Commission has applied IFRS 15 with an initial date of application of January 1, 2018 in accordance with the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. The comparative information has therefore not been restated.

There are no changes to the revenue.

3.0 New Standards and Interpretations

Key requirements of IFRS 9:

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and measurement are required to be subsequently measured at amortised cost or fair value.Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

3 New Standards and Interpretations (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS

9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 1, 2018.

The Commission has adopted the standard for the first time in the 2018 financial statements.

The impact of the standard is set out in note 2.6 Changes in Accounting Policy.

3.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Accounting policies

3 New Standards and Interpretations (continued)

3.1 Revenue from contracts with customers (continued)

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 1, 2018.

The Commission has adopted the standard for the first time in the 2018 financial statements.

The impact of the standard is set out in note 2.6 Changes in Accounting Policy.

3.2 Standards and interpretations not yet effective

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Uncertainty over Income Tax treatments	1 January 2019	Impact is currently being assessed
IFRS 16 Leases	1 January 2019	Impact is currently being assessed

Insurance & Pensions Commission

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Notes to the Financial Statements

Figures in United States Dollar

4. Property and equipment

	2018			2017		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	210,000		210,000	210,000	-	210,000
Buildings	284,550	(29,129)	255,421	284,550	(19,914)	264,636
Furniture & fixture	99,911	(31,227)	68,684	71,746	(24,835)	46,911
Motor vehicles	306,616	(246,922)	59,694	432,422	(290,686)	141,736
Office equipment	42,105	(31,831)	10,274	43,101	(30,498)	12,603
IT equipment	158,515	(73,273)	85,242	90,126	(55,052)	35,074
Computer software	5,586	(543)	5,043	1,324	(1,324)	-
Other property plant & equipment	50,089	(44,210)	5,879	54,857	(47,683)	7,174
SAP Hardware	170,315	(68,126)	102,189	170,315	(34,063)	136,252
Cellphones	9,440	(484)	8,956	-	-	-
Total	**1,337,127**	**(525,746)**	**811,382**	**1,358,441**	**(469,992)**	**854,386**

Reconciliation of property and equipment- 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	210,000	-	-	-	210,000
Buildings	264,636		-	(9,215)	255,421
Furniture & fixture	46,911	36,105	(863)	(13,469)	68,684
Motor vehicles	141,736	-	(40,053)	(41,989)	59,694
Office equipment	12,603	4,667	(3,911)	(3,085)	10,274
IT equipment	35,074	75,746	(2,130)	(23,448)	85,242
Computer software	-	5,262	-	(219)	5,043
Other property plant & equipment	7,174	523	-	(1,818)	5,879
SAP Hardware	136,252	-	-	(34,063)	102,189
Cellphones		9,441		(485)	8,956
	854,386	**131,743**	**(46,957)**	**(127,790)**	**811,382**

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figures in United States Dollar

Property and equipment (continued)

Reconciliation of property and equipment- 2017

	Opening balance	Additions	Derecognition	Transfares	Depreciation	Total
Land	210,000	-	-	-	-	210,000
Buildings	261,000	14,550	-	-	(10,914)	264,636
Furniture & fixture	24,092	34,725	(34)	-	(11,872)	46,911
Motor vehicles	216,106	-	-	-	(74,370)	141,736
Office equipment	7,405	12,777	-		(7,579)	12,603
IT equipment	5,313	38,865	-		(9,104)	35,074
Computer software	12,580	-	(11,217)		(1,363)	-
Other property plant & equipment	11,675	8,636	(18)		(13,119)	7,174
SAP Hardware	-	-		170,315	(34,063)	136,252
	748,171	**49,275**	**(11,269)**	**170,315**	**(97,156)**	**854,386**

Insurance & Pensions Commission

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Notes to the Financial Statements

Figures in United States Dollar

Property and equipment (continued)

Reconciliation of property and equipment- 2017

	Opening balance	Additions	Derecognition	Transfares	Depreciation	Total
Land	210,000	-	-	-	-	210,000
Buildings	261,000	14,550	-	-	(10,914)	264,636
Furniture & fixture	24,092	34,725	(34)	-	(11,872)	46,911
Motor vehicles	216,106	-	-	-	(74,370)	141,736
Office equipment	7,405	12,777	-		(7,579)	12,603
IT equipment	5,313	38,865	-		(9,104)	35,074
Computer software	12,580	-	(11,217)		(1,363)	-
Other property plant & equipment	11,675	8,636	(18)		(13,119)	7,174
SAP Hardware	-	-		170,315	(34,063)	136,252
	748,171	**49,275**	**(11,269)**	**170,315**	**(97,156)**	**854,386**

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figures in United States Dollar

5. Intangible assets

	2018			2017		
	Cost/ Valuation	Accumulated armotisation	Carrying value	Cost/ Valuation	Accumulated armotisation	Carrying value
Computer software - SAP	438,708	-	438,708	271,101	-	271,101
Total	**438,708**	**-**	**438,708**	**271,101**	**-**	**271,101**

Reconciliation of Intangible assets - 2018

			Opening balance	Additions	Amortisation	Total
Computer software - SAP			271,101	167,607	-	438,708
	-	**-**	**271,101**	**167,607**	**-**	**438,708**

Reconciliation of Intangible assets- 2017

	Opening balance	Transfare to Work in progress	Amortisation	Total
				-
Computer software - SAP		271,101	-	271,101
Computer software	1,324		(1,324)	-
	1,324	**-**	**(1,324)**	**271,101**

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figures in United States Dollar	Note	2018	2017
6 Inventories			
Fuel coupons		3,619	3,987
Stationery		23,831	4,556
		27,450	8,543
7 Staff loans			
Loans to directors, managers and employees			
At the beggining of the year		141,071	12,706
Current year advances		126,002	199,855
Repayments		(106,318)	(71,490)
		160,755	141,071
8 Trade and other receivables			
Trade receivables		535,898	293,441
Prepayments		21,737	1,837
		557,636	295,278

The trade and other receivables were impaired and the amount of provision was $ 198 227 as of 31 December 2018 (2017: $ 16 350).

9 Other Financial Assets			
At fair value through profit or loss-designated			
Money market Investments		14,242,082	8,895,840
Equity Investments		29,585	-
		14,271,666	8,895,840
Reconciliation of financial assets			
Opening balance		8,895,840	4,674,344
Additions		5,346,242	4,221,496
Equity Investments in listed companies	**9.1**	29,585	-
		14,271,666	8,895,840

9.1 Equity investments in listed companies

These are shares bought by the Commission years dating back to 2008 but had not been recognised in the accounting records since the date of their acquisation.The shares were however recognised as Equity Investments on the 1st of August 2018 at their fair value of $ 22,176.This gave rise to a Non distributable reserve of $ 22,176 recognised in the Statement of Changes In Equity. The shares were subsequently measured to $ 29,584.77 being their fair value at 31 December 2018.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figures in United States Dollar	2018	2017

10 Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	1,887	2
Bank balances	431,687	521,570
	433,574	**521,572**

11 Trade and other payables

	2018	2017
Trade payables	1,736	58,159
Amounts received in advance	52,045	31,587
Statutory Obligations	3,360	5,950
Other payables	3,944	-
	61,085	**95,696**

12 Provisions

	Doubtful debts	Leave pay	Total
Reconciliation of provisions - 2018			
Opening balance	16,350	110,006	126,356
Increase/(Decrease) in provision	182,027	(1,641)	180,386
Total	**198,377**	**108,365**	**306,742**

	Doubtful debts	Leave pay	Total
Reconciliation of provisions - 2017			
Opening balance	-	65,931	65,931
Increase in provision	16,350	44,075	60,425
Total	**16,350**	**110,006**	**126,355**

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figures in United States Dollar	2018	2017
13 Revenue		
Levies	7,833,267	7,003,903
Annual fees	368,650	355,234
Application fees	41,900	54,890
Registration fees	78,970	83,380
	8,322,787	**7,497,407**

Figures in United States Dollar	2018	2017
14 Expenses		
Accounting and audit fees	6,824	6,500
Advertising and public communications	20,000	14,579
Anti - Money Laundering	1,000	10,865
Provision for doubtful debts	182,027	16,350
Bank charges	19,304	6,072
Board fees	129,406	104,449
Commission of Inquiry on Conversion	927	544,738
Conferences	88,718	102,807
Consulting and professional fees	63,738	81,425
Consulting and professional fees - legal fees	25,942	13,138
Consumer awareness	274,536	177,869
Depreciation	127,790	162,384
Employee costs	1,721,257	1,208,307
Insurance	6,400	15,467
IT expenses	143,972	46,134
Lease rentals on operating lease	22,195	20,004
Motor vehicle expenses	60,882	62,269
Printing and stationery	34,582	30,256
Repairs and maintenance	62,595	51,168
Review and evaluation	59,226	14,028
Security	33,600	33,750
Staff welfare	68,532	25,142
Subscriptions	6,700	11,078
Telephone and fax	20,740	16,594
Training	118,071	32,517
Travel local	-	4,238
Utilities	20,194	15,225
	3,319,156	**2,827,353**

Insurance & Pensions Commission

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Notes to the Financial Statements

Figures in United States Dollar	2018	2017
15 Investment Income		
Interest Income		
Money market investments	485,875	360,295

Figures in United States Dollar	2018	2017
16 Cash generated from operations		
Profit before taxation	5,545,429	5,079,652
Adjustments for:		
Depreciation and amortisation	127,790	162,384
Losses on disposals, scrappings and settlements of assets	30,172	11,269
Interest income	(485,875)	(360,295)
Fair value losses/(gains)	(7,408)	-
Movements in provision for bad debts	182,027	16,350
Staff debt written off	150	-
Movements in leave provisions	(1,641)	44,075
Changes in working capital		
Inventories	(18,907)	(774)
Trade and other receivables	(262,358)	247,408
Trade and other payables	(34,611)	(735,537)
	5,074,769	**4,464,532**

17 Commitments and contingencies

There were no commitments and contigencies as at reporting date

18 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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.

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figure in United State Dollars

19 Events after reporting period

The Monetary Policy Statement of the 20th of February 2019 issued out a monetary policy measure to establish an Inter-bank Foreign Exchange Market. On the 22nd of February 2019, an Exchange Control Directive RU 28 of 2019 which introduced an interbank market for the RTGS Dollar and the USD was issued. Statutory Instrument 33 of 2019 issued on the 22nd of February 2019 which, for accounting and other purposes, deemed all assets and liabilities that were valued in USD immediately before the 22nd of February 2019 to be valued in RTGS Dollars at a rate of 1:1. The opening exchange rate between the USD and RTGS as at 22 February 2019 was 1:2.5. In consideration of the conditions stated above, with reference to the provisions IAS 21 there will be a change in functional currency effective 20 February 2019 from US dollar to RTGS dollar. This event is a non-adjusting event as it is evident of conditions that arose after year end.

Illustrative sensitivity analysis for events after the reporting period

	Components of reported amounts				Sensitivity Analysis		
	Monetary Assets/ Liabilities Nostro FCA USD	**Monetary Assets/ Liabilities RTGS Dollar**	**Non-Monetary Assets/ Liabilities USD**	**Total USD @ 1:1**	**Total RTGS $ @ 1:2.5**	**Total RTGS $ @ 1:3.5**	**Total RTGS $ at 1:5.2**
Assets							
Property and Equipment			811,382	811,382	2,028,454	2,839,835	4,219,184
Intangible assets			438,708	438,708	1,096,771	1,535,480	2,281,284
Inventory		27,450		27,450	27,450	27,450	27,450
Accounts receivable		557,636		557,636	557,636	557,636	3,457,342
Staff debtors		160,755		160,755	160,755	160,755	160,755
Cash and bank		433,574		433,574	433,574	433,574	433,574
Other financial assets		14,271,666		14,271,666	14,271,666	14,271,666	14,271,666
Total assets		**15,451,081**	**1,250,090**	**16,701,171**	**18,576,306**	**19,826,396**	**24,851,256**

Insurance & Pensions Commission

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Figure in United State Dollars

19 Events after reporting period (continued)

Illustrative sensitivity analysis for events after the reporting period (continued)

	Components of reported amounts			Sensitivity Analysis			
	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities RTGS Dollar	Non-Monetary Assets/ Liabilities USD	Total USD @ 1:1	Total RTGS $ @ 1:2.5	Total RTGS $ @ 1:3.5	Total RTGS $ at 1:5.2
Liabilities							
Trade and other payables		61,085	-	61,085	61,085	61,085	61,085
Provisions		306,742	-	306,742	306,742	306,742	306,742
Total liabilities		**367,827**	**-**	**367,827**	**367,827**	**367,827**	**367,827**
Net assets		**15,083,254**	**1,250,090**	**16,333,344**	**18,208,479**	**19,458,569**	**24,483,429**
Equity and Reserves							
Revaluation reserve			84,775	84,775	211,938	296,713	440,830
Non distributable reserve			114,436	114,436	286,091	400,527	595,069
Accumulated fund			16,134,133	16,134,133	40,335,332	56,469,464	83,897,490
Foreign currency translation					(22,624,881)	(37,681,135)	(60,449,960)
			16,333,344	**16,333,344**	**18,208,479**	**19,485,569**	**24,483,429**

Insurance & Pensions Commission

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Notes to the Financial Statements

Figure in United State Dollars

19 Events after reporting period (continued)

Amounts presented in the analysis above may not reflect the opening balances in RTGS Dollars going forward (i.e. for future accounting periods).

Key assumptions made by management in the preparation of the analysis are as follows;

- Prepared an additional set of the statement of financial position based on the Old Mutual Implied Rate of 1:5.2 as at 22 February 2018. Old Mutual Implied Rate is a comparison of the price of shares of insurer Old Mutual in London and Harare. The rate was used as an approximate of the market
- Prepared another additional set based on the average implied parallel market rate of 1:3,5 as at 31 December 2019.
- The opening Interbank Market rate of 1:2.5 might be understated since it is way below the parallel market rate and Old Mutual Implied Rate.

. Please note that the rates used on the sensitivity analysis are not actual market rates at year end and do not imply that the directors took part in the parallel market, the rates only represent an approximation of possible market exchange rates at year end.

. Nostro refers to International US Dollars that are tradable at international market.

. Equity and reserves were denominated and accumulated in Nostro USD since the adoption of US Dollar in 2009, however, they are assumed to be RTGS Dollars at year end.

NOTICE OF AN

ANNUAL GENERAL MEETING

Notice is hereby given that the 1st Annual General Meeting of the Insurance and Pensions Commission (IPEC) will be held on Wednesday, the 20th of November 2019 at 1000 hours, at Cresta Lodge Msasa, Harare, for the purpose of transacting the following business:

AGENDA

1.Update on IPEC Operations
To receive the Commissioner's update on the Commission's operations for the year ended 31 December 2018.

2.Financials
To receive, consider and adopt the audited financial statements and reports of the directors and auditors for the year ended 31 December 2018.

3.Directors' Fees
To note and confirm fees and allowances for Non- Executive Directors for the year ended 31 December 2018.

4.Auditor's Fees
To note and confirm the auditor's fees for the year ended 31 December 2018.

5.Appointment of Auditors
To note and confirm the appointment of the Auditor General as the auditors of the Insurance and Pensions Commission for the year ending 31 December 2019.

By Order of the Board

Samantha Nhende (Ms.)
Company Secretary
14 October, 2019

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Protecting the Interests of Insurance and Pension Consumers

INSURANCE AND PENSIONS COMMISSION

PROTECTING THE INTERESTS OF INSURANCE AND PENSION CONSUMERS