



Circular 24 of 2020

18 November 2020

- To: Principal Officers- All registered life insurers
Principal Officers- All registered non-life insurers
Principal Officers- All registered funeral assurers
Principal Officers –All registered Pension and Provident Funds
Principal Officers - Pension Fund Administrators
Chairperson- Life Offices Association (LOA)
Chairperson- Insurance Council of Zimbabwe (ICZ)
Chairperson- Zimbabwe Association of Pension Funds (ZAPF)
Chairperson- Zimbabwe Association of Funeral Assurers (ZAFA)

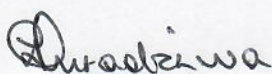
**CURRENCY REFORMS GUIDANCE PAPER - REPLACEMENT OF 30 JUNE 2020
INTERIM VALUATION WITH MORE REGULAR BONUS DECLARATION**

1. Following the finalisation of the Guidance Paper on Adjusting Insurance and Pension Values in Response to the 2019 Currency Reforms in March 2020, the Commission has been receiving and reviewing submissions in respect of the 1st Measurement Date, 31st of December 2019.
2. The Commission is however concerned with the level of submissions made to date in respect of the 1st Measurement date. In particular, the Commission observed the following key issues:-
 - a. lack of compliance with the statutory submission deadlines
 - b. incomplete submissions from some of the players
 - c. inadequate application of all the provisions of the Guidance Paper.
3. Pension funds and insurance companies who have not yet complied with the full requirements for the 31st of December 2019 Measurement Date are strongly encouraged to ensure full compliance. Please take note, failure to make full submissions as required in terms of section 28 of the Guideline on Adjusting Insurance and Pension Values in Response to

Currency Reforms, attracts a level 4 penalty of \$1,200 for each day the fund/insurer is in default in terms of section 5 of the Insurance and Pensions (Issuance of General Guidelines and Standards) Regulations, 2020. The Commission will, therefore, continue to apply penalties on pension funds/insurance companies who are yet to comply with the requirements as at 31st of December 2019 to ensure full compliance with the requirements of the Guidance Paper.

4. The Commission has also been expecting compliance regarding submissions for the Second Measurement Date, 30th of June 2020 in terms of the Guidance Paper. The Commission has, however, received requests from the industry to suspend the 30th of June 2020 submissions on account of the following reasons:-
 - i. high cost of auditing financial statements half yearly as well as at the end of the year as is required in terms of section 9.3.1 of the Guidance Paper;
 - ii. high cost of carrying out full actuarial valuations as at 30 June as well as at the end of the year;
 - iii. difficulty in interpretation of certain sections of the Guidance Paper.
5. In our analysis, we have noted high revaluation gains of 2019 which were realised in the first 6 months of the year 2020 and thereafter. To minimise intergenerational transfer of wealth in a hyperinflationary environment, the industry must ensure that the returns are quickly distributed to members/policyholders.
6. After careful evaluation of the 2019 submissions by the industry and consideration of industry's various representations regarding suspension of the June 2020 submissions required in terms of the Guidance Paper, the Commission in line with section 3 of SI 69 of 2020 has therefore decided to replace 30 June 2020 interim valuations only with more regular bonuses declarations, preferably monthly as a convenient way of quickly passing the returns to members/ policyholders. .
7. This following conditions must be satisfied:-

- i. Entities demonstrate to the Commission that they are regularly (preferably at least on a monthly basis) awarding interim bonuses/pension increases in both sub-accounts up to the next Measurement Date, 31 December 2020. In this regard, each entity is required to provide a schedule of the bonuses and pension increases awarded since January 2020 not later than 30 November 2020. The schedule should indicate bonuses/pension increases per each registered fund.
 - ii. Ensure regular communication with pension fund members and policyholders to ensure that their expectations are well managed.
 - iii. Submissions for the 31 December 2020 Measurement Date will be submitted by 31 March 2021 as per the Guidance Paper and that no extensions will be sought by the industry. Please note that listed insurers or those belonging to a listed group should first seek approval by IPEC before their financials are consolidated into group financial statements as part of listing requirements. IPEC reserves the right to cause a restatement of financial statements of entities that proceed to make submissions as part of listing requirements without initially seeking regulatory approval of the financials. The Commission would want to satisfy itself that the liabilities in financial statements are informed by Actuarial Valuation Reports that comply with the Guidance Paper.
8. Pension funds and insurance companies that have already commenced work on fulfilling the requirements of the 2nd Measurement Date, 30 June 2020, are encouraged to conclude such work and submit their reports to the Commission for evaluation and assessment.
9. Please be guided accordingly.



Grace Muradzikwa

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS