



**KEYNOTE OPENING REMARKS BY HON. PROF. MTHULI NCUBE**

**MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT**

**2009 COMPENSATION: IPEC AND INDUSTRY ENGAGEMENT  
WEBINAR**

**22 JULY 2022**

## **Salutations**

1. Thank you, Director of Ceremony, allow me to begin by acknowledging the presence of: -
  - Senior Government Officials here present;
  - The Commissioner of Insurance, Pension and Provident Funds, Dr. Grace Muradzikwa, and her Management team;
  - Industry captains here present;
  - Distinguished Guests, Ladies, and Gentlemen;
  - All protocols observed

## **Opening Remarks**

2. It is my pleasure to address this gathering of industry representatives, captains of industry, and thought leaders, as we seek to bring closure to this long-standing matter of the pre-2009 loss of values.
3. This webinar has been set at an appropriate time, post the various consultative processes with the industry and other stakeholders, as well as the various Cabinet approval processes.
4. Allow me to split my remarks into the following strategic areas:
  - Importance of the Insurance and Pensions Industry;
  - Update on the 2019 compensation exercise; and
  - Implementation of the Justice Smith-led Commission of Inquiry's recommended reforms.

## **Importance of the Insurance and Pension Industry**

5. Distinguished members, at the outset, I would like to express Government's appreciation of the insurance and pensions industry's contribution to various sectors of the economy, and to reassure you of the high-level Government

commitment, to reposition this crucial industry as a key contributor to economic recovery and attainment of Vision 2030.

6. The insurance and pensions industry plays an important role in the country ranging from risk mitigation and social protection to investment in various sectors of the economy among them, as institutional investors on the Stock Exchange to financial intermediation as well as infrastructure development. Government is also aware of your investment in agriculture, energy and housing, which are key economic enablers and are well-aligned with the National Development Strategy 1 and Sustainable Development Goals.
7. Notwithstanding these contributions, Government calls upon the industry to do more, particularly investments in prescribed assets since this is a statutory requirement. While you have raised concerns about the quality of some of the instruments, which Government issues, we approved conferment of prescribed asset status on private equity, which you can initiate on your part. To this end, government is expecting improved compliance with this statutory requirement.
8. You are all aware of the infrastructure gap in our country, which requires huge investment. Government on its own, cannot adequately fund infrastructure development. We, therefore, expect insurance companies and pension funds to come on board and complement Government in modernizing the country's infrastructure.

### **Government role in creating an enabling environment**

9. Indeed, as Government, we have a critical role to play in establishing favorable macroeconomic conditions, offering tax breaks and or other incentives, and establishing appropriate legislative frameworks.

10. That notwithstanding, I believe as industry representatives who are directly involved in the day-to-day operations of insurance companies and pension funds, you have an equally big role to play, including the following, though not exhaustive: -

- Ensuring that products within the market are tailored to the needs of the populace
- Treating Customers Fairly in line with TCF principles
- Ensuring data integrity by keeping adequate KYC records and establishing sufficient business continuity plans since we are talking of long-term savings
- Upholding good corporate governance in the running of insurance companies and pension funds
- Ensuring efficiency through cost management to prevent a scenario where these costs eat away member savings
- Prudent investment of pension funds' money, such that it is attractive to save through a pension fund as opposed to own personal savings.

11. To better serve policyholders and pension fund members, I thus challenge all stakeholders to reflect on what they can do differently. As Government, we remain committed through our open-door policy, which the industry can utilise.

12. Distinguished members, I want to reiterate government's commitment to fostering macroeconomic stability, inclusive economic growth, and predictability of the economic environment. We are also aware that the performance of the industry is heavily influenced by the health and state of these economic fundamentals.

13. To ensure economic growth and the realisation of Vision 2030, the Second Republic is working on several policies and measures in this respect. Through the National Development Strategy 1, government continues to build upon the successes of the Transitional Stabilisation Programme (TSP), which has spurred economic growth.

#### **Update on the 2019 compensation exercise**

14. Ladies and gentlemen, I wish to provide an update on the 2019 compensation exercise, which was necessitated by the 2019 currency reforms that regrettably resulted in loss of value for pension savings. As you are aware, Government unveiled an investment asset of US\$75 million through Kuvimba Mining House earmarked for compensation to the affected pensioners. In June 2021, a dividend of US\$400,000 was availed to IPEC through this investment asset, which was subsequently disbursed to the identified pensioners.

15. To date, an excess of 2,000 pensioners from the first cohort of eligible pensioners, have already received their US\$100 pension enhancements via BancABC and its TM Pick 'n' Pay kiosks. Of great concern is the fact that the collection rate was around 60% owing to poor data integrity within pension funds and administrators. However, to ensure that the funds are disbursed, I am advised that IPEC has identified the second cohort of eligible pensioners who are currently collecting their monies, as we draw to the end of the first tranche dividend distribution exercise.

16. I must reiterate the issue of record-keeping in relation to this exercise. I urge industry to keep adequate data and more so, to update pensioners data as frequently as possible. The success of this exercise and indeed other initiatives to assist pensioners hinge on adequate, accurate records, a position I'm certain IPEC has buttressed in greater detail.

### **Pre-2009 Loss of Values**

17. Ladies and gentlemen, the reason why we are gathered here, which is the key part of my address, concerns the need to fully implement the recommendations of the Justice Smith-led Commission of Inquiry, to bring closure to this long outstanding matter.
  
18. This issue requires that we all work together to restore the much-needed confidence in this critical sector of the economy. This is no longer time for blame game but to put our heads together and come up with a solution to this problem, which threatens the sustainability of the pension sector in Zimbabwe. Insurance and pension savings rely heavily on confidence, if we do not compensate pensioners for the losses that occurred pre-2009, this will continue to dent confidence in the sector.
  
19. Without a doubt, the issue of pensions and life savings is one of the most poignant subjects in Zimbabwe.
  
20. Whilst we are all aware that by nature, retirement presents problems of financial security for the post-employment period, coupled with the resultant physical and psychological effects of compulsory retirement. However, in Zimbabwe, this was exacerbated by the fact that a lot of people lost their life savings between 2004 and 2009 due to hyperinflation and the resultant conversion of insurance and pension values from Zimbabwe dollar (ZW\$) to the United States dollar (US\$) following adoption of the multicurrency regime in 2009. As a result, consumer confidence was adversely affected by that experience.

21. To this end, the Justice Smith Commission of Inquiry was appointed in 2015 to investigate the various conversion methods used in 2009 for converting pension and insurance values from the ZW\$ to the US\$, in the first instance of dollarisation in Zimbabwe.
22. As you are aware, the Government mandated IPEC to spearhead the implementation of the post-inquiry reforms, as per the recommendations of the Commission of Inquiry. Allow me to share progress being registered by Government on some of the key recommendations for central Government, which include, the need to foster macroeconomic stability, legal reforms, institutional reforms of a policy nature, and enabling policies in general.
23. In our bid to foster macroeconomic stability and growth, we are consolidating the gains made under the Transitional Stabilisation Programme through implementation of the successor blueprint, NDS1.
24. Furthermore, in line with the recommendations of the Commission of Inquiry, the legislation governing insurance and pensions was reviewed to incorporate the recommendations aimed at addressing identified deficiencies. Three bills—the Insurance Bill, Pension and Provident Bill, and IPEC Bill—are at various stages of enactment into law.
25. You will also recall that the Commission of Inquiry recommended institutional reforms such as the establishment of a Policyholder Protection Fund, and the strengthening of IPEC's regulatory capacity, among other institutional reforms aimed at the public sector. I am happy to advise that we have made significant strides in implementing these reforms.

26. From the foregoing, it is evident that implementation of the post-inquiry reforms is progressing well. Without pre-empting IPEC's presentation, I'll speak briefly on the elephant in the room, the actual compensation for loss of value, and or prejudice.
27. Ladies and Gentlemen, we cannot complete the discussion on post-inquiry reforms without bringing closure to the issue of compensation. Our offices are inundated with calls from pensioners and policyholders enquiring about when they will be compensated for the losses they suffered. Furthermore, it has not helped that we have prioritised compensation due to losses of the currency reforms of 2019.
28. Worryingly, we have received feedback from some industry players that the industry has limited capacity to compensate. However, our position as government remains clear, let us compensate to the best extent possible. To this end, government committed a supplementary **US\$175 million** towards compensation for the pre-2009 loss of value. We will be working with IPEC to come up with the necessary modalities on how these funds will be utilised.
29. I am therefore, challenging you as industry to do your part, and account to your policyholders and pension fund members on how you managed their assets and liabilities and compensate them in line with the guidance that will be provided by IPEC in the subsequent presentation. For the avoidance of doubt, the US\$175 million are supplementary funds, over and above what you as the industry would have put on the table. This is a commitment from government to bring closure to this issue.
30. Let me hasten to say, policyholders and pensioners have been waiting in perpetuity for closure on this matter. We cannot continue to be inundated with

legacy matters. It is time we begin to focus on forward-looking issues as an industry.

31. Compensating policyholders and fund members for the pre-2009 losses will go a long way in restoring confidence in the insurance and pensions industry.

### **Concluding Remarks**

32. I wish to conclude by commending the Commission for facilitating this industry engagement so that we can bring closure to this long-standing issue.

33. Furthermore, I wish to reiterate my earlier call for all the stakeholders to play their part in accounting for the funds they were entrusted by policyholders and pension fund members and compensate in earnest so that we restore confidence in the insurance and pensions industry.

34. Lastly, let us not be focused on a blame game mentality but rather let us collaborate and work together to bring closure to the matter.

35. With those remarks, I thank you for your kind attention.