



Industry Engagement Workshop

Friday, 22 July 2022

PRE-2009 LOSS OF VALUES: Presentation of Compensation Frameworks

Presentation by Mr Robson Mtangadura

Director Actuarial



Background

General provisions

Pensions regulations

Insurance regulations

Key considerations

Discussion

OUTLINE

Complex process hence required wide stakeholder consultation

Objective - come up with practical ways to implement the compensation recommendations

Stakeholder recommendations – conversion index, complementary government support, funding sources

BACKGROUND

Objectives

- Compensation in the best possible & practical manner
- Criteria for assessing & quantifying prejudice
- Criteria to be adhered to by all stakeholder

Specifics

- Cohorts of members to be affected
- Period under consideration
- Disclosure & submission requirements
- Role of different stakeholders
- Conversion index – average market portfolio implied rate or alternative conversion rate

Legal power

- Force of law
 - Associated penalties – up to level 4
 - Complaints handling mechanism – appeal to the Minister
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GENERAL PROVISIONS



PENSIONS REGULATIONS

PRODUCTS

Defined Benefit Schemes,
Defined Contribution Schemes;
Conversions between 2000 &
2009

DB SCHEMES

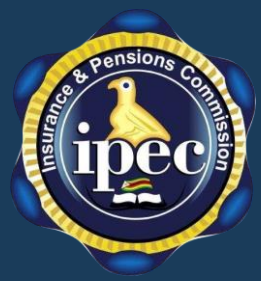
Check if all parties honoured contribution & benefit payments – arrears use legal means to collect or write to IPEC where the employer is no longer in existence; for those who retired during investigation period recompute the benefit using Dec 2014 salary of similar grade; Prejudice is difference between recomputed amount and the converted ZWL benefit that was paid.

DC SCHEMES

Check if all parties honoured contribution & benefit payments – arrears use legal means to collect or write to IPEC where the employer is no longer in existence. Convert all contributions & net returns over investigation period using approved conversion index to get member accumulation as at Feb 2009, adjust for TMV to Dec 2014; Prejudice is difference between recomputed amount above & member asset share as at Dec 2014 (net of cash inflows post 2009)

CONVERSION DB - DC

Applies to conversion during the investigation period. Regulations provide guidance on treatment before & after conversion.



PENSIONS REGULATIONS

SOURCES OF FUNDING

Insured funds; self administered funds & stand alone fund. First call - 2009 conversion reserves. Self administered & stand alone – 10% levy on fund assets; Insured funds – 10% levy on BSA of GF; ring fence.

ROLE OF BOT

1. Ensure that the fund complies with the regulations.
2. Use all legal provisions to collect contribution arrears if there are any.

DISCLOSURE

Detailed disclosure to members through various communication channels – local newspapers; website; social media platforms & any other platforms

SUBMISSION REQUIREMENTS

Each fund is required to submit compensation scheme within 90 days from the date the regulations become operational. The scheme will include:

1. Actuarial report – cohorts of members to be compensated, compensation amounts, assumptions and amount from sources of funding
2. Member schedule with compensation amounts
3. Signed trustees resolutions confirming implementation of the regulations
4. Communication strategy with members
5. Any other documents that may be required by IPEC.
6. Quarterly updates on compensation

PRODUCTS

With profit policies

Investment / cash accumulation policies

Unit Linked Policies

Funeral policies

WITH PROFIT POLICIES

Convert each premium using an approved index and purchase a PUP value; Add all the PUP values over the contract lifetime to get total policy value; those who died in the investigation period – prejudice is the recomputed policy value less what was paid on death; For those still alive, adjust the policy value with bonuses declared post 2009.

INVESTMENT/CASH ACCUMULATION

Should be relatively straight forward; asset value will reflect what is due to policyholder; regulations provide a method to back-test the values; convert premiums with an approved index, adjust for TVM and compare with member value.

UNIT LINKED

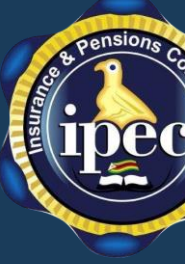
Again, relatively straight forward; value depends on the unit value and number of units; regulations provide a method to back test; Challenges may arise if units were not computed accurately.

FUNERAL POLICIES

Policies terminated during investigative period – re-instated taking into account contributions made prior to termination; Fully paid up policies must be reinstated on original terms & condition



INSURANCE REGULATIONS



SOURCES OF FUNDING

First call - 2009 conversion reserves; 15% of shareholder profits for the preceding year; consideration for funding from subsidiaries created & funded using PH funds; the Commission shall probe how historical profits & retained earnings were used. NO negative compensation & ensure protection of existing PHs. Ring fence

ROLE OF BOD

Ensure that the company complies with the regulations.

DISCLOSURE

Detailed disclosure to policyholders through various communication channels – local newspapers; website; social media platforms & any other platforms

SUBMISSION REQUIREMENTS

Each insurance company is required to submit compensation scheme within 90 days from the date the regulations become operational. The scheme will include:

1. Actuarial report – cohorts of policyholders to be compensated, compensation amounts, assumptions and amount from sources of funding
2. Policyholders schedule with compensation amounts
3. Signed board resolutions confirming implementation of the regulations
4. Communication strategy with policyholders
5. Any other documents that may be required by IPEC.
6. Quarterly updates on compensation

INSURANCE REGULATIONS



OTHER CONSIDERATIONS

DATA

The Commission expect the industry to have all the data required to carry out this exercise.

SKILLS

To manage skills constraints, the Regulations allow associates and fellow actuaries to sign off the actuarial reports

TIMELINES

Gazetting of regulations

Submission of compensation scheme - 90 days from the date the regulations become operational

Approval by IPEC – within 30 days of submission

Compensation payment – within 30 days of approval

GOVERNMENT COMMITMENT

Government has committed USD175 million towards complementing 2009 compensation; discussions are ongoing on how the money will be deployed; will update all stakeholder once a decision has been made.

COSTS

The Commission expect the service providers to exercise restraint when charging. Costs must be kept at acceptable levels.



END

DISCUSS