



THE IMPACT OF REGULATION TODAY AND IN THE FUTURE

Presentation by

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Presentation Outline



- Insurance and Pensions Commission (IPEC)
- Insurance industry architecture
- High level overview of Risk based capital framework
- Minimum capital requirements
- Implications of S.I. 142 on Insurance Industry
- Post Commission of Inquiry Reforms
- IFRIS 17
- Medical Aid Schemes
- Prescribed Assets Investment thresholds
- Challenges facing the Insurance Industry



THE INSURANCE & PENSIONS COMMISSION FUNCTIONS

- ❑ The mandate of the commission is to protect policyholders and members of pension schemes/funds.
- ❑ The Vision of IPEC is to create “A stable, vibrant and sustainable insurance and pensions industry through regulatory excellence

In line with this vision, the commission has the following functions:-

- ❑ **Registration of** - insurers, mutual insurance societies, insurance intermediaries, loss assessors and adjustors, as well as **regulating and monitoring** their business in terms of the Insurance Act [Chapter 24:07] ;
- ❑ **Formulating standards** - for the conduct of insurance business.
- ❑ **Advising the Minister** on matters relating to insurance;
- ❑ **Enforcing** - anti-money laundering and combating financing of terrorism.
- ❑ **Providing supervisory reports** - to the insurance industry and relevant stakeholders; and
- ❑ **Promoting growth and development** - of the insurance industry.



INSURANCE INDUSTRY ARCHITECTURE

INSTITUTIONS UNDER INSURANCE DEPARTMENT SUPERVISION

Class of Business	Number of Registered Players
Life Assurance	11
Funeral Assurance	9
Non-life Insurance	21
Composite Insurers	2
Microinsurers	2
Non-life Reinsurers	3
Composite Reinsurers	5
Insurance Brokers	35
Reinsurance Brokers	8
Total	96

NB: Other intermediaries under IPEC's supervision include, Corporate Agents(134), Individual agents (1592), Underwriting Agents(2)
Loss Assessors(35)



6. RISK BASED CAPITAL FRAMEWORK

- Development of a risk-based capital regulatory framework in line with international standards, e.g. Solvency 11 in UK and SAM in South Africa
- African Actuarial Consultants (AAC) were appointed project consultants.
- An industry workshop was held in February 2019
- The implementation date is October 2020



CONVERSION OF MINIMUM CAPITAL REQUIREMENTS FROM USD TO RTGS

1. The current minimum capital requirements which were initially calibrated in USD are now in RTGS\$ and have become inadequate in the current economic environment.
2. SI 142 of 2019 outlawed the use of foreign currencies and designated the local currency as the sole legal tender for all transactions in Zimbabwe.
3. The RTGS dollar has since lost value against the US dollar from its initial parity status to the present interbank rate.
4. The inflationary environment has also played a role in eroding the effectiveness of the RTGS denominated minimum capital requirements.



MINIMUM CAPITAL REQUIREMENTS

Class Of Insurance	Existing Capital Requirements
Short term	USD2.5m
Life	USD 5m
Funeral	USD2.5m
Reinsurance	USD5m
Microinsurance	USD 300K



THE IMPLICATIONS OF SI 142 ON THE INSURANCE INDUSTRY

- a) Dented consumer confidence in the insurance industry owing to legacy loss of value due to inflation and previous currency reforms.
- b) Failure by insurers or ultimate risk carriers to settle outstanding claims amounting to US\$4.9 million.
- c) Direct insurers' failure to remit premiums amounting to US\$5.8 million to ultimate risk carriers.
- d) Failure by insurance brokers, who are currently holding onto trust funds amounting to US\$1.1million to transfer the funds to the respective ultimate risk carriers such as insurers, local reinsurers or foreign reinsurers



LEGAL REFORMS

Review of the Insurance Act, the Insurance and Pension Commission Act and Pension and Provident Funds Act.

The aim is to enhance consumer protection and align legal instruments with international best practice

The Bills are being peer-reviewed by IPEC, Ministry of Finance and Attorney General's Office.



POST COMMISSION OF INQUIRY REFORMS

IPEC was mandated by Government to spear-head post-inquiry reforms recommended in the Report of the Commission of Inquiry

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The World Bank team was in the country on an information gathering mission with stakeholders.

World bank to assist with an indexation model on liabilities.
Preliminary findings have been presented IPEC and are being studied.

IFRS 17

An international standard dealing with accounting for insurance contracts which is set to replace IFRS 4.

Implementation date for IFRS17 is 1 January 2022 for all insurers.

An industry workshop was jointly organised by IPEC and ICAZ in June 2019 to raise awareness and possibly come up with a roadmap toward IFRS17 implementation

Engagements with PAAB are also underway to assist with the project.



DEVELOPMENT OF MORTALITY TABLES

Development of mortality tables specific to Zimbabwe for both insurance and pensions businesses. Current mortality tables in use were developed in SA in the 90's



IMPLEMENTATION OF POST COMMISSION OF INQUIRY REFORMS

- ❑ IPEC was mandated by Government in September 2018 to spear-head post-inquiry reforms recommended in the Report of the Commission of Inquiry into the Conversion of Insurance and Pension Values.
- ❑ IPEC conducted a workshop with the industry on 24 May 2019 with the intentions of clarifying the findings of the Commission of enquiry following the realization that there was mixed understanding in the industry.
- ❑ We engaged the World Bank to assist in the following:-
 - ❑ Capacity development in the supervision and regulatory area.
 - ❑ Reviewing the enabling legal and regulatory frameworks.
 - ❑ To develop an indexation model for the policies acquired post dollarization.
- ❑ The Commission is seized with the implementation of the reforms of a supervisory nature. The implementation of other recommendations require the passage of the current bill into law.



REGULATION OF MEDICAL AID SCHEMES

- ❑ IPEC is set to take over regulation and supervision of Medical Aid Schemes from the Ministry of Health and Child Care pursuant to the policy announcement in the Transitional Stabilization Program and the 2019 National Budget Statement
- ❑ The transfer will help to consolidate regulation of all insurance entities under one Government agency or supervisory body, thereby removing regulatory arbitrage opportunities and the current fragmentation.
- ❑ To effect the legal transfer of medical aid schemes to IPEC, the Commission awaits amendments to the Medical Services Act [Chapter 15:13] by the repeal of Part III of the Act.
- ❑ Discussions are ongoing regarding the proposed amendments to the insurance bill so as to incorporate medical aid schemes
- ❑ Engagements with AHFoZ to discuss the co-opting of medical aid schemes in progress



REVIEWED PRESCRIBED ASSET INVESTMENT THRESHOLDS

- ❑ The 2019 National Budget Statement reviewed upwards minimum compliance thresholds for prescribed assets.
- ❑ The table below shows existing compliance thresholds and the new thresholds, which should be complied with by December 2019:-

Class of Business	Previous Minimum Compliance Thresholds	New Minimum Compliance thresholds
Short-Term (non-life) Insurers	5%	10%
Short-Term (non-life) Re-insurers	5%	10%
Life Assurers	7.5%	15%
Funeral Assurance	7.5%	10%



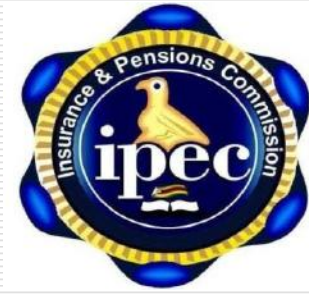
CHALLENGES FACING INSURANCE INDUSTRY

Constraints	Explanation	Required Action
Low levels of financial literacy	Low appreciation of insurance by majority of the populace including urban dwellers	<ul style="list-style-type: none">i. Continue conducting financial awareness activities in all provinces.ii. Market conduct supervision of insurance firms and enforce consumer education by insurers.
Weak corporate governance practices	Weak corporate governance practices in the industry due to outdated laws.	<ul style="list-style-type: none">i. Legal reforms in line with international best practicesii. Increased industry supervision and monitoring by IPEC.



CHALLENGES FACING INSURANCE INDUSTRY

Constraints	Explanation	Resolution
Low disposable incomes	Act as a barrier to insurance inclusion since insurance premiums are normally at the bottom of the ladder of people's budgets.	<ol style="list-style-type: none">I. Insurers to design low cost and affordable products for the low and irregular income groups.II. IPEC to contribute towards policy making for macro economic stabilization.
Unregistered players	The existence of bogus insurance companies, particularly funeral assurers and legal aid societies, among others.	<ol style="list-style-type: none">I. Conducting awareness campaigns to sensitize the public to only deal with registered players.II. Effective market supervision to get rid of bogus firms and the registration of players willing to comply with laws
Troubled institutions	Absence of a policyholder protection fund and an effective troubled institution resolution framework, thus exposing policyholders of failed insurance companies;	<ol style="list-style-type: none">I. Introduction of a policyholder protection fundII. IPEC to push for more legal reforms to give the Commission more power on resolution of troubled institutions.



WEATHER INDEX INSURANCE FRAMEWORK

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Development of guidelines to facilitate introduction of weather index based insurance products and their regulation.

Terms of references (ToR) drafted for approved by the IPEC Board.

Currently engaging the World Bank to conduct the study.

Thank You

