

Managing Short-Term Insurance Risks in Zimbabwe: Currency Mismatch, Repairer Dynamics & Operational Gaps

A Presentation to the Winter School Bulawayo 2026

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Learning Objectives – What We Will Cover

Currency Mismatch

1

Understand how the gap between ZWG-denominated policies and USD-priced motor parts creates insured value erosion, even during periods of low inflation.

Repairer Dynamics

2

Explore the liquidity challenge, exchange rate manipulation, delayed payments, and practical ways to manage repairer relationships effectively.

Operational Gaps

3

Identify risks linked to delayed reinsurance recoveries, premium non-payment, shortages of trained assessors, slow claims cycles, and weak SI 81 implementation — with mitigation strategies.

Zimbabwe's Current Insurance Landscape (2025–2026)

Inflation

Single-digit inflation (typically 5–8% year-on-year).
Hyperinflation is no longer the primary challenge.

Currency Environment

The official ZWG exchange rate operates alongside a parallel market, often with a 10–40% variance.

Policy Segmentation

USD policies settle in USD; ZWG policies settle in ZWG.
Policyholder currency disputes have largely reduced, but the interaction between USD and ZWG regimes creates its own challenges.

Regulatory Oversight

IPEC continues to enforce risk-based supervision, prescribed asset requirements, and insurer stress testing.

Zimbabwe's Current Insurance Landscape – Core Challenge

Market Reality

A significant number of policies are still written in ZWG, particularly from government/quasi-government institutions, while repairers source parts in USD and often transact at parallel market rates.

Core Challenge

The mismatch between ZWG claim settlements and the repairer's need for USD creates persistent operational and financial strain for insurers, reinsurers, and policyholders alike.

Topics Covered in This Presentation

1. Currency Mismatch Challenges 2. Repairer Exchange Rate Manipulation 3. Operational Gaps (Premium Delays, Slow Claims, Assessor Shortage)

Top Risk Heat Map – Risk Prioritisation

Risk	Likelihood	Impact	Rating
Currency mismatch	High	High	CRITICAL
Repairer pricing inflation	High	High	CRITICAL
Premium settlement delays	Medium	High	HIGH
Skills shortage	High	Medium	HIGH
Claims processing delays	Medium	Medium	MODERATE

Management Focus: Prioritise currency mismatch and repairer pricing inflation first — both are high-likelihood, high-impact risks.

Currency Mismatch

Value Erosion from ZWG Settlements & USD Parts Costs

Currency Mismatch – Value Erosion from ZWG Settlements & USD Parts Costs

The Structural Problem

- Repairers receive ZWG settlements
- Parts suppliers require USD payments
- Conversion to USD often happens at parallel market rates
- Insurers/Reinsurers lose 10–40% of value due to inflated claims during conversion

Current Market Reality

- USD policies settle in USD
- ZWG policies settle in ZWG
- Policyholder currency disputes have largely reduced
- However, the conversion gap between ZWG settlements and USD parts costs remains unresolved

Financial Impact of Currency Mismatch – What Does This Risk Cost Us?

Example: Motor Claim Leakage

Claim value (ZWG)	100,000
Parallel market distortion (+30%)	+30,000
True cost	130,000
Loss per claim	30,000

Annual Impact

500

claims/year

ZWG 15,000,000

total annual leakage

Key Insight: Currency mismatch is not theoretical — it is a direct, measurable profit drain on insurers and reinsurers.

Currency Mismatch – Settlement Delays & Value Erosion

Type A – Inflation Erosion During Claims Handling

4–5%

value erosion on an 8-month claim
at 6–8% annual inflation

Real Example

Motor accident in January – claim valued at ZWG 100,000. Paid in September (8 months later). Repair costs increased by 5% → repairer demands ZWG 105,000. Dispute follows.

Common Causes of Delay

Slow investigations

Reinsurer delays

Quotation expiry

Back-and-forth on repair
scope

Currency Mismatch – Settlement Delays & Value Erosion

Type B – Insurer Late Payment to Repairer After Work Completion

1

Repairer completes repairs
& submits invoice

2

Insurer takes 30–90 days to
pay

3

Repairer holds vehicle; cash
flow pressure

4

Policyholder frustrated;
repairer declines future
work

Real Example

Harare panel beater completed repairs in 2 weeks. Insurer paid after 75 days. Repairer retained vehicle for 60 days. Policyholder rented a replacement vehicle for 2 months and did not renew cover.

Key Insight: The insurer may not intend harm, but time and delay still create value erosion, customer frustration, and relationship breakdown.

Currency Mismatch – Repairer USD Deposit Demands

The Problem



Repairer refuses to order imported parts without a deposit — typically 50–70% of parts cost — demanded in USD or ZWG at the parallel market rate.

Insurer Limitation



Claims systems may only release ZWG at the official rate, while treasury may hold limited or no USD liquidity, making it impossible to meet the deposit requirement.

The Result



Parts are not ordered → repairs are delayed for months → policyholder frustration escalates → risk of non-renewal and reputational damage.

Repairer Dynamics – Exchange Rate Manipulation

The Problem

Repairers purchase parts in USD, but bill the insurer using a significantly wider USD/ZWG conversion rate to recover parallel market exposure.

Official Rate

1 USD : 26 ZWG

Repairer Billing Rate

1 USD : 36 ZWG

= 40% mark-up on every USD transaction

Result: Claims costs increase significantly for both insurer and reinsurer. The gap is compounding — affecting profitability, treaty capacity, and reserve adequacy.

Findings on Panel Beater Practice

1 Panel beaters keep multiple competitor invoices to benchmark and inflate their own quotes

2 Before quoting, repairers routinely ask: "Is this vehicle insured or not insured?"

3 Panel beaters often collude with insureds to load excess cost to the insurer

4 Difference between non-insured and insured vehicle repair costs can be as high as 20%

5 Panel beaters are increasingly reluctant to take jobs on ZiG-denominated policies

Human Behaviour as a Risk Driver – The Hidden Risk Factor

1

Policyholder–Repairer Collusion

Coordinated inflation of repair costs, with the insurer absorbing the excess

2

Inflated Quotations

Panel beaters routinely charge more when insurance is involved — up to 20% above standard rates

3

Misaligned Broker Incentives

Broker compensation structures may not always align with insurer profitability or risk discipline

4

Internal Inefficiencies

Slow internal approvals and lack of process discipline compound every other risk factor

"Insurance is often perceived as a deep pocket. Risk management must address behaviour, not just systems."

Operational Gaps

Premium Discipline, Assessor Shortages & Claims Cycle Weaknesses

Operational Gaps – Premium Settlement Delays & SI 081 of 2023

SI 081 of 2023

Cover only attaches after premiums have been received by the insurer or intermediary. Brokers must remit within 7 days; to reinsurers within 14 days.

Why It Was Introduced

To eliminate premium debtors, address the negative impact on industry financial standing, and enable quicker claims settlement.

Key Provision

Receipt of insurance premium is now a condition of a valid contract. Stiff penalties for non-compliance: suspension of licences, fines, or imprisonment.

Ground Reality

Credit is still being granted. Premiums remain outstanding for 30–60 days. Government-related entities sometimes exceed this further.

Implications of Continued Credit – The Domino Effect



IT'S A DOMINO EFFECT

A single breach in premium discipline cascades through the entire value chain — impacting claims, liquidity, and reinsurance treaty viability.

Operational Gap – Shortage of Trained & Experienced Risk Assessors

Short-term insurance underwriting depends on accurate risk assessment before a policy is issued. Without skilled assessors, insurers struggle to identify hazards, price risks correctly, or recommend effective loss-prevention measures.

Why This Is a Growing Risk

- Emigration of experienced assessors
- Limited local certification pathways
- Smaller insurers treat assessment as a cost, not an investment
- Emerging risks: solar, lithium batteries, mixed-use industrial sites

Consequences

- Adverse selection — poor risks accepted unknowingly
- Inconsistent pricing across the market
- Higher-than-expected claims experience
- Increased scrutiny in IPEC risk-based supervision reviews

Core Insight: Strong claims management cannot compensate for weak risk assessment. If insurers cannot evaluate risks properly at underwriting stage, profitability becomes difficult to sustain.

Practical Solutions – Claims, Currency & Repairer Payment Tools

Preferred Repairer Network

Contract selected panel beaters using pre-agreed USD/ZWG rates (RBZ rate + 5%) valid for 30–60 days. Limit automatic approvals to network repairers.

USD Deposit Facility

Maintain a USD reserve account (US\$20k–50k) specifically for repairer deposits. Release USD directly upon approved estimate and proof of parts order.

Claims Cycle KPIs

Set targets: 14 days for straightforward motor claims, 30 days for complex claims. Track per adjuster and report at management level.

Repairer Payment ≤ 14 Days

Target payment of all approved repairer invoices within 14 days of work completion. Monitor and report monthly.

Electronic Payment

Use RTGS or mobile money for immediate payment upon approval. Avoid cheque-related delays.

Monthly Reconciliation

Send monthly statements showing paid and outstanding claims balances to improve transparency and strengthen repairer relationships.

Practical Solutions – Reinsurance, Regulation & Fraud

IPEC Stress Testing

Run realistic scenarios combining moderate inflation (e.g. 10%), FX liquidity pressure, and a catastrophe event. Document operational and liquidity response plans.

Repairer Parts Matrix

Pre-negotiate maximum ZWG settlement values for common parts (bumpers, headlights, door panels). Reduces post-claim exchange-rate disputes.

Reinsurance Treaty Spot Checks

Regularly verify premium payments to reinsurers to ensure active reinsurance programmes. FX mismatch between insurer and reinsurer is a growing exposure.

Claims Analytics

Use data to identify fraud patterns, repairer abuse, and emerging concentration risks. Claims data is your early warning system.

Digital & Innovation Opportunities – Using Technology to Reduce Risk

Claims Automation



Faster processing, reduced manual bottlenecks and human error in the claims workflow

AI Fraud Detection



Identify inflated claims and repairer collusion patterns before payment is released

Mobile Claims Reporting



Photo documentation and geo-tagging at point of incident for faster, more accurate assessment

Repairer Portals








Enforce standard pricing via pre-agreed rate schedules; eliminate ad-hoc quotation inflation

Real-Time Dashboards: Claims turnaround time | FX loss tracking | Repairer performance scoring

Operational KPI Dashboard – What Should Be Measured

What gets measured gets managed

	Claims Turnaround Time Target: 14–30 days	TRACK
	Repairer Payment Cycle Target: ≤ 14 days	TRACK
	% Claims Settled in USD Track monthly	TRACK
	FX Loss Ratio per Claim Benchmark & trend	TRACK
	Assessor-to-Policy Ratio Maintain adequate cover	TRACK

Key Takeaways for Zimbabwean Short-Term Insurers

Time is a Hidden Cost



Even single-digit inflation erodes claim value when settlement takes months. Measure and reduce claims cycle times aggressively.

Pay Repairers Promptly



Prolonged payment delays damage trust, frustrate policyholders, and cost future business. A 14-day repairer payment KPI is non-negotiable.

Build USD Deposit Facilities



Repairer USD demands are not going away. Pre-fund deposit facilities and formalise preferred repairer agreements with fixed conversion-rate frameworks.

Reinsurance Treaty Discipline



Spot-check premium remittances to reinsurers. Gaps in treaty cover create existential exposure — especially in a catastrophe year.

Invest in Risk Assessment



Your front door is your first line of defence. Without skilled assessors, you underprice poor risks. Invest in training and standardised checklists.

Use Claims Data Proactively



Claims analytics is your early warning system. Identify fraud patterns, repairer abuse, and concentration risks before they compound.

The Core Message

"Zimbabwe's biggest insurance risk is no longer inflation — it is the interaction between currency, time, and operational discipline."

1

Speed

Claims settlement must be fast. Delay costs real money.

2

Currency Alignment

ZWG policies need USD bridging strategies.

3

Skilled Assessment

Invest in people — they are your underwriting defence.

Q&A and Discussion

Discussion Starters

What is the biggest short-term insurance risk your organisation is currently facing?

How are you managing value erosion on ZWG-denominated policies?

Has your organisation implemented a USD deposit facility? What has worked?

What is your average turnaround time for paying repairers after work completion?

How can the industry recruit, train, accredit and retain skilled risk assessors — and what role can IIZ play?

Thank you for your time, participation, and engagement.