



**INSURANCE & PENSIONS GUIDELINE ON
CONVERSION OF VALUES FROM ZWL TO
ZIMBABWE GOLD (ZIG)**

MAY 2024

Contents

1. Background.....	3
2 Authorisation	3
3 Scope of Application.....	3
4 Effective Date	4
5 Obligations	4
6 Conversion Requirements	4
7 Requirements on USD Business	5
8 Conversion of ZWL Assets to ZIG.....	5
9 General Principles on Insurance Liabilities.....	6
10 Guidance on Liabilities—Short Term Business	7
11 Guidance on Liabilities—Life Insurance Business	7
12 Guidance on Funeral Policies	8
13 Guidance on Micro-insurers	8
14 Principles on Conversion of Pension/Provident fund Business	9
15 Guidance on Defined Contribution Pension/Provident Funds.....	9
16 Guidance on Defined Benefit Schemes	10
17 Guidance on Fund Administrators	11
18 Requirements for sub-accounts	11
19 Communication	13
20 Complaints Handling	13
21 Guidance for Insurance Brokers	13
22 Guidance on levy payments and projections.....	14
23 2024 Quarterly returns	14

1. Background

- 1.1 On the 5th of April 2024, the Government of Zimbabwe promulgated Statutory Instrument (S.I.) 60 of 2024 “Presidential Powers (Temporary Measures) (Zimbabwe Gold Notes and Coins) Regulation, 2024.
- 1.2 The S.I. was an amendment of the Reserve Bank Act [Chapter 22:15].
- 1.3 The S.I. regulates the introduction of new local currency Zimbabwe Gold (ZIG), which shall be considered as legal tender in all transactions alongside any other currencies acceptable as legal tender in Zimbabwe.
- 1.4 The new currency was effective 5 April 2024 and all ZWL held in accounts by any banking institution was converted to ZIG by dividing the ZWL spot price of gold, which was derived by converting the USD spot price of gold as at 4 April 2024 using the ZWL rate on 5 April 2024.

2 Authorisation

- 2.1 This guideline is being issued in terms of Section 3 of SI 69 of 2020 which empowers the Commission to issue guidance on insurance and pension matters.

3 Scope of Application

- 3.1 The 2024 Insurance and Pensions guideline on currency conversions shall apply to the following entities: -
 - a. Insurance companies including reinsurers
 - b. Micro insurers
 - c. Pension funds
 - d. Provident funds
 - e. Insurance brokers, with respect to the reporting of their business and
 - f. Pension fund administrators.
- 3.2 The guideline shall not apply to any entity registered after the 5th of April 2024.

4 Effective Date

4.1 The effective date of this guideline shall be the 5th of April 2024.

5 Obligations

5.1 All insurers and funds are required to:

- a. Reconfigure their payment platforms to reflect the new currency. The reconfiguration of systems shall not set aside the obligation to maintain records of previous transactions in line with the Guideline on Record-Keeping Standards for the Insurance and Pensions Industry issued through Circular 40 of 2022.
- b. Update their accounting software and systems to consider the new ZIG currency.
- c. Offer their products and services in the new currency as from the 8th of April 2024.

6 Conversion Requirements

- 6.1 Every registered insurer or pension fund shall carry out conversion of assets and liabilities from ZWL to ZIG as at the 5th of April 2024, being the conversion date.
- 6.2 At conversion of currency from ZWL to ZIG, every insurer or fund shall apply the applicable and relevant accounting standards relating to a change of a functional currency.
- 6.3 The following conversion documents shall be submitted to the Commission by the 30th of June 2024: -
 - a. Conversion report from ZWL to ZIG for the period 1st January 2024 to 5th of April 2024.
 - b. Auditable financial statements as at the 5th of April 2024.
 - c. Asset register showing all assets before and after conversion of funds from ZWL to ZIG.
 - d. Any other documents that may be deemed appropriate.

6.4 All insurers and funds shall submit interim audited financial statements, certified asset register and signed actuarial conversion report (with audited opening converted values of assets and liabilities) as at 30 June 2024 by 31 August 2024.

7 Requirements on USD Business

7.1 All assets and liabilities in foreign currency shall be maintained in that currency and only be converted into ZIG amount for financial reporting purposes.

7.2 Liabilities that were in foreign currency before conversion from ZWL to ZIG shall remain in that currency post conversion and claims in respect of such business shall be settled in the same foreign currency that the premiums were made in line with Statutory Instrument 280 of 2020 Exchange Control (Exclusive Use of Zimbabwe Dollar for Domestic Transactions) (Amendment) Regulations, 2020(No.4).

8 Conversion of ZWL Assets to ZIG

8.1 All assets that were denominated in ZWL shall be converted into ZIG on the 5th of April 2024 as follows:

Money Market Investments including cash.

8.2 This will be converted into ZIG using the exchange rate provided by the Reserve Bank as at the 5th of April 2024, being 2 498.72. Professional due care must be taken when converting bonds to ensure that policyholders and pension fund members are not prejudiced.

Listed Equity

8.3 This will be valued in ZIG in line with ZSE adjusted ZIG prices which were published effective 8th of April 2024

Unlisted Equity

8.4 Unlisted equities values in ZWL terms shall be converted to ZIG using the exchange rate provided by the Reserve Bank on the conversion date.

Professional due care must be taken when converting unlisted equities to ensure that policyholders and pension fund members are not prejudiced.

Properties

- 8.5 Property values in ZWL terms shall be converted to ZIG using the exchange rate provided by the Reserve Bank on the conversion date. Professional due care must be taken when converting properties to ensure that policyholders and pension fund members are not prejudiced.

9 General Principles on Insurance Liabilities

- 9.1 Every insurer shall convert all ZWL in-force business into ZIG by adhering to the following principles:
- a. A contract that existed prior to the conversion of currency from ZWL to ZIG shall remain in the books of the insurer irrespective of its size.
 - b. Conversion of policies from ZWL to ZIG should be done fairly and should not result in policyholders' prejudice.
 - c. Review of any charges and or assumptions must be supported by comprehensive investigations and not merely because of currency conversion.
 - d. Insurers are encouraged to compute policy values at conversion in ZWL and convert to ZIG for the record using appropriate actuarial methods like policy alterations.
 - e. The full ZWL history of the policy should be kept for as long as:
 - i. the policy is still in force and thereafter as prescribed by the applicable regulations.
 - ii. the insurer is still required, by law, to keep the records of transactions for that policy.

10 Guidance on Liabilities—Short Term Business

- 10.1 All non-life insurance companies shall convert the following from ZWL to ZIG using the exchange rate provided by the Reserve Bank of Zimbabwe as at the 5th of April 2024.
- a. Any premiums not collected as of the 5th of April 2024 for business lines that are exempted from no premium no cover,
 - b. Outstanding ZWL claims and
 - c. Reserves such as Liability for Incurred claims (LIC) and Liability for Remaining coverage (LRC) among others.
- 10.2 Every insurer shall ensure that appropriate data and actuarial methods are used in estimating reserves such as the LRC and LIC.
- 10.3 Any assumptions made and modifications to data should be adequately documented and disclosed in the actuarial conversion report.
- 10.4 This section shall apply, with necessary changes to reinsurers.

11 Guidance on Liabilities—Life Insurance Business

- 11.1 Every life insurance company shall ensure that all liabilities, except where the contract was not issued in ZWL, are converted from ZWL to ZIG.
- 11.2 For all long-term contracts, the life insurer shall convert the premiums and sum assured from ZWL into ZIG using the conversion rates provided by the Reserve Bank of Zimbabwe.
- 11.3 The insurer shall not make any changes to the product features such as premium through the conversion process. Any insurer who intends to vary premiums or change product features under an existing policy shall apply to the Commission in line with Circular 17 of 2023.
- 11.4 For the purposes of reserving, ZIG cashflows shall be used to compute prospective reserves for the policies.
- 11.5 For contracts that have a direct link to the performance of the underlying assets such as investment contracts and unit linked contracts, the policy values shall be derived from the value of the underlying assets backing the unit-linked business.

12 Guidance on Funeral Policies

- 12.1 Every funeral assurer shall convert all ZWL policies into ZIG policies effective the 5th of April 2024.
- 12.2 Every funeral assurer shall convert the premiums and sum assured from ZWL into ZIG using the conversion rates provided by the Reserve Bank of Zimbabwe.
- 12.3 The insurer shall not make any changes to the product features such as premium through the conversion process. Any insurer who intends to vary premiums or change product features under an existing policy shall apply to the Commission in line with Circular 17 of 2023.
- 12.4 For the purposes of reserving, ZIG cashflows shall be used to compute prospective reserves for the policies.
- 12.5 All ZWL cash-in-lieu benefits that were not paid to policyholders as at the 5th of April 2024 shall be converted to ZIG using the RBZ conversion rate.

13 Guidance on Micro-insurers

- 13.1 Every micro-insurer shall convert all ZWL policies into ZIG policies effective the 5th of April 2024.
- 13.2 Every micro-insurer shall convert the premiums and sum assured from ZWL into ZIG using the conversion rates provided by the Reserve Bank of Zimbabwe.
- 13.3 The insurer shall not make any changes to the product features such as premium through the conversion process. Any insurer who intends to vary premiums or change product features under an existing policy shall apply to the Commission in line with Circular 17 of 2023.
- 13.4 For the purposes of reserving, ZIG cashflows for life policies shall be used to compute prospective reserves for such policies and appropriate data shall be used to compute any Liability for Remaining Coverage (LRC) and Liability for Incurred Claims (LIC) for any short-term contracts.

14 Principles on Conversion of Pension/Provident fund Business

14.1 All pension and provident funds are required to convert all ZWL benefits into ZIG by adhering to the following principles:

- a. A member or beneficiary that existed prior to conversion of currency from ZWL to ZIG shall remain in the books of the pension fund or provident fund.
- b. Conversion of member or beneficiary benefits from ZWL to ZIG should not result in generational transfer of assets from older to newer members of the fund and should be done fairly without prejudice to different members of the fund.
- c. Funds are encouraged to compute member values at conversion in ZWL and convert to ZIG for the record using appropriate actuarial methods such as discontinuance basis.
- d. The full ZWL history of each of member or beneficiary should be kept for as long as:
 - i. the member is still in fund and
 - ii. the fund is still required, by law, to keep the records of transactions for that member or beneficiary.

15 Guidance on Defined Contribution Pension/Provident Funds

15.1 Where a fund had ZWL contribution arrears, a conversion rate provided by the Reserve Bank shall be applied to obtain the ZIG equivalent contribution arrears on the conversion date.

15.2 The Board shall ensure that the ZWL contribution arrears have been adjusted for time value of money in line with the "Updated Guidance Paper" before conversion to ZIG.

15.3 The converted amount shall also be updated by applying the respective fund's bank overnight interest rate post the conversion up to the date of payment of these arrears to the Fund.

- 15.4 The Board shall put in place adequate measures to ensure the converted ZIG contributions arrears are received within reasonable time into the Fund.
- 15.5 The value of the member's benefits shall be converted into a ZIG benefit from ZWL using the exchange rate provided by the Reserve Bank of Zimbabwe.
- 15.6 Any undistributed reserves shall also be converted into ZIG from ZWL using the conversion exchange rate provided by the Reserve Bank of Zimbabwe.
- 15.7 Where the ZIG undistributed reserves are more than the fund's threshold or are more than 10% of the total liabilities, whichever is lower, the excess above 10% or above the fund's threshold shall be distributed to the members of the fund in a fair manner.
- 15.8 Section 15.7 above shall also apply to insured schemes under Guaranteed Funds.
- 15.9 Members exiting the fund at any point should be allocated a fair proportion of the undistributed reserve.
- 15.10 For contracts that have a direct link to the performance of the underlying assets, the member values shall be derived from the value of the underlying assets backing fund.

16 Guidance on Defined Benefit Schemes

- 16.1 Paragraph 15.1 to 15.3 of this guidance shall apply similarly to Defined Benefit schemes.
- 16.2 For members who retired immediately prior to the currency change, their benefit shall be converted to ZIG using the exchange rate prescribed by the Reserve Bank of Zimbabwe.
- 16.3 Every Defined Benefit fund shall estimate its liabilities as at the date of currency conversion using the prescribed formula as per its registered rules.

- 16.4 Any ZWL funding deficit that arises from the conversion valuation should be converted into a ZIG funding deficit and be met by the employer either:
- a. As a lump sum payment, or
 - b. Regular payments for a period not beyond 2030.
- 16.5 The Board of the Fund should put in place adequate measures to ensure that the actuarial deficit is cleared by the employer by 2030.
- 16.6 In subsequent actuarial valuations, career average defined benefit schemes shall use the average salaries derived from the following to estimate its liabilities:
- a. average ZIG salaries since the introduction of ZIG for the **period** up to the valuation date or
 - b. the average salaries for the **period** prescribed in the rules of the fund whichever period is the minimum.
- 16.7 Where the actuary considers that the average of salaries up to the valuation date indicated in 16.6 (a) above produces a funding level that is low relative to the fund's circumstances, appropriate adjustments shall be made and adequately disclosed to reflect the appropriate funding level for the fund.
- 16.8 Where an actuary adjusts the funding level based on his judgement, he or she shall document and disclose the rationale for such adjustments.

17 Guidance on Fund Administrators

- 17.1 Every fund administrator shall convert its assets and liabilities from ZWL into ZIG using the conversion factor provided by the Reserve Bank of Zimbabwe
- 17.2 Every fund administrator shall ensure that all pension funds under its administration have converted assets and liabilities from ZWL to ZIG on the 5th of April 2024.

18 Requirements for sub-accounts

- 18.1 This section amends Section 14 and 15 of the Updated Guidance Paper on the requirements for sub-accounts.
- 18.2 Effective 5 April 2024, sub-account 1 and 2 shall be combined provided that: -
- a. The insurer or pension fund obtained approval on its Guidance Paper submissions from the Commission for all years from 2019 up to 2023.
 - b. The insurer or the pension fund implemented the approved Guidance Paper submissions by crediting approved bonuses in both accounts to the members in the respective accounts.
- 18.3 Effectively for insurers or pension funds that satisfy the two conditions in 18.2 (a) and (b), only two sub-accounts are required from 5th of April 2024 namely:
- a. **Sub-account A:** This account is for all ZIG assets and liabilities. The assets and liabilities from ZWL sub-account 1 and sub-account 2 will be transferred into this sub-account. Any undistributed reserves from ZWL sub-account 1 and sub-account 2 shall be distributed fairly to members.
 - b. **Sub-account B:** This account is for USD assets and liabilities and is being maintained from the previous sub-account 3.
- 18.4 For avoidance of doubt, an insurer or pension fund whose Guidance Paper was not approved for all years up to the 31 December 2023 shall not combine sub-account 1 and sub-account 2 until the Commission has approved such submissions in writing.
- 18.5 Actuarial reports and audited financial statements should clearly show the assets and liabilities in the ZIG sub-account A and the USD Sub-account B.
- 18.6 Every insurer or pension fund is required to keep proper records for all sub-accounts (1 & 2) since 31st of December 2018 up to the 5th of April 2024 for a minimum period prescribed at law following termination of a contract.

19 Communication

- 19.1 Every fund or insurer shall inform its members/policyholders of their conversion values from ZWL to ZIG on the 5th of April 2024.
- 19.2 Every fund shall inform its members of their conversion benefits as well as the new contribution rates.
- 19.3 All insurers shall make full disclosure of the ZIG sum assured and corresponding premiums to all policyholders.

20 Complaints Handling

- 20.1 Every registered insurer or fund shall ensure that there is a transparent complaints handling mechanism relating to the conversion exercise from the ZWL to the ZIG currency.
- 20.2 The complaints should be resolved in a timely manner and policyholders and pension fund members have the right to escalate their complaints to the Commission.
- 20.3 Every registered fund or insurer shall keep a register of all complaints received and how each of them was resolved.
- 20.4 The completed register shall be submitted to the Commission on a quarterly basis, accompanying the corresponding quarterly returns or as and when required to do so.

21 Guidance for Insurance Brokers

- 21.1 Every insurance broker shall ensure that all ZWL premiums in its trust account(s) are converted to ZIG effective 5th of April 2024.
- 21.2 Any premiums that were in the trust account shall be remitted to the insurer in the prescribed manner and timelines.
- 21.3 The ZWL assets of the insurance broker shall be converted to ZIG in accordance with Section 8 of this Guideline.

22 Guidance on Levy Payments and Projections

22.1 Every registered entity shall ensure that all levy payments to the Commission continue to be done in the currency in which premiums are received.

22.2 All outstanding ZWL levies shall be converted into ZIG using the conversion factor provided by the Reserve Bank of Zimbabwe.

23 2024 Quarterly Returns

23.1 All entities are required to submit the first quarter returns denominated in ZWL considering that transactions for the first quarter of 2024 predate the pronouncements of currency change of the 5th of April 2024.

23.2 For second quarter returns, entities will be required to submit their returns in ZIG. To ensure comparability, entities will be required to resubmit their first quarter returns in ZIG with the quarter ending date of 5 April 2024 using the spot rate of the 5th of April being ZW\$1: ZIG2,498.72. The second quarter ZIG returns will, therefore, be from 6 April – 30 June 2024.

23.3 Therefore, on submission of second quarter returns the first quarter return will be deemed to end on the 5th of April 2024.