IPEC Amendment Bill

Practical Implications and Case Studies

By Tafadzwa Chiduza
FIA, CERA

16 January 2025

Agenda

1. Case Study 1: Asset Register and Asset Disposal Notifications

2. Policyholder and Pensions and Provident Funds Protection Fund

3. Medical Aid Societies

Case Study 1: Asset Register and Asset Disposal Notification

Asset Register and Asset Disposal Notification

The Commission to keep and maintain asset register for all regulated entities

Disposal of assets from the register will require a 14 days notice period

Independent valuation report and reasons for the disposal

Interest of policyholders and pensions or provident fund members.

What this may potentially mean….

Intense work for long term insurers and pension schemes compared to short term players (100% risk remain with shareholders)

Frequent submission of asset registers to IPEC; almost real time.

Enhanced disclosures with regular exercises such as asset and income splits.

Independent valuations of different assets have to be carefully planned to meet the timelines.

More administrative burden for service providers such as Pension Fund Administrators.

Potential gaps and challenges e.g tracking assets and income

Past Asset and Income Split exercises faced challenges;

- Most asset management schedules/reports are not automated (some shared in hard copy)
- Handling different asset managers inputs
- Data inaccuracies
- Handling of unpaid contributions
- Most information management systems are foreign and do not have provisions to support intensity of exercise (Past and going forward)
- Dealing with multiple sub-accounts (A and B)
- Etc

Claxon Actuaries

Case Study 2: Policyholder and Pensions and Provident Fund Members Protection Fund (“4Ps Fund”)

Policyholders and Pension Protection Fund

- Will be a “body corporate” hence independent of IPEC

- Will be made up of various revenue contribution sources (23F(2));

- The objectives of the Fund;
  - Compensate Policyholders and Pension Schemes in the event of insolvency of contributor insolvency.
  - Payout unclaimed benefits to rightful owners.

Contributions to the Fund

- **Insurers, pensions, provident or retirement annuity fund;**
  - **Likely inapplicable for DC schemes but more for DB schemes and Hybrid schemes. For DC, benefits are not defined unless compensation targets missed contributions or similar.**
- **Amount of contributions to be prescribed;**
  - **Likely to reflect risk of insolvency of contributor**

Compensation

- When contributor becomes insolvent
- Amount of compensation from Fund;
  - Unlikely to be 100% of prejudice but could be capped in case of large losses
  - Take into account other payments from contributor.
- Ineligibility
  - Claims before Fund establishment
  - A policy of reinsurance

Select Case Studies: Kenya

- Kenya; PHCF
  - Policyholder Compensation Fund (since 2005)
  - Is a State Corporation under the MoF established through the legal Notice No.105 of 2004
  - Focuses on insurers only
  - Amended in 2019 to remove insolvency as a key condition but broaden to cover financial distress.
  - Has a cap of KSh250,000 (US$2,000)
  - Both Policyholder and Insurer contribute 0.25% each of the premium payable by the policyholder

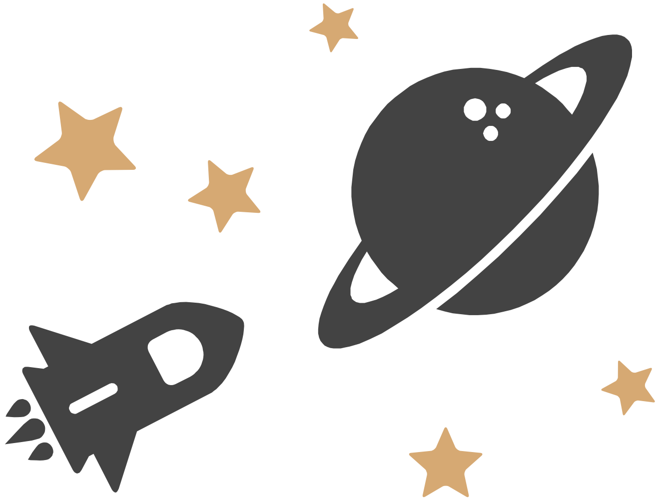
Select Case Studies: UK

- UK; PPF
  - Pension Protection Fund (PPF)
  - Established through The Pension Act 2004
  - Is a statutory fund
  - Focuses on DB schemes when sponsoring employer becomes insolvent.
  - Funded by levies from eligible schemes;
    - Scheme based levy: based on scheme size
    - Risk based levy: assesses ER's insolvency risk, scheme's underfunding risk and investment risk
  - Have a special Financial Assistance Scheme (FAS) for schemes which were ineligible to join PPF (Jan 1997-April 2005-Funded by Government Treasury)

Medical Aid Societies

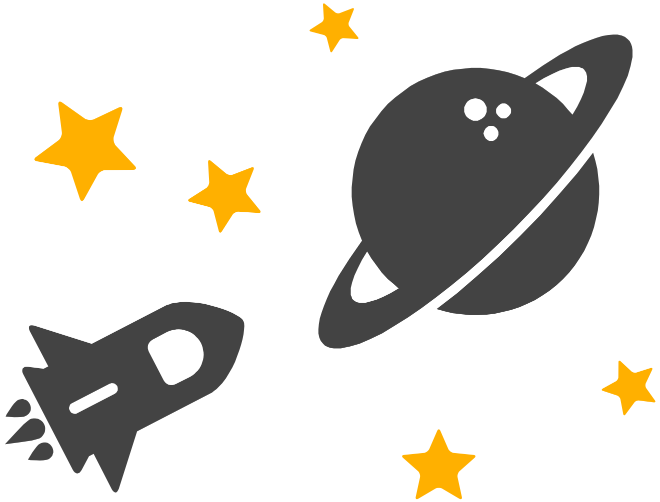
Potential governance issues to anticipate

- Enhanced regulatory involvement around financial conduct
  - Harmonizing of regulatory filings with those of insurers.
  - Appointment of Valuators/Actuaries and other key service providers. For valuators, the following could be expected as output;
    - Carrying out annual actuarial valuations to assess financial soundness of the schemes
    - Annual analysis of adequacy and sustainability of contributions
    - Exercises to project financial soundness of the schemes into the future.
    - Risk assessments
    - Product innovation sign-offs



THANK YOU

Contact Us



[website: https:\\claxonactuaries.com](https://claxonactuaries.com)

Tafadzwa Chiduza
FIA(UK), CERA(UK), MSc. Data Science & AI (France), BCom (Hons.) Actuarial Science (Zim)
Managing Director and Engagement Actuary
Past President: Actuarial Society of Zimbabwe
Email: tafadzwa.c@claxonactuaries.com
+263 772 525 742