

The Voice Of **Life.**

Vol.01

LOAZ NEWSLETTER

**OUR
STORY**



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**Life
Offices
Associations**
of Zimbabwe

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01

A Word From The Secretary General

"Through this newsletter, we hope to facilitate collaboration and knowledge exchange among our members, policymakers, regulators, and other stakeholders."



MAVUKENI RUFAI
SECRETARY GENERAL

Dear esteemed members, stakeholders, and industry enthusiasts,

I am thrilled to announce the launch of "The Voice of Life," the quarterly newsletter of the Life Offices Association of Zimbabwe (LOAZ). As the Secretary General of LOAZ, it is my honour to introduce this platform that will serve as a vital communication tool to promote knowledge sharing, industry updates, and foster collaboration within our vibrant life assurance sector.

Firstly, allow me to provide a brief overview of LOAZ and its mission. LOAZ stands as the reputable representative body of life assurance companies in Zimbabwe, dedicated to advancing the interests of our members, enhancing industry standards, and championing financial security for our fellow citizens. Our collective vision is to foster an inclusive and thriving life assurance industry that plays a pivotal role in the economic growth and stability of our nation.

One of the primary objectives of LOAZ is to address the challenge of low industry penetration, which currently stands at a mere 3%. We recognise that this represents a significant untapped potential for both the industry and the population at large. Through "The Voice of Life," we aim to actively contribute to the development and growth of the life assurance sector, addressing barriers to entry, educating the public, and promoting a culture of financial protection.

In each edition of the newsletter, we will delve into various aspects of industry development, exploring innovative strategies, industry trends, regulatory updates, and best practices. Our esteemed

contributors, including industry experts, thought leaders, and LOAZ members, will share their insights and expertise, providing a comprehensive overview of the industry landscape and its potential.

"The Voice of Life" will serve as a platform for raising awareness about the benefits of life assurance and the critical role it plays in safeguarding financial futures. By disseminating valuable information and engaging with our stakeholders, we aim to stimulate public interest, dispel misconceptions, and foster an environment conducive to increased industry penetration. Through this newsletter, we hope to facilitate collaboration and knowledge exchange among our members, policymakers, regulators, and other stakeholders. By pooling our collective wisdom and expertise, we can identify opportunities, tackle challenges, and collectively drive the industry forward.

I encourage all stakeholders to actively engage with "The Voice of Life" by contributing articles, sharing success stories, and providing feedback. Together, we can shape a vibrant life assurance industry that meets the diverse needs of our fellow Zimbabweans, empowers financial inclusion, and contributes to the socioeconomic well-being of our nation.

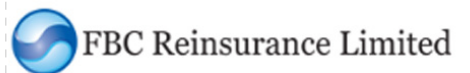
Thank you for your continued support, and I look forward to a fruitful journey of exploration and growth with "The Voice of Life."

LIFE OFFICES ASSOCIATION OF ZIMBABWE



02 OUR MEMBERS

“Our goals are ambitious and can only be met in partnership with others. We work with a range of partners that help us achieve change on a global scale.”





03

The compensation for the 2009 loss of value

the government has indicated its limited ability to provide substantial funding for this endeavour, except for potential dividends from the Kuvimba Mining Company.



Currently, life insurance companies and pension administrators are seized with formulating proposals for compensating policyholders who have suffered financial losses. However, there is apprehension regarding whether this process will effectively achieve its intended objective of providing adequate compensation to those who have experienced devaluation of their policies. The pivotal question that arises is the precise amount that will be disbursed to policyholders.

This inquiry carries immense significance as it has the potential to either bolster or erode the trust between the insurance industry and its valued clientele. A meagre payment of \$10 per policyholder, for instance, may not only prove inconsequential but also serve to exacerbate the existing discontent between the industry and its customers. The capability of pension administrators to offer substantial compensation remains uncertain. Our investigations suggest a prevailing inclination to commit to a payment without adequately addressing the crucial matter of the quantum of compensation.

According to the findings outlined in Justice Smith's report, the industry bears 36% of the liability for the incurred damages, while the government, including regulatory authorities, bears 64% of the responsibility. Regrettably, the government has indicated its limited ability to provide substantial funding for this endeavour, except for potential dividends from the Kuvimba Mining Company. However, it is evident that such funds would prove insufficient. Furthermore, the prospect of Kuvimba Mining Company being sold raises additional concerns regarding the availability of adequate funds for compensation.

LOAZ suggests that the issue of determining the amount of compensation is of paramount importance, as it has the potential to significantly impact the success or failure of our collective efforts. Hence, acquiring clarity on the anticipated payments from pension administrators and the contribution expected from the government at the earliest possible juncture is crucial.

In similar circumstances observed elsewhere in the world, governments -

more substantial role. An example from the United States of America and Germany provides valuable insights for Zimbabwe as it grapples with the issue of ensuring pension benefits are safeguarded.

In the United States, the Pension Benefit Guaranty Corporation (PBGC) is a federal government agency that steps in to pay pension benefits when a private-sector defined benefit pension plan terminates without enough funds to cover its liabilities. This government-backed mechanism helps protect pension scheme members from losing their promised benefits when their employer becomes insolvent. Similarly,





03

The compensation for the 2009 loss of value

continued



the Pensions-Sicherungs-Verein (PSVaG) is a private-law institution that provides protection for occupational pension schemes. It is funded through mandatory contributions from all companies that offer occupational pensions, effectively creating a safety net for pension scheme members when their employer faces insolvency.

These examples illustrate how governments can play a crucial role in safeguarding pension benefits and mitigating the impact on individuals when pension schemes face financial challenges or collapse. By implementing similar mechanisms, potentially with a combination of private and public sector involvement, Zimbabwe could enhance the security and stability of its pension system, ensuring that retirees and pension scheme members are not left vulnerable during times of crisis. Studying these international best practices and exploring how they can be adapted to the Zimbabwean context could provide valuable insights and guidance as the government and relevant stakeholders work to address the pressing issue of pension compensation-

and protection. Leveraging such experiences from other countries can help Zimbabwe develop a more robust and reliable pension system that instils confidence and provides a safety net for its citizens.

It is important to note that each country's approach to addressing financial crises and compensating affected individuals may vary based on their specific circumstances, legal frameworks, and available resources. The experiences of these countries serve as valuable lessons and potential models to consider when determining the appropriate role of the government in providing compensation in similar situations.

It is imperative that we approach the issue of compensation with the utmost gravity, recognising that the determination of the amount to be paid by pension administrators and the government will significantly shape our collective endeavours. Acquiring comprehensive insights into the roots of the value losses experienced prior to 2009 will further contribute to a more nuanced understanding of the situation at hand.



04 The Voice of Life's view of how value was lost in 2009.

"The aftermath of this transition mirrors the consequences of a declared national disaster, necessitating government intervention and assistance."

To fully comprehend the dynamics of value loss in 2009, it is essential to delve into the investment options available to our members when they received premium payments. At that time, they had four primary avenues for maximizing client benefits:

Property Investments:

Regulatory guidelines permitted the allocation of up to 45% of assets towards property investments. Historically, properties have acted as a safeguard for preserving value. However, it is important to note that the realizable value of properties hinges on rental income, and unfortunately, a significant number of properties have been operating at only 50% capacity since that period.



Cash Reserves:

Cash holdings, typically kept in banks to fulfil maturing obligations, presented an intriguing aspect. While the life insurance and pension industries are often held accountable for value loss, a closer examination reveals that a substantial portion of cash was lost elsewhere. Approximately three to four years after 2009, the monetary authorities opted to demonetize existing money balances. Irrespective of the magnitude of funds held, everyone was compensated with a mere US\$5. Consequently, substantial value was undoubtedly eroded. Surprisingly, the loss of value incurred within banking institutions often goes unaddressed when discussing the overall picture.

Equities via the Zimbabwe Stock Exchange:

Following the transitional period in 2009, equity trading briefly ceased. When trading resumed a few months later, all shares were revalued to US\$0.01, resulting in an immediate devaluation for some equities struggling to regain their pre-transition worth. To this day, certain counters have failed to reclaim their pre-dollarization levels, representing a lasting impact on their value.

Bonds, Including Government Issued: Bonds, both privately and primarily government-issued, were not exempt from the impact of the value erosion. Consequently, the value of bonds plummeted, adversely affecting investment portfolios. Taking these factors into account, The Voice of Life asserts that the transition from the local currency to the US dollar in 2009 was a national disaster that warrants appropriate recognition. The aftermath of this transition mirrors the consequences of a declared national disaster, necessitating government intervention and assistance. Just as we mobilize support in response to a declared natural disaster such as a drought, it is crucial to acknowledge that pensions post-2009 are emblematic of a national disaster. Our pensioners face extraordinary challenges as a result.

By recognising the gravity of the situation and framing it within the context of a national disaster, we can advocate for the necessary aid and support from relevant authorities and stakeholders. Addressing the plight of our pensioners becomes a collective responsibility, akin to responding to any other calamity that befalls our nation.



05

Currency issue and economic stability.

"The launch of the ZIG was anticipated to bring about a positive change in the country's fortunes"

The downward spiral of the Zimbabwean dollar, which began in the 1990s and culminated in the dollarization of 2009, marked a significant turning point. The subsequent reintroduction of the local currency in 2018 and its replacement with the ZIG in 2024 reflect a tumultuous journey. However, it is crucial to reflect on whether we have learned any lessons from these currency conversions.

Regrettably, the Voice of Life believes that the nation continues to face challenges in effectively managing its currency. This chronic inability to handle our currency has had far-reaching consequences, particularly in terms of long-term investor planning and the eroding confidence in pensions and insurance policies. retirement portfolios. The value losses experienced in 2009, 2018, and 2024 (in relation to ZWL business) have left retirees with little-



retirees with little to nothing in their retirement portfolios.

The launch of the ZIG was anticipated to bring about a positive change in the country's fortunes. However, economists express concerns that insufficient resources have been allocated to adequately support the new currency. The Voice of Life anxiously awaits the performance of the ZIG, as its success or failure will ultimately determine the fate of the pensions and insurance industry.

In conclusion, it is vital for us to acknowledge the recurring challenges in currency management and their profound impact on the financial well-being of individuals and the industry. By addressing these issues and implementing effective measures, we can strive to restore confidence, protect the interests of pensioners, and ensure the viability of the pensions and insurance sector in our country.



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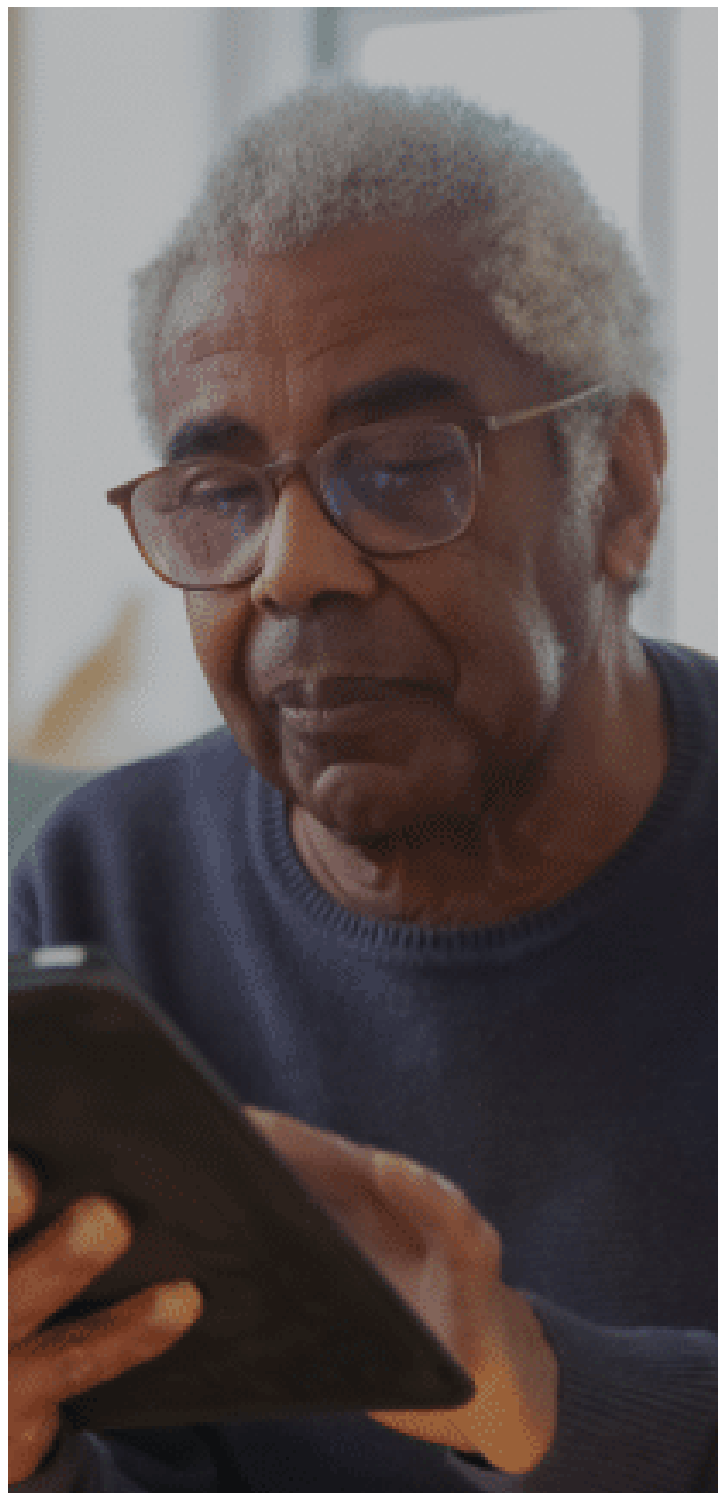
The Pensions replacement ratio of Zimbabwe

“ What is the average replacement ratio in Zimbabwe? “

The Voice of Life recognises the significance of the pensions replacement ratio, which measures the income a retiree receives upon retirement compared to their pre-retirement income. For instance, if someone's last working month's income is \$100 and their initial retirement income is \$60, their replacement ratio would be 60%. This ratio can be calculated on an individual level as well as for the entire nation. Ideally, a replacement ratio of 60% is considered appropriate. However, many developed nations surpass this benchmark, with some boasting replacement ratios exceeding 100%, meaning retirees enjoy higher income in retirement than during their working years.

The crucial question that arises is: What is the average replacement ratio in Zimbabwe? Surprisingly, The Voice of Life believes that as a nation, we are unaware of this figure, primarily due to the absence of a comprehensive study on the subject. Who should undertake this study? Perhaps the industry, Actuarial Society, regulator, or government should take the initiative. However, it is indisputable that decisions and strategies are being made blindly without a clear understanding of our replacement ratio. The Voice of Life contends that our national replacement ratio could be alarmingly low, potentially as low as 30%. This stark reality is one of the reasons why we have labelled this industry a national disaster.

In conclusion, shedding light on the average replacement ratio in Zimbabwe is of utmost importance. Conducting a thorough study to determine this figure will provide valuable insights for policymakers, industry stakeholders, and individuals planning for their retirement. By addressing this critical issue, we can work towards mitigating the current challenges and ultimately reshape the landscape of pensions and insurance in our nation.





07

Hatirase mbereko nekufirwa/ Akulahlwa mbeleko ngokufelwa.

In conclusion, The Voice of Life emphasises that even in these challenging times, the fundamental need for insurance and pensions persists. Regardless of the difficulties we face as a nation, the need for life, pensions, funeral, business, and health coverage remains crucial. Therefore, The Voice of Life encourages everyone to engage with our life insurance and pension administration companies to discover the innovative products and solutions our industry has to offer.

Despite the hurdles we may encounter, there is hope. Our industry is dedicated to providing essential financial protection and security, ensuring that individuals and businesses can navigate uncertain times with confidence. Let us remain resilient and proactive in safeguarding our futures by exploring the diverse range of insurance and pension options available to us.

Together, we can overcome challenges and build a brighter future, fortified by the support and stability provided by the insurance and pensions sector. The Voice of Life urges you to take the first step and discover the opportunities that await.





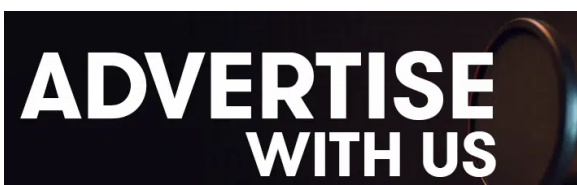
08 Call for Articles and Advertisements

We are excited to announce that The Voice of Life is now accepting submissions for the upcoming issue that will be published on 1 August 2024. This issue will focus on the latest trends, innovations, and best practices in the life insurance industry.

We invite authors, industry experts, and thought leaders to submit well-researched and insightful articles. In addition to the call for articles, we are also offering advertising opportunities to life insurance providers, service providers, and relevant technology companies. This is an excellent platform to showcase your products, services, and thought leadership to a highly engaged audience of life insurance professionals and decision-makers.

The submission deadline for article and advertisements is July 25, 2024,

ADVERT	DESCRIPTION
Full Page	USD 250
Half Page	USD 125
Quarter Page	USD 80
Custom Package	Tailored to your specific marketing and branding objectives. Please contact our team to discuss your requirements and get a personalised quote.




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