



DEC '11/JAN '12 EDITION

CONSUMER EDUCATION BULLETIN

YOU SPOKE, WE LISTENED
FREQUENTLY RECEIVED COMPLAINTS

LOOK BEFORE YOU LEAP!
WHAT TO LOOK FOR BEFORE SIGNING CONTRACTS

HIV AND INSURANCE
WHAT YOU NEED TO KNOW

SHORT TERM TIPS, LONG TERM BENEFITS
SHORT TERM INSURANCE DEFINED

THE FUNNY SIDE OF FINANCE

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FROM THE EDITOR'S DESK

This year will be regarded as a roller-coaster year by many due to the various positive and negative developments that took place. I will however not delve into the negative aspects (given the jovial mood that most of you might be in as we approach the festive season and New Year) but rather look at the good and positive developments.

During this year, we successfully launched our Consumer Education Bulletin and this is the third edition already. The uptake of our Consumer Education Bulletins has been positive and this can be attested to by the fact that we increased the number of bulletins printed and distributed. On another positive note, NAMFISA was able to move closer to the finalisation of the much talked about Financial Institutions and Market (FIM) Bill. As previously mentioned in our second edition (August 2011), the Bill will transform the non-bank financial sector in many aspects as it will give more regulatory powers to NAMFISA and bring about regulatory efficiency. Having said that, there will be more provisions regarding consumer protection and I am sure this is something that all consumers will welcome.

As we approach the festive season, we mostly forget that it is merely the end of the year and that another year is approaching. In this case, we are even more challenged to ensure that we enter the New Year on a financially positive note by making sure that we spend our hard-earned money wisely by budgeting for whatever we want and leaving some funds in our saving kitty for those unforeseen expenses.

Although I try my utmost best not to provide advice but educational information, I nevertheless have to caution you to ensure that you make the necessary arrangements and provisions to safeguard your valuable assets in case of emergency (burglaries, theft, injury etc). In this regard, we will look at the topics on insurance (Life Insurance: Non-disclosure and Exclusion clauses - and short-term insurance) so that you know what insurance entails and your rights and responsibilities.

On that note, we again encourage you to follow our educational bulletins that we will publish and distribute on a quarterly basis through various distribution partners and stakeholders. Our distribution partners have an interest in promoting financial literacy and capability in the country. Therefore, fasten your financial seat belts as we take you through this quarterly ride!

Have a Blessed Christmas and a Prosperous New Year!!!





Phillip Shiimi

FROM THE CEO'S OFFICE:

Why NAMFISA Regulates And Supervises Financial Institutions

- NAMFISA regulates and supervises financial institutions.
- Regulation and Supervision of financial institutions are a distinctively different set of activities in the same process of ensuring that the financial sector in Namibia is orderly, reliable and delivers quality products and services; remains fair and transparent, performs effectively and efficiently its economic intermediary role, and most importantly it instills confidence, attracts and retains current and prospective local and international participation and investment.
- Regulation entails the setting of an appropriate legal framework (laws, regulations, standards, directives, etc) setting the rules of engagement in the sector. On the other hand, supervision of financial institutions entails the implementation, monitoring and enforcement of the regulations.
- NAMFISA was established in terms of and draws its mandate from the Namibia Financial Institutions Supervisory Authority Act (Act No. 3 of 2001).
- It administers eleven Acts which give it powers to regulate and supervise the following industries and/or entities:
Pension funds, unit trusts, friendly societies, micro and money lenders, the Stock Exchange and its brokerage communities, medical aid funds, long-term and short-term insurance companies and associated agents and brokers, investment or asset management companies.
- The role and quality of regulation and supervision of financial institutions performed by NAMFISA is particularly important in the Namibian context as it constitutes a catalytic and facilitation components to the achievement of national objectives and aspirations as articulated in Vision 2030. In addition, NAMFISA's functions play a pivotal role to the fulfillment of human rights as enshrined in our constitution. This entails amongst others freedom of choice, fair treatment and the right to be heard when aggrieved.
- As far as national objectives are concerned, NAMFISA regulates and supervises the financial institutions in a manner that encourages inclusion and access to financial services by the large number of Namibians who do not have access. In the same vein NAMFISA ensures consumer protection in light of the limited financial literacy and consumer activism in the country.
- The regulation and supervision is critical to ensuring that there is a savings and financial investment culture in the economy, thereby creating wealth and availing funds for investment opportunities in the real sector of the economy. This in turn will enhance economic growth and development and ultimately assist to reduce the prevailing high unemployment rate.
- As far as confidence in the financial sector is concerned, NAMFISA ensures that only credible financial institutions are allowed to remain operating in the economy. This is done through licensing and prudential regulations and supervision of financial institutions by setting and enforcing regulations aimed at financial soundness with the view to ensuring that such entities will be able to honour their financial obligations to the investing public.
- Through market conduct regulations and supervision, NAMFISA ensures consumer protection. In the absence of a Financial Ombudsman, NAMFISA has established a Complaints Department which looks into grievances presented by consumers. NAMFISA investigates these grievances with the view to bringing settlement.
- In conclusion, NAMFISA's regulatory and supervisory role is critical for the achievement of the effectiveness and efficiency of the financial sector, alleviation of poverty and reduction of unemployment, protection of consumers, enhancing consumer financial literacy, and attainment of Vision 2030.

You spoke, we listened...

What consumers complain about

NAMFISA has a dedicated Complaints Department whose objective is to investigate consumer complaints within the non-bank financial services sector. We decided to provide you (the consumer) with examples of some of the types of complaints lodged at NAMFISA in order for you to have a better understanding of cases handled by the Department on a regular basis.

Firstly, there are numerous reasons why consumers of financial services and products lodge complaints against financial services providers. These complaints mostly arise as a result of dissatisfaction in service or product delivery (or a lack thereof, i.e. non-service/product delivery), a misunderstanding in the terms and conditions of the contract, or as a result of non-cooperation from one of the contracting parties to fulfill their contractual obligations.

Types of complaints:

- **Over-charging:** This happens when a client is over-charged in terms of the agreed repayment amount, or when interest rates have been increased without the knowledge and consent of the consumer.
- **Extended repayment period:** Where a client's repayment period is extended without his or her knowledge and consent.
- **Non-payment of insurance benefits:** This usually happens when an insurance company fails to pay benefits out as per the insurance contract. For example, sometimes the insurance company refuses to pay the benefits out due to outstanding documents, outstanding premiums or failure to comply with the terms and conditions of the policy contract.
- **Warranties and Guarantees:** An example of this would be hire purchase outlets refusing to accept liability over items sold which become faulty during the warranty or guarantee period. However the customer must ensure that they comply with the terms and conditions of the warranty contract.
- **Contract not explained to customer:** In this case, the customer alleges that the contract terms and conditions were not explained to them clearly (see next page: 'What to look out for when entering into a financial contract'). In this instance, it is very difficult to "escape" liability since you (the client) are assumed to have understood the content of the contract before signing it.
- **Non-disclosure:** This happens when a customer enters into a contract but fails to disclose important information relating to the assessment of risk, such as disclosing previous medical conditions or medical history.

With regard to the above, it is VERY important that the customer understands the content of the contract as well as his or her rights, and more specifically his or her responsibilities when dealing with financial institutions or intermediaries.

As much as it is the right of the consumer to complain, it is also their duty to ensure that they comply with the terms and conditions of the contract. Therefore the consumer is encouraged to contact the Complaints Department on the validity of their complaint.

Contribution by NAMFISA Complaints Department

““You never realise how short a month is, until you have to make monthly repayments.” - Anonymous

What to look out for when entering into a financial contract



Below is a list of issues that you should consider when entering into a financial contract. Apart from what is listed below, ensure that you READ the whole contract and that all information contained in the contract (and the proposal forms) is accurate, and that you UNDERSTAND it. If you do not understand the language, have the details explained to you in a language that you understand.

For an insurance contract one must pay particular attention to the following:

1. The type of insurance offered: is it what you need?
2. The cover/benefit provided: is it enough, insufficient or too much?
3. When the contract will pay out: do you understand the circumstances under which you may claim?
4. When the contract will NOT pay out: do you understand any loadings, excesses or exclusions?
5. The premium amount: is it what you agreed?
6. Changes in the premium: will the premium increase or stay fixed, and how does this affect your benefits?

For a loan contract one must pay particular attention to the following:

1. The loan amount: is it correct?
2. Other charges: do you understand them?
3. The rate of interest: what is it and how will it be calculated?
4. Repayment: what is the repayment period and installment amount?
5. Penalties: how much are the 'late fees' and other penalties?

For a retirement product (pension funds, retirement funds, preservation funds, provident funds, retirement annuities, etc), one must pay particular attention to the following:

1. Maturity period: when will your benefits become due?
2. Access: will you have access to the funds before the benefits are due, and if so when and for how long?
3. Lump sum: what portion of the benefit will be paid directly to you on the due date?
4. Remaining benefits: what happens to the portion that might be retained?
5. Death: what happens to the benefits should you die before the due date?
6. Dependents: how much will your loved ones get should you die early in retirement?

Remember that it is difficult to reverse a contract once you have signed it. Your signature is proof that you understood the content (terms and conditions) of the contract or proposal when you signed it.

Contribution by NAMFISA Legal Department

Life Insurance

HIV/AIDS Testing: What you need to know

Introduction

NAMFISA receives numerous complaints with regard to life insurance companies refusing to pay out benefits due to "exclusion clauses" or "non-disclosure". During the analysis of the complaints received, it transpired that clients would enter into contracts without understanding the terms and conditions of such contracts, resulting in their intentions not being achieved i.e. leaving their loved ones financially unprotected or even themselves (depending on the type of insurance policy).

As part of NAMFISA's objectives to protect the public's interests and educate consumers, we hereby bring you enlightening information in the form of this article whereby we answer the frequently asked questions on this topic:

1. "What does the exclusion clause entail?"

It is a specified clause that eliminates coverage for specified events like dread diseases such as cancer, TB, heart illnesses or HIV/AIDS in an insurance policy contract. There are different ways in which insurance companies may apply the exclusion clause in respect of different insurance products (life cover, funeral and other riders), for example in the case of HIV testing. If you refuse to go for an HIV test and this is required for the insurance cover, death resulting from an HIV/AIDS related illness will most probably be excluded from payment.

2. "Non-disclosure: what does it mean?"

Exclusion clauses as explained above, should however not be confused with "non-disclosure". Non-disclosure refers to the client who for one or other reason does not disclose any material information like his or her existing medical condition or medical history to the insurer at the contracting stage.

It is very important that you carefully read, understand and answer all the questions correctly and honestly. It is your duty to make sure that you tick the appropriate box or column by providing relevant applicable information to assist the insurer in assessing your risk. This will ensure that you receive the right cover and are charged the right premium. Should you provide wrong answers or misrepresent yourself, the insurer reserves the right to terminate the contract or repudiate (refuse) your claim.

3. "What is a cooling off period?"

Upon acceptance of your proposal for insurance, a policy contract will be sent or given to you containing insurance terms and conditions. It is an accepted standard or norm that you are given a 30 day "cooling off" period to go through the policy contract and verify the information. Within the 30 day cooling off period, you have the right to cancel, amend or continue with the contract. If after the 30 day period you do not communicate anything to the insurance company, it will be assumed that you agreed to the terms and conditions and the policy will continue as such.

4. "Will an insurance policy cover me and pay out if I have cancer, TB or HIV?"

Yes and no. The policy will only pay out in accordance with the terms and conditions as stipulated in the contract agreement. If you disclose all the necessary information regarding your HIV, TB or cancer condition at the contracting stage and the contract clearly states that you will be covered, then the insurer must live up to their obligation



““The reason people are living longer is because they are forced to: by the longer 30 year mortgages.” - Anonymous

and pay you out. If you however did not disclose all the information, the insurer may decide not to pay you your insurance benefits based on non-disclosure.

5. "What must I do to avoid disputes at the claim stage?"

It is very important that you understand the insurance products' terms and conditions before signing the contract. Seek assistance where applicable in order to fully understand the extent of the Exclusion clause or any other type of clause(s) so that there are no disputes at the claim stage.

6. "What should I do if I do not understand (or am not sure) of the exclusions in my policy?"

In this case, we advise you to revert back to your insurer or financial advisor to have them explain the contract to you so that you better understand what the future holds for you in terms of your policy. You can alternatively also ask someone knowledgeable (a friend, colleague, spouse etc) to read through the contract with you and explain to you what you might not understand.

7. "Are exclusion clauses illegal or unconstitutional?"

By its nature, an insurance contract is about the transfer and distribution of risk. Insurance law is therefore mainly concerned with the principles of contract and cannot be dealt with in terms of any other principles. By virtue of Article 140 of the Namibian Constitution, the common law of contract in force at Independence remains in force until repealed or amended by an Act of Parliament or declared unconstitutional by a competent Court.

In layman's terms, the above basically means that medical exclusions in life insurance policies are not outlawed or declared unconstitutional by any Court. There is thus no law compelling an insurer to take on any risk and this decision rests entirely with the insurer.

It may be unlawful not to honour payments from policies to HIV-positive people who passed away because of unrelated causes such as a car accident.

8. "Should I feel I have been unfairly treated, where can I go for help?"

If you feel that you have been treated unfairly (refusal to pay out insurance benefits etc), you can contact NAMFISA's Complaints Department and submit a formal complaint. The complaint will be assessed to determine whether it is a genuine complaint or not and thereafter investigated accordingly.

Contribution by NAMFISA Life Insurance Department

Understanding Short-term Insurance

"Does NAMFISA provide insurance cover to companies and individuals?"

Namibia Financial Institutions Supervisory Authority (NAMFISA) supervises the short-term insurance industry in terms of the Short-term Insurance Act (Act No. 4 of 1998) supported by the Short-term Insurance Regulations. All short-term insurance companies and intermediaries must be registered with NAMFISA to be able to solicit short-term insurance business.

The purpose of the Short-term Insurance Department is to regulate and supervise short-term insurance companies, brokers, agents and re-insurance brokers and companies.

Short-term insurance business means any transaction the main objective of which is assuming the risk under any class of short-term insurance business and includes re-insurance business.

The Short-term Insurance Act provides for eight classes of business as indicated below:

- (1) Fire
- (2) Marine
- (3) Aviation
- (4) Vehicles
- (5) Guarantee
- (6) Miscellaneous
- (7) Personal
- (8) Co-insurance business

What is a short-term insurance broker?

A short-term insurance broker is registered in terms of section 53 of the Short-term Insurance Act (Act No. 4 of 1998). It is a natural or legal person who on behalf of any other person negotiates short-term insurance business other than re-insurance business with one or more insurers, but does not include an insurance agent or an employee of an insurer unless the remuneration of that employee comprises commission.

What is a short-term insurance agent?

A short-term insurance agent is registered in terms of section 53 of the Short-term Insurance Act (Act No. 4 of 1998). It is a natural or legal person who on behalf of one or more insurers solicits short-term insurance business or performs any act relating to the receiving of proposal forms for such business or the issue of policies or the collection of premiums in respect of such business, but does not include an employee of an insurer unless the remuneration of that employee comprises commission.

What do clients need to know?

An insurance intermediary (agent or broker) advises his or her clients and arranges their insurances and although he or she acts as the agent of the client, their remuneration is commission based from the insurer whose products they sell. An insurance broker is a full-time specialist with professional skills in handling insurance business.

Any client must verify if an insurance company, broker and agent is registered with NAMFISA because all registered entities are provided with a NAMFISA license to operate as intermediaries and must provide original proof of registration. Clients should make sure that they understand the terms and conditions of each policy they accept and it is not wise to sign a policy that is not well understood.

"A budget is a mathematical confirmation of your suspicions."
- Anonymous



Contribution by NAMFISA Short-term Insurance Department

The funny side of finance

MEMORABLE QUOTES TO PONDER

- "I'm as poor as a church mouse, because my wife has divorced me for another mouse and taken half my cheese." - Rowan Atkinson ('Mr Bean')
- "Money isn't the most important thing in the world. Love is. Fortunately, I love money!" - Jackie Mason

GOLDEN WORDS OF WISDOM

- "Those who expect Money to do everything, will do everything for Money." - George Savile, Complete Works, 1912
- "The safe way to double your money is to fold it over once and put it in your pocket." - Frank Hubbard
- "The real measure of your wealth is how much you'd be worth if you lost all your money." - Author Unknown
- "It's good to have money and the things that money can buy. But it's good, too, to check up once in a while and make sure that you haven't lost the things that money can't buy." - George Horace Lorimer
- "Your money, or your life." We know what to do when a burglar makes this demand of us, but not when God does. - Mignon McLaughlin, The Second Neurotic's Notebook, 1966
- "Inflation is when you pay 15 dollars for the 10-dollar haircut you used to get for 5 dollars when you had hair." - Sam Ewing
- "A bank is a place that will lend you money if you can prove that you don't need it." - Bob Hope
- "Always borrow money from a pessimist, he doesn't expect to be paid back." - Author Unknown
- "If you lend someone \$20, and never see that person again, it was probably worth it. - Author Unknown

WOMEN VS MEN

Women still live longer than men. Women who reached the age of 65 in the year 2000 are expected to live, on average, an additional 19.2 years compared with 15.8 years for men... so, start thinking about your retirement savings now!

WHERE WILL YOU BE AT 65?

- For every 100 people, 65 years from birth:
- 25 will be dead (mostly from poor health)
 - 20 will have annual incomes below the poverty line
 - 51 will have annual incomes that fall around the median range
 - 4 will have annual incomes in the upper levels that can be defined as 'financially successful'

Source: U.S. Department of Health and Human Services (1990)



PAST EDUCATIONAL ACTIVITIES



Okahandja Street theatre.



School activations in Gobabis (Epako Secondary School), July 2011.



Our stand at the 2011 Windhoek Show.



Okahandja school activations (OSSS), July 2011.

IN OUR NEXT EDITION:

We invite you to follow our Consumer Education Bulletins as in our next edition we will be bringing you information on how capital markets work, the medical aid industry and pension funds. We will also bring you some interesting interviews and comments from the industry.

For comments on any article in this Bulletin, please feel free to contact us at: NAMFISA Consumer Education Department, P.O. Box 21250 Windhoek or SMS to 3030* or e-mail: consumer@namfisa.com.na *normal SMS charges apply

“For some people, the hour they save during the annual Winter Time Change is the only thing they save all year.” - Anonymous

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