

CIRCULAR

NO. MC/CCD/1/2026

**TO: ALL REGISTERED LONG-TERM INSURERS
ALL REGISTERED LONG-TERM INSURANCE AGENTS
AND BROKERS
NAMIBIA INSURANCE ASSOCIATION
NAMIBIA INSURANCE BROKERS ASSOCIATION**

DATE: 20 FEBRUARY 2026

EFFECTIVE DATE: WITH IMMEDIATE EFFECT

**SUBJECT: INSURABLE INTEREST AND OVER-INSURANCE
RELATING TO FUNERAL INSURANCE POLICIES**

1. INTRODUCTION

1.1. This Circular is issued by virtue of the functions and powers of the Namibia Financial Institutions Supervisory Authority ("NAMFISA") under the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001) ("NAMFISA Act") and the powers of its Chief Executive Officer in his capacity as the Registrar of Long-term Insurance ("the Registrar").

1.2. This Circular is applicable to all registered long-term insurers, long-term insurance agents and long-term insurance brokers (hereinafter referred to as "intermediaries") under the Long-term Insurance Act, 1998 (Act No. 5 of 1998) ("LTI Act").

1.3. This Circular serves to remind all registered insurers of their ongoing obligation to act in good faith and apply sound insurance practices and methods, as required by the LTI Act. These measures are intended to mitigate consumer harm and reduce the risks of fraud associated with over-insurance and insufficient verification of insurable interest in funeral policies.

2. BACKGROUND AND REGULATORY CONCERN

2.1. The Registrar has observed an increase in complaints and supervisory concerns regarding the procurement of funeral insurance cover that appears to enable potential gain for policyholders or beneficiaries in circumstances not reasonably connected to the loss suffered by the policyholder or beneficiary upon the death of the life assured.

2.2. The Registrar further notes that certain insurers verify whether an insurable interest exists only at the claims stage. This practice increases the risk of creating a moral hazard, misrepresentation, and disputes at the claims stage, and may hinder insurers from executing their duty to conduct insurance business in good faith.

2.3. The Registrar has also identified that, in the absence of effective system controls and verification methods, multiple funeral policies may be issued on the same life assured by an insurer, over and above the applicable product limits or underwriting caps. This practice results in policyholders paying premiums in respect of benefits that insurers may ultimately refuse to pay on the basis that the relevant product limits or underwriting caps have been exceeded. The said practice can be perceived by policyholders as not being in good faith. Additionally, insurers often place the responsibility on policyholders to determine whether the said limits or caps have been breached, despite the fact that the necessary information resides with the insurers themselves and not necessarily with the policyholders.

3. DEFINITIONS (FOR PURPOSES OF THIS CIRCULAR)

3.1. “Insurable interest”, in relation to funeral insurance business, means a relationship or interest recognized in law and practice as giving rise to a legitimate expectation of loss, expense or responsibility, upon the death of the life assured, sufficient to justify the issuance of a funeral policy.

3.2. “Over-insurance”, in relation to funeral insurance business, means the issuance or maintenance of funeral cover on a life assured in a manner that results in total funeral benefits exceeding applicable product limits or underwriting caps.

4. APPLICABLE LAW

4.1. In section 1 of the LTI Act, the terms “funeral insurance business” and “funeral policy” are defined as follows:

“funeral insurance business” means the business of providing or undertaking to provide policy benefits under funeral policies;”

““funeral policy” means a contract in terms of which a person, in return for a premium, undertakes to provide on the death of a particular person policy benefits, not exceeding such amount as may be prescribed, consisting mainly of the provision of a funeral for the deceased person or the granting to another person of some other non-monetary benefit, whether or not the policy provides for -

(a) the payment, at the option of the insurer or the reinsurer or any other person, of a sum of money instead of the provision of such funeral or the granting of such other non-monetary benefit; or

(b) the payment of a sum of money in addition to the provision of such funeral or the granting of such other non-monetary benefit,

and includes a reinsurance policy in respect of such a contract.”

4.2. Section 25 of the LTI Act requires every registered insurer to carry on insurance business in good faith and to employ sound insurance practices and methods consistent with its memorandum of association and articles of association or its regulations, as the case may be.

4.3. In terms of section 67 of the LTI Act, any person who *inter alia*, makes any statement, promise, or forecast knowing it to be misleading, false, or deceptive, or willfully conceals any material facts, or negligently makes any statement, promise, or forecast which is misleading, false, or deceptive, for the purpose of inducing or attempting to induce any person to enter into, offer to enter into, or refrain from entering into a domestic policy with a registered insurer, or to exercise or refrain from exercising rights under such policy, shall be guilty of an offence and on conviction be liable to a fine not exceeding N\$15 000 or to imprisonment for a period not exceeding two years or to both such fine and such imprisonment.

4.4. In terms of section 69(b)(i) of the LTI Act, any registered insurer who contravenes or fails to comply with the provisions of section 25 shall be guilty of an offence and on conviction be liable to a fine not exceeding N\$150 000 or to imprisonment for a period not exceeding 10 years or to both such fine and such imprisonment.

4.5. Under the common law, intermediaries must perform their duties towards policyholders and/or clients with due care, skill, and diligence, including acting in the best interests of clients and ensuring that material product information, limitations, and applicable consequences are clearly disclosed.

5. MEASURES TO ADDRESS THE REGULATORY CONCERNS

5.1. Considering the abovementioned regulatory concerns and in line with the duties of long-term insurers and intermediaries, it is incumbent upon all registered long-term insurers and intermediaries to establish appropriate mechanisms to prevent the occurrence of over-insurance as it relates to funeral policies. The required mechanisms may include, but are not limited to, the following:

5.1.1. Verify insurable interest at policy inception: Every registered long-term insurer and intermediary must implement and apply appropriate measures to verify whether insurable interest exists before:

5.1.1.1. Issuing a funeral policy;

5.1.1.2. adding a life assured/beneficiary to an existing funeral policy, or

5.1.1.3. making a material amendment to or replacing an existing funeral policy.

5.1.2. Mechanisms to prevent over-insurance: Every registered long-term insurer and intermediary must establish and maintain effective mechanisms to prevent the occurrence of over-insurance relating to funeral cover, which must include, at a minimum:

5.1.2.1. documented underwriting and onboarding rules that are designed to verify the existence of insurable interest at policy inception;

5.1.2.2. controls such as internal duplicate-policy detection systems to identify potential duplication of cover on the same life assured within the insurer's portfolio;

5.1.2.3. clear disclosure to current and prospective policyholders of any applicable limits, underwriting criteria, and consequences of exceeding applicable limits;

5.1.2.4. conduct periodic audits of active policies to identify excessive policy stacking and policies lacking sufficient insurable-interest records.

5.1.3. No issuance of insurance policies beyond applicable limits: Insurers or intermediaries must refrain from soliciting, negotiating or entering into or maintaining funeral insurance contracts where applicable limits have been reached.

5.2. All registered long-term insurers are requested to provide the Registrar, by no later than 29 May 2026, with confirmation by their board of directors of the following:

5.2.1. that internal policies, procedures, and system controls have been revised and implemented in accordance with this Circular; and

5.2.2. that the board of directors has considered evidence of implementation (including training, monitoring, and testing) and is satisfied that the measures are effective.

5.3 Insurers and intermediaries are further requested to retain adequate records demonstrating the measures taken in accordance with this Circular (including insurable interest checks and disclosures) and must provide such records to NAMFISA upon request.

5.4. Where a funeral policy is marketed, sold, or administered through an intermediary, the registered long-term insurer remains ultimately responsible for taking appropriate measures in accordance with this Circular, including verification of insurable interest and prevention of the occurrence of over-insurance.

For further information or clarification regarding the above, please do not hesitate to contact Mr. Samuel Zeraua at telephone number (061) 290 5058 or via e-mail at szeraua@namfisa.com.na.

Yours sincerely,



Kenneth S. Matomola
REGISTRAR OF LONG-TERM INSURANCE