

Prohibition of Conditional Selling of Insurance Products



What You Need to Know About Conditional Selling

For your best interest and protection, Namibian laws prohibit abusive practices. In this context, the Long- and Short-term Insurance Acts prohibit Conditional Selling of Insurance products. Therefore, financial institutions are prohibited from practicing conditional selling to their customers.



What is Conditional Selling?

Conditional selling can be defined as an illegal practice whereby a financial institution puts a consumer into a position where he or she is expected to obtain a product or service from institutions such as insurance companies, banks, furniture stores, motor dealerships and microlenders as a condition for obtaining another product or service from the bank or microlender (financial service provider). These practices include:

1. A financial service provider not asking a client whether they already have a required product before offering a new one;
2. If a client does not have a required product – a service provider not informing the client of their right to shop around for the best possible price; and
3. Instances whereby a financial service provider insists on not accepting relevant products offered by non-affiliate entities or entities with which it has a contractual arrangement.

Examples of conditional selling are depicted below to better define this illegal practice:

Your bank tells you that you qualify to get a home loan from them. However, the bank also tells you that it will only approve the home loan if you take out insurance with an insurance company that is affiliated to that specific bank.

The microlender (cash loan providing entity) tells you that you qualify to get a cash loan from them. However, the microlender also tells you that it will only approve the loan if you take out an insurance policy with an insurance company that is affiliated to that specific microlender.

Your estate agent has shown you a house that you would like to buy. You qualify for a loan at your bank, but your estate agent insists that in order for the transaction to be successful and fast, you must approach a specific bank with which he has good relations.

A car dealer offers you a very affordable deal on a car that you would like to buy. The same car is priced higher at other dealerships. In order for you to sign on the dotted line, the car dealer informs you that the loan can only be submitted to a specific bank of his choice. He also insists that if you approach your own bank for a loan, the price will increase significantly.

The above scenario illustrates conditional selling which is against the law. If you qualify for a loan, your microlender or bank is not allowed to put pressure on you to take out insurance with a specific insurance company of its choice as a condition of obtaining the cash loan, home or vehicle loan that you have applied for. The bank is supposed to ask if you already have an existing product which is a prerequisite for you to get the loan. You may already have that product with another financial institution and it may therefore be cheaper or more cost-effective to cede that product to the bank to obtain a loan.

The financial service providers' (i.e. microlenders, banking institutions, etc.) representative should give you the option to shop around for cheaper insurance products or cede an existing one which will cost you much less than taking out a new one.



What Does This Mean for You as a Consumer?

You should be allowed to choose your own insurer from the beginning of an insurance-related transaction. If you are denied that right, you should report it to NAMFISA, and the persons or entities can be found guilty of conditional selling.

Please ensure that you have the name and position of the institution's representative as well as the date and time of your encounter with the representative. Also request an explanation in writing as to why your existing product cannot be accepted by a financial service provider. You are encouraged to bring all this information to NAMFISA for investigation and possible punishment in terms of the law.

If representatives of a bank or other financial institutions are found guilty of conditional selling, they can be fined up to N\$15 000 or be imprisoned for a period of up to two years, or both.



NAMFISA's Commitment to You?

As part of NAMFISA's commitment to protect consumers of financial services in Namibia, and to enforce the law, the Authority expects all financial institutions under its supervision to comply with the law by not engaging in conditional selling. We urge you to inform us if you believe that you have experienced conditional selling in any of your dealings with any financial institution.



How Can You Help to Fight Conditional Selling?

It is incumbent upon every responsible citizen of this country to know their rights as far as financial services are concerned, insist on their rights and report any representative of financial institution violating their rights.

Consumers are encouraged to report such violations to:

The Registrar of Long-term and Short-term Insurance or call our Complaints Department at: 061 290 5000 (main) or 061 290 5133 (Ms Marina K. Ishidimbwa) or 061 290 5207 (Ms Hilka Alberto), Fax: 061 290 5122; for online complaints e-mail to complaints@namfisa.com.na; visit our website at www.namfisa.com.na or visit us at: 6th Floor, Alexander Forbes House, 27 Fidel Castro Street, Windhoek.

* NAMFISA treats all information obtained from the public with confidentiality.

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