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OVER-INSURANCE AND LACK OF INSURABLE INTEREST RELATING TO FUNERAL POLICIES

The Namibia Financial Institutions Supervisory Authority (NAMFISA) exists to supervise financial institutions and financial services and to advise the Minister of Finance on matters relating to financial institutions and financial services in terms of the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001) (the NAMFISA Act).

This Public Notice is issued by virtue of NAMFISA's functions and powers in terms of the NAMFISA Act and those of its Chief Executive Officer in his capacity as the Registrar of Long-term Insurance in terms of the Long-term Insurance Act, 1998 (Act No. 5 of 1998).

NAMFISA's Concern: Increasing Abuse of Funeral Insurance Cover

NAMFISA has observed a worrying rise in practices that may amount to unethical conduct, involving funeral insurance policies, particularly where individuals:

- Take out funeral policies under circumstances where such individuals have no insurable interest in the life assured;
- Hold multiple or duplicate policies in respect of the same person for the purpose of financial gain;
- Exploit funeral insurance cover products that are intended to provide dignity, not profit, at the time of bereavement.

The aforesaid practices pose significant risk of consumer harm, undermine confidence in the insurance sector and constitute misuse of financial products that are designed to support families during a time of loss.

Appropriate measures to be taken by Insurers and Intermediaries

NAMFISA issued a Circular to all long-term insurers and intermediaries on appropriate measures to be taken to address and prevent the continuation of the aforesaid practices within the funeral insurance cover market, which include the following:

a) Insurers to verify Insurable Interest at the time of issuing an Insurance Policy

A relationship that gives rise to an insurable interest must exist between the prospective policyholder and the life to be assured for an insurance policy to be issued. No insurance policy must be issued by an insurer without verifying the existence of an insurable interest.

b) Insurers to Implement Controls to Prevent Over-Insurance

Insurers must develop internal mechanisms to detect, prevent, and reject excessive or duplicate funeral insurance cover on the same life assured.

c) Insurers to Inform Policyholders of Benefit Limits

Policyholders must receive clear, meaningful information about the insurance policy, including:

- Applicable benefit limits
- Eligibility requirements
- Conditions under which claims may be rejected

These measures are aligned with NAMFISA's consumer-protection mandate and its commitment to fair treatment of consumers of financial services.

NAMFISA's Ongoing Interventions

NAMFISA is actively engaging registered insurers where concerns of over-insurance, misrepresentation, or unethical sales practices have been detected and will not hesitate to exercise applicable enforcement powers in cases of non-compliance.

Guidance to Consumers

Consumers are encouraged to:

- Only purchase funeral insurance cover from registered insurers and intermediaries.
- Request insurers and intermediaries to fully disclose benefit limits, terms, and policy conditions.
- Refrain from taking out insurance policies for individuals in respect of whom they have no insurable interest.
- Report any form of misrepresentation, coercion, or suspicious sales behavior by insurers or intermediaries to NAMFISA.

Consumer Recourse Mechanism

NAMFISA plays a critical role in protecting consumers of financial services from unfair treatment by financial institutions, including:

- Assisting consumers in resolving disputes with insurers, brokers, agents, and other entities within the financial services sector.
- Investigating complaints relating to misconduct, misrepresentation, unethical sales practices, and regulatory non-compliance.
- Seeking to ensure that financial institutions treat customers fairly, transparently, and responsibly.

Consumers who believe that they have been misled, unfairly treated, or are exposed to unethical funeral insurance practices are encouraged to contact NAMFISA for assistance.

For further information or to lodge a complaint, please contact NAMFISA at:

Telephone: +264 (61) 290 5000
Email: consumer@namfisa.com.na
Website: www.namfisa.com.na
Postal Address: PO Box 21250
Windhoek
Physical Address: Ground Floor, Gutenberg Plaza
51-55 Werner List Street
Windhoek, Namibia

For enquiries about this Public Notice, you may contact:

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Kenneth S. Matomola

REGISTRAR: LONG-TERM INSURANCE