NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

CONSUMER EDUCATION BULLETIN

JUNE 2017

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LET'S TALK MONEY HONEY

NEW
WEBSITE
www.educates.namfisa.com.na

IN THIS ISSUE WE TALK ABOUT MONEY LAUNDERING, TRUST FUNDS AND HOW THE CREDIT BUREAU WORKS FOR YOU.

CONSUMER EDUCATION BULLETIN

June '17

Mission

To effectively regulate and supervise financial institutions and to give sound advice to the Minister of Finance.

Vision

To have a safe, financially stable and fair financial system contributing to the economic development of Namibia in which consumers are protected.

Values

WE ARE COMMITTED TO TEAMWORK

- We create a conducive and enabling work environment
- We have a shared urgency to achieve our vision
- We support each other, treat each other with respect and are collectively responsible for our actions

WE ARE PASSIONATE ABOUT SERVICE

- We provide quality service
- We provide our service on time
- We are courteous, professional and respectful

WE ACT WITH INTEGRITY

- We act with honesty, fairness and transparency
- We treat information confidentially
- We act independently and consistently

WE DRIVE PERFORMANCE EXCELLENCE

- We commit to regulatory and supervisory excellence
- We commit to operational excellence
- We commit to the highest standards of performance

WE ARE ACCOUNTABLE

- We are accountable to our customers and stakeholders
- We are prudent in the management of our resources
- We take accountability for our decisions

WE ARE AGILE

- We commit to be adaptable to our changing environment
- We commit to embrace change whilst maintaining regulatory certainty
- We commit to creating innovative solutions

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WHAT YOU DO TODAY CAN IMPROVE ALL OUR TOMORROWS.

- Ralph Marston

FROM THE CEO'S OFFICE

The Authority is embarking on a journey of regulatory reform with particular emphasis on modernising the current laws and regulations to keep abreast with best practices in the Non-Banking Financial Institutions (NBFI) regulatory and supervisory sphere. This reform will enable the Authority to implement a Risk Based Approach to supervision which will ensure better utilisation of its limited resources, and focus on the key risks pertaining to the sector. The underlying reason for this is to protect our national economy and in turn the consumer.

Fourteen (14) strategic objectives have been set in order to adequately address them, through focused initiatives during the current strategy period 2017- 2022.

We have identified three overarching themes that will drive the new Organisational Strategy namely:

Transformation, Stakeholder Engagement and Operational Efficiency.

That will be elaborated on your next Consumer Education Bulletin. (September Edition 2017)

Our mission to effectively regulate and supervise financial institutions and give sound advice to the Minister of Finance remains while our vision has been amended to have a safe, stable and fair financial system contributing to the economic development of Namibia in which consumers are protected.

Consumer protection remains a vital component of our daily operations at the Authority. It is important that as consumers of financial services and products that you know your rights and responsibilities. I would like you to particularly pay attention to the malpractices that we as the regulator would point out through the different mediums.

To ensure that the Authority achieves its vision, not only the updated legislation should be in place, but the processes, skills and systems should be enhanced to ensure that operational efficiency is achieved.

Our Strategic Bulletin that is shared on our newly revamped website www.namfisa.com. na is the first step in the journey towards sharing the Authority's plan and its implementation.

Pleasant reading,

Kenneth Simataa Matomola
Chief Executive Officer

FROM THE EDITOR'S DESK

We have launched a Consumer education website just for you. Click on www.educates.namfisa.com.na to access information that is relevant for you. Your brand new Consumer education website is aimed at ensuring you get the required information as a consumer of financial services and products to know your rights and responsibilities.

NAMFISA works tirelessly to ensure that our consumers are protected hence on our newly amended Vision we added the aspect of consumers to be protected.

This edition is another educative publication with information that will enhance your financial decisions. You can read articles ranging from Anti Money Laundering, Unit Trust funds, Investing basics, and rate if you are over and under insured.

A wise man once said," Knowledge is power"- and reading this article and sharing the information with loved ones is by far a powerful way to arm yourself with financial information.

You can also read and learn more about what a medical aid fund is and if Telemarketing of insurance products is right, while being aware of your legal obligations especially for a retirement fund.

NAMFISA's complaints handling service is FREE OF CHARGE. That means consumers of financial services can lodge complaints with NAMFISA directly and their relevant complaints will be investigated accordingly. You can complain for free with NAMFISA by dialling our toll free number 0800290500
Wishing you a happy reading

Victoria Muranda
Editor

ANTI MONEY LAUNDERING

HOW DO WE MINIMISE RISK OF FINANCIAL INSTITUTIONS DE-RISKING US?

> **It's how you deal with failure that determines how you achieve success.**
>
> - David Feherty

Generally, "de-risking" refers to situations where Financial Institutions (FIs) cease to provide all or certain types of services to their customer(s). De-risking can also mean FIs leaving relationships with and closing the accounts of customers considered "high risks". This refers to high risk for Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF) activities.

In short, if an FI is under the impression that having a customer(s) presents a high risk of ML/TF/PF, such FI can decide to stop or minimise the services it provides to such a customer. This is sadly an emerging trend in both banking and non-banking financial sectors. This article provides an understanding for why FIs consider de-risking and some considerations for customers of financial services to minimise the potential of de-risking.

1. Why do Financial Institutions consider de-risking customers?

Usually, if FIs do not receive satisfactory information about a customer, they are bound to have lesser information with which they can manage relevant risks that customer may expose them to. If such a ML/TF/PF risk is deemed intolerable (or too high) for the FI, they can sometimes consider to de-risk or stop providing services to that customer.

The Financial Intelligence Centre and the Namibia Financial Institutions Supervisory Authority do not encourage de-risking at all, for various reasons such as its potential to undermine national financial inclusion objectives i.e. the delivery of financial services at affordable costs to sections of disadvantaged and low-income customers. It is however accepted that the FIs have a duty to strike the right balance between advancing financial inclusion and mitigating relevant risks they are exposed to. It is within the context of striking this balance that de-risking has emerged locally and internationally.

FIs have authority in terms of the Financial Intelligence Act 2012 (Act No. 13 of 2012) (The FIA) and other laws, to request for information that they deem necessary to help protect their businesses and the entire financial system from ML/TF/PF activities. According to the FIA, FIs may request for such information in the following circumstances, amongst others:

- When a business relationship is being established or a single transaction is to be concluded by that customer;
- When transactions are concluded in the course of the business relationship (if some information was not obtained in the beginning of the business relationship); and
- When the FI sees a need to request for more information in respect of certain or all business relationships, including maintaining adequate current and up-to-date information and records relating to customers and beneficial owners (that are its customers).

2. What the Financial Institutions expect from customers?

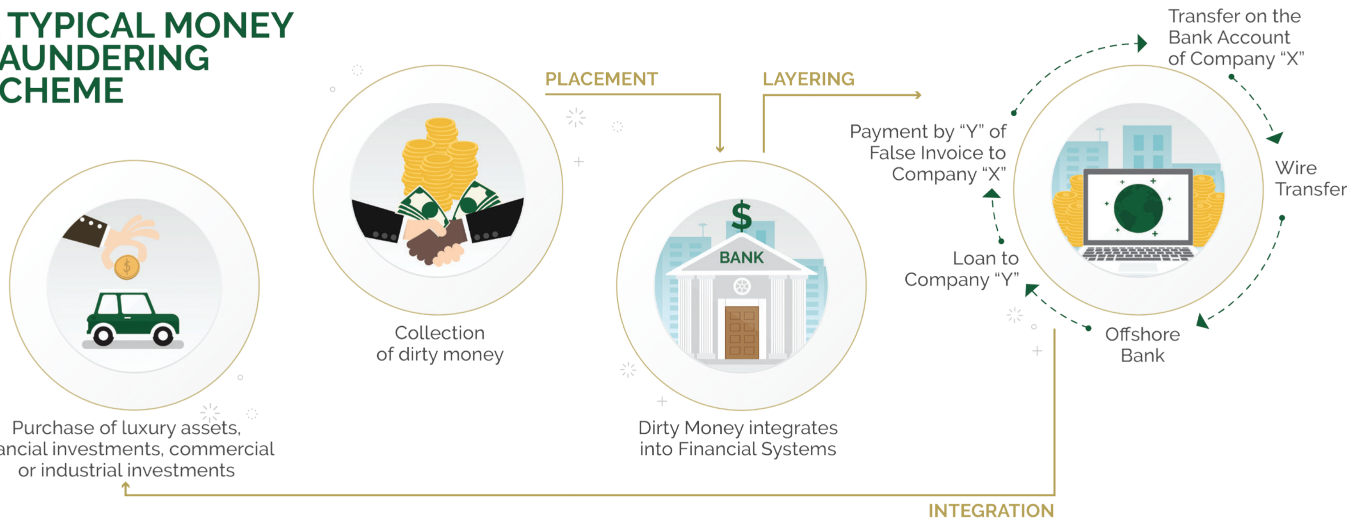
This section highlights such major considerations customers should keep in mind when dealing with FIs, in order to reduce the potential for de-risking.

1. When approaching FIs (to open accounts), disclose requested information to demonstrate openness and transparency and to build trust. This information is important as it is used to create a customer profile that is used by the FI to mitigate risks presented by the relevant business relationship. This information is also crucial as it is used for contacting the customer, amongst others;
2. When there are changes in a customer's contact, address or other relevant information, the customer should inform the FI accordingly so that the FI can update its records (customer profile);
3. It is important that the information is provided to FIs timely and is as accurate as possible. Providing information timely ensures that measures can be taken timely to mitigate risks. Providing accurate information lays the foundation for appropriate or reasonable actions aimed at mitigating relevant risks.

Conclusion:

The FIA does not prohibit FIs from entering into a customer relationship with customers that present a higher level of risk or providing products/services prone to ML/TF/PF risk. On the contrary, the FIA encourages FIs to do so with a risk-based approach. Therefore, complying the FIs on request for customer information when purchasing goods or services remains the most effective way for customers to prevent being "de-risked" and as a consequence excluded from financial services.

A TYPICAL MONEY LAUNDERING SCHEME



UNIT TRUST FUNDS

DO YOU KNOW THE TYPES OF UNIT TRUST FUNDS IN NAMIBIA?

There are a number of registered unit trust schemes in Namibia. NAMFISA regulates and supervises unit trust schemes in terms of the Unit Trusts Control Act, No. 54 of 1981, as amended. Registered schemes present different kinds of financial products in the form of unit trust funds or unit portfolios to individual or retail investors, pension funds, retirement funds, and firms seeking to meet short and medium to long-term investment objectives.

Unit trust schemes give indirect access to financial instruments and products, which would otherwise not be possible for investors to acquire directly from investment firms or the stock exchanges. For example, an investor seeking to acquire shares in listed companies on the Namibia Stock Exchange (NSX) and other licenced exchanges, can do so indirectly by buying units in a unit trust scheme holding listed company shares making up the portfolio.

Unit trust funds (or unit portfolios) are designed by investment professionals or fund managers according to investment objectives, time horizon, and the risk appetite of investors. Each fund or unit portfolio is a combination of financial assets or securities i.e. bonds, treasury bills, equities, property shares, derivatives, etc. There are different types of unit trust funds, including but not limited to money market funds, fixed-income (bond) funds, equity funds, balanced or stable funds, real estate or property funds, and international or global funds. This article gives an overview of the types of unit trust funds available to investors in Namibia.

1. International or Global Funds

Global funds are unit portfolios comprising of foreign securities, usually of well-established European, American, or Asian companies. Global funds provide access to international investment products or securities across the different asset categories. Investors seeking to gain investment returns from international securities would consider buying units in global funds. Investment returns on global funds are subject to various risks, for example exchange rate risk, market risk, etc.

2. Real Estate or Property Funds

Property funds comprises of share ownership in listed real estate (property) companies. The primary source of income for the real estate companies is generated through the rental of commercial and residential properties. Property unit portfolios present unit trust investors with an opportunity to participate in the property market.

3. Balanced or Stable Funds

A balanced fund is a unit portfolio that is invested in a combination of money market instruments or cash, fixed-income bonds, listed equities, listed property company shares, some derivative instruments, etc. Balanced funds are designed to reduce the risk of investment exposure to one particular security class, hence, the benefits of portfolio diversification i.e. having the collective capital invested across different security classes with little or no co-movement relation in time. Balanced unit portfolios aim to maintain a balance of both capital growth and regular income and dividends for investors.

4. Equity Funds

Equity funds invest in listed company shares across different sectors or industries. Equity portfolios have a longer investment period, usually exceeding 5 years and are designed for investors with greater risk appetite. Equity funds are riskier compared to money market funds and bond funds. The underlying objective of an equity fund is to generate substantial income for unit holders over longer investment periods. These funds are subject to market risk, which can reduce the invested capital in the equity fund. Although equity funds can rise and fall quickly over the short-term, historically, the value of equities rise over the long-term compared to other types of investments, for example bonds and money market securities.

5. Money Market Funds

Money market funds are a combination of short-term money market instruments with maturity of less than twelve months and usually includes discount instruments such as government treasury bills, and certificates of deposits, notice, call and other deposits, commercial papers, etc. Money market funds carry a lower risk and aim at capital preservation overtime.

6. Fixed-income (Bond) Funds

Bond funds are invested in long-term debt financing instruments like debentures and bonds issued by government and well-established companies. Unit portfolios comprising of bonds, generally carry a higher risk compared to money market funds, because the value of fixed-income bonds changes overtime with changes in short-term interest rates. Bond funds generate a stable return on invested capital overtime, with less emphasis on providing capital growth. However, bond funds are subject to credit, interest rate, and prepayment risk. Therefore, the returns may vary significantly with changes in the level of interest rate in the economy.

An investor must seek out unit trust funds matching the desired investment objectives or needs overtime. Such an investor must be cognisant of the costs of investing i.e. transaction fees, investment management fees, taxes, and the loss of purchasing power due to inflation. Essentially, the best funds are well-managed to ensure the safety capital invested and deliver adequate investment returns to cover the costs of investing, and actual inflation.

Educate yourself, invest wisely.

INVESTING BASICS

1. INTRODUCTION

Have a plan

Whether you are an experienced investor or a beginner, there are plenty of steps you can take to grow your money and keep it safe. A smart investor does not rely on good luck. Instead, they take the time to consider their investment goals, then they develop a plan and choose investments that align with their needs and objectives. You cannot choose the right investment strategy until you are clear about your investments goals and timeframe. Working out your goals will help you identify the types of investments that are suitable for you and how much risk you can take. It is impossible to avoid all risks when you invest. Higher potential returns usually come with higher risks. The important thing is to understand the risks and then keep within a level you are comfortable with.

Diversify

Diversification helps you ride out the ups and downs of financial markets by spreading your money across different asset classes. It will leave you less exposed to a single economic event, so if one business or sector you have invested in is not performing well, you would not lose all your money. Diversification reduces overall investment risk and reduces volatility of returns on your investment portfolio as a whole.

Understand the risk – return correlation

Assets that carry a higher risk should deliver a higher reward, but are also likely to have more volatile returns over the short-term. You can offset some of this risk and volatility by including assets that have lower risk and return, but lower short-term volatility. In addition, markets for different asset classes peak at different times, which means when returns for one asset class are high, returns for a different asset class may be low.

By having your funds spread across a number of different investment types, your overall returns will be less volatile as low returns or losses on one investment are offset against high returns or gains on another. An ideal investment portfolio will include some investments that have a higher risk and reward (growth assets) and some investments with a lower risk and reward (defensive assets). The proportion of each type of asset will depend on your investment time frame and your personal risk tolerance.

Enlist a financial adviser

There are many investments which are complex and difficult to understand, even for experienced investors. Therefore, the right kind of financial advice can really make a big difference. Financial advice can give you confidence that your future plans are achievable. If you are not on track to achieve your goals, it can help you put the right strategies in place or come up with more realistic goals. A good financial adviser will help you set your financial goals and create a plan to achieve them.

Start investing

To buy an investment one has to approach the financial institution that offers that investment. This means that one would have to visit more than one institution or completing multiple investment applications if the desire is to invest across financial institutions. There are, however, other ways of achieving this as explained below.

2. WHAT IS A LISP?

Investing may seem daunting, especially if you are starting out. In the end, it is one's hard-earned money and one would not want to invest in the wrong thing and lose money.

A Linked Investment Service Provider (LISP) is a financial institution that packages investments of different companies, distributes and administers a broad range of unit trust based investments with the primary purpose of providing the investor with access from a single point of view, to various investment products. A LISP can be compared to a "financial supermarket" that offers investors a wide choice of investments under one roof. LISPs are registered in terms Section 4(1)(f) of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985) ("the Act").

A LISP buys and sells units in collective investment schemes on the clients' instruction, either directly or via a life product. Once units have been bought, the LISP holds these units in bulk accounts. These bulk accounts may either be in your name or in the name of an independent custodian depending on the product. The LISP never owns the units that it buys. The investor is the beneficial owner in the case of a direct investment, otherwise they are owned by the retirement fund or insurer, depending on the product. A LISP must therefore always be able to reconcile buy and sell instructions received from clients from the actual units held. An independent nominee company ensures this.

A LISP is required to register with Namibia Financial Institutions Supervisory Authority ("NAMFISA") in terms of the Act. In terms of the registration, LISPs have to meet a number of obligations, including submitting annual audited financial statements, quarterly and levy returns.

3. ACCESS TO A LISP

While some LISPs deal with clients directly, the complexity of some product structures and investment options may require the investment advice of an expert to properly structure a long term solution.

4. BENEFITS OF INVESTING THROUGH A LISP

A LISP provides an efficient platform, "one-stop supermarket", to combine the investment offerings of a number of different companies and to switch between investments at a low cost. Increased competition among LISPs have put a downward pressure on their costs and has slowly improved their range of investments options.

If an investor invests directly (i.e. not through a LISP) into the investments offered by a number of management companies, the investor has to manage the investments themselves. It can be cumbersome and expensive to switch between investments, because the investor has to sell out of the offerings of one company and then buy into those of another company once the proceeds from the original investments have been paid into the investor's bank account.

In this regard, investing through a LISP alleviates the administrative burden of buying and selling units offered by different management companies. Furthermore, the investor will be able to switch between the company's offerings at minimal or zero cost, apart from brokerage fees and VAT.

Investors may benefit by investing through a LISP, from receiving comprehensible and timely consolidated information regarding their investments across different funds and different management companies, as well as other services, such as providing a single tax certificate of all transactions for the year. Lastly, fees charged by product providers are typically negotiated down significantly by the LISP and the saving is usually passed on to investors.

5. FEES CHARGED BY LISPS

The typical fees charged by a LISP may include initial fees and annual fees of the collective investment schemes, as well as the LISP's initial and annual administration fee and the financial adviser's fees.

LISPs disclose to the client all fees and other charges, whether direct or indirect. Further to this, LISPs may explain to the client how fees and other charges are calculated in sufficient detail.

6. WHO SHOULD INVEST THROUGH A LISP?

LISP platforms are specifically suited for clients wanting to invest larger sums of money and who would like to diversify across a range of investment options and investment managers.

Most LISPs require a minimum lump sum investment or monthly payments for recurring investors.

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OVER & UNDER INSURANCE

CONCEPT OVERVIEW

A penny saved is a penny earned

- Benjamin Franklin

Over and under insurance concept is all about getting the right balance. As a consumer of insurance products and services you don't want to under-insure, as this exposes you to potential financial loss. Similarly, over-insurance on the other hand potentially creates a waste of money and puts unnecessary pressure on your disposable funds. That is why it is imperative to involve an insurance agent, insurance broker or consultant to help you secure the right insurance balance at the best price.

What is over-insurance?

Over-insurance occurs when a policyholder takes out a policy that insures them for an amount that exceeds the actual cash value or replacement value of the risk or asset being insured. Over-insurance also occurs when a policyholder has multiple insurance policies in respect of the same risk which in total exceeds the actual cash value or replacement value of the risk or asset being insured. Over insuring means that the premiums paid by the policyholder will be more than the benefit that would be received in the event of a loss. That means the policyholder is effectively paying for a benefit that they do not receive in full.

***For example:** Your car is insured for N$ 200,000 and is written off in an accident. The assessor comes to the conclusion that the car can be replaced for N$ 160, 000. As a result only N$ 160, 000 is paid out. You have however been paying premiums to cover an amount of N$ 200,000 and those premiums paid on the additional N$ 40, 000 have been paid unnecessarily.*

What is under-insurance?

Under-insurance occurs when a policyholder takes out an insurance cover that is not sufficient to meet their needs in the event of a loss. This means that in the event of a claim, under-insurance results in economic losses to the policyholder, because the policyholder's loss would exceed the maximum amount that will be paid out by the insurance policy and they would have to cover the shortfall. While under-insurance may result in lower premiums being paid by the policyholder, the loss arising from a claim may far exceed any marginal savings in insurance premiums.

***For example:** The policyholder's house and its contents are insured against all risks for N$ 200,000. It is subsequently destroyed in a fire, but the assessor comes to the conclusion that the cost to replace the house and contents amount to N$ 350,000. Because you are only insured for N$ 200,000, this is the maximum amount the insurance policy will pay out. The policyholder will now have to cover the N$ 150,000 shortfall from their own pocket. Even though you might have paid lower premiums for an insured amount of N$ 200,000, the loss of N$ 150,000 is much more than the savings in insurance premiums.*

Main differences between under and over insurance

The major differences between under and over insurance can be summarised as follows:

- With under-insurance you are insured for less than the cash or replacement value of the insured item whereas with over-insurance you are insured for an amount above this value.
- Your risk with under-insurance reveals itself when you claim as the insurance payout will be less than the actual loss you have suffered and you would have to cover part of the loss yourself. With over-insurance you are at risk of paying too much in premiums at inception of the insurance contract if the insured amount is higher than the cash or replacement value of the subject insured.

How to prevent over and under insurance?

It remains the policyholder's responsibility – and not that of the broker, agent or insurer – to ensure that your risks or assets are insured at the correct values.

- Be pro-active with your insurance and financial needs. Ensure that the sum insured on your insurance policies is a reasonable estimate of the actual financial loss in the event of the insured event occurring.
- Review your insurance contracts annually and ask your broker, agent or insurance company to ensure that your risks or assets are not insured disproportionally.
- The ideal should be to purchase the right cover at the right price. Ensure regularly that you have adequate insurance cover each time when you're renewing your insurance policy or changing insurers.
- Involve an insurance agent, insurance broker or consultant to help you secure the right insurance product at the right price.

There is no reason not to have peace of mind that you are sufficiently insured. Communicate with your insurer, ask questions and keep your insurance cover reviewed or updated regularly. Now is the time to review your insurance policies and align them with your current financial position and/or needs.
Check your insurance policy now!

Most people only read their policy/policies when they need to make a claim. Unfortunately for some, by that time it might often be too late. Check your policy/policies now to see how much your insurer will pay and under what circumstances. Also check the inclusions and exclusions of an insurance policy to see what your insurer has insured you for and what has been excluded from your insurance contract(s).

Be pro-active and smart at all times!

TELEMARKETING OF INSURANCE PRODUCTS

WHAT DO YOU DO WHEN SOMEONE IS SELLING YOU INSURANCE ON THE CELL PHONE AND YOU ARE NOT SURE WHO THEY ARE?

Telemarketing simply means the marketing of goods, insurance products or services by means of telephone calls and short message service (SMS) to potential customers. It is a very common form of marketing done by different companies across various industries to connect potential customers to products or services.

This channel of marketing in the insurance industry is on the increase due to the fact that nearly every person in Namibia has a cell phone with the communication network available in nearly all the towns of Namibia. The insurance companies are seeking innovative and alternative ways to deliver insurance products from their old traditional ways of agent type of sales and marketing to directly contacting the potential policyholders on their cell phones.

You need to do the following:

1. Get a pen and paper and write down the company name and the company's representative (telemarketer) – the person that is calling you. You can end the call and request the telemarketer to call you later, after an hour or so if you are unable to take the call at present, or to provide you with enough time to do research about the caller.

2. You can then contact NAMFISA at telephone number; (061) 290 5000, to verify whether the company and the telemarketer are registered with NAMFISA to sell insurance products to you, before you can provide them with your personal information. You can also check the NAMFISA website under Financial Sector (www.namfisa.com.na), go to Insurance where you can select Long-term Insurance or Short-term Insurance. You can then click the Registered Entities tab and search the name of the telemarketer whether he or she is registered or not.

3. If you are suspicious of the number that you received a call from, you can call other numbers (land line) of the company to confirm the identity and validity of the caller, whether he or she is indeed a representative of the insurance company and he or she is registered with NAMFISA.

4. If a telemarketer cannot positively identify himself or herself by his NAMFISA license number, you should gather enough information about the caller and inform NAMFISA immediately.

5. No one should put pressure on you to accept an insurance product immediately by the first call. It is your right to go think about it and do research, such as, compare different quotes etc. before you agree upon a new insurance policy.

6. When a telemarketer sells an insurance policy to you via a phone call, do not accept or agree or give your banking details if you do not want or need the insurance product. If you agree or accept, that will mean that you agree to enter into a policy contract with the insurance company, and through your agreement (consensus) this will make the contract legal and valid. For the protection of policyholders, most insurers record these calls for future reference, you can therefore request the call reference number (call ID).

7. Apart from insurance sales, be aware of other callers who might call you just to get your personal details (e.g. banking details) to defraud you. Follow the suggested steps above to avoid or identify any fraudsters.

Caution:

1. The insured or policyholder has no real opportunity to confirm the accuracy of the data which the telemarketer enters into the insurer's computer system at the time of the application for insurance cover.

2. Misunderstanding may occur, because a lot of technical information is provided and exchanged telephonically including the terms and conditions and events which are not included in the cover.

3. The person may not have the ability to clearly express himself /herself telephonically or properly understand the words used during the telephone call.

4. The policyholder can only verify the correctness of the information captured by the telemarketer, the cover extended and the terms and conditions of the contract at the time of receipt of the written policy document (which can be emailed and/or send per postal service to the insured or policyholder).

5. It is therefore the responsibility of the policyholder to cancel the policy with immediate effect, if the policyholder is not happy with what is recorded in the policy document and/or the terms of the contract.

6. Fraud might occur through telemarketing, whereby people will call you and pretend to be employees of insurance companies. Policyholder should be very careful to whom they are giving their personal information such as banking details.

Conclusion:

Quotations on insurance risk(s) can be obtained telephonically and applications for insurance cover (the proposal), and the acceptance of such proposal, can be made electronically or telephonically. As the old saying goes "change is the only constant" existing and future policyholders should therefore embrace telemarketing as an acceptable means of communication in the insurance industry, and as a means to negotiate and accept cover.

An investment in knowledge pays the best interest.

- Benjamin Franklin

WHAT IS A MEDICAL AID FUND

A medical aid fund is a non-profit organisation, governed by a Board of Trustees, and must be registered with the Namibia Financial Institutions Supervisory Authority ("NAMFISA"). This means a medical aid fund does not have shareholders, nor does it pay dividends, and all surpluses are invested on behalf of the members in accordance with regulations and the rules of the fund. A medical aid fund therefore does not make any profits.

Medical aid funds ("funds") exist for the benefits of members as all funds are pooled and safeguarded, to be used to pay claims in accordance with the fund's rules, and to ensure that all members are equitably and fairly cared for (relative to their choice of benefit plan) thus, protecting members against the possibility of facing significant unexpected medical costs.

Private healthcare in Namibia is majorly funded by medical aid funds. The members of a medical aid fund pay contribution premiums to the fund each month.

All medical aid funds in Namibia operate in accordance with the Medical Aid Funds Act 23 of 1995, and are supervised by NAMFISA. There are 10 registered medical aid funds in Namibia, with a beneficiary base of 190 436 and total assets of N$1.4 billion as at 31 December 2016.

The management of a medical aid fund

A medical aid fund is managed by a Board of Trustees who are elected by the fund's members. The Board of Trustees is responsible for managing the affairs of the fund and may from time to time amend the fund rules, contribution premiums and benefit structures to cater for medical inflation amongst all other factors that lead to increased healthcare expenditure. Rule amendments are also necessitated by the continued improvements within the health sector, and can also address matters concerning unfavourable practices by medical aid funds and/or medical service providers which may be seen not to be in the best interest of the members.

By law, every medical aid fund is required to have a set of rules which stipulate, among other things, how the fund will function, benefits available to the members and exclusions on benefits. It is the responsibility of the members to acquaint themselves with the rules of their respective funds.

What is the difference between an open and a restricted medical aid fund?

There are two types of medical aid funds to which a person can belong to, namely open medical aid funds or restricted (closed) medical aid funds.

Open medical aid funds are open to the public. Anyone can become a member of an open medical aid fund provided that he or she is not currently a member of any other medical aid fund and has the means to pay for the monthly contributions.

Restricted (closed) medical aid funds are administered on behalf of companies for their staff and their families, or can be joined by people working in a particular industry. Closed medical aid funds are not open to the general public.

Medical aid fund budgeting

To calculate the contribution premiums to be paid by members and annual premium increases, medical aid funds use a high-level budgeting system. Each fund estimates the total claims it's likely to receive and the likely annual cost of medical treatment. Taking these estimates into account, it attempts to ensure that members' contribution premiums will be sufficient to cover the healthcare benefits specified in its agreements with its members. In Namibia, annual premium increases are typically determined around the end of November.

Important facts to know about medical aid funds:

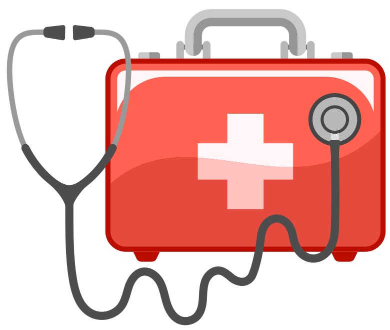
1. By law, a person is only allowed to belong to one medical fund;
2. NAMFISA provides a platform for voicing grievances. A member may lodge a complaint against a medical aid fund if a matter cannot be resolved between the member and the fund;
3. There are sometimes co-payments that need to be made for certain medical services or procedures. Your fund might only pay a small amount of your healthcare costs, while you have to pay the rest out of your own pocket; and
4. The definition of dependants in the rules of medical aid funds include spouses, natural and adopted children.

KEEPING YOUR MEDICAL COSTS DOWN

There is a lot that you as the member of medical aid funds can do to keep healthcare costs in check.

Here follow a few tips:

- Use generic medications where you can;
- Early detection of many conditions will, in most cases, reduce the treatment costs;
- Shop around. Get onto the phone and compare tariffs and prices charged by different doctors or pharmacies. They could differ vastly;
- Negotiate. Don't be shy to ask healthcare providers if they are prepared to charge medical aid fund rates. Negotiate with his or her receptionist or bookkeeper if you are too shy to speak to the doctor. You have nothing to lose;
- Do check your claim statements. At times it could happen that a healthcare provider will bill your medical aid fund by mistake, even if you haven't seen them for months; and
- Make sure that you understand the benefits from your medical fund and use them sensibly.



YOUR RETIRMENT FUND

Late or non-payment of contributions by employers:

How it affects you as a member of a retirement fund

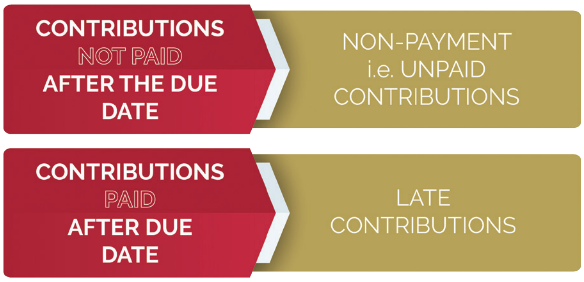
LEGAL OBLIGATION

Pension fund members who belong to a registered retirement fund should be aware that employers (where the employer is responsible to pay over contributions on behalf of the member) are required, by law, to pay over monthly retirement contributions to pension funds by the due date. This is so that the members' pension savings can be invested and earn interest to grow the members' pension benefit.

According to section 13A of the Pension Funds Act, (Act No. 24 of 1956) ("the Act"), all employers (where the employer is responsible to pay over contributions on behalf of the member) are required to pay over the monthly contributions deducted from employees' salaries, to the retirement fund at least 7 days after the end of a month. If employers do not pay over contributions in time, this is a criminal offence and employers can be prosecuted for this. If found guilty, they may be charged or fined or could even be sent to jail.

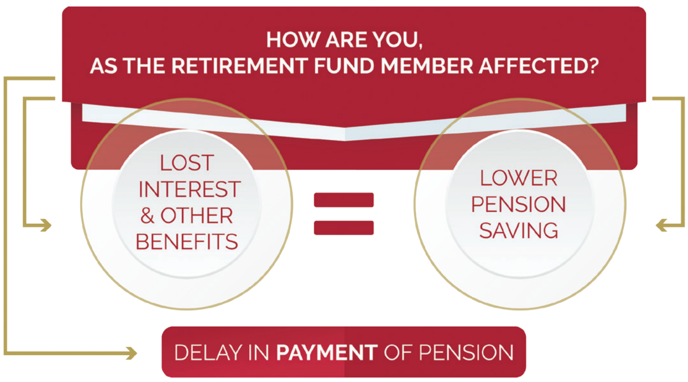
NAMFISA has issued directive PI/PF/DIR/02/2014 which deals with paying contributions late to the fund after month end or not paying contributions at all. The directive says that all principal officers of pension funds must provide the Registrar with a list of all employers who have not made payments to the fund on time. The auditor of the fund must also provide a report of late or non-payments of contributions when they provide the annual financial statements to the Registrar.

DIFFERENCE BETWEEN LATE AND NON-PAYMENT OF CONTRIBUTIONS?



NAMFISA is concerned that there are still many employers who still pay contributions late or not at all. If the pension is part of the member's employment contract, it must be paid to the fund. If the employer fails to do so, he is not paying a part of the salary package the member has earned. This can be seen as theft of the member's hard earned money.

IMPACT OF LATE AND NON-PAYMENT OF CONTRIBUTIONS ON MEMBERS



- LOST INTEREST AND OTHER BENEFITS
  When money is paid over to the pension fund, this money is usually invested and earns interest.

  Therefore, when contributions are not paid or are paid late to the fund, members lose out on investment opportunities and sometimes interest they could have earned.

  Many pension funds also provide other insurance or risk benefits like a death benefit, a disability benefit or a funeral benefit. If your pension contribution is not paid, the premium for the insurance cover cannot be paid and if something happens, the member may not be able to get the risk benefits.

- LOWER PENSION BENEFIT
  It follows, that when members may be denied the opportunity to earn a positive return and therefore lose interest (or other investment returns), the members' fund credit (pension benefit) becomes less than what it should've been.

- DELAY IN PAYMENT OF PENSION
  Not all funds report late or non-payment of contributions to NAMFISA on time. NAMFISA only hears about it if the member lodges a complaint about delayed payment of benefits because of late or non-payment of contributions.

  NAMFISA will then begin to investigate the case. Sometimes the members' benefit payments will wait until the investigation comes to an end.

  Members are entitled to their cumulative retirement benefits up to the point where their contributions were paid up if the non-payment is not resolved.

WHAT HAPPENS WHEN THE NON-PAYMENT CANNOT BE REMEDIED? WHAT CAN THE MEMBERS DO?

In terms of Sec 37(1)(a), any person that does not comply with Section 13A shall be guilty of an offence and on conviction, be liable for a fine not more than N$ 200.00.

Therefore, when a member becomes aware of a non-payment of his or her contribution, the member can:

- Before withdrawal, report the case of non-payment of contributions to NAMFISA's complaints department for investigation. If the employer is found to have contravened Section 13A, the Registrar may refer such employer to the Prosecutor General for prosecution in accordance with Section 37(1) (a) of the Pension Funds Act.
- In some cases members may sue the employer for damages.

EARLY IDENTIFICATION OF LATE AND NON-PAYMENT OF CONTRIBUTIONS (PROACTIVENESS)

As mentioned above, a significant number of late or non-payment of contribution cases which have come to the attention of the Registrar, had not been reported by funds. Sometimes, contributions have been outstanding for long periods of time and as a result, significant losses had at that time already been incurred by members.

This late awareness has made it difficult to assist the affected members. Members should be proactive in ensuring that their contributions are paid over to the fund by;

- Requesting benefit statements. Members should however note that if the fund only distributes benefit statements periodically, they may be charged an additional fee when requesting additional statements.
- Reading benefit statements to ensure that all contributions that have been deducted from members' salaries (after costs) have been paid over and invested.
- Enquire with employers if any contributions are outstanding and to ensure that the matter is resolved timely.
- Enquire with principal officers if all contributions have been paid on time.
- Report anything suspicious to NAMFISA.

NAMFISA COMPLAINTS DEPARTMENT

Are you a consumer of financial services?

Have you heard about NAMFISA's Complaints Department?

If you have not heard about the NAMFISA Complaints Department, then you are reading the right article.

NAMFISA, has a dedicated Complaints Department that is committed to receiving, considering and resolving complaints lodged by consumers of financial services. The complaint should be lodged against a financial service provider that is regulated by NAMFISA.

YOU ARE PROBABLY WONDERING WHO THE NAMFISA REGULATED FINANCIAL SERVICE PROVIDERS ARE. THEY ARE AS FOLLOWS:

- **Micro Lenders**
- **Retirement Funds**
- **Friendly Societies**
- **Long Term Insurers**
- **Short Term Insurers**
- **Insurance Brokers and Insurance Agents**
- **Medical Aid Funds**
- **Unit Trusts and their Managers**
- **Collective Investment Schemes and their Managers**
- **Stock Exchanges and Stock Brokers**

I guess now you want to know more about how the department functions right?

Let us tell you more.

After receiving a complaint, we first determine whether the complaint is against a NAMFISA regulated financial service provider. If it is, then we will deal with the complaint. If the complaint is not against a NAMFISA regulated financial service provider, we are committed to assist you in determining the relevant body or entity that can assist you.

Once we have determined that we should deal with your complaint we will study your complaint thoroughly and as soon as possible contact the financial service provider complained against. In the process we will also determine whether the conduct or decision of the financial service provider that is complained about is correct or not. Once we have reached a conclusion on the complaint we will provide you with feedback as soon as possible.

The complaints that you can lodge at the NAMFISA Complaints Department include complaints about the non-payment of insurance claims. These claims include funeral benefit claims, life insurance claims, death benefit claims, disability benefit claim, motor vehicle accident claims and household content claims. Other complaints relate to illegal and unauthorised deductions, overcharges by cash loans, non-payment of pension benefits and non-cancellation of contracts. These are not the only types of complaints we deal with. Therefore contact us, so that we can provide you with more guidance.

Do you know how to contact us or how to lodge a complaint?

A complainant or an authorised person should summarise the complaint in any local language of choice and lodge it at NAMFISA.

A complaint can be lodged in person at our office on the summarised complaint should include details of the complainant such as his/her name, contact details, name of the financial service provider complained about and any efforts made by the complainant to resolve the complaints.

Furthermore the complaint should be accompanied by supporting documents such as an identification document and copies of any relevant correspondence that are in the possession of the complainant.

TOLL FREE NUMBER
0800 290500

BUDGET SHEET

TAKE CONTROL OF YOUR FINANCES.

1: MONTHLY INCOME

Income is the total sum of everything your household earns. Income can come from the salary of a steady job or work you do on the side that brings in money.

You: Monthly salary (after tax) __________

Husband/wife: Monthly salary (after tax) __________

TOTAL INCOME (A) A: __________

2: MONTHLY EXPENSES

Expenses are everything that you spend your money on each month, such as food, water and electricity, and airtime.

Rent/mortgage/bond __________

Food (cooking at home) __________

Take-aways (KFC, Nandos) __________

Taxi/bus/petrol __________

Car loan repayment __________

School fees __________

Crèche/day care __________

Water and electricity __________

Airtime __________

2.1 EXPENSES YOU SHOULD HAVE

Medical aid __________

Life insurance __________

Funeral insurance __________

2.2 OTHER EXPENSES

__________ __________

__________ __________

__________ __________

TOTAL EXPENSES (B) B: __________

3: SAVINGS

We always stress the importance of putting money aside for the future.

SAVINGS (C) C: __________

4: ADDING IT ALL UP

Take your Income (A) and subtract the total of your Expenses (B) and then subtract your Savings (C) to see how much money you will have left over at the end of the month.

E.g. Income (A) = N$5,000; Expenses (B) = N$3,850; Savings (C) = N$500

Therefore: N$5,000 - N$3,850 - N$500 = N$650 left over at month-end.

GLOSSARY OF KEY UNIT TRUST SCHEME TERMS

Source: http://www.iol.co.za

Capital
Initial money used by an investor to acquire a subscription interest or units in a unit trust fund.

Credit ratings
A financial assessment performed on an entity based on its records and future expectations to meet certain contractual arrangements.

Derivative
A financial instrument which depends on the value of another security called the underlying asset or security.

Discount instrum
An instrument issued at a price lower than its fair value or market value.

Diversification
The process of reducing the risk of the portfolio by increasing the number of assets in the portfolio with little or no co-movement relation in time.

Earnings
Money available to investors after tax and other senior residual claimants or debt holders are paid.

Fixed-income
Equities stocks or share ownership in a company with certain prescriptive rights.

Institutional
An instrument generating known future cash flow payments.

Investor
An investor other than a natural person or retail investor such as a pension fund or a corporation.

Invest
The act of channeling earned income to productive use to earn more money overtime.

Investment objective
The pre-specified or set outcomes of an investor overtime.

Investment professional
A qualified and experienced natural person exercising his/her skills to generate adequate returns on investments listed.

Listed
An entity authorised to trade its shares publicly on an organised securities exchange.

Management fees
Charges incurred by investors as a result of the investment professional exercising his/her skills to deliver investment returns.

Market risk
The possibility of loss due to rapid changes in the market prices of assets or securities.

Maturity
The end of a duration or time period of a contractual investment.

Net asset value
The calculated value of a unit portfolio after the liabilities or costs are deducted.

Portfolio
A group or combination of assets or securities.

Retail investor
The person buying units and/or selling/redeeming the units to the unit trusts scheme.

Risk
Possibility of loss of income or capital.

Risk appetite
An attitude towards risk indicating the investor's willingness to accept investment losses.

Securities
Financial instruments acting as assets generating investment returns to owners or bearers.

Subscribe
To formally declare interest in an organised business platform.

Subscription interest
A formal arrangement to receive monetary rewards accruing to an entity.

The collective
The sum of individuals or unit holders acting as a single entity.

Time
Sequential duration of activities.

Transaction fees
Charges incurred to effect investment decisions.

Unit portfolio
A portfolio comprising of securities designed by an investment professional.

Unit trusts
An arrangement or platform created to present investment access to retail investors.

Units
A proportion or share ownership of the fund.

Unit trust scheme
An arrangement or business established to solicit money from public persons to invest such funds collectively in unit portfolios.

TransUnion

How a credit bureau works for you

Would you lend money to a stranger without knowing if they can–and are willing to–pay it back? Companies that provide credit also need this kind of reassurance, and this is where the credit bureau comes in.

A credit bureau is an independent business that collects, stores and manages information relevant to your credit profile–for example your employment details, credit behaviour and payment history. Other companies use this to assess the risk of providing credit.

Makes access to credit possible

The credit bureau plays an essential role in helping companies make credit available to consumers.

When you apply for credit with a credit grantor or service provider, the company will access your credit report from the credit bureau.

They'll use the report to make a decision about granting you credit based on your behaviour and in line with their own policies. The credit bureau only provides information, it doesn't determine whether you will be approved or not.

Keeps the price of goods down

Credit bureaus give credit grantors and service providers the information they need to extend credit to consumers.

Without this information, companies may not provide credit at all, or would do so at high interest rates, increasing the cost of what you buy on credit.

Helps people improve their lifestyles

Reliable credit information makes it possible for over 700,000 consumers in Namibia to access goods and services on favourable terms.

To get a copy of your own credit report, call TransUnion at **061-227142** or email **Namibia-freereport@transunion.co.za**. We can explain the information on the report and answer any questions you may have.

NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

CONSUMER EDUCATION BULLETIN

Solve this editions Sudoku puzzle

Find the answers in our next edition

		6		5	4	9		
1				6			4	2
7	7			8	9			
	7				5		8	1
	5		3	4		6		
4		2						
	3	4				1		
9			8				5	
			4			3		7

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