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DO YOU KNOW THE IMPACT OF INFLATION ON HEALTH CARE?



IN THIS ISSUE WE TALK ABOUT AVOIDING DEBT,
INSURANCE, HEALTH CARE AND MUCH MORE....

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

- 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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Last Issue Game

Did you successfully complete last issue's game?

Here is the answers:

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

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**EDUCATION
IS THE MOST
POWERFUL
WEAPON WE CAN
USE TO CHANGE
THE WORLD**

- Nelson Mandela

FROM THE CEO'S OFFICE



“
For those who missed out on
the previous edition, visit
NAMFISA Consumer Website:
www.educates.namfisa.com.na
”

Welcome to our second NAMFISA quarterly Consumer Education Bulletin for the year. I am confident that this educative bulletin will make you aware of your rights and responsibilities. In the previous edition (June 2017), I highlighted that the Authority identified three overarching themes that will drive the new organisational strategy namely: Transformation, Stakeholder Engagement and Operational Efficiency and are now elaborated below:

Transformation

We are a transforming and learning organisation adaptive to changes in the relevant legislative, organisational and supervisory environment.

Stakeholder Engagement

Improved beneficial relationships with our customers and stakeholders, premised on collaboration, trust, productive and active engagement.

Operational Efficiency

An operationally efficient organisation with high performing team supported by efficient and effective processes, appropriate systems and prudently managed financial resources.

I would like to share with you a few of the organisation's achievements. NAMFISA has achieved outstanding international recognition not only for the quality of the reporting of its activities, but also for its supervision and regulation of financial institutions and intermediaries. Testifying to these accolades are its PMR Africa awards for “Best Annual Report” for 2013, 2014 and 2015 and the Pension Fund award National awards: NAMFISA was awarded the Best Company to Work For (2nd Place) for the past 2 years in a row.

NAMFISA is also a point of reference for other regional regulators, who visit us for benchmarking and staff secondment. Recently on the 6th of July 2017, NAMFISA, as a member of the Committee for Insurance, Securities and Non-Banking Financial Authorities (CISNA), hosted Namibia's first ever cross-border regulatory and supervisory familiarisation program to delegates across the SADC region and beyond.

This familiarisation program aimed at fostering liaison, co-operation and the exchange of information between regional bodies and agencies in the development and implementation of a harmonised, risk based regulatory framework for member states within SADC that enable market growth and development, reduces the potential for systemic risk, informs and protects consumers, mobilizes capital flows and contributes to prosperity in the region.

The exchanging of information makes sure we do not to operate in a vacuum but instead helps us relate in what we are doing, especially within the Consumer Education area of the rest of SADC, if not the rest of the world.

We hosted 53 delegates from 11 African countries as can be seen on the cover page of the bulletin.

Happy reading.

Kenneth Simataa Matomola
Chief Executive Officer

FROM THE EDITOR'S DESK



While financial education is crucial, it should clearly not relieve financial institutions of their role of providing the consumer with effective, clear and comprehensible information before contracts are concluded.

Furthermore, the importance of financial education has never been starker than in the current climate of economic deceleration, though the Namibia Financial Stability Report - April 2017 shows that the Non-Banking Financial Institutions (NBFIs) remained sound and do not pose systemic risks to the country's financial system. Growth of the assets of the NBFIs sector remained positive and is expected to continue going forward, but the regulator feels that consumers should understand the financial products and services they buy better.

Consumers of financial services and products must be brave enough to listen to their heart regarding inflation used by the medical aid funds and the medical insurance companies to determine medical aid fund contributions and insurance premiums. Obviously this means that the consumers have to dig more in their pockets. Read more in this edition.

Other factors that sometimes lead to inflations are:

- Money laundering and terrorist financing (They are criminalised by law in Namibia and can be committed by abusing services in the financial sector.)
- Insurance fraud (which is going to be discussed in this bulletin for you to have a broader overview and to take necessary precautions.)

Therefore, we urge the consumers of the financial services and products to be bold enough to use their voices by visiting NAMFISA for any issues pertaining to their financial rights and responsibilities. NAMFISA makes this easy for you by giving you various options to submit your complaints as discussed in this edition.

Having said this, have a pleasant read and don't hesitate to visit the NAMFISA Consumer Education website: www.educates.namfisa.com.na for more information and for you to log any query related to NAMFISA Consumer Education.

Victoria Muranda

Editor

MONEY LAUNDERING & TERRORIST FINANCING:

WHAT ARE THE IMPACTS
ON ME AND YOU?

UNDERSTANDING MONEY LAUNDERING & TERRORIST FINANCING.

Money laundering and terrorist financing are criminalised by law in Namibia. These are crimes which can be committed by abusing services in the financial sector. Having said that, it is essential to briefly revisit the definitions of money laundering and terrorist financing.

Money laundering is the process through which criminals attempt to hide or disguise the true origin and ownership of the proceeds of criminal activities such as drug trafficking, theft, robbery, smuggling, illegal gambling or bookmaking, blackmail, extortion, loan sharking, tax evasion etc.

On the other hand, the financing of terrorism is the financial support, in any form, of terrorism or those who encourage, plan or engage in acts of terrorism. The two activities are linked because the techniques used to launder money are essentially the same as those employed to conceal the sources and uses of terrorist financing.

WHY SHOULD MONEY LAUNDERING & TERRORIST FINANCING BE TAKEN SERIOUSLY IN NAMIBIA?

Money laundering requires an underlying, primary, profit-making crime (such as corruption, drug trafficking, market manipulation, fraud, tax evasion), along with the intent to conceal the proceeds of the crime or to further the criminal enterprise. These activities generate financial flows that involve the diversion of resources away from economically- and socially-productive uses—and these diversions can have negative impacts on the financial sector and stability of Namibia as an investor friendly and trading country.

Money laundering activities also have a destructive, corrupting effect on society and the economic system as a whole.

Economically, the major impacts of money laundering can be summed-up as:

- Eroding confidence and reputation in Namibia as a place of business;
- Undermining government objectives, especially revenue collection objectives;
- Loss of jobs in the market and undermining opportunities to create further employment.

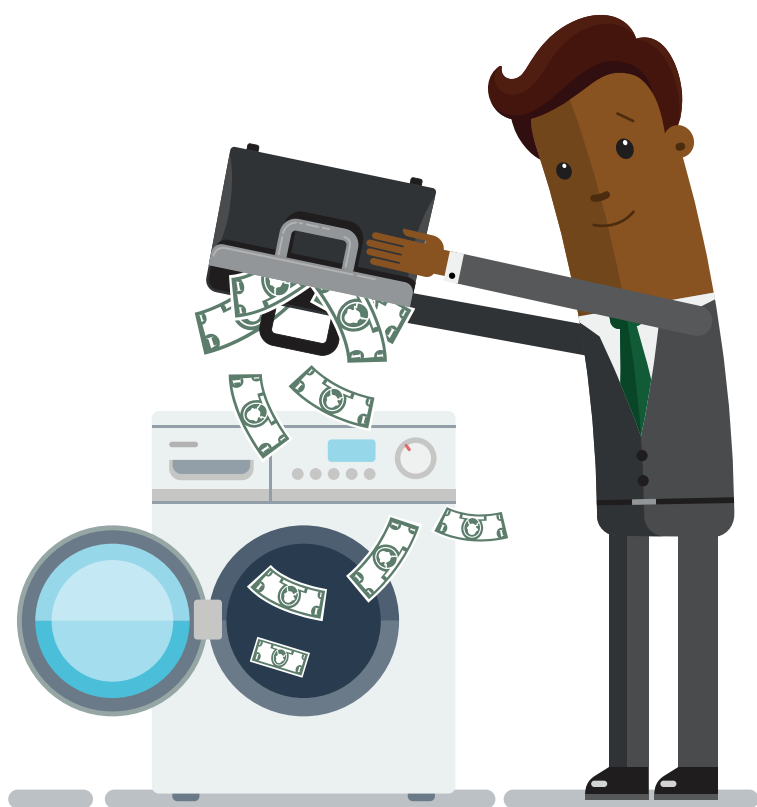
Socially, money laundering impacts society in many ways including:

- Encouraging illicit activities such as drug trafficking amongst the youth; and
- Organised prostitution, human trafficking etc;

Namibia may not be a haven for known terrorism activities at present. However, the financial systems of our country are linked in various ways to other countries, some of which, have experienced devastating acts of terrorism. The international financial system is a large network that connects countries. This financial network can be abused by those who want to support terrorist activities by, amongst others, channeling funds from Namibia to terrorist groups in other countries. There is also the potential of persons from outside Namibia, sending funds to those in Namibia who may want to commit acts of terrorism locally or in neighbouring countries. Our financial systems are expected to have the necessary controls to mitigate such activities from happening.

Additionally, the international obligations that Namibia, as a United Nations member state has, requires Namibia to play its part in combatting all activities that encourage or support terrorism.

Anti-Money Laundering and Combatting Terrorism Financing activities controls, when effectively implemented, mitigate the adverse effects of criminal economic activity and promote integrity and stability in the financial services sector. It is for this reason, amongst others, that financial institutions, as part of their due diligence measures are often seeking additional information from customers. As such, the cooperation and support of customers who make use of financial services is essential in combatting these crimes.





OVER-INDEBTEDNESS

LIVING WITHIN YOUR MEANS

A consumer is over-indebted when he/she is unable to pay all his/her financial obligations timeously. In such instances, the debt becomes a major burden for the consumer, which often contributes to the consumer's financial exclusion and poverty.

WHAT DOES IT MEAN TO LIVE WITHIN YOUR MEANS?

Simply put, this means cutting your expenses so you have money left over at the end of each month. By carefully budgeting your expenses, you should have a significant amount of money left each month.

Due to the current financial situation in the country, living within our means should be a considerate need and no longer a procrastinated want. Due to the intense lifestyle peer pressure created from society through social media platforms, we tend to find ourselves always striving to achieve the social-admired life of "hundreds of likes" e.g. drive a classic car, wear expensive established clothing brands, wine and dine at the latest social hubs, etc. However, this life comes at a cost whereby, if spending is not strictly monitored, we can fall victim to personal financial catastrophe, whereby our expenses exceed our income. The habit of addictive unplanned spending will create deeper financial burdens and, as we raise with popularity of followers and friends on social media, we fall deeper victim to over-indebtedness.

Over-indebtedness does not only have an effect on the consumers, but can have a ripple effect on the entire economy, including the lender's ability to recover the loans advanced to the indebted consumers. Furthermore, many lenders provide unsecured loans, meaning that loans have no insurance or collateral as guarantee.

Consequently, should the client fail to repay, the lender will be unable to recover any of the funds disbursed, and will be forced to write the loan off as bad-debt.

In order to avoid falling victim to these financial-ills of over-indebtedness, here are some practical guidelines that NAMFISA would like to share with consumers and lenders:

CONSUMER

- Budget - always ensure you draw up a monthly budget of all your monthly expenses and income. Have the discipline to stick to your budget. It might be difficult in the start, but the more you practice the more it will become a habit. Note that a budget only has one rule "never over-spend".
- Spend after saving - always ensure that, before you spend, you have saved a portion of your income for unplanned events that might happen during the month.
- Save up for purchases – instead of buying it on credit. People often use credit card facilities for large purchases they cannot afford to pay for outright, like a new television set. Instead of paying for these purchases on credit, put aside some money each month until you have saved up enough to buy it outright. If you cannot afford to save up for the purchase, then chances are that you can also not afford to buy it.
- Don't spend to impress - there is a famous quote by Dave Ramsey that states "we buy things we don't need with money we don't have to impress people we don't like." Never fall victim to the pressure created by social media in order to spend on a lifestyle that you cannot afford. We need to embrace that our life journeys are different and that we should never compare

ourselves to others. Resist the pressure to have the same material things as the people around you and even the people on television. You may be able to use credit card facilities and loans to fake wealth for a short period of time, but you will pay for it later and you will end up paying more.

- Never spend money that you do not have - the flexibility of access to overdraft facilities and credit cards have made it easier for people to spend money they do not have. Always maintain the discipline to only make use of these facilities when emergencies strike and not to maintain a luxurious lifestyle. Accept that what you cannot afford to pay cash for (other than fixed assets, e.g. a house) is beyond your means.
- Credit is expensive – buying items on credit is expensive in the long run. Also, depending on how long you take to pay off your card balance, you could spend hundreds of Namibia Dollars in interest. Herewith, an example of an item costing N\$1,000-00 over different repayment periods:
- The lower your monthly instalment, the more you will pay back in the end. It is viable to increase the instalment in order to pay off the debt earlier and save on the interest.

Monthly Payment	Years to pay off	Total Paid back	Total Interest Paid
N\$50-00	2	N\$1,138-19	N\$138-19
N\$30-00	4	N\$1,281-77	N\$281-77
N\$20-00	6	N\$1,435-85	N\$435-85

- Get an emergency fund – having savings that are dedicated to emergencies will keep you from resorting to credit whenever you have a financial emergency. An emergency fund of three to six months of living expenses is ideal, but starting out with N\$100-00 to N\$500-00 per month will help with some of the minor emergencies from time to time.
- Change your attitude about money – often people who live from paycheck to paycheck do not make the wisest spending decisions. They sometimes over estimate how much money they can spend and end up spending more money than they really make. You may find yourself spending more money on things you want than things you need. Or, it could be that your money is slipping through cracks you did not know were there. Whatever the case, setting up a budget and paying attention to your spending will help you get back on track.
- Financial Literacy - knowledge can empower our lives. Always educate yourself about budgeting, spending, cost of borrowing and ensure you plough this knowledge back into the lives of your family and friends, as it is never too early for a child to learn about managing finances.

LENDERS

- Affordability Checks - always ensure, before disbursing a loan, that the consumer can afford the loan.
- Credit Screening Checks - always ensure that you make use of a reputable Credit Bureau to screen the client for any outstanding loans, blacklisting or borrowing habits.
- Terms and Conditions of the Loan Agreement - always ensure that you explain to the client the interest to be charged and

repayment period in a simple language that they understand.

- Perform a Sanity Check – to see whether the information as provided by the borrower is plausible, i.e. monthly grocery expenses of N\$250-00, monthly taxi expenses of N\$50-00, i.e. instances where you can see that the information is incorrect.
- Avoid Roll-over Loans - always avoid clients that come pay only the interest on due date and request that the loan be rolled-over/ proceed into a new month. The client will literally end up not paying the loan and at one stage or another end up defaulting.

It is never too late to get out of the financial situation you may currently find yourself in. The first and most important step is to accept that you are over-indebted and find financial advice on how to overcome the situation that you find yourself in.

References

Financial Literacy Initiative (FLI) Savewise Special

Free Money Basics Tutorial at GCFLearnFree

How to successfully live within your means at <https://www.thebalance.com/ways-to-live-within-your-means-960044>

How to stop living from Paycheck to Paycheck at <https://www.thebalance.com/stop-living-paycheck-to-paycheck-960033>

**Beware of
little expenses.
A small leak will
sink a great ship.**

- Benjamiin Franklin

INSURANCE FRAUD

Insurance fraud is a multi-billion-dollar problem for the Insurance industry globally and in Namibia. In this issue, we spoke to **Uaatjo Kaurimuje** from NAMFISA in order to clarify insurance fraud and its consequences.

Globally and in Namibia insurance fraud does exist. This can be broadly broken down into the following:

- **Intermediary Fraud**
- **Policyholder Fraud**
- **Wrongful repudiation of an insurance claim by an insurance company**

Take note that each fraud has its own specific consequences.



Uaatjo Kaurimuje

UAATJO, DOES INSURANCE FRAUD EXIST IN THE INSURANCE INDUSTRY?

WHAT IS INTERMEDIARY FRAUD, IF YOU COULD ELABORATE WITH SOME EXAMPLES?

Intermediary fraud is fraud committed by the insurance broker or agent. The most common example is when a premium is paid to the broker or agent and the said broker/agent keeps these funds for himself instead of transferring the funds to the insurance company. Since the Insurance Company has not received the premium, the policy will eventually lapse resulting in the policyholder not having insurance cover when a risk event occurs and subsequently may find it challenging to claim.

Other examples of intermediary fraud:

- Insurance agents or brokers making misrepresentations to policyholders on the terms of the policy, i.e. what risks are

covered in terms of the policy wording and standard exclusions.

- Insurance agents or brokers falsifying policyholder signatures in order to have benefits paid out to them.

THIS ALL SOUNDS VERY INTERESTING UAAATJO, BUT ARE THERE ANY TIPS TO AVOID FALLING VICTIM TO INTERMEDIARY FRAUD?

In the event where premiums are collected or paid over to a broker, the policyholder should call the insurance company to confirm that the said broker is authorised by the Insurance Company to collect premiums on their behalf.

1. Regularly call your Insurance Company to ensure your policy is still active and that they have received your premium.
2. Misrepresentation by falsifying policy contracts e.g. signing on behalf a client, potential client or ghost client.
3. Always ensure that you are dealing with a duly registered broker or agent. Request to see the broker/agent's NAMFISA license or call NAMFISA to enquire whether said agent/broker is licensed. Alternatively, you can visit the NAMFISA website on www.namfisa.com.na to access a list of all the registered insurance agents and brokers.

ONCE AGAIN YOU MENTION POLICYHOLDER FRAUD. WHAT IS THAT?

Policyholder fraud occurs when a policyholder deliberately or intentionally provides false or misleading information, either at the application or claims stage, in order to obtain a benefit from the insurance company.

Examples of Policyholder Fraud

According to the Financial Stability Institute (FSI Connect) some of the more common forms of Policyholder Fraud are:

- Reporting and claiming false damages and losses.
- Inflating damages and losses covered by policies.
- Misrepresenting facts concerning an event or loss for a claim.
- Third parties filing artificial claims for damages (by means of collusion).
- Staging of incidents to deliberately cause damage or losses (for example, arson).
- Providing incorrect facts or withholding information on the insurance policy application in order to pay a lower premium.

HOW CAN ONE MITIGATE THE RISK OF POLICYHOLDER FRAUD?

1. The most important thing is that you provide complete and accurate information at underwriting stage so as to ensure that you have the cover you need.
2. Provide complete, accurate and truthful information at claims stage.

DO NOT:

- **Inflate losses in the hopes of obtaining a larger claim settlement.**
- **Report or claim false damages or losses.**
- **Stage an incident to deliberately cause damage or losses.**

WHAT CAN I DO IF MY INSURANCE POLICY HAS WRONGFULLY REPUDIATED MY CLAIM OR CANCELLED MY INSURANCE POLICY?

Should your insurance company commit insurance fraud against you, you could do the following:

- **Call NAMFISA's complaints department on telephone 061 290 5134**
- **Take legal action against the insurer**

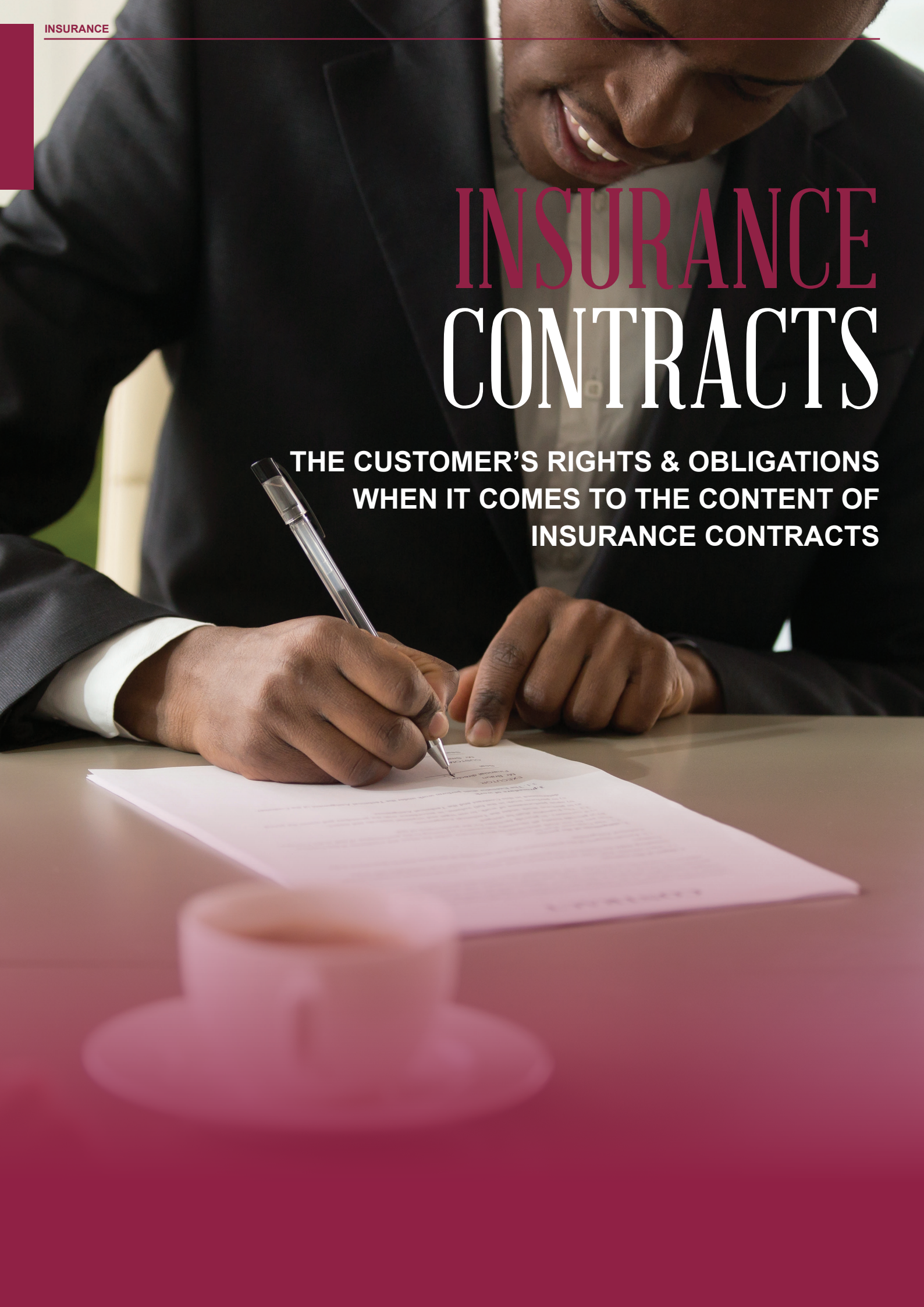
WHAT HAPPENS IF I AM FOUND GUILTY OF INSURANCE FRAUD?

Anyone found guilty of committing Insurance fraud can face serious consequences. These include:

- **Legal consequences:** If prosecuted in a court of law, a policyholder or intermediary found guilty of committing Insurance fraud can face prison time or be required to pay a fine or both.
- **Licensing consequences:** An agent/broker could lose his/her NAMFISA license if found guilty of Insurance fraud.
- **Reputational consequences:** A policyholder found guilty of insurance fraud runs the risk of being "blacklisted" in the insurance industry. This has the effect that the individual will not be able to insure his/her assets because of his/her history of fraudulent claims.

INSURANCE CONTRACTS

**THE CUSTOMER'S RIGHTS & OBLIGATIONS
WHEN IT COMES TO THE CONTENT OF
INSURANCE CONTRACTS**



Insurance contract is a contract whereby, for a specified consideration, one party undertakes to compensate the other for a loss relating to a particular subject as a result of occurrence of designated event(s) or risk(s). The normal activities of daily life carry the risk of enormous financial loss. Many people are willing to pay a small amount for protection against certain event(s) or risk(s) because that protection provides a valuable peace of mind.

The term insurance describes any measure taken for protection against risk(s). In an insurance contract, one party, (the insured) pays a specified amount of money, called a premium to another party (the insurer). The insurer, in turn agrees to pay-out the insured for specific future loss(es). The loss(es) covered is/are listed in the contract, and the contract is called an insurance policy. The loss(es) which is/are not covered is/are always listed in a section normally known as policy exclusion(s).

When the insured party suffers a loss or damage that is covered in the policy, the insured can collect the proceeds relating to the loss by filing a claim, or request for coverage with the insurance company. The company then decides whether or not to pay the claim. The recipient of any proceeds from the policy is called the beneficiary. The beneficiary can be the insured person or other person(s) designated by the insured.

CUSTOMER'S RIGHTS TO THE INSURANCE CONTRACT

Insurance is a two-way contract, and you (customer) have a role to play. You are responsible for understanding your needs, asking questions and providing accurate, up-to-date information to your insurer. **You have the right to:**

- An easy-to-understand explanation of how insurance works (contract),
- How insurers calculate prices based on relevant facts,
- Access clear information about your policy,
- Your coverage and the claims settlement process,
- To be informed of procedures and timelines for settling your claim, and
- The status of your claim.

If your claim is denied, **you have the right:**

- To be informed why your claim was not paid/honoured
- To obtain necessary and truthful information on the products and services offered, in order to make an informed decision;

You have the right to cancel your policy within the cooling-off period (a period of time following the signing up of the contract), if you choose to cancel your insurance contract.

CONSUMER'S OBLIGATIONS TO THE INSURANCE CONTRACT

Entering into an insurance contract involves duty of utmost good faith, meaning that the parties to the contract promise to be fair and honest in the way that they will deal with each other. Before the consumer enters into a new contract or renew a contract of insurance with an insurer, the consumer has a legal duty to tell the insurer everything that he/she knows that might influence the insurer's decision about whether to accept the risk or not to accept, and this is called the "duty of disclosure". Your policy is based on the information you are providing to the insurer and you are expected to answer all the questions that the insurer asks you, truthfully and accurately.

For example, you would be expected to tell the insurer if you have undergone a major medical operation in the past or if you have previously made an insurance claim, because these pieces of information influence the insurers' understanding of the risk it is about to take. It is your obligation as the consumer to familiarise yourself with the insurance products and services before signing the insurance contract. As with any contract, you are expected to read your policy carefully before you enter into an insurance contract so that you fully understand what claim(s) you can make and what your policy will cover, and what it will not cover.

Finally, when you purchase an insurance policy, you are obliged to pay the premium in respect of that policy. In the event that you fall behind with your policy payments, the policy may lapse and subsequently the insurer is not obliged to cover you for any claim(s) that may arise after the insurance policy has fallen into a lapse status which would be detrimental to the interest(s) of the insured.

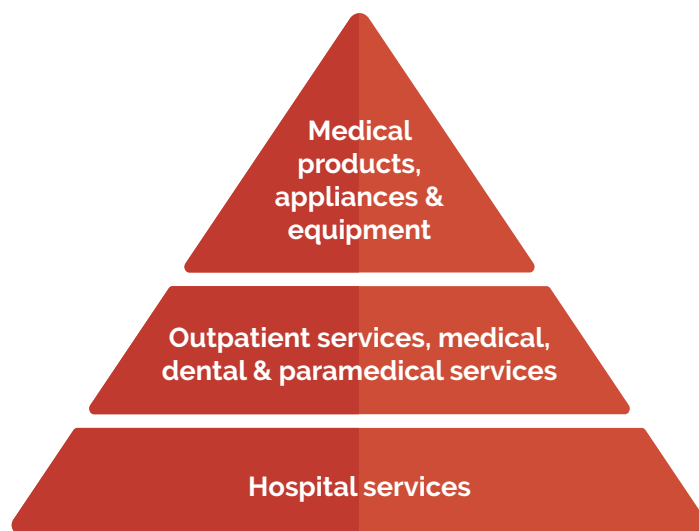


THE IMPACT OF HEALTH CARE INFLATION

Inflation is one of the main drivers of cost and is defined as the rate at which the level of prices for goods and services increase over time. Inflation is loosely termed as the change in buying power that N\$1 has today vs. a point in time in the past and it measures the change in the purchasing power of money. An index called the Consumer Price Index (CPI) is used to measure inflation.

Health care inflation is inflation specific to medical expenses incurred, whether defrayed by the medical aid fund and the medical insurance industries or by households (consumers spending out of pocket). Figure 1 illustrates the health basket used to determine Health care inflation in Namibia.

Figure 1



Health care inflation is used by the medical aid funds and the medical insurance companies to determine medical aid fund contributions and insurance premiums. The experience has been that medical inflation is generally higher than the country's average inflation rate.

What this means is that medical treatment costs grow at higher than average inflation rate and this results in higher health care costs incurred by consumers and defrayed by the medical aid funds and health care insurers. Health care inflation is incorporated in the annual base contribution increases you are likely to get on your medical aid fund or the renewal of your medical insurance policy cover.

Health care inflation is a combination of the increase in the cost of a medical treatment multiplied by the utilization thereof. Therefore medical inflation is significantly increased by the increase in the rate at which services are utilised.

HOW DOES UTILISATION INCREASE HEALTH CARE INFLATION

There are a number of ways in which utilisation of medical services increase medical inflation. These include:

- **An aging population:** Pensioners (older individuals) tend to claim more frequently as compared to non-pensioners (younger individuals). This is because older individuals are

generally exposed to chronic conditions that may require more expensive treatments, more frequent hospital admissions, a higher level of nursing care and more physician visits. An aging population therefore results in an increase in the demand for health care, driving up the overall health care bill and therefore inflationary increases in health care costs;

- **Technology:** More innovations in diagnostics and treatment tools enable doctors to address and resolve more conditions, but at increased costs.

HOW DOES HEALTH CARE INFLATION IMPACT ANNUAL INCREASES IN MEDICAL AID FUND CONTRIBUTIONS AND AFFORDABILITY?

Namibia's health care inflation rate increased from 1.1% as at 31 December 2014 to 7.3% as at 31 December 2016, reflecting a significant impact on health care expenditure. Health care expenditure increased by 31.6% during the same aforementioned period.

As previously stated, health care inflation is used by the medical aid funds to determine medical aid fund contributions and has therefore reflected significant increases over the past five (5) financial years. During the 2016 financial year, increases in the medical aid fund contribution premiums ranged between 7.6% and 15.8% (weighted average of 9.9%), significantly higher than the Namibian CPI rate of 6.7%. This is because, apart from health care inflation, the increase in contributions is greatly impacted by factors such as increase in utilisation of benefits and the annual amendments to the benefits included in the respective benefit options. Figure 2 illustrates the increase in gross contributions over the past five (5) financial years.

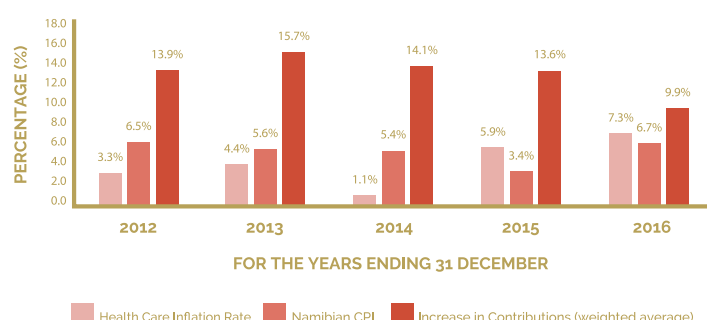


Figure 2 A Contribution increase vs. Health care Inflation

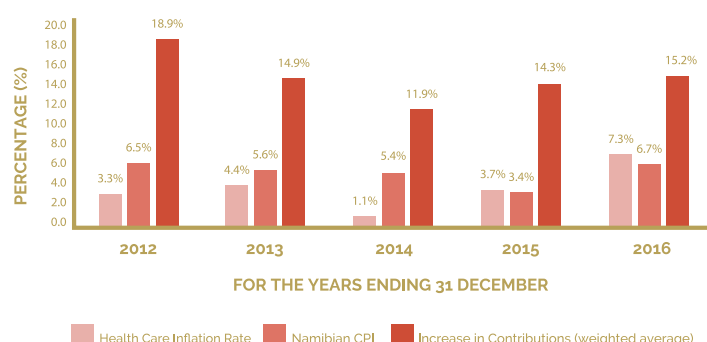


Figure 2 B Increase in health care expenditure vs. Health care Inflation

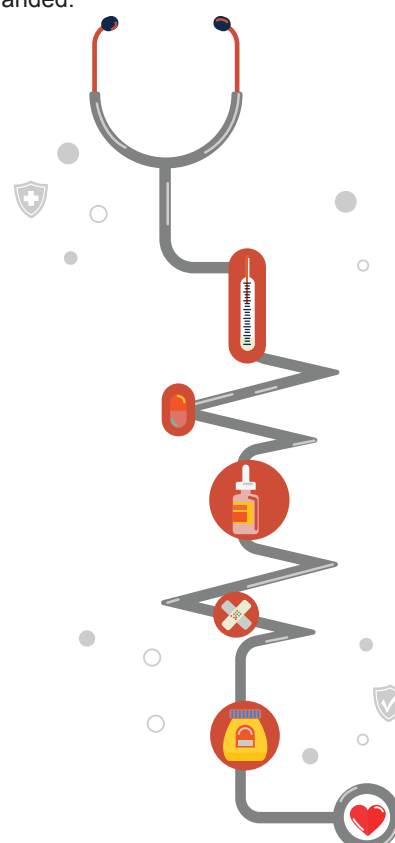
Evident from the illustrations in figure 2, the percentage increases in annual medical aid fund contributions have been significantly higher than the annual country inflation over the past five (5) years. The remuneration of members of medical aid funds are generally adjusted annually in line with the average inflation rate. Health care costs and contributions are however higher than the average inflation rate and therefore increase at a higher rate than your salary. This results in the unaffordability and may require you to either buy down on your benefit option or to terminate your medical aid fund cover.


REMEMBER, HEALTH CARE INFLATION PARTLY DEPENDS ON THE RATE AT WHICH YOU UTILISE YOUR MEDICAL AID FUND BENEFITS.

A significant change in your claims patterns, may have a significant impact on health care costs and therefore health care inflation. Measuring and reducing the rate at which you use your medical benefits would definitely help reduce health care inflation and make private health care more affordable.

This can be done by:

- Living a much healthier lifestyle in order to curb the growing prevalence of chronic illnesses;
- Making sure that the care you get is necessary. Avoiding wasteful health-care spending such as frequently requesting for inappropriate or unnecessary tests; and
- Challenging expensive medication and devices by purchasing generic medication rather than branded medication. Generic medication is cheaper and contains the same ingredients at the same concentration and therefore performs the same function as the branded.





FIDUCIARY DUTY OF TRUSTEES OF A PENSION FUND

What is the obligation to the fund and the members of the fund?

A pension fund is a trust, and all assets in the fund should be held only for providing benefits for the members and beneficiaries of the fund. A trustee of the pension fund therefore has a duty to ensure that the funds of all members and beneficiaries are well managed and protected. This duty is referred to as a fiduciary duty.

LEGAL BASIS

In Namibia, the Pension Funds Act, (Act No. 24 of 1956) ("the Act") does not specifically state what the fiduciary duties and responsibilities of trustees of a pension fund should be, however the general fiduciary duties of trustees are defined in the common law.

WHO IS THE FIDUCIARY?

According to common law, a person or financial institution is a fiduciary when that person or institution:

- Has the authority or has control over the management of the fund, or has any authority regarding the management or investment of the assets of the pension fund.
- Can provide investment advice for a fee or other compensation, direct or indirect, regarding the assets of the pension fund, or has the responsibility or authority to do so.
- Has the authority or responsibility for the administration of the pension fund.

THE TWO PARTS OF FIDUCIARY DUTIES

There are two parts to the duties of a fiduciary of a pension fund. These are the duty of care, and the duty of loyalty.

1 DUTY OF CARE

1. Prudent Expert

- The trustees should have access to the facilities and the skills to invest the assets of the fund in a wise and responsible manner, therefore the trustees have the general authority, and are responsible for the investments of the fund.

2. Diversify Investments

- The trustees have the duty to distribute the fund's investments so as to reduce the risk of significant losses, except in the cases where it is sensible not to do so.

3. Transactions that should not be performed

- The trustees should not allow the fund to take part in a transaction if they know or should have known that such a transaction is not likely to have good returns or is not a safe transaction to take part in.

4. Distribution of Duties

The trustees of the fund should know:

- When to delegate;
- How to distribute duties;
- To whom a task should be given; and
- How to supervise those to whom tasks have been assigned.

5. Maintain Investment Managers

- The trustees should make sure that they always make use of qualified investment managers to investment of the monies of the fund.

6. Consult with Experts

- If a trustee does not have the education and skills needed to make a decision regarding a particular aspect of the fund, the trustee has a duty to ask for professional advice before making the decision. Failure to do so is not wise and would mean that the trustee is not performing his/her fiduciary duty. Should the trustees not follow the advice of the experts consulted, they should make it clear why they have decided not to take their advice.
- The trustees must make sure that if they are not familiar with any investment decision, they ask about that particular investment, rather than accepting only the opinions of members of the board of trustees.

7. Duty to Manage

- The trustees also have the duty to monitor and take the necessary steps to correct any aspect of the management of the fund.

2 DUTY OF LOYALTY

1. The Fund is meant only for Benefits

- The trustees of the fund must make sure that all the assets and returns of the fund are held, invested, or distributed as required by the Act and the rules of the fund, and that they are not used for any other purposes.
- The trustees must make sure that they exercise their duties in the interest of the fund. In addition the trustees have the duty of providing benefits to the members and their beneficiaries, as well as making sure that the costs of managing the fund are reasonable.

2. Actions that are not allowed

- The trustees must always act in the best interest of the fund, and should never use the assets of the fund for their own interest, or for their own account.
- The trustees must not take part in any transaction involving the fund that can result in a conflict of interest for the trustees.
- The trustees of the fund must not receive any compensation, gift or any form of benefit from anybody dealing with the fund, for any transaction involving the assets of the fund.
- The trustees may not invest in a way that is not for the benefit of the fund, therefore the trustees' decisions must not be to satisfy the personal views of the trustees.

3. Fairness

- A trustee of the fund is not allowed to manage the fund for the interests of any person or group of people that appointed the trustee. Therefore a trustee is not allowed to act only in the interest of the employer or the employees, but must act in the best interest of the fund as a whole.

4. Conflicting Interests Among Various Members and Beneficiaries

- The trustees of the fund must ensure that different interests among members and beneficiaries are considered in the strategy of the fund. For example, differing investment strategies for different age groups of the members.

HAVE YOU HEARD ABOUT THE NAMFISA COMPLAINTS DEPARTMENT?

We are sure that by now you must have heard about the NAMFISA Complaints department, it's functions as well as the entities it supervises and regulates. Now that you have that information do you know where to find our office or how else to access our office?

If your answer to any of the above questions is no, read on as this article is for you.

DO YOU KNOW WHERE TO FIND THE COMPLAINTS DEPARTMENT?

You are properly wondering whom you should address the complaint to as well as where you should submit your complaint.

Well, NAMFISA makes this easy for you by giving you various options to submit your complaint. You or any person you authorise, can lodge a complaint in English or in any local language of your choice at the NAMFISA Complaints Department.

The department is located on the 6th Floor of the Alexander Forbes House, 27 Fidel Castro Street, Windhoek.

YOU CAN ALSO SEND US:

- A letter through the post at P O Box 21250, Windhoek or
- An e-mail at complaintsdept@namfisa.com.na, or
- A fax at 061- 290 5161 or
- You can call us at our toll free number 0800290500.

DO YOU KNOW HOW ELSE TO ACCESS THE COMPLAINTS DEPARTMENT?

It does not end there. You can also complete an online complaints form through our website at:

<https://www.namfisa.com.na>.



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 instruments

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.

Knowing Your Credit Report

What's in it, who can see it, and where does the information come from? We have the answers.



Before credit grantors and service providers agree to give you credit, they need to know a few things about you—like how much credit you already have, whether you can afford it, and how reliable you are about paying it off.

This information is available on your credit report, which shows:

- Your past and current credit obligations
- Other companies you've applied to for credit
- Your credit behaviour and payment conduct

A positive credit profile is an asset.

The information in your credit reports helps lenders make decisions about granting you credit. If it shows you can afford the terms, and have a history of making your payments on time, they're more likely to offer you credit.

What's in your credit report

- **Identifying information:** Your name, address, identity number, and employment details
- **Payment history:** Payments you've made; and if you have ever defaulted (not paid)
- **Enquiry history:** Which companies have requested your credit report
- **Court notices and judgments:** Information on public record that is relevant to your credit behaviour

Information that's not included

Your credit report only has information that relates to your credit performance, so does not include:

- Personal information about your friends and habits
- Information about your lifestyle, religion or political affiliation
- Your driving record
- Your medical history
- Any criminal records or divorce proceedings

Where the information comes from

- **Applications:** Information from credit application forms is loaded to our database
- **Payments:** Most large organisations report their payment information to TransUnion regularly
- **Public records and court records:** If the information is relevant to your credit profile

Who may access your credit report

Anyone with a valid reason may buy a credit report from us. Reports are issued under strict confidentiality 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.

CONSUMER EDUCATION BULLETIN

Brain Teasers are a great way to challenge the brain and have a little fun.

Find the answers in our next edition

1 READING _____ _____	2 STAND i _____ _____	3 MIND MATTER _____ _____	4 GROUND 👣👣👣👣👣 _____ _____
5 SPOT _____ _____	6 BAN ANA _____ _____	7 BEAT _____ _____	8 STEP 2ET2 2ET2 _____ _____
9 DEAL _____ _____	10 VISION _____ _____	11 CROWD _____ _____	12 S L O W _____ _____

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