NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

CONSUMER EDUCATION BULLETIN

FESTIVE EDITION 2017

BE SMART THIS FESTIVE SEASON

IN THIS ISSUE WE TALK ABOUT UNLISTED INVESTMENTS, MICRO-INSURANCE AND MUCH MORE....

CONSUMER EDUCATION BULLETIN

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

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Editorial Team:

Victoria Muranda
Uaatjo Kaurimuje

Layout:

Ogilvy & Mather Namibia

Copywriting:

Ogilvy & Mather Namibia

Distribution:

All distribution enquiries should be directed to the NAMFISA Consumer Education Department at the contact details listed below.

Contributions:

Contributions to this bulletin are welcome.
The Editor reserves the right to edit submissions.
Send contributions to the Editor at:
info@namfisa.com.na.

Contact Details:

+264 61 290 5000
PO Box 21250, Windhoek
consumer@namfisa.com.na
1st Floor, Sanlam Centre
154 Independence Avenue, Windhoek

Last Issue Game

Did you successfully complete last issue's game?

Here are the answers:

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"The Provident Institutions Department caution all members and beneficiaries of Medical Aid Funds and all road users at large, to observe the rules of the road, love and respect other road users and stay cautious this festive season and beyond."

- Provident Institutions

FROM THE CEO'S OFFICE

The season for being merry and sharing with your loved ones and the needy in society is here. In this festive edition, you will find well wishes for the festive season from my colleagues in the various departments.

Holiday shopping can be such a whirlwind that many of us forget to take the time to stop and think before we shop. Then, after the dust settled, we think, "Huh, I didn't think I spent that much!" Having a set budget and knowing the ins and outs of holiday shopping can be your best defence from a holiday financial hangover.

The most helpful step in planning your holiday shopping adventures is to establish a realistic budget based on your current cash flow and financial obligations. You will need to identify your current monthly income and expenses, which will guide your spending for the holiday season. It is important that once you create a budget, you stick to it. For ease of reference, we have included a budget template on page 24 of this edition.

Here are a few helpful steps for creating your holiday budget:

Make a list of who you really want to give gifts

Once you have determined your current monthly income and expenses, in order to recognise how much money you will have left over to put towards the holidays. Remember, if you travel for the holidays, or host any parties, these costs should be included in your expenses.

Do not go into stores unprepared and fall into the trap of impulse buying. Plan your trip and gifts out in advance and stick to your plan.

Money Saving Measures

Even with all the budgeting in the world, the holidays can still be financially taxing. You may start out strong, and then that last minute expenses hit you. But there are preventative measures you can take to help avoid this. One of the best ways to watch how much you are spending is to buy gifts with cash whenever possible; do not use credit cards. If you only pay in cash, when you run out, you run out. Keeping track of how much you are spending is much easier if you have the money physically on hand.

Spread your shopping throughout the year.

If a store has a huge sale in May, there's nothing holding you back from getting something from that sale as a Christmas gift, right? Buying throughout the year will benefit your budget during the Christmas buying crunch time and it will take away the stress of having to buy at the last minute.

In conclusion, remember that the foundations of success with money include spending less than you earn, looking after yourself, your loved ones and your assets, understanding how debt can be good or bad, saving and planning for retirement, and making sure you know how your investments work and what risks you are comfortable with.

With those few tips and concluding remarks, I wish you, our esteemed readers, a blessed Festive Season and a Prosperous 2018.

Kenneth Simataa Matomola
Chief Executive Officer

FROM THE EDITOR'S DESK

Merry christmas! It is officially the biggest birthday party in the world, and it is called Christmas. I will not dwell to much on the Christian background of the day but what I can stress is the need to view this season as a season of love, peace, sharing and unconditional giving. I am a believer of sharing with the needy in the communities we serve, and if you can afford to put a smile on someone's face by opening up your hand and your heart, do so this festive season with no reservation. I therefore wish you all the best for the festive season. As we enter this time of joy and excitement, let us not deviate from our financial savyness and accumulate unnecessary debts.

> Take the time off during this season to do some stock-taking and self-auditing, especially on your financial well being, and how the past year worked out for you financially, as you plan for the coming year.

I cannot over emphasise the need for us to be prudent with our spending during this season, amidst the ever increasing "For Sale" red tickets items advertised and many other enticing marketing drives to get you to spend. Remember you do not know what the new year has to offer, so rather be safe than sorry and save for the rainy days, instead of over-indulging and accumulating more debt.

Let me also draw your attention as a valued and avid reader of the Consumer Bulletin, to what you can expect in this edition. Although most investors are familiar with listed investments, not every investment is listed on the stock exchange, hence the need to shed light on what unlisted investments are and how they are applied in Namibia. We will also discuss the unfamiliar and problematic concept of Vesting Scales and what they are.

Furthermore, we will share insights on the characteristics of micro-insurance as provided for, under the Financial Institutions and Markets Bill (FIM Bill) which is expected to replace the Long-term and Short-term Insurance Acts among others, while our respective departments give you free financial education advise as part of their Christmas messages.

Enjoy the read,
Merry Christmas and a Happy 2018!

Victoria Muranda
Editor

Personal Risk Management over the Festive Season

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk Management is simply put, the process of managing the risks. Therefore, we urge the public at large to manage and mitigate risks associated with the festive season while enjoying it to the fullest."

- CEO Office

ANTI-MONEY LAUNDERING

"Giving and sharing is what this season is all about and if all of us could just remember that and make it more than just being about our wallet and money, it could lighten the burden of Christmas for so many people. Offer some of yourself to others in need."

- Human Resources

HOW MONEY LAUNDERING/ TERRORIST FINANCING/ PROLIFERATION FINANCING AFFECTS NAMIBIA'S RELATIONSHIP WITH THE REST OF THE WORLD.

The terror attacks in Paris in November of 2015, and in Belgium in March of 2016 as well as the Boko Haram attacks in Nigeria since 2009, Niger in 2014 and Cameroon in June 2016, have shown that no country, including Namibia, can consider itself immune to the global threat of terrorism. Although terrorist activities are mostly confined to the central and eastern regions on the African continent, the funding activities and recruitment of fighters is believed to be on a global scale. There were reports of Namibian fighters who are alleged to have been recruited by foreign terrorist groups and there are reports of them being killed while fighting for terrorist groups abroad[1].

A number of travelers have been intercepted with huge amounts of currency in neighbouring South Africa, with the money being suspected to be directed towards financing terrorist activities. The link between transnational financial crimes and terrorist activities became more evident after the 11 September 2001 attacks in the United States of America. It prompted world leaders to have a more coordinated approach to combat Money Laundering (ML)/Terrorist Financing (TF)/ Proliferation Financing (PF). The reason for this is because no one country can on its own, effectively combat ML/TF/PF.

Money Laundering (ML) is widely regarded as the process by which funds from illicit activities (such as poaching of wild life products, drugs or human trafficking and other fraudulent activities) is given the appearance of having originated from a legitimate source.

Terrorism financing (TF) can simply be defined as financial support, in any form, of terrorism, or those who encourage, plan, or engage in terrorism. It can be funds raised from legitimate sources, as well as funds from criminal sources or both. For example, a Namibian based person sends funds, through a financial body, to an organisation in another jurisdiction. The receiver of these funds avails these funds to a group of persons who are advancing terror, such as high-jacking planes, or waging war against a legitimate government. The mere fact that a person from Namibia used financial systems to send money which ended up in the hands of terrorists could be interpreted as Namibian financial systems having facilitated the funding of terrorism or Namibia not having adequate and effective control systems to combat terrorism funding.

Proliferation financing (PF) is defined by the Financial Action Task Force (FATF)[2] as the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons, incontravention of national laws or, where applicable, international obligations. Those involved in proliferation use various means to raise funds to support their activities. Namibia's international obligations require that locally, controls are effective in denying opportunities to those advancing proliferation activities. The most important control mechanism is the expectation that Namibia does not avail financial or other designated support to those involved in proliferation activities.

Proliferators abuse both the formal and informal sectors of the international financial system or resort to cash in order to trade in proliferation relevant goods. It should be noted that organised networks, which make use of the formal international financial system, may be easier for authorities to detect than those using informal sectors. When abusing the formal international financial system, purchases usually appear legitimate to elude suspicions, as proliferation-sensitive goods and services may be purchased on the open market.

Proliferation networks also use ordinary financial transactions to pay intermediaries and suppliers outside the network. Proliferation support networks therefore use the international financial system to carry out transactions and business deals, often acting through illicit intermediaries, front-companies and illegal trade brokers. These procurement networks have become significantly more complex over time, increasing the probability that the true end-users of proliferation sensitive goods will avoid detection. Financial institutions are usually unwitting facilitators of proliferation.

Namibia, being a member of the United Nations, is obligated to play its role in combating ML/TF/PF activities. Namibia is also a member of the Eastern and Southern Anti-Money Laundering Group (ESAMLG) that conducts peer reviews to assess member states' progress in addressing any short-comings in their Anti-Money Laundering (AML)/Combating Terrorist Financing laws. Furthermore, Namibia is considered to have one of the most advanced financial systems in Africa, which makes part of the global financial system. It is of utmost importance that the integrity of Namibia's financial system is protected from abuse regarding ML/TF/PF activities. In order to fulfill its international obligations to combat ML/TF/PF Namibia set out the National Strategy on AML/CFT and subsequently established the legal framework to combat ML/TF/PF.

The FATF, the inter-governmental standards setting body to combat money laundering and the financing of terrorism, maintains a list of countries that do not comply with Anti-Money Laundering, Terrorism and Proliferation Financing requirements or countries that do not cooperate sufficiently in the fight against these activities. If Namibia is not complying with its international objectives to combat ML/TF/PF it may result in Namibia being placed on the list of countries that do not have laws to adequately combat AML/CFT/CPF activities. In the event Namibia is placed on this list, it can be interpreted to mean that the country does not have effective minimum standards to combat these activities. This could result in other countries imposing counter-measures or sanctions against Namibia. This can adversely affect Namibia's trading and other relationships with the rest of the world.

Namibia has made significant progress to comply with international obligations to combat ML/TF/PF. The Financial Action Task Force (FATF) plenary meeting on 26 February 2015 in Paris, France which, upon recommendation by its International Cooperation Review Group, unanimously agreed that Namibia has effectively and efficiently executed all agreed actions. In March 2015, Namibia was removed from the list of countries which are considered to have deficiencies to combat ML/TF/PF or shortcomings in their National Anti-Money Laundering and Combatting the Financing of Terrorism regulatory environment. The next round of peer reviews from ESAAMLG is scheduled for the year 2020, and the purpose will be to assess how effective Namibia's legal framework in combating ML/TF/PF activities is. It is not only in the interest of Namibia to have measures in place to effectively combat ML/TF/PF but the interest of the rest of the world in making the world a better and safer place.

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[1]http://www.confidente.com.na/2015/11/namibian-isis-trained-terrorist-killed-in-syria/

[2]An independent inter-governmental body that develops and promotes policies to protect the global financial system against Money Laundering, Terrorism and Proliferation Financing activities.

UNLISTED INVESTMENTS

HOW UNLISTED INVESTMENTS UNDER REGULATION 29 ARE APPLIED IN NAMIBIA

The Strategic Projects Office advises that you carry the themes of COST, TIME and QUALITY into the festive season by considering the following:
COST - Budget for your holiday activities to the tee, e.g weddings, accommodation, food, presents, fuel, etc, to avoid "Janu-worries."

TIME - Time is a resource that once spent you can never get back again. Conceptualise all the activities and stick to the time you have set out per activity, so you will not be left wondering where all the time went and end up regretting activities that you could have, would have and should have done - if only you had more time!
QUALITY - Identify and assess which of the holiday activities you truly value and focus your energy on those activities.

- The Strategic Projects Office

"Before looking at a thousand fantastic ways to spend your 13th cheque or bonus, wait! Don't spend in a hurry! Invest a part of the bonus in a unit trust account to save for the rainy days of January and 2018 in general."

- Investment Institutions

Although most investors are familiar with listed investments, not every investment is listed on a stock exchange, hence the need to shed light on what unlisted investments are and how they are applied in Namibia.

An Unlisted Investment is money invested in companies which are not listed on any stock exchange. For the purpose of Regulation 29, unlisted investments are investments that take the form of a prescribed equity or debt capital in a company incorporated in Namibia and are not listed on any stock exchange, but exclude assets such as credit balances, bonds including debentures (issued by Government, Local Authorities, Regional Councils, State Owned Enterprise and corporates) and property as defined in Regulation 28. Technically speaking, an unlisted investment is just a subset of private equity which is a relatively new investment concept to Namibia.

Unlisted investments have arrived as major components that create alternative asset classes for investments of pension funds' assets. In Namibia, Pension Fund savings are invested as prescribed by Regulation 28 of the Pension

Funds Act, No. 24 of 1956, which prescribes the limits relating to assets in which registered pension funds may invest, whilst Regulation 29 outlines how the investments in unlisted investments should be applied by pension funds.

According to Sub-regulation 28 (4) of the Pension Funds Act, pension funds are required to hold a minimum of 1.75% and a maximum of 3.5% in unlisted investments. Regulation 29 was introduced and it sets out the requirements for registration and the management and administration of the Special Purpose Vehicles (SPVs) and Unlisted Investment Managers (UIM's).

Simply put, Regulation 29 was introduced to regulate the investment of pension fund assets in unlisted investments. In the wake of market developments, the principal objective of this policy is therefore to contribute to a robust economic growth through the utilisation of the contractual savings (pension funds), encouraging development needs of communities by providing development capital to the non-listed sectors with high growth potential as well as alleviating social challenges currently experienced in Namibia.

How unlisted investments are applied in Namibia under Regulation 29

Regulation 29 sets out that pension funds must invest in unlisted investments through a Special Purpose Vehicle, which thus prohibits pension funds from directly investing with Unlisted Investment Managers. The said Regulation prescribes that both the Special Purpose Vehicle (SPV) and the Unlisted Investment Manager be registered and approved by the Namibia Financial Institutions Supervisory Authority (NAMFISA). NAMFISA is mandated to regulate and supervise Special Purpose Vehicles and unlisted investment managers.

To illustrate, the funds under the unlisted investment portfolio are held in legal vehicles called Special Purpose Vehicles, which are either in the form of trusts, public or private companies and the SPV's objective is to solely hold unlisted investments on behalf of the investors. Investors, in this case pension funds, irrevocably commit capital to a Special Purpose Vehicle, which is the Fund. The Unlisted Investment Manager, which is the Fund Manager, is then appointed to provide investment services and general administrative services to the Fund.

The regulation compels the unlisted investment manager to, at all times, co-invest a minimum of 1% in the Special Purpose Vehicle. The Unlisted Investment Manager raises funds from investors (pension funds and or other co-investors). Once investors commit capital to the Special Purpose Vehicle, these funds, which are known as Committed Capital, are then allocated to the Fund Manager, on the basis of a draw down principle rather than the total value committed to the Fund, who then invests that money into portfolio companies with high growth potential in accordance with the investment mandate. With this, the Fund Manager is tasked with the responsibility of sourcing and screening investment opportunities, conducting rigorous due diligence on potential portfolio investment companies, making investment decisions and actively managing the Fund. The Unlisted Investment Manager charges management fees for the services rendered.

Correspondingly, the Fund Manager continues to raise capital in pursuit of a targeted minimum fund size. All in all, investors aim to earn higher rates of returns through access to diversified portfolios sourced and managed by the Fund Manager. The Fund has a limited investment period, usually ranging between 5 to 10 years.

STRUCTURAL OVERVIEW - FLOW OF FUNDS

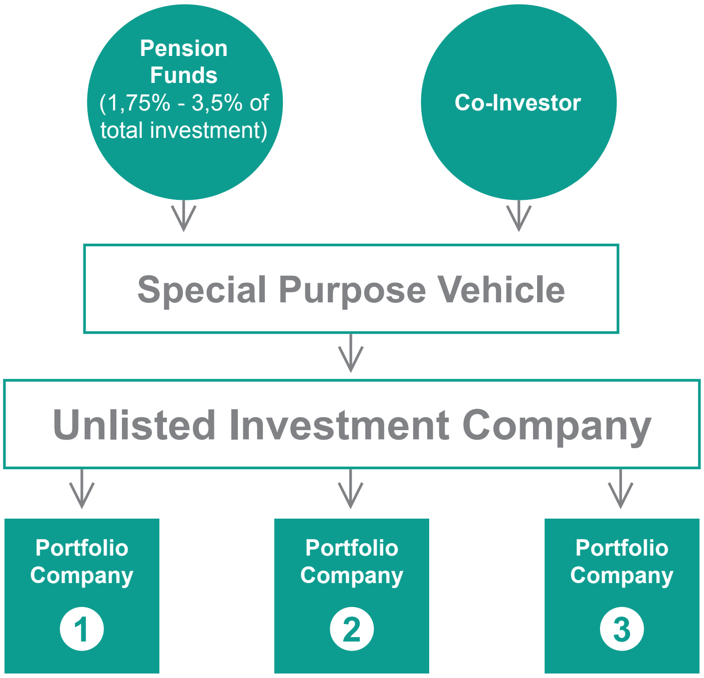

Figure 1 Structural Overview - Flow of Funds

Definition of Terms:

Co-investor: means any person other than a pension fund or an unlisted investment manager that invests in a special purpose vehicle.

Commitment capital: means at any point in time, the total amount of money committed to a special purpose vehicle

Draw down: means an amount of money transferred by an investor to a special purpose vehicle.

Investor: means a pension fund or a co-investor that invests money in a special purpose vehicle

Special Purpose Vehicle: A special purpose vehicle means a company or trust that is organised and operated for the purpose of holding unlisted investments on behalf of investors.

Unlisted Investments: Unlisted investments are investments in a company that is not listed on any stock exchange.

CAPITAL MARKETS

UNDERSTANDING THE ROLE OF CENTRAL SECURITIES DEPOSITORIES IN THE FINANCIAL MARKET

"It's not a secret that Namibians at large travel to all the four corners of the country during the festive season, to celebrate with families and relatives. Normally these undertakings result in negative repercussions if not well planned accordingly, leading to households' financial status declining after the festive season. Plan well in advance as preventative measures for a joyous and happier New Year with little financial hangover."

- Research Projects & Statistics

It is essential for investors to understand how the financial markets operate, so as to guide them on picking the investment options that best suit their specific needs. Investors who wish to invest in listed securities should understand the life cycle of the securities, and the responsibilities of the various role players in the capital market industry.

The Namibia Stock Exchange (NSX) provides the platform for the buying and selling of securities. Investors can buy and sell listed securities through the four (4) registered stockbrokers of the NSX. A stockbroker acting on behalf of the investor (buyer or seller) will strike a deal with another stockbroker (seller or buyer) using the trading platform provided by the NSX.

Currently in Namibia, investors in listed securities are issued with certificates as proof of ownership, the trading thereof is called the Paper Based Environment. The paper based environment contains the risk of non-delivery by any of the contracting parties and also the risk loss, theft and damage of certificates associated with the trading of securities in a paper based form. As trade volumes increase over the years and the number of securities expand, it becomes too costly and time consuming for firms and securities issuers to deliver, re-register, and re-issue individual certificates with every trade or if there is a change in the number of shares. This contributes to the development of a Central Securities Depository (CSD). The CSD will be established to ensure that the settlement of huge volumes of securities traded on the exchange is fast, cost effective and secure.

In Namibia, where there is no CSD, securities are kept by individual investors and funds by the respective stockbrokers in their custodian accounts. Where CSDs are in existence, the securities are kept by the CSD in a certificated (physical form) or uncertificated (electronic) form, and the funds are held by the CSD participants' accounts at the CSD. The participants are intermediaries through which investors can access depository services such banks, custodians and stockbrokers. Furthermore, for the investors that wish to be issued with physical certificates will have these kept in a vault at the CSD to eliminate the physical movement thereof.

WHAT IS A CSD?

A CSD is a public company tasked with keeping records of ownership of securities such as shares, bonds, warrants and money market instruments. The records are kept safely in electronic form (book-entry) by the CSD, which ensures the efficient transfer of ownership from the seller's account to that of buyer when trade is settled. The type of services CSDs offer vary depending on local market structure; they are traditionally associated with the National Stock Exchange.

The clients of CSDs are generally financial institutions e.g. custodian banks and stock brokers rather than private individuals. The owners of the CSD are primarily central banks or the Ministry of Finance; but following the deregulation of financial markets in the 1980's and 1990's most CSDs especially in Europe have become privately owned entities. Some CSDs are part of a corporate group that includes the Stock Exchange.

THE REGULATION OF CSDs

CSDs operate in a highly regulated environment and are subject to national laws on securities issuance, settlement and safekeeping, and they are also subject to international principles for financial markets infrastructure issued by the International Organisation of Securities Commissions (IOSCO) and the Committee on Payments and Market Infrastructure (CPMI). They are generally supervised by the securities and banking regulators. There is currently no law in Namibia for the establishment of a CSD. However, the proposed Financial Institutions Markets and Institutions Bill (FIM Bill) provides the legal framework for the establishment of a CSD.

FUNCTIONS OF A CSD

The core functions of a CSD are to; operate a securities settlement system, record newly issued securities in a book entry system and the maintenance of securities.

Benefits of electronic settlement through a CSD:

- Ensures instantaneous transfer of funds and ownership of securities.
- Stamp duties are not charged on transfers in CSDs.
- Provide instant credit on corporate entitlements such as the dividend, rights and new issues of shares.
- Paperless environment which does not require the keeping of traditional vaults.
- Can accommodate the increased number of trade settlement.
- Provide for the secure custody of securities.
- Provide for the substantial reduction in paperwork during book closure.
- No risk of damaged, lost, forged or duplicate certificates.

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TYPES OF INSURANCE INTERMEDIARIES

"When celebrations are not accompanied by financial planning (including having a comprehensive insurance policy in place) and caution, clouds of worry such as "is my business safe, will I come to an empty house?" fill your head. Insurance will help you have a very Merry Christmas and Festive season to it's fullest and have peace of mind about what you have left behind."

- Insurance

In terms of the Insurance Acts (Short-term and Long-term of 1998), an insurance agent means a person who, on behalf of one or more insurance companies (insurers), sells business insurance policies or performs any act relating to the issuing of policies or the collection of premiums in respect of such insurance businesses, but do not include an employee of an insurer, unless such employee is paid purely on a commission basis.

The agent is the link between the insurance companies and the public. Their role is to market, promote and advise on insurance products. Insurance agents are licensed by NAMFISA to ensure they act in good faith and in the interest of prospective policy-holders. For this reason, it is best, before consulting an insurance agent that you ensure they possess a valid NAMFISA issued License. You may also verify the agent's status on the NAMFISA website, or by contacting the NAMFISA Insurance Division on Tel: 061 290 5000.

An insurance agent will engage prospective clients and existing clients to assess their insurance needs (i.e. personal risk exposures, home, automobile, excess, life and health), and should advise a potential policyholder on the appropriate insurance products suited to cover their risk profile. The policyholder has the ultimate choice to either accept or reject the policy. Insurance agents are held responsible for all market misconduct (e.g. providing misleading information and advice that may have been used to manipulate policyholders to enter into insurance contracts, misappropriation of paid premiums) and can have their licenses revoked.

This article intends to explain to consumers of insurance products the type of insurance intermediaries that may engage them for business. The public might not be aware of the different distribution channels of insurance products. There are three main distribution channels for insurance: Direct, Independent and Online. Each has its own advantages and disadvantages.

1 DIRECT OR CAPTIVE INSURANCE AGENT

This type of agent represents a single insurance company (insurer) or a specified group of insurance companies. They are only permitted to sell, promote and advise on insurance products of the insurer they are tied to. Most are employed at the call center of the respective insurance company.

2 ONLINE INSURANCE AGENT

They are similar to direct agents in that they only sell and promote insurance products from one insurer but operate through an online system or over the phone from a service center. Thus, the public is cautioned not to provide banking details over the phone or online. These agents can be based in Namibia or any other country that have agents registered in Namibia. The advantage in buying either online or over the phone is that it provides a fast and easy way to get insurance. It may save you time and the insurance company, money. The disadvantages of buying insurance online is that the quotes and policies can be misunderstood and there are few opportunities to have those misunderstandings explained by the insurance agent before purchasing the insurance policy. Furthermore, a policyholder will not be assigned with a specific agent to handle their insurance policy, so an agent would likely not know the client's entire history from the purchase of the policy to the claims stage. The policyholder may lose their initial time-savings by having to explain the changing circumstances of their insurance needs, since they may be assisted by a new agent for every call they make.

3 INDEPENDENT OR INDIRECT INSURANCE AGENT

An independent insurance agent sells policies of a variety of insurance companies. Independent agents are often referred to as "brokers". Unlike online or direct agents, brokers represent the customer rather than the insurance companies. An independent insurance agent is able to solicit your insurance cover with various insurance companies. The independent agency has a contract to sell companies' policies, but they represent the client to the insurer, not the other way around.

They can offer multiple quotes for insurance to individuals and businesses. Since they engage varies insurance companies on behalf of prospective policyholders, they can work to bargain for an insurance contract that is best suited for the policyholder's risk profile, at a competitive price.

A life or non-life agent represents companies for which he/she has been appointed. A life or non-life broker represents the insured and can place business with any insurance company authorised by the Registrar of Insurance in Namibia.

Tip: The greater the number of companies an agent is capable of working with, the greater the number of different quotes you can compare prior to choosing an insurance company.

VESTING SCALES

WHAT ARE THEY, AND DO MEMBERS UNDERSTAND HOW THEY WORK?

The NAMFISA Complaints Department has an awareness campaign currently underway. During the festive season, the department will partner and accompany you all the way into the New Year. Don't forget or hesitate to get in touch by contacting the NAMFISA Complaints Department at toll-free number 0800 290 500 in case you want to lodge a complaint. Happy Festive Season.

- Inspection AML & Complaints Department

The Namibia Financial Institutions Supervisory Authority (NAMFISA) noted that Vesting Scales have been a contentious issue when it comes to the paying out of withdrawal benefits to fund members, who belong to retirement funds that have such directives included in their fund rules. In this article, we will discuss this unfamiliar and problematic concept, by explaining what vesting scales are, look at the reasons why funds implement them, and also showcase an example of a five-year vesting scale schedule. We will then conclude by discussing NAMFISA's position on the use of vesting scales by funds within Namibia.

WHAT ARE VESTING SCALES?

Vesting scales are instructions that are contained in the rules of some pension funds to deal with a member's entitlement to the employer's contributions made on his/her behalf. These instructions give guidance on how a member becomes entitled to a portion of, or all of the employer's contributions should he exit the fund. In other words, vesting scales provide that upon a member voluntarily terminating his/her membership of a fund because of withdrawal, the member will only be entitled to a portion of the employer contributions, depending on the number of years that he/she has remained with the employer and fund. These are known as "Progressive Vesting Scales".

What happens in practice is that, should a member resign from employment during the early years of employment, the member will only be entitled to a portion (and not to all) of the employer's contributions based on the vesting scales defined in the rules of the fund. Entitlement to all of the employer contributions will only be after a set period has expired.

WHAT ARE THE REASONS WHY PENSION FUNDS HAVE THEM?

The motive for pension funds to include vesting scales to their employer sponsored pension fund rules was primarily a way to discourage employees from resigning early from employment thus encouraging loyalty. Funds would set up a vesting schedule to determine when a member would be fully "vested" and entitled to full ownership (100%) of the employer's contributions. Employer contributions were only given to members after the vesting period had been complied with as per the vesting schedule. Therefore, until such time had expired, a member could forfeit a portion of the employer's contributions, should they resign during the vesting period.

Other reasons were that withdrawal profits earned by the funds from members leaving early, would be used to enhance the loyal active member's benefits, thereby attracting and motivating employees to remain dedicated. In addition, these profits would also assist in ensuring that these funds were appropriately funded and that there were enough spare funds available for any other activities that the funds would want to implement for the benefit of its active loyal members and be able to maintain a buffer or reserve funds for negative future events.

HOW HAVE PENSION FUNDS USED THEM?

Below we give an example of a vesting scale schedule, how a fund would use the vesting scales as well as how these vesting scales would affect a member of a fund.

Common graded Vesting Schedule/Scale (XYZ Retirement Fund).

Please note that the table below is purely for illustrative purposes.

Years of Service	Employer Contributions saved per year (N$)	Vesting Rate	Benefit entitled to the employee after resignation from fund
1	20,000	20%	4,000
2	40,000	40%	16,000
3	60,000	60%	36,000
4	80,000	80%	64,000
5	100,000	100%	100,000

The example above shows that for a scale, which uses a five-year vesting period, will make provision that a member will be entitled to 20% of the employer's contributions for each year that he remains with the employer. This means that for every year that the employee completes with this employer, the contributions made on his behalf by the employer will vest by 20% every year. If this member resigns after three (3) years of employment, he/she will only be entitled to 60% of all employer contributions submitted on their behalf to the fund. In the above example, if the employer contributes N$20,000 per year for this member, he/she would only be entitled to N$36,000 of a potential N$60,000 that was contributed on his behalf. In order for the member to qualify for 100% of the employer's contributions, that member must have remained with the employer and the fund for a period of not less than five years.

NAMFISA's position on Vesting Scales

According to a communication sent to the Pension Funds industry dated 9 February 2009, the Registrar of Pension Funds stated that:

"No benefit provided for in the rules of a registered fund, or right to such benefit, or right in respect of contributions made by or on behalf of a member, shall notwithstanding anything, be capable of being reduced. The contributions made by or on behalf of a member may not be reduced (except for the circumstances provided for in Section 37D). Should either the employment contract or the Rules of a Fund, place an obligation on the employer to make contributions to the Fund at a certain predetermined and calculable rate, it is NAMFISA's contention that such an employee has the right to such contributions."

Therefore the Registrar believes that any decision taken by the fund that will reduce a member's entitlement to any contributions made on his/her behalf by the employer (i.e. vesting scales) will amount to a reduction of such a right. As a result, all funds were requested to remove vesting scales from their rules by 31 March 2009. Should there be any funds that still contain vesting scales in their rules, the Registrar shall take actions in accordance with the Pension Funds Act against such funds.

Members are thus encouraged to report funds that still have Vesting Scales contained in their rules as the Authority does not support any

MEDICAL AID

THE ROLES AND RESPONSIBILITIES OF NAMFISA, ADMINISTRATORS AND THE BOARD OF TRUSTEES OF MEDICAL AID FUNDS

As the custodians of NAMFISA's information security setup we ensure that information is protected from all threats. Along the same line, we urge that while away; please ensure that your home & properties are protected against intruders and wherever possible;

- Set your alarm system
- Arrange for a home sitter
- Alert the neighborhood watch of your absence

As you enjoy the festive season, may your home be filled with love, peace, and joy. May these blessings follow with you into the New Year.

- Information Technology

“Thousands of travelers will take to the roads during this holiday season and, unless you want to find yourself on the wrong side of the law, you should be mindful of and obey all traffic rules. For those who choose not to obey the law, traffic fines could cost you thousands of dollars or you could end up in prison. Traffic fines can range from N$400 to N$4000 to immediate arrest in instances of severe offences, so stay vigilant”

- Legal Department

The Namibia Financial Institutions Supervisory Authority (NAMFISA) is an independent institution established by virtue of the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001) (“NAMFISA Act”).

NAMFISA has a mandate to regulate and supervise financial institutions and financial services, in terms of the NAMFISA Act and applicable legislative instruments. NAMFISA aims to ensure that the financial services sector remains financially sound. NAMFISA is fully funded by levies imposed on the financial services sector.

In terms of the NAMFISA Act, the functions of the Authority are to:

- Supervise and regulate the business of financial institutions; including medical aid funds; and
- Advise the Minister of Finance on matters that may arise relating to financial institutions and financial services.

Regulation involves the formulation and issuance of specific rules and regulations, under the MAF Act for the conduct of Medical Aid Funds. It is prescriptive, and generally not very flexible. Supervision is more qualitative and it depends upon the judgment of the Regulator or Supervisor (for example NAMFISA). It involves the general continuous review of the activities of the medical aid funds industry so as to ensure the practical and sensible operation of medical aid funds and compliance with the MAF Act and regulations.

Medical aid funds are required to be registered with Namfisa in terms of the Medical Aid Funds Act, 1995 (Act No. 23 of 1995) (“MAF Act”) before the fund may enrol members and commence with its business operations.

NAMFISA is therefore mandated to ensure that medical aid funds are managed and operated in a responsible manner and that medical aid funds do not contravene the law.

It is vital that the management of medical aid funds ensure that the daily operations of the fund are carried out in terms of the fund rules, the MAF Act, and all guidelines issued by NAMFISA or other administered laws.

Medical aid fund members may lodge complaints against such medical aid fund with NAMFISA, should there be an issue that emanates between a member and the Fund that cannot be resolved or that the members are unhappy about. If the complaint is found to be valid, NAMFISA will take the matter up with the relevant Medical Aid Fund on behalf of the member with the aim of rectifying the situation. NAMFISA will liaise with both the complainant and the relevant Medical Aid Fund to get all facts and relevant information from both sides in trying to resolve the matter. Once the matter is resolved, the complainant will be informed of the outcome.

Circular 4 of 2002 states that each Medical Aid Fund must have a Board of Trustees consisting of at least five persons who are suitable and appropriate in terms of the NAMFISA Fit and Proper requirements, and that they must manage the affairs of the Fund. Circular 4 of 2002 further states that at least half of such Trustees must be elected by members of the Medical Aid Fund from amongst members, to serve a term of three years as Trustees. The members present at the Annual General Meeting should vote for the Trustees.

The following persons are not eligible to serve as Board members:

- A person under the age of 21;
- A director, employee, partner, representative or agent of the Administration company that administers the medical aid fund;
- A person including a legal person associated with the Administrator of the Fund or of any controlling or subsidiary of the Administrator;
- The Principal Officer of the Fund; and
- The Auditor of the Fund.

BOARD OF TRUSTEES OF MEDICAL AID FUNDS

A Medical Aid Fund's Board of Trustees holds and administers the assets of a Medical Aid Fund for the benefit of the members of the Fund. The Board of Trustees has the fiduciary responsibility for the governance of the Medical Aid fund. This means that the Trustees have a legal and moral obligation to manage the Medical Aid Fund assets in a responsible and productive manner and are under an absolute obligation to act solely for the benefit of the members of a Medical Aid Fund.

Trustees are elected or appointed in different ways, depending on the respective fund rules, but in line with the requirements of the fund rules and Circular 4 of 2002.

Circular 4 of 2002 was issued by NAMFISA to provide guidance on the appointment of Trustees.

Trustees operate within two sets of formal rules, the MAF Act, directives, circulars and regulations and the fund rules of each medical aid fund.

Circular 4 of 2002 outlines some of the Trustees' duties as follows:

- The Board must act with care, diligence, skills, and in good faith;
- Members of the Board must avoid conflicts of interests, and must declare any interest they may have in any particular matter before the Board;
- The Board must apply sound business principles and ensure the financial soundness of the respective Medical Aid Funds;
- The Chairperson of the Board must preside over the Board meetings and ensure due and proper conduct at the said meetings;
- The Board must ensure that all minutes, accounts, entries, registers and records essential for the proper functioning of the Fund are kept in safety;
- The Board must ensure that the medical aid fund employs effective internal control systems. Effective internal controls reduce the risk of asset loss and help ensure that information is complete and accurate, financial statements are reliable, and that the medical aid fund complies with laws and regulations;
- The Board must ensure that adequate and appropriate information is communicated to the members of the Fund regarding their rights, benefits, and contributions in terms of the respective Fund rules;
- The Board must take all reasonable steps to ensure that contributions are paid timeously to the Fund and in accordance with the rules of the Fund;
- The Board must obtain expert advice on legal, accounting and business matters as required or on any other matter, which the members of the Board may lack sufficient expertise.
- The Board must ensure that the rules and the operation and administration of the Fund comply with the provisions of the MAF Act and all other applicable laws;
- The Board must take all reasonable steps to protect the confidentiality of medical records concerning any member or dependant's state of health;
- The Board must approve all payments done by the Fund; and
- The Board must ensure that the Medical Aid Fund retains its documents and that there is safe custody of the books, records and documents of the Fund in.

The Board may delegate the day to day running of the organisation along with some decision making powers to the Principal Officer and/or service providers such as the Fund Administrator. The Principal Officer is the Manager in charge of overseeing the daily activities or operations of the Medical Aid Fund. However, regardless of how much day to day work is delegated by the Board to the Principal Officer and or the Administrator, the Trustees retain the overall legal responsibility and may only delegate as far as their governing rules allow.

ADMINISTRATORS OF MEDICAL AID FUNDS

Medical Aid Fund administration companies ("the Administrators") provide Medical Aid Funds with fund administration services.

The administrators are tasked with the assessment and processing of claims for medical costs, incurred by the members of Medical Aid Funds. Additionally, the administrators collect contribution premiums from the members on behalf of the Medical Aid Funds and convene the Board meetings as well as the Annual General Meetings with the Fund.

Furthermore the administrators provide the Board of Trustees with regular feedback on the performance of the Fund and generally maintain the accounting books and records of the Medical Aid Fund.

The administrators prepare and submit monthly management accounts, quarterly statistical reports and audited annual financial statements, to the Board of Trustees of a Medical Aid Fund.

MICRO-INSURANCE

KNOW WHAT IT IS

Here are some tips
on how you can make saving a
bit easier this festive season from the
Finance and Administration Department.

- Plan your festive season well in advance
- They say it's the thought that counts. Creating your gifts this year would make them much more thoughtful, than breaking the bank with expensive gifts
- Time is invaluable, so this year, give your time to those who are less fortunate
- SALE!!! These aren't limited to one time of the year, right? So don't simply buy on impulse
- Don't forget to look towards the New Year, and save for all your needed expenses

Enjoy the festive season by knowing that you'll start your New Year with your finances in good health!

- Finance and Administration

Micro-insurance is an insurance concept that is not provided for under the current insurance acts. The new Financial Institutions and Markets Bill (FIM Bill), which is expected to replace the Long-term and Short-term Insurance Acts, amongst others, makes provision for the establishment and operation of micro-insurance companies and as a result Namibians can expect a more inclusive insurance sector.

Micro-insurance is defined in the FIM Bill as:

- Insurance that is accessible to the low-income population, who normally cannot afford traditional insurance products;
- Insurance products or services provided for by insurers registered as micro-insurers; and
- Insurance products and services, the benefits of which do not exceed N$25,000.00

CHARACTERISTICS OF MICRO-INSURANCE

Insurance in general is described as a contract in terms of which a premium is paid by a consumer in return for protection against financial loss.

Micro-insurance is insurance that caters for the low-income population in developing countries, for whom the traditional insurance providers do not quite offer suitable and affordable products. Not only is the low-income population not able to afford the premiums for traditional insurance, but they are also more likely be over-insured with traditional insurance. This is why micro-insurance premiums relatively lower and the benefits are capped (maximum of N$25,000.00 under the FIM Bill). Micro-insurance premiums and benefits are specifically designed to meet the needs of low-income households so that they can also benefit from life, health, property and other types of insurance covers available to the higher-earning population.

Insurance companies have in the past primarily focused on selling products for the middle to high-income population due to the higher profitability of these products. In recent years micro-insurance has become increasingly popular in developing countries where the low-income population is in the majority and as a result,micro-insurance products are in high demand. In terms of the FIM Bill, in order for an insurance product to qualify as a micro-insurance product, the micro-insurance policy must comply with the following features:

1. The policy must be affordable to the low-income population;
2. The policy must be sustainable to the low-income population;
3. The policy must be convenient to the low-income population;
4. The policy must not be a guarantee, aviation or marine policy or have a co-insurance feature; and
5. The policy must not include fund and sinking fund insurance business.

MICRO-INSURANCE PROVIDERS IN NAMIBIA

When the FIM Bill becomes law, micro-insurance will be offered by all insurers registered to carry on micro-insurance business and will be distributed by registered micro-insurance intermediaries.

Micro-insurance intermediaries will include the following:

1. Non-governmental organisations
2. Self-help groups
3. Micro-finance institutions
4. Corporate bodies
5. Funeral parlors; and
6. Co-operatives

TYPES OF MICRO-INSURANCE PRODUCTS

A brief description on the types of micro-insurance products are explained below:

1. Life insurance also known as Long-term insurance

Life Insurance – life insurance pays out a predetermined amount to the beneficiaries of a policyholder upon the death of that policyholder.

Funeral Insurance – an insurance product which covers the funeral costs of a policyholder or any other persons covered.

Disability Insurance – this type of insurance protects the policyholder's income in the case that the policyholder becomes disabled and unable to work due to the disability (total and permanent disablement). The insurer pays the policyholder a predetermined percentage of their salary until the policyholder turns 65 years of age (typical age for retirement) in the form of an annuity or a lump sum.

Health Insurance – in the case of ill health, this product covers medical expenses or contributes towards the payment of medical related expenses.

2. Non-life insurance also known as general insurance or Short-term insurance

Fire Insurance – this insurance covers against the loss or damage to property as a result of fire and natural forces.

Vehicle Insurance – this insurance covers policyholders against loss or damage to vehicles used on land, including motor vehicles but does not include railway rolling stock.

Personal Insurance – covers for the cost of loss or damage of your house, numerous household or personal items such as furniture, mobile phone, laptop, etc. It also covers for third party risk, damage caused by the insured to other parties.

Gap Insurance – covers the policyholder against under-insurance whereby an insurance payout does not cover the entire value of the loss.

Miscellaneous Insurance – this type of insurance covers the policyholder against various perils such as personal accidents, sickness, general liability, goods in transit, credit, legal expenses etc.

DIFFERENCES BETWEEN TRADITIONAL INSURANCE AND MICRO-INSURANCE

Traditional Insurance	Micro-Insurance
Targeted generally at wealthy or the middle class population.	Targeted at the low-income population in developing countries.
Screening requirements may include a medical examination.	If there are any screening requirements, they would be limited to a medical declaration.
Large sums insured.	60,000
No limit.	Smaller sums insured.
Between N$ 1,000.00 and N$ 25,000.00	100,000
Complex policy document.	Simple policy document, easy to understand.
Limited eligibility with standard exclusions.	Broadly inclusive, with few, if any exclusions.

NAMFISA COMPLAINTS DEPARTMENT

Did you know that the NAMFISA Complaints Department considers complaints against financial services providers? If not, then you are reading the right article.

WHAT TYPE OF COMPLAINTS DO THE NAMFISA COMPLAINTS DEPARTMENT DEAL WITH?

You probably wonder from time to time what complaints the NAMFISA Complaints Department deals with. The department deals with complaints that pertain to the dissatisfaction of consumers with financial services that are offered by NAMFISA regulated financial service providers. This means that the NAMFISA Complaints Department will only handle complaints that relate to the business of regulated financial service providers as long as the complaint relates to financial services that are not banking services. There are instances in which the department receives complaints that are not against a NAMFISA regulated financial service provider. Nonetheless, we are committed to assisting you in determining the relevant body or entity that can assist you.

WHO ARE THOSE FINANCIAL SERVICE PROVIDERS?

HERE IS THE LIST OF THE REGULATED ENTITIES THAT WE REGULATE BASED ON THE SECTOR OF BUSINESS:

1. Insurers
    (a) Long-term Insurers
    (b) Short-term Insurers
    (c) Insurance Agents
    (d) Insurance Brokers
2. Pension Funds
3. Medical Aid Funds
4. Friendly Societies
5. Microlenders
6. Collective Investment Schemes
    (a) Unit Trust Managers
    (b) Unlisted Investment Managers
7. Stock Exchanges
8. Investment Managers

If you want to find out more on whether a particular entity is regulated by NAMFISA, please visit our website at: https://www.namfisa.com.na/. Navigate to the financial sector you are interested in, select the relevant sector and click on registered entities to get the complete list of the registered entities under the particular sector required.

We hope this article was of assistance and we look forward to providing you with more guidance in the next Consumer Education Bulletin.

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.

TransUnion

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

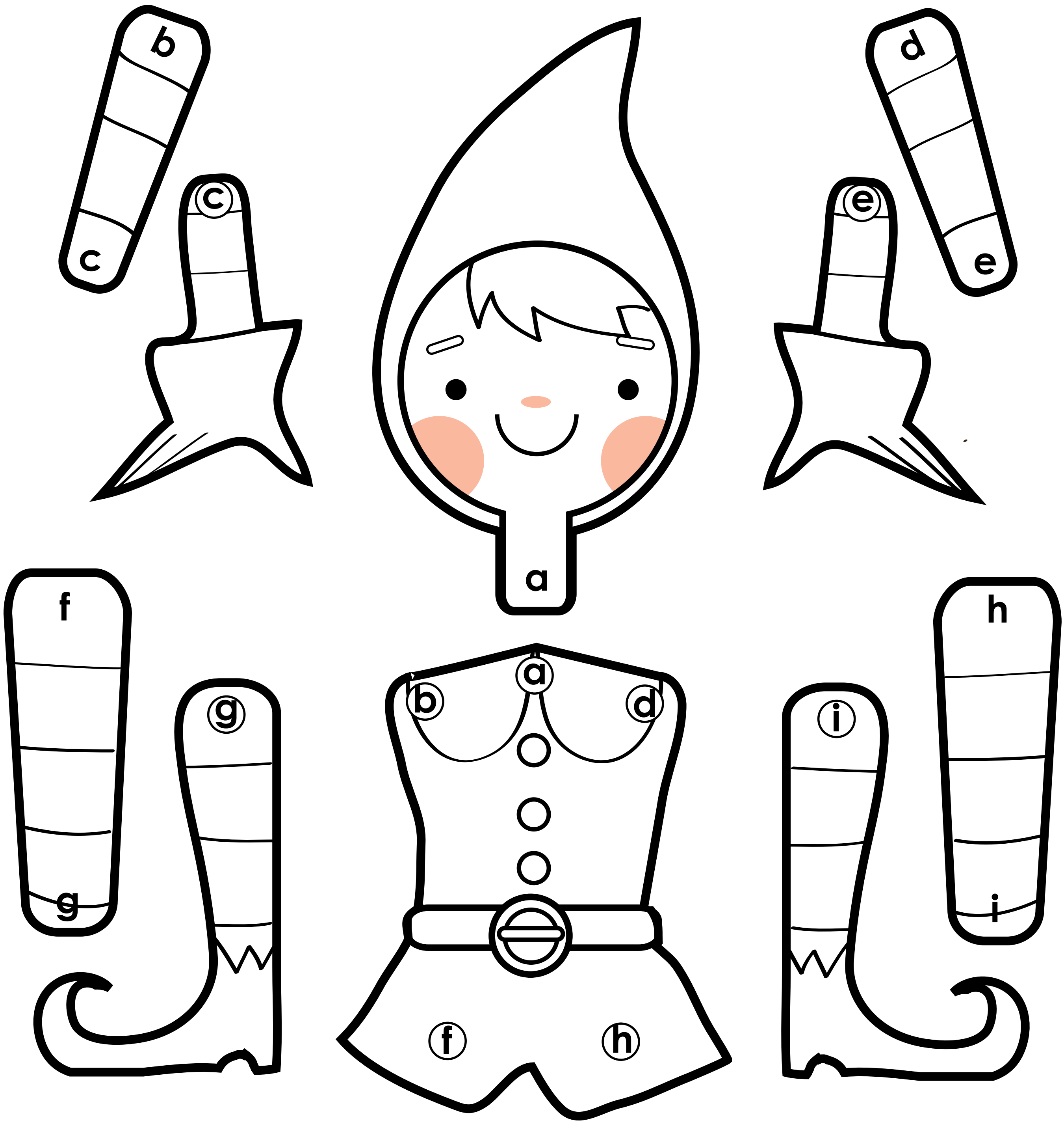
Who may access your credit report

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.

ELF PUPPET

1. COLOR IN THE CHRISTMAS ELF.
2. CUT OUT THE PARTS BY CUTTING AROUND THE BOLD LINES.
3. MATCH UP LETTERS AND CONNECT THE PARTS BY USING PAPER FASTENERS. LETTERS WITH CIRCLES ON THEM GO ON TOP WHILE CIRCLELESS LETTERS GO BELOW.



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

M	C	Z	U	R	D	S	K	M	F	B	K	T	F	C	G	J	K
H	P	P	O	Z	M	E	R	R	Y	E	N	A	X	N	U	F	I
T	R	E	E	Q	V	Y	H	B	P	L	H	N	J	K	R	B	X
B	G	R	E	I	N	D	E	E	R	L	O	U	L	N	D	P	X
O	U	Z	N	F	C	Y	Y	T	L	S	Z	E	S	Q	V	B	O
L	R	Y	O	B	L	A	R	Q	Z	U	Z	P	T	S	R	B	S
G	I	H	O	G	D	U	O	L	H	V	R	M	T	F	E	O	M
S	H	W	K	I	G	T	A	O	O	E	K	H	B	S	D	T	Q
S	I	Q	L	C	G	B	L	O	O	R	G	I	N	U	L	W	N
A	M	O	C	H	K	L	G	E	H	I	A	H	P	B	L	V	V
N	H	Z	L	R	Y	F	Q	A	L	N	F	C	W	G	D	Z	A
T	T	P	M	I	A	I	P	S	U	D	C	N	I	F	U	Z	G
A	Y	K	P	S	Y	P	W	E	N	B	I	F	D	G	F	P	S
S	C	D	N	T	Y	A	E	Q	F	O	T	F	Z	F	W	W	L
G	T	Y	N	M	H	J	D	J	D	S	W	E	R	F	V	B	K
I	Q	C	I	A	K	N	E	E	R	G	E	A	W	O	R	I	S
Y	U	G	H	S	C	A	V	J	S	D	T	O	F	Y	O	Z	G
V	L	I	L	E	B	K	Q	F	A	S	H	I	J	I	R	J	B

Christmas
Santa
Bells
Holiday
Tree
Gifts
Happy
Lights
Snow
Merry
Star
Carol
Reindeer
Holly
Candy

CONTACT DETAILS:

+264 61 290 5000
PO Box 21250, Windhoek
consumer@namfisa.com.na
1st Floor, Sanlam Centre
154 Independence Avenue, Windhoek
www.namfisa.com.na

COMPLAINTS TOLL FREE NUMBER
0800 290 500