NAMFISA
NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY

CONSUMER EDUCATION BULLETIN

DECEMBER 2018

Staying Money Wise THIS HOLIDAY SEASON

CONSUMER EDUCATION BULLETIN

DECEMBER '18

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

Disclaimer:
The NAMFISA Consumer Education Bulletin is distributed quarterly, free of charge.

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Last Issue Game
Did you successfully complete last issue's game?

Here are the answers:

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

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National Women's Day

FROM THE CEO'S OFFICE

Welcome to the 2018 Christmas edition. This edition is aimed at sharing information that will hopefully lead to financial empowerment and literacy. We will also share consumer education principles for both the consumer and the regulated entities.

The role of consumer education intervention cannot be overemphasised, which is to create awareness and to educate the public about their rights and responsibilities when dealing with financial services/product providers as well as the available recourse mechanisms to protect the consumers, while at the same time inducing behavioural change.

To contribute to the improvement of consumer knowledge and understanding of financial products and services in Namibia, NAMFISA's consumer education strategy is derived from the following core principles:

- Transformation- giving all Namibians access to information, tools and ongoing support systems and at the same time encouraging behavioural change
- Stakeholder engagement- helping all Namibians appreciate the importance of financial literacy and that small things done regularly make a real difference
- Consumer protection- Ensuring that the consumers are treated fairly and the financial products on offer are not deceptive or unsafe and the conduct of financial service providers are not abusive or aggressive
- Inclusiveness- reaching all Namibians, particularly those most in need and future generations of consumers and investors.

We can never succeed in our endeavors of educating consumers if we forget the macro economic impact and the importance of our relationship with various stakeholders in enhancing financial literacy. As you might be aware, the non-banking financial sector is undergoing transformation, and major to this the revamping and modernising the laws for the sector.

I am sure that you will appreciate the fact that the essence of the law making process is to benefit you as consumers of financial services in Namibia. The current legislative instruments are old and in effective to support the efficient, fairness and orderly operation of the financial system. International standard setting bodies e.g. International Monetary Fund (IMF), World Bank have identified the gaps in the Namibian legal instruments. Therefore, have urged Namibia to revamp its laws so that they are in alignment with international standards and practices. To this end, the NAMFSIA, FIM, and FSA Bills were drafted to address these gaps.

At NAMFISA, continuous engagement with our stakeholders is vital. For this reason, five pieces of legislation have been finalised and submitted to the Minister of Finance for the promulgation process, namely the NAMFISA, Financial Institutions and Markets, Financial Services Adjudicator, Microlending, Usury Act Amendment. To date the Microlending and Usury Acts have been passed by Parliament and assented to by his Excellence the President.

The Bills, i.e. FIM, NAMFISA and FSA are aimed at addressing existing gaps in legislation, whilst taking into account the peculiarity of the Namibian financial systems as captured in the national policy documents and the financial sector strategy and NDPs.

In conclusion, because we care for our regulated entities and consumers, NAMFISA encourages consumers to embrace financial planning by distinguishing between needs and wants. Create a budget, and make a list of what is important and buy that first.

Make sure to save for January, to avoid worry.
Wishing you a Merry Christmas and a Blessed 21019.

Kenneth Simataa Matomola
Chief Executive Officer

FROM THE EDITOR'S DESK

It's Christmas! Its officially festive season again. Christmas to me is all about spending time with your loved ones by sharing unconditional love, peace, time and celebrating the birth of Christ. It is certainly also that time of the year when family gatherings are an absolute favourite to catch up and to talk about the past year. Make sure to save for January to avoid worries. Furthermore, the end of the year also provides us with a preview of all our short comings, or rather areas that need development and achievements.

In this edition we have lined up articles that will educate you on your financial obligations, rights and responsibilities, specifically in the financial sector. It is our wish that you find value in these informative articles. To us at NAMFISA, it is important that you make well informed financial decisions. Consumer education remains at the cornerstone of what we do, ensuring that as a consumer of financial services, you are protected.

Lucky for you, this festive edition for the year 2018, is aimed at ensuring that your January worries are minimised. In order to save more this festive season, closely analyze your past spending mistakes and look at ways that you can spend better this time around.

The following can be considered;

Budget
Tracking your spending will allow you to know exactly what to spend on, what you have spent on, and what you need to stop buying. Make sure to include prices of gifts you plan to buy to allow for buy backs.

Make use of the festive sales
Make sure to take advantage of the festive sales as items like winter jackets for school, books, school bags and shoes are cheaper in December and it is a good idea to buy on sale.

Avoid the Debt trap
Borrowing money will put you in debt, in addition to the January blues. Be financially safe and avoid debts.

Review your various financial contracts
Your financial contracts can range from insurance to microlending to any other financial obligations that you have entered into. Use the time to review and find ways to honour your financial obligations.

On behalf of the editorial team, and with these few money saving tips, let me wish all our readers a joyous festive season, filled with love, laughter, safe travels and wise spending leading to a financially stress free 2019.

Have a Merry Christmas and a Blessed 2019.
Happy Reading

Victoria Muranda
Editor

REPORTING SUSPICIOUS TRANSACTIONS OR ACTIVITIES

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The reporting of suspicious transactions or activities is one of the most effective measures or fighting against money laundering and preventing the financing of terrorism. This means that the more Suspicious Transaction Reports (STR's) and Suspicious Activity Reports (SARs) are submitted to the Financial Intelligence Centre, the less risk is posed to the Namibian financial system.

What constitutes a suspicion?

A suspicious transaction will often be one when the transaction raises questions or gives rise to discomfort, apprehension or mistrust. When considering whether there is reason to be suspicious of a particular situation one should assess all the known circumstances relating to that situation. This includes the normal business practices and systems within the industry where the situation arises.

A suspicious situation may involve several factors that may on their own seem insignificant, but, taken together, may raise suspicion concerning that situation. The context, in which a situation arises, therefore, is a significant factor in assessing suspicion. This will vary from business to business and from one customer to another.

Who should report suspicious and unusual transaction reports?

Section 33 of the Financial Intelligence Act, No.13 of 2012 requires a person who carries on any business, is in charge of, or manages a business, or who is employed by a business, and who has a suspicion of money laundering or terror financing activity or unusual transaction, to report this to the Financial Intelligence Centre.

Why should you report suspicious transactions/ activity?

Each and every business must be involved in the fight against crime by filing suspicious and unusual transactions to the Centre. Your reports will assist the Centre in the fight against money laundering and the financing of terrorism. By reporting suspicious and unusual transactions, businesses will minimise the risk of the proceeds of crime being cleaned using the Namibian financial system and consequently lead to a safer business operating environment. Crime and money laundering risk can be minimised when businesses take necessary measures to recognise suspicious and unusual transactions.

When should you report a suspicious transaction?

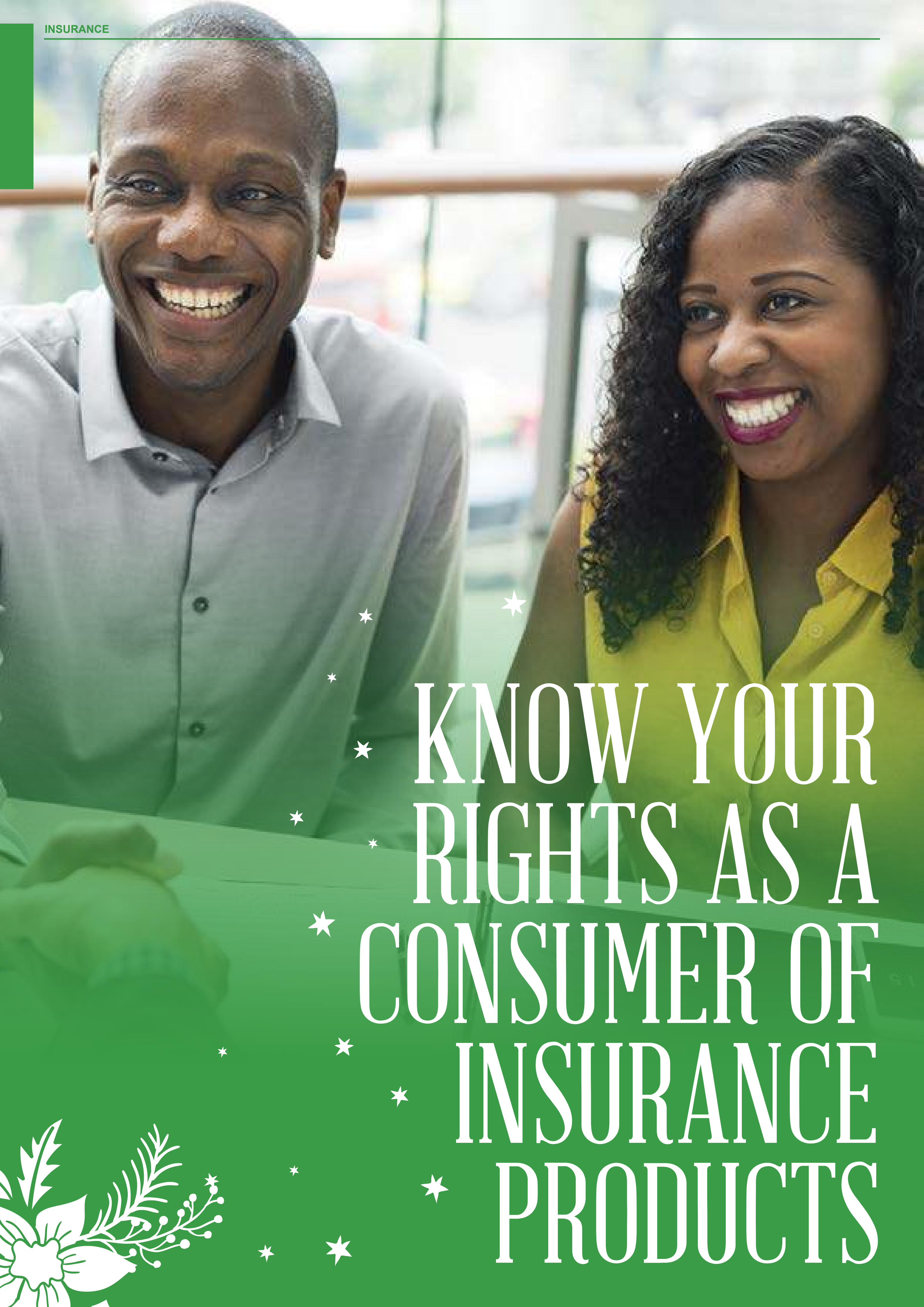
Section 22 of the FIA Act imposes obligation on any person who carries on a business, is in charge of, or manages a business, or who is employed by a business to report suspicious or unusual transactions to the Centre. Further, this must occur within 15 working days after the suspicion or belief concerning the transaction or activity that gave rise to the requirement to report arose, unless the Centre in writing approves the sending of the report after the expiry of that period.

How does one sumbit an STR to the Centre?

Regulation 20 of the Financial Intelligence Act Regulations stipulates the manner in which a report should be made to the Centre. In terms of the Regulation, a report must be made by means of internet-based reporting, available on the Centre's website at www.fic.na/goAML. In exceptional cases where a person does not have the technical capability to make a report electronically that person may complete the forms in annexure 1 and 2 of the Regulations and send it by facsimile to the Centre on +264(61) 2835687/ 6918/ 5922 or hand deliver to the Centre at 71 Robert Mugabe Avenue.

Is the reporter's identity protected?

Section 45 of the Financial Intelligence Act states that no action, whether criminal or civil, lies against an accountable or reporting institution, or person complying in good faith with a provision of this Part, including any director, employee or other person acting on behalf of that accountable or reporting institution, supervisory or regulatory body or person. The identity of the person giving the report is also protected unless such a person agrees to testify in court.



KNOW YOUR RIGHTS AS A CONSUMER OF INSURANCE PRODUCTS

Do you know your responsibilities and the duties of the Insurer at the point of sale? If not, then you are reading the right article.

Insurance Companies are obligated to act in the interest of insurance buyers. They must meet regulatory requirements, behave ethically, and make certain disclosures to policyholders.

However, before we get into details with our article, let us explain to you what a point of sale is.

This is a point when you, the consumer, engage an Insurer to enter into an agreement to take out an insurance cover. Therefore, at this specific point, you as a consumer have certain responsibilities that you need to carry out and the Insurer also has certain duties to fulfill.

What is meant by consumer responsibilities?

As an insurance consumer, you have responsibilities. Your key responsibility is to share applicable and timely facts relevant to what you want to cover, given it be a car, property, business, health status or medical conditions and claim history with an Insurer when taking out insurance covers.

Further, note that when you enter into an insurance contract, the Insurer and the consumers share the responsibility to act in good faith at all times in their dealings with each other.

Furthermore, note that if you do not understand the policy terms and conditions due to the language used, it is your right and responsibility to demand for an explanation in a plain and simple language.

Here is what you can reasonably expect when you procure insurance products from insurance companies.

Duties of the Insurer;

The Insurer has a professional obligation to help you (the customer) obtain the suitable insurance coverage. The Insurer should explain what coverage or insurance products are available and make recommendations. You must decide what coverage you want and communicate your wishes to the Insurer. Your Insurers are obligated to provide you with the insurance coverage that best fit your needs if they sell the insurance product that you are looking for. If the coverage you actually receive differs from the one you requested, the Insurer must explain the discrepancies and you have the right to terminate the contract.

The Insurer should clearly explain all the perceived hidden cost that revolve around the product that you are buying but remember that you also have a responsibility to demand for clear explanations.

One can conclude that;

When buying insurance, specifically short-term insurance, the Insurer is not obligated to anticipate all risks that might arise from what you are insuring (e.g. cars, properties, business etc.) and would not be in a position to advise us how to cover them. They rely on the information we provide about our business to make coverage recommendations. As such, we need to be truthful and declare the right information at all times to avoid future problems at claim stage.

Tip to note: when taking out life cover insurance, disability insurance, funeral and death insurance please declare pre-existing health status or medical conditions.

GENERAL POLICY EXCEPTIONS AND EXCLUSIONS

Exceptions and Exclusions exist for almost every insurance contract. Exceptions and Exclusions provide for the full or partial elimination of coverage for specific types of insurance risks. Typically, Exclusions would fully remove coverage for insurance risks that the insurer is not willing to insure. While Exceptions would partially eliminate coverage for insurance risks when the specific conditions are not met as set by the insurance company.

Exceptions

An “exception” which is also referred to as a partial exclusion is a statement in an insurance policy contract that is only applicable under certain circumstances or for a specified period of time. For example, a health insurance policy often contains a “pre-existing condition” exception, which states that the coverage does not apply to an illness or other medical condition that has been treated or diagnosed within a certain period of time prior to the beginning of the policy. However, after the policy has been in force for a specified period of time (often six months to one year), the exception will no longer apply and subsequent treatment for the pre-existing illness or condition will be covered.

Other common insurance policy exceptions per class of insurance includes:

- **Motor vehicle insurance** – exception when the insured vehicle is not maintained in a roadworthy condition or the driver was intoxicated at the time of the accident.
- **Health insurance** – exception where pre-existing illnesses known to the insured were not disclosed to the insurer at the time of entering into the policy.
- **Travel insurance** – exception for personal injury suffered on holiday caused by riding a motorcycle for instance.

Exclusions

The ability to insure against certain unavoidable risks provides an invaluable financial safety net in society. However, insurance companies are profit-based enterprises and will not hesitate to refuse a claim if and when so justifiable.

As previously highlighted above, an exclusion is an insurance policy contract provision that eliminates coverage for some types of risk. Exclusions thus, narrow the scope of coverage provided by the insurance policy contract.

Exclusions serve various purposes and mostly apply to risks that fall into one of the following categories:

- **Catastrophic risks** - Some risks are uninsurable because they are likely to affect a huge number of policyholders at once. An example is war.
- **Risks covered elsewhere** - Many risks are excluded under one type of policy because they are covered under another. For instance, vehicle liability claims are excluded under a general liability policy because they are covered by a commercial vehicle policy.
- **Non-accidental risks** - Most insurance policies cover accidental events. Thus, they exclude losses caused intentionally. For example, both general liability and commercial vehicle liability policies exclude bodily injury that an insured inflicts on a third party intentionally.
- **Maintenance risks** - Some risks are not practical to insure because they occur naturally, for example the wear and tear. Damage caused by wear and tear is excluded from both property and vehicle insurance.
- **Laws and regulations** - Many insurance policies exclude losses that result from violations of the law or criminal acts. For example, general liability policies exclude damage and injury that results from a violation of a law or regulation.

In conclusion, generally there are many types of exceptions and exclusions, which may vary from one insurance policy to another. Hence, policyholders are encouraged to carefully study their insurance policies before signing, to make sure of the exceptions and exclusions that are applicable to their specific insurance policies. This is to avoid disappointment at claim stage.

KEY INFORMATION ON FUND FACT SHEETS OF UNIT TRUST MANAGEMENT COMPANIES

What is a Fund Fact Sheet?

A fund fact sheet is a brochure, marketing or similar document published by a unit trust management company or any of its authorised agents for the purpose of promoting concise and up to date key facts of a unit trust fund. Unit trust funds ("fund") can be complicated. It is easy to get lost down a "rabbit hole" of information, especially for novice investors who simply do not know where to start.

A fund fact sheet, is therefore a great starting point for any investor.

The fund fact sheet will give you the following key information:

Fund Objective

This section provides you with a summary of the fund's main aims and what it intends to achieve. Here you will find important information, such as: ideal investment time frame required to benefit from the fund; whether the fund is focused on income, growth or a combination of both; the asset allocation of the funds (e.g. percentage of equities, debt and cash) and the geographical allocation of funds (e.g. South Africa, Europe, Asia).

Inception Date

It suggests the age of the fund. A fund with a higher age means a longer track record and more experience under the belt, which is a plus point. The longer a fund's track record, the more you can rely on its performance data.

Total Expense Ratio

Before you buy units of a fund, you need to analyse what fees it comes with, including the fee paid to the fund's manager to manage your money on your behalf and to run the overall administration of the fund. Common fees charged include management fees, initial fees and exit fees. A fund with a higher expense ratio does not necessarily mean you should avoid it. Good returns can, however, be easily reduced to nothing by high fees. While the total expense ratio is important, it should not be the only criterion used while selecting funds.

Risk Assessment

Not every fund is made for you. A riskometer is a presentation of the level of risk of the fund and helps you measure the risk associated with the fund. It presents the levels of the risks - low, moderate and high. There may be funds that are not appropriate for certain types of investors depending on their risk appetite or financial standing.

Performance

The fund fact sheet will also show the fund's performance in percentage terms over the last 12 months, 3 years, 5 years and since inception. Performance should be considered before you buy units of a fund, as it gives a sense of the fund's history and current trajectory. Although the past performance is not an indicator to gauge the future performance, it gives you an idea of the portfolio manager's expertise and track record. The performance of the fund should be compared to its benchmark or alternative investment vehicle in order to understand the consistency in the performance of the fund.

You can find recent fund fact sheets on any company's website. You can also call and request a hard copy.
If you are choosing an investment, you should take the time to read about it carefully.

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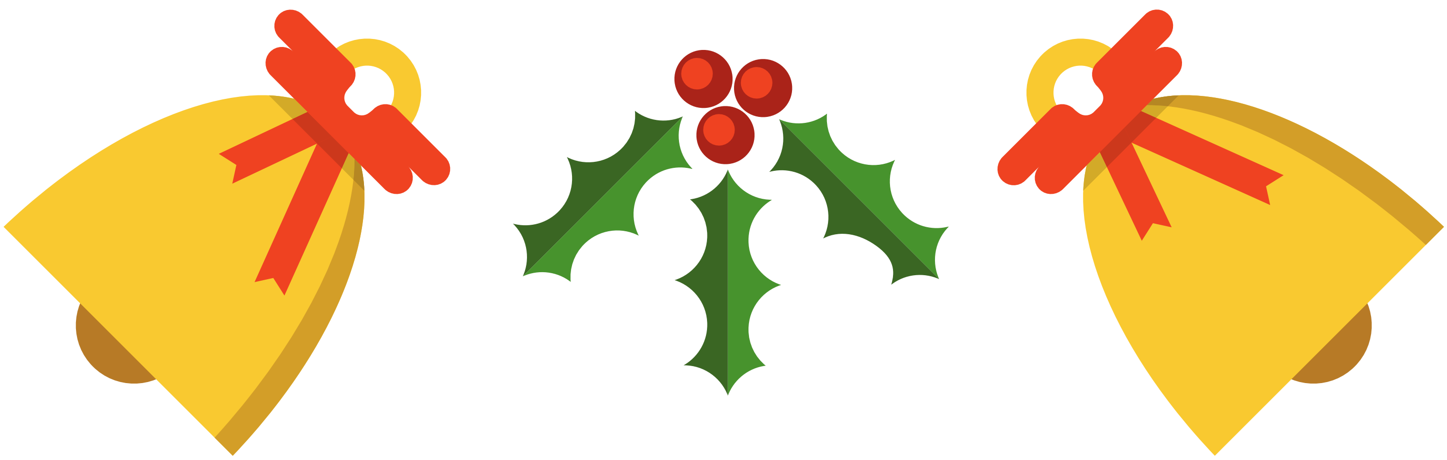


NAMFISA MARKET CONDUCT & CONSUMER PROTECTION

During the 2018 financial year, NAMFISA underwent a restructuring process wherein a new division called Market Conduct was established.

The introduction of the market conduct division was done with the aim of enhancing and amplifying the already existing market conduct section to allow for the ease of migrating from a compliance based to risk based supervision, improving the current level of consumers' financial literacy and the provision of simple, understandable information to all stakeholders.

The divisional arrangement is such that a General Manager heads the market conduct and operations that report to the Deputy Chief Executive Officer responsible for Market Conduct and Operations. The division attained expansive mandates to be able to execute market conduct regulation and supervision. This may include early intervention, where poor behavior is observed and taking action to prevent harm to consumers and markets, and getting redress where appropriate. The Market Conduct Division comprises of four departments namely:

The Consumer Complaints and Education Department provides a dual function to the Authority. The first is to receive and resolve complaints lodged by consumers. The second function is to ensure the execution of the Authority's Consumer Education Strategy.

The AML and Inspections Department is to conduct specialised inspections and investigations into the affairs of financial institutions whenever a specific request arises. In addition, the department works closely with the Bank of Namibia's Financial Intelligence Centre (FIC) in fulfilling the Authority's functions as a supervisory body.

The Microlending and Intermediaries Department is responsible for the supervision and regulation of the microlending industry. The Department is tasked to administer the Usury Act and ensure that registered microlenders comply with the laws governing the operations of microlenders.

The Licensing and Registration Department is responsible for centralising the entry and exit of regulated entities and the deregistration/cancellation of regulated entities. It is envisaged that centralisation of core functions will ensure consistency across the organisation and ensure a customer-centric focus. The Management staff from the Market Conduct Division share their views of the new division and a word of encouragement, a cautionary note as well as appropriate advice to the consumers for the festive season.

Hilka Alberto
Acting General Manager: Market Conduct and Operations

NAMFISA has recently introduced a Market Conduct division. The aim is to ensure focused conduct supervision, which should translate into better-protected and educated consumers of financial services and products, and enhanced market integrity. In order to see tangible results, consumers must also play their role.

I therefore encourage consumers of financial services and products, to utilise services available at their disposal. These include NAMFISA's Consumer Education Interventions and the NAMFISA Consumer Complaints an Education department. The consumer education components that are aimed at providing consumer education are free of charge. When consumers are educated, they will be able to make informed decisions when dealing with their finances and with financial service providers. The festive season is fast approaching, and therefore I would want to urge the public to avoid irresponsible borrowing.

Remember not to spend Christmas taking on unnecessary credit. Let us help prevent households suffering from a Christmas debt hangover in January as they struggle to pay off unnecessary debts incurred over the festive season.

Consumers can take these easy steps:
- Pro-actively manage your finances set aside for Christmas festivities.
- Do not miss your monthly payments on household bills.
- Do not spend money on Christmas presents if you have no money except if you borrow.

Be the Mastermind behind your financial decisions and enjoy your festive season.

Hanry Mekukuye Mbaha
Acting Manager: Consumer Complaints and Education

The Authority established a dedicated division to deal with market conduct and consumer protection affairs. The TCF framework deals with market conduct risk, which inter alia includes the aspects of treating customers fairly i.e. to ensure fair outcomes for financial services customers, is delivered by regulated financial institutions over various stages of the lifecycle of a financial product.

I have personally dealt with complaints by many consumers of financial service providers who have taken out insurance without understanding how and at which stage it will benefit them. In addition, there are plenty of consumers who have already paid more in premiums than what will be paid out for the particular benefit for which they have taken out the insurance policy.

This major issue points to service providers either not doing their work properly or being dishonest while others simply trick consumers from taking out insurance without explaining why it is needed.

This situation has caused financial loss, frustration and other problems for people who have put all their hopes on that one insurance policy. To their dismay and utter disappointment, they end up finding out that the policy they took or have is for a different purpose and not for what was initially 'explained' to them.

It is in that spirit that NAMFISA has decided to start insisting on companies to adopt the 'Treating Customers Fairly' Policy to ensure that consumers are sold financial products that meet their needs and the implications of these products are made clear to consumers.This programme will be rolled out and will be announced in other media platforms.

I encourage you, consumers to take active interest by adopting an inquisitive mindset which is to ask, probe and interrogate the products that are offered and contracts that you are made to sign.

Make it your call from today and during this Christmas season to demand fair treatment and to get maximum benefits for what you are paying for.

Happy Festive Season.

Uaatjo Kaurimuje
NAMFISA Consumer Education Practitioner

The Consumer Complaints and Education Department provides a dual function to the Authority. The first is to receive and resolve complaints lodged by consumers. The second function is to ensure the execution of the Authority's Consumer Education Strategy.

Nothing will be more relevant than rather advising you to spot the differences between Financial Marketing and Financial Education when dealing with economic pressure especially during this festive season.

With marketing, businesses promote their products or services to a target audience, who could be you and me. They then, explain how awesome the product is and why you should buy it. On the other hand, through financial education, you develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for financial help, and take other effective actions to improve your financial well-being and protection. Hence, the old age saying "An educated and informed consumer is a protected consumer".

During this festive season, use your acquired knowledge and skills to the best of your ability to educate yourself to be able to spot and avoid marketing pitfalls during the season. Be wise by budgeting your money, save and spend wisely. Have a blessed festive season and a prosperous new year.

Rachel Metzler
Manager Licensing and Registration

The Licensing and Registration Department is responsible for centralising the entry and exit of regulated entities and the deregistration/cancellation of regulated entities. It is envisaged that centralisation of core functions will ensure consistency across the organisation and ensure a customer-centric focus. In the light of the above, there are several employees of some listed business entities conducting, soliciting or selling insurance business without prior registration as insurance intermediaries under the LTI Act or the STI Act.

I encourage you all, the consumers of the financial services and products and the public at large to be vigilant this festive season whenever entering into financial transactions where an element of an insurance contract is negotiated and entered into. In the same vein, the public is requested to always insist and/or demand a Registration Certificate issued by NAMFISA before signing any form of binding insurance related agreement/contract.

UNDERSTANDING INSURANCE RELATING TO RETAIL OUTLETS

It is essential for consumers of financial products and services to understand how insurance relating to retail outlets operates, in order to choose appropriate insurance products that best suits the consumer's unique specific needs as well as the risk profiles.

A retail outlet is defined as a store in which goods or products are sold to individual customers. Not all retail outlets are the same, some retail outlets allow consumers to only buy goods for cash while others enters into credit or hire purchase agreements with consumers to buy goods on credit and in most cases repayments are done on a monthly basis or any other agreed interval. In this case, a retail outlet needs to ensure that it is protected from consumers who fail to pay their outstanding amounts on goods sold through credit or hire purchase agreements.

A particular example will be - where "Maria" wants to buy a cellular phone on a credit agreement with a clothing shop X while "Mateus" wants to buy a Television set on hire purchase at furniture shop Y. Both clothing shop X and furniture shop Y will request that the said consumers take out an insurance policy such as credit life policy or insurance protection policy in case of theft or damage of their goods. In some cases, the retail outlet will not request the consumer to take out an insurance policy, because the insurance cover is automatically included in the overall benefits and the insurance premiums will be included in the installments. As such, most consumers are not aware that their instalments include payments for an insurance policy when they purchase goods on hire purchase or credit agreement. As a result most consumers' turns not to fully benefit from such policies, which is sometimes due the fact this is not clearly explained/understood at the time of sale or the consumer did not read and clearly understand the hire purchase agreement's terms and conditions.

In most cases, insurance policies relating to retail outlets are usually sold by Sales Representatives who at the same time sales the goods or products and are responsible for providing advice on insurance products to be taken out before concluding the sale transactions. It is worth noting that Sales Representatives who offers advice on insurance policies are required to register as insurance agents or brokers with NAMFISA in terms of the Long-term Insurance Act (No.5 of 1998) and the Short-term Insurance Act (No.4 of 1998). It is important that a consumer only deals with a Sales Representative who is a registered agent or broker with NAMFISA, as this will make it easier for NAMFISA to investigate the conduct of the registered Sales Representative in cases of alleged misconduct by the Sales Representative. Dealing with registered Sales Representatives will also ensure that you get quality and sound financial advice.

The insurance products relating to retail outlets offer protection to the buyers of the goods against the possibility of non-payment of installments or default due to sickness, loss of employment as a result of retrenchment, death or disability and theft or damage to the goods or property, just to mention a few. This insurance policy also protects the consumer/buyer from having their goods not taken away or repossessed from them when they are unable to pay due to unforeseen life circumstances or unfortunate events such as damage and theft where the customer may be compensated for their losses.

It is therefore, the obligation and the right of the consumer to thoroughly understand the terms and conditions of the insurance policies/product offered by the retail outlets. This is due to the fact that the insurance policies/products are subjected to the terms and conditions of the hire purchase or credit agreement, and the duration of the insurance policy ends when the last installment is settled.

Hence, it is important that consumers disclose their existing insurance policies, for example, life cover policy, credit life insurance policy, credit guarantee policy or house content insurance policy to the retail outlets when entering into credit agreements. This will help the retail outlet assess whether the consumer needs to take out a new insurance policy in order to avoid under-insurance or over-insurance with regards to the goods purchased.

When consumers disclose their existing insurance policies, it assists the retail outlets to provide the consumer with the repayment installment that best suits their needs as well as the risk profile. Meaning, it will help reduce installments as insurance premiums will not be included in the installments and this will help the consumer save a few dollars as the existing policy can be used for that purpose. In conclusion, the consumers should not be forced to take out insurance cover/policies with the retail outlets, if a consumer already has his/her own policy which can be ceded to the retail outlet. A practice where consumers are forced to take out insurance cover/policies by retail outlets is known as tied-selling and/or conditional selling which is clearly prohibited by NAMFISA and hence discouraged.

MANAGED CARE FUNCTIONS

In our previous article, we discussed the role played by Medical Aid Fund Administrators within the medical aid funds industry. We highlighted what Fund Administrators are and what purpose they serve in industry and to the respective Medical Aid Funds. In this article, we zone in on one of the pivotal functions performed by Fund Administrators, namely the Managed Care Function. We will look at the function in its entirety, as well as why it is considered an integral part of the industry.

What is Managed Care Function?

Managed Care Functions comprises of a team of experts dedicated to provide clinical and financial risk management solutions to Medical Aid Funds in order to facilitate appropriate care within the constraints of what the Medical Aid Fund can afford.

Put simply, Managed Care Functions determine if the treatment being sought by the patient and his/her healthcare provider is indeed necessary and appropriate, and whether the Medical Aid Fund should fund it or recommend alternative treatment. In Namibia, the Managed Care Function is administered by the Fund Administrators of the respective Medical Aid Funds, i.e. a service offered by the Fund Administrator. However, the Managed Care Function is dissimilar to the customary services offered by the Fund Administrator, in the sense that Managed Care Functions use documented clinical review criteria founded on evidence-based medicine to determine the appropriateness of the treatment being sought. At the same time, they must take into account cost-effectiveness and affordability. They must also make provision for alternative treatment in exceptional circumstances where a protocol or formulary drug proves ineffective and/or harmful to a beneficiary – without penalising the beneficiary.

What does the Managed Care Function entail?

The Managed Care Function of a Fund Administrator assists Medical Aid Funds by providing healthcare services to their beneficiaries in a manner, which introduces clinical and financial risk management according to rules and clinical management-based programmes (clinical expertise based on proven scientific grounds and acceptable best practice).

Managed care implies expert interventions such as:

- pre-authorisation for certain procedures;
- case management (clinical monitoring of patient while s/he is treated in terms of the managed care programme);
- hospital management (observing and managing the recovery of patient in hospital after surgery);

- management of diseases (e.g. cancer, chronic conditions, HIV/AIDS);
- pharmaceutical benefit management (determining if the prescribed drugs are appropriate and effective); and applying business intelligence with expert protocols and formularies to verify claims which the Medical Aid Funds has been asked to pay.

Managed Care Functions must apply clinical expertise (evidence based medicine and good clinical practice) and demonstrate that they add value to their clients (i.e. the Medical Aid Fund(s)) rather than show mere cost savings without improving the health outcomes of beneficiaries. Their interventions must benefit both parties, the Medical Aid Fund and beneficiaries.

Managed Care Functions intervene in different ways. They often accept and manage risk for certain services that the Medical Aid Funds has transferred to them. They render or contract specialised services to other expert healthcare providers. They verify claims in terms of managed care interventions to ensure that what the Medical Aid Fund pays, is aligned with such interventions. These interventions play an important role in assisting Medical Aid Funds in detecting fraud, waste and abuse commonly found in the medical aid funds industry.

Healthcare Fraud, Abuse and Waste

Healthcare fraud is defined by the Association of Fraud Management as a "deception or misrepresentation that a person or entity makes, knowing that the misrepresentation could result in some unauthorised benefit to the individual or entity or another".

Simply put, it is when a member, administrator or healthcare provider is dishonest, in order to get money to which they are not entitled. Healthcare fraud is the most complex form of financial fraud to detect, monitor and prevent.

Waste and abuse is more common than fraud and is more easily quantifiable in terms of values as it is usually a clear contravention of tariff codes or a rule that exists. Most of the common practices include:

- Billing for services not rendered (over billing);
- Using incorrect codes for services (at a higher tariff);
- Waiving of deductibles and/or co-payments;
- Billing for a non-covered service as a covered one;
- Unnecessary or false prescribing of drugs; and
- Corruption due to kickbacks and bribery

The culprits are not just the medical practitioners, but are found all along the healthcare delivery chain – from medical practitioners through to employees, service providers and members. According to global surveys done by various role players in the industry such as KPMG, Ernst & Young, The Association of Certified Fraud Examiners (ACFE) and others, the costs of healthcare fraud may range anywhere between 5% and 15% to 20% of total healthcare expenditure, depending to which survey you refer.

The Managed Care Function therefore plays an important role in mitigating the risk that healthcare fraud, waste and abuse has on the industry.

Does the Medical Aid Industry need the Managed Care Function?

Our medical aid fund industry would be worse off without Managed Care Functions. Without Managed Care Functions, the industry would lack specialist attention and care to manage complicated health conditions. Without managed care skills and expertise, facilities would have to be duplicated and Medical Aid Funds would face increased expenditure, as they would have to extend their capacity, both in terms of skills and specialised software, beyond economical means having been forced to provide such services themselves. Furthermore, without Managed Care functions, Medical Aid Funds run the risk of an increased exposure to healthcare fraud, waste and abuse. If managed care services were not available, the fee-for-service remuneration model would have remained unchecked and Medical Aid Funds would not have been able to improve health outcomes. Most Medical Aid Funds cannot afford not to use Managed Care Functions or to provide such services themselves.

Sources:

- https://www.medicalschemes.com/files/CMS%20News/CMSNews3Of2009_2010_20100419.pdf
- http://m.bizcommunity.com/Article/196/320/152457.html

DEFINED BENEFIT FUNDS VS DEFINED CONTRIBUTION FUNDS

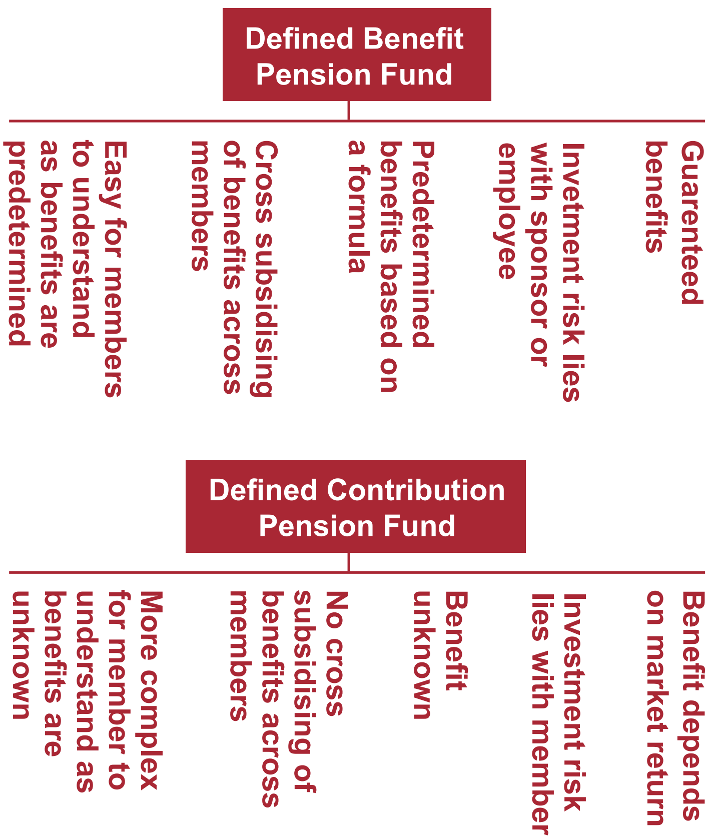
THE MAIN DIFFERENCES

Pension funds are established to provide members with an income after they retire. Some funds also provide for insurance benefits to members or their dependents in case of certain life occur after events. Pension Funds can be classified into two main classes, namely, Defined Benefit Funds or Defined Contribution Funds. This is based on the manner in which the Fund determines the benefit to be paid to the members on retirement. In rare circumstances, certain Funds have combined elements of both a Defined Benefit and a Defined Contribution fund, in which case it is referred to as a Hybrid Pension Fund.

Defined Benefit Pension Funds

A Defined Benefit Pension Fund is a type of pension plan in which an Employer or a Sponsor promises a specified pension payment on retirement that is calculated by using a formula. That means that a promise is made to a member that a specific calculated benefit will be due to him upon his retirement regardless of what the member contributes to the fund and what the investment returns (i.e. interest earned) on those contributions are. The responsibility to meet the pension obligation lies with the Employer or Sponsor.

Contributions to the Fund are made by the Employee, the Employer or both depending on the Rules of the Fund. The contributions to a Defined Benefit Pension Fund are determined based on a formula that calculates the contributions needed to meet the defined benefit obligation. This calculation is usually performed by the Valuator of the Fund who is an actuary. The contributions are determined by taking into consideration the employee's life expectancy, salary, current age and expected retirement age, possible changes to interest rates, annual retirement benefit amount and the potential for employee turnover.



A Defined Benefit Pension Fund benefit is "defined" in the sense that the benefit formula is defined and known in advance. Over time, there may be a difference between what is in the Fund (its assets) and what the Fund is required to pay to meet the benefit obligation. If the assets in the Fund are higher than what is needed to meet the benefit payments, usually because of higher than expected interest earned, this is known as a surplus. The Fund may decide to distribute the surplus to members, pensioners or even the Employer. On the other hand, if the obligation (promised benefit) is higher than the assets of the Fund, this is known as a deficit. The Employer or Sponsor will be required to make additional contributions to the Fund to cover the deficit. Therefore, in Defined Benefit Funds, the Employer or Sponsor carries the investment risk, which can be described as the risk of investments performing poorly. The Employer or Sponsor can however benefit from surpluses if the investments perform well.

Defined Contribution Pension Funds

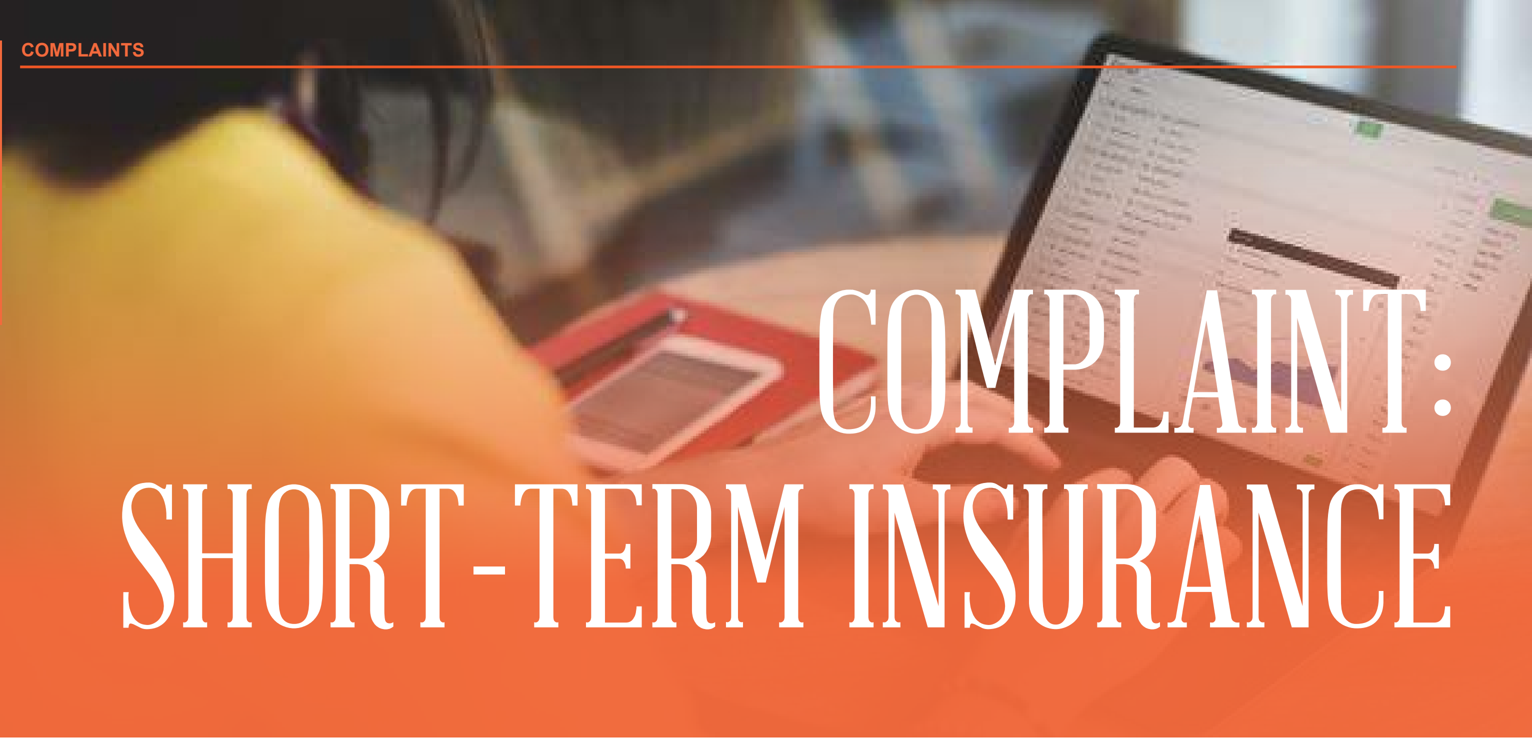
In a Defined Contribution Pension Fund, fixed contributions are paid into an individual account by members and/or Employers. Membership is not only linked to employment but individuals can participate in Defined Contribution Funds on their own as well. The amount to be contributed to the Fund is set out in the Rules of the Fund. The contributions are invested, for example in the stock market, and the returns on the investment (which may be positive or negative) are placed in the individual's account after providing for expenses, should this be the fund's policy. On retirement, whatever is in the member's account is used to provide retirement benefits.

A Defined Contribution Pension Fund provides for an individual account for each member and for benefits based solely on the amount contributed to the member's account as well as investment returns or losses, which may be allocated to such member's account. The allowable deduction of costs are usually done before the contributions and net investment returns are allocated to the members account.

Defined Contribution Pension Funds are the dominant form of pension fund in Namibia. Investment risk and investment rewards are assumed by each member or pensioner and not by the Sponsor or Employer. If the investments perform well, the member will benefit from good investment returns. However, if investments perform poorly, the members benefits may be less than expected. The risk and rewards could be substantial. For a Defined Contribution Pension Fund, the formula for computing the Employer's and Employee's contributions is defined and known in advance, but the benefit to be paid out is not known in advance nor is it guaranteed unlike a Defined Benefit Pension Fund.

Conclusion

In conclusion, the diagram to the left illustrates the main differences between Defined Benefit Pension Funds and Defined Contribution Pension Funds.



COMPLAINT: SHORT-TERM INSURANCE

NIXON MARCUS

PUBLIC LAW OFFICE

25 September 2018

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY
P.O. BOX 21250 **"BY HAND & EMAIL"**
WINDHOEK **nstrauss@namfisa.com.na**

ATT: MR IMBA

RE: COMPLAINT – T VONGUDHI v [redacted] SHORT TERM INSURANCE

Dear Sir,

We refer to the above matter and our telephonic conversation on 17 September 2018 in which you acknowledged receipt of the complaint and advised that you are looking into the matter.

1 This serves to inform you that [redacted] on 21 September 2018 paid our client out in terms of the applicable insurance policy. Naturally our client is very pleased about this.

2 Please be advised that it is our sincere belief that it is solely the complaint submitted to NAMFISA that resulted in [redacted] taking action in this matter.

3 Whereas this is good news for our client, we cannot help but pause to contemplate the number of persons in this country who do not have ready access to lawyers and, more importantly, do not know that they have effective recourse to NAMFISA in these matters.

We would like to extend our gratitude for your prompt assistance in this matter.

Yours faithfully

NIXON MARCUS PUBLIC LAW OFFICE
PER: U KATJIPUKA (PARTNER)

Coping financially during the **Festive Season**

The best is to save for festive season spending long before the decorations go up....

For many, this advice may come too late. For them, festive season spending may mean maxing out current credit cards, opening new lines of credit or taking on extra debt. Excessive enquiries for new lines of credit, higher balances compared to credit limits and large amounts of debt can all be harmful to a consumer's credit health.

TransUnion offers four tips to help get financially fit before the festive season:

STEP 1: Check your credit reports frequently

The first step to robust credit health is to recognise which bad financial habits, such as late payments, you may have and how they are represented on your credit report. Regular check-ups may also help you guard against identity theft. You are entitled to one free credit report from every credit bureau every year. To get your free credit report from TransUnion, simply phone the TransUnion call centre on **061 227142** and ask for it; or email: **Namibia-freereport@transunion.co.za**

STEP 2: Make a gift list and check it twice

The list should include all the people you plan to buy holiday gifts for, along with a Namibia Dollar amount you plan to spend or the item you plan to purchase. Stick to this list when the time comes to buy holiday gifts, to avoid overspending.

STEP 3: Budget and save

Review your list and calculate how much you plan to spend on gifts. Divide the total by the number of salary checks you will receive between now and when the holiday shopping season begins. It's also a good idea to set aside additional money to be used for food and entertainment during the festive season.

STEP 4: Save for yourself

Remember, not only does saving for the holiday shopping season help alleviate stress, but if possible, you should also save a portion of each salary check to pay for any unexpected financial crises, such as a health emergency or a major repair on your car.

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

NAMFISA COMPLAINTS DEPARTMENT

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

WHAT TYPES OF COMPLAINTS DOES THE NAMFISA COMPLAINTS DEPARTMENT DEAL WITH?

You might be wondering what types of 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 only handles 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. Sometimes the department receives complaints that are not against a NAMFISA-regulated financial service provider. In such cases, we are nonetheless committed to helping you determine the relevant body or entity that can assist you.

WHO ARE THOSE FINANCIAL SERVICE PROVIDERS?

HERE IS A LIST OF THE 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 if a particular entity is regulated by NAMFISA, please use our dedicated toll free number **0800 290 500** or visit our website at **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 registered entities under the particular sector.

We hope this article was of assistance and 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 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

Suspicious transaction
A suspicious transaction will often be one when the transaction raises questions or gives rise to discomfort, apprehension or mistrust.

Exception
A statement in an insurance policy contract that is only applicable under certain circumstances or for a specified period of time.

Exclusion
An insurance policy contract provision that eliminates coverage for some types of risk.

Insured
The person (or persons) whose risk of financial loss from an insured peril is protected by the policy. Sometimes called the "policyholder".

Insurer
The Insurance Company.

Deductible
The amount of money that you must pay out of your pocket for damages sustained, such as in a collision, before your insurance kicks in and starts to make payments.

Premiums
The monthly or annual amount that you must pay in order to have the exchange for insurance coverage.

Collision Coverage
The type of coverage that pays for the damages to your vehicle sustained as a result of a collision with another vehicle or object.

Comprehensive Coverage
The type of coverage that pays for damage to your vehicle sustained as a result of fire, theft, vandalism, or various other stated causes.

Bodily Injury Coverage
The type of coverage that pays for medical expenses and/or funeral costs of other individuals injured, or killed, in an accident for which you are liable.

Medical Payments Coverage
The type of coverage that pays for medical and funeral expenses for anyone covered under your insurance policy in the event of an accident, regardless of fault.

Uninsured Motorist Coverage
The type of coverage that pays for injuries, including death, which you and/or other occupants of your vehicle sustain as a result of a collision with an uninsured driver who is at fault.

Primary Beneficiary
The person(s) designated to receive the proceeds of the life insurance policy upon the death of the Insured.

Contingent Beneficiary
The person(s) designated to receive the proceeds of the life insurance policy if the Primary Beneficiary is no longer living.

Assumed liability
Liability, which would not rest upon a person except that he or she has accepted responsibility by contract expressed or implied. This is also known as contractual liability.

Binder
A temporary or preliminary agreement, which provides coverage until a policy can be written or delivered.

Broker
An independent person or firm who acts on behalf of the insured in placing business with the insurance company. They are responsible for the collection of premiums, but do not have the authority to give coverage on the insurance company's behalf without their specific agreement. Compensation is on a commission basis.

Claim
Notice to an insurer that under the terms of a policy, a loss may be covered.

Clause
A term used to identify a particular part of a policy or endorsement.

Deductible
The portion of a loss that you are required to pay before your insurance coverage will respond. Deductibles can be used to reduce your physical damage premiums. For example, if you owned a policy with a N$200 deductible and you suffered a covered loss totaling N$1,000, you would pay the first N$200 and the insurance company would pay the remaining N$800. If the loss were only N$200, you would pay the entire amount.

Due diligence
An investigation or audit of a potential investment. Due diligence serves to confirm all material facts in regards to a sale. Generally, due diligence refers to the care a reasonable person should take before entering in an agreement or transaction with another party.

Effective date
The date on which an insurance policy or bond goes into effect, and from which protection is furnished.

Insurance policy
A legal document issued to the insured setting out the terms of the contract of insurance.

Waiver
A rider waiving (excluding) liability for a stated cause of accident or (especially) sickness.

A provision or rider agreeing to waive (forego) premium payment during a period of disability. the giving up or surrender of a right or privilege that is known to exist. It may be effected by the agent, adjuster, or insurance company employee or official orally or in writing.

Keep yourself busy and your mind mentally switched on this festive season with this memory card game. Simply cut out the cards and you are ready to play.

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