

GOVERNMENT NOTICE

FRIENDLY SOCIETIES

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X

2021

STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021

The Namibia Financial Institutions Supervisory Authority has under section 410(7) of the Financial Institutions and Markets Act, 2021 (Act No. 2 of 2021), made the Standards set out in the Schedule.

Gersom Katjimune
Chairperson

Windhoek,

2021

DRAFT STANDARD

THE VALUATION AND REPORT OF THE VALUATOR OF A FRIENDLY SOCIETY
REFERRED TO IN SECTION 304

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No. FS.S.6.12

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021 [Act No. 2 of 2021]

The valuation and report of the valuator of a friendly society referred to in section 304

Standard No. FS.S.6.12

issued by NAMFISA under subsections 304 and 410(7)(k) of the Financial Institutions and Markets Act, 2021

Definitions

1. (1) In this Standard -
 - (a) “Act” means the *Financial Institutions and Markets Act, 2021* [Act No. 2 of 2021], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act;
 - (b) “auditor” means the person appointed in terms of section 302 of the Act;
 - (c) “IBNR” in relation to claims against a Friendly Society means Incurred But Not Reported;
 - (d) “ICAN” means Institute of Chartered Accountants of Namibia;
 - (e) “IFRS” means International Financial Reporting Standards;
 - (f) “principal officer” means the person appointed in terms of section 296 of the Act;
 - (g) “SMEs” means Small to Medium Enterprises;
 - (h) “Valuator” means a person appointed in terms of section 303 of the Act;
- (2) Words and phrases defined in the Act bear the meanings ascribed to them by the Act, unless the context indicates otherwise.

Applicability

2. This standard applies to all Friendly Societies registered under the Act which, under their rules, are subject to actuarial scrutiny.

Valuation report

3. The Valuator should adhere to the following reporting requirements when compiling the report contemplated in section 304 of the Act -
 - (a) The report should specify the Friendly Society to which it relates, that it is for the purposes of section 304 of the Act and should include:
 - (i) A description of the methodologies and processes used by the Friendly Society to monitor and assess its assets and liabilities on an ongoing basis, including the sources of data and information used in such monitoring;
 - (ii) A statement of the assets and liabilities of the Friendly Society as at the end of the preceding financial year that includes, where applicable, claims IBNR as well as future member claims liabilities;
 - (iii) A description of the benefits of each benefit category contemplated in section 285 of the Act provided by the Friendly Society to its members;
 - (iv) An analysis of the current membership profile in relation to each benefit category contemplated in section 285 of the Act including the age, marital status and number of dependants of the member;
 - (v) Assumptions used in calculating the liabilities of the Friendly Society, as well as how each of the assumptions was derived;
 - (vi) Details of any proposed benefit changes being considered by the Friendly Society as at the end of the preceding financial year, specifying the reasons for such changes and the implications of such for the liabilities of the Friendly Society;
 - (vii) Material risks that may affect the liabilities of the Friendly Society as identified by the Valuator;
 - (viii) The name and contact details of the appointed valuator;

- (ix) Details of any advice given by the valuator to the Friendly Society concerning the liabilities of the Friendly Society during the period covered in the report.
 - (b) The report should use the IFRS for SMEs as adopted and applied by ICAN to the extent that they are applicable;
- 4. The principal officer of the Friendly Society should sign the report before it is submitted to NAMFISA in order to indicate that he or she knows and understands the contents of the report.
- 5. The valuator's report must be accompanied by a certificate by the board and principal officer certifying that to the best of their knowledge the information furnished to the valuator for the purposes of the report was correct and complete in every material respect.
- 6. The Valuator must consider which aspects are material to the interpretation of the IBNR valuation and future member claims liabilities and disclose these aspects in his/her report.
- 7. Where appropriate given the nature of the benefits provided by the Friendly Society, the Valuator must perform a sensitivity analysis to indicate to the Friendly Society the possible variations in the IBNR provision and future member claims liabilities should actual experience turn out different to the original assumptions. This should be done by identifying the likelihood/probability that the IBNR and future member claims liabilities will be sufficient and by explaining the reasons why, or the events that could occur to cause, the IBNR to be insufficient. By changing the IBNR assumptions, parameters and/or the IBNR method of calculation itself, the Valuator can ascertain the sensitivity of the IBNR provision.
- 8. The valuator must express an opinion on the financial soundness of the friendly society.
- 9. The Valuator's report is required to be presented at least every three (3) years.