

**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 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**

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

DRAFT STANDARD

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THE DETERMINATION OF THE SOUNDNESS OF THE FINANCIAL POSITION  
OF A FRIENDLY SOCIETY FOR THE PURPOSES OF SECTION 308(3)

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NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

**Standard No: FS.S.6.8**

**FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021 [Act No. 2 of 2021]****The determination of the soundness of the financial position of a friendly society  
for the purposes of section 308(3)****Standard No. FS.S.6.8**

*issued by NAMFISA under sections 308(3) and 410(7)(m) of the Financial Institutions  
and Markets Act, 2021*

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**Definitions**

1. (1) In this Standard, “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;
- (2) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation, the following-
  - (a) as defined in section 1 of the Act-
    - (i) friendly society;
    - (ii) NAMFISA;
    - (iii) valuator;
  - (b) as defined in section 284 of the Act:
    - (i) assets;
    - (ii) liabilities;
    - (iii) member;
    - (iv) rules; and
    - (v) society.

## **Applicability**

2. This Standard applies to a the board of a society, the valuator and the report referred to in sections 304 and 308 of the Act.

## **Financial soundness**

3. A society will be considered to be in a financially sound position for the purposes of sections 304(2) provided:
  - (a) Audited financial statements are prepared and they show that the society's assets exceed its liabilities and there are no qualifications accompanying the auditor's certification;
  - (b) The valuator's report has been prepared in accordance with generally accepted actuarial practice and no amounts of benefits or contributions in respect of future members have been recognized;
  - (c) The valuator's report shows that the assets of the funds held in respect of benefit liabilities for business subject to actuarial scrutiny exceed those liabilities as at the date of the report, and that a projection of those assets and liabilities on the valuation basis, and assuming no new members, shows that the projected assets exceed the projected liabilities at the end of each of the three succeeding financial years;
  - (d) The valuator's report includes an analysis of the gains and losses of each of the benefit funds and, where there are losses, indicates the sources thereof and makes recommendations for increases in the relevant member contributions or reductions in benefits, as provided for by the rules of the society;
  - (e) The valuator's report states what, if any, pending amendments to, rescissions of, or additions to the rules of the society have been taken into account and what, if any, their financial impact is expected to be, the necessary steps to be taken to ensure the continuing financial soundness of the society if their financial impact impairs the society's financial soundness; and
  - (f) The valuator's report includes a certification free of any qualifications.
4. The valuator may rely on the immediately preceding report on the financial soundness of a society provided that in the event it was prepared by another valuator, the valuator includes a disclosure in the report to the effect that the reliance was made on the basis of a review of the report of the other valuator and that no questions or concerns arose, or, if there were any, they were brought to the attention of the other valuator and have been resolved.

## Valuation report

5. The report required under sections 304(2) and 308(3) of the Act, must be certified by the valuator concerned and the certification must include:
  - (a) the name and qualifications of the valuator;
  - (b) the relationship of the valuator to the society;
  - (c) an outline of the matters the valuator has considered in making the report;
  - (d) a statement that the report is based on methods and assumptions that conform to generally accepted actuarial standards;
  - (e) a statement that the report is based on data that the valuator considers to be accurate and complete;
  - (f) the date by which contribution rates should be next reviewed if the report relates to rates of contribution; and
  - (g) any additional information or qualification required in accordance with the professional code of conduct of the valuator.
  
6. The report of the valuator shall include the following information in addition to that stipulated in clause 5:
  - (a) the methods used and the assumptions made including, in the case of those assumptions having significant impacts on the results, a discussion of the basis for their selection or construction;
  - (b) a discussion of the reliance made on the work of others (auditor, previous valuator if applicable, investment advisor, administrator);
  - (c) a summary of the results of the valuation including, for each separate benefit fund, a balance sheet showing the assets and liabilities of the society;
  - (d) tabular distributions of the data used in the valuation in respect of membership and benefit amounts;
  - (e) in respect of the analysis of gains and losses by benefit fund, a discussion of their significance in terms of the adequacy/inadequacy of member contributions in relation to benefits; and

- (f) a discussion of the appropriateness of the investment portfolio of each benefit fund in relation to the characteristics of the society as to its liabilities for fixed or variable benefits and its expected benefit and expense outflows.

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