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# ZAFA

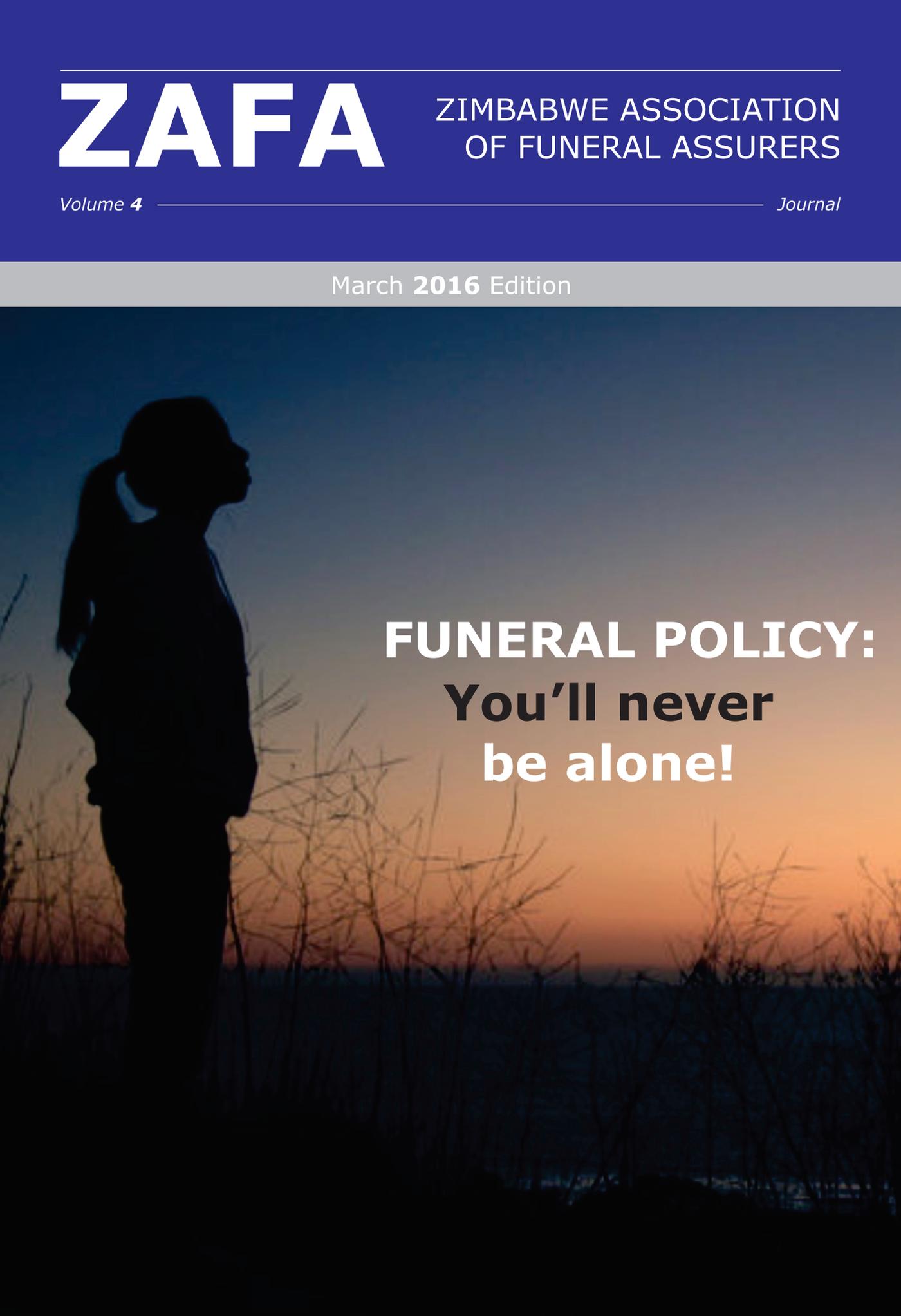
ZIMBABWE ASSOCIATION  
OF FUNERAL ASSURERS

Volume 4

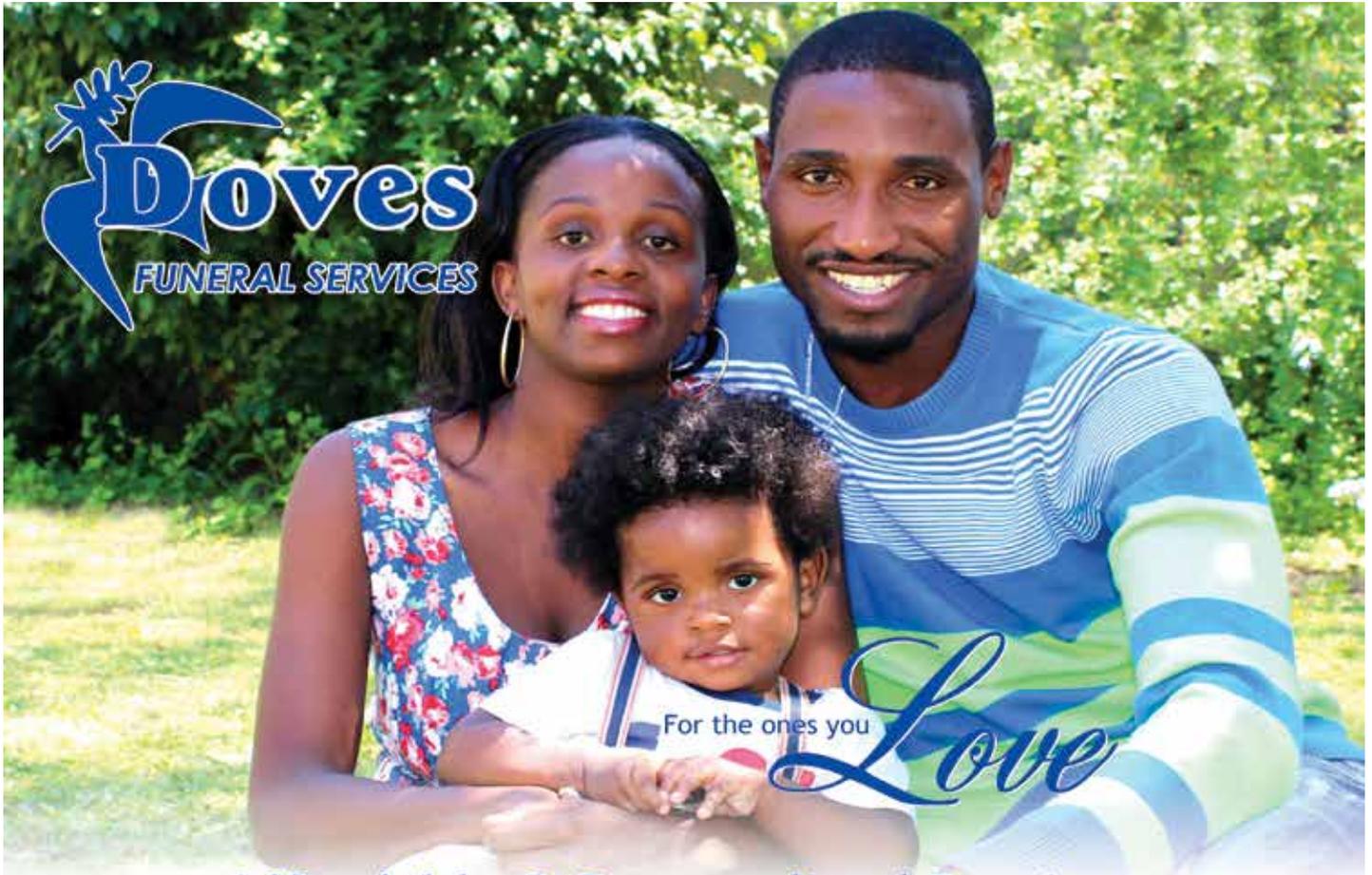
Journal

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March 2016 Edition

A silhouette of a woman with her hair in a ponytail, looking out over a sunset landscape. The sky transitions from a deep blue at the top to a warm orange and yellow near the horizon. The foreground is filled with dark, silhouetted branches and grasses.

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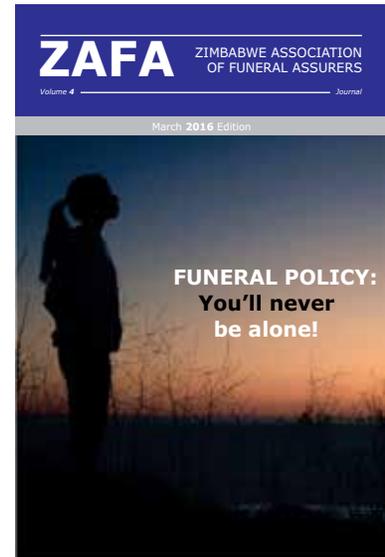


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## 'TOGETHER WE WILL SUCCEED'



It is with great pleasure that we present the fourth edition of our ZAFA magazine, a publication of the Zimbabwe Association of Funeral Assurers.

Your support and feedback as readers and stakeholders continues to motivate us to produce this informative journal. We strongly believe that together we will succeed in providing valuable and educative information about the funeral industry in Zimbabwe.

For years, the funeral industry and issues to do with death have always been shrouded in mystery yet both death and funeral are realities of life.

We therefore seek to demystify some of the myths surrounding funeral and death for the benefit of our clients and the general public.

Effective provision of funeral services requires clear and unambiguous understanding of the needs and perceptions of the clients. Hence the need for clear and open communication between service providers and clients.

Generally, clients and the public expect that funeral services be provided in a manner that takes into account or respects their socio cultural values and norms. To a large extent, they expect that the services also be both readily accessible and affordable.

Only proper communication between the parties will help align the expectations of clients with the way the service is provided.

It is because of the good relationship that exists between our readers and the funeral industry that we have managed to produce yet another exciting magazine.

Strong and cordial relationships form the bedrock of all success and, as the funeral industry, we don't take your partnership with us for granted. A good magazine without reading partners is not

worth the paper it is printed on.

Building strong and lasting relationships with all stakeholders including regulatory authorities remain important for the funeral industry. It is important that the industry operates within the confines of the law and also that the regulatory authorities fully understand how the industry they regulate operates.

Conducting business ethically is also paramount for the industry. The industry does not condone corruption of any sort or any form of exploitation of the bereaved families. We believe that profits should always be obtained morally and through ethical means.

The need for funeral insurance cannot be over emphasised and we continue to encourage our readers to properly choose their funeral assurer and also to note that everything that may be referred to as a funeral policy may not be such. The public is therefore advised to take policies from ZAFA members only.

Where there was no funeral policy and death occurs, members are once again encouraged to seek services from a service provider who is a member of ZAFA through its affiliate, the Funeral Services Association, FuSA.

It is our hope that all funeral assurers and service providers shall continue to offer a professional and quality service to all clients without exploitation.

Finally, I would like to extend my appreciation to all our membership, advertisers, readers and our publishing partners ( the *Financial Gazette*) for making this project a success.

Till our next edition of the ever exciting and informative magazine, have a good time!

**Taka Svovve**



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# Everyone should have a



**T**he Zimbabwe Association of Funeral Assurers, (ZIFA) and its affiliate, the Funeral Services Association, (FuSa), held their inaugural funeral assurance and services conference in Gweru in July 2015. Journalist, Paul Nyakazeya (PN), spoke to ZIFA president Dr Edward Gomba (EG) about the conference and issues affecting funeral assurance in the country.

**PN:** What were the major concerns affecting ZIFA and FuSa members that came out of the conference?

**EG:** Issues to do with the ever increasing capital levels for funeral assurers as well as high costs of acquiring equipment needed in the provision of burial services were prominent at the conference discussions.

**PN:** How did you agree to solve the concerns and how far have you gone in that regard?

**EG:** It was resolved that the association should actively engage the relevant authorities with a view to finding common ground on capital levels as well as negotiating for duty waiver or other forms of rebate on the importation of burial equipment like hearses and cold rooms. This will subsequently lower the cost of funerals which will also benefit the public. We have since taken up all our issues with the authorities for consideration and we await their feedback.

**PN:** The conference's theme was "Raising the standard in economic and social transformation". Why did you come up with this theme?

**EG:** Low standards are not part of our DNA in the funeral industry as this compromises service delivery. Again no meaningful economic and social transformation can be achieved when standards of doing business are low. We also value our clients and would want to reward them with quality services which meet world class standards.

**PN:** Where is this year's conference going to be held?

**EG:** We are most likely going back to the Village Lodge in Gweru for the second time as the place has proved to be more central to our membership. Thereafter, we will search for a new place.

**PN:** Would you say ZIFA is now speaking with one voice for the purpose of professionalism and bringing sanity to the industry?

# funeral policy: Dr Edward Gomba

**EG:** To a very large extent yes, we are now speaking with one voice as an industry. We now share information on issues that are of common interest as well as correcting each other without any bad motives. We regularly meet as members to discuss all issues of mutual concern without prejudice.

**PN:** Harare city mayor, Benard Manyenyeni, challenged funeral associations to partner the city council in a bid to improve the deplorable state of various cemeteries around the city. How far have you gone in this regard?

**EG:** This is still work in progress due to various reasons that are being worked on but I would like to assure you that as the funeral industry, we are more than committed to partnering the City of Harare and other local authorities across the country in all areas of mutual concern.

**PN:** What advice would you give to someone who does not have or does not believe in funeral assurance?

**EG:** It is critical that everyone gets a funeral policy to reduce the burden of burial costs in the event of death. Funeral or burial costs can be very stressful where there is no funeral policy. Decent and dignified burial for our beloved ones may also be difficult to achieve. So I would want to say getting a funeral policy is the way to go and should be every Zimbabwean's concern. I also urge all members of the public to get funeral policies from ZAFAs where they are assured of quality service.

**PN:** What were ZAFAs' major highlights in 2015 and what can we expect in 2016?

**EG:** In 2015, we held workshops on infectious diseases management for our employees in view of the ebola outbreak and other infectious diseases like cholera. As you may be aware, our major job is to handle the dead and give them decent burial, whatever the cause of death, but we have to do this with care so that we do not cause more deaths. We also held the inaugural funeral industry conference in Gweru which was graced by guests from South Africa and Kenya and was very successful.

**PN:** To what extent has the economic environment affected monthly policy payments?

**EG:** The scaling down and in some cases total closure of companies due to economic hardships led to massive layoffs and retrenchments. Disposable incomes were lost and a good number of policy holders failed to continue with their funeral policies which then lapsed. New business was also low as many failed to take up policies due to lack of income.

**PN:** How did ZAFAs and its members receive the 2016 national budget, especially on minimum capital requirements for your members?

**EG:** As ZAFAs we remain concerned with the proposed increase in capital levels when the economy is struggling. We are equally affected by the economic challenges and may find it very difficult to raise the new capital. We will however continue to engage the authorities on the matter so that we remain compliant.

**PN:** As an association, do you have a database of all the s-rated agents to help members not to recruit bogus agents who would have performed some crimes in the industry?

**EG:** The data base is being created and should be up and running before the end of this year.

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## Making a funeral claim

When a loved one dies, a myriad of thoughts often run through our minds. However, for those among us with the gift of foresight and who would have planned ahead, the burden of death, though depressing and heartbreaking, can be lessened considerably by the professional assistance from funeral assurance providers.

This article seeks to enlighten policyholders on procedures to follow when the unfortunate occurs and there is a need to lodge a funeral claim. However, before I go any further, I would want to clarify a great misconception shared by many people we come across in our day to day dealings. Funeral companies do not rejoice or make brisk business when people die. Rather, we are saddened every time this happens because since we are funeral assurers, we need our clients to survive for as long as possible and continue paying for their premiums for a longer term.

Now, to the focus of this article. In the event of the death of a person entitled to a benefit under a funeral assurance policy, the following simple procedures should be taken.

The assurer must be informed of the death of a member as reasonably quickly as possible, normally within 24 hours.

**Death in the home:** If a death occurs in the home, you should report to your nearest police station. Once at the station, it is important to notify them of any existing funeral policy arrangements. The police would then get in touch with the assurance company for the body removal procedures to be done.

**Death in the hospital:** Hospital staff will take care of the notification procedures at the hospital police post and after that, the respective funeral parlour would then be notified so that the body can be moved to their mortuary.

The important point to note in all the instances is that police have to be notified as there are some forms which they have to com-

plete and sign if a death occurs.

### Documentation required:

After this notification, the assurer reserves the right to make enquiries in order to satisfy itself that the deceased person was covered under the policy and shall also be entitled to call for any documents it may deem necessary. The following documents are usually required in the event of a claim:

- (i) Policy document
- (ii) National identity card of the deceased person or birth certificate if it's a minor
- (iii) Notice of death or burial order
- (iv) Any other authentic documentation endorsed by the police or by a medical practitioner.

When these documents have been presented and the funeral assurance company has been satisfied as to their authenticity, the contents of the policy document would then guide the respective funeral assurance company as to the steps and the type of funeral service for the particular deceased person.

The parlour would then proceed in consultation with the family in planning the funeral service and availing the services specified in the policy contract like type of coffin or casket and other ancillary services peculiar to that particular policy contract, like whether there is mourners transport, grocery allowance etc. Lodging a claim is quite a simple process which however seems a bit difficult because usually at the time of claiming, we would still have not yet accepted the reality of our dear having departed. It is these distressing times which make it seem cumbersome and complicated but however all the apprehension is lessened once people approach their respective funeral parlours for service.

The Zimbabwe Association of Funeral Assurers (ZAFAs) ensures that all its members act and assist clients professionally and with utmost care at all times. For more information, you can contact the ZAFAs secretariat. — ZAFAs

# Premium collection for **FUNERAL ASSURERS IN A TURBULENT ECONOMY**



By **THOMAS SITHOLE**

**D**oing business in Zimbabwe calls for much more finesse and skill than can be obtained from an MBA or any education from even the finest business schools in the world. Common economic fundamentals just do not work when it comes to Zimbabwe. The funeral assurance sector is no different and has to contend with a multitude of risks that emanate from the operating economic environment. But as I always say, risk is like a coin – it has two sides to it, an upside and a downside. In this article, we take a look at how the current economic environment has affected premium collection for funeral assurers.

## **Retrenchments and company closures**

According to the Insurance and Pensions Commission reports, the split of funeral assurance business between group life and individual life business lines has seen a marked decline in the proportion of group life business. In mid-2014, almost 67 percent of business was group life but this figure reduced to just over 50 percent in mid-2015. This is a direct consequence of the company closures and retrenchments that took place within this period of time. Measures will have to be taken to try and ensure that this business is not lost forever.

Opportunities however, still exist for funeral assurers to incorporate flexibilities in their product design, allowing retrenchees to continue with their previously group life covers or reduce the level of sum assured to keep in line with the new (lower) levels of disposable incomes of these policyholders.

## **Premium debtors**

History has shown that the level of premium debtors in the group life (commercial) line of business is always higher than in the individual line of business. This disparity has been getting even larger due to the liquidity challenges in Zimbabwe. Indeed funeral assurers are not alone when it comes to not receiving contributions in time as pension funds are experiencing the same problem. The degree of coercion that a pension fund can impart on its sponsor to try and compel it to pay over contributions is much more than what a funeral assurer can do. If a funeral assurer were to apply the same coercion in trying to speed up the remittance of premiums, it would risk losing its business!

One solution I have observed in other countries is that funeral assurers tackle this problem by employing premium structures that are more of a general insurance nature than the usual life assurance-like premium structures which are normally used in funeral assurance. Simply put, these funeral assurers approach the pricing of their group life cover the same way a general insurer approaches the pricing of a fleet of buses. This means that there are no asset share build-up or surrender values.

## **Lack of investment options**

Getting the policyholder to pay premiums on time is just part of the challenge. Next, funeral assurers have to find an investment vehicle to channel the premium income. This has proven to be a

formidable challenge as the Zimbabwe Stock Exchange has been plagued by poor performance and de-listings. Non-performing loans in the banking sector have also affected the money markets while rental income from the current property portfolios held by funeral assurers has been low.

In the face of all of this, funeral assurers are still being blocked from investing their premiums offshore.

## **Diaspora**

Millions of Zimbabweans have migrated to the diaspora, with a significant population resident in neighbouring South Africa. As shown by a few high profile celebrity deaths overseas, costs of corpse repatriation are proving to be an unexpected and exorbitant outgo for the bereaved families with some resorting to the use of crowd-sourced funding. There is therefore a huge opportunity in the marketing of repatriation policies for Zimbabweans in the diaspora. Diaspora remittances reached almost a billion dollars in 2015. One challenge is that by trying to market products in the diaspora, a funeral assurer is open to competition from funeral and life assurance companies overseas. Life assurance companies in the developed world employ very accurate premium structures that vary by age, gender and health of the policyholder. They even have the advantage of having the access to functional investment markets.

Adopting a different angle to this issue, it should also be possible to sell repatriation policies to the foreigners that are resident here in Zimbabwe.

As I roundup, it pays to take a look at what happens to a dollar of premiums that is paid to a typical funeral assurer in Zimbabwe. This analysis used data acquired from 2014 and 2015 and has been adjusted to strip away unpaid premiums.

It is interesting to note that about 30 percent of premiums paid actually go towards the payment of claims. Sixty-five percent go towards the payment of management, operational expenses and commission. Whilst notable progress is being made to try and reduce the expense footprint, it is still too large probably due to fixed expenses. With problems of a harsh operating environment, the limited policyholders in the funeral industry will be left to shoulder the majority of the fixed expenses that cannot be easily reduced. There is a risk that these policyholders will soon explore other alternatives to funding their funeral costs.

I have never been one to be extremely optimistic that the challenges in our economy will miraculously just vanish, but I hold a strong conviction that within the economic turmoil, opportunities still present themselves.

• *Thomas Sithole is an Actuarial Analyst and the current Head of Enterprise Risk Management Solutions at Bluecroft Actuarial Solutions. Email: [thomas.sithole@bluecroftsolutions.com](mailto:thomas.sithole@bluecroftsolutions.com)*

# Insurance and Pensions Commission statement on ZAFAs



Manett Mpofu — IPEC Commissioner

It is our pleasure to report, against the background of the challenging economic environment that the funeral industry has continued to uphold professionalism and basic insurance principles since dollarization through to December 2015.

The Commission is equally gratified that Zimbabwe Association of Funeral Assurers (ZAFAs) decided to come up with the annual magazine that is aimed at general public awareness on the importance of funeral assurance. The level of detail and coverage given therein is pleasing.

## Architecture of the Funeral Industry...

Albeit the fact that the number of registered players in the funeral industry remained static at nine (9), there was an 8% growth rate in terms of total assets from \$45.6million as at September 2014 to \$49.3 as at September 2015. However, the industry recorded negative growth in terms of premium written of 5% for the third quarter ending September 2015. There is therefore need for the industry to tap into uninsured markets while ensuring product features that are able to sustain the policy until maturity.

## Capitalisation...

From the Insurance and Pensions Commission (IPEC) latest quarterly report as at 30th of September 2015, three funeral assurers were undercapitalised, implying that there is need for new capital injection by their shareholders to bring their capital position to minimum regulatory thresholds. Players in the industry are also urged to start engaging shareholders on the need to meet the new minimum regulatory capital requirements in line with the announcement made by the Minister of Finance and Economic Development in the 2016 National Budget.

It is encouraging to know that a bigger proportion of ZAFAs members has begun to realise the importance of actuarial guidance in the funeral assurance business and have since engaged actuaries to carry out actuarial valuations to determine the financial soundness and safety of their businesses.

Notwithstanding compliance to minimum regulatory capital requirements, the determination of economic capital is also a very critical element for a successful business. Robust capital and risk management frameworks should be put in place to gain a competitive edge.

This will give an advantage to the industry when the Solvency II regulatory regime is introduced.

## Innovation of the Industry

The Commission has noted some innovation in the funeral assurance industry ranging from revised benefit packages to totally new product packages. The addition of such benefits as groceries and buses to ferry mourners to the deceased's final destination are a welcome development. Policies whose benefits incorporate such benefits like tombstones have also been observed.

As most of the products are longer-term in nature, players are required to ascertain the financial viability and soundness of these products through actuarial inputs actuaries before launching them.

## Complaints in the funeral industry...

The Commission has received a relatively small number of complaints relating to funeral assurance. This is possibly because the industry is meeting its obligations towards policyholders and beneficiaries when they fall due. Such behaviour is encouraged and should continue. ZAFAs members are once again reminded to ensure compliance with prescribed assets.

## Collaboration of ZAFAs and FuSa...

The collaboration between ZAFAs and Funeral Services Association (FuSa) is a step in the right direction. The Commission expects this cordial relationship to continue in 2016.

More importantly, this collaboration will also help to deal with bogus funeral assurers who illegally collect premiums from the unsuspecting insuring public.

## Prospects for 2016 and beyond...

The Commission wishes the industry a prosperous and successful 2016. However, the sector should strive for continued growth and success both at individual player level and as a sector. Players should ensure stronger distribution networks to get enough coverage so that the uninsured populace is taken on board and is given the peace of mind that is required during the time of bereavement.

Product design should incorporate the needs of the market and players are urged to start earmarking funds towards "Research and Development". Financial inclusion should feature prominently in the strategic plan of ZAFAs members.

IPEC is a body governing the operations of insurance and pensions industry in Zimbabwe.

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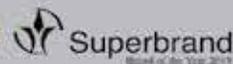
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# COMFORTING GRIEVING CHILDREN after death of parents

By Pastor **Mairos Mubvumbi**

**C**hildren are highly esteemed in family, society and in the sight of God. Having children is regarded as one of the greatest blessings.

However, vices like unlawful abortion, maltreating of children and even killing children indicate that some parents just want the gifts of children but not the responsibility that comes along with being fathers and mothers. Every parent should know that there are special duties incumbent upon parents. These include teaching, training, providing for, nurturing, controlling, correcting, instructing, loving and caring for the children.

Most family counsellors, psychologists and psychotherapists agree that one of the root causes of delinquency and rebellion among juveniles is lack of proper parenting of children in their early and formative years.

The need for proper parenting is most acute when a tragedy

like death of parents befalls a family. This is so because family tragedies have the most devastating effects on children. It is essential to know that the death of parents can bring debilitating and prolonged grief to the young and tender souls.

A good cry following the death of parents is expected and encouraged as it has a healing effect. However, prolonged and entrenched grief is unhealthy. Living parent, relatives or guardians should therefore know how to help bereaved children cope with grief and its attendant problems of fear, anxiety and hopelessness about the future.

When one parent dies, the remaining parent has a special duty to control their own grieving and meet the needs of grieving children as they are affected more. If they are overwhelmed by grief themselves then some loving family members, relatives or guardians should be assigned the task of giving care



to children. This scenario applies also when both parents die. Every caregiver to grieving children should first know that the acute needs of the children are care, reassurance of continuity of normal life and family support.

The remaining parent or guardian or counsellor should remember that one of the best ways adults can help young griever is to listen their stories. Being there with the children and paying attention to what they say gives them greater comfort than trying to stop them from expressing their feelings and explaining a lot of things during their time of grief.

It is therefore important to keep communication open with grieving children. When they express their emotions and feelings, they expect caregivers to acknowledge and accept their feelings. However, they need guidance and help when the emotions are overwhelming.

It is also very important to involve and include the grieving children in funeral and burial rituals as well as anniversaries. Psychologists and psychotherapists think that grieving children should be helped to explore and express their grief in the following ways: talk about the person who has died and use their name, pool the available photos and make copies for all the children concerned and give them some of the special objects that belonged to their dead parents and create special and unique rituals or remembrance activities.

Grieving children are normally overwhelmed by anxious thoughts and a blank and hopeless future. These are greater when both parents have died. They can be helped through these moments of anxiety by honestly and gently answering

their most critical and pressing questions like who will take care of them from now onwards, and who will stay with them and where.

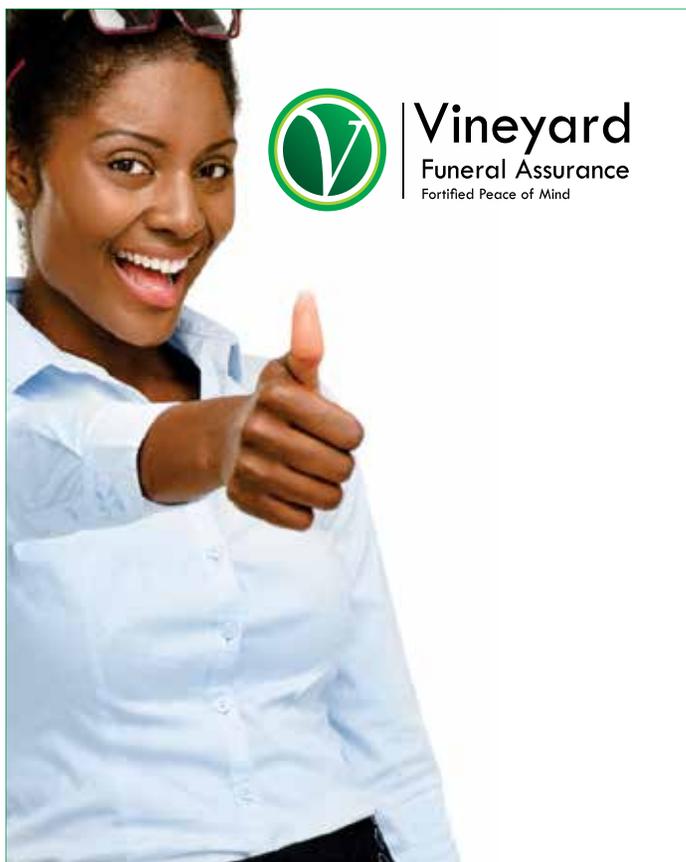
Once these fears and anxieties are gently but firmly addressed, the children will begin to have glimmers of hope. Volunteers or designated guardians should be free and honest to promise their availability and responsibility to the grieving children.

Grieving children require lots of encouragement and reassurance. These can be expressed verbally or non verbal through pats on the back, hugs and cuddles. Christian children can have their hopes raised by telling them about the resurrection of the dead and final reunion in heaven.

These and other things should give great comfort to grieving children and cause them to gradually but surely recover from the grief of the sad loss of parents. However, if a child fails to recover from grief, then professional help or pastoral counselling should be sought by caregivers.

The following are some of the signs of prolonged and sickening grief: aggressive behaviour, sleeping difficulties, eating disturbances, social withdrawal, persistent blame or guilt and self destructive behaviour. Therapy and sensitive counselling can help resolve these issues.

In a nutshell, grieving children should be expected to recover fully from grief following the death of parents if they are shown loving care, their fears and anxieties are properly addressed and they are reassured of a safe and normal continuation with life and pursuit of personal goals.



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**Shamwari Parwendo!**

# ZAFA conference

puts spotlight on funeral industry

By Mandla Tshuma



**IPEC head of prudential supervision, Pupurai Togarepi addressing delegates at the conference**



**Delegates treating themselves to lunch at the conference**



**Some of the delegates who attended the inaugural ZAFA conference**

Six months ago players in the funeral assurance industry from all corners of Zimbabwe and even beyond the country's borders converged on the Midlands capital of Gweru for the first ever Zimbabwe Association of Funeral Assurers (ZAFA) conference which tackled issues facing this unique industry.

ZAFA is a grouping of all funeral assurance companies in Zimbabwe that have come together to champion the provision of funeral cover.

The association has an affiliate, the Funeral Services Association (FuSa) which was formed to specifically deal with the issues affecting the services side of the funeral industry.

The two-day inaugural ZAFA conference in July last year which ran under the theme: "Raising the Standard For Economic and Social Transformation" interrogated at length issues that included the role of funeral companies in economic revival and economic transformation, actuarial valuations and proper investment strategies for funeral funds, technology and innovation in the industry and micro insurance among others.

The special indaba also saw industry players from South Africa and Kenya share experiences and exchange notes with their Zimbabwean counterparts.

At the conference, it was revealed by ZAFA that only five percent of Zimbabweans have funeral policies, something the association blamed on lack of disposable incomes.

The low figures however exclude family and community burial societies where some people belong.

The economic challenges facing the country, characterised by unemployment rates estimated at as high as 90 percent, have resulted in only a few citizens taking up funeral policies.

Sadly, some of the people who have taken such policies have defaulted on premiums.

It is against this background that ZAFA has challenged Zimbabweans to embrace funeral assurance.

The role of the funeral industry is generally divided into two parts namely funeral assurance and funeral services.

"As funeral assurers we ensure that societies plan for the inevitable costs of death by offering quality and affordable funeral polices to the people," ZAFA president Edward





Gomba said at the association's conference in Gweru.

"This ensures that in the event of bereavement families concentrate on mourning their dearly departed while he or she is receiving a decent and dignified burial."

He said families usually suffer irreparable damage where death occurs in the absence of a funeral policy, adding that surviving friends and relatives were in most cases forced to part with their hard earned resources in an effort to give their beloved ones a decent send off.

"They may therefore find themselves poorer after the funeral in cases where there was no funeral policy. Destructive social conflict is also common where funerals are not properly planned for," Gomba said. He emphasized that decent and dignified burial, regardless of the cause of death, was also every society's expectation and anything less was contrary to Zimbabwe's cultural, social, moral, ethical and religious beliefs.

"For this reason I hereby encourage all people of Zimbabwe to partner the funeral industry in social transformation by taking appropriate and genuine funeral policies as well as seeking funeral services from our members," said Gomba. "By this we will together add value to our society."

The ZAHA president argued that if properly equipped the funeral industry would be better positioned to freely assist the government in burying people in times of national disasters.

"However in most cases lack of capacity rather than willingness has made our members fail to assist the government in times of national disasters like road accidents and floods that claim many lives at once," he said.

"It is also my hope that the coming in of the micro insurance framework will enable our members to take funeral assurance products to all levels of the society including the previously marginalised groups."

With a view to addressing difficulties in planning and arranging repatriation of bodies in the neighbouring countries and the continent, ZAHA members agreed with their regional coun-

terparts at the conference to form what would be called African Funeral Assurance and Services Association (AFASA).

AFASA would also enable funeral industry players to share ideas on investments, industry challenges and solutions, and formation of standard laws in Africa.

"We also want to encourage some member countries in Africa to form associations for the purposes of easy management and coordination on funeral business," added Gomba.

Insurance and Pensions Commission (IPEC) head of prudential supervision, Pupurai Togarepi, who hailed the ZAHA inaugural conference as a very important platform for sharing ideas, said both government and the regulator were confident that a growing funeral assurance industry would contribute positively to Zimbabwe's economic development.

A Fin Scope survey conducted in 2013 indicates that funeral assurance is one of the major drivers of financial inclusion in Zimbabwe's insurance sector.

Due to commitment to meeting contractual obligations by funeral industry players, Togarepi said it was very easy to regain and boost confidence of the insuring public in the funeral assurance industry.

"This is being reflected by the industry's growth in terms of premiums written," Togarepi said. "The industry recorded Gross Premium Written (GPW) of US\$9, 1 million as at 31 March 2014 indicating a steady growth rate."

He highlighted that the number and frequency of new funeral product proposals was on the increase, and that the funeral assurance business had literally proved to be a profitable business leading to other long term life companies shifting their strategic thrust from traditional life products to funeral assurance.

Togarepi said: "The commission urges all players in the funeral assurance industry to have a robust capital and risk management framework. The industry should commence preparations for a risk-based capital as this is inevitable and coming."



*Delegates from South Africa and Kenya attended the ZAHA conference.*



*The inaugural ZAHA conference was a success. A bigger event is expected this year.*

# Mortician with a passion

**G**rowing up like most young people, she had a dream job, to be a mortician and work with the dead.

Though many people might find this creepy, Chenge-tai Jones (30) says there is nothing bizarre about this job which she eventually landed, though after a struggle after her mother, who worked as an accountant at Moonlight Funeral Services, had passed on and she did not have anyone to pay her school fees.

Against all odds, she completed her 'O' Levels at Girls High School, managing to pass which then allowed her to get a job initially as a general hand at Moonlight before she later got employed at First Funeral Services where she started her dream career 10 years ago.

"My first exposure with a corpse was when I was asked to dress up an accident victim and I did that with no fear," she said.

She said corpses have become her best friends as she spends most of her time bathing and dressing them before burial.

"Handivhunduke chitunha (I'm not scared of corpses). I can confidently visit an accident scene and rescue people when other men are covering their faces in fear," she said.

She, however, admits that the job is not for the faint-hearted and that one has to have respect for various traditions.

"The work is physically and emotionally demanding and one must be willing and able to work long hours. An ever-present sense of urgency is another reality of the job. You also need a strong stomach for the postmortem sights and smells and the ability to adapt quickly to sudden changes," she said.

And besides being emotionally demanding, Jones said her job's challenges can include assault or verbal abuse by relatives of the deceased.

"I recall sometime back when I was accused of eating a corpse's eyes. The person was very sick before he passed on as such had become very skinny, such that his eyes had sunk deep into the sockets. I had to jump on top of the corpse, without gloves, sink my finger into the eye pockets to pop out the eye," she said, laughing.

With the advent of infectious diseases, undertakers are also not spared from being infected.

During the 2008 cholera outbreak, Jones once dressed up a



*Chengetai Jones... "I am not afraid of corpses".*

## Importance of a funeral policy



**A** funeral policy is a contract whereby the assurer undertakes to meet the agreed funeral costs at the time of death of the assured upon payment of the agreed premiums by the assured during the subsistence of the policy.

What this means is that the insured will not have the burden of putting up resources to meet the funeral costs at the time of death. The funeral assurance company will meet the costs as agreed in the policy.

The funeral policy can cover the principal member and any other selected beneficiaries who can be the children, spouse, parents or any other dependents.

Funeral costs that are normally covered by a funeral policy include the following:

- Body removal from home, hospital or any other place of death
- Body storage at mortuary
- Body washing and dressing
- Casket/coffin for the deceased
- Hearse
- Mourners' transport

The certainty of death makes the funeral costs also very certain so that no one can wish them away.  
Planning for such costs by taking appropriate funeral policy

therefore becomes imperative if we are to receive decent and dignified burial upon death in line with our cultural values and social norms.

In many cases relatives and friends will have to painfully part with their meagre and hard earned resources in meeting funeral costs for their loved ones in cases where there is no funeral policy. These resources may include household goods and livestock.

Absence of funeral policy may also result in social conflict as families debate and argue when trying to mobilise resources to cater for the funeral.

Many have received paupers' and delayed burials due to lack of resources for a decent burial. Some people were also buried in the Diaspora or other places against the desires of both the deceased and relatives because resources could not allow movement to the desired location.

Employers are also in many times forced to fork out money to assist in burials of their employees and their relatives due to the absence of a funeral policy.

Paying for funeral policy premiums is cheaper and less stressful than the burden of meeting the funeral costs on your own in the event of death.



cholera victim without knowing and got infected.

"I also once developed some sort of herpes after some fluids from a decomposing body got in contact with my skin," she recalled.

However, she says these challenges will never deter her from doing the work that she is passionate about.

"I have two children to feed and for me, this is a job like any other and I want to encourage other women out there to use their hands. There is no work that is embarrassing or creepy. You should not have shame when it comes to putting food on the table," she said.

She also dispelled myths that dead people have negative effects on unborn children as she believes the dead are not different from the living, except that they are lifeless.

"When I got pregnant, I would always be reminded by friends and relatives that it was dangerous for me to work as an undertaker but I never listened to them because I knew there was nothing different between the dead and the living. Although my first pregnancy failed, it had nothing to do with me working in the parlour. In fact, it was stress from my marriage. I now have two kids and they are fit and fine. They don't have any problem and have never acted strangely," she said.



By Tarisayi Jingo

# Microinsurance: The way to go?

**T**HE failure of a low-value crop in a poor region can devastate families and communities. The cost of a funeral can mean a family goes hungry. Microinsurance can reduce the impact of events such as these. Notwithstanding the challenges that microinsurance presents, it has experienced massive growth in recent years and there is a lot of commitment to it from the global insurance community.

Microinsurance is by no means a new phenomenon and has existed in different economies in various forms for some time.

A briefing note published by the Munich Re Foundation states that “a product is generally defined as microinsurance if it is modest in premium and coverage and meets the following four criteria:

- **Target population:** The product targets the lower-income segment of the population, those who so far have been excluded from mainstream insurance offerings.
- **Business line:** Microinsurance can be found in all business lines, including life, funeral, accident and disability, health, property, agriculture (crop and livestock).
- **Sales:** Microinsurance may be supplied by various stakeholders and through a variety of channel types.
- **Affordability:** The premium amount is commensurate with the income level of the low-income sector.”

Microinsurance protects low-income people by insuring against a specific risk (or risks) common to individuals or communities in developing countries. In that way, the prefix “micro” does not refer to the scope or subject of the risk. Rather, it refers to the size of the premiums and potential pay-outs relative to those of the “regular” insurance policies often found in the more developed world. In many developing countries, mobile phones are nearly ubiquitous – essential tools for paying bills, receiving remittances and gathering information, among other uses. Leveraging these vast mobile networks, insurance providers **MUST** develop innovative microinsurance products tailored to low-income populations in these markets. From funeral insurance to protection against crop failure, these mobile-enabled products have resulted in benefits for mobile operators, insurers and previously uninsured customers from all over the world.

## **Microinsurance is also relevant in that many**

low-income people in developing countries do not have access to adequate risk-management tools. They are therefore vulnerable to fall back – or fall deeper – into poverty when such uninsured risks eventually occur. However, if these risks have been insured

against, the potentially significant detriment to the individual, their family and the wider community will be reduced and could even be eliminated altogether.

Microinsurance distribution channels or delivery channels are quite vast, because microinsurance is designed to cover individuals over a vast geographic area. As outlined above, microinsurance is generally most needed in the poorest of areas. These are the areas with limited infrastructure for education, transport and telecommunications. Accordingly, microinsurers find it difficult to reach potential consumers to issue policies. Yet, even where they can, the consumers often lack an understanding of the concept of insurance and are reluctant to take out a policy.

Other policyholders find it difficult to make a claim as they are unable to communicate their claim to the insurer. Some regulators also require a signature for an insurance contract to be recognised. This can frustrate the process as consumers are required to physically travel to the insurer (or vice versa) to sign a policy or make a claim.

## **What are the benefits of microinsurance?**

The presence of uninsured risks may mean that low-income people produce and/or consume in a less efficient manner. This could stifle income, productivity and/or standards of living on a wider – perhaps national – scale. Microinsurance makes it possible for low-income people to produce and/or consume more efficiently by enabling them to take more (calculated and appropriate) risks. For example, without microinsurance, farmers may elect to grow crops that are more drought-resistant but have much lower yields in good seasons. However, if those farmers were insured against a bad harvest, they would be in a better position to grow crops that have high yields in good years and bad yields in years of drought. The spreading of risk by virtue of microinsurance would thereby promote greater potential returns; not only for the producing individual and their community but also for the economy as a whole, thanks to the increased production and sustainable consumption.

## **Current issues affecting microinsurance**

Although the reach of microinsurance has expanded significantly, it remains unavailable to hundreds of millions of people. It needs massive expansion.

Most low-income people manage risk through more traditional or informal mechanisms. This may include borrowing from family or specialist loan organisations (at times at a prohibitively high

interest rate), self-insurance or simply try to avoid risk, without much success of course because one can never avoid risk. Where it has been made available, microinsurance has been hindered by various factors, including a lack of actuarial data, a lack of understanding of insurance principles, low pay-out rates, inappropriate product design, obstacles associated with regional regulation, a mistrust of insurers, a lack of consumer protection or a general resistance by individuals to part with what little resources they have to secure a benefit that may, according to their mindset, never materialise.

The sheer geographic spread and cultural divergence of the issues facing the microinsurance industry means that the current issues will not be fixed overnight.

Insuring low-income populations, particularly in rural areas, can be prohibitively costly and challenging for insurance providers. With the emergence of mobile microinsurance, however, insurance products are reaching those who need it most.

Innovation emerges to fill a necessary gap. In developing contexts, where millions of families lack access to traditional insurance products, innovators have leveraged mobile channels to develop creative m-insurance solutions.

The beauty of technology is that it does two key things that help drive the development of financial services: it cuts costs, and bridges physical distance.

Demand for affordable insurance is high among low-income families and individuals, many of whom are disproportionately vulnerable to risks and economic shocks. Despite significant need, these populations, particularly those in rural areas, are often excluded from access to traditional insurance products. In developing countries alone, the untapped insurance market covers multitudes of people. With the advent of mobile microinsurance, however, this may be changing – as mobile technology gradually dissolves the barriers associated with bringing insurance to the poor.

The rise of microinsurance has already extended the reach of insurance to historically unreachable markets. Characterized by low premiums and low coverage limits, microinsurance was developed to meet the needs of low-income individuals and families. Leveraging mobile channels, mobile microinsurance has the potential to further expand access beyond the purview of traditional insurance providers. Specifically, mobile microinsurance can streamline many pain points along the insurance value chain, with far-reaching benefits for key stakeholders – from insurance companies and mobile operators, to the customers themselves.

For example for insurers, mobile channels may enable remote collection of premiums, provision of policy information directly to mobile handsets, and the ability to pay claims to rural customers via their mobile phones. Mobile microinsurance products can similarly benefit mobile operators, helping them differentiate their services in an increasingly competitive market. Further, offering an innovative financial product for the poor can spur customer acquisition and loyalty, ultimately resulting in reduced churn rates and new revenue streams.

Given the extensive permeation of mobile phones throughout the

developing world nowadays, these new services expand the capacity of insurers to sign up traditionally unreachable customers. With more affordable premiums and faster claims settlement, expansion of mobile microinsurance will mean greater resiliency for millions of low-income families vulnerable to deaths, illness, loss of property, agricultural losses and natural disasters.

#### **Obstacles to successful m-insurance initiatives**

While mobile microinsurance products can have ecosystem-wide benefits, operational challenges arise in the implementation of m-insurance systems among populations unfamiliar with these services. As with microsavings, unbanked populations may be wary of the utility of insurance and perceive it as unnecessary. According to a Lloyd's report on microinsurance in developing countries: "insurance is seen either as a luxury product or mistrusted – why should you pay money for something that you can't see, touch or feel?". These misgivings are exaggerated in the context of mobile insurance, where they are combined with prevailing concerns regarding the security of sensitive financial data within mobile devices.

Beyond obstacles to consumer adoption, m-insurance stakeholders must overcome regulatory hurdles to deliver scalable services. While regulations are critical to protecting the poor and ensuring clients understand what they are signing up for, they may also minimize the potential benefits of mobile technology. In certain markets, for example, regulators require insurers to provide paper-based proof of sales, rendering remote customer sign-up impossible. Therefore, insurers often need to invest in foot soldiers to sign-up customers in rural or hard-to-reach locations, racking up significant costs.

#### **Spurring consumer adoption through adaptation**

Despite the possible setbacks posed by regulatory and commercial constraints, the unique attributes of mobile microinsurance can help circumvent such barriers. For example, in places where insurers cannot sign up customers directly via mobile devices due to regulatory requirements, they can leverage the expansive networks of mobile money agents to spur microinsurance adoption. These agents can educate customers on the benefits of insurance, and serve as a channel for claims handling or disbursement.

In many cases, the key to a successful mobile insurance service is contextualization, tailoring the policies to the specific needs of customers. Risks vary from country to country, and thus insurance policies must similarly reflect the specifics of each region – from flooding in Southeast Asia to droughts in East Africa and Southern Africa. However, spurring adoption will also require adequate education of both frontline vendors and target consumers. According to the Lloyd's report, development of an insurance "culture" requires a "careful combination of marketing, market education and a process of allowing clients to experience the positive effects of insurance." This may require the creative involvement of various actors in the insurance field to ensure consumers understand how insurance can benefit them and their families.

**Tarisayi Jingo is the Operations Manager for Vineyard Funeral Assurance and is currently the Chairman of the Funeral Industry Pension Fund Board of Trustees. He writes here in his personal capacity.**

## Sustainability of current funeral assurance model in Zimbabwe and the need to preserve it

By Talent Maziwisa



Zimbabwe's funeral assurance industry has been growing in leaps and bounds over the years. In the last decade, the whole insurance industry came under the spotlight and players have been forced to be innovative and adapt to both the local and global economic climate.

Within the insurance and pension industry, the funeral assurance sector came out the best after the introduction of the multi-currency system against the backdrop of continued service provision primarily due to heavy investment in the funeral services infrastructure.

The multi-currency conversion saw policyholder funds and contributions being eroded. Insurance is a form of an aleatory contract, and as such relies heavily on trust between the assurer and the assured; in Zimbabwe this has sadly been lost amongst the partners. The hyperinflationary period wreaked havoc on many companies' operations to such an extent that they defaulted on their obligations. The majority of the population is still sceptical about insurance in general and it will take time for the lost trust to be fully restored.

The current funeral assurance model is of defined benefit nature, whereby a policyholder is promised specific funeral services in the event of death. Decent and dignified burial, regardless of the cause of death, is every society's expectation and anything less is contrary to our cultural, social, moral, ethical and religious beliefs. It is with this cultural belief that the funeral services industry has become very popular and the appropriateness of the funeral assurance structure that specifically provides within the set policyholder deliverables is on point with regards client expectations.

Over the last few years, the traditional funeral services industry has come under threat from the informal sector and the big life insurance firms. Every player now wants a piece of the cake, and the industry might be overcrowded in the future. Despite the life insurance firms with big balance sheets offering cash funeral cover, the funeral services will always be an integral part of society.

It is my strong conviction that the current funeral assurance model of providing defined services at policy inception will be sustainable both in the short and long run. However, there are various factors and risks that have to be considered and adhered to, to maintain the model's viability.

With the prevailing liquidity crisis in the economy, there is need for funeral assurance firms to charge the correct premium to meet the future benefits and have sound risk management practises.

Modern funeral assurance products have evolved to include maturity and pay back options which make them investment vehicles. The actuarial field is now becoming more active in the funeral assurance business than before, as it had been largely confined to the life and pensions industry. Actuaries assist local funeral assurance firms in coming up with a premium which will be able to meet any future liability as it falls due.

With traditional funeral assurance firms coming under increasing threat from life insurance firms and the informal sector (SMEs'), there is need for innovative product design and packaging. The prevailing economic conditions have seen a growth in the informal sector and consumer price sensitivity is increasing. There is need for players to provide and meet the needs of the low-end market with low but sustainable premiums.

There is need to have adequate assets and reserves to meet future liability by players in the industry. These assets and reserves need to be diversified, with the correct balance of long and short term assets depending on the liability on the books.

The industry must continue to invest heavily in funeral services infrastructure to the extent of owning fully-fledged, culturally sensitive parlours and coffin manufacturing companies purely to be in control of the funeral services costs in the years to come. Funeral parlours and chapels are expected to cover the cost of services for decades, bearing in mind our culture will not change that fast and there will always be need for their use.

Other medium-term assets such as hearses used to ferry the deceased to the place of burial will need constant replacement, and part of the reserves set aside should be used for that purpose.

Insurance firms are also required by regulation to invest in prescribed assets. The money market provides another form of short term investment, which funeral assurers can tap into.

In determining capital requirements and other expectations, I plead with our esteemed office of the Commissioner to embrace the soundness brought by this model as opposed to enslaving ourselves to other models that have proved to sicken in the face of adversity.

**•Dr Talent Maziwisa is the Group Chief Executive Officer of Doves Funeral Assurance**

# ZAFA 2015 in pictures



Delegates at the inaugural ZAFA conference in Gweru last year.



ZAFA president Edward Gomba and General Manager Taka Svosve displaying a certificate the association was presented with at the Zimbabwe Business awards last year.



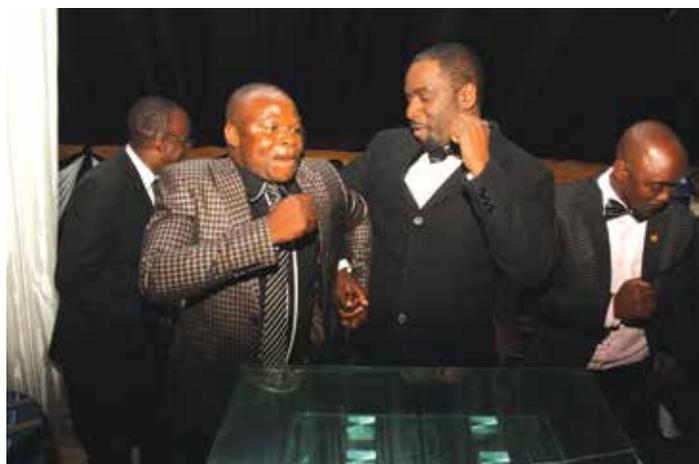
It's lunch time at the conference



People's Own Savings Bank General Manager, Elisha Chibvuri making a presentation.



Morticians displaying their awards: From left Richard Zinyani from Doves, Balliat Manesi-Moonlight, Sylvester Mavhiyane-Moonlight and Ruth Ganyanhewe-First Funeral Assurance.



Vineyard Funeral Assurance MD Solomon Chikanda (left) and Moonlight Holdings CEO Chomi Makina showing their dancing skills at the conference.

# Minimum capital requirements:

## *What options are available?*

By Thomas **Sithole**

Following the 2016 National Budget statement, minimum capital requirements (MCRs) for funeral assurers are set to increase from the current US\$1,5 million to US\$2,5 million with effect from 31 December 2016. Life assurers will also face an increase that will take their MCRs to US\$5million. This article presents a couple of options that firms in the funeral assurance sector will need to consider from now up until the deadline date to ensure survival and renewal of operating licenses beyond 2016.

### **What is capital?**

The amount of capital a firm has refers to the difference between the (regulatory) value of its assets and liabilities. There are rules concerning the valuation of the assets and the liabilities but we will not go into detail concerning these. The regulator (IPEC) stipulates a minimum level of capital that every funeral assurer should hold, in order to conduct business in Zimbabwe. Ideally, this level of capital should vary between firms, taking into account the size, nature of business and complexity of risk management efforts of the company. Sadly, this is not the case here in Zimbabwe.

The various options available to assurers can be split into three broad groups: increasing the assets, decreasing the liabilities and changing liabilities into assets. We look at each of these below:

### **Increasing the assets**

This will be by far the most natural inclination that firms will try to follow. It is highly likely that a firm will issue a cash or asset call to its shareholders for an additional injection of new assets to boost the capital position beyond the MCR. The only barrier to the success of this option will be the ongoing liquidity challenges in the economy, including the regulations on asset quality which prevent the use of certain assets for regulatory capital submissions. It will be quite a formidable challenge to convince a shareholder to tie up more capital in the business. Firms will not only need to assure their shareholders that a reasonable amount of profit can be earned on that capital, but also that they have exhausted all other options of boosting the capital position of the firm.

It is also possible for firms to approach the capital markets by listing on the Zimbabwe Stock Exchange. Indeed, the majority of companies in the insurance sector are not publicly listed, which has greatly limited their shareholder base; this may be one of the reasons why they are finding it hard to raise capital. Alternatively, mergers are also an attractive option provided the firms in question reach an equitable understanding of how they will combine their operations. When it comes to mergers, things can go extremely well or extremely bad – after all in business, 1+1 can be equal to 3 or 0 depending on the scenario.

### **Decreasing the liabilities**

Capital can also be boosted by decreasing a firm's liabilities. It is interesting to note that funeral assurers have not been using reinsurance for quite some time now. Traditional reinsurance allows an assurer to transfer some of its liabilities to another assurer or a re-assurer in return for some money (commission). This is good news for a firm which no longer has sufficient capital since reinsurance allows this firm to continue accepting new business albeit on behalf of other companies. Some will say this reduces the firm to a broker but without this facility, a firm will be forced to close its doors to new business, which may have detrimental reputational effects.

A transfer of liabilities between two funeral assurers (popularly known as co-insurance) while beneficial, may not be possible because of the differences in products between the two and this will drive up administration costs. It might actually be more economical for co-insurance to be facilitated at the ZIFA level by a co-insurance pool funded and administered by all members – with profits being shared in proportion to the funding injected by each member.

### **Changing liabilities to assets**

To be honest, this does sound like a biblical miracle – something of the magnitude of changing water into wine. However, the world of finance (especially in the developed world) has reached its level of sophistication simply because financial institutions have found clever ways of manoeuvring over regulatory hindrances. Financial reinsurance for example, is a way by which a funeral assurer can enter into an agreement with a reinsurer in a way that will not only transfer liabilities, but result in a significant boost to its assets.

Regulatory arbitrage opportunities also exist between the funeral/life insurance industry and the banking industry because liabilities in funeral assurance can be presented as assets in the banking fraternity. By tapping into the 'embedded value' of a funeral assurance policy, one can enter into an agreement with a bank that is willing to switch its assets for diversification benefits and keen to make a profit.

In conclusion, while the new capital requirements are unlikely to affect the bigger players in the funeral assurance sector, trends in local regulation are showing us that the relevant authorities are keen to continue increasing the MCR. While the natural inclination will be to lobby for extensions in the deadline, I believe that it is better to lobby for a risk based capital regime whose capital requirements depend on the business in question. To have an assurer hold US\$2.5million whilst dealing predominantly in micro-insurance business seems a bit excessive.

•**Thomas Sithole is an Actuarial Analyst and the current Head of Enterprise Risk Management Solutions at Bluecroft Actuarial Solutions. Email: [thomas.sithole@bluecroftsolutions.com](mailto:thomas.sithole@bluecroftsolutions.com)**



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