THE LINK

SEPTEMBER 2021

www.nbfira.org.bw

NEWSLETTER OF THE NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY

IN THIS EDITION:

NBFIRA

Non-Bank Financial Institutions Regulatory Authority

"NBFIRA...Working Towards Financial Stability"

About NBFIRA

MANDATE

The Regulatory Authority derives its mandate to regulate and supervise Non-Bank Financial Institutions (NBFIs) from Section 4 of the NBFIRA Act, 2016 (CAP 46:08). The principal objective of the Regulatory Authority is to foster the following: -

- Safety and soundness of the NBFIs;
- The highest standards of business conduct by the NBFIs;
- Fairness, efficiency and orderliness of the NBFI sector;
- Stability of the financial system; and
- Reduction and deterrence of financial crime.

VISION, MISSION AND VALUES

To support its fundamental and principal objective, ***the Regulatory Authority*** subscribes to the following vision, mission and values statement in order to embrace a culture of a high performance organisation.

Vision: To be an effective and efficient NBFI regulatory and supervisory authority in line with international best practice.

Mission: To regulate and supervise non-bank financial institutions for the purpose of contributing towards financial stability.

Values:

• ***Integrity***	Adherence to the highest ethical standards.
• ***Transparency***	Openness and frankness in operations.
• ***Fairness***	Consistent promotion of equal treatment in dealings with all stakeholders
• ***Accountability***	Responsibility to stakeholders.
• ***Diligence***	Thoroughness and persistence in the execution of duties.

Editor's Note

Boa Ntebele

Welcome to this issue of ***The Link*** as we explore topics that empower consumers of products and services provided by Insurers and Micro Lenders.

As we continue to navigate this Covid-19 reality, it appears that the pandemic has seemingly left a mark on almost all facets of our lives. One of the many effects of the pandemic is that it has certainly made the need for prudent financial education and management more pronounced.You need to ensure that you are well informed of your rights and responsibilities when accessing services from an Insurer and or a Micro Lender.

Insurance coverage has been and continues to be an important acquisition for most individuals and families. The ability to transfer risk to the insurer in the event that an insured risk or event occurs is beneficial and prudent. In this issue we explore some important information you should consider when buying an insurance policy, as well as the Principles of Insurance which provide guidance and facilitate understanding for both industry players and consumers of insurance products and services.

Micro Lenders play an essential role in increasing the accessibility to credit in our society. It is therefore vital to know your rights and responsibilities as a consumer when you are taking out a loan. Protect yourself by knowing which information must be disclosed to you by your service provider, as well as the information you are responsible for disclosing to your service provider.

We implore you to stay safe and protect yourselves and your loved ones by continuing to diligently adhere to the Covid-19 safety precautions.

Stay connected with us through the contact information provided.

Enjoy!

NBFIRA Regulatory Departments

The five regulatory departments below are responsible for the implementation of provisions of the NBFIRA Act (2016) and their respective industry specific legislation. Some of their functions include issuing licenses, conducting off-site monitoring, on-site inspections and addressing consumer complaints. These directorates are:

Capital Markets Department

Regulates and Supervises:
- Securities Businesses;
- Investment Institutions and Approved Funds;

Insurance Department

Regulates and Supervises:
- Insurers (Life insurers and general insurers);
- Insurance intermediaries (Brokers and Corporate agents);
- Reinsurers;
- Medical Aid Funds.

Lending Activities Department

Regulates and Supervises:
- Micro-Lenders;
- Pawnshops;
- Finance Companies
- Leasing Companies.

Retirement Funds Department

Regulates and Supervises:
- Retirement Funds (Pension and Provident Funds);
- Fund Administrators.

Anti-Money Laundering/Combating the Financing of Terrorism & Proliferation (AML/CFT&P) Department

Supervises and regulates NBFIs and ensures compliance to local and international AML/CFT&P obligations.

Other departments at ***the Regulatory Authority*** include Research, Legal & Enforcement, Internal Audit, Strategy, Communications & International Affairs, Information Technology, Finance, Enterprise Risk Management and Human Resource Management.

7 Principles of Insurance

Principles of Insurance provide guidance and facilitate understanding for both industry players and members of the public. The Seven Principles are:

1. Utmost Good Faith - requires the client to provide full disclosure of requested information to the insurer to enable an accurate assessment of the risk to be covered. Similarly, the Insurer must disclose all relevant information regarding the Terms and Conditions of the contract.

2. Indemnity - is a guarantee to restore the policyholder to the position they were in before the loss. The insurer commits to compensate the policyholder for the amount of the loss up to the amount agreed in the insurance contract.

3. Subrogation - is a legal right that insurers have to pursue a third party that caused an insurance loss to the insured. Third Party Liability Insurance is therefore highly recommended to minimise individual liability.

4. Insurable Interest - a person or entity hasan insurable interest in an item/event/action/individual when the damage or loss of the object would cause a financial loss or other hardships to the person.

5. Principle of Contribution - if the insured has taken out more than one policy on the same subject matter, then, according to this principle, the insured can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers.

6. Loss Minimization - according to this principle, the insured must always try their level best to minimise the loss of his insured property in case of uncertain events like a fire outbreak or blast, etc. The insured must take all possible measures and necessary steps to control and reduce the losses in such a scenario. The insured must not neglect and behave irresponsibly during such events simply because the property is insured.

7. Nearest Cause (Causa Proxima) - is when a loss is caused by more than one cause, the proximate or the nearest or the closest cause should be taken into consideration to decide the liability of the insurer. The principle states that in order to find out whether the insurer is liable for thelo ss or not, the proximate (closest) and not theremote (farest) must be looked into.

Who is a Micro Lender?

A Micro Lender is an entity (not an individual) that advances loans to persons, where the loans do notexceed the prescribed amount. A Micro Lender does not include an entity licensed in terms of the Banking Act or the Building Societies Act.

What you should know when acquiring services from a Micro Lender

1. Possession of Client's Official Documents

Regulation 14(1) of Micro Lending Regulations 2012

Micro Lenders are not allowed to take possession of their clients' national identity cards (Omang), bankcards, or any other official documents; nor are they allowed to require their clients to disclose Personal Identification Numbers (PIN) as security for repayment of credit advanced.

"Never disclose your personal identification number, or give your national identity card, bankcard, or any other official documents to any micro lender or potential lender as security for repayment of a credit advanced."

2. Disclosure of Important Features

Regulation 10 (1) of Micro Lending Regulations 2012

A Micro Lender shall provide a borrower, prior to signing of the Loan Agreement, at the latest, with a schedule in writing of important features stating:

• the principal amount, repayment amount, total cost of credit, repayment period, number of instalments and amount of each instalment,penalty charges (if any), insurance charges (if any), and/or any details on whether interest rate is variable or fixed.

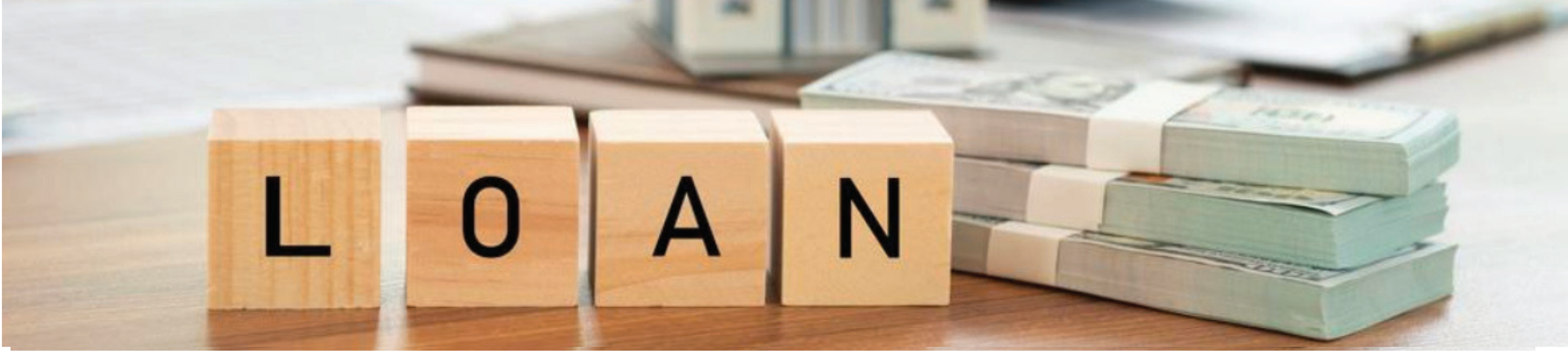
"No Loan Agreement, No Loan!"

3. Loan Statements

Regulation 16 of Micro Lending Regulations 2012

For loan periods longer than 12 months, the lender must provide the borrower with loan statements every six months, while the loan agreement is still in force. Please note that borrowing more than you can afford to repay could lead to severe financial difficulties.

"My statement, my right!"



What You Should Know When Taking Out A Loan

A Loan Agreement is a document in which a lender sets out the Terms and Conditions under which they are prepared to make a loan available to a borrower. The main purpose of the Loan Agreement is to define what the parties involved are agreeing to, the responsibilities each party has and the time frame over which the loan agreement will last.

Below are the essential ***T's*** and ***C's*** of a Loan Agreement:

(i) Loan Amount: A loan agreement must indicate the amount of the loan and the amount of interest and other charges added to the loan, which will make up the total debt. The loan agreement should stipulate how the amount should be repaid, i.e. once-off in one amount or in equal monthly instalments if the loan is serviced over an agreed number of months.

(ii) Cooling-off period: allows the borrower to terminate the loan agreement within a specified period of time after the signing of the agreement and, if the loan amount has been paid out, simultaneously to repay the loan amount received, to the lender.

(iii) Obligations of the Lender: The lender must, before the conclusion of a micro loan agreement:

(a) Explain to the borrower in a language which the borrower understands (if necessary with the assistance of an interpreter) the essential terms of the loan agreement so as to ensure that the meaning and consequences of the agreement are understood;

(b) Allow the borrower an opportunity to read the agreement, or have it read to the borrower in the case where the borrower is illiterate; and

(c) Provide the borrower with a copy of the signed loan agreement before or at the time of advancing the loan amount and, if applicable, a copy of the insurance contract pertaining to the loan transaction.

(iv) Obligations of the Borrower: It is important for a borrower to honour the terms and conditions of the loan agreement. If a borrower is unable to service a loan on the terms agreed on with the lender, the lender should be contacted immediately and new arrangements made for the repayment of the loan.

(v) Cash Loan: In a cash loan transaction, the borrower has the right to the following information pertaining to their loan:

(a) The principal amount;

(b) The total amount payable over the repayment period;

(c) The total cost of credit;

(d) The repayment period;

(e) The number of instalments and the amount of cash per instalment;

(f) Total monthly cost of credit rate - type of interest (fixed or variable) - nature and amount of insurance.

What Is Insurance and Why Do I Need It?

An Insurance Policy is a contractual agreement between an insurance company and a policyholder, in which the policyholder makes periodic payments (premiums) in exchange for compensation in the event that the insured risk occurs.

Insurance Tips

What You Should Know When Buying Insurance Policies:

1. **Licensing:** Do not enter into any business transaction with insurance companies, brokers or agents that are not licensed with ***the Regulatory Authority***. If you are unsure, view an up-to-date list of licensed entities on our website or call our office for verification.

2. **Shop around for the best Policy:** Different insurance companies offer similar policies at different prices. Shop around for the insurance policy that best suits your needs. Don't automatically take the first policy that you come across.

3. **Affordability:** Make sure that you can afford the insurance policy before you commit yourself. Failure to pay your monthly premium payments will cause your policy to lapse. Depending on the type of policy that you have, you maynot get your money back.

4. **Lapsed Policy:** The insurance premium should be paid on the due date or within the grace period allowed for your specific policy. When the insurance premium is not paid on time, all benefits of the policy cease and the policy becomes a Lapsed Policy.

5. **Information Disclosure:** It is important to provide factual information at all times when filling in forms to buy a policy. Some policies require you to disclose certain information about yourself as the insured regarding your past or your health. Your claim may not be paid if you have provided false, incorrect or incomplete information. Ensure that you understand the penalties for terminating or withdrawing your policy.

Insurance Tips

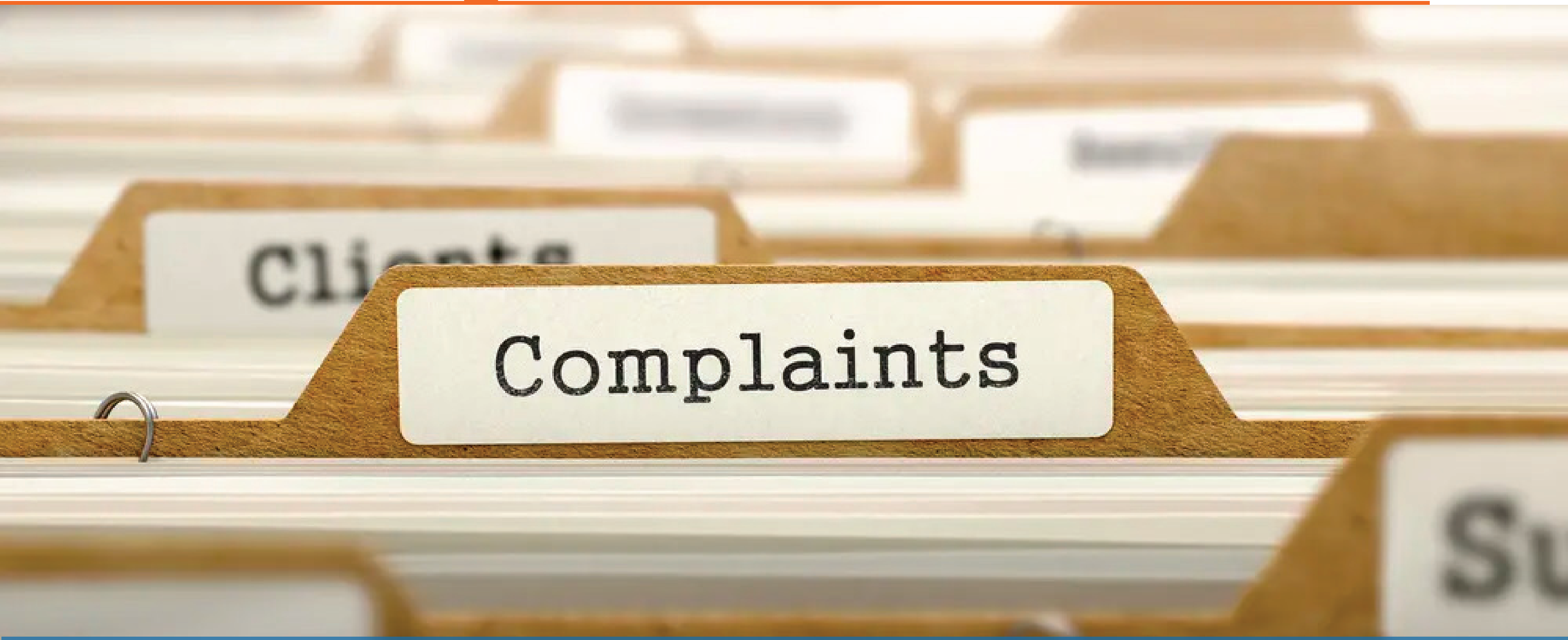
6. **Policy Documents:** It is important that you read and understand the Terms and Conditions of the policy before you commit yourself. Do not sign blank documents and ensure that you receive a summary of the policy. Make certain that you get a copy of the policy document once you have signed the proposal form. New policyholders are often given a time frame within which they can decide to terminate the policy after receipt of the policy document. Check the ***T's*** and ***C's***.

7. **Cancellation of Policies:** Some insurance policies may be cancelled within 30 days after you have received the summary of the policy. This 30-day period is referred to as the ***"cooling-off period"*** and refers to the period after taking out an insurance policy, within which you may cancel the policy without losing the premium you may have paid. If you decide to cancel your policy after the cooling-off period, you may forfeit the premiums that you had already paid to the insurance company.

8. **Grace Period:** There is normally a grace period for late payments of monthly premiums. If the premiums are not paid within those days, then you are no longer covered by your insurance policy. Make certain that you pay the premiums during the grace period if you want the policy to continue. Verify with the relevant insurance company, broker or agent before the grace period lapses.

9. **The Insurer:** It is important to know the name of the insurance company that you are insured with. Insurance brokers, corporate agents and individual representatives are the intermediaries (go-between) to assist you to get insurance cover. They are not your insurer.

10. **Complaints:** You have the right to lodge a complaint with ***the Regulatory Authority*** if you are not satisfied with the service provided by any insurance company or intermediary. Contact the relevant insurer or intermediary whose conduct you want to complain about. Ask for the Complaints Handling Procedure and follow it. If dissatisfied with the said entity's course of action, you may escalate your complaint to ***the Regulatory Authority***. Follow the complaints process, accompanied by documented proof that you have exhausted all the channels within the said entity. For more information, view our complaints procedure on our website www.nbfira.org.bw.



The Regulatory Authority has a duty to protect consumers by promoting *inter alia* Fairness, Efficiency and Orderliness within the NBFI sector. If you are dissatisfied with the nature or quality of service from a service provider within the sector or are unable to amicably resolve a dispute, you may escalate the complaint to ***the Regulatory Authority*** through the Complaints Portal on the website www.nbfira.org.bw. Refer to the Complaints Procedure for guidelines on how to lodge a complaint.

The Complaint should be in relation to either of the following issues:

1. The regulated/licensed entity has made a decision outside its powers;

2. The complainant has been prejudiced as a result of maladministration by the entity concerned;

3. A dispute of fact or law has arisen in relation to an entity, between the entity or any person and the complainant; or

4. The management or board of the entity has not fulfilled its duties in terms of rules or agreements.

5. Complaints lodged with NBFIRA must at least contain the following minimum information:

- ***a*** Full personal details, including name, postal address, identification number, phone and fax numbers and e-mail addresses;
- ***b.*** The history of membership with the fund, or insurer, or entity concerned, commencement date of membership or effective date of contract;
- ***c.*** Full contact details of the entity concerned and the particular person the complainant dealt with;
- ***d.*** Full particulars of the complaint;
- ***e.*** Full particulars of the relief the complainant wants NBFIRA to order;
- ***f.*** Proof that the complaint has been submitted to the entity concerned; and
- ***g.*** A copy of the complaint sent to the entity concerned, together with a copy of any reply received from them, should also be sent to the NBFIRA.

6. Please note that ***the Regulatory Authority*** does not have the legal power to adjudicate a contractual agreement between the licensed entity and the complainant. Contracts can only be adjudicated in a court of law. In this instance, ***the Regulatory Authority*** can only attempt to mediate the process to reach an amicable solution but will not be able to rule on the matter.

Am I managing my finances well enough to reduce my borrowing?

Answer the questions below with Yes or No

1. I have a clear picture of my financial situation **Yes** ☐ **No** ☐

2. I have financial goals **Yes** ☐ **No** ☐

3. I know my income and expenses **Yes** ☐ **No** ☐

4. I am protected against unplanned or unexpected financial situations **Yes** ☐ **No** ☐

5. My dependents are taken care of should something happen to me **Yes** ☐ **No** ☐

6. I have a retirement plan **Yes** ☐ **No** ☐

IF YOU HAVE ANSWERED NO TO MORE THAN THREE, YOU NEED TO START TAKING MORE CONTROL OF YOUR FINANCES TO LIVE A BETTER LIFE.

TIPS to improve the way you spend and save:

1. Have financial goals;

2. Know what money is coming in (income) and going out (expenses);

3. Always keep to a budget;

4. Reduce and avoid debt;

5. Start to save.

BUDGET SHEET

1. Monthly Income

Income is the total sum of everything your household earns. It can come from salary of a steady job or work you do on the side.

You: Monthly salary (after tax) ....
Husband/wife: Monthly salary (after tax) ....

Total Income (A) A = ...

2. Savings

We always stress the importance of putting money aside for the future. Pay yourself first. Set aside a percentage of your monthly income and save it from the start, before paying all other obligations. You can save for a particular goal like the purchase of a new washing machine, rather than buying one on credit at high interest rates, or you can save 'for a rainy day', so that you are better prepared for life's downtimes, emergencies and unforeseen obligations. You can also save for investment. After your savings exceed a certain amount, your financial institution or banker can advise on options for higher interest products or returns on commercial investments that can help your money earn money.

Savings (B) = ...

3. Monthly Expenses (C^1)

Expenses are everything that you spend your money on each month. Expenses on your monthly budget sheet can include:

Rent/mortgage/bond ....
Bills (water, electricity, rates and taxes) ....
Food (cooking at home) ....
Clothing and shoes (average expenditure) ....
Toiletries ....
Medical/prescriptions ....
Taxi/bus/petrol ....
Domestic staff salaries ....
Plumber/electrician - home maintenance ....
Credit/charge card payments ....
Car loan repayments ....
Personal loan repayment/overdraft fees ....
Bank charges for ATM/card/account usage ....
School fees ....
Cellphone/Airtime ....
Telephone bill/internet data costs ....
Charity/church contributions ....
Entertainment (including eating out, movies, sports events, etc...) ....

3.1 Expenses you should have (C^2)

Medical Aid ....
Life Insurance ....
Funeral Insurance ....

3.2 Other Expenses (C^3)

....
....

Total Expenses (C) $C^1 + C^2 + C^3$ = = (C) ....

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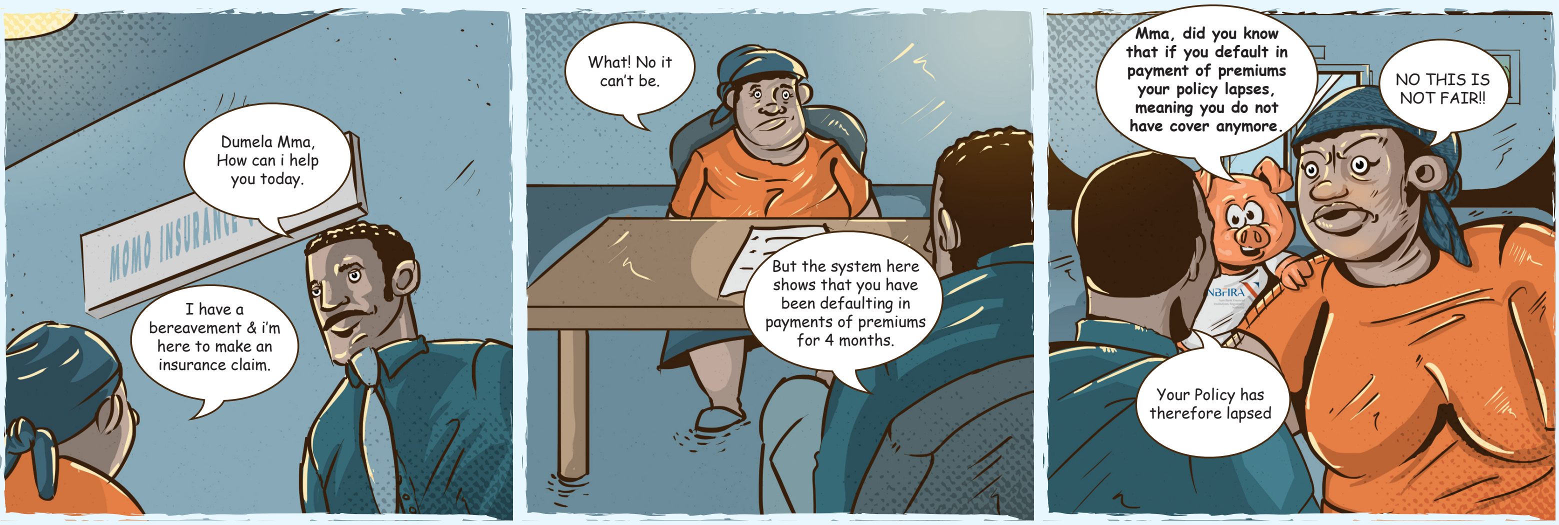

Understanding Terms & Conditions of Insurance Contracts

- **Failing to pay a premium payment means that you are not covered for a period of time as stipulated in your policy.**
- If you omit a premium payment, you usually get a grace period of between one (1) to three (3) months based on the terms & conditions of your policy.
- Should you default during this grace period, the policy automatically lapses, meaning it cancels and you will no longer have insurance cover.

For more information please contact NBFIRA at:

310 2595 / 368 6100
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www.nbfira.org.bw
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Shop Around and Compare Interest Rates

Always shop around and ensure that there is full disclosure of the interest you are being charged.

Ensure that you are aware of the following features before signing aloan contract:

- Total interest rate over the repayment period;
- The monthly interest rate;
- A statement indicating whether the monthly interest rate is fixed or variable over the repayment period. If it is variable, how and under which conditions would it vary;
- The total amount repayable over the repayment period;
- The repayment period;
- The number of instalments and the amount of each instalment;
- The circumstances under which penalties would be charged, the amount of the penalty, the method of calculating the penalty and any additional cost that may have to be paid.

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"NBFIRA...Working Towards Financial Stability"

It's easy to stand with the crowd...

It takes COURAGE to make a stand.

Be Part Of The Solution

Integrity | Transparency | Fairness | Accountability | Diligence

Managed by:

Deloitte.

NBFIRA

Non-Bank Financial Institutions Regulatory Authority

Working Towards Financial Stability

STAY AT HOME | WASH HANDS WITH SOAP | AVOID CROWDED PLACES | SOCIAL DISTANCE (1-2METRES) | WEAR FACE MASK | TOLL-FREE NUMBER: 16649 / 0800 600 111

#StaySafe

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