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"Enhancing the role of insurance for economic growth".

ZAMBIAN INSURANCE JOURNAL

Issue 10 | April 2019

Insurance and sustainable Development Goals

Rewards of personal financial planning

Insurance Companies Directory

Non-Communicable Diseases and the work place

Insurance Conference 2019

17th - 19th July 2019

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Investing in Property: Always think Long term

Executive Directors Remarks

Nkaka Mwashika
Executive Director

Welcome to the latest issue of the Insurance Journal. This issue has been published after the 2019 Financial Literacy Week (FLW). The FLW is a collaborative effort, involving the financial sector regulators; the Bank of Zambia, the Pensions and Insurance Authority and the Securities Exchange Commission, and well as various Associations such as Insurers Association of Zambia, Bankers Association of Zambia, Capital Markets Association of Zambia and others. We also wish to acknowledge the invaluable input of our develop ment partner, Financial Sector Deepening Zambia. FSDZ has demonstrated a longstanding commitment to financial inclusion in Zambia through the many programmes they have supported. The importance of financial services is once again in the spotlight, receiving some much needed attention. Financial protection and prudent use of financial services is essential for economical growth and our own peace of mind.

As IAZ we are positioning ourselves to be more effective in our role as industry advocates and consumer educators. We revised our constitution in 2018 to better serve our members, we have revised our 5 year strategic plan and we are in the process of revisiting other key organisational policies, in order to provide more strategic service to our members and the Zambian public. Good governance is at the heart of any organisation, and we are mindful that it is not a one-off process but demands constant review and adaptation to the changing needs and socio-economic landscape.

We hope that you find this issue informative and we would be glad to receive your input on our publication.

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Paul Nkhoma
IAZ President

Presidents Note

Trade Associations around the world are used to add value to specific professions and aspects of the economy, and we remain confident that our Association will also prove this to be the case in Zambia as well. As an Association we are eager to use all legitimate means to increase uptake of insurance in the country and promote professionalism among our members.

The value of Associations is recognised by their capacity to speak for the industry when it comes to lobbying and consultative forums. It is a way of providing input by experienced professionals in an organised and timely manner. Apart from informing the legislation making process, Associations also serve to promote professionalism by bringing pertinent issues to the attention of members, and urging certain minimum standards to be maintained when it comes to service delivery.

The Association has a number of important activities lined up. The last quarter we participated in the Financial Literacy Week in Mansa. IAZ conducted secondary school and collage debates and facilitated the launch event, an important way of showing our commitment to expanding the use of financial services in Zambia.

The Agri-Tech Expo takes place in Chisamba from the 11th to 13th April 2019, a prime opportunity for insurers, especially in the agriculture space, to interact with farmers. IAZ will be conducting sessions there for farmers on microinsurance. The annual insurance conference takes place from 17th to 19th July 2019, and we look forward to another interactive and informative event. Apart from these events, our usual lobbying and consultative programmes will continue to the end of the year.

We are confident that working together, we can continue to educate the public grow the industry, and build an economic legacy for future generations.

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INSURANCE AND THE SUSTAINABLE DEVELOPMENT GOALS

By Kambole Chituwo

The United Nations has reached a consensus in the form of the Sustainable Development Goals, benchmarks for improved livelihood across the globe. The 17 sustainable development goals take over from the millennium development goals as the standard that each nation to aim towards meeting by 2030. The goals present a challenge. Each nation and community must formulate a strategy that works for their particular situation – there can be no "one size fits all" solution. It is a question of looking at the customs, resources and opportunities in each society and finding a way to use these to foster sustainable development. The goals are the same, but strategies will vary from place to place. Another challenge to ensure equitable economic growth. GDP can increase while the distribution of wealth can remain the same. The challenge is therefore to provide financial opportunities and protection for citizens from all backgrounds and economic levels in society. While social safety nets and social welfare is important, the ultimate goal should be for people to graduate from one financial condition to another. The growth of the middle class is essential for the whole society to prosper.

So the question is, how can insurance help us reach these goals?

Insurance for managing risk

Many small businesses that are doing well can be impacted by a theft or fire, and the owner may not have the resource to restock and begin again. Often misfortunes leave an entrepreneur unable to continue at the same level, sometimes even closing down the business. According to the "Analysis of the informal economy in Zambia" released by the Central Statistical Office, the informal economy hires about 90% of the employed population, most as rural based farmers. The report notes "a very significant increase in the number of informal jobs was observed in urban areas, with approximately one million new workers joining that informal economy between 2014 and 2018." The informal economy desperately needs the same social and financial protection that the formally employed tend to enjoy. Sustainable livelihood depends of cushioning the impact of losses when they occur. Inclusive insurance is a widely recognised solution. One example is the Weather Index Insurance cover that protects farmers against loss of inputs related to weather events. The risk of losses to individuals and families due to theft, accidents and ill-health (inability to work or prolonged illness due to lack of treatment) are also very real. And these losses can prevent communities from rising out of poverty.

Insurance for investment and retirement

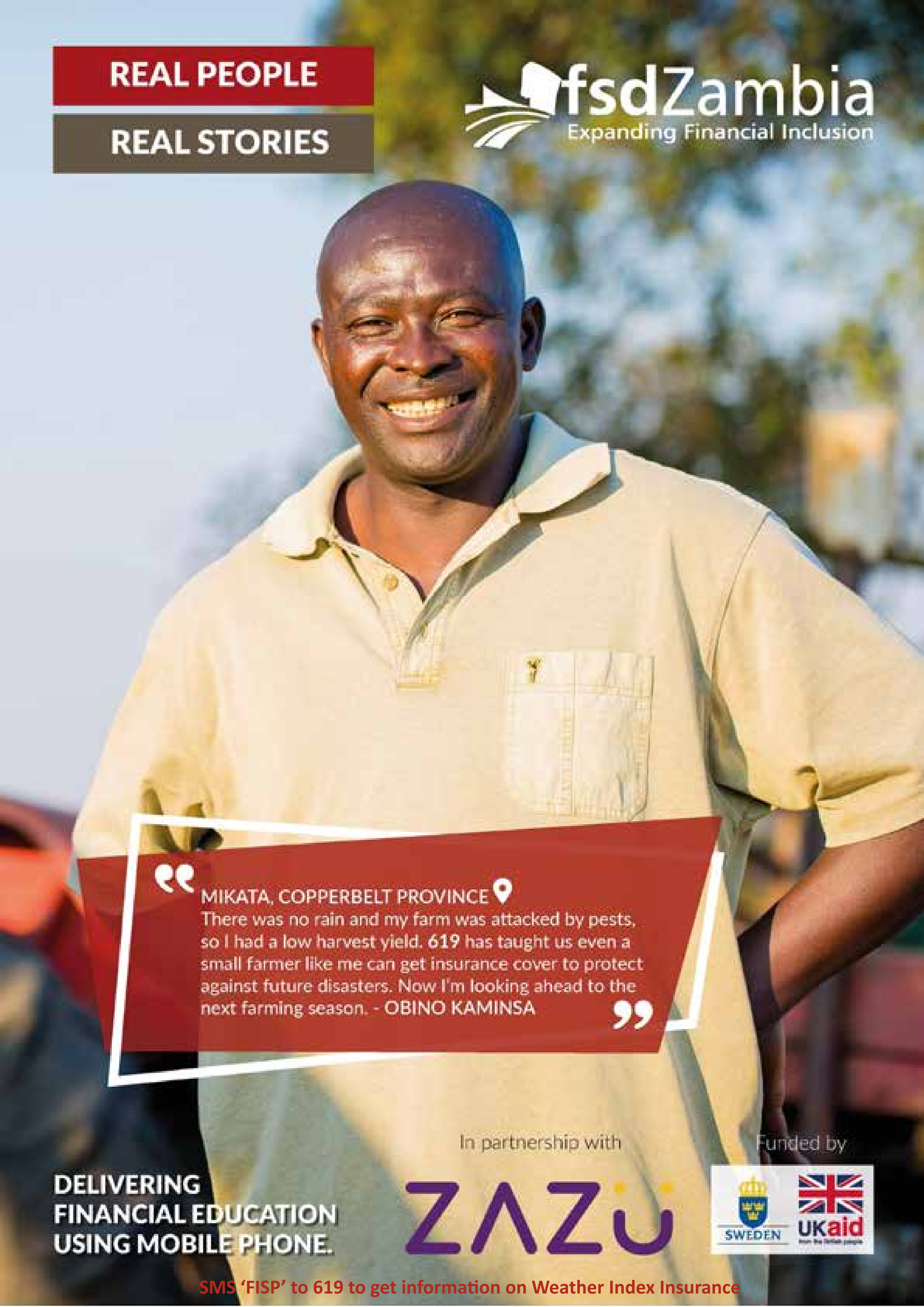
Another challenge, especially with the informal economy, is retirement. Often retirees become dependants again, and they may not always have relatives capable of taking good care of them. Informal workers need to understand the importance of planning for long term needs, not just immediate consumption. A number of initiatives are helping to mitigate this, such as the drive by the National Pension Scheme Authority (NAPSA) to provide for domestic workers, taxi drivers and others to have a basic pension package. Insurance supplements these efforts through the private investments that are available such as specific purpose investment products for education or retirement. Retirement may seem a long way off, but consider how much wold be needed to sustain a retiree for twenty or thirty years, who might still have some dependants. There is also a risk of leaving young dependants destitute. It is never too early to begin preparing for retirement.

Insurance for timely medical treatment

Medical treatment is also important. Like it or not, there is also a financial cost to medical treatment, and levels of cover that are available. Medical insurance schemes are able to provide for covering these costs, and the scheme in turn can provide timely treatment. Plans to make medical insurance more widely available can potentially ensure timely treatment for all citizens.

Summary

The Sustainable Development Goals are ambitious, and sometimes criticised from a tactical standpoint. But financial services can play an important part in making them a reality. Insurance can help translate the goals into reality, if we remain committed to providing inclusive insurance, and bringing the informal economy to use formal financial services.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There was no rain and my farm was attacked by pests, so I had a low harvest yield. 619 has taught us even a small farmer like me can get insurance cover to protect against future disasters. Now I'm looking ahead to the next farming season. - OBINO KAMINSA
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Non-Communicable Diseases and the work place

By Mulenga Mukanu

Mulenga M. Mukanu, MPH is a Research Consultant with an interest in prevention of lifestyle conditions

What are Non-Communicable Diseases?

Non-communicable diseases (NCDs) is a term used to refer to conditions that have no infective agent and can not be passed from person to the other. Unlike diseases like malaria which is transmitted by mosquitoes, diabetes, hypertension and some cancers – the most common NCDs - are thought to be caused in part by lifestyle and genetic disposition. A number of lifestyle behaviours (also known as risk factors) have scientifically been shown to contribute to a person developing NCDs, and this why NCDs are sometimes called 'lifestyle diseases'. These include unhealthy diets made up of processed foods high sugar and fat content with low natural fibers, physical inactivity, tobacco use (not just smoking but also chewing) and alcohol misuse.

Why should organizations be concerned about these lifestyle conditions?

The cost of having diabetes, hypertension or cancer are very high for the individual, family, their workplace and the country at large. If not managed well, diabetes and hypertension result into many complications that affect the wellbeing of a person. For instance, diabetes can cause blindness and amputations of lower extremities while hypertension can result in heart disease and stroke. Therefore, an employee with these lifestyle conditions usually has reduced productivity because they cannot perform at their highest potential due to the condition itself and the complications, costing the organization a lot of man-hours. Persons with diabetes and hypertension have been shown to be more susceptible to other infections like colds and flus, also increasing the likelihood of them being away from work. In addition, people with lifestyle diseases at higher risk of having a premature death, which also results in loss of productivity.

Organizations need to therefore take keen interest in promoting the health of their employees and by helping prevent lifestyle behaviours that results in lifestyle conditions

Steps to promote health and prevent lifestyle conditions
There are several strategies that have been used and are effective in preventing lifestyle conditions in the workplace. The choice is dependent on the style and organizational setup. It is absolutely necessary that every organization develops and implements a health promotion strategy because prevention in the case of lifestyle conditions is betters and cheaper than cure!!

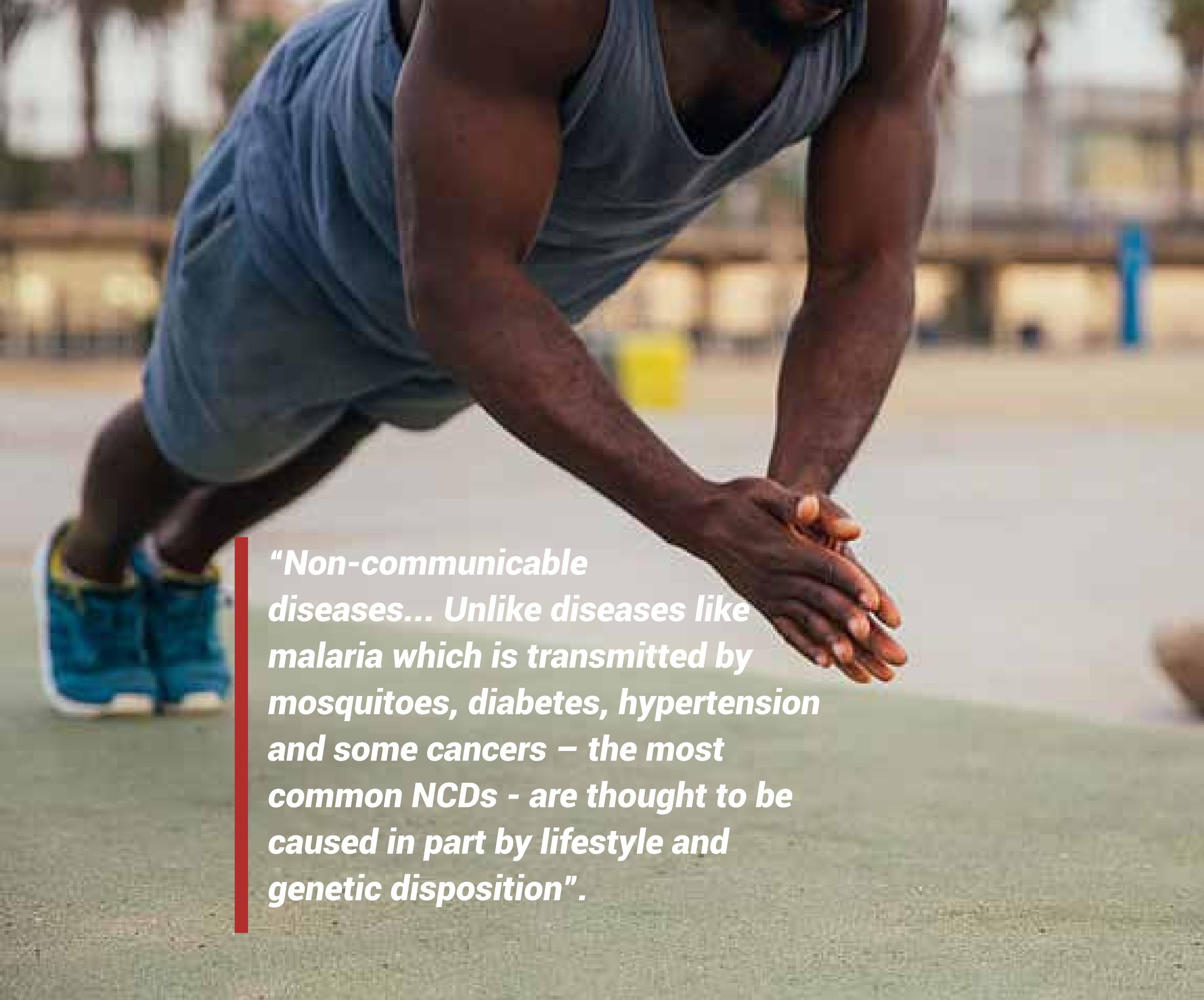
Group gym membership:
Organizations can help employees improve their physical activity by subscribing for group membership at a gym. In addition, the organization can also incentivize employees to attend gym regularly by having recognition awards for most active employee, etc.

Signage that promotes healthy habits: Organizations can place visible signs near lifts and stairs that will motivate employees to take stairs and not use elevators. Signs can also be put in the kitchen/canteen to promote consumption of water, fresh fruit and vegetables.

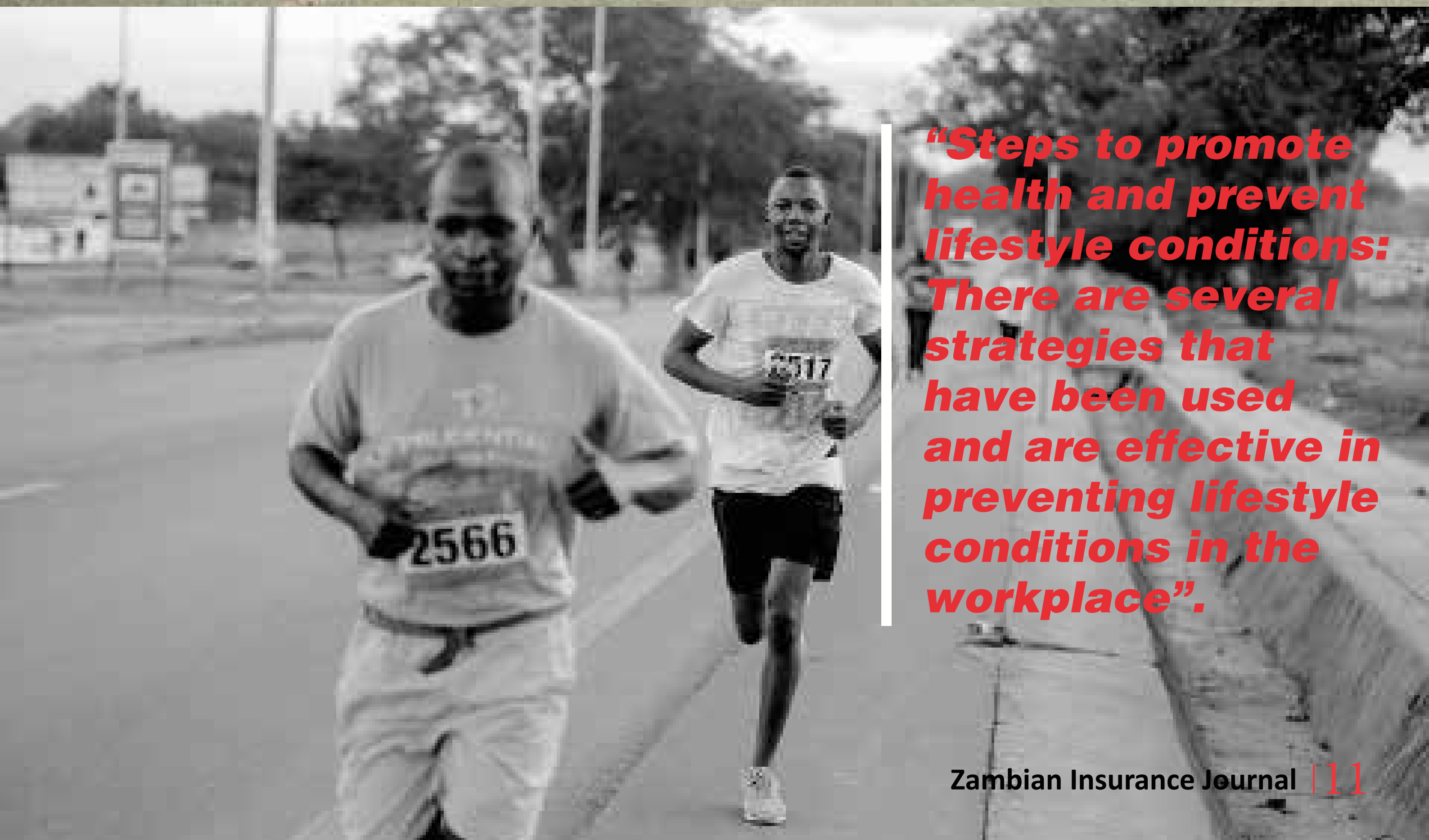
Promote water intake:
Organizations should ensure that there are adequate water points at the premises and ban sale of carbonated or sugar sweetened drinks

Wellness service provision:
Organizations can engage health specialists to offer wellness services such as regular screening for diabetes, hypertension and cancer and health talks which can reinforce healthy lifestyle practices and promote better health seeking behaviour

Healthy menu:
If there is a company canteen, a menu with a lot of fruit and vegetables should be adopted.



"Non-communicable diseases... Unlike diseases like malaria which is transmitted by mosquitoes, diabetes, hypertension and some cancers – the most common NCDs - are thought to be caused in part by lifestyle and genetic disposition".



"Steps to promote health and prevent lifestyle conditions: There are several strategies that have been used and are effective in preventing lifestyle conditions in the workplace".

A closer look at Bancassurance

By Nachi Musonda

Bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base. This partnership arrangement can be profitable for both companies, as it increases the range of services offered at one location and also increases outreach for the insurer. Such synergies are popular even beyond the financial sector, the concept of making any service more accessible through various partnerships. For example, consider a retail outlet where someone can purchase electricity units or change foreign currency to Zambian Kwacha. Each organization benefits from the network or expertise of the other.

Under this partnership there are various models that can be adopted. The independent company, that is an independent insurance company and a bank can come together and enter into this arrangement. Alternatively, the bank can open an insurance company owned by the bank and enter into a bancassurance partnership. The bank can also open an insurance brokerage firm owned by the bank and partner with it to sale insurance products from various insurance companies. Ultimately, the bank benefits by way of commissions paid to the bank for any product sold through the partnership. And the insurance company benefits by expanding their distribution channels and therefore reaching more customers.

The major advantages to the clients here are that the bank is able to aggregate and therefore offer better terms or rates to the clients. Accessibility to insurance products is also enhanced. And premium payments are made easier as the bank has access to the clients' bank account and with a simple instruction premiums are paid. The bank leverages its branch network, brand image and client base by optimally using its infrastructure and positioning itself as a one-stop-shop with value-added service for its customers, thereby increasing customer loyalty and retention. Therefore, if implemented properly and taken in the right spirit, bancassurance can be a beneficial arrangement for the bank, insurer and the customer.

It is undeniable that treating customers fairly should be at the core of this relationship. This means that the bank with a bancassurance partnership must not force clients to insure with them or through them, and must not arm-twist clients by denying banking services to those that refuse to insure through the banks bancassurance model. Or indeed giving an impression that one will be disadvantaged when accessing banking services such as loans if they do not insure through the bank. This therefore is the major challenge regulators will face with this type of arrangement. Regulators will need to protect banking clients from such exploitation, and in deed protect the insurance industry from such uncompetitive practices.

Therefore, if the playing ground is level bancassurance is a good model that has the potential to enhance public access to insurance services, thereby increasing the insurance penetration levels. So instead of insurance companies seeing bancassurance as reducing the insurance market, it is actually one way of insurance companies stepping into the banking market by using the banks' distribution channels to sell their products. Of course the case is different where the insurance company is owned by the bank but the underlying fact remains true that as a separate legal entity that is a separate insurance company. Insurance companies should find ways in which they can collaborate further with banks, micro-finance institutions (MFIs), utility companies, and other aggregators. Collaboration is key.

On the other hand, insurance companies should be mindful of the technical gap that is likely to be created when banks sell insurance. Banks are likely to be more sales focused, and the sales people in banks most likely are not grounded in the technical details of various insurance policies. If this is not handled carefully, there is a risk of miss-selling products, which would result in dissatisfaction among clients. Therefore, both insurance companies and banks have a major role to play to ensure the success of the bancassurance model.

> ***"Bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base. This partnership arrangement can be profitable for both companies, as it increases the range of services offered at one location and also increases outreach for the insurer".***

The rewards of personal financial planning

By Maiwase Chilongo

People all over the world struggle with managing finances and our societies are dominated by consumerism with more people focused on spending as opposed to saving, investing and safeguarding their futures. This propensity to constantly spend has led to more and more people resorting to borrowing, often at exorbitant interest rates. In the long run consumerism and borrowing can lead to a debt trap. This article looks at how individuals, financial service providers and institutions can come together to improve financial management at an individual level.

INDIVIDUALS

When we think of financial management what often comes to mind is saving and investment. However, insurance services can also be used to manage one's finances. In this regard, Insurance products aim to provide consumers with products that can be used to manage unforeseen financial events that could affect one's ability to meet financial obligations. Insurance can be used to receive lump sum payments in the event of death, permanent disability, the diagnosis of a critical illness such as cancer or the loss or damage to property.

Despite the benefits of the financial management mechanisms mentioned above, the World Bank reported that in 2016 savings accounted for only 31% of the Gross Domestic Product (GDP) of Zambia compared to China's 46%. This percentage has deteriorated since 2012 when the percent of GDP was reported as 36%. In contrast, at an individual level, the uptake of savings services has increased from 17% in 2009 to 33% in 2015 and insurance services uptake from 4% to 5.5% during the same period. This situation may be as a result of saving, investing and safeguarding one's future not being priorities for most and is often seen as being as a result of low income levels and the high cost of living. However, economic challenges are all the more reason for us to manage our finances well. We must not think that we will manage our finances better when we have more resources, if we do not make the best possible use of what we have now.

Some top tips for managing finances are as follows:

Budgeting: always make a budget for all spending and ensure that all expenses within the month fall into the budgeted amounts.

Plan for Contingencies: Always make a small allowance for contingencies in your budget for each month to cover unforeseen events.

Manage Your Cash Flows: by negotiating to pay regular expenses in manageable parts or putting money aside to go towards making payments in future. For example, where rent is due quarterly or school fees are due termly (with a new term starting every 4 months), and you receive your income monthly. Each month, set aside or pay one third or one quarter, respectively, of the total amounts due.

The 50/20/30 Budgeting Rule: This method of budgeting was popularized by Senator Elizabeth Warren in her book "All Your Worth: The Ultimate Lifetime Money Plan." . This method of budgeting requires you to divide your net pay into three parts consisting of; (a) 50% for basic needs such as rent, school fees, groceries, transport, loan repayments, etc.; (b) 30% for wants such as DSTV subscription, entertainment, etc.; and (c) 20% for saving and investment. Using this method of budgeting may be a struggle but it is important to stay disciplined and ensure that you do not go over the defined percentages each month.

FINANCIAL INSTITUTIONS

There are various financial product offerings and options available to individuals that help with saving which in most cases individuals do not know about. This lack of knowledge has led to Financial Service Providers struggling to create demand for their products. However, in order for demand to increase, individuals need to be able to see the benefits of financial products. Benefits such as investment products which can yield higher interest than inflation therefore creating value instead of destroying it. To illustrate this point it was noted that in 2018, 364 day Treasury bills were yielding on average 23% at a time when inflation was running at about 8% in 2018 meaning that an investor could potentially make an extra 15% on the amounts invested in that year.

Poor financial literacy impedes savings and the use of other financial products, therefore more must be done by financial institutions to educate consumers. One method that could be used to sensitise the public is through the sharing of success stories and testimonies. In addition, financial institutions need to send clear messages to the public of what exactly the products on offer will do for the consumer and avoid using too much jargon when giving information to clients. Particularly with regards to the literature being distributed, which needs to be developed and presented in such a way that it will appeal to the Zambian populous who do not have a strong reading culture.

Another aspect of sensitisating the public is through the professionals working within the financial sector. It should be the duty of all professionals to constantly aim to educate and assist clients and potential clients on their product offerings. This is a role that is not only the duty of the front line, client facing employees, but of all those working in the industry. Product development efforts must also be enhanced in financial institutions in order for the product offerings to be in line with the needs of the populace. The product development role must not be left to the marketing functions, but those working in back office roles should also be thinking of how they can improve the products that they offer based on the kind of challenges they encounter when performing their duties. For example, a claims officer working in an insurance company can identify areas that clients struggle when it comes to compiling their claim documents when they are making a claim. They could recommend modifications to the product offerings or claim procedures. Also those working in Finance can propose payment methods that would be easier for clients that are in remote areas and are in most need of financial products.

GOVERNMENT

It must be noted that the economy at large would benefit from individuals managing their finances well as there would be less of a burden on government to support families and individuals that struggle financially.

In addition, the contribution of the financial sector to the economy would improve as the sector proposers.

Government could contribute towards the prosperity of the sector by creating an enabling environment through the introduction of policies and regulations that encourage strong financial management and in this regard consultation and contact engagement with private sector and individuals would be important.

Government also plays a role in educating the public in financial management and in the recent past we have seen government engaging with various players of the financial sector to contribute towards curriculum development for schools.

This is aimed at introducing financial management to children at an early age in an attempt to break the cycle and encourage good financial management skills to be used in future and escape the debt trap.

In addition, the Bank of Zambia, Pension and Insurance Authority, Zambia Revenue Authority, Securities and Exchange Commission, Insurers Association of Zambia and other Organisations have collaborated with the Ministry of Education through the Curriculum Development Centre to combine efforts in delivering financial literacy to the public.

> **"People all over the world struggle with managing finances and our societies are dominated by consumerism with more people focused on spending as opposed to saving, investing and safeguarding their future".**

In this regards a whole week has been dedicated to financial literacy efforts by government and industry players and the general public is encouraged to also participate in the events of the week in order to contribute towards improving financial knowledge. This year during the Financial Literacy Week and beyond we are all encouraged to Be Money Smart to live a better Life.

Bearing in mind all the various efforts that can be made to improve financial management from the different players it is evident that better results would be achieved through collaborative efforts, with each player having its own role to play. It is hoped that the insights shared will help to come-up with initiatives, products and services that will be appealing to the consumer and improve on the uptake of financial services.

I look forward to the day when financial products are being co-created by financial service providers, government players such as the regulators and the consumers that they serve.

This kind of collaboration would ensure that the needs, expectations and interests of all parties are taken into consideration and most importantly would ensure buy-in from all three parties which would play a part in the sustainability and success of the initiatives.

INSURERS ASSOCIATION OF ZAMBIA

www.iaz.org.zm

The **Insurers Association of Zambia** is a member organisation for all Insurance companies in the country. It is registered under the Societies Act, Cap.119.

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Objectives of the Association

a. Protect, promote and advance the common interests of Members, including the taking of any necessary measures whenever the business of a Member is, or is likely to be, affected by an action or proposed action of any authority, organisation, body or person;

b. Promote professionalism in the conduct of insurance business by the Members;

c. Promote the agreement and co-operation among the members on matters of mutual interest;

d. Provide dispute resolution mechanisms for any disputes among Members;

e. act as a consultant to the Government of the Republic of Zambia in matters related to insurance;

f. Consult, co-operate with, or be affiliated to, other Associations or similar bodies within and outside Zambia with regards to matters of mutual interest;

g. Promote knowledge and a clearer understanding of insurance;

h. Gather and collate data, information and market-wide statistics from members of the Association, for purpose of determining market trends and satisfying any other requirements set by the Board from time to time;

i. Manage the assets and funds realised from contributions by Members and out of investments made for the benefit of the Members; and

j. Do all such things connected with, or incidental to the objects of the Association.

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or info@iaz.org.zm.

3rd floor Finsbury Park
Kabwe Roundabout
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The Insurers Association of Zambia, will be holding the 5th Annual Insurance Conference at the Avani Hotel in Livingstone under the theme ***"Enhancing the role of insurance for economic growth".***

The conference is unique opportunity to network with insurance providers and stakeholders in one location. Several themes will be discussed during the conference which impact risk management, insurance provision and economic growth.

The conference is supported by the regulator Pensions and Insurance Authority (PIA), our all-weather industry partners Financial Sector Deepening Zambia (FSDZ), the Insurance Institute of Zambia (IIZA) and the Insurance Brokers Association of Zambia (IBAZ). This year we are expected to attract over 200 delegates from Zambia and across the African Continent.

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Anthony and Zoom
TONY! WHAT'S UP? LAZYING AROUND WHILE YOUR WORKERS DO ALL THE REAL WORK?
HI ZOOM. WHAT DO YOU MEAN? I AM SORTING OUT MY INSURANCE FORMS. IMPORTANT STUFF.
ANY BUSINESS FACES RISKS. I SAT DOWN TO LIST THOSE RISKS, AND INSURANCE WILL HELP PROTECT ME FINANCIALLY.
INSURANCE FORM
OHO!
I SEE WHAT YOU MEAN. MY UNCLE LOST HIS BUSINESS TO FLOODS. IF HIS SHOP AND GOODS WERE INSURED, HE WOULDN'T HAVE CLOSED DOWN.
NOW YOU GET THE PICTURE! THINK ABOUT THE RISKS YOU FACE AND PREPARE FOR THEM.

INVESTING IN PROPERTY: ALWAYS THINK LONG TERM

Property is becoming a very popular form of investment, especially in the urban sector. Not only that, property seems to be quite promising as an option for long term investment, especially in growing economies such as in Zambia where the per capita income is growing as well. What is more, the demand for property to invest in is expected to increase even more in the near future with the growing economy. Therefore, it is always advisable to think of property as not only an investment opportunity, but also a long-term investment prospect.

Whenever someone makes an investment in the property sector, it should be made with a long-term perspective, with a vision that extends at least five years. Property investment is expected to involve a large amount of money and the costs involved are also expected to be quite substantial. However, when a property is held for less than three years, it is considered to be short-term. Therefore when investing in property, the vision should be long-term.

When you invest in property you may expect basically two types of returns, rentals or capital gains. If you have invested in property, you might want to have a rental income from that. It is a good way to have a regular source of income for you as an investor. The rent returns from your property are a source of passive income and is a very good way of ensuring a secure source of income in the long run. The appreciation of value of a property is known as the capital gains of that property. One of the ultimate objectives of a property investor is to earn considerable capital gains. Usually a property in emerging areas of a city is expected to give back considerable returns over a period of time. Therefore, while investing in property, the investor should go through the various aspects of property investment with help from a property consultant. Also, in order to categorize the capital gains as long-term, the property has to be owned for more than three years, as mentioned earlier.

In order to invest soundly in a piece of property, you will need considerable funds. While the best option is to arrange for the large amount of funds yourself, it might not be possible to do so. Therefore, in most cases, investors look for a way to bring in external sources of fund. Here are some ways of generating funds for investing in a property.

Funding for residential property is easier to arrange than other types of real estate. Several financial institutions in Zambia offer attractive home loan schemes that help people to buy residential properties of their choice. Moreover, the margin requirement in case of a residential property is quite low, sometimes as low as merely 20 to 30 percent of the property's value.

Compared to a residential property, arranging fund for commercial property is tougher. However, several factors such as locality of the site, approvals from the authorities, layout plan and so on, may make it easier to secure such funding. Also, the percentage of returns on a site at a prime location, with ample amenities can be considerably higher than that of a residential property.

When you are about to invest in commercial property you cannot apply for a home loan, obviously. In this case the loan will be treated as a loan against property, or a commercial loan, and will attract a higher interest rate. However, if located at a prime spot, a commercial property can ensure a return of 10 to 12 percent in terms of rental income.

In view of the above different factors of investment in different types of property, along with the income or capital gains, it is imperative for the investor to take a long-term view and manage the risks properly. Instead of expecting the property prices to rise straight away after your investment, you should concentrate on committing to the property. The better and longer you can commit to the property, the chances of building up your equity. Then you can think of investing in a second property and so on, thus building up your wealth. If invested properly, property investment is a very good way of ensuring financial security.

One of the disadvantages of investing in property is that you cannot divest yourself of a bad investment as quickly as you can in cases of stocks and bonds. Neither can you sell part of your investment in property in case you require ready cash quickly. Both acquiring and selling property takes some time, hence the best way to look at it is long term; if you are looking for quick ways to create wealth, then property investment in not your thing. It is always advisable to be cautious when investing in property, but it is also advisable to remember that migration levels are higher and there is always a shortage of rental properties, which should tip your decision towards investing in property.

The Author is an Entrepreneur and investor with experience in property Valuation and Advisory Services. He is proprietor of Fairworld Properties Limited.

By Chisebwe Fumbeshi

"When you invest in property you may expect basically two types of returns, rentals or capital gains. If you have invested in property, you might want to have a rental income from that. It is a good way to have a regular source of income for you as an investor. The rent returns from your property are a source of passive income and is a very good way of ensuring a secure source of income in the long run".

INSERTS SHOULD ADAPT TO THE CHANGING DYNAMICS

By Webster Twaambo, Jr. FCII, FIIZA, MBA, MSc SP

Dynamics in the insurance industry have significantly changed over the years. The way things were done 10 to 15 years ago is different from the current environment.

The industry has transitioned from a monopolistic market set up of about 25 years ago to free market. Today it's not just competition that is stiff with more insurers than commercial banks, the customer is more knowledgeable than yesteryears let alone the improved regulation.

It therefore means those insurers who will continue to apply tactics of the 'old' risk going out of business. Today's busy customer will not accept unnecessary delays in issuing their policy document, neither is he willing to entertain unsubstantiated reasons for delaying to pay a claim.

The knowledgeable consumer of today knows better what insurance is and also his rights. If he doesn't understand anything he will simply go on the internet and be able to find that information which the insurer may not even beware of.

Insurers are no longer privileged to exclusivity of insurance knowledge, it is all in the airwaves. It is unlike to the days of old where insurance seemed to be a secret society where only members of the industry had the knowhow which was only shared amongst themselves.

The red tape that was applied in the past can no longer hold today. For a decision to be made, a file had to pass through a thousand hands with each person enjoying holding on to a bunch of files in his tray and felt he could not be pushed to make a decision although this was at the expense of customer service.

Such a mind-set is irrelevant in today's changing dynamics. Work is not measured on how many files you have on your desk, in fact keeping files on your desk may be construed as a sign of inefficiency.

Most work is on the computer and cell phones. This is why all those who are not computer literate, if any, will find it tough in today's market. Smart phones means we can access emails 24 hours every day.

The days of secretaries is slowly getting behind us. All those in management are expected to type their letters, use emails etc. with the exception of a few positions maybe.

In claims settlement today, customers want their claims to paid at the same speed as premium is collected as opposed to insurers collecting premium at the speed of lightning but pay claims at the speed of a chameleon. A customer of today will not watch an insurer take a month, or more to pay a simple motor claim which should be paid within a fortnight if not days or better still on the spot as the case may be.

Such a customer who is meant to wait for such unnecessarily longer periods may resort to many recourses within their rights. They may demand for loss of use, something which could have been unmentionable a few years ago!

The customer can also seek the regulator's intervention. In today's consumer-centric environment the Pensions and Insurance Authority and the Competition and Consumer Protection Commission are at hand to handle insurers who unfairly treat customers.

The advance in technology such as the use of the internet and mobile phones means insurers have to respond by devising ways of reaching customers where they are found and opposed to customers looking for insurers.

It is commendable that most insurers have mobile offices which serves customers closer but this is not enough. Let us consider the mobile phone.

People spend more time on their phones than on their computers or TV or even radio. This calls for insurers to invent mobile applications which will reach customers on their phones. Banks have already gone ahead of insurers in this respect.

This will also transform the operating time from eight to 24 hour service providers.

The role of intermediaries is also a development that insurers need to live up to. More than 50 percent of the Gross Written Premium (GWP) is brokered.

This means the broker has more power in the bargain process. It means clients who might otherwise be dancing to the insurers tune due to insufficient knowledge on insurance can now be well represented by a well conversant broker and the contest is now between the two knowledgeable parties.

All these advent developments calls for insurers to adapt and find bespoke solutions to the ever changing market and consumer dynamics.

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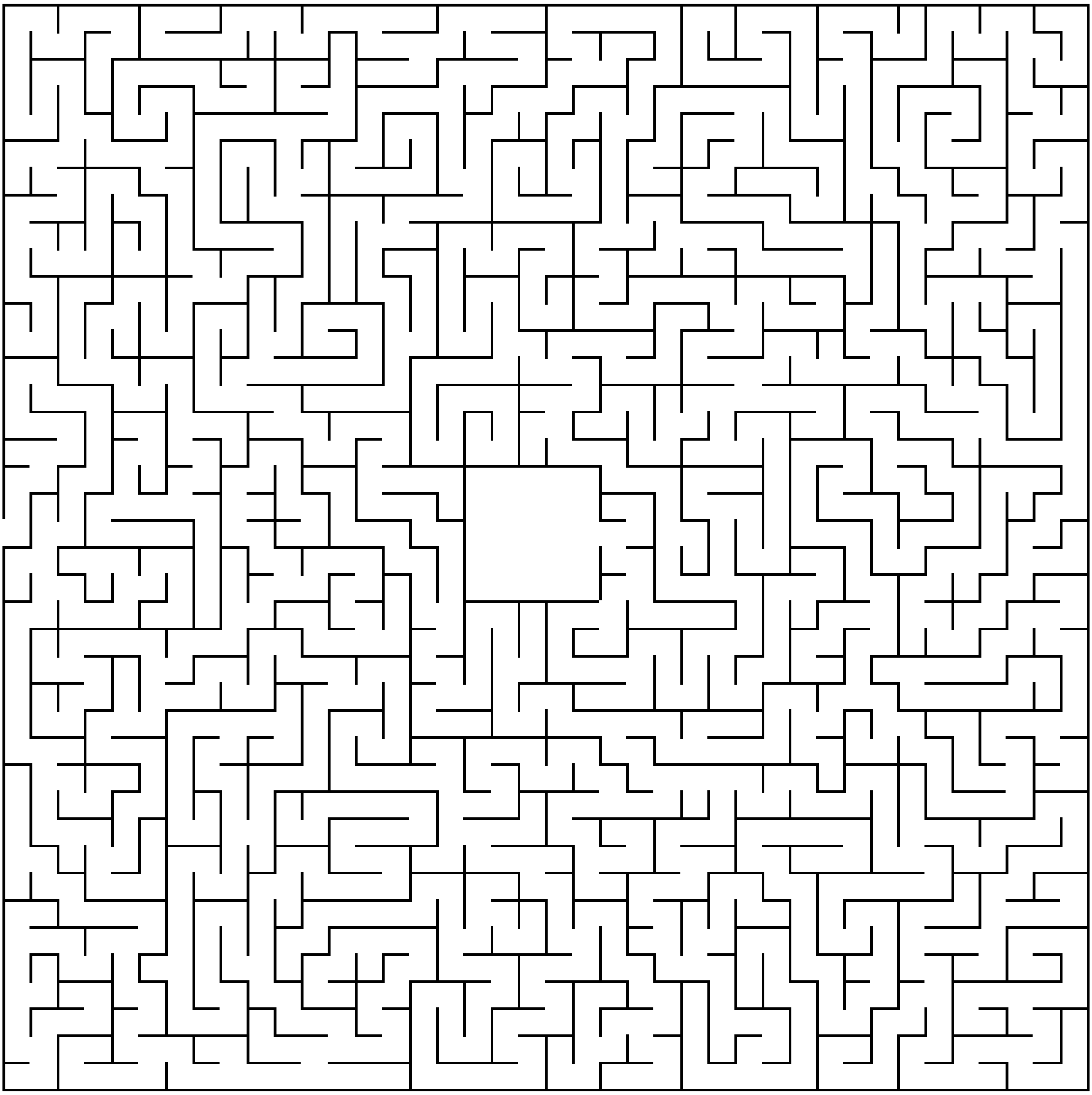

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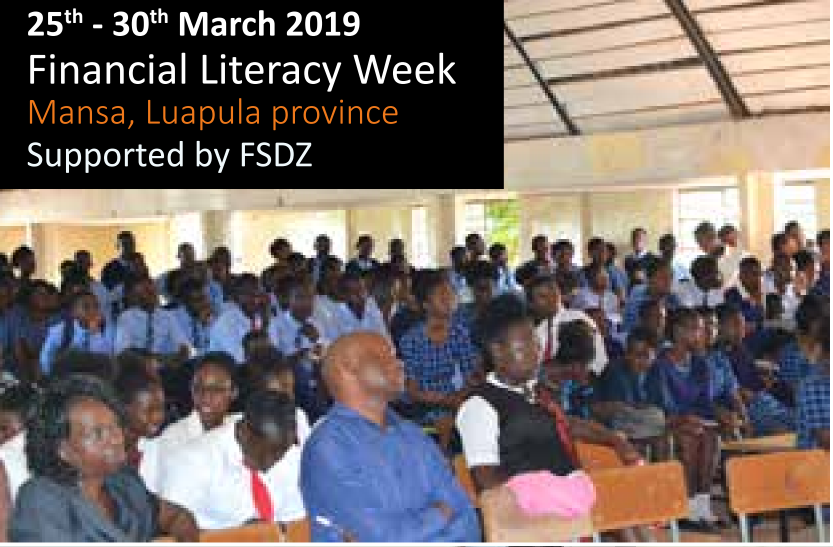

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To be a robust association that provides the first point of reference for all retirement matters and an ardent promoter of the growth of the pension industry in Zambia

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To be a strong and effective promoter of the interest of the members through innovative advocacy, education, representation and networking at various levels in the public and private sector

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