



ANNUAL REPORT



2017



Mission Statement

“To regulate and supervise the conduct of the pensions and insurance industry in order to protect the interests of pension scheme members and insurance policyholders and foster the industry’s growth, development and stability.”

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■ Chairperson's Statement



In accordance with [Section 41] of the Pensions Scheme Regulation Act No. 28 of 1996 (as amended by Act No. 27 of 2005), I have the honour, on behalf of the Board of Directors, to submit the Annual Report of the Pensions and Insurance Authority for the financial year ended 31st December, 2017.

The Pensions and Insurance Authority had an interim Board from January to October 2017 when the current substantive Board was appointed. Following our appointment as Board of Directors for the Pensions and Insurance Authority by the Minister of Finance during the course of the year under review, I wish to appreciate the confidence and trust that has been bestowed on us by giving us the mandate of providing strategic direction and guidance to the Pensions and Insurance Authority. As Board, whilst building on the

In November, 2017 the Pensions and Insurance Authority launched the Pensions and Insurance Management Information System (PISMIS).

achievements of our Predecessors, we shall endeavour to do our best and remain focused on our fundamental role of ensuring that there is a stable environment in the Pensions and Insurance industry, thereby protecting the interests of the pension scheme members and the insurance policy holders with the ultimate objective of positively contributing to the development of the Zambian economy.

This Annual Report provides a review of the performance of the Pensions and Insurance Authority and that of the pensions and insurance industry for the period commencing 1st January, 2017 and ending 31st December, 2017.

The Annual Report shows that during the year under review the revenue of the Pensions and Insurance Authority exhibited growth that was attributed to the growth in Net Assets of the Pension Funds and the increase in insurance Gross Written Premiums. However, the fast growth of the pensions and insurance industry continues to be the major challenge for the Pensions and Insurance Authority mainly due to limited staffing levels and a weak regulatory framework.

The guidance from the Board during the review period focused on the implementation of the strategies in the 2016 – 2018 Strategic Plan and enabled the Authority to effectively

meet the milestones that were set which included the acquisition and implementation of the regulatory software.

The Pensions and Insurance Authority continued to collaborate with the Ministry of Finance and other Financial Sector Regulators such as the Bank of Zambia and Securities and Exchange Commission in ensuring that the financial sector continues to develop. One of the outcomes of the said collaboration was the launch of the National Strategy on Financial Inclusion that is being spearheaded by the Ministry of Finance.

With regard to the Pensions and Insurance industry, the Pensions and Insurance Authority continued to undertake legal reform initiatives on legislation that it administers. The Pensions and Insurance Authority continued to consult other stakeholders regarding the National Social Protection Bill, and commenced the review of the Statutory Instrument Number 141 of 2011 (Investment Guidelines) so as to bring it in line with Regional and International trends. Further, the coming into effect of Statutory Instrument Number 71 of 2015 (Minimum Capital Requirements) resulted in the recapitalization of Insurance entities and this is expected to result in improved liquidity in the financial market.

In November, 2017 the Pensions and Insurance Authority launched the Pensions and Insurance Management Information System (PISMIS). Once implemented, PISMIS will enable regulated entities to complete and submit all required Returns on-line. The system will enable the Authority achieve a dynamic model that will improve efficiency and effectiveness in its operations.

Finally, on behalf of the Board of Directors, I wish to pay a special tribute to the Ministry of Finance for the valuable guidance and continued support that has greatly enabled the Board and Management to operate effectively during the year under review. I also express my appreciation to the Authority's members of staff for their contributions and commitment to meeting the set objectives throughout the year. Appreciation also goes to fellow Regulators and other stakeholders whose cooperation with the Authority has greatly assisted in growing the pensions and insurance industry.



Mrs Petronella M. N. Mwangala
Board Chairperson

■ Registrar's Statement



The Pensions and Insurance Authority has continued ensuring that there is stability in the Industry. In

achieving this, it has continued engaging all relevant stakeholders and ensuring that there is a supportive regulatory and supervisory framework.

The two-year moratorium on the minimum capital requirement came to an end on 31st October 2017. By the end of 2017, a number of insurance entities managed to be adequately capitalised. The Authority continued to closely monitor the few that did not meet the minimum requirement to ensure that they become adequately

The Authority looks forward to the enactment of the National Social Protection Bill and the Insurance Bill so as to make the pensions and insurance industries responsive to financial development trends.

capitalised. It is expected that this measure will enhance stability in the industry and lead to efficiency in claims management.

The Authority also continued collaborating with the other two financial sector regulators, namely the Bank of Zambia and the Securities and Exchange Commission. This tripartite arrangement provides an opportunity to exchange and share information on the developments in the financial sector.

On the international fora, the Authority is a member of the International Organisation of Pensions Supervisors (IOPS) and the International Association of Insurance Supervisors (IAIS).

Interaction with these bodies has helped the Authority in ensuring that it attains international standards in its supervisory and regulatory roles.

Beyond 2017, the Authority will focus on strengthening the solvency regime for the insurance industry so that entities meet internationally recognised standards. The Authority will also focus on strengthening the regulatory framework for corporate governance practices as well as consumer protection standards for the pensions and insurance industries.

The Authority looks forward to the enactment of the National Social Protection Bill and the Insurance

Bill so as to make the pensions and insurance industries responsive to financial development trends.

Finally, I wish to thank the Board, Management, Staff and Industry Stakeholders in maintaining a vibrant and resilient pensions and insurance industry. I trust that together we shall work to achieve superior results in 2018.



Mr Martin Libinga
Registrar



■ 1.0 Institutional Information

1.1 Introduction

The Pensions and Insurance Authority (PIA) is established under Section 4 of the Pension Scheme Regulation Act No. 28 of 1996 (as amended by Act No. 27 of 2005 herein after referred to as “the Pensions Act”) and given the mandate to administer the Pensions Scheme Regulation Act and the Insurance Act No. 27 of 1997 (as amended by Act No. 26 of 2005 (herein referred to as “the Insurance Act”). Prior to the enactment of the 2005 Amendment Act, the Authority existed and operated as the Office of the Registrar of Pensions and Insurance under the Ministry of Finance with the mandate to administer the Pension Scheme Regulation Act, No. 28 of 1996 and the Insurance Act, No. 27 of 1997 respectively.

The Authority publishes its activities and industry statistics for the previous year through the Pensions and Insurance Authority Annual Report. The report aims at informing the stakeholders on the performance and financial position of the Authority as well as the pensions and insurance industry in Zambia.

Industry statistics are extracted from annual audited accounts and returns submitted to the Authority by pension schemes and insurance companies in compliance with the provisions of the Pension Scheme Regulation Act and the Insurance Act.

This report is organised in three sections: the first section looks at the activities of the Authority, the second section looks at the performance of the pensions and insurance industry and the final section focuses on the Authority’s financial statements.



1.2 Vision

“To be a world class pensions and insurance financial services supervisor.”

1.3 Mission

“To regulate and supervise the conduct of the pensions and insurance industry in order to protect the interests of pension scheme members and insurance policyholders and foster the industry’s growth, development and stability.”



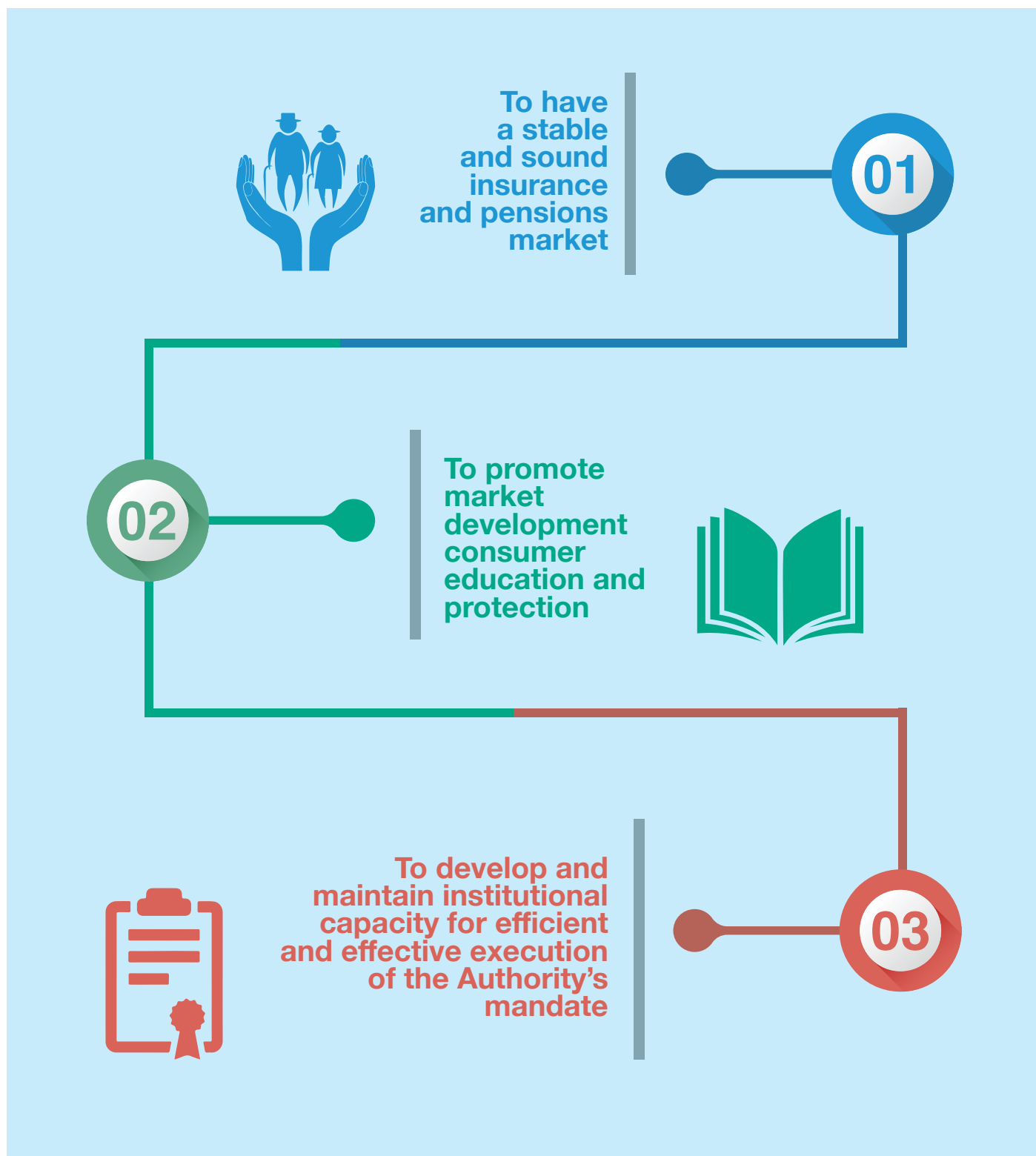
1.4 Core Functions

The Authority’s core functions include the following:

- licensing of insurance entities and pension service providers;
- registration of pension schemes;
- prudential regulation and supervision;
- formulation and enforcement of standards of conduct for the pensions and insurance industries;
- protection of pension scheme members and insurance policyholders; and
- advising Government on matters related to pensions and insurance.

■ 2.0 Strategic Goals

In line with its vision and mission, the Authority has identified the following three goals in its 2016-2018 strategic plan:



■ 3.0 Corporate Governance

The Authority's corporate governance structures are well defined to avoid any conflict of interest.

3.1 The Board

The Authority is governed by a Board appointed by the Minister responsible for Finance in accordance with Section 6 of the Pension Scheme Regulation Act. The Board is responsible for providing strategic direction to the Authority and ensures that it is managed in an effective and efficient manner.

Board Members have access to the advice and services of the Board Secretary. The Secretary is responsible for advising the Board on good governance and for guiding the Board in its duties as set out in the Pensions and Insurance Acts and

other relevant legislation as well as best practice.

The Board is composed of the following members:

- (i) a representative of the Ministry of Finance;
- (ii) a representative of the Ministry of Labour and Social Security;
- (iii) a representative of the Attorney General;
- (iv) a representative of the Zambia Institute of Chartered Accountants;
- (v) a representative of the Bank of Zambia;
- (vi) a representative of the Zambia Union of Financial Institutions and Allied Workers;
- (vii) a representative of the Zambia Association of Chambers of Commerce and Industry;
- (viii) a representative of the Zambia Federation of Employers; and

- (ix) one person with expertise in matters of pensions and insurance

The Registrar, Deputy Registrars, Finance Manager, Internal Auditor and Director Corporate Services who is also the Board Secretary attend the Board meetings but have no voting rights.

The following were the Directors who served on the Board during the year under review:

- (i) Mrs. Petronella N.M. Mwangala-Chairperson (Expert Ministerial Appointment);
- (ii) Mr. Chibamba K. Lopa -Vice Chairperson (Zambia Chamber of Commerce and Industry);
- (iii) Mr. Akapelwa Imwiko (Ministry of Finance);
- (iv) Mr. Alfred Chifota (Zambia Union of Financial Institutions and



■ Mrs Petronella M. N. Mwangala-Chairperson



■ Mr Chibamba K Lopa - Vice Chairperson



■ Mr. Harrington Chibanda



■ Mr Alfred Chifota



■ Mr Akapelwa Imwiko

- Allied Workers);
- (v) Ms. Prudence Malilwe (Bank of Zambia);
 - (vi) Mr. Anthony Dumingo (Ministry of Labour and Social Security);
 - (vii) Mr. Harrington Chibanda (Zambia Federation of Employers)
 - (viii) Maj Constantine Hara Retired (Attorney General's Chambers) and
 - (ix) Mrs. Pitican Miyanda Syafunko (Zambia Institute of Chartered Accountants).

3.2 Board Committees

The Board exercises its oversight function through five (05) Committees, namely:

- the Audit Committee;
- the Finance and Administration Committee;

- the Technical Committee;
- the Registration and Licensing Committee; and
- the Policy Holders' Protection Committee.

The membership of the Committees includes professionals who are not members of the Board. The Committees undertake detailed study, analysis and scrutiny of various issues tabled by Management for deliberation or referred to the Committees by the Board. The Committees thereafter make recommendations to the Board for decision making and adoption.

3.3 Board Meetings

The Authority had an interim Board from January to October 2017 when the substantive Board was appointed.

Board and Board Committee meetings are held at least every quarter, while special meetings are convened as and when necessary. During the year under review, the Board held two (2) ordinary meetings and three (3) Special Board Meetings. The Special Board Meetings were constituted to discuss matters relating to finalisation of the 2017 Budget and review of the report on minimum capital requirement by insurance companies to approve the 2017 Budget.

Guidance from these meetings and other oversight measures enabled the Authority to effectively meet the milestones that were set in the year under review which included the acquisition and implementation of the regulatory software.

3.4 Determining the Strategic Direction

The Authority recognises that good corporate governance is one of the cornerstones enabling it to regulate and supervise the industry in order to foster consumer protection and financial stability. To this end, the Board is responsible for setting the tone for the strategic direction of the Authority and ensures that decisions and actions taken are based on values underpinned in good corporate governance tenets. The Board during the period under review focused on the strategies in the 2016-2018 Strategic Plan.



■ Mrs Pitican Miyanda Syafunko



■ Mr Anthony Dumingo



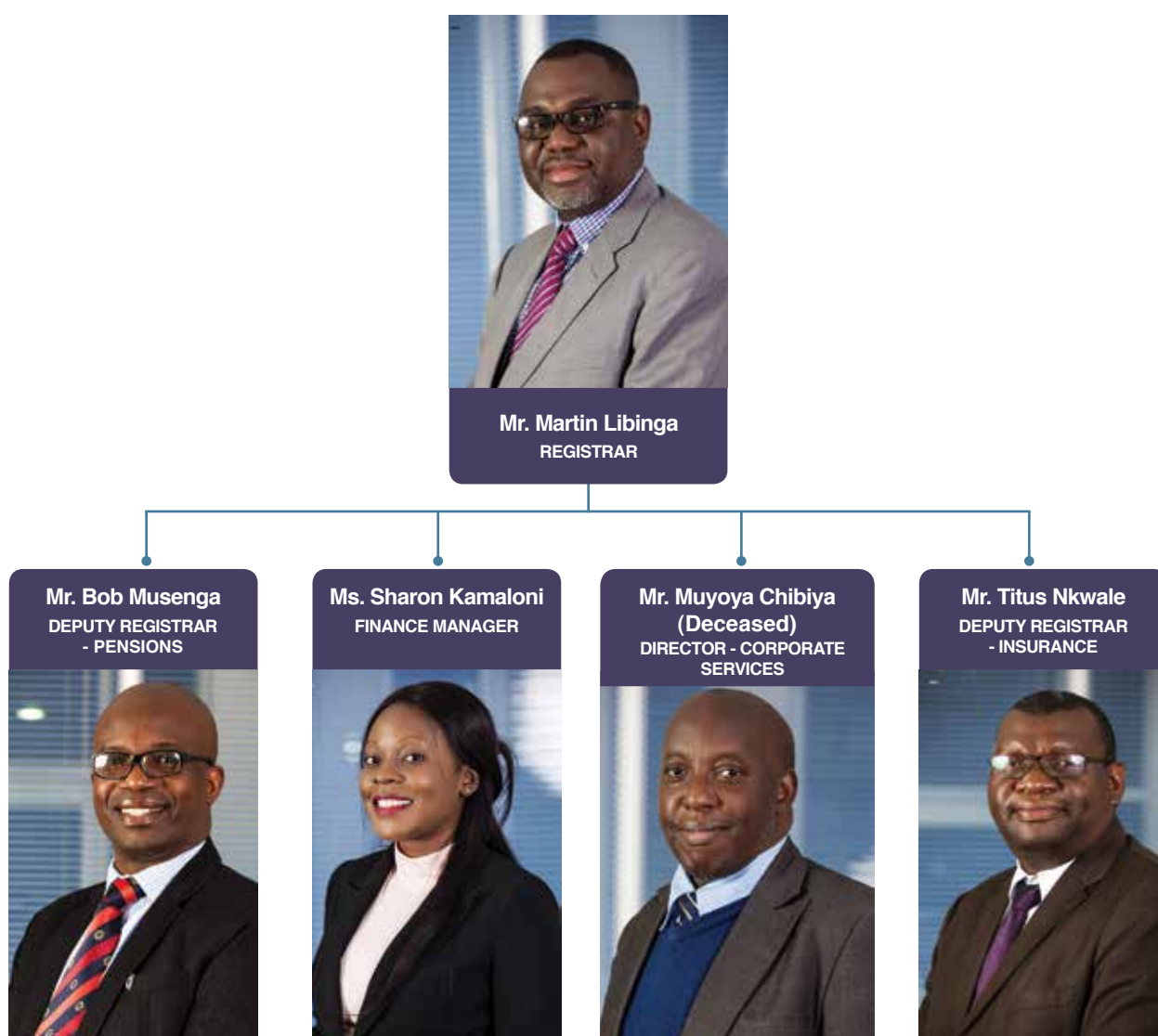
■ Maj. Constantine Hara



■ Ms Prudence Malilwe

■ 4.0 Senior Management

The Authority is led by the Registrar who is also the Chief Executive Office and is responsible for ensuring the overall implementation of functions. The Registrar is also responsible for implementing the strategy set by the Board. The Registrar is supported by the Deputy Registrar-Pensions, the Deputy Registrar-Insurance, the Director Corporate Services and the Finance Manager.



■ 5.0 Departments and Staffing

5.1 Departments and Units

The Authority has four (04) main departments and one (01) unit under the Registrar's Office.

5.1.1 The Pensions Supervision Department

The department is led by the Deputy Registrar - Pensions and is responsible for regulation and supervision of the pensions industry, which includes pension schemes and service providers such as administrators and managers.

The department's mandate is to protect pension scheme members by ensuring that pension schemes meet their obligations to the members as and when they fall due.

The Authority conducts onsite and off-site inspections to ensure that the schemes are managed in conformity with the Pensions Act, guidelines, rules, standards and such other regulatory requirements.

During the period under review, the department had a staff complement of thirteen (13): the Deputy Registrar, three (03) Managers, four (04) Inspectors, two (02) Analysts and one (01) Personal Assistant to the Deputy Registrar.

5.1.2 The Insurance Supervision Department

The department is led by the Deputy Registrar Insurance and is responsible for regulation and supervision of the insurance industry, which includes, general and long term insurers, reinsurers, brokers, reinsurance brokers and agents.

The department's mandate is to protect insurance policy holders as well as promote sustainable and responsible insurance business. The Authority conducts onsite and off-site inspections to ensure that the conduct of business for industry players is in conformity with the Insurance Act, guidelines, rules, standards and such other regulatory requirements.

During the period under review, the department had a staff complement of thirteen (13): the Deputy Registrar, three (03) Managers, six (06) Inspectors, two (02) analysts and a Personal Assistant.

5.1.3 Corporate Services Department

The department is led by the Director Corporate Services and is responsible for the implementation of the Authority's corporate strategies. It is also responsible for provision of Board secretarial services, human resource and general administration, consumer education and provision of legal services.

During the period under review, the department had a staff complement of eleven (11): the Director Corporate Services until his demise in September 2017, three (3) Managers, one (01) Procurement officer and eight (08) support staff.

5.1.3.1 Human Resource and Administration

The unit is responsible for recruiting and retaining competent staff. The office also develops human resource policies, coordinates training of employees and is responsible for performance management.

5.1.3.2 Communications

The unit is responsible for

communication between the Authority and its stakeholders. The office is also responsible for raising awareness on pensions and insurance implemented through various consumer education initiatives.

5.1.3.3 Legal Services

The unit is responsible for providing legal services including legal advice to the Authority, litigation and drafting legislation.

5.1.3.4 Procurement

The unit is responsible for all procurement at the Authority. The Authority has a Procurement Committee, which reviews, evaluates and makes recommendations on the procurement of goods and services above the value of ZMW50, 000.00.

5.1.4 Finance Department

The department is led by the Finance Manager and is responsible for financial management, accounting and information systems.

During the period under review, the department had a staff complement of six (06): the Finance Manager, an Accountant, two (02) Assistant Accountants and two (2) System Administrators.

5.1.5 Internal Audit Unit

The unit is led by the Internal Auditor and is responsible for providing assurance on the effectiveness of the Authority's internal controls and risk management systems.

During the period under review, the department had a staff complement of two (2): the Internal Auditor and Assistant Internal Auditor.

■ 6.0 Performance Management

The Authority implemented the Balance scorecard on a pilot basis. The system was promoted as a strategy performance management tool to track the execution of strategy through cascading activities from corporate to departments/units to individuals. The pilot stage was a learning period particularly due to the need to navigate towards a systematic, consistent and comprehensive performance management system even as management was attending to challenges such as standardization of the system and building skills levels during the implementation process.

The system was promoted as a strategy performance management tool to track the execution of strategy through cascading activities from corporate to departments/units to individuals.



PIA Registrar, Mr. Libinga with Balanced Scorecard Institute, Executive Director for Europe, Middle East & Africa, Mr. Peter Kahihu and Mr. Silutongwe, ZSIC Holding, CEO

7.0 Human Resources and Administration

7.1 Staff Complement

The Authority has a full staff establishment of 50 and 45 positions were filled by the end of the year under review. Table 1 below shows the statistics by department and gender.

Table 1: Staff Complement

	Department	Male	Female	Total
1	Registrar's office	1	1	2
2	Pensions	7	4	11
3	Insurance	8	5	13
4	Corporate service	8	4	12
5	Finance office	3	3	6
6	Audit	2	0	2
	Total	28	17	45

7.2 Recruitments

The Authority recruited five (5) employees out of the seven (7) positions that were vacant in 2017. These included two (2) Inspectors, a Receptionist, an Assistant Accountant and a Personal Assistant to the Deputy Registrar – Pensions.

The recruitment was threefold: replacement in view of staff who had resigned and one due to death; and filling of new positions after the Board approved expansion of the insurance inspectorate team.

7.3 Terminations or Separations from the Authority

During the year under review, the Authority recorded three (3) resignations: the Receptionist, Manager Legal Services and the Personal Assistant to the Deputy Registrar-Pensions.

On a sad note, the Authority's Board Secretary/Director Corporate Services passed away on 19th September,

2017. He served the Authority for 18 years in different capacities including Deputy Registrar - Insurance.

7.4 Training and Development

The Authority continued to develop and build capacity of its staff through various short-term training and long-term programmes ranging from diploma to post-graduate studies.

During the period under review, employees took part in various training and development fields as indicated in Table 2 below.

Table 2: Training and Development

Certification	Department	Number of Employees
Masterclass for secretaries	Personal Assistants - Pensions and Registrar's office	2
Chartered Institute of Insurance (CII)	Insurance	1
Certified Expert in Risk Management	Insurance	1
International Introduction to securities and investments	Insurance	1
Weather indexing	Insurance	1
AML/CFT Training	Insurance	1
Diploma programmes	Corporate	1
Masters programme	Various	5
Continuous professional Development programme	various	8

■ 8.0 Finance

The Authority had a total approved budget amounting to K 35.0 Million to fund the operations for the year 2017. The annual budget was prepared within the framework of the annual work plan derived from the 2016-2018 Strategic Plan.



■ 9.0 Strategic Projects - PISMIS

The Authority in November 2017 launched an electronic regulatory system known as Pensions and Insurance Management Information System (PISMIS). PISMIS is a web-based system that enables regulated entities to log into the system using a portal offsite. This portal is an on-line application that manages formal communications with the Authority. Using PISMIS, the regulated entities will complete and submit all required returns on-line. In addition, the entities will access information held by the regulator about their entities.

Further the system will help to improve data depth, consistency, quality and accessibility. This will enable the Authority achieve a dynamic model of supervision that is in line with international standards. The dynamic model also known as Risk Based Supervision will improve

efficiency and effectiveness in regulation enhancing financial stability of the industry. The Authority will also be able to extend the system over time by including new features.

Previously, insurance and pensions entities submitted information manually which was cumbersome and prone to error. The system will therefore enable the regulated entities to now upload their data monthly, quarterly, biannually and annually automatically from the PIA website. This system is expected to offer convenience and ensure efficiency and accuracy in the returns received from regulated entities.

This was an in house project that was supported by the supplier of the software (VIZOR).

■ 10.0 Activities Implemented in 2017

10.1 Pension Regulation and Supervision

The focus areas for the year under review in pension regulation and supervision were:

- Compliance to Investment Guidelines Statutory Instrument No. 141 of 2011 (hereinafter referred to as SI 141)
- Governance – Composition of Boards of Trustees
- Financial Soundness

The Pensions Act provides for the Authority to regulate the pensions industry through prudential supervision in order to protect the interests of pension scheme members and to foster the industry's growth, development and stability.

The Pensions Department is responsible for registering pension schemes as well as pensions' service providers (pension fund managers, pension fund administrators and pension fund custodians). In addition, the Authority fulfills its mandate through undertaking of inspections (both offsite analysis inspections and onsite inspections) of the pension schemes in fulfillment of the requirements of the Act.

10.1.1 Industry Composition

The total number of registered pension schemes in 2017 was 243 (242 in 2016). The new registered pension scheme was Health Sector Grant Aided Institutions Pension Scheme.

The industry also had five (5) Pension Fund Managers and seven (7) Pension Fund Administrators. The Authority registered Octagon Pension Services Limited as a new Pension Fund Administrator. The Authority did not renew Allied Securities and Asset Management Company Limited; and Pangaea Agenda Zambia Limited licenses as Fund Managers in 2017.

The full list of reporting schemes is provided in Appendix I

10.1.2 Membership

1.4. The total number of members in the registered pension schemes increased from 105,530 in 2016 to 108,962 in 2017 representing an increase of 3.25%. Active membership increased by 5.67% while deferred membership increased by 2.75%. Pensioners on the other hand reduced by 5.45%.

Table 3 below shows industry membership statistics during the year.

Table 3: Membership Statistics for the Pensions Industry

Membership Category	2017	2016	2015	2014	2013	% Change
Active members	77,015	72,880	80,236	74,712	72,104	5.67%
Deferred members	13,488	13,127	13,462	14,332	14,563	2.75%
Pensioners	18,459	19,523	18,459	13,552	18,292	-5.45%
Total	108,962	105,530	112,157	102,596	104,959	3.25%

10.1.3 Shareholding Requirements

Part III A on regulation of managers and others in the Pensions Scheme Regulation Act provides that Zambian citizens own at least 51% of the shares of a registered Pension Fund Manager and Pension Fund Administrator. All Service Providers were in compliance.

Table 4 (a) and (b) below shows the shareholding structure for Fund Managers and Fund Administrators at the end of the year 2017.

Table 4 (a) and (b): Shareholding Structure for Fund Managers and Fund Administrators

4 (a)

FUND MANAGERS			
Company	Shareholder	Nationality	%
African Life Financial Services Limited	Manel Management Services Limited	Zambian	51
	Botswana Insurance Fund Management (BIFM)	Motswana	49
IMARA ECR Asset Management (Zambia) Limited	Equity Capital Resources PLC	Zambian	41
	1 individual	Zambian	10
	Imara Capital Zambia Limited	Zambian	49
Madison Asset Management Company Limited	Madison Financial Services	Zambian	100
Prudential Pensions Management Zambia Limited	Prudential Africa Holdings	British	49
	5 Individuals	Zambian	51
ZSIC Life Limited	Government of the Republic of Zambia	Zambian	100

4 (b)

FUND ADMINISTRATORS			
Alexander Forbes Financial Services Limited	Alexander Forbes Group South Africa	South African	49
	Zambia Private Equity	Zambian	25.5
	Alexander Forbes Risk Services Management	Zambian	25.5
Benefits Consulting Services Limited	Manel Management Services Limited	Zambian	51
	Botswana Insurance Fund Management (BIFM)	Motswana	49
Madison Life Insurance Company Limited	Madison Financial Services	Zambian	100

Minet Consulting Zambia Limited (formerly Aon)	Aon Zambia Limited	South African	49
	Employee Share participation	Zambian	41
	Penkani Limited	Zambian	10
Octagon Pension Services Limited	1 individual	Kenyan	49
	1 individual	Zambian	51
Prudential Pensions Management Zambia Limited	Prudential Africa Holdings	British	49
	6 Individuals	Zambian	43
	Prudential Holdings	Zambian	8.5
ZSIC Life Limited	Government of the Republic of Zambia	Zambian	100

10.1.4 Off-Site Analysis

The Authority conducts offsite analysis of the regulated entities in order to determine the financial soundness and operational risks. This is a tool the Authority uses under prudential and market conduct supervision. The analysis takes into account both qualitative and quantitative review of the pension schemes' audited financial statements and statutory quarterly returns.

During the year under review, 18 pension schemes

were analysed with a total net asset value of K 4.4 billion representing 76% of the total pension net assets. Regulatory intervention measures were taken for pension schemes that were found to be non-compliant with the Pensions Act. Some of the regulatory interventions included:

- Directives to maintain financial soundness to schemes with actuarial deficits by fully funding the deficits.
- Directives to schemes that are not compliant to investment guidelines to ensure compliance.
- Directives to comply with governance requirements.

Table 5 below shows the list of the analysed pension schemes during the year.

Table 5: Pension Schemes Analysed in 2017

No.	Pension Scheme
1	Access Bank Pension Scheme
2	Barclays Plc Pension Scheme
3	CGTC Pension Scheme
4	CTS Pension Scheme
5	Deloitte and Touch Pension Scheme
6	Eco Bank Pension Scheme
7	Examinations Council Of Zambia Pension Scheme
8	Golden Sunset Pension Fund
9	Konkola Copper Mines Plc Pension Scheme
10	Kwacha Pension Trust Fund
11	Lafarge Cement Plc Pension Scheme
12	Motor Mart Group Pension Scheme
13	Madison Pension Fund
14	Nampark Staff Pension Scheme
15	Saturnia Regna Pension Trust Fund
16	Stanbic Bank Pension Scheme
17	Zambia Episcopal Conference Pension Scheme
18	ZSIC Pension Fund

10.1.5 On-Site Inspections

The Authority also conducts on-site inspections on the supervised and regulated entities. The inspection takes into account both qualitative and quantitative reviews of entities. The total net assets of the inspected schemes were K962 million representing 17% of the total pension net assets.

Table 6 below shows the list of inspected pension schemes during the year under review.

Table 6: Pension Schemes Inspected in 2017

No.	Pension Scheme
1	Professional Pension Trust Fund – Final Salary
2	Zambia National Building Society Trust Scheme
3	Zambia Railways Limited Pension Trust Scheme - Defined Contribution
4	Buyantanshi Pension Trust Fund
5	NAPSA Staff Pension Scheme - Defined Contribution
6	NAPSA Staff Pension Scheme - Defined Benefit
7	Madison Pension Trust Fund (including targeted inspection on off shore investment inspection)
8	Motor Mart Group Pension Scheme
9	Mukuba Pension Trust Scheme Defined Benefit
10	Mukuba Pension Trust Scheme Defined Contribution
11	Zambezi River Authority Pension Scheme



PIA, Registrar Mr Libinga (l) addressing participants of a pension scheme Trustees training in Lusaka

10.1.6 Capacity Building of Pension Scheme Trustees

The Pensions Scheme Regulation Act requires trustees to ensure that the pension schemes are properly managed and members receive their benefits as and when they fall due. The Authority therefore ensures that trustees are well equipped in terms of knowledge of managing the pension scheme.

The Authority continued with the Trustees' capacity building training. Three Trustees' training workshops were conducted and a total of 139 trustees from 40 Pension Schemes were trained.

The topics covered included governance of pension schemes, role of Trustees, investment monitoring and analysis of financial statements and covered both basic and advanced levels.

10.1.7 Review of Legislation

During the period under review, the Authority continued to undertake legal reform initiatives on legislation that it administers.

The National Social Protection Bill was under consideration in 2017.

The Authority also commenced the review of the Statutory Instrument No. 141 of 2011 (Investment Guidelines) to try and bring it in line with the current regional and international trends and to also meet the expectations of the Pensions Industry in Zambia. Some of the provisions under consideration were lower and upper limits, approval process, offshore investments and derivatives as a form of investment.

10.2 Insurance Regulation and Supervision

Insurance regulation and supervision is aimed at achieving one of the Authority's core mandates of protection of policyholders. The Authority through the Insurance Supervision Department ensures that players in the insurance market are compliant with the provisions of the Insurance Act. During the year under review, the Authority focused on:

- On-site inspection of insurers and brokers.
- Off-site analysis of insurance companies and intermediaries
- Enhancing the regulatory framework

10.2.1 Licensing

During the year under review, the Authority recorded an increase in the number of new licensed insurance entities. These included one (01) reinsurance company and six (06) insurance brokers. The Fit and Proper Test was applied to the shareholders, directors and key senior staff of these entities at the time of licensing.

Table 7 below shows the composition of the entities for the three-year period from 2015 to 2017.

Table 7: Distribution of Insurance Entities

Category	31 st Dec 2017	31 st Dec 2016	31 st Dec 2015
Reinsurers	4	4	3
General Insurers	22	22	22
Long term Insurers	13	12	12
Insurance Brokers	41	50	44
Reinsurance Brokers	2	2	2
Insurance Agents	250	240	237
Loss Adjustors	6	8	8
Risk Surveyors	4	1	1
Motor Assessors	10	11	9
Claims Agents	8	11	6
Total	360	361	344

10.2.2 Inspections

The Authority conducted three (3) routine and nine (09) targeted inspections of insurance companies during the period under review. Seven (7) targeted inspections were also conducted on brokers. Key findings from these inspections included the following:

- Inadequate governance structures
- Lack of appropriate systems
- Solvency challenges
- Non- compliance with the minimum capital requirements in line with the provisions of SI 71 of 2015.
- Misapplication of premium funds (in the case of brokers)
- Other market misconduct.

The Authority continued to engage the affected entities using the appropriate supervisory tools.

Off-site analysis is a key activity in the risk-based supervisory process of the Authority. The Authority continued to analyse the quarterly returns submitted by insurance companies in 2017. Industry quarterly reports are produced based on the submissions from the aforementioned entities.

10.2.3 Review of Legislation

In 2017, the Authority held two (2) legislative review retreats on the Insurance Bill and National Social Protection Bill with the Ministry of Finance and the Ministry of Justice. This was in anticipation of the Bills being passed by Parliament.

10.2.4 Compliance with Minimum Paid Up Share Capital

The deadline for industry compliance with the Statutory Instrument Number 71 of 2015 was 1st October 2017.

By the end of 2017, thirty one (31) out of thirty five (35) insurers and three (03) out of four (04) reinsurers had met the minimum capital requirements. The entities that did not meet the requirements were not issued with licenses for the year 2018.

10.2.5 National AML/CFT Risk Assessment

Following the adoption of the National Risk Assessment Report for Zambia by Cabinet, the supervisory authorities (which include the Authority) in Zambia commenced preparations for the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) second round of Mutual Evaluation Process.

In view of the above, the lead agency for Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) in Zambia, the Financial Intelligence Centre (FIC) held a Pre-mutual Evaluation Workshop for Zambia, which was facilitated by Assessors from the ESAAMLG. The workshop was held in order to prepare various stakeholders on the requirements of the mutual evaluation process. The second of Mutual Evaluation of the AML/CFT commenced in October, 2017.

As part of the data collection process for the offsite Mutual Assessment, the Authority completed and submitted a Mutual Evaluation Questionnaire for the Technical Assessment and the questionnaire on the assessment of Effectiveness for Zambia requested by ESSAMLG.

10.3 Consumer Protection and Education

Consumer protection includes regulation of conduct of business and financial education. To this effect the Authority in the period under review conducted a number of activities relating to consumer protection and education

which included:

- Consumer protection
- Consumer education activities countrywide
- Stakeholder engagement
- Media relations

10.3.1 Consumer Protection

As part of its consumer protection mandate, the Authority receives and handles complaints from pension scheme members, insurance policyholders, third-party claimants, licensed entities and other stakeholders.

10.3.1.1 Pensions Complaints

During the period under review, the Authority received and handled nine (09) pensions' related complaints as compared to 12 Complaints handled in 2016. Some of the complaints related to alleged non-payment of lumpsum, underpayments on pension claims, and over-taxation on refunds.

The Authority had resolved five (05) complaints by the close of the year which is similar to complaints resolved in the year 2016.

10.3.1.2 Insurance Complaints

During the period under review, the Authority received and handled 125 insurance related complaints as compared to 58 complaints handled in 2016. Some of the complaints related to alleged delayed payment of claims, unauthorised deductions from payroll of lumpsum and repudiated claims third party claims.

The Authority had 15 un-resolved complaints by the close of the year.

10.3.2 Consumer Education

The Authority recognises the important role played by the public as consumers of pensions and insurance products and services in the growth of the industry. While consumer education cannot make pensions easily accessible for all or insurance more affordable for the poor, it can ensure that people have accurate information and sufficient financial literacy so that they are able to choose the right financial products that are appropriate for their needs.

Therefore, in fulfilling one of its mandates of developing the pensions and insurance industry in Zambia, the Authority carried out consumer education across the country in the year under review using various activities.

10.3.2.1 Exhibitions

In 2017, the Authority participated in ten (10) exhibitions, three of which were organised under collaborative efforts with the Competition and Consumer Protection Commission (CCPC) and other regulators during the commemoration of the World Consumer Rights Day. The other exhibitions were held in Solwezi, Kasama, Mansa, Lusaka and Chipata.

In more collaborative efforts, the Authority also participated in an exhibition at the Business Teachers School Symposium that was organised by the Securities and Exchange Commission in October 2017.

10.3.2.2 Financial Literacy Week

The Authority participated in the 2017 Financial Literacy Week (FLW). The FLW is an annual awareness campaign, which is commemorated to educate and sensitize the public about various topics on financial education. The campaign is adapted to meet the objective of Zambia's National Strategy on Financial Education (NSFE) whose objective is to provide citizens with the knowledge, skills



Some pupils that participated in the World Consumer Rights Day debate session at the David Kaunda Secondary School in Lusaka



2017 Womens Day exhibition at Levy Mall in Lusaka



PIA member of staff interacting with members of the public during the 2017 Financial Literacy Week exhibition at Manda Hill in Lusaka

and confidence to help them make informed decisions for themselves and their families. The Financial Literacy Week has also been aligned to the objectives of the National Financial Inclusion Strategy, which was launched in 2017.

The Authority led commemorative activities in North Western and Northern Provinces. The activities under taken in the provinces included the official provincial launches, a market outreach programme in Solwezi, radio and television programmes. The Authority also conducted a workplace programme at World Vision in Lusaka.

10.3.2.3 Trade and Agriculture Shows

The Authority participated in the Zambia International Trade Fair (ZITF) in Ndola, the Southern Tourism, Agriculture and Commercial Show in Livingstone and the Zambia Agriculture and Commercial Show in Lusaka.

The Authority used these platforms to educate the public on pensions and insurance matters, performance of the industry as well as the rights and obligations of policyholders.

The Authority also took advantage of the agriculture shows to educate the farmers about agriculture insurance and weather index insurance, which is now available for all Farmer Input Support Programme (FISP) beneficiaries following governments introduction of the weather index insurance.

The Authority also conducted a school outreach programme at four (4) secondary schools in Ndola during the ZITF.

10.3.2.4 Pension Sensitisation Programme

The Authority undertook Pension Sensitisation Provincial tours in Northern, Copperbelt, Western and Eastern Provinces. During these tours, 467 representatives of employers and self-employed individuals were engaged.

PIA Stand at the 2017 Zambia International Trade Fair



10.3.2.5 Insurance Week

The Authority was part of the organising committee of the Insurance Week, which took place from 18th-24th September 2017. The Insurance Week is an annual campaign aimed at raising awareness on insurance matters. Some of the activities that the Authority participated in included, the press briefing to launch the week, the official launch at City market in Lusaka, exhibition at Manda Hill, radio and TV programmes, a sensitisation programme for farmers and an engagement with Permanent Secretaries from various Ministries.

10.3.2.6 World Savings Day

The Authority also participated in the World Savings Day on 31st October 2017 and led activities in Eastern Province which included a launch in Chipata District and pension awareness workshops in the Province.

10.3.2.7 Media Relations

The Media plays an important role in the disseminating and sharing of information on pensions and insurance. During the year, the Authority engaged the media through various activities including media releases on the registered and licensed pensions and insurance entities for the year 2017 and industry performance for 2017.

The Authority further organised media interviews, attended various radio and television programmes in Lusaka, Ndola, Solwezi and Mansa.

In addition, the Authority published a weekly column in the Zambia Daily Mail, which focused on informing the readers on the activities of the Authority and general information on pensions and insurance.



PIA member of staff explaining the importance of insurance to a visitor during the 2017 Insurance Week exhibition



2017 Financial Literacy Week commemoration in Solwezi



PIA and CCPC appearance on a television programme on CBC during the World Consumer Rights Day

10.3.2.8 Online initiatives

The Authority continued to interact with the public using the website and social media. Updates were done on the Authority's website in order to avail appropriate and timely information to the public. The website also has a complaints form, which was used by the public to lodge in complaints to the Authority for redress.

To leverage on the fast-growing power and influence of social media, the Authority has continued to make its Facebook page more interactive, informative and up-to-date.

10.4 National Financial Inclusion Strategy

Following the launch of the Financial Sector Development Policy and the National Strategy on Financial Inclusion in November 2017, the Authority facilitated the setting up of the pensions and insurance working groups that would be responsible for the implementation of the strategy activities, which were expected to commence in 2018.

10.5 International Engagements

10.5.1 Eastern and Southern African Anti-Money Laundering Group

The Authority continued to participate in the bi-annual AML/CFT meetings under the auspices of the ESAAMLG.

10.5.2 Committee on Insurance, Securities and Non-Banking Supervisory Authorities.

The Authority also participated in the bi-annual meetings under the auspices of the Committee on Insurance, Securities and Non-Banking Supervisory Authorities (CISNA) in which harmonisation of the regulatory framework in the Southern African Development

Community (SADC) is a key component.

During the meeting, CISNA members reinforced the need for mutual cooperation in contributing to the sound regulation, effective supervision and rapid development of the financial services sectors in the region, in line with global best practices as set out by international institutions and standard setting bodies.

10.5.3 Supervisory College

Staff from the Authority's insurance supervision department participated in a Supervisory College hosted by the Financial Services Board of South Africa. The Supervisory College facilitates information exchange among insurance supervisors as it relates to common entities in the Eastern and Southern African regions. The participants in the college were drawn from Lesotho, Tanzania, Malaysia, Botswana, Namibia, Zambia and the hosts South Africa. The College reviewed the three South African insurance entities namely Liberty Holdings, Sanlam Limited and MMI Holdings Limited which have a footprint in many African Countries.

10.5.4 14th International Conference on Microinsurance

The International Conference on MicroInsurance is an annual event that draws participants from across the globe, under the support and leadership of the Munich Re Foundation. During the period under review, Zambia was selected to host the 14th International MicroInsurance Conference (IMC) in November 2018.

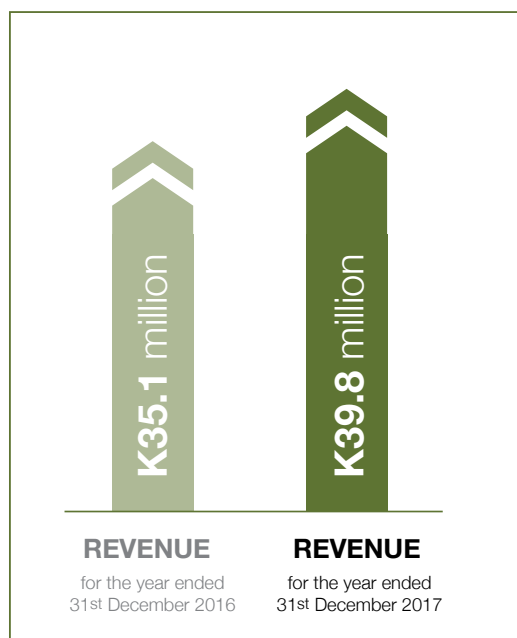
As a feature at every conference, one of the Authority staff participated in the 13th IMC that was held in Lima, Peru in November 2017, to present the motivation for Zambia as the host country for the 2018 conference.

■ 11.0 Authority's Financial Performance

The main source of revenue for the Authority is levies charged on the Pension and Insurance industry. Collection and computation of levy is prescribed by Statutory Instrument No. 100 of 2007(SI 100 of 2007) and in accordance with Section 29A of the Pension Scheme Regulation Act of 1996 (as amended).

The Authority recorded revenue amounting to K39.8 Million for the year ended 31st December 2017 (2016: K35.1 Million), representing 13% increment. The Increase in revenue was due to growth in net assets of pension funds and increase in insurance gross written premiums. The operational costs amounted to K31.8 Million (2016: K27.9 Million) accounting for 80% of total revenue.

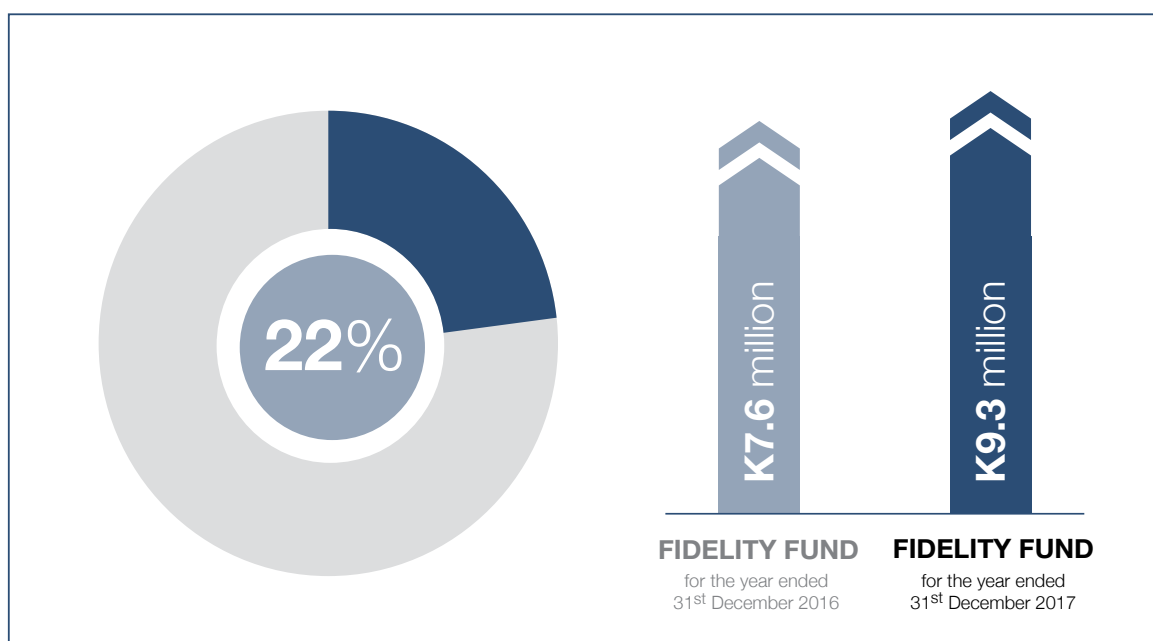
The Authority's total assets increased by 5% recording a total of K75.1 Million (2016: K71.8 Million).



■ 12.0 Fidelity Fund

The Fidelity Fund is established by the Insurance Act to indemnify policyholders and other persons interested in insurance policies that have been prejudiced by an insurer's inability to meet its liabilities. The fund is an accumulation of license fees and investment income. As at 31st December 2017, the value of the fund stood at K9.3 Million (2016: K7.6 Million) representing 22% increment.

In terms of Section 109 of the Insurance Act No. 27 of 1997 (as amended by the Act No.26 of 2005) the Minister is mandated to issue a Statutory Instrument for purpose of operationalising the Fidelity Fund. As at 31st December 2017, the Statutory Instrument had not yet been promulgated.



■ 13.0 Pensions Industry

Pension funds contribute to economic growth indirectly through the capital markets and investments made by fund managers.

Table 8 below shows the percentage of pension net assets to Zambia's Gross Domestic Product (GDP) for the period 2013 - 2017.

Table 8 : Net Assets vs GDP

Description (K'Million)	2017	2016	2015	2014	2013
Net Assets	7,003	5,797	5,664	4,997	4,417
GDP-Constant prices	134,998	129,515	125,003	121,457	116,007
Net Assets to GDP	5.2%	4.6%	4.5%	4.1%	3.8%

13.1 Performance of Pension Schemes

13.1.1 Industry Growth

The pension industry growth has continued to register a steady growth over the years. The Financial year 2017 registered an increase in pension net assets of 20.8% (2016: 5%). Graph 1 below shows the movement of pension industry net assets over a five-year period.

Graph 1: Net Assets (K'Millions)

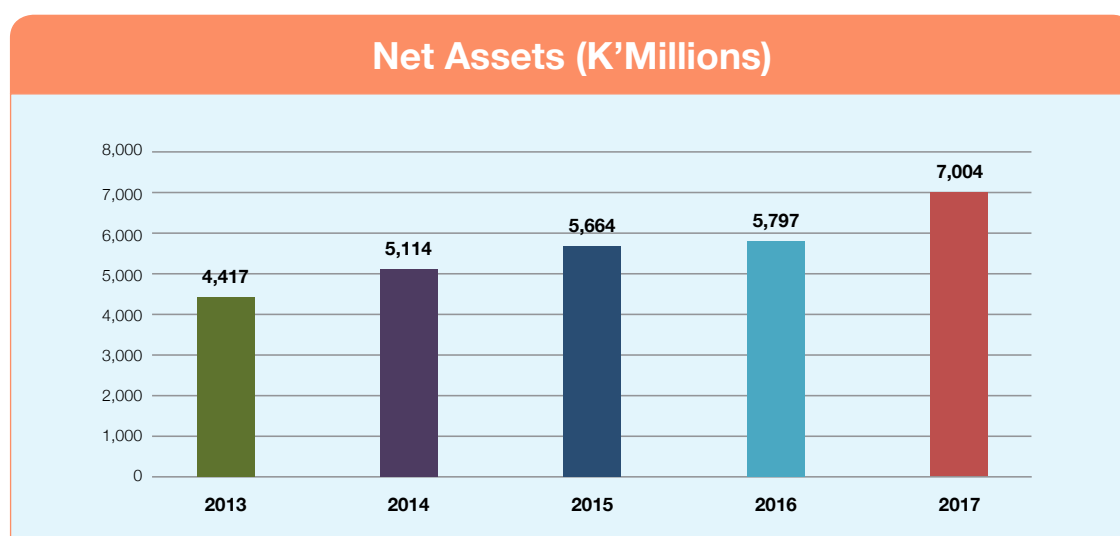


Table 10 below shows some of the biggest contributing schemes to the net asset growth in the financial year 2017.

Table 9: Pension Scheme Contribution to Net Assets

Scheme Name	2017 Net Assets	2016 Net Assets	Growth	% Growth	Comment
Saturnia Regna PTF	2,233,170,986	1,851,468,341	381,702,645	20.60	
KCM PTF	1,027,357,374	846,921,493	180,435,881	21.30	
Napsa Staff DC PTF	184,228,116	123,907,357	60,320,759	48.68	
ZSIC PTF	444,039,000	390,016,000	54,023,000	13.85	
Madison PTF	329,696,743	280,250,425	49,446,318	17.64	
Barclays PTF	344,291,635	297,496,483	46,795,152	15.73	
PSPF Staff PTF	12,231,957	0	12,231,957	100	First Submission
Health Sector GA PTF	16,325,932	0	16,325,932	100	First Submission

13.1.2 Return on Net Assets

Return on average net assets during the year under review was 17% (2016: 12%). The return of 17% on average net assets was well above the inflation rate of 6.1% therefore suggesting that the real value of the pension assets was maintained during the period under review.

The table below shows the return on average net assets against the inflation rate over a five (5) year period (2013 - 2017).

Table 10: Return of Net Assets Vs Inflation

	2017	2016	2015	2014	2013
Net Assets	6,945,467	5,797,855	5,664,549	4,997,253	3,573,907
Investment income	1,181,164	473,042	1,091,451	694,455	332,218
% Return	17%	8%	20%	15%	17%
Inflation	6.1%	7.5%	21.1%	7.9%	7.1%

13.2 Extracts from Financial Statements

Tables 11 below show the consolidated statement of changes in net assets and the statement of net assets of the pensions industry for the year ending 31 December 2017.

Table 11: Statement of Changes in Net Assets Available for Benefit

K	2017	2016	% change
OPENING NET ASSETS	5,797,855,607	5,664,549,427	2
INFLOWS			
Contributions	837,740,151	775,792,192	8
Transfers from other funds	19,078,554	30,096,720	-37
Deficit funding	-	1,577,000	-100
Interest	414,675,989	341,563,490	21
Rent	88,021,091	93,719,166	-6
Dividends	46,109,833	42,286,769	9.5
Foreign exchange gain	5,957,728	-109,964,771	105
Profit on Sale of investments	3,355,560	1,367,386	145
Other Income	106,071,161	63,665,256	66
Revaluation gain	4,188,342	137,535,336	-97
Change value of bonds	73,433,916	-13,599,577	640
Capital gains on equity	439,350,368	-87,530,321	602
Total Investment Income	1,181,163,988	473,042,735	150

K	2017	2016	% change
TOTAL INFLOWS	2,037,982,693	1,280,508,646	59
OUTFLOWS			
Pension paid	75,535,171	162,773,646	-54
Annuity funds	6,940,793	39,826,101	-82.5
Lump sum benefits	92,640,473	181,465,880	-49
Death benefits	12,403,187	14,802,959	-16
Refunds & withdrawals	447,977,257	476,805,789	-6
Transfer to other funds	1,095,358	5,106,059	-80
TOTAL BENEFITS OUT	636,592,239	880,780,433	-27.7
Expenditure			
Investment management fees	86,608,993	76,018,290	14
Administration fees	52,846,658	27,519,565	93
Administrative Expenses	96,152,279	121,863,541	-21
Income Tax etc.	21,768,810	15,497,930	45
Total Expenditure	257,376,740	240,899,326	6.6
Total claims plus expenses	893,968,979	1,121,679,759	-20
Net surplus/(deficit)	1,144,013,714	158,828,887	620
CLOSING NET ASSETS	7,003,713,329	5,797,855,607	20.8

Table 12: Statement of Net Assets Available for Benefits

	2017	2016	% change
Assets	K	K	
Fixed Assets	1,124,862	18,689,303	-94
GRZ bonds	950,927,619	1,059,122,127	-10
Other long-term to maturity securities	391,119,534	560,306,893	-30
Equities-Listed	2,357,609,979	1,083,156,735	117.6
Equities-unlisted	655,985,234	835,659,103	-21.5
Insurance policies	(-)	48,268,747	-100
other Investments	443,730,076	474,879,831	-6.5
Property	1,499,056,236	1,449,976,941	3.4
Total non-current assets	6,299,553,540	5,530,059,680	14
Treasury bills	61,622,594	18,800,334	227.7
Other short term securities	271,761,592	445,653,053	-39
Fixed Cash deposits	526,457,537	166,989,403	215
Cash at Bank	294,586,162	147,296,383	99.99
Interest Receivable	33,313,527	25,456,977	32
Contributions Receivables	284,015,769	251,774,680	13
Other current assets	51,843,344	70,095,815	-26
Total Current assets	1,523,600,524	1,126,066,644	35
Total Assets	7,823,154,064	6,656,126,324	17.50
LIABILITIES			
Long-term liabilities	-	-	-
Pension & death benefits	453,127,810	521,257,816	-13
Other current liabilities	366,312,925	337,012,900	8.6
Total Liabilities	819,440,734	858,270,717	-4.5
Net Assets	7,003,713,329	5,797,855,607	20.8
MEMBERS FUNDS			
Members' Fund at start (restated)	5,797,855,607	5,664,549,427	2
Increase/(decrease) in net assets	1,126,137,453	158,828,887	608
Reserves	79,720,269	25,522,707	212
Members' Fund - closing balance	7,003,713,329	5,797,855,607	20.8

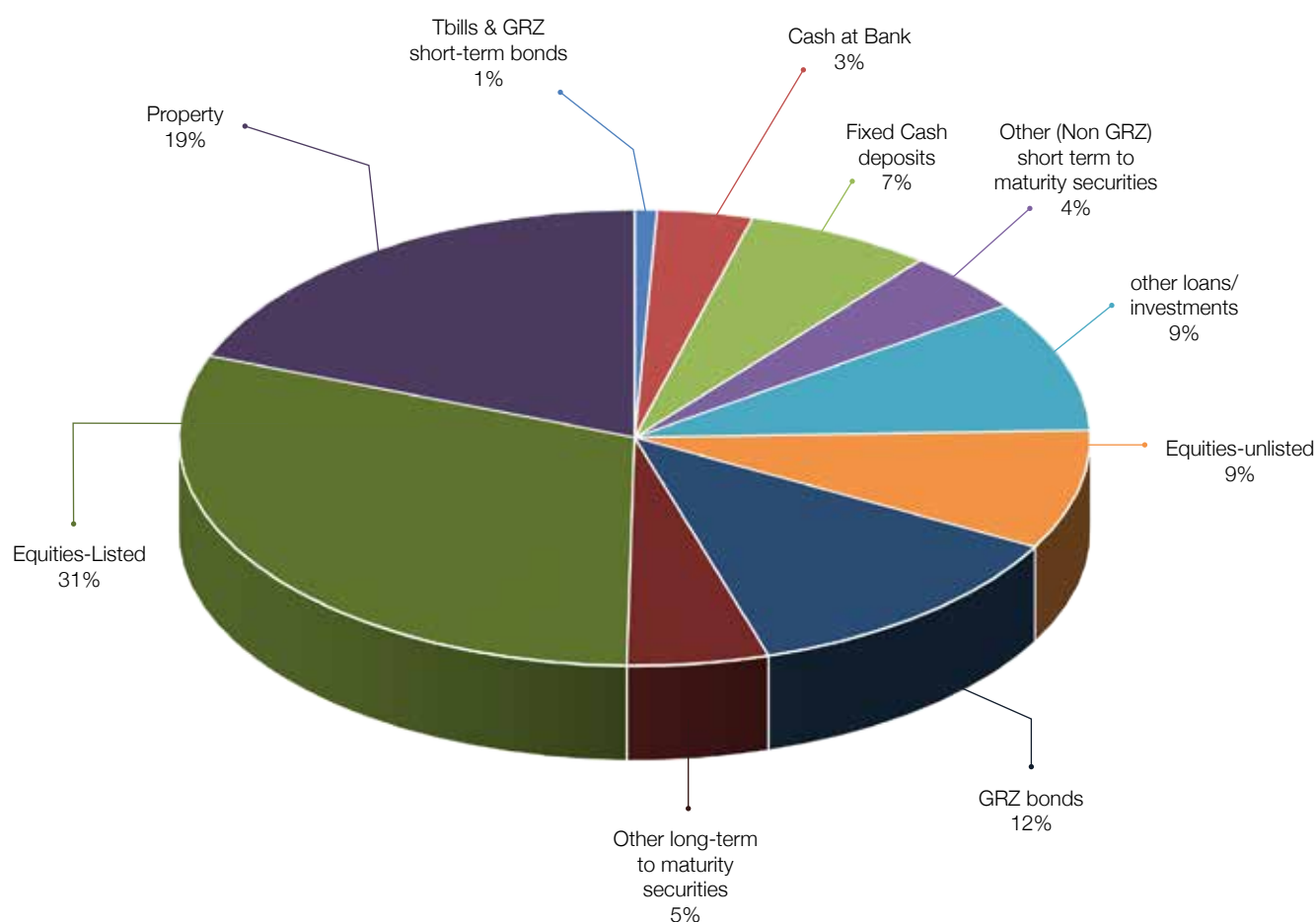
13.3 Investments

13.3.1 Investments

Total assets employed for investment purposes increased from K6,656 million in 2016 to K7,823 million in 2017 representing an increase by 17.5% (2016: 3%). The spread of investments during the financial year 2017 were on average compliant to Statutory Instrument No. 141 of 2011 (Investment Guidelines).

Chart 1 below shows the various instruments in which pensions funds were invested as at 31st December 2017.

Chart 1: Investment Spread as at 31st December 2017



13.3.2 Listed Equity

The market value of tradable equity held by pension schemes increased to K2,357 million from K1,083 in 2016 representing 117.6% increase. Dividends received increased by 9.5% from K42 million (2016) to K46 million in 2017.

13.3.3 Unlisted Equity

Investments in this category reduced to K655.985 million in 2017 (2016: K835.659 million) representing 21.5% decrease.

13.3.4 Investment Properties

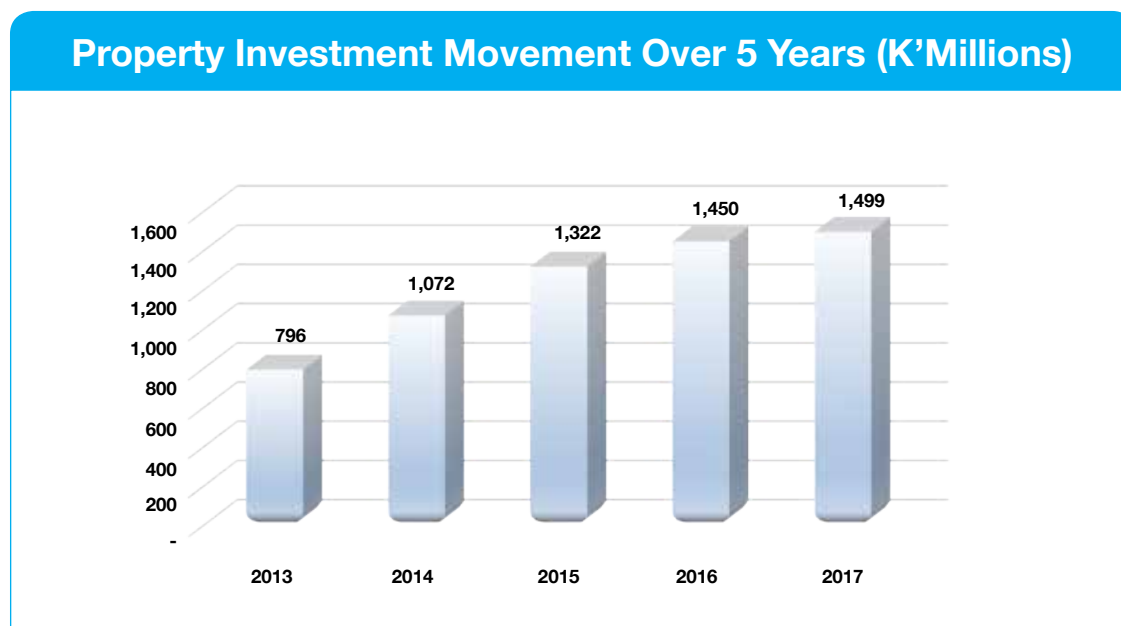
The value of investments in property increased to K1,499 million (2016: K1,450 million) representing a 3.4% increase. Rental income reduced to K88 million in 2017 (2016: K93 million) representing a 6% reduction. Revaluations on property also reduced to K4 million (2016: K137.50 million representing a 97% decrease).

Table 13: Property Revaluations Movement

Scheme Name	2017	2016	Difference	% Change
Saturnia Regna PTF	8,301,881	74,519,065	66,217,184	-89
Mukuba DB PTF	4,923,000	23,880,000	18,957,000	-79
Kwacha PTF	(30,835,215)	12,835,215	(18,000,000)	-140

Graph 2 below shows the trend of property investments for the five year period (2013 - 2017).

Graph 2: Property Investment Movement



13.4 Pension Contributions

Pension contributions by members and employers increased to K837.74 million (2016: K775.792 million) representing an 8% increase.

Unremitted contributions increased by 13% to K284 million (2016: K252 million). Further analysis on these unremitted contributions shows that they were on average within the one-month period as stipulated under the Pension Scheme Regulations Act.

13.5 Outstanding Pension and Death Benefits

Outstanding pension and death benefits reduced to K453 million (2016: K521 million) representing an 13% decrease. Other liabilities increased to K366 million in 2017 from K337 million in 2016.

13.6 Withdrawal Claims

During the year under review, refunds on accounts of withdrawal claims reduced to K447.977 million in 2017 from K476.805 million in 2016 representing a 6% decrease.

13.7 Market Share

Charts 2 and 3 below show the market share of registered pension service providers for the year 2017 in proportion to the pension industry net assets of schemes.

Chart 2: Fund Administrators' and Self Managed Schemes Market Share in terms of Administered Schemes' Net Assets

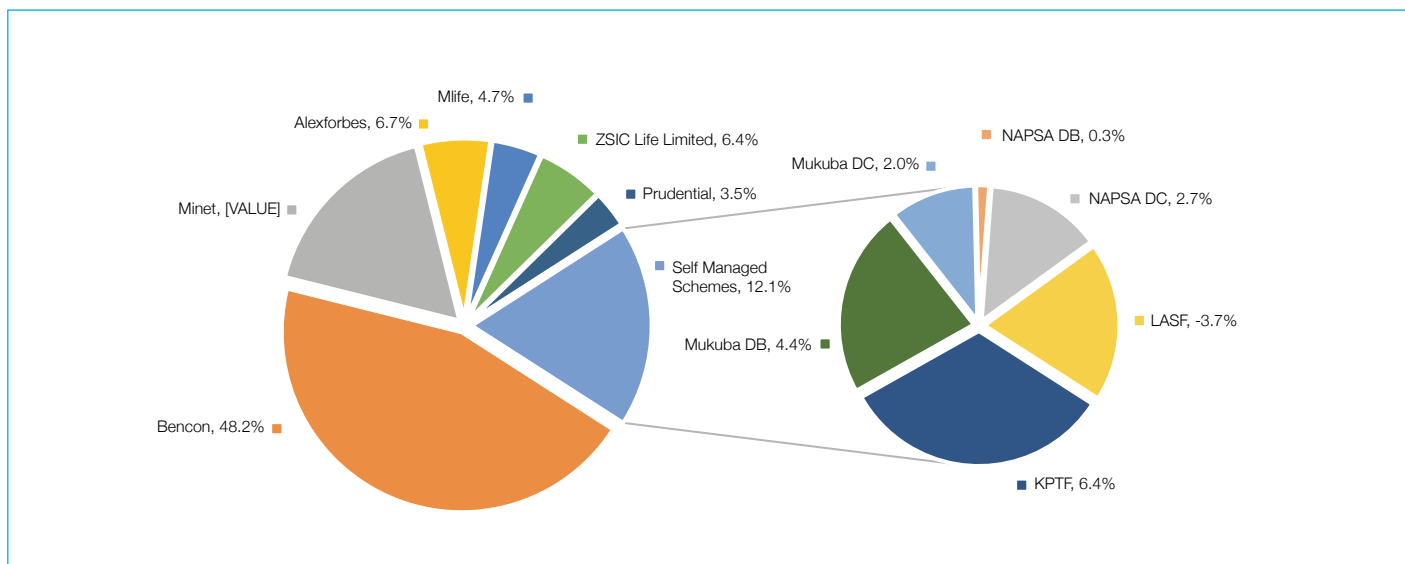
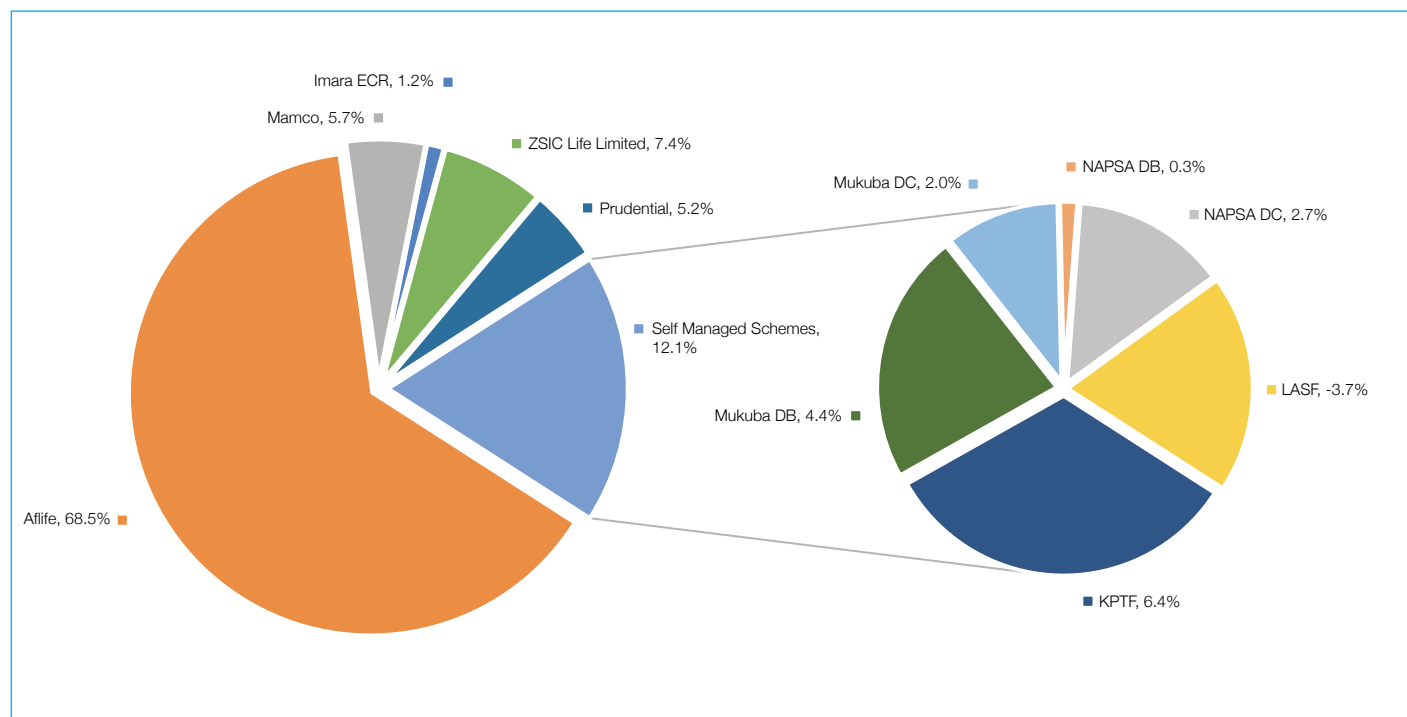


Chart 3: Fund Managers' Market Share in term of Managed Schemes Net Assets



Key: Aflife-African Life Financial Services (Z) Limited
 Alexforbes-Alexander Forbes Financial Services Limited
 Minet-Minet Consulting Zambia Limited (formally AON)
 Bencon-Benefits Consulting Services Limited
 MAMCO-Madison Asset Management Company Limited
 IMARA ECR Asset Management Limited-IMARA Equity Capital Resources Limited
 Mlife-Madison Life Insurance Company Zambia Limited
 Prudential-Prudential Pensions Management Zambia Limited
 ZSIC Life-Zambia State Insurance Corporation (Life) Limited

■ 14.0 Insurance Industry

14.1 Performance of Insurance Industry

The insurance industry recorded an overall increase of 12% in terms of Gross Written Premium (GWP) turnover during the year ended 31st December 2017. In quantum, GWP increased to K 2,752 million from K 2,453 million recorded in 2016. The Insurance Penetration Ratio (GWP to GDP ratio) stood at 2.04% in 2017 compared to 1.9% in 2016.

Graph 3: Long-term and General Insurance Gross Written Premium Growth 2013-2017 (K ‘millions)

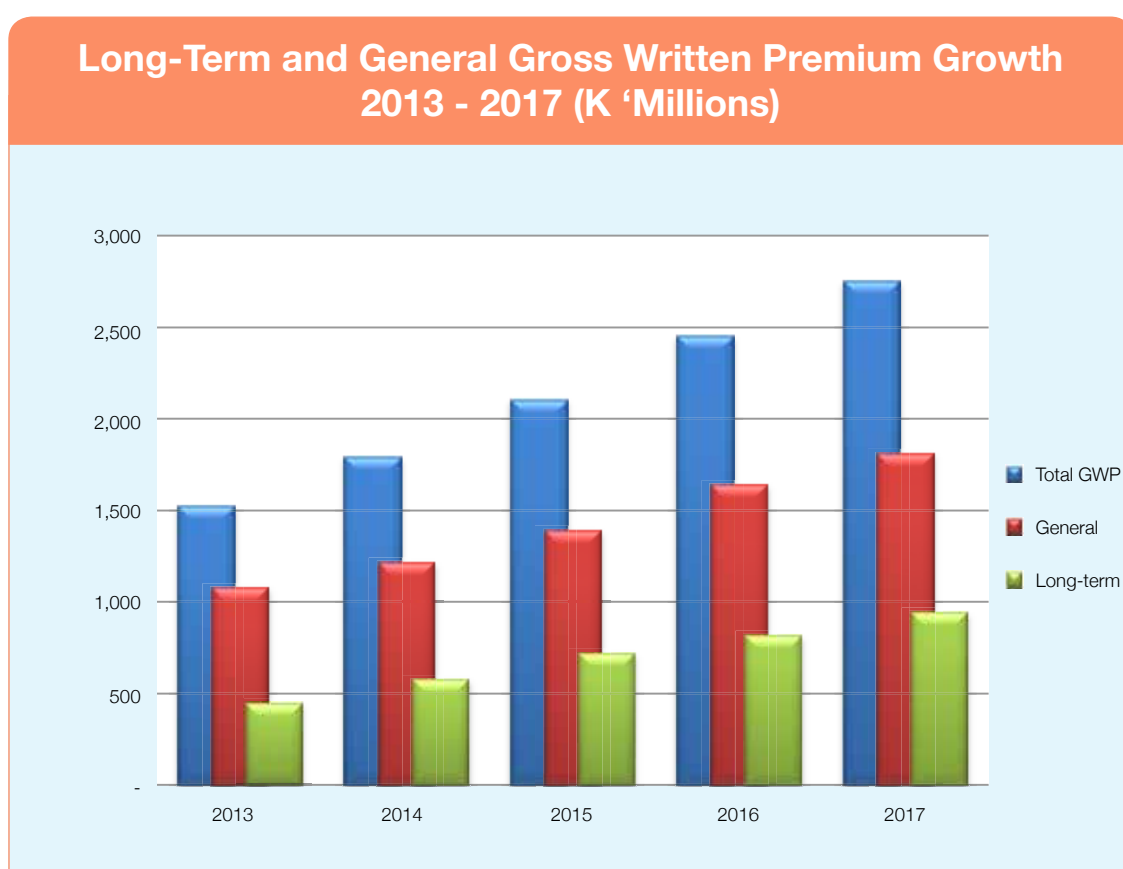


Table 14: GWP Growth Rate, GWP to GDP Ratio

Year	2017	2016 (Restated)	2015	2014	2013
Gross Written Premium	2,752	2,455	2,107	1,792	1,523
GDP (Constant)	134,998	129,516	125,003	121,457	116,007
Annual GWP Growth	12%	17%	15%	17%	7%
Annual GDP Growth	5.0%	3.8%	2.9%	4.7%	5.1%
GWP/GDP (Penetration Ratio)	2.04%	1.90%	1.69%	1.48%	1.31%

This growth is further analysed into general insurance business and long-term business in GWP terms. General insurance business grew from K1,639.71 million in 2016 to K1,810.32 million in 2017 whereas long-term insurance increased from K815.17 million in 2016 to K941.59 million in 2017.

The insurance industry recorded a 2% decrease in net claims and benefits incurred to K710 million in the year under review (K724 million recorded in 2016). General insurance accounted for 49% of total claims in 2017 (53 % in 2016).

Profit before tax increased by 342% from K39.1 million in 2016 to K173 million in the year under review.

14.2 Employment Statistics

The insurance companies in the industry employed 2,910 people during 2017 (2,876:2016) representing a 1.2% increase.

Table 15 below gives a breakdown on the industry employment statistics.

Table 15: Industry Employment Statistics

Occupancy Category	2017				2016			
	Male	Female	Male	Female	Male	Female	Male	Female
	Z	NZ	Z	NZ	Z	NZ	Z	NZ
1. Legislators, Senior Officials and Managers	197	25	61	3	193	23	63	3
2. Professionals	107	0	72	2	108	0	69	1
3. Technicians and Associate Professionals	225	4	173	1	236	1	183	1
4. Clerks	231	0	227	1	229	0	239	1
5. Service Workers and Shop and Market Sales Workers	729	0	539	0	708	0	524	0
6. Skilled Agricultural and Shop Fisheries Workers	3	0	0	0	2	0	0	0
7. Craft and Related Trade Workers	7	0	0	0	0	0	0	0
8. Plant and Machine Operators and Assemblers	0	0	0	0	0	0	0	0
9. Elementary Occupations	5	0	0	0	5	0	0	0
10. Temporary Employees	62	0	43	0	65	0	47	0
11. Other	59	1	103	0	62	1	112	0
Total	1,655	30	1,218	7	1,608	25	1,237	6
Grand Total	2,910				2,876			

14.3 General Insurance

This section outlines the performance of the general insurance industry. The data was captured from the latest audited financial statements of general insurance companies as at 31st December 2017.

Table 16: General Insurance Abbreviated Comprehensive Statement of Income

GENERAL INSURANCE - INDUSTRY ABBREVIATED COMPREHESIVE STATEMENT OF INCOME

	31-Dec-17	31-Dec-16	
Gross Written Premium	1,797,317,605	1,639,711,174	10%
Premium Ceded	-890,534,458	-728,029,034	22%
Net Premium	906,783,147	911,682,140	-1%
Investment Income	36,472,861	24,416,350	49%
Other Income	76,330,545	12,813,733	496%
Reinsurance Commission	94,532,214	65,012,608	45%
Net Income	1,114,118,767	1,013,924,831	10%
Net Claims Paid	-334,314,540	-381,013,666	-12%
Acquisition Costs	-122,289,142	-101,906,682	20%
Management & Operation Expenses	-556,567,983	-503,030,604	11%
Net Expenses	-1,013,171,665	-985,950,952	3%
Unearned Premium Movement	-571,987	-21,529,100	-97%
Fair Value adjustments on Investments	12,759,988	9,433,123	35%
Exchange Losses	1,753,698	-2,393,216	-173%
Profit Before tax	114,888,801	13,484,686	752%
Taxation	-23,455,569	-20,930,068	12%
Profit After Tax	91,433,232	-7,445,382	-1328%

14.3.1 Premium Income

The GWP income for general insurance business increased by 10% to K1, 810 million during the year under review from K1, 639 million recorded in 2016.

This business, however, recorded net premium of K922 million in 2017 (K912million:2016) after ceding K888 million in 2017 and K728 million in 2016 representing a 22% increment. The business recorded a retention ratio of 51% in 2017 and 56% in 2016.

14.3.2 Claims Paid

General insurers incurred K347 million in net claims in 2017 compared to K381 million the previous year, representing a decrease of 9%.

Table 17: General Insurance-Industry Aggregate Abbreviated Statement of Financial Position

GENERAL INSURANCE - INDUSTRY ABBREVIATED STATEMENT OF FINANCIAL POSITION

ASSETS	31-Dec-16	31-Dec-15	Change
PPE, Deferred/Current Tax & Prepayments	311,114,434	244,857,993	27%
Investments	154,032,205	123,913,615	24%
Reinsurance Receivables	318,490,287	129,390,370	146%
Receivables - Policy Holders	461,122,686	610,213,369	-24%
Other Assets & Receivables	324,847,124	217,060,044	50%
Cash & Bank Balances	283,082,993	189,188,021	50%
Total Assets	1,852,689,729	1,514,623,412	22%
CAPITAL & RESERVES		398,124,408	
Share Capital	218,159,682	137,728,661	58%
Share Premium	25,352,214	15,821,465	60%
Retained Profits & Reserves	53,359,060	-4,376,134	-1319%
Total Capital & Reserves	296,870,956	149,173,992	99%
LIABILITIES			
Technical Provisions (IBNR, UPR)	483,856,601	386,944,715	25%
Outstanding Claims	314,850,166	242,328,247	30%
Reinsurance Payables	317,303,466	243,757,678	30%
Other Payables	418,619,541	295,003,086	42%
Total Liabilities	1,534,629,774	1,168,033,726	31%
Total Equity & Liabilities	1,831,500,730	1,317,207,718	39%

14.3.3 Assets

Total assets increased to K1,854 million from K1,514 million in 2016 representing a 22% increase in 2017.

14.3.4 Equity

Analysis revealed that total equity increased by 99% from K149 million in 2016 to K296 million in 2017. This could be attributed to the rise in the minimum capital requirement to K10 million and K12 million for general insurers and long-term insurers respectively.

14.4 General Insurance-Performance Analysis

14.4.1 Expenses Ratio

The expense ratio measures an insurance company's efficiency before factoring in claims on its policies and investment gains or losses. The ratio stood at 59.8% in 2017 (2016: 55.2%) of net written premium. The ratio increased by 4.6% during the year compared to a drop of 6.7% in 2016.

14.4.2 Claims Ratio

This ratio measures net claims paid against net premium written. The ratio has been relatively stable over the past three years and stood at 37.7% of net written premium in 2017 (2016:41.8%).

14.4.3 Commission Ratio

This ratio measures the business acquisition costs

(commissions paid to intermediaries) incurred. The ratio stood at 13.4% in 2017 compared with 11.2% in 2016. The ratio has remained stable over the past three years.

14.4.4 Combined Ratio

This ratio measures the profitability of insurance companies to indicate how well they are performing in their daily operations. The ratio is typically expressed as a percentage. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying out more money in claims than it is receiving from premiums.

The ratio stood at 110.8% in 2017 (2016: 108.1% and 2015: 101.2%) an indication that insurers were generally not managing their expenses well in the three years without relying on investment income.

14.4.5 Profit Margin Ratio

Profit margin increased to 6.3% in the year under review from 0.8 % recorded in 2016. Profit before tax increased by 745% to K114 million in 2017 from K13.4 million in 2016.

14.4.6 Return on Capital Employed

Return on capital employed is a financial ratio that measures a company's profitability and the efficiency with which its capital or shareholders' funds is utilised.

The ratio increased from 9.0% in 2016 to 38.4% in 2017. The ratios indicate that the general insurance market was generally efficient in generating profits.

Table 18: General Insurance Key Performance Ratios

2017 GENERAL INSURANCE KEY PERFORMANCE RATIOS

PROFITABILITY RATIOS:	31-Dec-17	31-Dec-16	31-Dec-15
		(Restated)	
1. Expenses Ratio = Operational Expenses/Net Premium	59.8%	55.2%	48.5%
2. Claims Ratio = Claims Incurred/Net Premium	37.7%	41.8%	42.1%
3. Commission Ratio = Acquisition Costs/Net Premium	13.4%	11.2%	10.6%
4. Combined Ratio = Expenses Ratio + Claims Ratio + Com. Ratio	110.8%	108.1%	101.2%
5. Profit Margin Ratio = PBIT/Gross Written Premium	6.3%	0.8%	7.1%
6. Return of Capital = PBIT/Equity	38.4%	9.0%	60.8%
INDUSTRY GROWTH RATIO			
7. Annual Market Growth	10%	18%	14.0%

14.5 Long-term Insurance

This section outlines the performance of the long-term insurance industry during the period under review. Comparative data for the year 2017 and 2016 is analysed and reviewed.

Table 19: Long-term Insurance - Industry Abbreviated Comprehensive Statement Of Income

LONG TERM INSURANCE - INDUSTRY ABBREVIATED COMPREHESIVE STATEMENT OF INCOME

	31-Dec-17	31-Dec-16	
Gross Premium received	941,589,995	815,167,927	16%
Premium Ceded	-171,451,931	-186,795,300	-8%
Net Premium Received	770,138,064	628,372,627	23%
Investment & Other Income	191,516,425	195,114,644	-2%
Fee Income	23,172,318	29,024,338	-20%
Reinsurance Commission	16,626,112	22,040,275	-25%
Net Income	1,001,452,919	874,551,884	15%
Net Insurance Benefits & Claims	-362,072,184	-343,905,966	5%
Acquisition Expenses	-136,184,310	-101,936,500	34%
Management & Operation Expenses	-336,408,407	-325,052,644	3%
Net Expenses	-834,664,901	-770,895,110	8%
Long term Fund Movement	-94,547,727	-63,056,696	50%
Fair Value Adjustments on Investments	7,000,443	748,259	836%
Exchange losses & other Expenses	-20,287,064	-15,678,534	29%
Profit Before Tax	58,953,670	25,669,803	130%
Taxation	-7,412,018	-982,336	655%
Profit After Tax	51,541,652	24,687,467	109%

14.5.1 Premium Income

The GWP income for long-term insurers grew by 16% from K 815.1 million recorded in 2016 to K941.5million in the year under review.

This business however recorded net premium of K770 million in 2017 (K628.3million:2016) after ceding K171.4 million in 2017 and K186.7 million representing an 8% decrease.

14.5.2 Benefits

Long-term insurers paid K362 million during the year under review in net benefits compared with K344 million in 2016. Insurance benefits and claims increased by 5% in the year under review.

14.5.3 Assets

Total assets in 2017 increased to K1, 430 million from K1, 302 million in 2016, posting a 10% growth. Net assets increased from K197 million in 2016 to K254 million in 2017, representing a 29% increase.

14.5.4 Equity

Analysis revealed that total equity increased by 29% from K197 million in 2016 to K254 million in 2017. This could be attributed to the increase of the regulatory minimum capital requirement. Retained profits increased by 95% from K21 million in 2016 to K42 million during the year.

Table 20: Long-Term Insurance Industry Aggregate Summarised Statement of Financial Position

LONG TERM INSURANCE - INDUSTRY ABBREVIATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31-Dec-17	31-Dec-16	
Property, Plant & Equipment		89,554,290	90,080,275	-1%
Intangible Assets		10,257,607	13,561,418	-24%
Deferred Acquisition Costs		1,278,247	1,242,609	3%
Deferred Tax		18,116,908	13,079,366	39%
Investments		621,178,355	571,192,487	9%
Reinsurance Receivables		10,412,665	20,908,863	-50%
Receivables - Policy Holders		111,434,575	106,135,411	5%
Other Receivables		233,024,931	228,805,153	2%
Cash & Bank Balances		335,111,483	257,919,058	30%
Total Assets		1,430,369,061	1,302,924,640	10%
CAPITAL & RESERVES				
Share Capital		110,841,235	79,641,235	39%
Share Premium		65,454,532	58,654,532	11.6%
Capital Contributions		6,842,827	12,679,659	-46%
Retained Profits		41,482,775	21,283,626	95%
Revaluation Reserves		29,215,887	24,796,185	18%
Total Capital & Reserves		253,837,256	197,055,237	29%
LIABILITIES				
Life Assurance Fund		744,028,376	706,649,113	5%
Outstanding Claims		216,633,926	171,083,170	27%
Other Payables		213,147,641	225,046,693	-5%
Finance Lease & Overdraft		2,692,862	3,089,426	-13%
Total Liabilities		1,176,502,805	1,105,868,402	6%
Total Equity & Liabilities		1,430,340,061	1,302,923,639	10%

14.6 Long Term Insurance Performance Analysis

14.6.1 Expenses Ratio

The expenses ratio stood at 43.7% in 2017 (2016: 37.2% and 2015: 37.2%). The ratio has been relatively stable for the past three years.

14.6.2 Claims Ratio

The ratio measures net claims (benefits) paid against net insurance premiums. The ratio has been within the same range over the years. It stood at 47%, 54.7% and 47.4 % of net written premium in 2017, 2016 and 2015 respectively.

14.6.3 Commission Ratio

The ratio measures the business acquisition costs (commissions paid to intermediaries) incurred by long-term insurers. The ratio stood at 17.7% in 2017, 16.2% in 2016 compared with 15.6% in 2015. The ratio has been marginally increasing over the last three years.

14.6.4 Combined Ratio

This is the sum of the three ratios above and should ideally be below 100 %. The combined ratio stood at 108.4% in 2016, 122.7 % in 2015 and 100.3% in 2015. The 2017 ration revealed that insurers were not able to cover their expenses in the year under review without relying on investment income.

14.6.5 Profit Margin Ratio

Profit before tax increased by 130 % to K60.0 million in 2017 from K25.7 million in 2016. Profit margin increased from 3.1% in 2016 to 6.3% in 2017 (14.9%:2015).

14.6.6 Return on Capital Employed

The ratio measures the income returned as a percentage of shareholders' equity. The return on capital increased to 23.2% in 2017 from 13.0% in 2016. The ratios in both years show that the life market was efficient in generating profits.

Table 21: Analysis of Key Performance Ratios

2017 LONG TERM INSURANCE KEY PERFORMANCE RATIOS

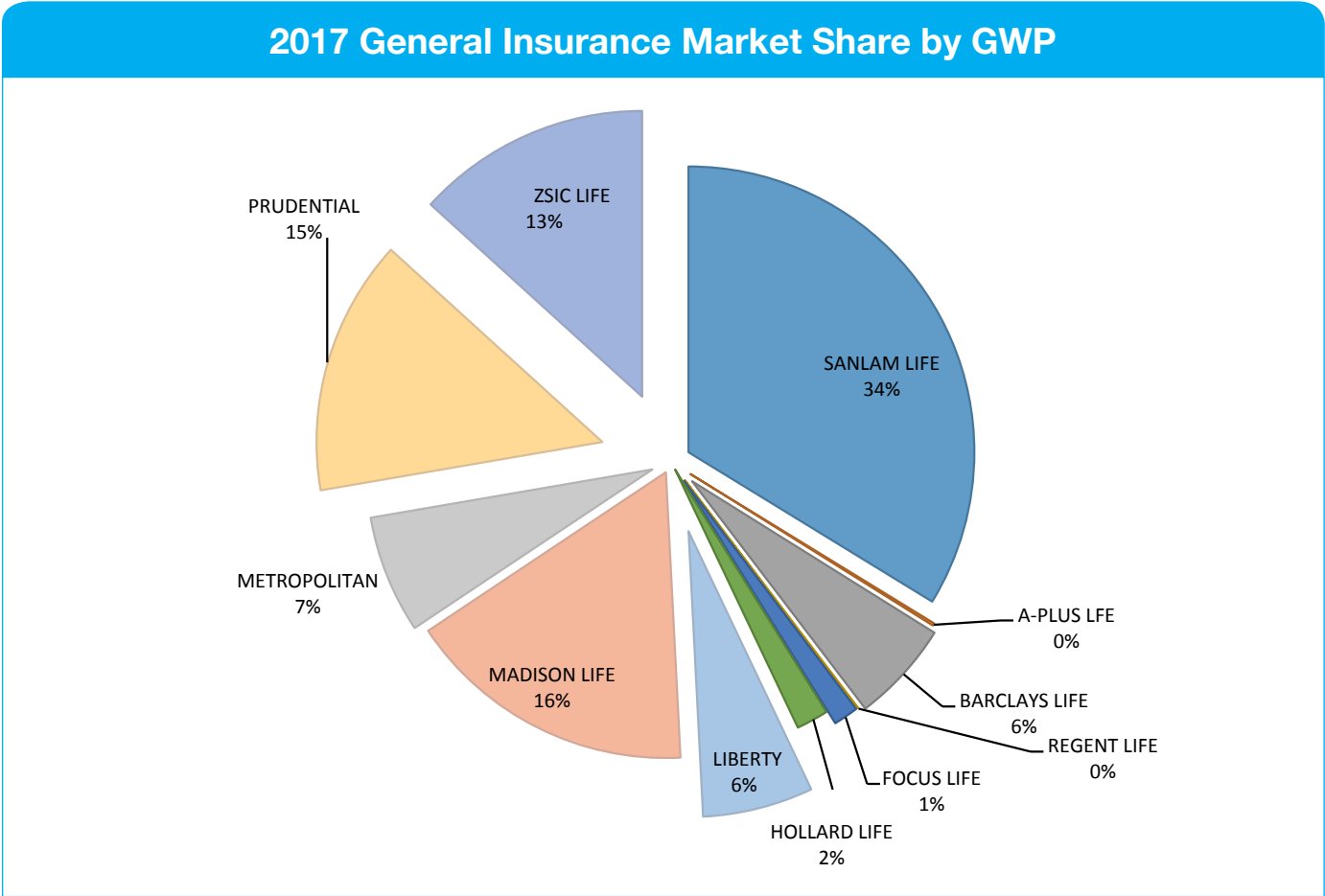
PROFITABILITY RATIOS:	31-Dec-17	31-Dec-16	31-Dec-15
1. Expenses Ratio = Operational Expenses/Net Premium	43.7%	51.7%	37.2%
2. Claims Ratio = Claims Incurred/Net Premium	47.0%	54.7%	47.4%
3. Commission Ratio = Acquisition Costs/Net Premium	17.7%	16.2%	15.6%
4. Combined Ratio = Expenses Ratio + Claims Ratio + Com. Ratio	108.4%	122.7%	100.3%
5. Profit Margin Ratio = PBIT/Gross Written Premium	6.3%	3.1%	14.9%
6. Return of Capital = PBIT/Equity	23.2%	13.0%	62.0%
INDUSTRY GROWTH RATIO			
7. Annual Market Growth	16%	14%	25%

14.7 Insurance Market Share

14.7.1 General Insurance Market Share

The graph below shows the general insurance market share. Professional Insurance Corporation Zambia Limited (PICZ) led the GWP market share with 23% in the year under review followed by, Madison General 14%, ZSIC General Insurance with 13.8% and NICO General Insurance with 13%. Hollard General Insurance and Mayfair General Insurance accounted for 7.4% and 5.5% respectively. The four largest general insurers accounted for 63.8% of the GWP market share in 2017 (2016: 63%).

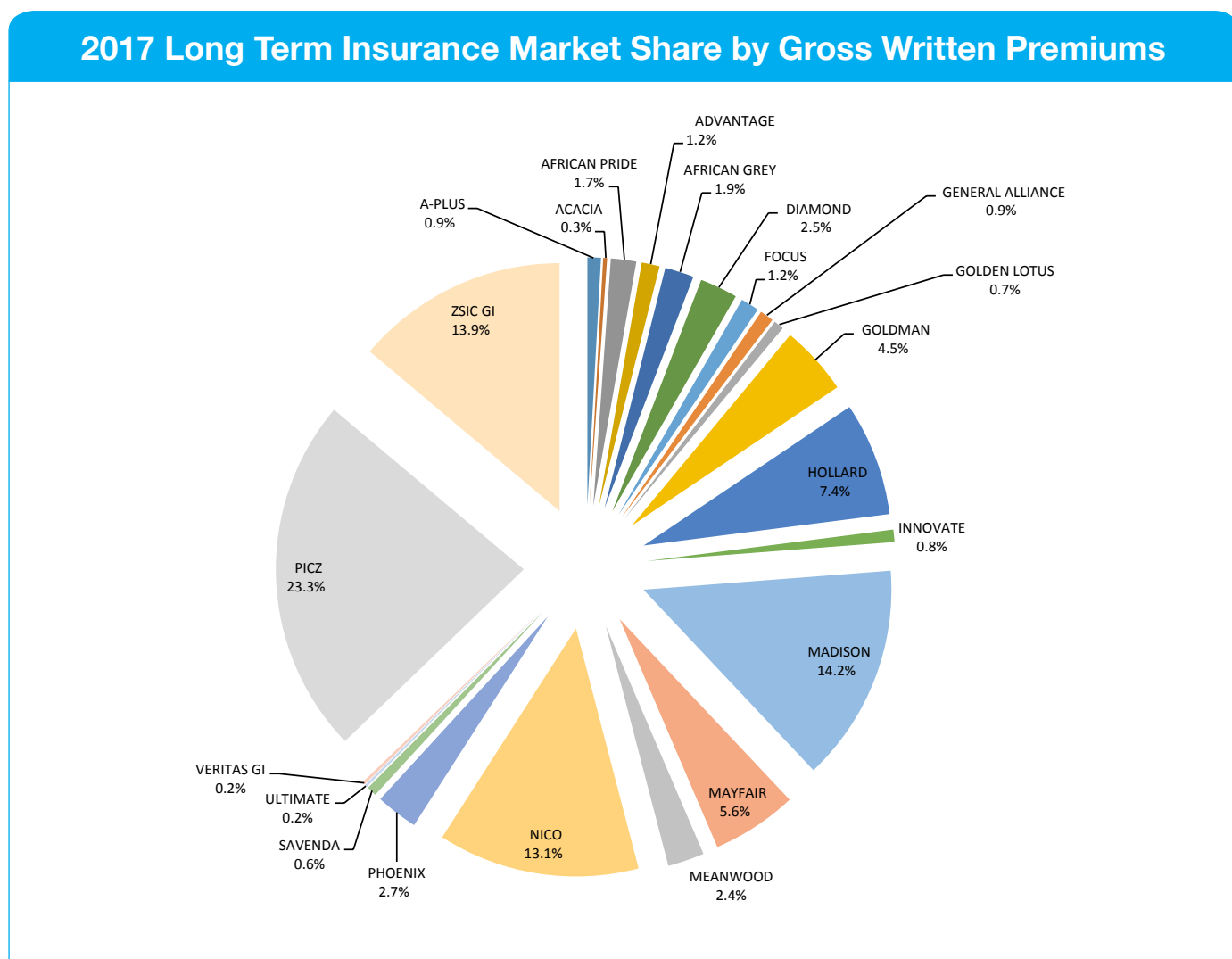
Chart 4: 2015 General Insurance Market Share by Gross Written Premium



14.7.2 Long-term Insurance Market Share

The graph below shows the long-term insurance market share. Sanlam Life led the GWP market share with 34% in the year under review followed by Madison Life with 16% and Prudential Life. ZSIC Life at followed with 13%, Metropolitan Life with 7%, Liberty and Barclays Life at 6%, Focus Life and Hollard Life at 2% and Focus Life at 1%. A Plus Life and Regent Life market shares were negligible.

Graph 5: Long-term Insurance Market Share



■ 15.0 Reinsurance

15.1 Reinsurance Operating Results

Reinsurance business in terms of GWP dropped by 0.1% to K70 million in 2017 from K71 million in 2016. Retrocession premium ceded reduced by 13% in the year under review from K 25 million to K22 million in 2016.

The share of local reinsurance premium was 7% of the total written premium in the year under review compared with 8% in 2016.

Profit before tax increased by 3036% to K6 million in 2017 from K0.19 million in 2016.

Table 22: 2016 Reinsurance-Abbreviated Statement of Comprehensive Income

REINSURANCE - AGREGATTE ABBREVIATED COMPREHESIVE STATEMENT OF INCOME

Year	2017	2016	Change
	ZMW	ZMW	
Gross Reinsurance Premiums	70,938,869	71,034,346	-0.1%
Retrocession Premiums - ceded	(22,278,001)	(25,517,665)	-13%
Net Reinsurance Premium Income	48,660,867	45,516,680	7%
Retrocession Commissions - received	6,474,797	6,482,509	0%
Unearned Premium Movement	(1,306,438)	4,276,740	-131%
Net Earned Premiums	53,829,226	56,275,929	-4%
Net Reinsurance Claims	(10,818,316)	(16,572,695)	-35%
Net Commission / Acquisition Costs	(19,504,712)	(19,669,693)	-1%
Operating Expenses	(23,667,304)	(22,449,451)	5%
Operating Surplus / (Deficit)	(161,105)	(2,415,909)	-93%
Other Income, Revaluation & Exchange Gains	6,203,199	2,608,587	138%
Profit Before Tax	6,042,094	192,678	3036%
Taxation Credit	(3,093,468)	760,695	-507%
Profit After Tax	2,948,626	953,373	209%
	53,829,226		

15.2 Reinsurance Financial Position

Total assets increased by 26% to K106 million in 2017 from K83 million in 2016. The consolidated statement of financial position is provided in table 23 below:

Table 23: 2016 Reinsurance Industry Abbreviated Statement of Financial Position

REINSURERS' SUMMARY STATEMENT OF FINANCIAL POSITION

Year	2017	2016	Change
	ZMW	ZMW	
PPE, Deferred/Current Tax & Prepayments	17,641,012	14,976,831	17.8%
Investments	2,791,076	2,251,615	24%
Retrocession Receivables	-	429,532	-100%
Premium Receivables	13,438,743	14,509,376	-7%
Other Receivables	40,070,005	28,082,997	43%
Cash & Bank Balances	31,786,715	23,404,966	36%
Total Assets	105,727,551	83,655,317	26%
EQUITY AND LIABILITIES			
Share Capital	50,000,000	33,000,000	52%
Share Premium	2,530,642	3,143,064	-19%
Retained Profits & Revaluation Reserves	15,218,391	14,719,444	3%
Total Equity	67,749,033	50,862,508	33%
Unearned Premium Reserve	9,842,741	8,536,303	15%
Reinsurance Payables	7,386,908	7,833,306	-6%
Other Payables	16,233,200	7,827,843	107%
Outstanding Claims	4,515,669	7,513,316	-40%
Total Liabilities	37,978,518	31,710,768	20%
Total Equity & Liabilities	105,727,551	82,573,276	28%

■ Appendices

Appendix 1

Membership Statistics for 2017

	Name of Pension Scheme	Actives	Deferred	Pensioners	Total
1	Access Bank Zambia Pension Scheme	110	0	0	110
2	Africa 53 Pension Scheme	763	0	0	763
3	ECOBANK Pension Scheme	117	0	0	117
4	Barclays Bank of Zambia Pension Scheme	1,836	0	0	1,836
5	Buyantashi Pension Trust Fund	2,844	2	0	2,846
6	Cavmont Bank Limited Pension Trust Scheme	242	7	0	249
7	CEC PENSION TRUST SCHEME	416	12	0	428
8	Airtel Zambia Staff Pension Fund	361	0	0	361
9	CITI BANK Pension Trust Scheme	45	1	0	46
10	Deloitte & Touch Pension Scheme	109	33	0	142
11	Diamond General Insurance Pension Schemes	24	0	0	24
12	Examination Council of Zambia Pension Scheme	138	0	0	138
13	Finance Bank Pension Trust Scheme	374	0	0	374
14	Game Store Pension Trust Scheme	271	0	0	271
15	Golden Sunset Pension Fund	158	0	0	158
16	Health Sector Grant Aided Institutions Pension Scheme	480	0	0	480
17	Indeni Pension Trust DC	338	0	0	338
18	Konkola Copper Mines Pension Scheme	6,135	1,368	0	7,503
19	Kwacha Pension Trust Fund	235	17	341	593
20	Lafarge Cement Zambia Plc Pension Trust Scheme	378	3	0	381
21	Local Authorities Superannuation Fund	4,081	0	11,638	15,719
22	Lubambe Copper Mine Employee Pension Fund	1,142	0	0	1,142
23	Lunsenfwa Hydro Power Company Pension Trust Scheme	43	0	0	43
24	Lusaka Trust Hospital Pension Scheme Trust	98	0	0	98
25	Madison Pension Trust Fund	3,720	3,372	41	7,133
26	Motor Mart Group Pension Scheme	169	60	0	229
27	Mukuba Pension Scheme (DC)	5053	0	0	5053
28	Mukuba Pension Trust Scheme (DB)	2	1,340	4,626	5,968
29	Multichoice Zambia Pension Trust Scheme	131			131

30	NAPSA Staff Pension Scheme DB	21	0	53	74
31	NAPSA Staff Pension Scheme DC	523	1	0	524
32	NAMPARK Zambia Ltd Staff Pension Scheme	118	0	0	118
33	National Breweries Plc Pension Scheme	956	0	0	956
34	Professional Pension Trust Fund-Final Salary	196	0	0	196
35	Professional Pension Trust Fund-Money Purchase	3,680	0		3,680
36	Public Service Pensions Fund				-
37	Railway Systems of Zambia	893	92	0	985
38	ZANACO Defined Contribution Pension Scheme	657	0	0	657
39	SANDVIK MINING PENSION TRUST SCHEME	300	0	0	300
40	Saturnia Regna Pension Trust Fund	30,817	0	13	30,830
41	Stanbic Bank Zambia Ltd Retirement Benefit Scheme	682	45	5	732
42	Standard Chartered Bank Plc Pension Scheme	731	0	0	731
43	Sun International Hotel Zambia Pension Trust Scheme	450	0	0	450
44	Toyota Zambia pension Scheme Trust	230	0	0	230
45	SCZ International Pension Trust Scheme	99	0	0	99
46	UTI Zambia Pension Scheme	23	0	0	23
47	Workcom Pension Trust Scheme (DB)	0	0	0	0
48	Workcom Pension Trust Scheme (DC)	173	0	0	173
49	Zambezi River Authority	65	0	0	65
50	Zambia Episcopal Conference Pension Scheme Trust	481	0	0	481
51	Young and Rubican Pension Trust Scheme	20	0	0	20
52	Zambia National Building Society	320	0	0	320
53	Zambia Railways Limited DB Pension Scheme Trust	13	279	0	292
54	Zambia Railways Limited DC Pension Scheme Trust	882	0	0	882
55	Zambia Sugar Company Limited Pension Scheme	1,551	0	0	1,551
56	Consolidated Tyre Services Pension Scheme	8	0	0	8
57	ZSIC Pension Trust Fund	3,441	6,856	0	10,297
Totals		77,015	13,488	18,459	108,962

Appendix 2

Table Showing top 10 best performing Pension Schemes - By Investment Income

Scheme Name	2017 (Investment Income)	2016 (Investment Income)	Difference	% Change
Saturnia Regna PTF	403,065,121	128,496,405	274,568,716	214
KCM PTF	177,647,997	8,659,090	168,988,907	1951.58
Barclays PTF	68,651,129	31,554,233	37,096,896	117.57
Napsa DC PTF	46,501,565	16,037,644	30,463,921	190
Stanbic RBS	31,889,222	3,611,499	28,277,723	783
Stanchart	31,516,438	4,828,198	26,688,240	553
Madison PTF	44,622,513	20,909,311	23,713,202	113
ZSIC PTF	68,739,000	46,684,000	22,055,000	47
Mukuba DB PTF	57,375,000	38,255,000	19,120,000	50
Zambia Sugar	27,323,643	9,996,776	17,326,867	173

Financial Statements

For the year ended 31st December 2017

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| 8 Statement of Financial Position | |

1. Principal Activity

The Pensions and Insurance Authority (PIA) is the regulatory and supervisory body for the pensions and insurance industry in Zambia. The Authority falls under the Ministry of Finance and derives its mandate from the Pension Scheme Regulation Act no 28 of 1996 (Amended by act no. 27 of 2005.) and the insurance Act no. 27 of 1997 (Amended by Act no 26 of 2005).

2. Directors

Mrs. Petronella M. N. Mwangala	Board Chairperson
Mr. Chibamba K. Lopa	Vice Board Chairperson
Mr. Akapelwa Imwiko	Member
Maj. Constantine Hara	Member
Mr. Anthony Dumingo	Member
Mr. Harrington Chibanda	Member
Mrs. Pitican M. Syafunko	Member
Ms. Prudence Maliwe	Member
Mr. Alfred Chifota	Member

3. Management

Mr. Martin Libinga	Registrar
Mr. Titus Nkwale	Deputy Registrar – Insurance
Mr. Bob Musenga	Deputy Registrar- Pensions
Mr. Muyoya Chibiya (Deceased)	Director Corporate Services/Board Secretary
Ms. Sharon Kamaloni	Finance Manager

4. Bankers

Zambia National Commercial Bank,

Premium House,

P.O Box 35212,
LUSAKA

5. Auditors

CYMA Chartered Public Accountants and Management Consultants
4th Floor, Electra House, Cairo Road
P.O Box 38298
LUSAKA

6. Principal Office

Stand No 4618,Lubwa Road. Off Church Road
Rhodespark, Lusaka
P.O. Box 30X Ridgeway
LUSAKA.

■ Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the Authority.

Principal Activities

The principal activity of the Authority is to supervise and regulate the Pensions and Insurance Industry following the enactment of the Pensions Scheme Regulations Act No 28 of 1996. At inception, the Authority did not exist as a separate legal entity but operated as the office of the Registrar of Pensions and Insurance under the Ministry responsible for Finance. It was converted into an Authority as a separate legal entity following the amendment of the 1996 Act. The Authority administers the Pension Scheme Regulations Act of 1996 (as amended) and Insurance Act 1997 (as amended). There has been no significant change in the Authority's business during the year.

Authority Results

The surplus for the year of K8.1 million has been added to the accumulated funds.

Directors

The directors who held office during the year were:

Name	Appointment Date
Mrs. Petronella M. N. Mwangala	13th September 2017
Mr. Chibamba K. Lopa	13th September 2017
Mr. Akapelwa Imwiko	13th September 2017
Maj. Constantine Hara	13th September 2017
Mr. Anthony Dumingo	13th September 2017
Mr. Harrington Chibanda	13th September 2017
Mrs. Pitican M. Syafunko	13th September 2017
Ms. Prudence Malilwe	13th September 2017
Mr. Alfred Chifota	13th September 2017

Number of Employees and Remuneration

The total remuneration of employees during the year amounted to K21 million (2016: K19 million) and the average number of employees was 45 (2016: 44). The Authority has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

Property, Plant and Equipment

The Authority purchased property, plant and equipment amounting to K1.7 million (2016: K8.3 million) during the year. In the opinion of the directors, the carrying value of property, plant and equipment is not less than their recoverable value.

Corporate Governance

The Authority is committed to upholding the highest standards of corporate governance. In line with current good practice, the board has established a number of

sub committees, including a separate Audit Committee chaired by a non-executive board member.

Clients and Suppliers

The Authority enjoyed good relationships with its clients and suppliers in 2017.

Auditors

By resolution of the Board, the Auditors, CYMA Chartered Accountants and Management Consultants were appointed as External Auditors for the financial year 2017 and they expressed their willingness to continue in office.

By order of the Board



Secretary
2019

■ Statement of Responsibilities of The Directors

The Directors are responsible for the preparation of the financial statements for each financial period, which give a true and fair view of the state of affairs of Pensions and Insurance Authority (PIA). In preparing such statements, the Directors are required to:

- (a) Select suitable accounting policies and then apply them consistently;
- (b) Make judgments and estimates that are reasonable and prudent; and
- (c) State whether applicable accounting standards have been followed.

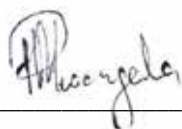
The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time of the financial position. The Directors are also responsible for safeguarding the assets of the Authority and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that in its opinion:

- (a) The Statement of Comprehensive Income is drawn up so as to give a true and fair view of surplus for the year ended 31st December 2017;
- (b) The Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Authority at 31st December 2017;
- (c) At the date of these statements there were reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due; and
- (d) The financial statements have been prepared in accordance with the International Financial Reporting Standards.

Consequently, the financial statements on Pages 8 to 23 were approved by the Board of Directors meeting held on 26th April, 2019 and signed on its behalf by:

Signature : _____



Designation: **Board Chairperson**

Signature: _____



Designation: **Director**

CYMA

Chartered Accountants & Management Consultants

LUSAKA

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Cairo Road
Lusaka
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P O Box 38298
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Zambia

To the Members of: Pensions and Insurance Authority

Opinion

We have audited the financial statements of the Pensions and Insurance Authority, which comprise the statement of financial position as at 31st December 2017, and the comprehensive statement of income, statement of changes in capital and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial Statements give a true and fair view of the financial position of the Authority as at 31st December 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and are in compliance with the Public Finance Act of 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA

Code. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for other information. The other information comprises information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Directors

The Board of Directors are responsible for the preparation

and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern using the going concern basis of accounting unless directors either intend to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditors' responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are, as a whole, free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- i) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ii) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- iii) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- iv) Obtain sufficient appropriate audit evidence regarding the financial information of the Authority activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law

or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CYMA



Dr. Chintu Mulendema
Managing Partner

Date **13/05/2019**

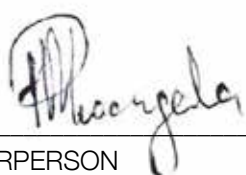
Membership Practicing Certificate Number 0000269

Statement of Financial Position

As at 31st December 2017

	NOTES	2017 ZMW	2016 ZMW
ASSETS			
Non – Current assets			
Property, plant and equipment	5	25,982,651	26,203,969
Current Assets			
Receivables	6	20,558,294	21,386,695
Cash and cash equivalents	7	28,567,354	24,172,847
		49,125,648	45,559,542
TOTAL ASSETS		75,108,299	71,763,511
CAPITAL RESERVES AND LIABILITIES			
Capital and Reserves			
Accumulated Surplus		65,345,957	57,144,242
Pension registration fees	9	4,005,699	3,285,843
		69,351,655	60,430,085
Non-current liabilities			
Employee benefit obligations	8	454,295	911,026
		454,295	911,026
Current Liabilities			
Trade and other payables	8	5,302,350	10,289,400
Provision for damages	11	-	133,000
		5,302,350	10,422,400
TOTAL CAPITAL RESERVES AND LIABILITIES		75,108,299	71,763,511

The responsibility of the Directors with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 8 to 11 were approved by the Board of Directors on 26th April, 2019 and were signed on its behalf by:



BOARD CHAIRPERSON



DIRECTOR

The notes on pages 12 to 23 form part of the financial statements

■ Statement of Comprehensive Income

For the year ended 31st December 2017

		2017 ZMW	2016 ZMW
INCOME	Appx 1	39,826,348	35,059,319
EXPENDITURE			
Administrative expenses	Appx 2	10,575,807	8,655,847
Staff costs	Appx 3	21,181,827	19,279,772
Total		31,757,634	27,935,618
Surplus		8,068,715	7,123,701

The notes on pages 12 to 23 form part of the financial statements

■ Statement of Changes in Capital and Reserves

For the year ended 31st December 2017

		Accumulated	Pension	Total
	NOTES	Fund	Registration	
		ZMW	Fees	ZMW
		ZMW	ZMW	ZMW
Balance at 1 st January 2016		50,020,541	2,631,923	52,652,464
Surplus for the year		7,123,701	-	7,123,701
Movement for the year	9	-	653,920	653,920
At 31 December 2016		57,144,242	3,285,843	60,430,085
Balance at 1 st January 2017		57,144,242	3,285,843	60,430,085
Surplus for the year		8,068,715	-	8,068,715
Movement for the year	9	-	719,855	719,855
Prior Year Adjustment		133,000	-	133,000
At 31 December 2017		65,345,957	4,005,699	69,351,655

NOTE

The Prior year adjustment of K133,000.00, relates to the provision for damages which were expunged after the ZIGI claim was dismissed by the supreme court.

The notes on pages 12 to 23 form part of the financial statements

■ Statement of Cashflows

For the year ended 31st December 2017

	NOTES	2017 ZMW	2016 ZMW
CASHFLOW FROM OPERATING ACTIVITIES			
Surplus for the year ended		8,068,714	7,123,701
Adjustment in for non-cash items			
Depreciation		1,929,356	1,856,124
Profit on disposal of property and plant		-	(10,401)
Interest received		(2,729,933)	(2,504,054)
		7,268,136	6,465,371
Changes in working capital			
Decrease in Receivables		828,402	(73,060)
Increase in payables		(4,987,050)	7,603,311
Net cash outflow from operations		(4,158,649)	7,530,251
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and machinery		(1,708,039)	(8,340,303)
Proceeds from sale of non-current assets		-	11,533
Interest received		2,729,933	2,504,054
Net cash outflows from investing activities		1,021,894	(5,824,716)
Cash flows from financing activities			
Pension registration fees		719,855	1,408,637
Employee benefits		(456,731)	(306,957)
Net cash flows from financing activities		263,124	346,963
NET CASH INFLOWS		4,394,505	8,517,868
Analysis of changes in cash and cash Equivalents:			
Cash and Cash equivalents at the beginning of the year		24,172,847	15,654,979
Increase/(decrease) during the year		4,394,505	8,517,868
Cash and Cash equivalents at the end of the year	7	28,567,351	24,172,847

The notes on pages 12 to 23 form part of the financial statements

■ Notes to the Financial Statements

For the year ended 31st December 2017

1. Establishment

The Authority is established under Section 4 (1) of the Pension Scheme Regulation Act, No. 28 of 1996 (as amended by Act No. 27 of 2005) (hereinafter referred to as “PSRA”) and given the mandate to regulate and supervise the pensions and insurance industry in accordance with the provisions of the PSRA and insurance Act, No. 27 of 1997 (as amended by Act No. 26 of 2005) respectively.

2. Principal Accounting Policies

2.1 Basis of preparation of the financial statements

These are the Financial Statements of the Pensions and Insurance Authority (PIA) for the period 1 January 2017 to 31st December 2017. These Financial Statements comply with the requirements of International Financial Reporting Standards (IFRS). The financial statements are prepared under the historic cost convention and have been prepared in accordance with applicable accounting standards.

2.2 Functional and presentation currency

These financial statements are presented in Zambian Kwacha and the accounting policies which affect the measurement of financial performance and financial position of the Authority have been applied.

2.3 Property, plant and equipment and depreciation

Depreciation is provided on a straight-line basis at annual rates estimated to write off the cost of each asset over the period of their expected useful lives at the following annual rates:

Office Furniture and Fittings	16.7%
Office Equipment	16.7%
Motor Vehicles	20.0%
Leasehold land	2.0%
Computers	33.3%

All categories of property, plant and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the accounting period in which they are incurred.

Increases in the carrying amount on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the Statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit. On disposal of revalued assets, amounts in the revaluating surplus relating to that asset are transferred to retained earnings.

2.4 Financial Assets

The Authority's principal financial assets are cash and bank balances and unremitted levies from members. The receivables are stated at their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

2.5 Financial liabilities

The Authority's principal financial liabilities are amounts due to employees. Financial liabilities are classified according to the substance of the contractual agreements entered into. Amounts due to employees and other payables are stated at their nominal value.

a) Currency risk

The Authority is not exposed to the risk of fluctuation of value due to changes in foreign exchange rates as it does not maintain bank balances denominated in foreign currencies.

b) Liquidity risk

The Authority is not believed to be exposed to significant liquidity risk, being inability to sell financial assets quickly at close to their fair value.

c) Cash flow risk

The Authority is not exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amounts. It has no instruments that include a floating interest rate.

d) Interest Risk

The Authority is exposed to interest rate risk to the extent of the balance of any loans and bank overdrafts taken and outstanding.

IAS 1 Presentation of Financial Statements (Revised)

The main changes are as follows:

- Change of the titles of primary statements. The revised Standard replaces the term 'Balance Sheet' with 'Statement of financial position' and 'Cash flow statement' with 'Statement of Cash Flows'.
- Separation of items previously disclosed in the statement of changes in equity between 'other comprehensive income' and 'statement of changes in equity' in order to separate owner and non-owner changes in equity.
- Statement of comprehensive income to include surplus or deficit for the period (previously the income statement) plus all income and expense items that go directly to equity i.e. items that have by-passed the income statement but have nothing to do with the owners.
- Revised Standards requires dividends recognized as distributions to owners and related amounts per share to be presented in the statement of changes in equity or in the notes. The presentation of such disclosures in the statement of comprehensive income is not permitted.

Whilst early application is permitted, entities will be required to comply with this revised standard for financial periods commencing on or after 1 January 2012.

2.6 Income

The Authority recognises revenue when the amount of revenue can be readily measured,

It is probable that future economic benefits will flow to the Authority and when specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be readily measurable until all contingencies relating to the sale have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Government grants

Grants from government are recognised at their fair value in the statement of comprehensive income where there is a reasonable assurance that the grant will be received and the Authority has complied with all attached conditions. Grants received where the Authority has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with. Government grants received are shown separately in Statement of Comprehensive Income.

(ii) Levies

Levy is paid by a pension scheme, insurance company and a person whose premium or source of premium is obtained from a business carried out in Zambia. This is paid on the net assets of the pension fund at a rate 0.3 percent per annum, on gross premium income of each general insurer at a rate of 0.8 percent per annum and on gross premium income of each long-term insurer at a rate of 0.5 percent per annum. Levy is computed on quarterly accounts and paid to the Authority within sixty-days after the end of each quarter.

(iii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest Method.

2.7 Provisions

Provisions are recognized when the Authority has a present legal and constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.8 Foreign currencies

Transactions denominated in foreign currencies are translated into Zambian Kwacha at the Commercial Bank rates of exchange ruling at the date of the transaction. Bank and Cash balances denominated in foreign currencies are translated in Zambian Kwacha at the rates of exchange ruling on 31st December 2016. Gains and losses arising on translation are included in the statement of comprehensive income in the year in which they arise.

2.9 Retirement benefits

The Authority operates a defined contribution retirement benefit scheme for pensionable employees. The Authority and its employees also contribute to the National Pension Scheme Fund, which is a defined benefit scheme. A defined benefit fund is a retirement benefit plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Authority's contributions to the defined contribution and defined benefit schemes are charged to the statement of comprehensive income in the year in which they fall due.

2.10 Other Entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

The Authority's contributions to the defined contribution and defined benefit schemes are charged to the statement of

3. Excess of Income Over Expenditure For Year

Excess of income over expenditure for year is stated after charging:

	ZMW 31 December 2017	ZMW 31 December 2016
Audit fees	1,113,660	65,000
Gratuities	2,485,027	2,634,398
Leave	1,311,032	1,492,378
Depreciation	1,929,356	1,856,124

4. Taxation

The Authority is exempt from corporate taxation under section 15 of the Income Tax Act CAP 668 of the Laws of Zambia and in accordance with paragraph 5(i) Part III of the Second Schedule of the same Act. Therefore, no provision for taxation has been made in these financial statements.

■ Notes to the Financial Statements (Cont,)

For the year ended 31st December 2017

5.(a) Property, Plant and Equipment

	Leasehold Land	Motor Vehicles	Furniture & Fittings
COST			
As at 1.1.2016	16,893,695	3,335,933	785,496
Additions	410,255	-	38,587
Disposals	-	-	(810)
As at 31.12.2016	17,303,950	3,335,933	823,273
Additions	632,609	276,000	64,547
Adjustments	-	-	(10,103)
As at 31.12.2017	17,936,559	3,611,933	877,717
DEPRECIATION			
As at 1.1.2016	773,400	763,156	388,770
Adjustments	71,706	63,623	6,899
Disposals	-	-	(810)
Charge for the year	494,477	667,187	98,579
As at 31.12.2016	1,339,583	1,493,966	493,437
Adjustments	-	-	(10,103)
Charge for the year	510,123	680,987	93,262
As at 31.12.2017	1,339,583	1,493,966	493,437
NBV at 31.12.2017	16,086,853	1,436,980	301,120
NBV at 31.12.2016	15,964,367	1,841,967	329,835

Office Equipment	Computer Equipment	Other Equipment	CWIP Regulatory soft ware	TOTALS
472,412	504,482	552,474	-	22,544,492
20,113	392,013	443,141	7,035,792	8,339,901
(19,224)	(5,280)	-		(25,314)
473,301	891,215	995,615	7,035,792	30,859,079
67,270	473,951	193,662	-	1,708,039
410		-		(9,693)
540,981	1,365,166	1,189,277	7,035,792	32,557,425
218,257	325,674	340,131	-	2,809,388
(8,845)	17,476	29,696		180,555
		-	-	
(6,071)	(3,520)			(10,401)
			-	
53,083	158,324	203,920		1,675,570
256,424	497,954	573,747	-	4,655,111
410	-	-		(9,693)
			-	
55,249	249,727	340,008		1,929,356
256,424	497,954	573,747	-	6,574,775
228,898	617,485	275,522	7,035,792	25,982,651
216,877	393,261	421,868	7,035,792	26,203,968

■ Notes to the Financial Statements (Cont,)

For the year ended 31st December 2017

5.(b) Property, Plant and Equipment

	Leasehold Land	Motor Vehicles	Furniture & Fittings
COST			
As at 1.01.2015	16,858,848	2,904,711	695,939
Additions	34,847	1,152,588	165,900
	-		
Disposals		(721,366)	(76,343)
As at 31.12.2015	16,893,695	3,335,933	785,496
		-	
Additions	410,255		38,587
	-	-	
Disposals			(810)
As at 31.12.2016	17,303,950	3,335,933	823,273
DEPRECIATION			
As at 1.01.2015	320,844	930,876	378,522
Disposals	-	(714,922)	(76,343)
Charge for the year	452,556	547,202	86,591
As at 31.12.2015	773,400	763,156	388,770
Adjustments	71,706	63,623	6,899
	-	-	
Disposals			(810)
Charge for the year	494,477	667,187	98,579
As at 31.12.2016	1,339,583	1,493,966	493,437
NBV at 31.12.2016	15,964,367	1,841,967	329,835
NBV at 31.12.2015	15,423,395	2,572,777	396,726

Office Equipment	Computer Equipment	Other Equipment	CWIP Regulatory soft ware	TOTALS
337,147	423,643	359,248	-	21,579,536
187,126	129,495	196,226	-	1,866,182
(51,861)	(48,656)	(3,000)	-	(901,226)
472,412	504,482	552,474	-	22,544,492
20,113	392,013	443,141	7,035,792	8,339,901
		-		
(19,224)	(5,280)			(25,314)
473,301	891,215	995,615	7,035,792	30,859,079
231,675	270,097	194,511	-	2,326,525
(51,365)	(48,659)	(3,000)	-	(894,289)
37,947	104,236	148,620	-	1,377,152
218,257	325,674	340,131	-	2,809,388
(8,845)	17,476	29,696	-	180,555
		-	-	
(6,071)	(3,520)		-	(10,401)
53,083	158,324	203,920		1,675,570
256,424	497,954	573,747	-	4,655,111
216,877	393,261	421,868	7,035,792	26,203,968
254,155	178,808	212,343	-	19,735,104

■ Notes to the Financial Statements (Cont,)

For the year ended 31st December 2017

6. Receivables

Receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the authority will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the amount between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income. The board of directors considers that the carrying amount of receivable approximates to their fair values. The makeup of the receivables at the Statement of Financial Position was as follows:

	2017 ZMW	2016 ZMW
Staff loans	2,497,384	2,725,723
Prepayment	116,882	289,858
Customer Control account	19,280,984	19,030,833
Other Sundry debtors	591,142	291,823
Less : Provision for impairment	(1,928,098)	(951,542)
Total	20,558,294	21,386,695

7. Bank and Cash Balance

Details	2017 ZMW	2016 ZMW
ZANACO Premium	7,884,146	6,816,471
ZANACO Centre	80,124	29,628
Cash on Hand	3,073	2,045
First National Bank-Fixed deposit	6,648,324	5,593,784
Finance Bank-Fixed deposit	3,733,363	3,316,840
ZANACO- Fixed deposit	1,336,087	-
Cavmont Bank	3,260,965	-
Investrust Bank-Fixed deposit	-	1,116,110
BancABC- Fixed deposit	-	2,740,380
Stanbic Bank- Fixed deposit	5,621,272	4,557,589
	28,567,354	24,172,847

■ Notes to the Financial Statements (Cont,)

For the year ended 31st December 2017

8. Payables

Payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

The board of directors considers that the carrying amount of payables approximates their fair value.

	2017 ZMW	2016 ZMW
VIZOR*	1,362,187	7,035,792
Provision for gratuity **	2,185,249	2,196,602
Provision for leave ***	825,988	589,869
Audit Fees	107,700	75,400
NAPSA	71,703	-
Staff Pension	-	28,186
PAYE	499,021	3,308
Sundry suppliers	250,503	360,244
Total	5,302,350	10,289,400

*During the year, the Authority continued to pay towards the contract with VIZOR for the implementation of the Regulatory Software.

Employee Benefit Obligation		
Provision for gratuity **	2,639,544	3,107,628
Provision for leave pay***	825,988	589,869
	3,465,531	3,697,496

Gratuity	2,639,544	3,107,628
Less Current portion	(2,185,249)	(2,196,602)
Non- Current portion	454,295	911,026

9. Pension And Registration Fees

At 1 January 2017	3,285,843	2,631,923
Fees for the year	719,855	653,920
AT 31 ST December 2017	4,005,699	3,285,843

■ Notes to the Financial Statements (Cont,)

For the year ended 31st December 2017

10. Comparative Figures

Comparative figures have been reclassified to allow for meaningful comparison.

11. Litigation

During the year, the Authority had a provision for damages relating to the closure of ZIGI Insurance and ZIGI Life. ZIGI had appealed to the Supreme Court contesting the amount of damages awarded to them, but the court ruled in favour of the Authority. Therefore the provision was expunged.

	2017 ZMW	2016 ZMW
Provision for damages	-	133,000

12. Related Party Transactions

DIRECTORS' REMUNERATIONS	2017 ZMW	2016 ZMW
Directors Fees	338,122	633,044
Other Emoluments	-	-
Total	338,122	633,044
Key Management Compensation		
Salaries and short term emoluments	2,901,921	2,879,958
Gratuity	895,060	879,627
Total	3,796,981	3,759,585

13. Post Year Events

There were no material events post year end to report on.

14. Contingent Liabilities

There were no contingent liabilities as at the period end.

Income Analysis

For the year ended 31st December 2017

Appendix 1

INCOME	2017 ZMW	2016 ZMW
General Insurance levies	10,759,539	13,081,387
Long term Insurance levies	5,168,140	3,045,785
Pensions levies	21,135,651	16,396,484
Interest on staff loans	34,547	41,391
Interest on investments	2,614,651	2,376,091
Interest on bank deposits	80,736	86,571
Other income	33,085	21,209
Profit on disposal of non-current assets	-	10,401
Total	39,826,349	35,059,319

■ Expenditure Analysis

For the year ended 31st December 2017

Appendix 2

	2017	2016
EMPLOYEE SALARIES AND BENEFITS	ZMW	ZMW
Salaries and wages	12,190,449	11,147,012
Allowances	2,143,218	2,171,874
Gratuity	2,485,027	2,634,398
NAPSA	413,565	395,390
Pension	1,311,032	674,238
Leave pay	1,688,879	1,492,378
Subscription fees to professional bodies	18,942	4,636
Medical Scheme	543,277	403,880
Staff Insurance – GLA & GPA	226,559	215,497
Staff Uniforms	9,532	5,329
End of Year Party	84,200	83,940
Funeral Assistance	35,948	7,000
GYM Subscriptions	31,200	44,200
Total Staff Costs	21,181,827	19,279,772

■ Expenditure Analysis

For the year ended 31st December 2017

Appendix 3

ADMINISTRATIVE EXPENSES	2017 ZMW	2016 ZMW
Advertising and promotions	1,531,273	595,603
Audit fees	1,113,660	65,000
Bank charges	47,863	34,343
Board expenses	338,122	633,044
Depreciation	1,929,356	1,856,124
Provision for Bad Debts	976,557	380,426
Subscriptions	437,318	273,036
Electricity and water	24,103	23,291
General expenses	132,782	108,716
Insurance premiums	181,231	185,225
Procurement committee allowance	23,010	96,328
Motor vehicle expenses	364,839	297,716
Consultancy Fees	-	173,778
Post telephone & internet	239,114	234,395
Printing and stationery	327,743	341,483
Repairs and maintenance	310,696	398,876
Security expenses	168,070	135,984
Training	488,205	838,925
Travelling costs	864,740	618,841
Workshops and seminars	846,423	750,529
CISNA Conference	-	467,899
International days Celebrations	100,403	85,001
Entertainment	36,484	12,122
Computer Expense	25,441	49,160
National Financial inclusion conference	68,374	-
Total Administrative Expenses	10,575,807	8,655,847
Total PIA Expenses	31,757,634	27,935,618

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