

Annual Report 2019



2019 Annual Report





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List of Abbreviations and Acronyms

ACC	Anti-Corruption Commission
AML	Anti-Money Laundering
BoZ	Bank of Zambia
CCPC	Competition and Consumer Protection Commission
CFA	Chartered Financial Analyst Programme
CFT	Combating the Financing of Terrorism
CISNA	Committee of Insurance, Securities and Non-Banking Financial Authorities
CPD	Continuous Professional Development
DEC	Drug Enforcement Commission
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FSDZ	Financial Sector Deepening Zambia
GDP	Gross Domestic Product
GWP	Gross Written Premium
IAIS	International Association of Insurance Supervisors
IAZ	Insurers Association of Zambia
IFRS	International Financial Reporting Standard
ILO	International Labour Organisation
IOPS	International Organisation of Pension Supervisors
LEAs	Law Enforcement Agencies
MOU	Memorandum of Understanding
NFIS	National Financial Inclusion Strategy
PIA	Pensions and Insurance Authority
PISMIS	Pensions and Insurance Supervisory Management Information System
SADC	Southern African Development Community
SEC	Securities and Exchange Commission
ZIALE	Zambia Institute of Advanced Legal Education
ZAPF	Zambia Association of Pension Fund

Board of Directors



Mrs. Petronella M.N. Mwangala
Chairperson
(Ministerial Appointment)



Mr. Chibamba K. Lopa
Vice Chairperson
(Zambia Association of Chambers
of Commerce and Industry)



Mr. Akapelwa Imwiko
(Ministry of Finance)



Mr. Alfred Chifota
(Zambia Union of Financial
Institutions and Allied Workers)



Ms. Prudence Malilwe
(Bank of Zambia)



Mr. Anthony Dumingo
(Ministry of Labour
and Social Security)



Mr. Harrington Chibanda
(Zambia Federation of Employers)



Mrs. Mutinta Mushabati Pensulo
(Attorney General's Chambers)



Mrs. Pitican Miyanda Syafunko
(Zambia Institute of
Chartered Accountants)

Senior Management



Mr. Christopher Mapani
Registrar



Mr. Tresford Chiyavula
Deputy Registrar - Pensions



Mr. Titus Nkwale
Deputy Registrar - Insurance



Ms. Kabisa Ngwira
Board Secretary



Ms. Sharon Kamaloni-Chipepa
Finance Manager

Board Chairperson's Statement



Petronella M. N. Mwangala (Mrs.)
Chairperson, Board of Directors

On behalf of the Board, it is my honour and privilege to present the Annual Report for the Pensions and Insurance Authority for the financial year ended 31st December, 2019.

The year under review saw changes at both Board and Management levels. At Board level, the Member representing the Attorney General's Chambers, Major Constantine Hara Rtd., was replaced by Mrs. Mutinta Mushabati Pensulo.

At management level, the former Registrar, Mr. Martin Libinga, on 31st August, 2019 left the Authority after eighteen (18) years of dedicated service to the Authority, nine (9) as Registrar and Chief Executive Officer. Consequently, the Board appointed Mr. Christopher Mapani as Registrar, effective 1st October, 2019. In addition, at Board Secretary level, Mrs. Demetria Mudenda was replaced by Mrs. Kabisa Ngwira.

During the year under review, the Authority recorded a number of milestones, which included the development of a new three-year Strategic Plan for the period 2019-2021. The Strategic Plan is a product of a consultative process that sought to align the objectives of the Pensions

and Insurance Industries with the national development objectives as set out in the Vision 2030, the 7th National Development Plan and the National Financial Inclusion Strategy.

The overall objective of the Strategic Plan is to address gaps in the Pensions and Insurance Industries regulatory and supervisory framework; enhance consumer protection; foster market development; and strengthen institutional capacity.

Accordingly, several regulatory frameworks were developed, including Micro Insurance Guidelines, a Supervisory Manual on Anti-Money Laundering and Countering the Financing of Terrorist activities and Guidelines on Key Fact Statements aimed at compelling Insurers to disclose key terms of insurance contracts.

Further, the Board approved the Pensions Intervention Manual; Off-Site Analysis Manual; Guidelines on Conversion of Pension Schemes from Defined Benefit to Defined Contribution; and Guidelines on Treatment of inactive Pension Schemes.

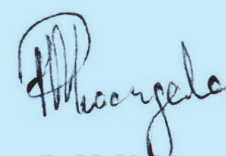
Further, the year 2019 witnessed the issuance by the Minister of Finance of Statutory Instrument No. 59 of 2019, The Insurance (Fidelity Fund) Regulations, 2019 and thereby paving the way for the operationalisation of the Insurance Fidelity Fund. The primary objective of the Insurance Fidelity Fund is to protect Policy Holders and other persons interested in insurance policies from suffering loss on account of inability of an Insurer, carrying on business in Zambia, to meet its obligations. The Insurance Fidelity Fund is intended to be an Insurer of last resort.

The Insurance Fidelity Fund is funded from license fees from Insurance companies. However, given the Authority's overarching goal of protecting Policy Holders, the Board, in 2019, resolved that the Authority makes a contribution of K5 million towards the Insurance Fidelity Fund. The Fund is applicable where proceeds from liquidation of an Insurer are insufficient to meet outstanding claims. However, depending on the quantum of claims, it may not always be possible for the Insurance Fidelity Fund to compensate all unsettled claims in full.

Looking ahead, the Authority is committed to leading sound and resilient Pensions and Insurance Industries that will contribute meaningfully to the economic development of our country.

As I conclude, let me convey my sincere gratitude to the Honourable Minister of Finance for his leadership and dedication to the development of the Pensions and Insurance Industries. I further wish to thank my fellow Board Members, Management and Staff of the Authority for their professionalism and dedication to service.

Finally, I wish to thank all the various stakeholders for their unwavering support to the Authority. I also wish, on behalf of the Board, Management and indeed on my own behalf, to thank Major Constantine Hara, Rtd., Mr. Martin Libinga, the former Registrar and Mrs Demetria Mudenda for their contribution to the development of the Authority and Pensions and Insurance Industries.



Petronella M. N. Mwangala (Mrs.)
Chairperson, Board of Directors

Registrar's Statement



Christopher Mapani (Mr.)
Registrar

It was a rare honour and privilege for me to join the Pensions and Insurance Authority (PIA) and pick up from where my predecessor, Mr. Martin Libinga, had left.

The year 2019 was yet another successful year for the Insurance and Pensions industries. A total of 3 Reinsurers, 31 Insurance Companies (21 General and 10 Long-Term Insurance Companies), 45 Brokers, 242 Insurance Agents, 242 Pension Schemes, 8 Pension Fund Managers and 7 Pension Fund Administrators were licensed to operate in the Pensions and Insurance Industries.

During the year under review, Insurance Gross Written Premiums (GWP) increased by 18 percent, from K3, 183 million in 2018 to K3, 757 million, translating into an Insurance Penetration Ratio (GWP to GDP) of 2.63 percent, compared to 2.29 percent in 2018. General Insurance Business accounted for K2, 292 million compared to K1, 908 million in 2018 whilst Long-Term Insurance Business accounted for K1, 465 million, compared to K1, 275 million in 2018. General Insurance Business continued to dominate the insurance sector with 61 percent of premiums recorded.

During the same period, the pensions net assets equally increased from K7.69 billion in 2018 to K7.96 billion, translating into a growth of 3.5 percent.

The number of Pension Scheme Members also increased from 107, 443 in 2018 to 111, 959. However, the year 2019 saw a reduction in the number of Pension Schemes from 245 in 2018 to 242.

The Authority continued pursuing measures to enhance efficiency and service delivery and consequently grow the Pensions and Insurance Industries. To this end, the Pensions and Insurance Supervisory Management Information System (PISMIS) was reviewed to address bottlenecks. It is hoped to ultimately migrate to on-line services with the aid of PISMIS.

As part of capacity building, members of staff were also exposed to a variety of training including risk-based supervision. The Authority continued to raise its profile and close identified communication gaps with an emphasis on financial education initiatives, through participation in various events, such as stakeholder outreach initiatives including open days, television and radio programmes, workshops and presentations. Tailor-made training was also provided to Pension Scheme Trustees.

The Authority also continued discharging its primary mandate of supervising and regulating the Insurance and Pensions Industries and thereby protecting the interests of Insurance Policy Holders and

Pension Scheme Members. This largely took the form of on-site and off-site inspections. Priority areas for on-site inspections included review of corporate governance frameworks and Management Information Systems, compliance with regulatory requirements and financial soundness.

Further, in a quest to unlock the potential of the Pensions and Insurance Industries, the Authority held stakeholder consultations on challenges affecting industries. On the insurance front, topical issues included the question of introducing 'cash and carry', the International Financial Reporting Standard (IFRS) 17 (an accounting standard on insurance contracts), bancassurance, the need to harness data analytics for efficiency and customer insights, cyber security and Fintech. As for the pensions sector, concerns included the ramifications of the Employment Code Act No. 3 of 2019 on Pension Schemes.

The stakeholder consultations further revealed the need to accelerate the repeal and replacement of the Insurance Act in order to deepen the financial soundness of the insurance sector. In particular, there is need to migrate to a Risk-Based Capital Adequacy regime, improve the payment of premiums and thus reduce the debt burden, and strengthen the sanctions regime and, therefore, empower the Authority to effectively

deal with the increasing number of complaints regarding delayed or none settlement of insurance claims.

The Authority will endeavour to respond to the above challenges and continue delivering on its core mandate with renewed vigour. It is my hope that the Authority can accelerate the growth of the Pensions and Insurance Industries and ensure that they contribute meaningfully to our country's economic development.

To this end, we envision the Pensions and Insurance Authority to be a beacon of excellence and professionalism - a modern and effective Regulator that is known, trusted and respected. As such, the Authority will continue investing in Information Communication Technology (ICT) infrastructure and upgrading the regulatory framework.

I wish to end by reiterating my gratitude to the Ministry of Finance and the Board for allowing me to serve in this position and for their guidance. I am equally indebted to Management and Staff of the Authority for their support and contribution to the development of the Pensions and Insurance Industries.



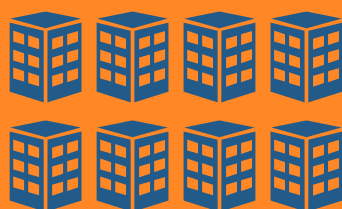
Christopher Mapani (Mr.)
Registrar

Pensions Industry Highlights - 2019

Pension
Schemes
242



8 Pension Fund
Managers



7

Pension Fund Administrators



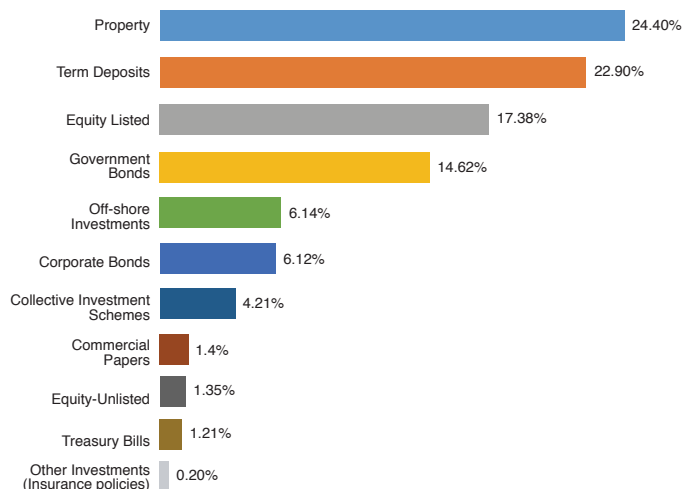
Pension Members
111,959



Net Assets
K7.96 billion



Investment Spread



Insurance Industry Highlights - 2019

Reinsurance Companies

3



31 Insurance Companies



21

General Insurance Companies



10

Long-Term Insurance Companies

Reinsurance Brokers

3



45 Brokers



242 Insurance Agents



8 Assessors

6 Loss Adjustors



2 Risk Surveyors



3 Claims Agencies



K3.8 billion

GWP

K2.3 billion

GWP General Insurance

K1.5 billion

Long-Term Insurance



K516m

Net Claims
(General Insurance)



K571m

Benefits
(Long-Term Insurance)

2019 Highlights in Pictures



His Excellency, President Dr. Edgar Chagwa Lungu and the Honourable Minister of Finance, Dr. Bwalya Ng'andu during the launch of the ZEP-RE Office Park in Lusaka on 5th December 2019.



ZEP-RE Office Park in Lusaka



PIA Registrar, Mr. Christopher Mapani (l) during the launch of the ZEP-RE Business Park.



Minister of Finance, Dr. Ng'andu addressing guests during the launch.

The ZEP-RE Business Park is the largest single investment in real estate for the COMESA institution in the Eastern and Southern African region.



Minister of Higher Education, Dr. Brian Mushimba distributing copies of the National Strategy on Financial Education during the launch of the strategy on 10th December, 2019.



Secretary to the Treasury, Mr. Fredson Yamba and Bank of Zambia Governor, Dr. Denny Kalyalya also attended the launch of the National Strategy on Financial Education.



Launch of the National Strategy on Financial Education (2019-2024). This is the second strategy and the primary objective is to empower Zambians with knowledge, understanding, skills, motivation and confidence to help them secure positive financial outcomes for themselves and families.



Ministry of Finance, Permanent Secretary-Economic Management and Finance, Mr. Mukuli Chikuba (l) accompanied by PIA officials touring insurers stands during the 2019 Insurance Week.

SECTION 1

1.0

Mandate, Mission, Vision and Strategic Focus

1.1 Introduction

The Pensions and Insurance Authority (hereinafter referred to as “the Authority”) is established under Section 4 of the Pension Scheme Regulation Act No. 28 of 1996 (as amended by Act No. 27 of 2005, hereinafter referred to as “the Pension Scheme Regulation Act”). The Authority is mandated to administer the Pension Scheme Regulation Act and the Insurance Act No. 27 of 1997 (as amended by Act No. 26 of 2005), hereinafter referred to as “the Insurance Act”. Prior to the 2005 amendment of the Pension Scheme Regulation Act, the Authority existed and operated as the Office of the Registrar of Pensions and Insurance under the Ministry of Finance.

The Authority is required to report on its activities and industry statistics for the previous year. This Report, therefore, outlines the performance of the Authority and the Pensions and Insurance Industries during the year 2019. Industry statistics were extracted from annual audited accounts and returns submitted to the Authority by Pension Schemes and Insurance Companies in accordance with the Pension Scheme Regulation Act and the Insurance Act.

The 2019 Annual Report comprises three sections. The first section outlines the mandate, vision and activities undertaken by the Authority; the second section discusses the performance of the Pensions and Insurance Industries; and the third section outlines the Authority’s financial performance.



1.2

VISION

"To be a sound and resilient Pensions and Insurance Industries regulator by 2021."



1.2

MISSION

"To protect the interests of members and sponsors of Occupational Pension Schemes, Insurance Policy Holders, shareholders, and promote the development of the Pensions and Insurance Industries through effective regulation, supervision and excellence in service delivery."

1.3

VALUES

- a) *Accountability: We accept the consequences of our decisions and actions.*
- b) *Excellence: We endeavour to be diligent, committed, efficient and effective in the execution of our duties.*
- c) *Confidentiality: We do not disclose privileged information to any unauthorised persons.*
- d) *Integrity: We work with honesty and uphold ethical standards at all times.*
- e) *Objectivity: We remain unbiased in the course of our work.*



1.4

CORE FUNCTIONS

The Authority's core functions include the following:

- (a) *licensing Reinsurance Companies, Insurance Companies, Brokers and agents, and other service providers in the Insurance Industry;*
- (b) *registration of pension service providers and registration of Pension Schemes;*
- (c) *prudential regulation and supervision of the Pensions and Insurance Industries;*
- (d) *formulation and enforcement of standards of conduct for the Pensions and Insurance Industries;*
- (e) *protection of Pension Scheme Members and Insurance Policy Holders; and*
- (f) *advising the Government on matters related to pensions and insurance.*



2.0

Strategic focus for the period 2019-2021

In 2019, the Authority developed a Strategic Plan covering the period 2019-2021.

2.1 Strategic Objectives

The 2019-2021 Strategic Plan was developed in line with national development plans such as Vision 2030, the 7th National Development Plan (2017-2021) and the National Financial Inclusion Strategy. The following are the four (4) Strategic Goals (2017-2021) under the Strategic Plan.

2.1.1 To Improve the Regulatory Framework by 2021

The Authority seeks to continuously improve the licensing and registration regime and consequently ensure that no unsuitable entities are allowed on the market. The Authority, therefore, intends to enhance registration and licensing requirements and review minimum capital requirements. This is consistent with the Authority's mandate of creating a conducive regulatory environment for the Pensions and Insurance Industries. Accordingly, the Authority will continue to review the regulatory framework to make it more responsive to the dynamic business environment and foster stability in the Pensions and Insurance Industries.

2.1.2 To Improve the Supervisory Framework by 2021

This goal seeks to enhance prudential supervision and thus foster financially sound and stable Pensions and Insurance Industries. Enhanced prudential supervision will ensure that potential risks to the viability of the Pensions and Insurance Industries are identified and addressed before they materialize. The Authority seeks to be proactive and intrusive. Further, in order to enhance oversight, the Authority will migrate to a Risk-Based Capital Adequacy regime.

2.1.3 To Accelerate Market Development by 2021

Under this goal, the Authority seeks to develop the Pensions and Insurance Industries through activities such as sensitisation and awareness on pensions and insurance and promoting the development of micro pensions and micro insurance. Public confidence, cost and access to insurance have been identified as areas that will need to be addressed to broaden participation in the Pensions and Insurance Industries.

2.1.4 To Strengthen Institutional Capacity by 2021

Through this goal, the Authority seeks to enhance its capacity in service delivery by investing in human capital and leveraging technology.

3.0

Governance Structures

The Authority has well defined structures to ensure effective implementation of good corporate governance tenets.

3.1 The Board

The Board is appointed by the Minister responsible for Finance in accordance with Section 6 of the Pensions Scheme Regulation Act. The Board is responsible for policy formulation and providing strategic direction to the Authority.

The Board is composed of the following members:

- a) a representative of the Ministry of Finance;
- b) a representative of the Ministry of Labour and Social Security;
- c) a representative of the Ministry of Justice;
- d) a representative of the Zambia Institute of Chartered Accountants;
- e) a representative of the Bank of Zambia;
- f) a representative of the Zambia Union of Financial Institutions and Allied Workers;
- g) a representative of the Zambia Association of Chambers of Commerce and Industry;
- h) a representative of the Zambia Federation of Employers; and
- i) one person with expertise in matters of pensions and insurance.

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

- a) Mrs. Petronella M. N. Mwangala (Board Chairperson-Ministerial Appointment);
- b) Mr. Chibamba Kizito Lopa (Vice Chairperson-Zambia Chamber of Commerce and Industry);
- c) Mr. Akapelwa Imwiko (Ministry of Finance);
- d) Mr. Anthony Dumingo (Ministry of Labour and Social Security);
- e) Ms. Prudence Malilwe (Bank of Zambia);
- f) Mr. Alfred Chifota (Zambia Union of Financial Institutions & Allied Workers);
- g) Mrs. Mutinta Mushabati Pensulo (Attorney General's Chambers);

- h) Mr. Harrington Chibanda (Zambia Federation of Employers); and
- i) Mrs. Pitican Miyanda Syafunko (Zambia Institute of Chartered Accountants).

3.2 Changes in the Board Composition

There was a change in the composition of the Board following the resignation of Major. Constantine Hara Rtd., the representative from the Ministry of Justice. Major Hara Rtd. was replaced by Mrs. Mutinta Mushabati Pensulo, also from the Ministry of Justice, effective 10th October, 2019.

3.3 Board Committees

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

- a) the Audit Committee;
- b) the Finance and Administration Committee;
- c) the Technical Committee;
- d) the Registration and Licensing Committee; and
- e) the Policy Holders' Protection Committee.

The membership of the Committees include professionals with diverse expertise relevant to the achievement of the Authority's legal mandate and strategic objectives. The Committees operate under the delegated authority of the Board pursuant to the provisions of the Pension Scheme Regulation Act.

3.4 Board and Committee Meetings

Board and Committee meetings are held quarterly and special meetings are convened as necessary. There were four (4) regular Board meetings, three (3) special Board meetings and two (2) workshops held during the year under review. Table 1 below shows the number of meetings held by the Board and its Committees

in 2019.

Table 1: Number of Meetings held by Board and the Committee in 2019

Type of Meeting	No. of Meetings	No. of Workshops
Board of Directors	7	2
Registration & Licensing Committee	6	-
Policy Holders Protection Committee	4	-
Technical Committee	3	-
Finance & Administration Committee	7	-
Audit Committee	5	-

During the year under review, the Board approved several policies that included the revised Recruitment Policy; the Mentoring and Coaching Policy; the Performance Management System Policy; and the revised Loan Policy.

The Board also considered, among other things, the following:

- a) the 2019 and 2020 Budget;
- b) the review of the Authority's performance during the 2016 to 2018 Strategic Plan;
- c) the development of the 2019 to 2021 Strategic Plan, as well as the 2019 Corporate Balanced Scorecard;
- d) the 2018 Audited Financial Statements and Annual Report; and
- e) the appointment of the new Registrar, Mr. Christopher Mapani, following the decision by Mr. Martin Libinga not to renew his contract.

4.0

Human Resources and Administration



The year under review was characterised by a number of activities in line with the Authority's strategic objective to strengthen institutional capacity. The main activities included the implementation of the new organisation structure, improving human resource policies such as the review of the performance management policy and intensifying capacity-building.

4.1 Changes in Executive Management

Mr. Christopher Mapani was appointed as Registrar and Chief Executive Officer (CEO) effective 1st October, 2019.

Another senior appointment was at Board Secretary level where the Authority appointed Mrs. Kabisa Ngwira following the resignation of Mrs. Demetria Mudenda.

4.2 Staff Complement and Movements

In 2018, the Board resolved to increase the Authority's establishment from fifty-four (54) to seventy-five (75).

The head count stood at fifty-five (55) as at 31st December, 2019 compared to forty-seven (47) as at 31st December, 2018. The fifty-five (55) members of staff, comprised thirty-three (33) males and twenty-two (22) were females.

During the year under review, four (4) members of staff were promoted to various portfolios. Further, the Authority recruited a total of thirteen (13) employees across various departments.

There were five (5) members of staff who separated from the Authority in 2019. As earlier indicated, the former Registrar of the Authority, Mr. Martin Libinga's contract came to an end on 31st August, 2019 and he opted not to renew

his contract. Four (4) other members of staff resigned from the Authority.

The staff turnover rate for the year was 9 percent compared with 6 percent for the previous reporting period. Table 2 below shows the staff movement in 2019.

Table 2: Staff Movement as at 31st December, 2019

Staff Movement	Male	Female	Total
Head Count	33	22	55
Recruitments	9	4	13
Promotions	3	1	4
End of Contract	1	0	1
Resignations	2	2	4

4.3 Staff Welfare

During the year under review, the Authority continued to offer medical services to its employees and their immediate families and group life accident cover. The Authority also provided a fitness programme through a service contract with a local health and fitness club.

Further, the Authority facilitated various staff meetings and a team building programme.

4.4 Internship

In an effort to provide students and graduates with a platform to have hands-on experience in their areas of specialisation, the Authority engaged six (6) interns in the various departments.

4.5 Performance Management

The Authority implemented the Balanced Scorecard (BSC) Policy as a strategic

performance management tool and undertook its full implementation during the year. The Authority was determined to improve the regulatory and supervisory framework, accelerate market development and improve the institutional capacity in all areas including Information and Communications Technology, finance and human resources. As a performance management tool, the balanced scorecard is grounded in the Strategic Plan and provides an immediate and diverse performance dashboard.

4.6 Training and Development

The Authority continued to train its members of staff in various fields. The training was undertaken in line with training needs that had been identified by Supervisors in the various departments. In implementing the training programmes, the Authority sought to leverage on local and foreign trainers. In this regard, the Authority was awarded a Long-Term Country Engagement (LTCE) support under partnership agreement with the Toronto Centre. The Toronto Centre is a Canadian based institution that was established as a response to global financial crises in recent times. The Centre focuses on building capacity in financial sector supervisors around the world. The capacity building programmes include banking, insurance,

securities, pensions, microfinance and micro insurance supervision.

The support, which will run from 2019-2020, is targeted at building capacity for the Authority's staff in emerging international supervision trends. In light of the foregoing, staff participated in four (4) Training Programmes undertaken during the year under review.

The programmes conducted in 2019 included participants from the Bank of Zambia (BoZ), Security and Exchange Commission (SEC), Competition and Consumer Protection Commission (CCPC) as well as other financial regulators within the region.

Locally, the Authority provided an opportunity for staff to participate in various continuous professional development programmes. These included professional bodies such as the Zambia Institute of Chartered Accountants (ZICA), the Zambia Institute of Human Resource Management (ZIHRM), the Professional Secretaries Association (PSA), the Institute of Certified Auditors (ICA) and the Law Association of Zambia (LAZ).

Tables 3 and 4 below show the trainings that were conducted in 2019.

Table 3: Training sessions conducted by Toronto Centre

Title of Training	Training Provider	Number of Participants		
		PIA	Others	Total
Risk-based Supervision	Toronto Centre	21	9	30
Financial Literacy and Inclusion Supervision	Toronto Centre	1	-	1
Market Conduct	Toronto Centre	22	5	27
Core Curriculum Certificate Course	Toronto Centre	14	26	40
Total Number of Participants				98

Table 4: Other Training Programmes

Title of Training	Training Provider	Number of Participants
Certificate in international public sector accounting standards	Informa in partnership with ACCA	1
Regulatory Risk Assessment	Business Regulatory Review Agency	1
Advanced Contract Management	International Labour Organisation	1
Legislative Drafting	ZIALE	1
Financial Education Training	International Labour Organisation	1
Master's Programme	Various (distancing learning)	5
Degree- Office Management	Mulungushi/Evelyn Hone College	1
Human Resource Seminar	ZIHRM	1
Chartered Financial Analyst (CFA)	CFA institute	1
Continuous Professional Development Programme (CPD) – specific to the profession	Various	12



5.0 Procurement

The Annual Procurement Plan for the Authority had forty-two (42) procurement activities with a total expenditure of K9,582,329.00. However, by the end of 2019, the Authority only processed thirty-eight (38) procurement requirements with a total budgeted sum of K8,336,600.00 representing 87 percent of the procurement budget. The actual procurement expenditure for the year was K8,027,652.55, the Authority therefore, recorded a positive variance of K308,947.45. The four (04) procurement activities were not undertaken because they were under budgeted and are anticipated to be carried out in 2020.



The Authority had a total approved budget of K50 million. The annual budget was prepared within the framework of the annual work plan derived from the 2019-2021 Strategic Plan and the 2019 Corporate Scorecard.

The main source of revenue for the Authority were levies charged on the Pension and Insurance entities pursuant to Section 29A of the Pension Scheme Regulation Act and Statutory Instrument Number 100 of 2007 (Pensions and Insurance Levy Regulations 2007).

The Authority recorded revenue amounting

to K57.1 million during the year ended 31st December, 2019 (K49.7 million in 2018), representing an increase of 15 percent over the previous year. The increase in revenue is attributable to growth in net assets of pension funds and increase in insurance Gross Written Premiums. On the other hand, operational costs amounted to K48.5 million (K40.5 million in 2018), accounting for 85 percent of total revenue.

The Authority's total assets increased to K104.7 million in 2019, from K85.5 million in 2018 translating into a 22 percent increase.

7.0

Fidelity Fund

The Insurance Act under Sections 109, 111 and 113 of the Insurance Act confers powers on the Minister to establish an Insurance Fidelity Fund and prescribe regulations with respect to the administration, management and application of the Fidelity Fund. On 13th September, 2019, the Minister of Finance issued the Insurance (Fidelity Fund) Regulations, Statutory Instrument No. 59 of 2019.

The main objective of the Fidelity Fund is to indemnify Policy Holders and other persons who have an interest in insurance policies who get 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, 2019, the Fund stood at K18.9 million (K11.3 million in 2018), representing an increase of 67 percent.



8.0

Strategic Projects

8.1 Pensions and Insurance Supervisory Management Information System (PISMIS)

Following the purchase of the Pensions and Insurance Supervisory Management Information System (PISMIS) (a computerised information management system that is meant to enhance and strengthen the Authority's supervisory capacity) in 2017, the Authority embarked on operationalisation of the Pensions Supervision Modules. As at 31st December, 2019, all pension regulated entities were submitting pension statutory reports through the online platform.

Further, the Authority completed migration of 96 percent of reporting Pensions Schemes for the past five-year data into the PISMIS. The remaining data transfer is expected to be completed in the year 2020.

A comprehensive review of PISMIS was undertaken with a view to ensuring that it operates at optimal levels.

The Authority will also be enhancing the PISMIS platform to allow for the following additions:

- a) online registration/licensing of service providers;
- b) complaints module; and
- c) inspections.



Participants of the Pensions Industry Inaugural Conference held from 19th to 20th November 2019,

9.0

Operational Activities Implemented in 2019



9.1 Pension Supervision

The Pension Scheme Regulation Act mandates the Authority to regulate and supervise 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 Authority fulfills this mandate through the registration of Pension Schemes and Pension Service Providers (Pension Fund Managers, Pension Fund Administrators and Pension Fund Custodians). In addition, the Authority conducts offsite analysis and onsite inspections of the Pension Schemes in fulfillment of the requirements of the Act.

The focus areas during the year under review were as follows:

- (a) enhance and enforce governance standards that promote sound management of occupational Pension Schemes;
- (b) improve information management systems; and
- (c) improve the Authority's risk management framework.

9.1.1 Industry Composition and Membership

9.1.1.1 Pension Schemes

There were 242 registered Pension Schemes as at the end of 2019 (2018: 245). The reduction in

the number of Pension Schemes was as a result of three (3) Pension Schemes being deregistered, namely: M & M Advocates Pensions Scheme, Tap Zambia Pension Scheme and NECOR Zambia Pension Scheme. M & M Advocates Pensions Scheme and NECOR Zambia Pensions Scheme varied their conditions of service and went on contract terms of employment and hence the closure of the schemes, while the sponsor for Tap Zambia went defunct.

9.1.1.2 Pension Scheme Membership

The total number of members in the registered Pension Schemes increased to 111,959 as at 31st December, 2019, from 107,443 as at 31st December, 2018, representing an increase of 4 percent. The increase of 4,516 members was attributed to new participating employers.

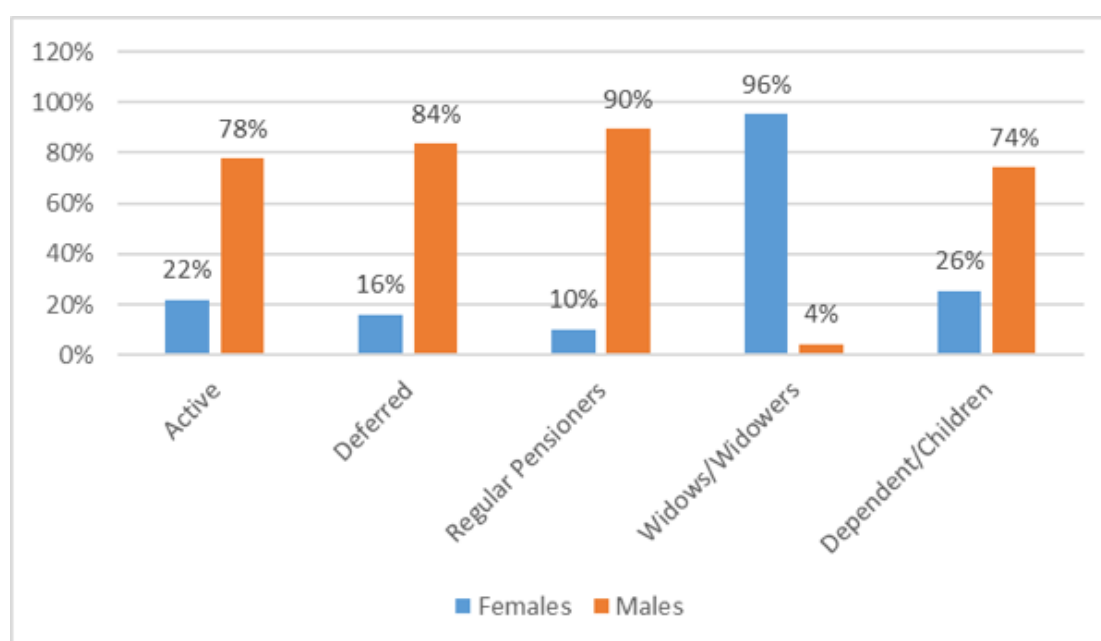
In terms of demographics, 20 percent of the total membership represented female Pension Scheme Members, while 80 percent represented Male Members. In all the age categories, there were more male than female Pension Scheme Members except under the widow's/widowers category, where 96 percent comprised of widows as compared to 4 percent of widowers. Tables 5, 6 and Figure 1 below represents the broad categories of Pension Scheme Membership.

Table 5: Membership Statistics for the Pensions Industry

Membership Category	2019	2018	2017	2016	2015	% Change
Active members	82,084	77,522	77,015	72,880	80,236	6%
Deferred members	12,715	11,052	13,488	13,127	13,462	15%
Pensioners	17,160	18,869	18,459	19,523	18,459	-9%
Total	111,959	107,443	108,962	105,530	112,157	4%

Table 6: Demographic Membership Table - 2019

Membership Data	NUMBER OF ACTIVE MEMBERS		
	Females	Males	Total
Age Categories	18,133	63,951	82,084
15-25	2,529	4,914	7,443
26-35	7,036	20,483	27,519
36-45	5,111	21,007	26,118
46-55	2,680	13,015	15,695
56-65	777	4,532	5,309
Age Categories	NUMBER OF DEFERRED MEMBERS		
	2,054	10,661	12,715
15-25			
26-35	364	2,166	2,530
36-45	408	1,638	2,046
46-55	374	2,376	2,750
56-65	908	4,481	5,389
	NUMBER OF PENSIONERS		
	2,182	14,978	17,160
Regular Pensioners	1,687	14,700	16,387
Number of Widows/ Widowers	406	19	425
Dependent/Children	89	259	348
Total	22,369	89,590	111,959

Figure 1: Percentage Distribution of Demographics of Membership Data - 2019

9.1.1.3 Pension Service Providers

In 2019, the Pensions Industry had eight (8) Pension Fund Managers responsible for the investment of Pension Scheme Funds. The Pension Scheme administrative function, which includes the payment of pension benefits, preparation of statutory reports and member benefit statements, was carried out by seven (7) Pension Fund Administrators. One Pension Fund Administrator was not registered following its failure to fulfil statutory requirements.

9.1.2 Shareholding Requirements

The registered service providers (Pension Fund Administrators, Fund Managers and Custodians) are required by law to abide by shareholding requirements. Part 111A of the Pension Scheme Regulation Act on regulation of Fund Managers, Administrators and Custodians under the Pension Scheme Regulation Act provides that at least 51 percent of the shares of a registered Pension Fund manager, Pension Fund Administrator or Pension Custodian should be held by Zambian citizens. All registered service providers were compliant with this requirement during the year under review.

9.1.3 Inspections

The Authority continued to conduct off-site and

on-site inspections in order to monitor statutory compliance and financial soundness of Pension Schemes.

9.1.3.1 Off-Site Analysis

The Authority conducted twenty-eight (28) off-site analysis on Pension Schemes in 2019 (2018:14). The total net assets of the analysed Pension Schemes accounted for 83 percent or K6.6 billion (2018:43 per cent or K3.3 billion) of the Pension Industry net asset value. The off-site analysis findings included the following:

- increasing actuarial deficits;
- increasing arrear contributions;
- non-compliance to Statutory Instrument No. 141 of 2011 (Investment Guidelines);
- administrative fee calculations on inactive schemes;
- increasing exposure to credit risk; and
- high losses on property disposal.

The Authority engaged service providers, the Trustees and the employers to try and resolve the undesired findings of the off-site analysis.

Table 7 below shows the average risk profile of reporting Pension Schemes as at 31st December, 2019.

Table 7: Average Risk Profile of Reporting Pensions Schemes as at 31st December, 2019

Risk Score	Likelihood of a Significant Risk Event	Number of Pension Schemes	
		2019	2018
1	Emerging Risk to Solvency or Viability	-	-
2	Existing Risk	39	35
3	Significant Threat to Solvency or Viability	17	20
4	High Risk (Actual or imminent insolvency)	1	2
Total number of Schemes		57	57
Industry Average Risk Score		2.33	2.44

9.1.3.2 On-site Inspections

The Authority conducted twenty-four (24) on-site inspections (2018:18) on the registered Pension Schemes. The total net assets of the inspected schemes accounted for 48 percent of the industry net assets (2018:62 percent). The findings from the inspections were incorporated in the risk assessments and supervisory action requiring Trustees to take corrective measures. The on-site inspections consisted of fourteen (14) targeted inspections that focused on conducting due diligence for all Pension Schemes that were under the portfolio of Madison Asset Management Company (MAMCO), while the other ten (10) were routine on-site inspections.

9.1.4 Pension Schemes Trustees Training

The Authority conducted the three (3) training sessions for the Boards of Trustees of various Pension Schemes. The training sessions were conducted in Lusaka, Copperbelt and Southern provinces. A total of ninety-one (91) Trustees were trained from thirty-five (35) Pension Schemes compared to one hundred sixty-nine (169) from fifty-one (51) Pension Schemes in 2018. The topics covered during the training included

Investments and Risk Management, Governance of Pension Schemes, Interpretation of Financial Statements, Impact of IFRS 9 on Pensions, Tax Aspects relating to the Management of Pension Schemes, Selection and Oversight of Service Providers.

9.2 Insurance Supervision

Insurance regulation and supervision is aimed at achieving one of the Authority's core mandate of protecting Policy Holders. The Authority, through Insurance Supervision, ensures that players in the insurance market are compliant with the provisions of the Insurance Act. During the year under review, the Authority continued to focus on the following:

- (a) on-site inspection of Insurers and Brokers;
- (b) off-site analysis of Insurers and Brokers; and
- (c) enhancing the regulatory framework through development of directives and circulars.

9.2.1 Industry Composition

In 2019, the Authority licensed 343 insurance entities. Table 8 below shows the composition of the entities over the last three years.

Table 8: Distribution of Insurance Entities

CATEGORY	31 st December, 2019	31 st December, 2018	31 st December, 2017
Reinsurers	3	3	4
General Insurers	21	21	22
Long-Term Insurers	10	10	12
Insurance Brokers	45	37	41
Reinsurance Brokers	3	4	2
Insurance Agents	242	237	250
Loss Adjustors	6	5	6
Risk Surveyors	2	2	4
Assessors	8	8	10
Claims Agents	3	6	8
Total	343	333	359

9.2.2 Inspections

The Authority continued to conduct off-site and on-site inspections in order to monitor statutory compliance and financial soundness of insurance entities.

9.2.2.1 Off-site Analysis

Table 9 below summarises the risk profile of Insurance Companies as at 31st December, 2019.

Table 9: Risk Assessment of Insurers and Reinsurers as at 30th June, 2019

Risk Class	Risk score	Number of Companies as at 30 th June 2019	Number of companies (as at 30 th June 2018)	Number of companies (as at 31 st December 2018)
Strong	0.0 - 1.0	2	3	3
Satisfactory	1.0 - 1.5	11	10	10
Fair	1.5 - 2.0	12	12	12
Marginal	2.0 - 3.0	4	3	3
Unsatisfactory	3.0 - 4.0	4	6	6
Total		33	34	34

As part of market conduct supervision, the Authority also analysed the statutory returns for Brokers and the results are summarised in Table 10 below.

Table 10: Brokers Compliance Reports as at 31st December, 2019

Assets and Liabilities	Number of Compliant Brokers	Level of Compliance
Submission of 2018 financial statements	32	78%
Availability of approved principal officer	37	93%
Availability of accounts officer	39	97%
Submission of Q2 2019 Returns	33	82%
Submission of Q3 2019 Returns	30	75%

9.2.2.1 On-Site Inspection

The Authority conducted six (6) routine and eleven (11) targeted inspections of Insurers. Key findings from these inspections included the following:

- inadequate governance structures;
- lack of appropriate systems;
- solvency and liquidity challenges;
- non-compliance with the minimum capital requirements ; and
- market misconduct.

¹The Insurance (Minimum Paid Up Share Capital) Regulations, 2015

9.2.4 Development of Key Facts Statements (Minimum Disclosure Guidelines)

Development of Key Facts Statements as Guidelines for the Insurance Industry was undertaken during the period under review with the support of the World Bank. The Key Fact Statement Guidelines will be issued to industry in the first quarter of 2020.

9.2.5 Enforcement Actions –Status on Liquidation of Focus Life Assurance Company Limited and A-Plus Assurance Company Limited

The Registrar, in exercise of the powers conferred on under Section 71 of the Insurance Act, as read together with Section 127(1) of the Banking and Financial Services Act, placed Focus Life Assurance Company Limited (FLA) and A-Plus Life Assurance Limited (ALA) under Compulsory Liquidation on 24th May, 2018. On

22nd March, 2019, following a challenge by Focus Life Assurance Limited and others, the High Court upheld the decision of the Authority to place Focus Life Assurance Limited under compulsory liquidation in the matter of Solomon Ngwenya, **George Mubipe and Focus Life Assurance Limited Vs Pensions and Insurance Authority.** ²

In view of the foregoing, the Authority continued the process of compulsory liquidation for Focus Life Assurance Limited and A-Plus Life Assurance Limited. The Liquidation Schedules outlining steps that the Authority intended to take were filed into Court on behalf of A-Plus Life Assurance Limited and Focus Life Assurance Limited on 15th and 16th April, 2019 respectively. As at 31st December, 2019, the liquidation process was still on-going. Table 11 below is a summary of the estimated assets and liabilities for the two entities as reflected in the liquidation schedules.

Table 11: Focus Life and A-Plus Life Assets and Liabilities

	A-Plus Life K	Focus Life K
Assets	521,518	2,882,066
Policy Holder Liabilities	(1, 921,338)	(7,998,580)
Other Liabilities	(3,031,338)	(9,230,449)
Total Liabilities	(4,952,676)	(17,229,029)

9.3 Review of Legislation

During the period under review, the Authority in line with its strategic objective of improving the Regulatory Framework by 2021, continued to pursue law reforms.

9.3.1 The Insurance Bill

The Authority held three (3) consultative meetings and (2) two retreats to review the Insurance Bill. The

² 2018/HPC/BN/0223

retreats were held at Mika Convention Centre and Twangale Park in September, 2019 and December, 2019 respectively. These meetings were attended by representatives from key stakeholders such as the Ministry of Finance, Ministry of Labour and Social Security as well as the Ministry of Justice. The Authority remains optimistic that the Insurance Bill will soon be enacted into law.

9.3.2 Pension Scheme Regulation Bill

The Pension Scheme Regulation Bill was incorporated into the National Social Protection Bill, which was still under consideration as at 31st December, 2019.

9.3.3 Statutory Instrument No. 141 of 2011 (Investment Guidelines)

Following the Pensions Industry concern regarding restrictions on investments relating to derivatives and investments limits, the Authority undertook a review of the Pension Scheme (Investment Guidelines) Regulations SI No.141 of 2011. The draft revised SI has since been submitted to the Ministry of Finance and it is envisaged that the Draft SI will become law in the year 2020.

9.3.4 Guidelines/Manuals

In line with the Strategic Plan initiatives for 2019, the following guidelines and manuals were developed:

- a) Pensions Intervention Manual;
- b) Off - Site Analysis Manual;
- c) Guidelines on conversion of Pension Schemes from Defined Benefit to Defined Contribution;
- d) Guidelines on Treatment of inactive Pension Schemes; and
- e) Circular on Full Disclosure of Contribution Arrears in the Financial Statements of Pension Schemes

These guidelines are scheduled to be issued in the first quarter of the year 2020.

Further, the Authority conducted stakeholder engagements on Guidelines on Treatment of Inactive Pension Schemes and on a Circular on Full Disclosure of Contribution Arrears in the Financial Statements.

9.4 Memoranda of Understanding

The Authority is committed to ensuring that pensions and insurance financial systems and the broader economy are protected from threats of financial crimes including money laundering and the financing of terrorism, with the ultimate goal of fostering financial sector integrity and contributing to safety and security. In addition to the two (2) Memoranda of Understanding (MOUs) executed with Law Enforcement Agencies (LEA's) in 2018 with the Drug Enforcement Commission (DEC) and the Anti-Corruption Commission (ACC), the Authority executed an MOU with the Zambia Police Service on 1st April, 2019.

In addition, the Authority signed a Multi-Sectoral Memoranda of Understanding with the Bank of Zambia (BoZ), Competition and Consumer Protection Commission (CCPC) and the Securities and Exchange Commission (SEC). The aim of the MOU is to enhance synergies in the protection of consumers of financial services. The Authority will continue to utilise the MOUs to improve cooperation in relation to preventing and combatting financial crimes in the Pensions and Insurance Industries. The Authority will also continue working with the LEA's to ensure that it protects the interest of Policy Holders and Pension Scheme Members.

9.5 National Anti-Money Laundering/ Combating the Funding of Terrorism (AML/CFT) Activities

The 37th Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) Task Force Meetings of Senior Officials held in Arusha Tanzania in April, 2019 adopted the Mutual Evaluation Report (MER) of Zambia. The report was approved by all Ministers of Finance in

the ESAAMLG Region during the Council of Minister's meeting held in September, 2019 in Eswatini.

In view of the foregoing, Zambia was placed under enhanced follow-up by the Financial Action Task Force. The Country is expected to present its first enhanced follow-up report at the first ESAAMLG Task Force meeting scheduled for April, 2020 in Arusha.

The Authority continued addressing deficiencies identified in the Pensions and Insurance Industries in the MER. These deficiencies made the industries vulnerable to threats of money laundering and terrorist financing and proliferation. In addressing some of these deficiencies, the Authority revised the Licensing Guidelines as well as the Fit and Proper Guidelines in order to provide for an enhanced regulatory framework aimed at strengthening market entry controls into the sector by obtaining particulars of ultimate beneficial owners and conducting due diligence on them.

In addition, the Authority developed the Anti-Money Laundering Risk Based Supervision Manual to provide guidance to officers conducting AML/CFT inspections on reporting entities to ensure that Insurers and Brokers comply with the regulations on the prevention of money laundering and financial terrorism, in accordance with the Financial Intelligence Centre (FIC) Act, the PIA AML/CFT Directives, and other relevant laws.

In order to effectively apply resources and ensure compliance with the AML/CFT legal framework requirements, the manual was structured in such a way as to allow inspectors to tailor the AML/CFT inspection scope and procedures to the specific risk profile of the reporting entity.

The Authority remains resolute to take necessary measures to prevent an ineligible person from possessing, controlling and directly or indirectly participating in the management and administration or operation of a regulated entity

as well as ensure compliance with the Financial Action Task Force (FATF) standards on AML/CFT.

The measures taken by the Authority are intended to build public confidence in the Insurance Industry and its capabilities to address and mitigate money laundering and financing terrorism concerns, and to protect the integrity of the financial system at large.

9.6 Consumer Protection and Education

9.6.1 Consumer Protection

As part of its consumer protection mandate, the Authority receives and handles complaints from Pension Scheme Members, Insurance Policy Holders, Third-Party Claimants, Licensed Entities and other stakeholders. The handling of complaints in a timely, effective and fair way is an important aspect in maintaining trust in the Pensions and Insurance Industries and therefore, a key part of the consumer protection framework. During the period under review, the Authority continued to play its cardinal role of protecting the Policy Holders.

9.6.2.1 Pensions Complaints

The Authority received thirteen (13) complaints from Pension Scheme Members and one (1) complaint from a pensions service provider. The nature of complaints from Pension Scheme Members related to delay and non-payment of pension benefits, while the complaint from the service provider related to infringement of Market Conduct Guidelines by other industry players. Table 12 below summarises the status of complaints as at 31st December, 2019.

Table 12: Status of Pensions Complaints as at 31st December, 2019

Status of Complaints	Pension Scheme	Service Provider
Pending cases as at 1 st January 2019	10	0
New lodgments during the Year	13	1
Discontinued cases	7	0
Resolved cases	10	1
Outstanding cases as at 31 st December, 2019	6	0

9.6.2.2 Insurance Complaints

During the period under review, the Authority attended to one hundred and twelve (112) insurance related complaints as compared to one hundred and twenty-six (126) in 2018. The nature of the complaints related to delays in settlement of claims, unauthorised deductions from payroll, repudiated claims and Third Party claims. The Authority had sixty-two (62) un-resolved complaints by the close of the year. Table 13 below summarises the status of the complaints as at 31st December, 2019.

Table 13: Status of Insurance Complaints as at 31st December, 2019

Status of Complaints	Motor	Life	Other
Pending cases as at 1 st January 2019	13	23	1
New lodgments during the year	40	34	1
Total cases handled during the year	53	57	2
Referred/discontinued cases	5	1	0
Resolved (in favour of Policy Holders)	11	26	1
Resolved (in favour of Insurance Companies)	4	1	0
Outstanding cases as at 31 st December 2019	33	26	3

9.6.2 Consumer Education

In December, 2019 the Ministry of Finance launched the second National Strategy on Financial Education, which is aimed at equipping citizens with the knowledge, skills and confidence necessary to improve their understanding of financial products and concepts.

Further, the Authority focused on improving consumer satisfaction by increasing awareness on pensions and insurance throughout the country. Awareness activities included media engagements, the Financial Literacy Week, Insurance Week, Pensions Awareness Week, School Sensitisation Programmes,

roadshows, radio and television programmes. The Authority also conducted provincial sensitisation tours in Northern, Copperbelt, Western and Eastern Provinces. In addition, the Authority utilised its participation at the Zambia International Trade Fair and the Zambia Agricultural and Commercial Show to conduct consumer education and enhance its visibility.

9.6.3 Media Relations and Publicity

The Authority recognises the key role the media plays in educating the public on matters of pensions and insurance. Therefore, the Authority continued to engage with the media through various platforms which included a media workshop, press briefings and interviews.

9.6.3.1 Media Training Workshop

The Authority, in March 2019, conducted its second media engagement workshop, which was aimed at helping the media appreciate the role of the Pensions and Insurance Industries in economic development and how to report on pensions and insurance matters. The workshop was attended by twenty-six (26) journalists, representing various Lusaka based media houses.

9.6.3.2 Media Coverage

The Authority featured on thirty-two (32) radio and television consumer awareness programmes.³ The objective of the programmes was to raise awareness on the mandate of the Authority in the financial sector and general awareness on the importance of pensions and insurance. Further, the Authority issued several press statements and featured on various media platforms (broadcast and print).

9.6.3.3 Online Initiatives and Activities

The Authority has leveraged technology platforms to enhance access to information by the public. The Authority has an active Facebook page that had over 11,000 followers at the end of the year. Further, the Authority's website was

overhauled and updated to ensure appropriate and up-to-date information is provided regulated entities existing and potential consumers of insurance and pension services.

9.6.4 Stakeholder Engagement

During the period under review, the Authority held stakeholder consultative workshops with industry in a bid to foster collaboration and development in the Pensions and Insurance Industries.

Arising from the consultations, a Plan of Action was agreed with the industries. The Plan seeks to promote the development of the Insurance Industry and includes the following: co-insurance, fronting, bancassurance, the need to regulate the insurance profession and address the skills gap, the need for an information exchange platform akin to the Credit Reference Bureau under the banking sector, creation of a Large Risk Register and the review of the National Insurance Credit Policy that was issued by the Authority. The introduction of 'cash and carry' was also discussed.

The Authority also supported the Insurers Association of Zambia (IAZ) in hosting the 4th Annual Insurance Conference from 17th to 19th July, 2019. The Conference was held under the theme, *"Enhancing the role of Insurance for Economic Growth"* and attracted one hundred sixty-two (162) participants of which, included twenty-nine (29) international participants.

Further, the Authority, in partnership with the Zambia Association of Pension Funds (ZAPF), organised the Inaugural Pensions Conference from 19th to 20th November, 2019. Apart from deliberating on the challenges affecting the Zambian Pensions Industry, the Conference served as a platform for the Authority to update industry on developments in the Authority and planned interventions. One of the resolutions of the Conference was that the Authority issues a Practice Note on transmission of benefit statements through electronic means.

³ Out of the thirty-two (32) radio and television programmes, fourteen (14) were free slots

10.0

National Financial Inclusion Strategy



The Authority continued to implement activities outlined in the National Strategy on Financial Inclusion Action Plan. The Authority served as Secretariat for the Pensions and Insurance Working Groups. The Working Groups' objectives, during the period 2017-2022, are to:

- (a) reduce documentation barriers to product uptake and usage;
- (b) simplify products using customer-centric design (customer-oriented designs);
- (c) expand supply of insurance and pensions products;
- (d) improve quality and availability of financial products and services for women and youths and rural residents;
- (e) improve government-supported SME finance approaches;
- (f) clarify institutional arrangements and legal mandates for financial consumer protection;
- (g) improve disclosure practices of financial service providers;
- (h) improve access to and efficiency of dispute resolution mechanisms for financial consumers;
- (i) strengthen financial consumer protection supervision;
- (j) improve business practices of financial service providers;
- (k) improve Policy Holder protections;
- (l) strengthen financial capability of

consumers;

- (m) improve data infrastructure for financial inclusion; and
- (n) improve cross-agency coordination for financial inclusion.

Other than serving as Secretariat for the Pensions and the Insurance Working Groups, the Authority also served on the Financial Consumer Protection Working Group and Rural & Agricultural Finance Working Group. Among the notable achievements was securing financing from Financial Sector Deepening Zambia (FSDZ) for activities under the National Financial Inclusion Strategy (NFIS). These activities included the Gender Audit Dissemination, consumer awareness radio shows, production of IEC materials, training of farmers and marketeers and Industry training.

The Authority further engaged the World Bank to provide support to staff and industry on risk-based methodologies to build capacity to design and understand agriculture based micro insurance products.

Further, the Authority, in collaboration with Industry, developed Microinsurance Guidelines in order to promote micro insurance and thus grow the insurance market. The guidelines will be issued in the first quarter of 2020.

11.0

International Engagements



11.1 Eastern and Southern African Anti-Money Laundering Group 2nd Round of Mutual Evaluation Exercise

As alluded to under clause 9.5, the Authority participated at the 37th ESAAMLG Task Force Meeting of Senior Officials held in Arusha Tanzania in April 2019 adopted the Mutual Evaluation Report (MER) of Zambia as well as the delegation that attended the ESAAMLG Council of Ministers meeting held in September, 2019 in Eswatini where all Ministers of Finance in the Region approved Zambia's MER.

11.2 Committee on Insurance, Securities and Non-Banking Supervisory Authorities

The Authority also participated in bi-annual meetings under the auspices of the Committee on Insurance, Securities and Non-Banking Supervisory Authorities (CISNA) which, at the time, focused on harmonising the Financial Supervisory Regulatory Framework in the Southern African Development Community (SADC).

During the 2019 October meeting, the Model Law on regulation and supervision of financial intermediaries was adopted. The document will help member states to incorporate best practices in regulation of financial intermediaries in their respective jurisdictions. The meeting also focused on new CISNA rules to support the establishment of a permanent secretariat.



12.0

Performance of The Pensions Industry

Pension Funds contribute to economic growth through the capital markets and other economic ventures that Fund Managers invest in. Table 14 below shows the percentage of pensions net assets against Zambia's Gross Domestic Product (GDP) for the past five (5) years.

Table 14: Pensions Net Assets vs Gross Domestic Product (2015-2019)⁴

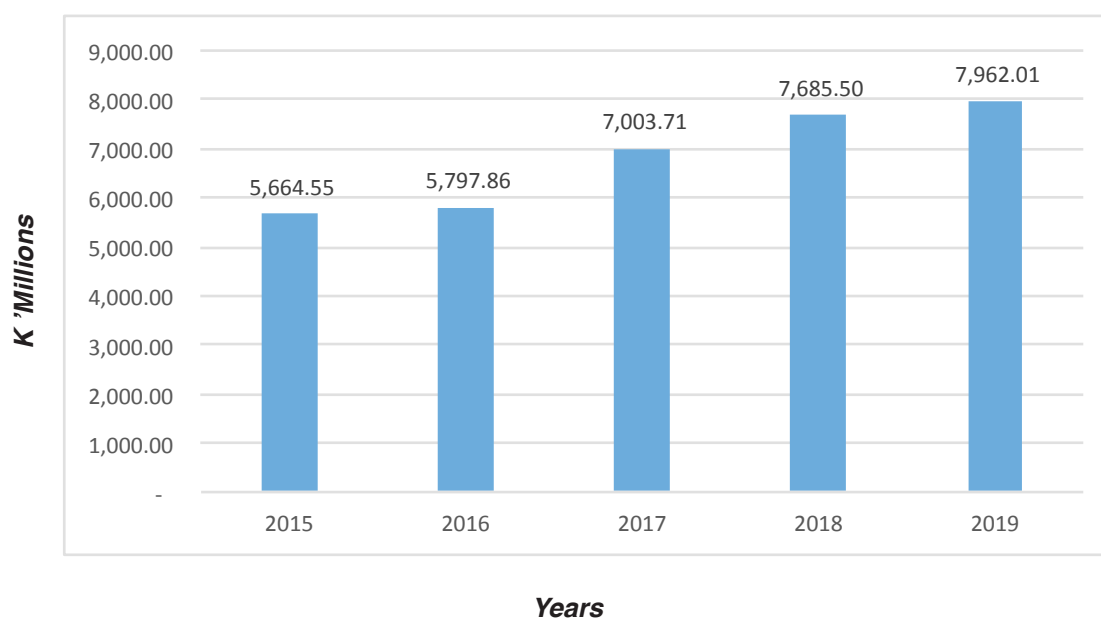
Description (K' Millions)	2019	2018	2017	2016	2015
Net Assets	7,962.01	7,685.50	7,003.71	5,797.86	5,664.55
GDP-Constant prices ⁵	142,529.00	139,203.40	134,998.17	129,515.70	125,003.40
Net Assets to GDP	5.6%	5.5%	5.2%	4.5%	4.5%

Performance of Pension Schemes⁶

12.1.1 Industry Growth

In 2019, private pensions net assets increased by 3.6 percent (2018: 9.7 percent). The reduction in growth from the previous year was mainly as a result of the negative performance in the equity market. Figure 2 below shows the movement of Pensions Industry net assets over a five-year

Figure 2: Pensions Industry Net Assets (K 'Millions) (2015-2019)



⁴ GDP-constant prices: Ministry of Finance as third quarter 2019.

⁵ 2019 estimate GDP at constant prices.

⁶ The information highlighted in this Report does not include the National Pension Scheme (NPS) and the Public Service Pensions Fund (PSPF) statistics.

Tables 15 below shows the number of Pension Schemes in each of the growth range category for the 2019 financial year, while Table 16 shows the schemes in negative growth rate.

Table 15: Number of Pension Schemes according to Range of Growth Rate in Net Assets

Range of Growth in Net Assets for the Year 2019	Number of Pension Schemes	Total Value of Net Assets K' Million
Less than 0%	6 pension schemes	1,639.45
0 % to 10%	18 pension schemes	3,255.00
11% to 20%	14 pension schemes	1,645.00
21% to 30%	9 pension schemes	576.85
31% and above	13 pension schemes	845.86

Table 16: Pensions Schemes in Negative Growth Rate in Net Assets⁷

Scheme Name	2019 Net Assets (K' Million)	2018 Net Assets (K' Million)	Growth
Africa Fifty Three Pension Fund	23.10	24.24	-5%
Kwacha Pension Trust Fund	415.00	449.00	-8%
Konkola Copper Mines Plc Pension Scheme	1,077.45	1,171.14	-8%
Airtel Zambia Staff Pension Scheme	80.39	91.21	-12%
Cavmont Bank Ltd Pension Scheme	19.73	25.49	-23%
Zambezi River Authority	23.81	51.87	-54%

12.1.2 Return on Net Assets

Return on average net assets during the year under review was 10 percent (2018: 13 percent). The return of 10 percent was below the 2019 December year-on-year inflation rate of 11.7 percent. The reduction on net assets return was mainly attributed to reduced income from K973 million in 2018 to K805 million in 2019. Table 17 and 18 below shows the return and growth in net assets against the inflation rate over the last five (5) years.

⁷ Note that the negative growth rate is attributed mainly to refund of pension contributions

Table 17: Pension Scheme Return and Growth Rate on Nets Assets Vs Inflation Rate

Description (K' Millions)	2019	2018	2017	2016	2015
Net Assets	7,962.01	7,685.50	7,003.71	5,797.86	5,664.55
Investment income	805.30	973.01	1,181.16	473.04	1,091.45
Return	10%	13%	17%	8%	20%
Year on Year Dec 2018 Inflation	11.7%	7.9%	6.1%	7.5%	21.1%
Growth in Net Assets	3.6%	9.7%	20.8%	2.4%	13.3%

Table 18: Number of Pension Schemes According to Range of Return on Net Assets

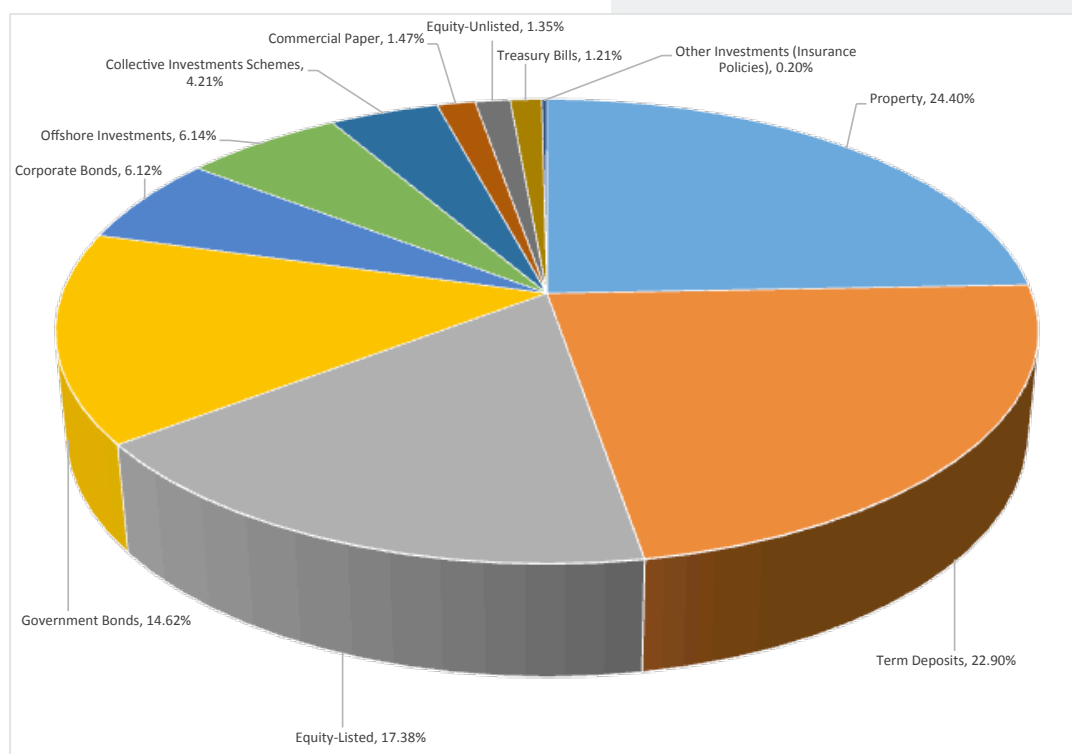
Number of Pension Schemes	Return on Net Assets for the Year 2019	Total Value of Net Assets K' Million
31 Pension Schemes	0 % to 10%	K5,447.00
27 Pension Schemes	11% to 20%	K2,462.90
2 Pension Schemes	Above 20%	K52.20

12.1.3 Investments

In 2019, Pension Scheme investments increased by 5.6 percent (2018: 11 percent) from K8,052 million in 2018 to K8,504 million. The investments were made through various investment vehicles as stipulated in the Statutory Instrument No. 141 of 2011⁸ (The Pension Scheme (Investment Guidelines) Regulations). As at the end of the year 2019, majority of Pension Schemes were compliant to the Investment Guidelines. The Authority will continue to pursue non-compliant Pension Schemes to regularise investments according to the Statutory Instrument. Figure 3 below shows the various instruments in which Pensions Funds had invested as at 31st December, 2019.

⁸ For the purpose of SI 141 of 2011, each asset class is expressed as a percentage of net assets

Figure 3: Investment Spread as at 31st December, 2019



12.1.3.1 Offshore Investments

Offshore investments increased by 5,577 percent from K9.2 million in 2018 to K521.9 million in 2019. The drastic increase was as a result of the five (5) Pension Schemes that invested offshore following the approvals granted by the Minister of Finance. All the offshore investments were in accordance with the Investment Guidelines and accounted for 6.5 percent of the industry net assets.

12.1.3.2 Listed Equity

The tradable market value for listed equity held by Pension Schemes increased by 10.8 percent (2018: -43 percent) to K1,478 million in 2019 from K1,333 million in 2018. Dividends received increased by 30.3 percent (2018: 86 percent) to K111 million from K85 million in 2018).

12.1.3.3 Unlisted Equity

Investments in unlisted equity reduced by 64.4 percent (2018: -51 percent) from K322 million in 2018 to K114 million in 2019.

12.1.3.4 Investment in Properties

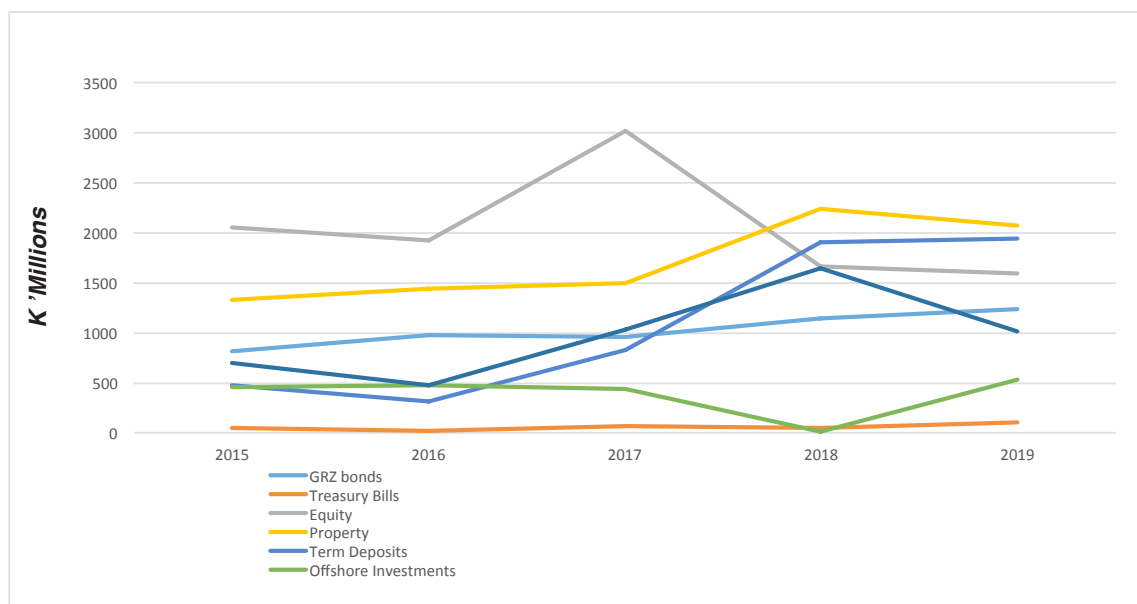
After five (5) years of positive growth in property investments, the industry registered a reduction of 7.1 percent (2018: 49 percent) from K2.23 billion in 2018 to K2.07 billion in 2019. The reduction in property investment was mainly attributed to disposal of some property.

Rental income increased by 3.1 percent (2018: 15 percent) from K101 million in 2018 to K104 million in 2019.

Revaluations on property increased from K7 million in 2018 to K82.43 million in 2019.

Figure 4 below shows investments over the past five (5) years.

Figure 4: Investment Trends over the Years (K 'Millions)



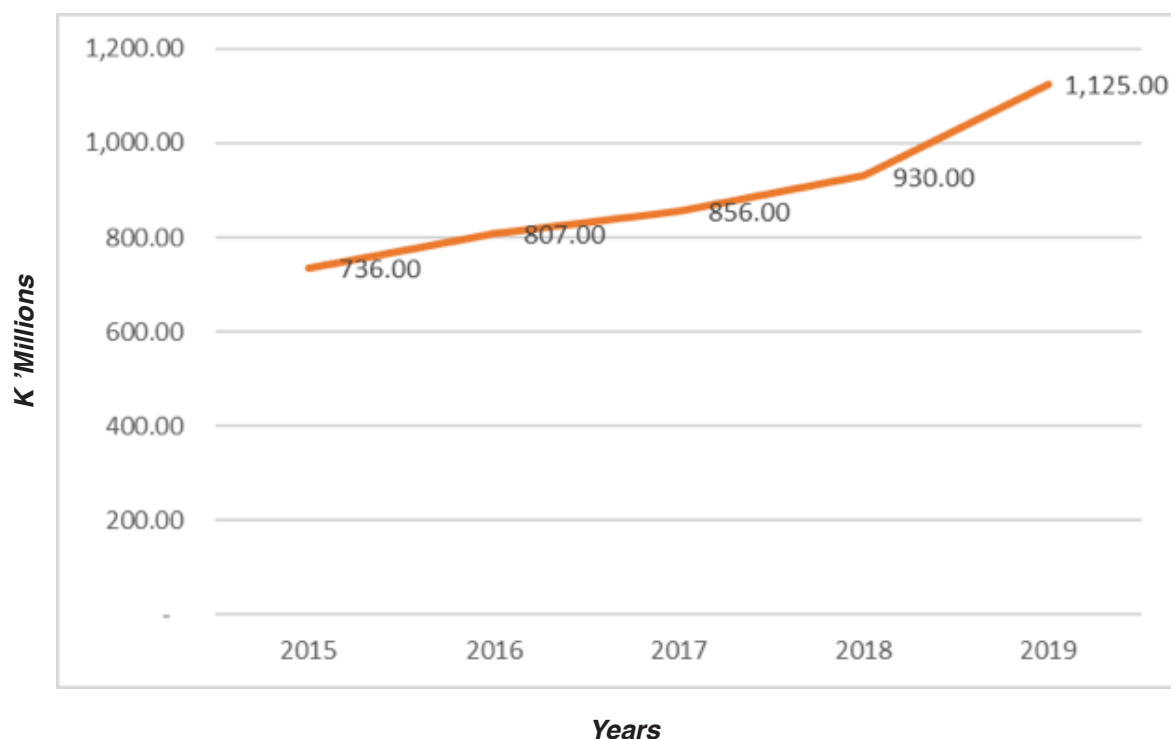
12.1.4 Pension Contributions

Regular pension contributions⁹ from Scheme Members increased by 18 percent (2018:8 percent) from K930 million in 2018 to K1,125 million in 2019. The increase was mainly attributed to the increase in the basis (salaries) for computing contributions and the new schemes. Other contributions¹⁰ increased by 64 percent from K62 million in 2018 to K101 million in 2019. A total of 67 percent of the other contributions accounted for transfer of funds from other schemes.

Unremitted contributions increased by 62 percent (2018:12 percent) from K250 million in 2018 to K406 million in 2019. This implied that some sponsors of Pension Schemes who did not remit pension contributions disadvantaged their members from the investment income that could have been realised had the funds been invested. From the industry outlook, the unremitted contributions were within the one-month period as stipulated under the Pension Scheme Regulations Act. Figure 5 below shows the trend of total contributions.

⁹ Normal pension contributions relate to current period employer and member contributions.

¹⁰ Other contributions relate to transfer from other funds, special deficit funding and voluntary contributions.

Figure 5: Total Pension Contributions (K' Millions)

12.1.5 Outstanding Pension Benefits

Outstanding pension benefits improved by 11 percent to K536 million in 2019 from K599 million in 2018 following the payment to the beneficiaries.

However, total liabilities increased by 40 percent from K987 million in 2018 to K1,357 million in 2019. Benefits due and creditors (fees payables) accounted for 39 percent (2018: 61 percent) and 53 percent (2018: 33 percent), respectively.

12.1.6 Withdrawal Claims

During the year under review, refunds on account of withdrawal claims increased by 19 percent (2018: 6 percent) to K579 million in 2019 from K488 million in 2018. Refunds accounted for 53 percent (2018: 52 percent) of the total benefits paid.

12.1.7 Market Share

Figures 6, 7, 8 and 9 below show the market share of registered service providers for the year 2019 in proportion to the Pension Industries net assets of schemes.

Figure 6: Registered Fund Administrators' Share of Industry Net Assets

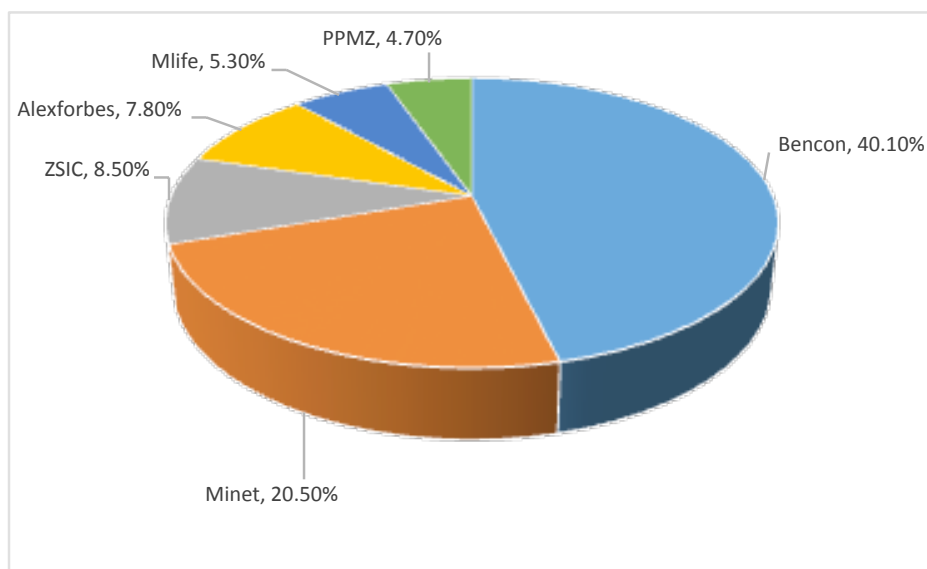


Figure 7: Self-Administered Pension Schemes' Share of Industry Net Assets

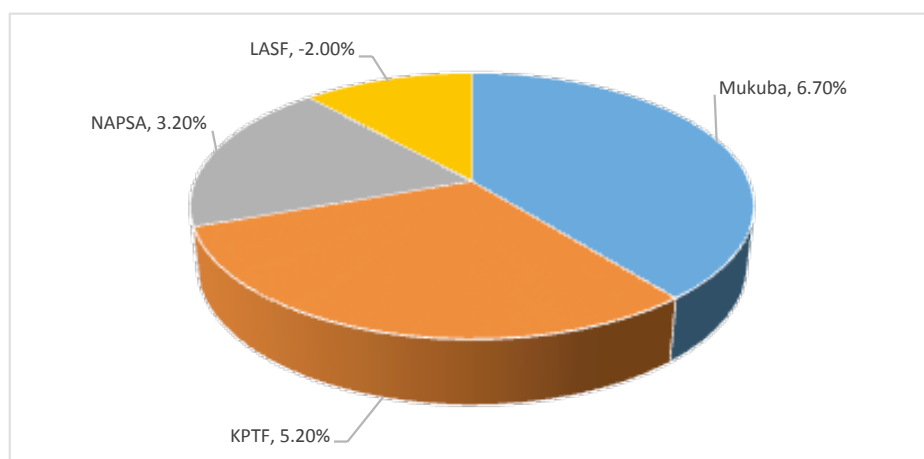
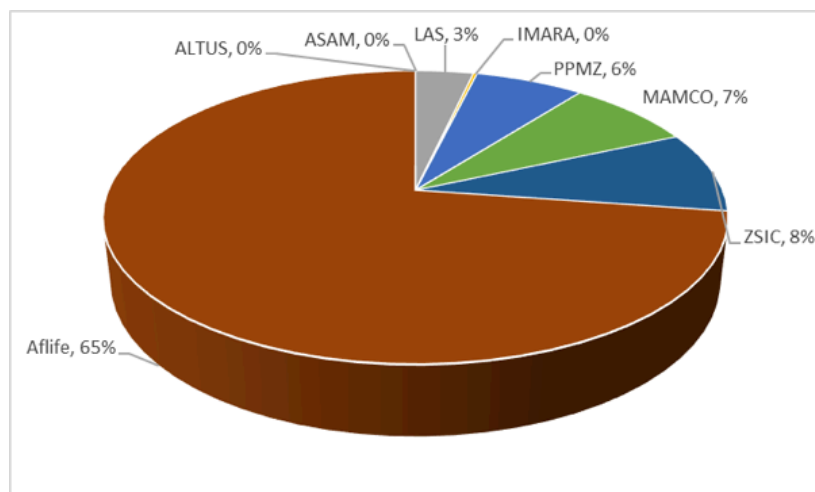
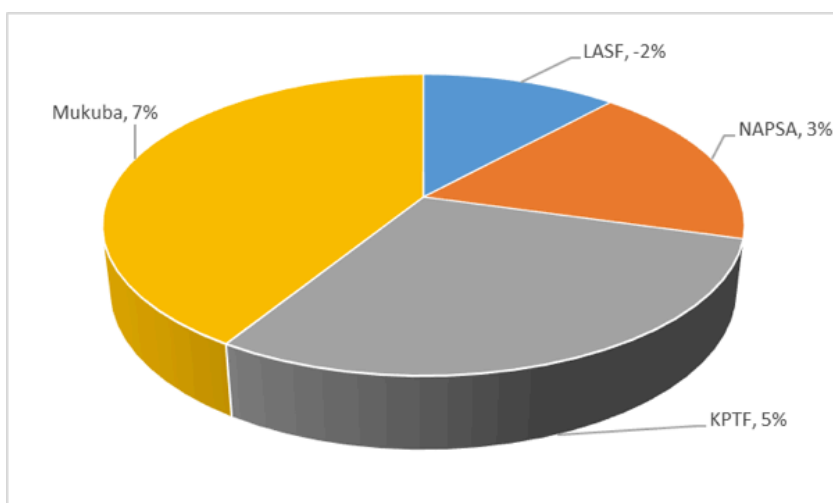


Figure 8: Registered Fund Managers' Market Share of Industry Net Assets**Figure 9: Self-Managed Schemes Share of Industry Net Assets****Key for Figures 6, 7, 8 and 9**

Aflife-African Life Financial Services (Z) Limited
 Alexforbes-Alexander Forbes Financial Services Limited
 Altus-Altus Capital Limited
 ASAM-Allied Securities and Asset Management Company
 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
 KPTF-Kwacha Pension Trust Fund
 LAS-Longhorn Associates Limited
 LASF-Local Authority Superannuation Fund
 MLife-Madison Life Insurance Company Zambia Limited
 Mukuba-Mukuba Pension Trust Scheme
 PPMZ-Prudential Pensions Management Zambia Limited
 ZSIC-ZSIC Life Limited

SECTION 2



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13.0

Performance of The Insurance Industry

2019 ANNUAL REPORT



13.1 Performance of Insurance Industry

The Insurance Industry contributes to the economy by providing financial security, mobilising savings and promoting direct and indirect investments.

The Insurance Industry recorded an overall increase of 18 percent in terms of Gross Written Premium (GWP) turnover during the year ended 31st December, 2019 as compared to the year 2018. In quantum, GWP increased to K3,757 million from K3,183 million recorded in 2018. This resulted in an Insurance Penetration Ratio (GWP to GDP ratio) of 2.63 percent, as compared to 2.29 percent and 1.83 percent in 2018 and 2017 respectively. The Insurance Penetration Ratio is the GWP expressed as a percentage of the national GDP. Details of GWP over the period 2015 to 2019 are illustrated in Figure 10 and Table 19 below.

Figure 10: Long-Term and General Insurance Gross Written Premium Growth 2015-2019 (K 'Millions)

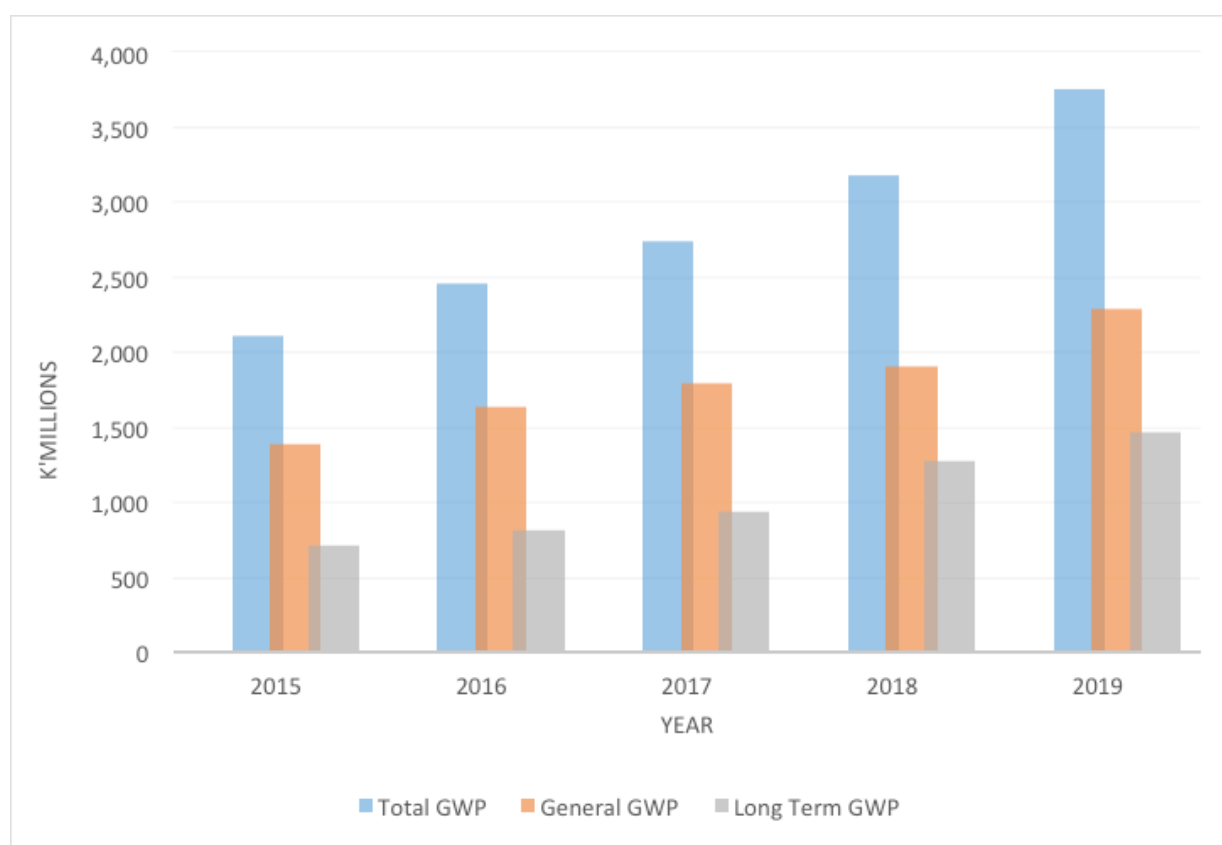


Table 19: GWP Growth Rate, GWP to GDP Ratio (2015-2019)

Year	2019	2018	2017	2016	2015
Gross Written Premium (K'000)	3,757,000	3,183,000	2,455,000	2,107,000	1,792,000
GDP (Constant) K 'Million	142,529.00⁽¹⁾	139,203,400	134,998,170	129,515,700	125,003,400
139,203.40	134,998.17	129,515.70	125,003.40	17%	15%
Annual GWP Growth	18%	16%	12%	17%	15%
Annual GDP Growth	2.4%	3.7%	3.5%	3.8%	2.9%
GWP/GDP (Penetration Ratio)	2.63%	2.29%	1.83%	1.62%	1.43%

The analysis further split GWP into what was attributable to General Insurance Business and Long-Term Insurance Business. General Insurance Business accounted for K2,292 million in 2019 as compared to K1,908 million in 2018 whilst Long-Term Insurance business accounted for K1,465 million in 2019 as compared to K1,275 million in 2018. Details of each respective insurance business type are discussed later in this Report.

13.2 Employment Statistics

Insurance Companies employed 2,866 individuals in 2019 compared to 2,615 in 2018, representing a 9 percent increase. Details of these employment statistics are summarised in Table 20 below.

¹¹ GDP-constant prices: Ministry of Finance as at third quarter 2019

Table 20: Insurance Industry Employment Statistics

OCCUPATIONAL CATEGORY	2019				2018			
	Male		Female		Male		Female	
	Zambian	Non-Zambian	Zambian	Non-Zambian	Zambian	Non-Zambian	Zambian	Non-Zambian
Senior Managers and Legislators	201	22	53	6	132	22	49	8
Professionals	99	0	78	5	102	15	65	4
Associate Professionals and Technicians	261	3	160	0	204	4	144	4
Clerks	233	0	231	0	189	0	213	0
Service Workers and Shop and Market Sales Workers	721	0	503	0	603	0	534	0
Skilled Agricultural and Shop Fisheries Workers.	6	0	1	0	4	0	2	0
Craft and Related Trade Workers	8	0	1	0	31	0	0	0
Plant and Machine Operators	0	0	0	0	2	0	0	0
Assemblers	0	0	0	0	1	0	1	0
Elementary Occupations	9	0	2	0	18	0	20	0
Temporary Employees	62	0	39	0	62	0	31	0
Other	63	2	97	0	59	1	91	0
Total	1,663	27	1,165	11	1,407	42	1,150	16
Grand Total	2,866				2,615			

13.3 General Insurance Business Overview

This section outlines the performance of the General Insurance Business for the year 2019 by analysing it comparatively with the year 2018. The data used in the analysis was captured from the audited financial statements of General Insurance Companies for both 2018 and 2019 financial years ended 31st December, respectively.

13.3.1 Performance Overview

This section gives an overview of the performance of the General Insurance Business.

13.3.1.1 Premium Income

As earlier indicated in this Report, GWP for General Insurance Business increased by 6 percent during the year under review to K2,292

million from K1,908 million recorded in 2018.

The business, recorded a net premium of K1,189 million in 2019 (2018: K994 million) after ceding K1,103 million in 2019 and K914 million in 2018 representing a 10 percent increase. The industry, therefore, recorded a retention ratio of 52 percent (52 percent: 2018).

13.3.1.2 Profitability

The General Insurance Business reported a Profit before tax of K27 million (2018: K123 million). However, the sector recorded a negative profit after tax of – K10 million (K92 million)

13.3.1.3 Claims Paid

The General Insurance Business incurred K516 million in net claims in 2019 compared to K380 million in the previous year, representing an increase of 14 percent. Other details relating to performance are illustrated in Table 21 below.

Table 21: General Insurance Industry Abbreviated Statement of Comprehensive Income

	31 st December, 2019	31 st December, 2018	Growth
	K	K	
Gross Written Premium	2,292,072,808	1,907,626,219	6%
Premium Ceded	(1,102,771,906)	(913,800,953)	3%
Net Premium	1,189,300,902	993,825,266	10%
Investment Income	69,012,169	46,626,753	28%
Other Income	10,305,261	75,583,492	-1%
Reinsurance Commission	61,284,032	130,524,483	38%
Net Income	1,329,902,364	1,246,559,994	12%
Net Claims Paid	(516,190,332)	(379,588,639)	14%
Acquisition Costs	(189,698,418)	(161,091,165)	32%
Management & Operation Expenses	(583,193,682)	(569,296,030)	2%
Net Expenses	(1,289,082,432)	(1,109,975,834)	10%
Unearned Premium Movement	(18,900,051)	(29,032,863)	4976%
Fair Value Adjustments on Investments	(7,529,043)	6,966,270	-45%
Exchange Losses	12,549,822	8,202,224	368%
Profit Before tax	26,940,660	122,719,791	7%
Taxation	(37,013,120)	(30,939,144)	32%
Profit After Tax	(10,072,460)	91,780,647	0%

13.3.2 General Insurance Business Financial Position Overview

13.3.2.1 Assets

Total assets in General Insurance Business increased to K2,259 million in the year under review from K1,923 million in 2018 representing a 17 percent increase.

13.3.2.2 Equity

Total equity increased by 15 percent from K374 million in 2018 to K430 million in 2019. The increase was mainly attributed to the rise in retained profits and reserves. Other details relating to the financial position are illustrated in Table 22 below.

Table 22: General Insurance Industry Abbreviated Statement of Financial Position

ASSETS	31 st December 2019	31 st December 2018	Change
	K	K	
PPE, Deferred/Current Tax & Prepayments	274,775,464	355,186,062	-23%
Investments	280,649,549	202,167,303	39%
Reinsurance Receivables	515,895,698	318,565,412	62%
Receivables - Policy Holders	589,055,682	489,994,116	20%
Other Assets & Receivables	320,316,122	284,595,028	13%
Cash & Bank Balances	278,508,060	272,374,899	2%
Total Assets	2,259,200,575	1,922,882,820	17%
CAPITAL & RESERVES			
Share Capital	253,074,906	250,305,554	1%
Share Premium	27,509,122	34,877,202	-21%
Retained Profits & Reserves	149,586,465	88,583,214	69%
Total Capital & Reserves	430,170,493	373,765,970	15%
LIABILITIES			
Technical Provisions (IBNR, UPR)	511,782,518	496,693,416	3%
Outstanding Claims	396,044,369	278,520,115	42%
Reinsurance Payables	252,437,040	325,718,130	-22%
Other Payables	668,766,155	448,185,188	49%
Total Liabilities	1,829,030,082	1,549,116,849	18%
Total Equity & Liabilities	2,259,200,575	1,922,882,819	17%

13.3.3 General Insurance-Ratio Analysis

13.3.3.1 Expenses Ratio

The expense ratio measures an Insurance Company's efficiency in management of expenses. This ratio measures expenses as a percentage of net earned premiums. The ratio stood at 46.7 percent in 2019 (2018:52 percent),

which translated into a reduction of 11.1 percent.

13.3.3.2 Claims Ratio

This ratio measures net claims paid as a percentage of net earned premium. The ratio stood at 41.9 percent in 2019 (2018:34.7 percent).

13.3.3.3 Commission Ratio

This ratio measures the business acquisition costs incurred (commissions paid to intermediaries). Similarly, it is also measured as a percentage of net earned premium. The ratio stood at 15.4 percent in 2019 compared to 14.7 percent in 2018.

13.3.3.4 Combined Ratio

This ratio measures the profitability of an Insurance Company to indicate whether or not it has made an underwriting profit from performing its daily operations. The ratio is typically expressed as a percentage. A ratio below 100 percent indicates that a company is making an underwriting profit while a ratio above 100 percent means the company is paying out more money in claims and expenses than it is receiving from premiums and, therefore, making an underwriting loss.

The ratio stood at 104 percent in 2019

(2018:101.3 percent) an indication that General Insurers were not managing their expenses well.

13.3.3.5 Profit Margin Ratio

The profit margin ratio reduced from 6.4 percent in 2018 to 1.2 percent in 2019. In addition, profit before tax reduced by 78 percent from K123 million in 2018 to K27 million in 2019.

13.3.3.6 Return on Capital Employed

Return on capital employed is used to measure a company's efficiency in utilising capital or shareholder funds.

The ratio reduced from 32.8 percent in 2018 to 6.3 percent in 2019. The ratio indicates that the General Insurance Market was not efficient in generating profits from shareholder funds.

A summary of the key performance ratios for the General Insurance Business are shown in Table 23 below.

Table 23: General Insurance Key Performance Ratios

PROFITABILITY RATIOS	31 st December, 2019	31 st December, 2018	31 st December, 2017
			(Restated)
1. Expenses Ratio = Operational Expenses/ Net Earned Premium	46.7%	52.0%	55.6%
2. Claims Ratio = Claims Incurred/ Net Earned Premium	41.9%	34.7%	33.4%
3. Commission Ratio = Acquisition costs/Net Earned Premium	15.4%	14.7%	12.2%
4. Combined Ratio = Expenses Ratio + Claims Ratio + Com. Ratio	104%	101.3%	101.2%
5. Profit Margin Ratio = PBIT/Gross Written Premium	1.2%	6.4%	6.4%
6. Return of Capital = PBIT/Equity	6.3%	32.8%	38.7%
INDUSTRY GROWTH RATIO			
7. Annual Market Growth	20%	6%	10%

13.4 Long-Term Insurance Overview

This section outlines the performance of the Long-Term Insurance Business for the year 2019 in comparison to the sector's results as at 31st December, 2018. The data used in the analysis was captured from the audited financial statements of Long-Term Insurance Companies.¹³

13.4.1 Performance Overview

13.4.1.1 Premium Income

The GWP for Long-Term Insurance Business increased by 15 percent during the year under review to K1, 465 million from K1, 275 million recorded in 2018.

The business recorded a net premium of K1, 172 million in 2019 (2018: K1, 021 million) after ceding K292 million in 2019 and K254 million in

2018 representing a 15 percent increase. The year under review recorded a retention ratio of 80 percent (2018:80 percent).

13.4.1.2 Profitability

The Long-Term Insurance Business reported a negative profit before tax of – K11 million (2018: - K9 million). The sector also recorded a negative profit after tax of – K15 million (2018: - K16 million)

13.4.1.3 Benefits

Long-Term Insurers paid K571 million during the year under review in net benefits compared to K473 million in 2018. Insurance benefits and claims increased by 21 percent in the year under review. Other details relating to performance are illustrated in Table 24 below.

Table 24: Long-Term Insurance Industry Abbreviated Statement of Comprehensive Income

	31 st December 2019	31 st December 2018	Growth
	K	K	
Gross Premium received	1,464,723,453	1,275,228,870	15%
Premium Ceded	(292,237,653)	(253,863,777)	15%
Net Premium Received	1,172,485,800	1,021,365,093	15%
Investment & Other Income	247,127,326	225,244,054	10%
Fee Income	28,302,569	28,963,276	-2%
Reinsurance Commission	2,388,422	8,445,799	-72%
Net Income	1,450,304,117	1,284,018,222	13%
Net Insurance Benefits & Claims	(571,172,417)	(473,220,247)	21%
Acquisition Expenses	(202,378,588)	(172,637,631)	17%
Management & Operation Expenses	(567,051,377)	(501,592,782)	13%
Net Expenses	(1,340,602,382)	(1,147,450,660)	17%
Long-Term Fund Movement	(156,512,955)	(129,507,753)	21%
Fair Value Adjustments on Investments	37,463,513	(8,848,088)	-523%
Exchange losses & other Expenses	(1,593,012)	(7,744,383)	-79%
Profit Before Tax	(10,940,719)	(9,532,662)	15%
Taxation	(4,050,250)	(6,506,512)	-38%
Profit After Tax	(14,990,969)	(16,039,174)	-7%

¹³ ZSIC Life and SES submitted unaudited financial statements

13.4.2 Long-Term Insurance Business Financial Position Overview

13.4.2.1 Assets

Total assets in Long-Term Insurance Business increased to K1,822 million in 2019 from K1, 673 million in 2018, posting a 9 percent growth.

13.4.2.2 Equity

Analysis revealed that total equity increased by 9 percent to K213 million in 2019 (2018: K195 million). This could be attributed to an increase in share capital from K109 million in 2018 to K125 million in 2019. Other details relating to financial position of the Long-Term Insurance Business are summarised in Table 25 below.

Table 25: Long-Term Insurance Industry Abbreviated Statement of Financial Position

ASSETS	31 st December 2019	31 st December 2018	Growth
	K	K	
Property, Plant & Equipment	181,614,478	102,580,001	77%
Intangible Assets	9,782,759	8,116,845	21%
Deferred Acquisition Costs	17,258,510	18,633,312	-7%
Deferred Tax	30,645,296	25,011,034	23%
Investments	809,469,516	801,067,408	1%
Reinsurance Receivables	63,463,176	52,026,365	22%
Receivables - Policy Holders	229,911,843	152,757,437	51%
Right of Use	10,645,268		
Other Receivables	229,689,039	204,050,421	13%
Cash & Bank Balances	240,205,480	308,893,393	-22%
Total Assets	1,822,685,365	1,673,136,216	9%
CAPITAL & RESERVES			
Share Capital	125,010,355	108,760,010	15%
Share Premium	77,941,073	70,030,183	11%
Capital Contributions	-	-	
Retained Profits	(11,965,676)	(3,377,919)	254%
Revaluation Reserves	21,666,867	19,673,371	10%
Total Capital & Reserves	212,652,619	195,085,645	9%
LIABILITIES			
Life Assurance Fund	1,221,925,358	904,002,850	35%
Outstanding Claims	33,187,871	267,536,175	-88%
Other Payables	341,988,573	304,812,422	12%
Finance Lease & Overdraft	12,930,944	1,699,124	661%
Total Liabilities	1,610,032,746	1,478,050,571	9%
Total Equity & Liabilities	1,822,685,365	1,673,136,216	9%

13.4.3 Long Term Insurance-Ratio Analysis

13.4.3.1 Expenses Ratio

The expense ratio stood at 50 percent in 2019 as compared to 49.4 percent in 2018.

13.4.3.2 Claims Ratio

The ratio stood at 50.2 percent of net written premium in 2019 as compared to 46.6 percent in 2018.

13.4.3.3 Commission Ratio

The ratio stood at 17.8 percent in 2019 as compared to 17 percent in 2018.

13.4.3.4 Combined Ratio

The combined ratio stood at 117.9 percent in 2019 as compared (2018:13 percent). The ratio

suggests that Long-Term Insurers were not able to cover their expenses from underwriting business, without relying on investment income and other income.

13.4.3.5 Profit Margin Ratio

The sector reported losses of K11 million before tax in 2019 resulting in a movement of 15 percent (2018: K10 million). This resulted in a profit margin ratio of -0.7 percent in both years.

13.4.3.6 Return on Capital Employed

The return on capital employed reduced from -4.9 percent in 2018 to -5.14 percent in 2019. The ratio revealed that the market for Long-Term Business was not efficient in 2018 and 2019.

A summary of the key performance ratios for the Long-Term Insurance business are indicated in Table 26 below.

Table 26: Long-Term Insurance Key Performance Ratios

PROFITABILITY RATIOS	31 st December, 2019	31 st December, 2018	31 st December, 2017
			(Restated)
1. Expenses Ratio = Operational Expenses/ Net Premium	50%	49.4%	47.7%
2. Claims Ratio = Claims Incurred/Net Premium	50.20%	46.6%	51.4%
3. Commission Ratio = Acquisition costs/Net Premium	17.80%	17.0%	19.3%
4. Combined Ratio = Expenses Ratio + Claims Ratio + Com. Ratio	117.9%	113.0%	118.4%
5. Profit Margin Ratio = PBIT/ Gross Written Premium	-0.75%	-0.7%	6.3%
6. Return of Capital = PBIT/ Equity	-5.14%	-4.9%	23.2%
INDUSTRY GROWTH RATIO			
7. Annual Market Growth	15%	35%	16%

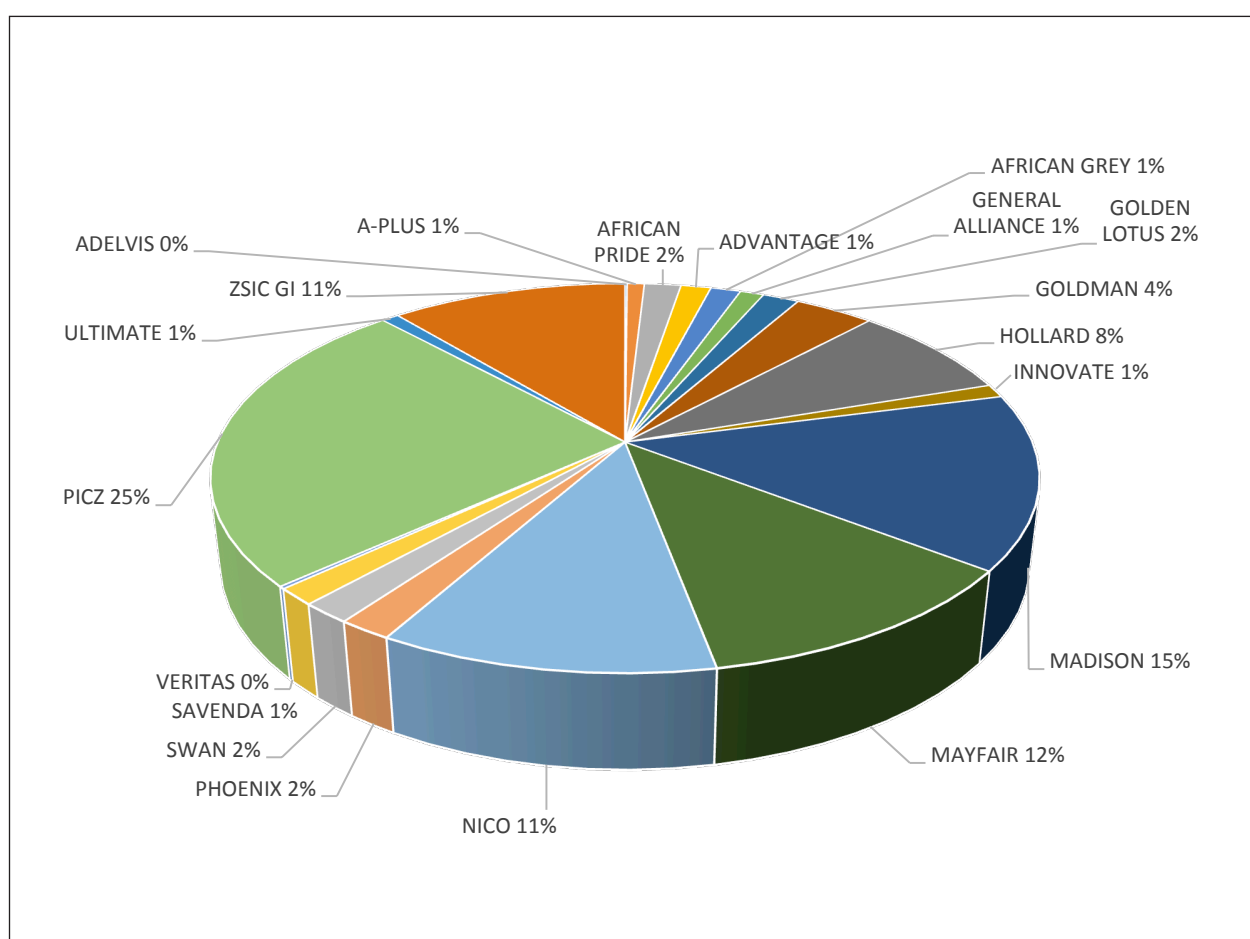
13.5 Insurance Industry Market Share

This section analyses the Insurance Industry in terms of market share with respect to GWP. The analysis reports the ranking exclusively within the separate insurance business types.

13.5.1 General Insurance Market Share

The analysis revealed that Professional Insurance Corporation Zambia Limited (PICZ) led the market share with 25 percent in the year under review, followed by Madison General Insurance Company Limited with 15 percent, Mayfair Insurance with 12 percent, NICO General Insurance Company Limited and ZSIC General Insurance both with 11 percent, while Hollard Zambia accounted for 8 percent. The four (4) largest General Insurers accounted for 62.6 percent of the GWP market share in 2019 (2018:62.1 percent). Details relating to the market share of other market players are included in Figure 11 below.

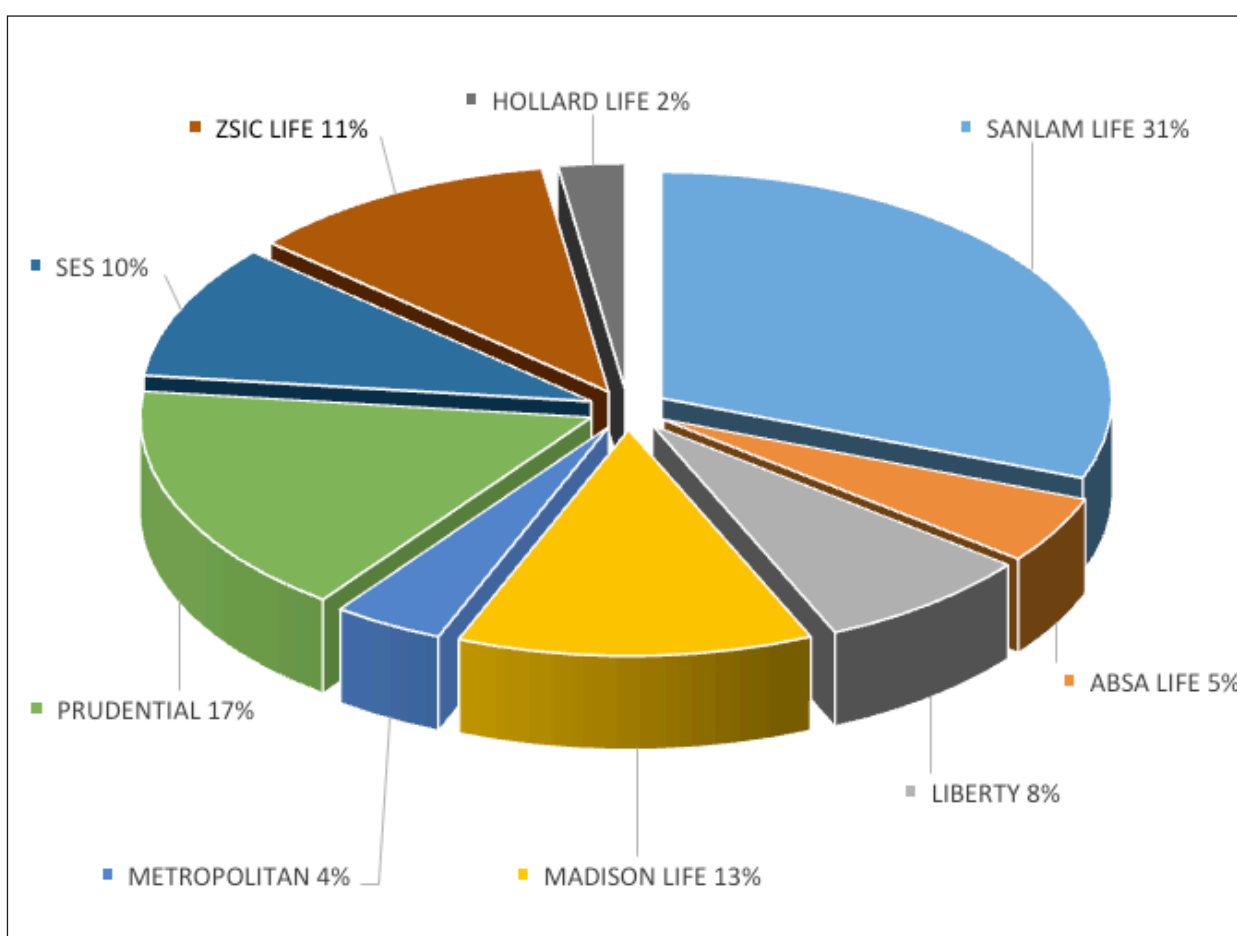
Figure 11: General Insurance Market Share by GWP



13.5.2 Long-Term Insurance Market Share

Analysis of the Long-Term Insurance Market share revealed that Sanlam Life Insurance Zambia led the GWP market share with 31 percent in the year under review followed by Prudential Life Assurance Zambia and Madison Life Insurance Company (Z) Ltd with 17 percent and 13 percent respectively. The four (4) largest Long-Term Insurers accounted for 71.3 percent of the GWP market share in 2019 (2018:71.6 percent). Details relating to the market share of other market players in Long-Term Insurance business are included in Figure 12 below.

Figure 12: Long-Term Insurance Market Share by GWP



14.0

Reinsurance

14.1 Reinsurance Operating Results

The GWP for Reinsurance Business increased by 31 percent in the year under review to K103 million from K79 million in the previous year. Retrocession increased by 63 percent from K21 million in 2018 to K34 million in 2019.

Profit before tax was K1 million in 2019 from a loss of K8 million in 2018.

Other details relating to operating results of reinsurance business are summarised in Table 27 below.

Table 27: Reinsurer's Aggregate Abbreviated Statement of Comprehensive Income

	2019	2018	
	K	K	Change
Gross Reinsurance Premiums	102,788,787	78,679,278	31%
Retrocession Premiums – ceded	(34,425,366)	(21,099,179)	63%
Net Reinsurance Premium Income	68,363,421	57,580,099	19%
Retrocession Commissions – received	9,358,795	6,408,813	46%
Unearned Premium Movement	(4,022,422)	(565,482)	611%
Net Earned Premiums	73,699,794	63,423,430	16%
Net Reinsurance Claims	(24,438,495)	(14,153,963)	73%
Net Commission / Acquisition Costs	(22,410,045)	(22,114,253)	1%
Operating Expenses	(31,034,265)	(31,811,298)	-2%
Operating Surplus / (Deficit)	(4,183,011)	(4,656,084)	-10%
Other Income, Revaluation & Exchange Gains	5,378,150	(3,301,211)	-263%
Taxation	(3,335,542)	3,405,613	-197%
Profit After Tax	(2,140,403)	(4,551,682)	-53%

14.2 Reinsurance Financial Position

Total assets increased by 53 percent to K151 million in 2019 from K 98 million in 2018. Details of the consolidated statement of financial position are summarised in Table 28 below.

Table 28: Reinsurers' Summary Statement of Financial Position

	2019	2018	
	K	K	Change
PPE, Deferred/Current Tax & Prepayments	30,679,179	23,279,624	32%
Investments	38,940,927	2,057,344	1793%
Retrocession Receivables	320,273	346,397	-8%
Premium Receivables	55,632,825	15,609,853	256%
Other Receivables	16,556,684	36,286,140	-54%
Cash & Bank Balances	6,147,812	20,891,108	-70%
Total Assets	151,085,743	98,470,466	53%
EQUITY AND LIABILITIES			
Share Capital	70,000,000	50,000,000	40%
Share Premium	2,530,642	2,530,642	0%
Retained Profits & Revaluation Reserves	(2,541,846)	8,999,738	-128%
Total Equity	69,988,796	61,530,380	14%
Unearned Premium Reserve	15,362,029	10,107,224	52%
Reinsurance Payables	18,168,736	9,141,095	99%
Other Payables	31,730,878	11,107,860	186%
Outstanding Claims	15,835,304	6,583,897	140%
Total Liabilities	81,096,947	36,940,076	119%
Total Equity & Liabilities	151,085,743	98,470,456	53%

APPENDICES

Appendix I: Statement of Changes in Pensions Net Assets

STATEMENT OF CHANGES IN NET ASSETS			
DESCRIPTION (K)	2019	2018	% Change
INFLOWS			
Contributions	1,125,537,726.44	930,102,040.16	21.0%
Normal - Members	425,440,802.71	381,060,996.98	11.6%
Normal - Employers	599,058,218.59	487,449,470.27	22.9%
Additional / Voluntary	10,532,326.41	20,333,281.62	-48.2%
Special- Deficit Funding	21,540,105.39	17,960,436.77	19.9%
Transfer From Other Funds	68,966,273.34	23,297,854.52	196.0%
Investment Income	839,405,611.44	598,262,127.73	40.3%
Interest / income from Government Bonds	209,042,260.84	173,405,208.99	20.6%
Interest / income from Treasury Bills	115,613,009.86	94,500,969.16	22.3%
Dividends from equities	111,834,388.71	85,807,391.46	30.3%
Rent from Properties	104,758,353.83	101,568,349.06	3.1%
Interest from cash deposits	236,760,838.74	106,782,863.44	121.7%
Income From Collective Investment Securities (capital gain/loss)	34,782,084.07	55,067,397.51	-36.8%
Income from off shore investments - Equity	26,614,675.39	- 18,870,051.89	241.0%
Income from off shore investments - Bonds	-	-	0.0%
Other Income	34,137,224.04	313,155,588.75	-110.9%
Claims from Insurance	-	-	0.0%
Fair value changes in equities	322,418,634.56	76,394,891.41	-522.0%
Property revaluations	82,438,825.72	7,059,286.53	1067.8%
Foreign exchange gain/ (loss)	197,913,130.75	185,311,881.75	6.8%
Change in value of investments	3,351,158.70	35,444,028.09	-90.5%
Profit/(loss) on sale of Investments	3,579,294.17	8,860,355.53	-59.6%

Recoveries (Court settlements, impairments)	999,001.18	85,145.44	1073.3%
Total Inflows	1,930,806,113.84	1,903,111,329.55	1.5%
EXPENDITURE			
Benefits paid	1,100,610,045.58	945,129,312.77	16.5%
Pensions	200,118,278.79	96,179,977.16	108.1%
Lump sum benefits	160,433,708.94	130,826,260.61	22.6%
Death Benefits	44,907,425.16	11,682,297.97	284.4%
Refund and withdrawals of Contributions	579,061,303.53	488,409,158.65	18.6%
Transfers to other pension funds	85,489,242.36	213,539,961.42	-60.0%
Income Tax Expenses			
Others (Premiums on insurance Policies, Annuities)	30,600,086.80	4,491,656.96	581.3%
Administration Expenses	146,195,261.19	175,417,890.92	-16.7%
Operational Expenses	15,410,260.21	59,524,035.07	-74.1%
Staff Costs	13,439,765.95	40,177,065.39	-66.5%
Investment Property Costs	18,115,711.93	14,342,959.53	26.3%
Other Expenses (Taxation, PIA Levy, Bad debt provision, commissions, handling fees, medical levy)	99,229,523.10	61,373,830.93	61.7%
Taxation	61,000,172.98	20,904,567.25	191.8%
PIA Levy	24,038,960.46	17,010,697.20	41.3%
Bad Debt Provision	8,010,257.71	20,941,900.99	-61.8%
Commissions	3,431,576.04	1,248,580.83	174.8%
Handling Fees	2,748,456.90	1,268,084.66	116.7%
Medical Levy	99.01	-	100.0%
Management Costs	166,503,955.66	156,090,024.99	6.7%
Total Expenditure	1,413,309,262.43	1,276,637,228.68	10.7%
EXCESS/(DEFICIT) OF INCOME OVER EXPENDITURE	517,496,851.41	626,474,100.87	-17.4%

Appendix II: Statement of Net Assets Available for Benefits

DESCRIPTION (K)	2019	2018	% Change
OPENING NET ASSETS	7,685,497,302.25	7,003,710,000.00	9.7%
ASSETS	9,346,745,810.41	8,672,562,581.62	7.8%
Fixed Assets	40,323,894.06	39,252,952.24	2.7%
Investments	8,504,880,372.73	8,052,844,522.57	5.6%
Government Bonds	1,243,443,456.68	1,139,453,870.68	9.1%
Treasury Bills	103,098,600.17	49,220,278.65	109.5%
Collective Investment Schemes	357,924,073.24	306,295,549.42	16.9%
Equity-Listed	1,478,296,819.59	1,333,774,568.11	10.8%
Equity-Unlisted	114,592,049.09	322,032,860.36	-64.4%
Property	2,075,230,966.77	2,234,545,443.88	-7.1%
Term Deposits	1,947,911,350.07	1,903,186,749.11	2.3%
Corporate Bonds	520,188,342.23	535,122,848.98	-2.8%
Commercial Papers	125,259,137.77	6,767,359.53	
Municipal Bonds	-	6.02	-100.0%
Off-shore Investments	521,860,806.68	9,191,353.00	
Other Investments (Insurance policies)	17,074,770.44	213,253,634.83	-92.0%
Current Assets	801,541,543.62	619,718,059.05	29.3%
Debtors	36,773,216.38	18,290,760.88	101.0%

Income Receivable from Fixed Interest Securities	122,913,465.61	121,359,571.40	1.3%
Arrear Contributions	406,638,490.71	250,906,863.97	62.1%
Cash at Bank	190,610,545.49	161,888,968.46	17.7%
Other - Loans to employees, Interest Receivable, income tax receivable, Dividends receivable, Rent Receivable)	44,605,825.43	67,271,894.34	-33.7%
LIABILITIES	1,384,738,315.03	987,065,279.37	40.3%
Long term liabilities (Deferred liability on pension)	27,179,000.00	-	100.0%
Current Liabilities	1,357,559,315.03	987,065,279.37	37.5%
Creditors (Investment Management Fees, Audit Fees, Custodial fees, PIA Levy, Fund Administration Fees, Actuarial Valuations fees, deferred Income)	733,194,344.74	329,123,212.13	122.8%
Contributions received in advance	11,123,236.62	-	100.0%
Benefits Due	536,004,744.28	599,077,482.42	-10.5%
Bank Overdraft	-	-	
Taxation	58,752,489.29	53,360,688.79	10.1%
Prepayments (Security Deposit, Rent Pre-paid)	18,484,500.10	5,503,896.03	235.8%
NET ASSETS AT THE END OF THE YEAR	7,962,007,495.38	7,685,497,302.25	3.6%

Appendix III: Registered Pension Schemes - 2019

	PENSION SCHEME NAME
1	Access Bank Zambia Pension Scheme
2	Action Aid International Pension Scheme
3	Africa Fifty Three Pension Fund
4	African Energy Resources Limited Pension Trust Scheme
5	African Explosives Zambia Limited Pension Scheme
6	African Life Assurance Company Zambia Limited Staff Pension Scheme
7	African Life Financial Services Pension Scheme
8	African Methodist Episcopal Church Pension Trust Fund
9	Afropo Zambia Limited Pension Scheme
10	Afrox Zambia Limited Pension Scheme
11	Airtel Zambia Plc Pension Trust Scheme
12	Albidon Zambia Mining Limited Pension Scheme
13	ALS Capital Limited Pension Scheme
14	Aon Minet Zambia Limited Pension Scheme
15	Apex - European Union Scheme
16	Apex Lumwana Scheme
17	Apex Retirement Pension Scheme
18	Apostolic Faith Mission Pension Scheme
19	Atlas Copco (Z) Limited Pension Scheme
20	Bancabc Plc Pension Trust Scheme
21	Barclays Life Staff Pension Scheme
22	Bell Equipment Zambia Limited Pension Scheme
23	Boart Longyear Zambia Limited Pension Fund
24	Bolloré Africa Logistics Zambia (Formally Sdv Zambia Limited Pension Scheme, Ami Zambia)
25	Bric-Back Limited Pension Fund
26	British American Tobacco Pension Scheme
27	British High Commission Pension Scheme
28	Buyantanshi Pension Trust Fund
29	C. M. M. Property Consultants Ltd Pension Scheme
30	C.I Dulux Zambia (2005) Limited Pension Trust Scheme
31	Camfed Zambia Pension Scheme
32	Cargill Cotton Ginners Zambia (2009) Limited Pension Scheme
33	Cavendish University Pension Scheme
34	Cavmont Capital Bank Plc Pension Scheme
35	CCAP Pension Scheme
36	Cec Pension Trust Scheme
37	Cetzam Financial Services Limited Pension Trust Scheme
38	Chambishi Metals Plc Pension Scheme
39	Chemopharm Limited Pension Scheme

40	Chempro (Z) Limited Pension Scheme
41	Chibuluma Mines Plc Pension Scheme
42	Chloride Zambia Limited Pension Fund
43	Circle Transtra Staff Pension Scheme
44	Citi Bank Pension Scheme
45	Civil Service & Allied Workers Union Of Zambia
46	Clean Fast Limited Pension Scheme
47	CMA CGM Zambia Limited Staff Pension Scheme
48	Coates Brothers Zambia Limited Pension Scheme
49	Colas Zambia Limited Pension Scheme
50	Commercial Leasing Pension Scheme
51	Competition And Consumer Protection Authority Pension Scheme
52	Copperbelt Museums Pension Trust Scheme
53	Copperbelt University Pension Scheme
54	Corpmmed Services Limited Pension Trust Scheme
55	Corpus Legal Practitioners Pension Trust Scheme
56	Cropserve Zambia Limited Pension Scheme
57	Crown Agents (Z) Limited Pension Scheme
58	Crown Cork Company (Z) Ltd Pension Scheme
59	Davies And Shirliff Pension Scheme
60	Deloitte & Touche Pension Scheme
61	Devcorp Ltd Staff Pension Scheme
62	DFID Zambia Pension Scheme
63	DHL International Pension Scheme
64	Diamond General Insurance Limited Pension Scheme
65	Diocese Of Mongu Pension Trust
66	Directory Publishers Of Zambia Limited Pension Scheme
67	Ecobank Zambia Ltd Pension Scheme
68	ECZ- Mukinge Mission Hospital Pension Scheme
69	Electoral Commission Of Zambia Pension Scheme
70	Embassy Of France Pension Scheme
71	Embassy Of Ireland Zambia Pension Scheme
72	Energy Regulation Board Pension Scheme
73	Engen Petroleum Pension Trust Fund
74	Evangelical Church In Zambia Pension Scheme
75	Examinations Council Of Zambia Pension Trust Scheme
76	Finance Bank Limited Pension Scheme
77	First National Bank Zambia Limited Pension Scheme
78	Frabec Engineering Enterprise Limited Pension Scheme
79	Freeworld Plascon Zambia Ltd Pension Scheme
80	Game Stores Pension Scheme
81	Golden Sunset Pension Fund
82	Grant Thornton Associates Limited Pension Scheme Trust

83	Habitat For Humanity Pension Scheme
84	Health Sector Grant Aided Institutions Pension Scheme
85	Hill & Delamain (Zambia) Limited Pension Scheme
86	Honda Zambia Pension Scheme
87	Hotelier Limited Trading As Radisson Blu Hotel Lusaka Staff Pension Scheme
88	Indeni Oil Refinery Staff Pension Scheme
89	Intercontinental Hotel Lusaka Staff Pension Scheme
90	Intermarket Banking Corporation Pension Scheme
91	Investrust Bank Zambia Limited Pension Scheme
92	J.M. Moore Insurance Brokers Ltd Pension Scheme
93	Jagoda Gems Pension Scheme
94	Justo Mwale Theological College Pension Scheme
95	Kabwe Industrial Fabrics Pension Scheme
96	Kaleya Small Holders Pension Scheme Trust
97	Kaloko Trust Pension Scheme
98	Kenya Airways Pension Scheme
99	Kitwe Company Clinic Pension Scheme
100	Kobil Zambia Limited Pension Fund
101	Konkola Copper Mines Plc Pension Scheme
102	Kwacha Pension Trust Fund
103	Lafarge Plc Staff Pension Scheme
104	Lawrence Sikutwa & Associates Limited Pension Scheme Trust/ Madison Insurance
105	Local Authorities Superannuation Fund
106	Longhorn Pension Trust Fund
107	Longman Zambia Limited Pension Scheme
108	Luapula Water & Sewerage Company
109	Luawata Pension Trust Scheme
110	Lublend Limited Staff Pension Scheme
111	Lumwana Mining Company Limited Pension Trust Scheme
112	Lusaka Baptist Church Pension Scheme
113	Lusaka Baptist School Pension Scheme
114	Lusaka Stock Exchange Pension Scheme
115	Lusaka Trust Hospital Pension Trust
116	Macmillan Publishers Ltd Pension Scheme
117	Macsteel Zambia Ltd Pension Scheme
118	Madison Pension Trust Fund
119	Management Science Of Health Pension Scheme Trust
120	Manica Zambia Ltd Pension Scheme
121	Mary Begg Memorial Clinic Pension Scheme
122	Medical Stores Limited Staff Pension Scheme
123	Metal Fabricators Of Zambia Ltd Pension Scheme
124	Metso Minerals Pension Scheme
125	Mfinance Limited Pension Scheme
126	Micro Credit Union Pension Scheme

127	Mopani Copper Mines Plc Pension Scheme
128	Moto Moto Museums Pension Trust
129	MTN Business Solutions Limited Pension Scheme
130	MTN Zambia Pension Scheme
131	Mukuba Pension Scheme
132	Multichoice Zambia Limited Pension Scheme
133	Mulungushi International Conference Centre Pension Scheme
134	Mulungushi University Pension Scheme Trust
135	Mulungushi Village Complex Limited Pension Scheme
136	Nampak Zambia Limited Pension Scheme
137	Namwianga Christian Schools Pension Scheme
138	NAPSA Staff Pension Scheme
139	National Airports Corporation Limited Pension Scheme (Dc)
140	National Airports Pension Scheme
141	National Assembly Pension Scheme (Dc)
142	National Council For Construction Pension Scheme
143	National Heritage Conservation Commission Pension Fund
144	National Institute For Scientific And Industrial Research Pension Scheme
145	National Institute Of Public Administration Staff Pension Scheme
146	National Museums Board Staff Pension Scheme
147	National Science And Technology Council Pension Scheme
148	National Water Supply & Sanitation Council Pension Scheme
149	Ndola Lime Company Pension Scheme
150	Nestle Zambia Trading Ltd Staff Pension Scheme.
151	New Apostolic Church Zambia Limited Pension Trust Scheme
152	NFC Africa Mining Plc Pension Scheme
153	Ng'andu Consulting Staff Pension Scheme
154	NICO Insurance Staff Pension Scheme
155	NICO Insurance Zambia Limited Staff Pension Scheme
156	North Western Water Supply & Sewerage Company Pension Scheme
157	Nsansa School Inter Education Trust Pension Scheme
158	Octagon Pension Trust Fund
159	PACRA Staff Pension Scheme
160	Pannar Seed Zambia Limited Staff Pension Scheme
161	Parmalat Zambia Pension Scheme
162	Pensions And Insurance Authority Staff Pension Scheme
163	Pick N Pay Zambia (Defined Contribution) Pension Scheme
164	Premium Medical Services Staff Pension Scheme
165	Presbyterian Church Pension Trust
166	Pricewaterhousecoopers Staff Pension Scheme
167	Professional Insurance Corporation Zambia Limited Pension Scheme
168	Professional Pension Trust Fund
169	PSPF Staff Pension Scheme
170	Puma Energy Plc Final Salary Pension Scheme

171	Puma Energy Zambia Pension Trust Fund
172	Railway Systems Of Zambia Retirement Fund
173	Reformed Church In Zambia Pension Scheme
174	Royal Norwegian Embassy Pension Scheme Trust
175	Ruralnet Associates Limited Pension Scheme
176	Sabot Zambia Limited Pension Scheme
177	Sandvik Mining Pension Trust Scheme
178	Saturnia Regna Pension Trust Fund
179	Scripture Union Pension Scheme
180	SCZ International Pension Scheme
181	Sinozam Friendship Hospital Pension Scheme
182	Sinozam Pension Scheme
183	SKF Zambia Ltd Pension Fund
184	Southern Sun Ridgeway Hotel Pension Fund
185	Spectra Oil Corporation Limited Staff Pension Trust Scheme
186	St. Andrews School Pension Scheme
187	St. Columbus Presbyterian Primary/Nursery Pension Scheme
188	Stanbic Bank Pension Scheme
189	Standard Chartered Pension Trust Scheme
190	Systems And Information Technology Zambia Pension Trust Scheme
191	Taj Pamodzi Hotel Staff Pension Scheme
192	Tap Building Products Limited Staff Pension Scheme
193	Tata (Z) Limited Pension Scheme
194	Tazama Pipelines Pension Scheme
195	Tazama Pipelines Pension Scheme Dc
196	Tazara-Dc Pension Scheme
197	Tobacco Board Of Zambia Plc Pension Scheme
198	Tombwe Processing Limited Pension Scheme
199	Total Zambia Ltd Pension Scheme
200	Toyota Zambia Pension Trust Fund
201	Translink Freight Limited Pension Scheme
202	Unilever South East Africa Pension Scheme
203	United Bank For Africa Ltd Pension Scheme
204	United Church Of Zambia Pension Scheme
205	University Of Zambia Pension Scheme
206	Uti Zambia Pension Scheme
207	Vision Fund Zambia Staff Pension Scheme
208	Voluntary Service Organisation Pension Scheme
209	W & C Computers Limited Pension Scheme
210	Wellspring Limited Pension Scheme
211	Woodlands Ash Lodge Pension Scheme
212	Workcom (Db) Pension Scheme
213	Workcom (D6) Pension Scheme
214	World Vision International Zambia Pension Scheme

215	York Farm Zambia Ltd Pension Scheme
216	Zal Elevators Limited Pension Scheme
217	Zambezi River Authority Pension Scheme
218	Zambia Anglican Council Pension Scheme
219	Zambia Bata Shoe Company Plc Staff Pension Scheme
220	Zambia Bureau Of Standards Pension Scheme
221	Zambia Bureau Of Standards Pension Trust Scheme
222	Zambia Center For Accountancy Studies Pension Scheme
223	Zambia Environmental Management Agency (Zema Former Environmental Council Of Zambia Pension Scheme)
224	Zambia Episcopal Conference Pension Scheme
225	Zambia Information & Communication Authority Pension Scheme
226	Zambia Institute For Capacity Building Pension Scheme Trust
227	Zambia National Association For Physically Handicapped Pension Scheme
228	Zambia National Building Society Pension Scheme
229	Zambia National Tourist Board Pension Scheme
230	Zambia Railways Limited Pension Scheme
231	Zambia Retail Pension Scheme
232	Zambia Revenue Authority Pension Scheme
233	Zambia Seed Company Limited Pension Scheme
234	Zambia Sugar Plc Pension Scheme Trust
235	Zambia Union Of Financial Institution & Allied Workers Pension Scheme
236	Zambia Weights & Measures Pension Scheme
237	Zambia Wildlife Authority Pension Scheme
238	Zambian Breweries Plc Pension Scheme
239	Zambianre Ltd Pension Scheme
240	Zanaco Bank Plc Db Pension Scheme
241	Zanaco Bank Plc Dc Pension Scheme
242	Zesco Limited-Kariba North Bank Pension Scheme
243	ZSIC Life Pension Trust Fund

Appendix IV: Registered Service Providers - 2019

Fund Administrators

1. Alexander Forbes Financial Services
2. Benefits Consulting Services Limited
3. Madison Life Insurance Company Limited
4. Minet Zambia Consulting Limited
5. Octagon Pension Services Limited
6. Prudential Pensions management Zambia Limited
7. ZSIC Life Insurance Limited

Fund Managers

1. African Life Financial Services (Z) Limited
2. Altus Capital Limited
3. Allied Securities and Asset Management Limited
4. IMARA ECR Asset Management Limited
5. Madison Asset Management Company Limited
6. Prudential Pensions Management Zambia Limited
7. Longhorn Associates Limited
8. ZSIC Life Insurance Limited

Appendix V: Licensed Insurance Entities - 2019

Reinsurance Companies

1. Emeritus Reinsurance Zambia Limited
2. Kenya Re Zambia Limited
3. Prima Reinsurance Plc

General Insurance

1. Advantage Insurance Limited
2. Aldevis General Insurance Limited
3. A Plus General Insurance Limited
4. Africa Pride Insurance Company
5. African Grey Insurance Limited
6. Diamond General Insurance Limited
7. Goldman Insurance Limited
8. Golden Lotus Insurance Limited
9. Hollard Insurance Zambia Limited
10. Innovate General Insurance Limited
11. Madison General Insurance Company (Z) Limited
12. Meanwood General Insurance Company
13. Mayfair Insurance Company (Z) Limited
14. NICO Insurance Zambia Limited
15. Phoenix of Zambia Assurance Company (2009) Limited
16. Professional Insurance Corporation Zambia Plc
17. Savenda General Insurance Limited
18. Swan General Insurance Company (Z) Limited
19. Ultimate Insurance Company Limited
20. Veritas General Insurance Plc

21. ZSIC General Insurance Limited

Long-Term Insurance

1. Barclays Life Zambia Limited
2. Hollard Life Assurance Zambia Limited
3. Innovate Life Assurance Company
4. Liberty Life Zambia Limited
5. Madison Life Insurance Limited
6. Metropolitan Life Zambia Limited
7. Prudential Life Assurance Limited
8. Speciality Emergency Services Limited
9. Sanlam Life Insurance Zambia Limited
10. ZSIC Life Limited

Reinsurance Brokers Limited

1. Ebony Reinsurance Brokers Limited
2. Guardian Reinsurance Brokers Limited
3. Turtle Reinsurance Brokers Limited

Insurance Brokers

1. African Insurance Brokers Limited
2. Ayo Insurance Brokers Zambia Limited
3. Blackgold Insurance Brokers Limited
4. Dilt Insurance Brokers Limited
5. Beam Insurance Brokers Limited
6. Benchmark Insurance Services
7. Buttress Insurance Brokers Limited
8. Contracsure Services Limited
9. Cubit Insurance Brokers Limited
10. Crown Insurance Brokers Limited
11. Creative Insurance Brokers Limited
12. Cornerstone Insurance Brokers Limited
13. Eight Private Brokers Limited
14. EHS Zambia Limited
15. Freedom Eighty – Three Risk Advisory Limited
16. Guardian Insurance Brokers Limited
17. Hokma Risk Management Solutions Limited
18. I – Flex Insurance Brokers Limited
19. Kafue Insurance Brokers Limited
20. Leadway Insurance Brokers Limited
21. Liberty Insurance Brokers Limited
22. Marsh Zambia Limited
23. Magnet Insurance Brokers Limited
24. Minet (Aon) Insurance Brokers Limited
25. MIRCS Zambia Limited
26. Multi Risk Insurance Brokers Limited
27. Natural Risk Insurance Brokers Limited
28. Norwich Insurance Brokers Limited
29. Pace Insurance Brokers Limited

30. Performance Insurance Brokers Limited
31. Pool Insurance Brokers Limited
32. Rock Insurance Brokers Limited
33. Right Choice Insurance Brokers Limited
34. Robert and Syls Financial Services
35. Summit Insurance Brokers
36. Safari and Tourism Insurance Brokers Limited
37. Savanna Insurance Brokers Limited
38. Stanbic Insurance Brokers (Z) Limited
39. Spot on Insurance Brokers Limited
40. Stepps Insurance Brokers Limited
41. Tana Insurance Brokers
42. Timeline Insurance Brokers Limited
43. Turtle Insurance Brokers Limited
44. Triumph Insurance Services
45. Zamchi Insurance Brokers Limited

Insurance Agents

Advantage Insurance Company

1. Christine Mweetwa T/A Solid Insurance Agency
2. Charles Chisha Insurance Agency
3. Mayford Chikoya T/A Mayford Chikoya Insurance Agency

African Grey Insurance Company

1. Edgar Luyando T/A Edgar Insurance Agency
2. Esther Beene Hapwaya T/A Natmester Insurance Agency
3. Kabila Ilubala T/A Asurion Zambia Limited
4. Sona Zama Maleya T/A Shashai Signature Agencies
5. Standard Vision Insurance Agency
6. SM Procurement Insurance Agency
7. Sona Zama Maleya T/A Shashai Signature Agencies

Barclays Life Zambia Limited

1. Barclays Bank Zambia Plc

Diamond General Insurance

1. Chanda Augustine Katongo T/A Oga Insurance Agency
2. Isaac Mumba T/A I.A.M Insurance Agency
3. Millicent Mwitumwa T/A Milly's Insurance Agency
4. Misozi Daka T/A Dafram Insurance Agency
5. Reagan Mwewa Chisenga T/A Prodea Logistics

Goldman General Insurance Company

1. Arnold Mwewa Fisonga T/A Eastern Rock Insurance Agency & General Dealers
2. Bonny Sinyangwe T/A Born to Care Insurance Agency

3. Muhone T/A Solid Ground Insurance Agency
4. Ceasar Mwanza T/A Excel Insurance Agency
5. Chilufya Kabwe T/A Secure Plus Insurance Agency
6. Elijah Motoka T/A Brocade Insurance Agency
7. Francis Tembo T/A Pleasant Insurance Agency
8. Gibson Choma T/A Gicho Agency
9. Godfrey Banda T/A Summerset Insurance Agency
10. Habeenzu Himugayansambe T/A Prize Insurance Agency
11. Henry Machipisha T/A Machipisha Insurance Agency
12. Judith Sianga T/A Beracah Valley Insurance Agency
13. John Nsangwe T/A Tehillah Insurance Agency
14. Kelvin Chimanga T/A Red Mercury Insurance Solutions
15. Lisca Shiyenge T/A Classic Insurance Agency
16. Lu Liwanga T/A Laphey Insurance Agency
17. Mumbi Mwiche T/A Interactive Marketing Solutions
18. Mwaba Mwenya T/A Lakeshore Logistics
19. Mwenya Anny Nakazwe T/A Mary Gils Insurance Agency Limited
20. Naomi M Stephenson T/A Homy Insurance Agency
21. Pinal Muhone T/A Pigom Insurance Agency
22. Patricia Kunda T/A Fatimah Insurance Agency
23. Ryvnn Jere T/A Proactive Insurance Agency
24. Sahlulekile Kabambe T/A Sikshaymu Enterprises
25. Sandra Nsangwe T/A Horsham Insurance Agency
26. SecurePlus Insurance Agency
27. Treavor C Ngosa T/A Mukuba Net Insurance Agency

Hollard Insurance Zambia Limited

1. Ian H Malilwe T/A Consult HIM Insurance Agency
2. Lawrence Lengwe Kolala T/A Ebenezer Commercial Services and Risk Consultant Limited
3. Martha S Ntini T/A Cover Effect Insurance Agency
4. MSBK Enterprises Insurance Agency
5. Mwansa Kapumpe T/A Tiam Limited
6. Njamba K Mateyo T/A Salam Insurance Agency
7. Patricia Mulenga T/A Drive Care Limited

Hollard Life Assurance Zambia Limited

1. Alexander Forbes Financial Services Limited

Mayfair Insurance Company Zambia Limited

1. Frank Douglas Mtonga T/A Mega Insurance Agency
2. George Chembo Bobo T/A Ascension Enterprise Limited
3. George Simwinga T/A Patience Insurance Agency
4. Harvey Libati T/A Libasure Insurance Agency
5. Jedediah Mwanachonga T/A Multi-Peril Insurance Agency
6. Priscila Shumba T/A TAZ Insurance Agency
7. OK Furniture

Meanwood General Insurance Company Limited

1. Alfred Mwansa Chitundu T/A Hallmark Insurance Agency
2. Circuit Insurance Agency
3. Kangwa Nshidano T/A Bukanshi Insurance Agency
4. Joseph Musonda T/A Risk Held Insurance Agency
5. Jerand Mulongo T/A Platinum Insurance Agency
6. Rayford Silukaye T/A RBS Insurance Agency

Madison General Insurance Limited

1. Alex Mutema T/A Mercy Insurance Agency
2. Bupe Mulangala T/A Perennial Insurance Agency
3. Chiteu Shipawuka T/A Wave Length Agency
4. Collina Halwampa T/A Benefits Consulting Services Limited
5. Chola Chakonta T/A Minelands Agric Insurance Agency
6. Chiphazi Banda T/A Digital Africa Company Limited
7. David Kayame T/A Muchinga Insurance Agency
8. Doreen Lungu T/A Better Cover Insurance Agency
9. Irvin Ngenda T/A Tamijo Insurance Agency
10. Jealous Chola T/A Amaris Investments Ltd
11. Lloyd Akayombokwa T/A Akay Insurance
12. Lucky Singogo T/A Kibroth-Hattaavah Insurance Agency
13. Madison Finance Company Limited
14. Madison Asset Management Company Limited
15. Milner M Kasongo T/A Expert Insurance Agency
16. Natalie Singh T/A Natly Insurance
17. Paul Mubanga T/A Rapid Insurance Agency
18. Pan African Building Society
19. Ronnie Kaunga T/A Timely Insurance Consultants

Madison Life Insurance

1. Connywell Sakala T/A Consider Insurance Consultants
2. Immanuel Musonda T/A Evergreen Management Solutions Insurance Agency
3. Madison Health Solutions

NICO Insurance Zambia Limited

1. Beauty Hamaundu T/A Bexin Insurance Agency
2. Chiti Nseluka T/A Chiti Nseluka Insurance Agency
3. Connect Insurance Agency
4. Deborah C Banda T/A De-Trans Insurance Agency
5. Humphrey Mutambo T/A HCL Insurance Agency
6. Lloyds Investments Limited
7. Mainzar Dunbar Dunhill T/A Woodbridge Insurance Agency
8. Mulenga Mwewa T/A Mmwewa Insurance Agency
9. Monica Basila Chiba T/A Crane Insurance Agency
10. Rodney Mumba T/A Mairod Insurance Agency
11. Shirley Chiinda T/A Connect Insurance Agency

Professional Insurance Corporation Zambia Plc

1. Abraham Kalunga T/A Kaseluka Investments
2. Alexander Sinonge T/A Sinoz Insurance Agency
3. Anthony Mutale T/A Tales Insurance Agency
4. Chiluba Chilufya T/A BDM Interims
5. Clement Lamya T/A CAPTEC Business Solutions
6. Contance Mumbi T/A Courageous Insurance Agency
7. Christopher Lukonde T/A Franchise Insurance Agency
8. Chimeko Mooya T/A Agriwes Insurance Agency
9. Denis Tambo T/A Trustworth Insurance Agency
10. First Insurance Agency
11. Friday Kashiwa T/A Kashif Insurance Agency
12. Greenwood Lyandisha T/A Blesswood Insurance Agency
13. Harriet Mwiinga T/A Mercantile Insurance Agency
14. Harrison Chama T/A Nabuche Insurance Agency
15. Henry Sinyangwe T/A Wila Insurance Agency
16. Janet Malwele T/A Frontline Insurance Agency
17. Kelvin Phiri T/A Kingsway Insurance Agency
18. Katowa Gamela T/A Lynx Insurance Agency
19. Lackson Bulelwa Hamuluwa T/A Lahabu Insurance Agency
20. Libasure Insurance Agency
21. Mengo Siwila T/A Automatic Insurance Agency
22. Martin Mufana T/A Munar Insurance Agency
23. Obed Chisenga T/A Ochima Insurance Limited
24. Richard Mweemba T/A Yahweh Insurance Agency
25. Smilton Mkwanazi T/A Mirror Insurance Agents Limited
26. Simon Mwiinga T/A SKM Insurance Consultants
27. Shuulikwa Ng'andu T/A Skay Insurance Agency
28. Tinku Moyo T/A Temwalenga Insurance Agency
29. Victor Mulimba T/A Kainos Insurance Agency Limited
30. Zampost Insurance Agency

Prudential Life Assurance Zambia Limited

1. Andrew Sinyangwe T/A CathyAndrews Consultancy Services
2. Donald Lyombo T/A Synergy Insurance Agency
3. Entrust Financial services Limited
4. Edith Mwansa T/A Expert Solutions Insurance Agency
5. Evans Mulenga T/A Sirvans Insurance Agency
6. Joseph Pelengwe T/A Pelez Insurance Agency
7. Jaco Kok T/A Upendo Zambia Limited
8. Jonas Chileshe T/A Kokoliko Insurance Agency
9. Kalima Costain T/A Coastland Insurance Agency
10. Ketiwe Nkubula T/A Smartjet Consultancy Limited
11. Solvent Life Assurance Agency
12. Maggie Mwamba T/A Hagar Amad Insurance Agency
13. Micheal Banda T/A Norman Insurance Agency
14. Perpetual Mulikita T/A Zambia National Commercial Bank Plc
15. Tyson Kameya T/A Meyason Insurance Agency
16. Violet Banda T/A Maseko Insurance Agency

Phoenix Of Zambia Assurance (2009)

1. David Chisulo T/A Simba Risk Solutions Limited
2. Digital Africa Company Limited
3. Edward Simuyuni T/A Esimus Consultancy
4. Paul Simango T/A PMS Insurance Agency

Sanlam Life Insurance Limited

1. New Unity Finance
2. First National Bank Zambia Limited
3. Zambia Home Loans
4. FSG Zambia Limited
5. Bayport Financial Services
6. Standard Chartered Bank

Sanlam Insurance Limited

1. Banc ABC

Savenda General Insurance Company

1. Gilbert Silikwela T/A Afrocentrix Insurance Agency
2. JHC Insurance Agency

ZSIC Life Limited

1. Aana Shawa T/A Shanni Insurance Agency
2. Akabondo Anayawa T/A Anticipatory Insurance Agency
3. Aaron Mpangwe T/A Gladmars Insurance Agency
4. Benson Kapepa T/A Mumbeji Insurance Agency
5. Blessings Tembo T/A Blessings Tembo Insurance Agency
6. Daniel Mwanza T/A Damwah Insurance Agency
7. Elesani Banda T/A Elesani Insurance Agency
8. Edwin Kaputula T/A Kaps Insurance Agency
9. Elvis Shepe T/A CES Insurance Agency
10. Getrude Ngoma T/A Getlong Insurance Agency
11. Godfrey Mukuka T/A Godfrey Mukuka Insurance Agency
12. Hopley Mumbi T/A Hopley Mumbi Insurance Agency
13. Ignitius Namwaka T/A Nandondo Insurance Agency
14. Imasiku Mukelabai T/A I. Mukelabai Insurance Agency
15. Jonathan Zulu T/A Andis Insurance Agency
16. Joseph Pelengwe T/A Pelez Insurance Agency
17. Kalima Costain T/A Coastland Insurance Agency
18. Kayamah Kingsley Simasiku T/A Kingsley SK Agency
19. Kedrick Sinyangwe T/A Kedjoe Insurance Agency
20. Mary Musonda T/A Mudondamary Insurance Agency
21. Mercy Phiri T/A Mercip Insurance Agency
22. Mukungu Lubinda T/A Utwa Insurance Agency
23. Mweemba Justine T/A Wisecorner Insurance Agency
24. Noah Chembo T/A Mejaa Insurance Agency

25. Ngosa Oswald T/A Silverbird Insurance Agency
26. Patrick Nsofwa T/A Patrick Nsofwa Insurance Agency
27. Stephen Mekelani T/A Stebgram Insurance Agency
28. Stephen Bwalya T/A Eagle's Nest Insurance Agency

ZSIC General Limited

1. Abel Mwansa T/A Abel Mwansa Insurance Agency
2. Ackim Chimuka T/A Lechwe Insurance Agency
3. Agness Chali Chibuta T/A Chali Chibuta Insurance Agency
4. Alfred Mwale T/A Tamanga Suppliers & General Dealers
5. Anthony Mugala T/A Voyage Insurance Agency
6. Ander Shumba T/A Senior Insurance Agency
7. Bednick Moonga T/A Genuine Insurance Agency
8. Bertha Chilambo T/A C.N Horizon Insurance Agency
9. Brain Kasonda T/A Excellence Insurance Agency
10. Blue Shield Insurance Agency
11. Chanda Mulenga T/A Canrilly Business Systems
12. Daniel Alufonso T/A Charitoo Enterprises
13. Doreen Mwanza T/A Nicotiana Insurance Agency
14. Elias Chilufya T/A Light- Age Insurance Agency
15. Ethel Hatontola T/A Ethato General Dealers
16. Evaristo Chilufya T/A Calvary Insurance Agency
17. Fines Malambo T/A Kings Centre Limited
18. Fridah Siamundele T/A Bliss Insurance Agency
19. Frank Mbalama T/A FKM Sales
20. Felix Bweupe T/A Mubupe Insurance Agency
21. Frederick Hussein T/A Hussag Auto Hardware and General
22. Gabriel Chirwa T/A G.C Insurance Agency
23. Georgina Mabezere T/A Avier Consult
24. Jean Chikopa T/A Jean Chikopa Insurance Agency
25. John Bwalya T/A JJB Business Services
26. Joseph Mulenga T/A Mule Import & Export Agencies
27. Judith Chipwete T/A Ju-Chips Insurance Agency
28. Kamane Muyoba T/A M.Kamane Insurance Agency
29. Kenneth Haatinga T/A M.K. Haantinga Insurance Agency
30. Lionde Nkhata T/A L.N Insurance Agency
31. Liza Mwita T/A L. Mwita Insurance Agency
32. Lwembe Kondolo T/A Kondolo Insurance Agency
33. Lenon Simfukwe T/A Lenon Simfukwe Insurance Agency
34. Loyce Banda Kangwa T/A Loyce Banda Kangwa Insurance Agency
35. Mainza Mutenge T/A Waters General Insurance Agency
36. Maoma Timothy T/A Top Insurance Agency
37. Mathew Mtonga T/A Maram Insurance Agency
38. Maud Ngoma T/A Jubilee Insurance Agency
39. Malambo Ntambale T/A Spectrum Enterprises
40. Maxwell Goma T/A Chimbilima Insurance Agency
41. Mercy Kantolomba T/A M.K Insurance Agency
42. Modern Silunyangwe T/A Mujala Insurance Agency
43. Moses Mukendwa T/A Mukendwa Insurance Agency
44. Mutale Musonko T/A CMM Insurance Agency

45. Mwiche Mulenga T/A Mayflow Trading Ltd
46. Nebert Shawa T/A Challenge Insurance Agency
47. Nelly Theo T/A NBMM Insurance Agency
48. Paul Chileshe T/A Peace Insurance Agency
49. Peter Shula T/A P.S Insurance Agency
50. Rebecca Mwita T/A Mild Marketing & Insurance Agency
51. Ryan Mulenga T/A Loyalty Insurance Agency
52. Sipiwe Ndlovu T/A Temba Insurance Agency
53. Tabita Banda T/A Colourmark Insurance Agency
54. Thadious Bwembya T/A Theo General Dealers
55. Tom Nyendwa T/A T.N. Insurance Agency
56. Vincent Lupiya T/A Vincent Lupiya Insurance Agency
57. Vincent Nkole T/A VN Insurance Agency
58. Wexon Mwenya Nchengwa T/A Worthy Insurance Agency

Assessors

1. Auto Engineering Consultants
2. Amos Mbali T/A Maron Automobile Engineering Assessors
3. George Mwanza T/A George Mwanza Independent Assessors
4. James Zulu T/A Jano Enterprises
5. John Mwiinga T/A Macky Automotive Assessors
6. Mark Longwe T/A Malong Motor Assessors & Consultant
7. Nelson Ndhlovu T/A Wanangwa Assessors
8. Stanley C Mzyece T/A Shambeni Engineering Limited

Risk Surveyor's Licence

1. Orbit Insurance Risk Surveyors & Consultants Limited
2. VZ Investments Limited

Loss Adjustors

1. CMM Risk Management Consultants Limited
2. Garsides International
3. Independent Loss Adjustors
4. Kabungo Sampa T/A Prime Adjustors Services
5. Rugure Chigono T/A Bluelight Risk Services
6. Loss Management Consulting International

Claims Agencies

1. Angela Lombe T/A Delta Insurance Claims Agency
2. Chipon Insurance Claims Agency
3. Mubita Mulalelo T/A Triple EMU Claims and Consultancy

SECTION 3



*CREATED BY THE PENSION SCHEME REGULATION
ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27
OF 2005) AND THE INSURANCE ACT NO. 27 OF
1997 (AS AMENDED BY ACT NO. 26 OF 2005)*

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2019

PENSIONS AND INSURANCE AUTHORITY (“PIA”)

*CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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PENSIONS AND INSURANCE AUTHORITY (“PIA”)

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005) AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT OF THE DIRECTORS

The Directors of the Pensions and Insurance Authority (“the Authority”) present their audited financial statements for the year ended 31st December 2019.

1. Organisation

The Pensions and Insurance Authority is the regulatory and supervisory authority of the pensions and insurance industry. The Authority is created by the *Pension Scheme Regulation Act no. 28 of 1996 (as amended by Act no. 27 of 2005)* and the *Insurance Act No. 27 of 1997 (as amended by Act No. 26 of 2005)*. Prior to the enactment of the Act No. 27 of 2005, PIA existed as Office of the Registrar of Pensions and Insurance under the Ministry of Finance and Planning. Following the enactment of Act No. 27 of 2005, the Authority became a body corporate. It was converted into an Authority as a separate legal entity following the amendment of the 1996 Act.

PIA has its offices on 4618, Lubwa Road, Rhodes Park, Lusaka.

2. Functions

(a). The Authority's mission is to regulate the conduct of pensions and insurance industry through prudential supervision in order to protect the interest of pension scheme members and insurance policyholders and to foster the industry's growth, development and stability. The Authority administers the Pension Scheme Regulations Act of 1996 (as amended) and Insurance Act 1997 (as amended).

(b). The Authority's core functions include the following:

- (i). Licensing and registration;
- (ii). Prudential regulation and supervision;
- (iii). Formulation and enforcement of standards of conduct for the pensions and insurance industries; and
- (iv). Protection of pension members and insurance policyholders;
- (v). Advising Government on pension matters and insurance of national assets.

(c). There has been no significant change in the Authority's business during the year.

3. Directors**(a) Composition**

The Authority is subject to legislative requirements regarding the composition, powers, functions, committee structure and responsibilities of its Board. The Board is accountable to Parliament through the Minister of Finance. The Authority's Board is appointed by the Minister responsible for finance in accordance with Section 6 of the Pension Scheme Regulation Act. The Board is

PENSIONS AND INSURANCE AUTHORITY (“PIA”)

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

responsible for providing strategic direction to the Authority and ensures that it is managed in an effective and efficient manner. It is required to be comprised of the following representations:

- (i). A representative of the Ministry of Finance;
- (ii). A representative of the Ministry of Justice;
- (iii). A representative of the Zambia Institute of Chartered Accountants;
- (iv). A representative of the Bank of Zambia;
- (v). A representative of the Zambia Union of Financial Institutions and Allied Workers;
- (vi). A representative of the Zambia Association of Chambers of Commerce and Industry;
- (vii). A representative of the Zambia Federation of Employers;
- (viii). A representative of the Ministry of Labour and Social Security; and
- (ix). One person with expertise in matters of pensions and insurance

(b) Board Composition

- | | | | |
|---------|------------------------------|---|---|
| (i). | Mrs Petronella Mwangala | - | Chairperson |
| (ii). | Mr Chibamba K Lopa | - | Vice Chairperson |
| (iii). | Mr Harrington Chibanda | - | Member |
| (iv). | Mr Alfred Chifota | - | Member |
| (v). | Mr Anthony Dumingo | - | Member |
| (vi). | Maj. Constantine Hara | - | Member (up to 21 st November 2019) |
| (vii). | Ms. Mutinta Pensulo | - | Member (from 21 st November 2019) |
| (viii). | Mr Akapelwa Imwiko | - | Member |
| (ix). | Ms Prudence Malilwe | - | Member |
| (x). | Mrs Pitican Miyanda Syafunko | - | Member |

Board members' appointment dates, terms of office, committee membership and their biographies are available from the Authority, along with details of recent changes to Board membership.

The key responsibilities of the Board are set out in the *Pension Scheme Regulation Act no. 28 of 1996 (as amended by Act no. 27 of 2005)*.

(c) Directors' Interests

None of the Directors held an interest in the Authority's capital resources during the year.

(d) Directors' Emoluments

Directors' emoluments during the year amounted to: **K1.652million** (2018:- K0.930million).

PENSIONS AND INSURANCE AUTHORITY ("PIA")

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Management**(a). Key Management**

The day-to-day operations of the Authority are managed by the Registrar:

- Mr Martin Libinga - Up to 31st August 2019
- Mr Christopher Mapani - From 1st October 2019

The role of the Registrar is set out in The Pension Scheme Regulation Act, 1996 (as amended by Act no. 27 of 2005). The Registrar has executive responsibility for ensuring that the Authority's statutory objectives and functions are exercised efficiently and effectively, for leading partnership arrangements with government, for working with key stakeholders. The following executive management, amongst others, is responsible for assisting the Registrar in implementation of the core functions of the Authority.

- (i). Mr Titus Nkwale - Deputy Registrar - Insurance
- (ii). Mr Tresford Chiyavula - Deputy Registrar - Pensions
- (iii). Mrs Demetria Mudenda - Board Secretary (up to 21st March 2019)
- (iv). Mrs Kabisa Ngwira - Board Secretary (from 28th October 2019)
- (v). Mrs Sharon Kamaloni Chipepa - Finance Manager

(b). Departments**(i). The Pensions Supervision Department:**

The department is responsible for monitoring of pensions industry entities through prudential and market conduct measures. This is aimed at ensuring that the conduct of business for industry players is in conformity with the Pension Scheme Regulations Act, guidelines, rules, standards and such other regulatory requirements.

(ii). The Insurance Supervision Department

The department is responsible for monitoring of insurance industry entities through prudential and market conduct measures. This is aimed at ensuring that the conduct of business for industry players is in conformity with the Insurance Act, guidelines, rules, standards and such other regulatory requirements.

(iii). Corporate Services Department:

Corporate Services is responsible for the implementation of the Authority's corporate strategies. In addition, it is responsible for the human resource and general administration functions, provision of Board secretarial services, consumer education activities and provision of legal services.

PENSIONS AND INSURANCE AUTHORITY ("PIA")

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(iv). *Finance Department:*

The department is responsible for financial management, accounting and information systems.

(v). *Internal Audit Unit:*

The Internal Audit Unit is accountable to the Audit Committee of the Authority's Board. It provides assurance on the effectiveness of the Authority's internal controls..

5. Financial Review

(a) *Capital*

The Authority has no subscription capital. Capital resources comprise accumulated funds only.

(b) *Operating Results*

The operating result for the year was a surplus of **K8.579million** (2018:-K9.164million).

(c) *Income*

- (i). Fees and levies amounted to **K51.297million** (2018:-K46.327million).
- (ii). Investment and sundry income amounted to **K5.808million** (2018:-K3.376million).

(d) *Expenditure*

Administration and operating expenditure totalled **K48.526million** (2018:-K40.538million). The main operating costs were:

- (i) Costs of personnel of **K30.490million** (2018:-K25.601million).
- (ii) Recurrent operating costs of **K15.431million** (2018:-K9.037million). Included in recurrent operating costs is an amount of **K5million** (2018: Nil) contribution made to the Insurance Fidelity Fund. This was a one-off contribution in order to enhance and grow this fund for the good of the Policyholders whose mandate to protect is the Authority's
- (iii) Depreciation and amortisation of **K1.950million** (2018:-K1.968million).
- (iv) Impairment Losses on Financial Assets of **K0.655million** (2018:-K0.414million).
- (v) Impairment Losses on Non-Financial Assets of **Nil** (2018:-K3.518million).

(e) *Capital Expenditure*

Fixed assets amounting to **K1.973million** (2018:-K1.667million) were acquired during the year under review. No major changes were made to the accounting policies and use of fixed assets.

(f) *Revaluations*

The Authority, through the Government Surveyors Department, carried out a revaluation of its office buildings. This resulted in cost adjustments of K7.930million and depreciation write backs of K1.661million. The revaluation was effective as of 1st January 2019.

PENSIONS AND INSURANCE AUTHORITY (“PIA”)

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**(g) Related Party Transactions**

The Authority’s related parties include board members and senior executive management. Related parties and related party transactions are discussed in Note 18 on page 43 to 44.

(h) Fidelity Fund

A Fidelity Fund is established for the exclusive purpose of indemnifying or otherwise protect policyholders and other persons interested in the policies prejudiced by the inability of insurer or broker carrying on business in Zambia to meet its liabilities. The Fund is established as a segregated fund within the Authority. The financial statements of the fund are separate from the Authority’s financial statements.

6. Risk Factors

The Authority faces a number of operational, legal and financial risks in its operations:

(a) Operational Risk

Operational risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events. It has a broad scope and includes *transaction authorisation and processing; completeness of income recording; payments processing and the management of information, data quality and records*. The following are the main risks noted under this classification:

- (i). **Financial Crime Risk** - Financial crime risk is the risk that the Authority suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or its moveable assets. The risk is directly attributable to its *people risk*.
- (ii). **People Risk** - People risk arises from failures of the Authority to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.

(b) Legal Risk

The Authority is subject to a comprehensive range of legal obligations, covered by *Pension Scheme Regulation Act no. 28 of 1996 (as amended by Act no. 27 of 2005) and the Insurance Act No. 27 of 1997 (as amended by Act No. 26 of 2005)*. As a result, it is exposed to many forms of legal risk, which may arise in a number of ways: its business may not be conducted in accordance with requirements of the *Act*; contractual obligations may either not be enforceable as intended or may be enforced against the Authority in an adverse way; the Authority may face risk where legal proceedings are brought against it, in the course of carrying out its mandate, etc. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered, even if the Authority is successful.

PENSIONS AND INSURANCE AUTHORITY ("PIA")

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(c) Reporting Risk

- (i). **Financial Reporting Risk** - Financial reporting risk arises from a failure or inability to comply fully with regulations or codes in relation to the preparation, presentation or disclosure of financial information. Non-compliance could lead to damage to reputation or, in extreme cases, withdrawal of external funding.
- (ii). **Accounting Risks** - The Authority's future performance and results could be materially different from expected results depending on the outcome of certain potential risks and uncertainties, details of which are discussed above. The reported results of the Authority are also sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of its critical accounting policies and key sources of accounting judgments are included on pages 19 to 31.
- (iii). **Financial Risks** - The Authority through its normal operations is exposed to a number of risks on its financial instruments, the most significant of which are *credit and liquidity. Market (currency and interest) risks* are generally low. The two main risks on its financial instruments are generally deemed to be within manageable limits. The Authority's financial risk exposures are discussed in Note 16.

7. Risk Management and Control

As explained on Statement 6 above, the Authority through its normal operations is exposed to a number of risks, the most significant of which are liquidity risks. The Authority's risk management objectives, policies and strategies are discussed on page 29 in Accounting Policy 6(f). Exposures are discussed on pages 39 to 43 in Note 16 to the financial statements.

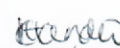
8. Compliance

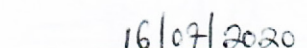
The Authority's management are responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision of the Chief Executive Officer/Registrar, the Authority's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRSs. The Board has responsibility for monitoring compliance with the regulatory environment and the various internal control processes and procedures.

9. Pension Scheme

The Authority also has a pension scheme for all permanent and pensionable staff. It is a defined contribution plan for all qualifying employees, and is held separately from the Authority. The Authority has no liability other than in meeting monthly contributions into the scheme.

On behalf of the board:


SECRETARY


DATE

PENSIONS AND INSURANCE AUTHORITY ("PIA")

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the Auditors' report set out on page 8, is made with a view to distinguishing for members the respective responsibilities of the Board of Directors ("the Board" or "the Directors") of the Pensions and Insurance Authority ("the Authority") and of the auditors in relation to the financial statements for the year ending 31st December 2019.

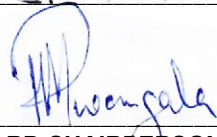
Statement of Responsibility for Financial Statements

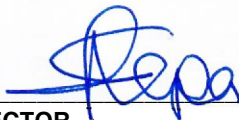
In conformity with *International Financial Reporting Standards ("IFRSs")* and the requirements of *Pension Scheme Regulation Act no. 28 of 1996 (as amended by Act no. 27 of 2005)* and the *Insurance Act No. 27 of 1997 (as amended by Act No. 26 of 2005)* ("the Acts"), the Directors are required to prepare financial statements for the Authority each financial period, which give a true and fair view of the state of affairs of the Authority and of the surplus or deficit for that period. The accounts are required by law and IFRSs to present fairly the financial position of the Authority and the performance for that period. The Directors consider that, in preparing the accounts on pages 14 to 18, and the additional information on pages 19 to 48, the Authority has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The Directors have responsibility for ensuring that the Authority keeps accounting records which disclose with reasonable accuracy the financial position of the Authority and which enable them to ensure that the accounts comply with the requirements of the *Acts*. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities. The Board Members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with *IFRSs*. In preparing such financial statements, the Board Members are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether the applicable accounting standards have been followed; and comply with *IFRSs*.

In the opinion of the Board Members:

1. The statement of comprehensive income is drawn up so as to give a true and fair view of the result of the Authority for the year ended 31st December 2019;
2. Based on current records that it holds:
 - (a) 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 as at 31st December 2019 and
 - (b) There are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

Accordingly, the financial statements set out on pages 14 to 18 were approved by the Board Members on 03/07/2020 and signed on its behalf by:..


BOARD CHAIRPERSON


DIRECTOR

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE AUTHORITY

Opinion on Financial Statements

We have audited the financial statements of the Pensions and Insurance Authority ("the Authority"), which comprise the statement of financial position as at 31st December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the *International Financial Reporting Standards ("IFRS")* as issued by the *International Accounting Standards Board ("IASB")* and the requirements of *Pension Scheme Regulation Act no. 28 of 1996 (as amended by Act no. 27 of 2005)* and the *Insurance Act No. 27 of 1997 (as amended by Act No. 26 of 2005)* ("the Act").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pensions and Insurance Authority ("the Authority") as at 31st December 2019, and its financial performance and cash flows for the year then ended.

Separate Qualified Opinion in relation to IFRS as issued by the IASB

The Authority has prepared financial statements in line with IFRSs. In our opinion, except for revaluations in land and buildings which did not encompass the entire class, the Authority has prepared Financial Statements that comply with IFRS as issued by the IASB. In our opinion, except for the matter referred to in our basis of qualified opinion, the Financial Statements comply with IFRS as issued by the IASB.

Basis for Qualified Opinion on Compliance with IFRS

Except for the matter referred to below, 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 entity within the meaning of relevant ethical requirements in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code")* and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our *qualified* opinion on compliance with IFRS:

Revaluations of Land and Buildings

The Authority carried out an external revaluation of some of its properties, but not all of them were revalued. Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date [IAS 16.31]. Further, if an item is revalued, the entire class of assets to which that asset belongs should be revalued [IAS 16.36]. To avoid a modified audit opinion on compliance with IAS 16, all assets in a class should be revalued. As this had not been done for the year under review, our audit opinion in respect with compliance with IFRSs was qualified in that respect.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion is not modified with respect to any of these key matters

1. *Revaluation Surplus*

During the year to 31st December 2019, the Company recognised revaluation surpluses on its land and buildings. However, in addition to the fact that not the entire class was revalued, which forms the basis of qualification of these financial statements on compliance with IAS 16 under IFRS: (a) The closing balances in *revaluation reserves* were misstated by non-written back accumulated depreciation as at the date of revaluation; and (b) The *revaluation reserves and revenue reserves* were misstated by lack of subsequent amortisation of the revaluation reserve. Our audit disagreed with this treatment. This is because (a) Accumulated depreciation at the date of revaluation is treated in one of two ways (*IAS 16.35*): (a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount. Lack of depreciation write back understated the value of property revalued and the gain in the revaluation surplus. To remedy these anomalies, the audit proposed significant adjustments to land valuation, accumulated depreciation, revaluation reserves, and revenue reserves. However, although revaluation surpluses are a temporary difference in taxation, no deferred taxation arose on the revaluation adjustments as the Authority is exempt from corporate taxation under section 15 of the Income Tax Act of the Laws of Zambia and in accordance with paragraph 5(i) Part III of the Second Schedule of the same Act.

2. *Valuation of Financial Instruments*

The Authority's disclosures about its structured financial instruments are included in Accounting Policy 6. Because the valuation of the entity's financial instruments is based on amortised cost, there is low significant measurement uncertainty involved in this valuation. Amortised Cost means the amount at which the financial item on and off balance are measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. Our audit procedures included, among others, testing management's controls related to the classification and valuation of investments and assessment of any impairment losses likely to occur. Based on the procedures we performed on this matter, we are satisfied that income has been correctly recognised and reported.

3. *Revenue Recognition*

Income from contractual arrangements should be recognised in the period in which entitlement has been earned through service delivery (IFRS 15). The Authority delays in preparation of its annual accounts due to non-compliance by licensees with *Section 23(6) of the PSR Act No. 28 of 1996 (As Amended by Act No. 27 of 2005)*, and non-enforcement of *Section 23(7) by the Authority*. According to *Section 23(6) of the PSR Act No. 28 of 1996 (As Amended by Act No. 27 of 2005)*, Licensees are required to submit to the Authority, their audited accounts within 3 months of the financial year end. *Section 23(7)* provides that anyone who contravenes *subsection (6)* shall be liable to pay a late submission penalty of one thousand fee units for each day the annual report is late. Consequently, management exercise judgment in determining when income should be recognised. Discrepancies arise because in some instances industry returns are materially different from audited financial statements. Provisional incomes during the year are

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made based on these returns and in some cases where these are not submitted on time estimates are made. However, these accounts are still reconciled at the year-end based on audited financial statements. There is also potentially management judgement in the classification of income between restricted and unrestricted funds. We documented the income systems and carried out audit procedures to gain assurance over the operation of internal financial controls in place to prevent the loss of income and to ensure that income is recorded in the correct period. Our audit testing involving sampling income balances and the associated invoices and bills, verifying to supporting documentation to ensure income has been recognised in the correct period. We also considered whether income had been correctly classified between restricted fidelity fund contributions and unrestricted funds for the Authority, reviewing any terms and conditions of, for example, fidelity fund fees and pension registration fees. Based on the procedures we performed on this matter, we are satisfied that income has been correctly recognised and reported.

Going Concern

1. General Assessment

The financial statements of the Authority have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the Authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. The Board has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the entity. The Directors have assessed, in the light of current and anticipated economic conditions, the Authority's ability to continue as a going concern. The Directors confirm they are satisfied that the Authority has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing the financial statements. As part of our audit of the financial statements, we have concluded that the Authority's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate. Our assessment considers the assumptions sound and, as such, our opinion is not qualified in this case.

2. Impact of COVID 19

ISA 570 - Going Concern requires the audit to review and report within the report on the date the accounts are issued, on any significant events occurring prior to the reporting date. These responsibilities are also placed on the audit by regulators including the *International Federation of Accountants* ("IFAC") and the *Zambia Institute of Chartered Accountants* ("ZICA"), in light of the Coronavirus COVID 19 pandemic facing the global economy and specific circumstances of individual reporting entities. In that regard the audit has considered the impact of Coronavirus COVID 19 and resulting government restrictions on business and social operations.

The Audit recognises that sustained effect of the virus and the associated implementation of government measures to control the pandemic may create conditions that affect the ability of the business to continue operations. As at the date of this report, no direct implications have been estimated and quantified by the audit as a result of the global pandemic.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board is responsible for overseeing the entity's financial reporting process. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are 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 the 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 planning and performance of the audit. We also:

1. 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.
2. 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 entity's internal control.
3. Conclude on the appropriateness of the Board'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.

EMM CORPORATE PARTNERS

4. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority.
5. 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.
7. We are required to communicate with the Board 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.
8. We are also required to provide those charged with governance 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.

Qualified Report on Other Legal and Regulatory Requirements

Section 58(d) of the Public Finance Management Act of 2018, which supercedes all other laws, requires audit reports of government bodies and corporations to be completed by 30th April of each following year. The Authority did not comply with this requirement.

Other Information

The Board and the Registrar are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Directors' Report described in this set of financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the 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 the 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.

Opinion on Other Matters

In our opinion:

1. The parts of the Financial Report to be audited have been properly prepared in accordance with *Pension Scheme Regulation Act no. 28 of 1996 (as amended by Act no. 27 of 2005)*;

EMM CORPORATE PARTNERS

2. In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified any material misstatements in the financial statements; and
3. The information given in the reports prepared for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we Report by Exception

Other than the matters raised in the letter of recommendations, and cited in this report where necessary for the attention of those charged with governance, we have nothing to report in respect of the following matters which we report to you if, in our opinion:

1. Adequate accounting records have not been kept or adequate for our audit; or
2. The financial statements and the parts of the annual report to be audited are not in agreement with the accounting records and returns; or
3. We have not received all of the information and explanations we require for our audit; or
4. The Financial Statement does not reflect compliance with guidance.

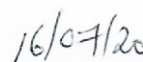
The engagement partner responsible for the audit resulting in this independent auditor's report is:



Elasto Mambo
PC/MPC: 000704



EMM CORPORATE PARTNERS
Chartered Accountants and Management Consultants



Date

PENSIONS AND INSURANCE AUTHORITY ("PIA")

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF SURPLUS OR DEFICIT

<i>Amounts are Stated in Zambian Kwacha</i>	<i>Note</i>	2019	2018
Operating Income			
Fee Income	1.	24,120,836	22,550,930
Levy Income	2.	27,176,069	23,776,379
		51,296,905	46,327,309
Non-Operating Income			
Investment Income	3.	5,306,099	3,353,633
Other Income	4.	501,968	22,471
		5,808,067	3,376,104
		57,104,972	49,703,413
Expenditure			
Impairment Loss on Financial Assets	5.	655,345	414,519
Impairment Loss on Non-Financial Assets	7.	-	3,517,896
Depreciation and Amortisation	7.	1,950,077	1,968,723
Emoluments and Benefits	Schedule I	30,489,633	25,600,998
Operation and Administration Costs	Schedule II	15,430,540	9,036,791
		48,525,595	40,538,928
Operating Surplus	6.	8,579,377	9,164,485
<i>Total operating result attributable to:</i>			
Controlling Interests		8,579,377	9,164,485
Non-controlling Interests		-	-
		8,579,377	9,164,485

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts are Stated in Zambian Kwacha</i>	<i>Note</i>	2019	2018
Operating Surplus		8,579,377	9,164,485
<u>Other Comprehensive Income:</u>			
<u>Items that will not be subsequently reclassified to profit and loss:</u>			
Revaluation Surplus - Cost Adjustment	7.	7,929,661	-
Revaluation Surplus - Cost Adjustment	7.	1,661,050	-
		9,590,711	-
<u>Items that may be subsequently reclassified to profit and loss:</u>		-	-
		-	-
Other Comprehensive Income		9,590,711	-
Total Comprehensive Income		18,170,088	9,164,485
Total comprehensive income attributable to:			
Controlling Interests		18,170,088	9,164,485
Non-controlling Interests		-	-
		18,170,088	9,164,485

PENSIONS AND INSURANCE AUTHORITY (“PIA”)

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF CHANGES IN FUNDS

<i>Amounts are Stated in Zambian Kwacha</i>	Revaluation Reserve	Accumulated Funds	Total Funds
Balance as at 1 January 2018	-	64,175,187	64,175,187
Total Comprehensive income	-	9,164,485	9,164,485
At 31 December 2018	-	73,339,672	73,339,672
Balance as at 1 January 2019	-	73,339,672	73,339,672
Total Comprehensive income	-	8,579,377	8,579,377
Revaluation Reserve - Cost Adjustment	7,929,661	-	7,929,661
Revaluation Reserve - Depreciation Write-Back	1,661,050	-	1,661,050
Amortisation of Revaluation Reserve	(191,814)	191,814	-
At 31 December 2019	9,398,897	82,110,863	91,509,760

PENSIONS AND INSURANCE AUTHORITY ("PIA")

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF CASH FLOWS

<i>Amounts are Stated in Zambian Kwacha</i>	Notes	2019	2018
Cash Inflow From Operating Activities			
Operating Surplus		8,579,377	9,164,485
Interest Received	3.	(5,306,099)	(3,353,633)
Depreciation	7.	1,950,077	1,968,723
Impairment Loss on Non-Financial Assets	7.	-	3,517,896
Gain on Disposals		(43,637)	(8,448)
Changes in Accounts Receivable		(1,695,186)	(1,175,012)
Changes in Other Receivables		(2,022,497)	(2,976,557)
Change in Pension Registration Fees		933,265	412,653
Change in Other Financial Liabilities		(68,959)	2,399,186
Change in Amounts Owed to Third Parties		(81,673)	457,074
Change in Employee Benefits and Provisions		276,178	413,299
Net Cash Inflow From Operating Activities		2,520,847	10,819,668
Returns on Investment and Servicing of Finance			
Interest Received	7.	5,306,099	3,353,633
		5,306,099	3,353,633
Investing Activities			
Actual Payments to Acquire Tangible Fixed Assets	7.	(1,973,270)	(1,667,906)
Proceeds from Disposal of Assets		43,637	12,393
Net Cash Outflow on Investing Activities		(1,929,633)	(1,655,512)
Financing Activities			
		-	-
Net Cash Outflow on Financing		-	-
Net Increase in Cash and Cash Equivalents		5,897,313	12,517,788
Cash and Cash Equivalents at start of year		41,085,142	28,567,354
Cash and Cash Equivalents at end of year		46,982,455	41,085,142
Represented By:			
Cash at Bank and in Hand	10.	14,450,460	9,714,840
Short-Term Bank Deposits	10.	32,531,995	31,370,302
		46,982,455	41,085,142

PENSIONS AND INSURANCE AUTHORITY ("PIA")

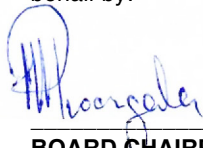
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF FINANCIAL POSITION

<i>Amounts are Stated in Zambian Kwacha</i>	<i>Notes</i>	2019	2018
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.	30,477,684	20,865,959
		30,477,684	20,865,959
Current Assets			
Receivables at Amortised Cost	8.	19,052,315	17,357,128
Other Financial Assets	9.	8,204,462	6,181,966
Placements with Credit Institutions	10.	46,982,455	41,085,142
Total Current Assets		74,239,232	64,624,236
Total Assets		104,716,916	85,490,195
FUNDS AND LIABILITIES			
Funds			
Accumulated Funds		82,110,863	73,339,672
Revaluation Reserves		9,398,897	-
Total Equity		91,509,760	73,339,672
Non-Current Liabilities			
Pension Registration Fees	11.	5,351,618	4,418,352
Employee Benefits and Provisions	12.	3,100,774	2,829,838
Capital Grants	13.	65,975	68,154
		8,518,367	7,316,344
Current Liabilities			
Employee Benefits and Provisions	12.	1,054,234	1,048,992
Amounts Owed to Third Parties	14.	1,053,826	1,135,499
Other Financial Liabilities	15.	2,580,729	2,649,688
Total Current Liabilities		4,688,789	4,834,178
Total Equity and Liabilities		104,716,916	85,490,195

The financial statements were approved by the Board of Directors on 03/07/2020 and signed on its behalf by:



BOARD CHAIRPERSON



DIRECTOR

PENSIONS AND INSURANCE AUTHORITY (“PIA”)

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31st December 2019 are set out below:

1. Basis of Preparation

The financial statements for the year ended 31st December 2019 are prepared on a going concern basis and in accordance with *International Financial Reporting Standards* issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the *International Financial Reporting Interpretations Committee (“IFRIC”)* of the IASB. The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. Statement of Compliance

As explained above, the financial statements have been prepared in accordance with *International Financial Reporting Standards* applicable for the reporting period to 31st December 2019.

3. Adoption of New and Revised International Financial Reporting Standards (“IFRSs”)**(a). Application of new IFRS requirements**

Impact of initial application of IFRS 16 Leases: In the current year, the Authority has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below. The impact of the adoption of IFRS 16 on the Authority’s financial statements is described below. The date of initial application of IFRS 16 for the Authority is 1 January 2019. The Authority has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information.

(b). Amendments to existing Standards

In the current year, the Authority has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- (i) **Amendments to IFRS 9 Prepayment Features with Negative Compensation** - The Authority has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the ‘solely payments of principal and interest’ (SPPI) condition, the party exercising the option may pay or

PENSIONS AND INSURANCE AUTHORITY ("PIA")

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

- (ii) **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures** - The Authority has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the Authority's net investment in an associate or joint venture. The Authority applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Authority does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

(iii) **Annual Improvements to IFRS Standards 2015–2017 Cycle**

The Authority has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

- **IAS 12 Income Taxes** - The amendments clarify that the Authority should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Authority originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
- **IAS 23 Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
- **IFRS 3 Business Combinations** - The amendments clarify that when the Authority obtains control of a business that is a joint operation, the Authority applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.
- **IFRS 11 Joint Arrangements** - The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Authority does not remeasure its PHI in the joint operation.
- **Amendments to IAS 19 Employee Benefits Plan, Amendment, Curtailment or Settlement** - The Authority has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on

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settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Authority will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

- **IFRIC 23 Uncertainty over Income Tax Treatments** - The Authority has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Authority to:
 - Determine whether uncertain tax positions are assessed separately or as a group; and
 - Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Authority should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the authority should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

(c). New IFRS requirements and Interpretations in issue but not yet effective

Entities are required to disclose in their financial statements the potential impact of new and revised IFRS Standards that have been issued but are not yet effective. At the date of authorisation of these financial statements, the Authority has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Authority in future periods, except as noted below:

- **IFRS 17 Insurance Contracts** - IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4

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Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- **IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** -The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Board anticipate that the application of these amendments will not have an impact on the Authority's financial statements in future periods should such transactions arise.
- **Amendments to IFRS 3 Definition of a business** -The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the

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acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

- **Amendments to IAS 1 and IAS 8 Definition of material** - The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

- **Amendments to References to the Conceptual Framework in IFRS Standards** - Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted. IAS 8:30 requires entities to give known or reasonably estimable information relevant to assessing the possible impact that the application of any new or revised IFRS Standard will have on the entity’s financial statements in the period of initial application. This applies to all new or revised IFRS Standards that have been issued but are not yet effective.

The Authority does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Authority in future periods.

There are no other *IFRSs* or *IFRIC interpretations* that are not yet effective and that would be expected to have a material impact on the Authority in the current or future reporting periods and on foreseeable future transactions.

4. Foreign Currencies

In preparing its financial statements, the Authority’s foreign currency transactions are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss.

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5. Property, Plant and Equipment**(a) Cost and Valuation**

Property, plant and equipment are stated at fair value. Land and buildings are stated in the statement of financial position at their cost or revalued amounts, if revalued, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Authority uses a depreciated historical cost basis as a proxy for fair value as non-property assets have a short useful life or are of relatively low value. Any permanent impairment in the value of property, plant and equipment on revaluation is charged to the statement of comprehensive income when it occurs.

(b) Subsequent Expenditure

The Authority recognises, in the carrying amount of a tangible fixed asset, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Authority and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(c) Intangible Assets

The costs of purchasing major software licences are capitalised as intangible fixed assets, although ongoing software maintenance costs are written off in the period in which they are incurred. As permitted by IAS 38, intangible assets are carried at depreciated historic cost, which is a proxy for fair value as they are considered to have short useful lives or low value.

(d) Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on property, plant and equipment and amortisation is provided in intangible assets at rates calculated to write down the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

(e) De-recognition

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on de-recognition is included in the income statement in the year the item is de-recognised.

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(f) Impairment

Under IAS 36, individual assets are reviewed for impairment to ensure their carrying amount is not greater than the recoverable amount. At each reporting date, the Authority assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Authority makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

6. Financial Instruments**(a) Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are recognised in the Authority's statement of financial position when the Authority becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(b) Financial Assets

The Fund's recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value through surplus or deficit. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i). Classification

- All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
- All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets:

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- Instruments that meet the following conditions are measured subsequently at amortised cost: The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(ii). Cash and Cash Equivalents

Cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Authority’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The Authority maintains its bank accounts with major banks in Zambia of high credit standing.

(iii). Receivables

Trade and other receivables are not interest-bearing and are stated at cost reduced by appropriate allowances for estimated irrecoverable amounts. Receivables are recognised 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. All other accounts receivable and other assets are carried at net realisable value, which approximates fair value.

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The Authority recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The Authority recognises a loss allowance for expected credit losses on receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Authority's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Authority recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Authority measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(v). De-recognition

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(c) Financial Liabilities**(i). Measurement**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

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Financial liabilities are classified according to the substance of the contractual arrangements entered into. Other payables and amounts due to related parties are stated at their nominal value. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ii). Payables

Trade and other payables are not interest-bearing and are stated at amortised cost.

(iii). Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(iv). Employee Benefits**- Pension Contributions:**

The Authority operates a defined contribution scheme for pensionable employees at 5% contribution by the employee and 15% contribution by the employer. The Authority and its employees also contribute to the National Pension Scheme Fund which is requirement by Law. This Fund 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 income in the year in which they fall due.

- Other Employee Benefits

In accordance with IAS 19 employee benefits, accruals have been made for short-term employee benefits, such as salaries, paid absences and leave pay. Provisions for leave pay are made in respect of all staff. In addition, employees on contract of employment are entitled to gratuity and a provision is made thereon. The estimated monetary liability for employees' accrued gratuity and leave pay entitlement at the statement of financial position date is recognised as an expense accrual.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**7. Taxation****(v). De-recognition**

The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Contingent Liabilities

Contingent liabilities are initially measured at fair value. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with *IFRS 15 Revenue from Contracts with Customers*.

(e) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Financial Risk Management

The Authority's activities expose it to a variety of financial risks. The most important types of risk are currency risk, credit risk, liquidity risk, market risk and other operational risk. Policies and exposures on risks and financial instruments are discussed in Note 16 to the financial statements.

(g) Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities are representative of the Authority's position at 31st December 2019 and are in the opinion of the Directors not significantly different from their respective fair values due to generally short periods to maturity dates as set out in Note 16(e) on page 42.

7. 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.

8. Grants

Grants are not recognised until there is reasonable assurance that the Authority will comply with the conditions attached to them and that the grants will be received. Grants for the acquisition of assets are deducted from the costs of those assets. Grants whose primary condition is that the Authority should

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financial position and transferred to income on a systematic basis over the useful lives of the related assets. Other grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Authority with no future related costs are recognised in income in the period in which they become receivable.

9. Capital Management

The Authority’s objective when managing capital is to safeguard the Authority’s ability to continue as a going concern so that it can continue to provide benefits to stakeholders. The Authority’s capital is supported by grants from the Government of the Republic of Zambia (“GRZ”) and its internally generated fees. The Authority considers its cash and cash equivalents to be the manageable capital from its financial resources. The Authority’s policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Authority currently has no externally-imposed capital requirements except to maintain sufficient cash balances.

10. Segmental Reporting

Segmental reporting is applied in line with IFRS 8 to report the split between levy and fee income. Expenditure, however, is not segmented. Segmental reporting is not required for assets and liabilities, as this information is not regularly reported to the chief operating decision-maker.

11. Revenue

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.

(a). Fees

Revenue is measured based on the consideration to which the Authority expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties:

- (i) **Licensing Fee Income** is recognised upon issue of a licence and upon receipt of an insurer or scheme’s audited financial statements.
- (ii) **Registration Fee Income** is recognised once a pension scheme is registered.

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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 (“p.a”), on gross premium income of each general insurer at a rate of 0.8% p.a, and on gross premium income of each long-term insurer at a rate of 0.5% p.a. Levy is computed on quarterly accounts and paid to the Authority within sixty-days after the end of each quarter.

(c). Interest Income

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

12. Other Income and Expenditure

Other income and expenditure is recognised on an accruals basis. Where income received relates to a period of time covering more than one accounting period, that part extending beyond the current accounting period is treated as deferred income. Corporate overheads are not segmented.

13. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management’s best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies above and/or the notes to the financial statements on Pages 32 to 46. However, the key areas are summarised below.

(a) Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

- (i). Estimation of asset lives
- (ii). Determination of fair values of non-current assets
- (iii). Impairment losses on receivables.

(b) Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- (i). Review of asset carrying values and impairment charges and reversals
- (ii). Estimation of liabilities for post-retirement costs
- (iii). Contingencies

14. Comparatives

Where necessary, corresponding figures have been reclassified to conform to changes in the presentation of the current period.

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NOTES TO THE FINANCIAL STATEMENTS

<i>Amounts in Zambian Kwacha</i>	2019	2018
1. Fee Income		
General Insurance	17,466,831	16,373,984
Long-Term Insurance	6,654,005	6,176,946
	24,120,836	22,550,930

2. Levy Income

Pension Scheme Levies	27,176,069	23,776,379
	27,176,069	23,776,379

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% per annum, on gross premium income of each general insurer at a rate of 0.8% per annum and on gross premium income of each long-term insurer at a rate of 0.5% per annum.

3. Investment Income

Interest on Bank Balances	245,981	129,916
Interest on Held to Maturity Placements	4,898,330	3,108,461
Interest on Internal Staff Loans and Advances	161,788	115,256
	5,306,099	3,353,633

4. Other Income

Profit on Sale of Non-Current Assets	43,637	8,448
Sundry Income	458,331	14,023
	501,968	22,471

5. Impairment Loss on Financial Assets

	Trade Receivables	Other Assets	Total
Restated Balance at 1 January 2018	5,627,993	-	5,627,993
Impairment Loss	414,519	-	414,519
Balance at 31 December 2018	6,042,512	-	6,042,512
Impairment Loss	649,451	5,894	655,345
Balance at 31 December 2019	6,691,963	5,894	6,697,857

6. Taxation

In stating operating results, no provision is made for tax, as the Authority is exempt.

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NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

7. Property, Plant and Equipment

	Leasehold Land	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer Equipment	Other Equipment	Capital Work In Progress	Total
Cost								
At 1 January 2019	17,936,559	3,611,933	1,072,074	693,716	1,505,198	1,321,305	3,104,354	29,245,140
Additions - Purchases	-	1,498,670	68,800	-	293,896	109,725	2,179	1,973,270
Amortised Capital Grant (Note 13)	-	-	-	-	-	-	(2,179)	(2,179)
Revaluations	7,929,661	-	-	-	-	-	-	7,929,661
Disposals	-	(487,811)	-	-	(144,794)	-	-	(632,606)
At 31 December 2019	25,866,220	4,622,792	1,140,874	693,716	1,654,300	1,431,030	3,104,354	38,513,286
Depreciation								
At 1 January 2019	2,364,357	2,865,183	631,157	382,723	969,288	1,166,473	-	8,379,181
Depreciation Write-Back	(1,661,050)	-	-	-	-	-	-	(1,661,050)
Charge for the Period	674,222	551,625	137,127	84,430	355,141	147,532	-	1,950,077
Eliminated on Disposal	-	(487,811)	-	-	(144,794)	-	-	(632,606)
At 31 December 2019	1,377,529	2,928,997	768,285	467,153	1,179,634	1,314,004	-	8,035,602
Carrying Amounts								
At 31 December 2018	15,572,202	746,750	440,917	310,994	535,911	154,833	3,104,354	20,865,959
At 31 December 2019	24,488,691	1,693,795	372,590	226,563	474,665	117,026	3,104,354	30,477,684

Capital Work in Progress relates to the Pensions Insurance Supervisory Management Information System, acquired but not in use, and expected to be implemented in 2020. The method of valuing the work in progress was an audit issue as the value of milestone payments is being used as a basis for estimating the work in progress value. Ordinarily such an approach would provide the best estimate of the value of a work in progress and be based on technical assessments on the value of work completed. However, the contract is unusual and provides for milestone payments to be made before the substantial completion of work on a particular area. This means that the milestone payments will consistently over-state the value of the completed work at any point in time.

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Note 7 Cont'd

	Leasehold Land	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer Equipment	Other Equipment	Capital Work In Progress	Total
<u>Cost</u>								
At 1 January 2018	17,936,559	3,611,933	877,717	540,981	1,365,166	1,189,277	7,035,792	32,557,425
Additions - Purchases	-	-	194,357	152,735	308,294	132,028	880,491	1,667,906
Additions - Capital Grant (Note 13)	-	-	-	-	-	-	(1,294,033)	(1,294,033)
Disposals	-	-	-	-	(168,262)	-	-	(168,262)
Impairment Loss Provision	-	-	-	-	-	-	(3,517,896)	(3,517,896)
At 31 December 2018	17,936,559	3,611,933	1,072,074	693,716	1,505,198	1,321,305	3,104,354	29,245,140
<u>Depreciation</u>								
At 1 January 2018	1,849,706	2,174,953	576,596	312,083	747,681	913,755	-	6,574,774
Charge for the Period	514,651	690,230	54,561	70,640	385,923	252,718	-	1,968,723
Eliminated on Disposal	-	-	-	-	(164,316)	-	-	(164,316)
At 31 December 2018	2,364,357	2,865,183	631,157	382,723	969,288	1,166,473	-	8,379,181
<u>Carrying Amounts</u>								
At 31 December 2017	16,086,853	1,436,980	301,121	228,898	617,485	275,522	7,035,792	25,982,651
At 31 December 2018	15,572,202	746,750	440,917	310,994	535,911	154,833	3,104,354	20,865,959

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8. Receivables at Amortised Cost

Net Fees and Levies Receivable	19,052,315	17,357,128
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(a) Analysis of Trade Receivables

Gross Amounts Receivable	25,744,278	23,399,640
Less: Impairment Provision	(6,691,963)	(6,042,512)
	19,052,315	17,357,128

(b) Movement in Impairment Provision

At the beginning of the Period	6,042,512	5,627,993
Charge for the Period	649,451	414,519
At the End of the Period	6,691,963	6,042,512

(c) Net Accounts Receivables are Summarised as follows:

Neither past due nor impaired	4,119,085	3,743,942
Past due but not impaired	20,975,742	19,241,178
Impaired	649,451	414,519
Gross	25,744,278	23,399,640
Less: allowance for impairment	(6,691,963)	(6,042,512)
Net	19,052,315	17,357,128

The average credit period on payment of levies 60 days. No interest is charged on outstanding trade receivables. The Authority always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Authority has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not

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recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Authority writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Authority’s provision matrix. As the Authority’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Authority’s different customer base.

	2019	Amount	ECL	2019
<u>Ageing</u>				
Pass (0 months)		2,492,443	5%	124,622
substandard (1 - 3months)		10,501,574	10%	1,050,157
Doubtful (4 - 5months)		7,395,842	15%	1,280,049
Loss (6 > months)		5,354,419	20%	4,237,135
Life Time ECL		25,744,278		6,691,963
	2018	Amount	ECL	2018
<u>Ageing</u>				
Pass (0 months)		7,519,550	5%	375,977
substandard (1 - 3months)		5,108,741	10%	510,874
Doubtful (4 - 5months)		3,842,940	15%	472,957
Loss (6 > months)		6,928,409	20%	4,682,704
Life Time ECL		23,399,640		6,042,512

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9. Other Financial Assets

Prepayments	2,387,843	2,189,680
Staff Receivables	4,415,758	3,000,507
Sundry Debtors	1,406,755	991,778
	8,210,356	6,181,966
Less: Impairment Provision	(5,894)	-
	8,204,462	6,181,966

10. Placements with Credit Institutions**(a) Cash at Bank and in Hand**

Held with ZANACO Centre	139,257	112,490
Held with ZANACO Premium	14,306,136	9,600,470
Petty Cash	5,067	1,880
	14,450,460	9,714,840

(b) Short-Term Bank Deposits

Held with Cavmont	4,549,263	3,802,822
Held with Atlasmara	-	4,174,290
Held with First National Bank	3,702,563	3,073,388
Held with First National Bank	5,372,507	4,484,355
Held with Indo Zambia Bank	5,777,948	4,814,384
Held with Stanbic Bank	7,898,428	6,510,762
Held with ZANACO	5,231,286	4,510,301
	32,531,995	31,370,302
	46,982,455	41,085,142

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less and bank overdrafts. Cash at bank and short-term investments represents the only funds held.

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11. Pension Registration Fees		
Balance at Start of Year	4,418,352	4,005,699
Movements	933,266	412,653
Balance at Close of Year	5,351,618	4,418,352
12. Employee Benefits and Provisions		
Gratuity Provision	3,100,774	2,829,838
Leave Pay Provision	1,054,234	951,945
Pension Scheme	-	97,048
	4,155,008	3,878,830
Analysed As:		
Current Portion of Obligations	1,054,234	1,048,992
Non-Current Portion of Obligations	3,100,774	2,829,838
	4,155,008	3,878,830
13. Capital Grants		
Restated Balance AT Start	68,154	1,362,187
Received during the year	-	-
Amortised during the year (Note 7)	(2,179)	(1,294,033)
Balance as at year end	65,975	68,154
14. Amounts Owed to Third Parties		
Audit Provisions	90,000	126,000
NAPSA	107,475	81,542
PAYE	856,351	927,957
Prepaid Fees and Levies	-	-
	1,053,826	1,135,499
15. Other Financial Liabilities		
Staff-Related Accruals	624,686	583,139
Sundry Payables	1,956,042	2,066,549
	2,580,729	2,649,688

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NOTES TO THE FINANCIAL STATEMENTS**16. Financial Instruments**

The Authority's activities expose it to a variety of financial risk: market risk (including currency risk, fair value positions), liquidity and credit risk:

(a) Total Financial Instruments

31 December 2019				
	Receivables at Amortised Cost	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
Assets as per statement of financial position				
Loans and Receivables:				
-Trade and Other receivables, excluding prepayments	24,868,934	-	-	24,868,934
-Cash and Equivalents	14,450,460	-	32,531,995	46,982,455
Total	39,319,394	-	32,531,995	71,851,389
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position				
Other Financial Liabilities		-	1,054,234	1,054,234
Trade and Other Payables (excluding non-financial liabilities)		-	2,580,729	2,580,729
Total		-	3,634,963	3,634,963

31 December 2018				
	Receivables at Amortised Cost	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
Assets as per statement of financial position				
Loans and Receivables:				
-Trade and Other receivables, excluding prepayments	21,349,414	-	-	21,349,414
-Cash and Equivalents	9,714,840	-	31,370,302	41,085,142
Total	31,064,254	-	31,370,302	62,434,556
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position				
Other Financial Liabilities		-	1,048,992	1,048,992
Trade and Other Payables (excluding non-financial liabilities)		-	2,649,688	2,649,688
Total		-	3,698,680	3,698,680

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NOTES TO THE FINANCIAL STATEMENTS**(b) Market Risk***(i) Currency risk*

The Authority takes on low exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows as the majority of its transactions and balances are in local currency.

(ii) Interest Rate Risk

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

During the period under review, the Authority was not subject to any interest rate risks as it had no any loans, and other borrowings taken and outstanding. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(iii) Fair Values

Because of short maturity profiles, fair values of financial assets and liabilities approximate to their carrying amounts.

(c) Credit Risk

The Authority takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Authority by failing to pay amounts in full when due.

As at 31 December 2019, the maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Authority due to failure to discharge an obligation by the counterparties arises from the carrying amount of each financial asset in the statement of financial position.

In order to manage this risk the Authority has a defined credit policy which is documented and forms the basis of all credit decisions. The Authority also makes allowance for impairment against non-performing accounts, where recovery is doubtful. The carrying amount of financial assets represents the maximum credit exposure. As shown below, exposure to credit risk is represented by cash balances and amounts due on accounts receivables:

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Category	Rating	ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
2019					
Bank and Cash Balances	Performing	12-Month ECL	14,450,461	-	14,450,461
Fixed Deposits	Performing	12-Month ECL	32,531,995	-	32,531,995
Receivables at Amortised Cost	Performing	Simplified Approach	25,744,278	(6,691,963)	19,052,315
Other Financial Assets	Performing	Simplified Approach	8,210,356	(5,894)	8,204,462
			80,937,090	(6,697,857)	74,239,233
2018					
Bank and Cash Balances	Performing	12-Month ECL	9,714,840	-	9,714,840
Fixed Deposits	Performing	12-Month ECL	31,370,302	-	31,370,302
Receivables at Amortised Cost	Performing	Simplified Approach	23,399,640	(6,042,512)	17,357,128
Other Financial Assets	Performing	Not credit impaired	6,181,966	-	6,181,966
			70,666,748	(6,042,512)	64,624,236

The Authority's primary credit exposure from illiquidity of cash and cash equivalents amounted to **K14.450million** at 31st December 2019 (2018: K9.714million).

The credit risk for cash and cash equivalents and short-term deposits is considered negligible, since the counterparts are reputable banks.

The credit risk for investments is considered to be low, since the Investment Managers are reputable entities.

For trade receivables, the Authority has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Authority determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

In respect of trade and other receivables, the Authority is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Authority's current credit risk grading framework comprises the following categories:

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Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not impaired
In default	Amount is >90 days past due or there is evidence indicating Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Authority has no realistic prospect of recovery	Amount is written off

(d) Liquidity Risk and Interest Rate Risk

Liquidity risk is the risk that the Authority will not be able to pay financial instruments liabilities as they come due. The principal external risks faced by the Authority remain unforeseen reduction of operating income. The table below summarises the Authority’s exposure to liquidity risks:

	Up to 1 Month	1-3 Months	4-12 Months	1-5 Years	Total
At 31 December 2019					
Non-Interest Bearing	390,732	1,172,197	3,125,859	8,518,368	13,207,156
At 31 December 2018					
Non-Interest Bearing	402,848	1,208,545	3,222,785	7,316,344	12,150,522

(i). Liquidity Risks

This is monitored on a daily basis by management and controlled as far as reasonably possible to minimise the risk of mismatches between current liabilities and current assets.

(ii). Interest Rate Risk

The Authority has no interest bearing liabilities. Consequently the risk is deemed low.

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NOTES TO THE FINANCIAL STATEMENTS*(iii). Cash Flow Risk*

In the opinion of the directors, the risk that future cash flows may not be sufficient to meet its working capital requirements is low.

(e) Fair Value Estimation

The different levels of determining fair value, by valuation method, have been defined as: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly prices) or indirectly derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). At 31 December 2019, the Authority did not have financial instruments measured at fair value (2018: nil). The fair values of the Authority's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

17. Capital Management

The Authority's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to controlling interests and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. Retained earnings or losses are the equity carried forward as cumulative income net of expenses of the Authority plus current year profit or loss. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019	2018
Debt	-	-
Cash	46,982,455	(41,085,142)
Net Debt	46,982,455	(41,085,142)
Equity	91,509,760	73,339,673
Net debt to equity ratio	51.34%	-56.02%

18. Related Parties**(a) Control of the Authority**

The Authority is controlled by a Board of Directors. Members of the Board who held office during the year and to the date of this report are shown on Pages 2 and 3.

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NOTES TO THE FINANCIAL STATEMENTS**(b) Identity of Related Parties**

The key executives of the Board i.e. officers other than Board members with the ability, directly or indirectly, to control or exercise significant influence over the Board in making financial and operating decisions, are listed on Page 3.

(c) Transactions with Related Parties:

	2019	2018
(i) Key Management Compensation	2,480,641	2,415,443
(ii) Remuneration to Board Members	1,651,842	930,047
(iii) Loans to Senior Management	245,501	42,500
(iv) Grants to Fidelity Fund	5,000,000	42,500

19. Capital Commitments

An amount of K1,000,000 has been approved and committed by the Board for completion of the installation of the VIZOR software.

20. Contingent Liabilities

- (a). The Authority has not entered into any unquantifiable contingent liabilities as at the year-end (2018: Nil) by offering any guarantees, letters of comfort or indemnities to anyone.
- (b). From time to time, it is subject to legal challenge and judicial review of decisions made in the normal course of its business as regulator of workplace pensions and insurance activities in Zambia. Legal judgements could give rise to liabilities for legal costs but these cannot always be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.
- (c). The Authority was defendant on the following cases:
 - (i) In a lawsuit from 2010 relating to liquidation of *Fidelity Life Assurance Limited* and the *National Savings and Credit Bank Pension Scheme*. Judgement was still pending as at the date of issue of this audit report. The ultimate outcome of the matter cannot presently be determined and, accordingly, no provision for any effects on the Authority that may result has been made in the financial statements.

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- (ii) In a lawsuit from 2011 involving *Steur Africa (Z) Limited* relating to a claim by the plaintiff for compensation under *Part XI* of the *Insurance Act (Fidelity Fund)* following failure by *ZIGI Insurance Limited* to discharge its obligations under an insurance policy (claim). Legal counsel is unable to make an estimate of legal costs and likely outcome of the case.
- (iii) In a lawsuit from 2018 relating to the compulsory liquidation of *Focus Life Assurance Limited*. Judgement was delivered in favour of the Authority on 22nd March 2019.

21. Events after the Reporting Date

IAS 10 requires the Authority to disclose the date on which the accounts are authorised for issue by the Board. The annual report and accounts were authorised by the Board for issue on the date of the signature of the directors and the date of the auditor’s report.

- (a). **General:** The Authority has evaluated subsequent events through to the date the financial statements were available for issuance, and has determined that there has not arisen since the end of the period any transaction or event of a material and unusual nature likely, in the opinion of management, to affect substantially the operations of the Authority, the results of those operations or the state of affairs of the Authority in subsequent financial periods.
- (b). **Impact of Covid-19 Virus:** The Authority has considered the impact of Coronavirus Covid 19 and resulting government restrictions on business and social operations. The Authority recognises that sustained effect of the virus and the associated implementation of government measures to control the pandemic may create conditions that affect the ability of the business to continue operations. As at the date of this report, no direct implications have been estimated and quantified by the business as a result of the global pandemic.

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(c). **Other Matter:** As at the time of the report, the Registrar of the Authority, *Mr Christopher Mapani*, the Deputy Registrar Insurance, *Titus Nkhwale*, and Manager Compliance and Insurance, *Mr Nicholas Mbuya* were facing charges in courts of law on two counts of Abuse of Authority of Office, relating to:

- (i) The appointment of *Tobias Milambo* as Chief Executive Officer of *Ultimate Insurance Company Ltd*, reportedly contrary to *Section 26(3)(4)(c)* and *(5)* of the *Insurance Act No. 27 of 1997* of the Laws of Zambia; and
- (ii) Issue of a 2020 Insurer’s general licence to *Ultimate Insurance Company Ltd*, reportedly contrary to *section 11(2)(a)* and *Section 41* of the *Insurance Act No. 27 of 1997* as read together with the provisions of *Insurance Regulations 2015*.

The Authority’s internal Legal Counsel has assessed that:

- (i). No material risk arises on from these proceedings, other than reputational risk, although the Authority is meeting the costs of defending these proceedings as its Board resolved that the actions performed by the trio were in line with discharge of their respective mandates.
- (ii). Potential maximum legal costs expected in defence of the trio are estimated at K200,000.
- (iii). There are no other potential contingent liabilities which exist with respect to this matter.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

APPENDIX – PERSONNEL COSTS**Schedule I - Employee Costs and Benefits**

<i>Amounts are Stated in Zambian Kwacha</i>	2019	2018
<u>Wages and Salaries</u>		
Salaries and Wages	15,607,641	13,564,891
Allowances	3,961,510	3,506,426
Bonus Pay	593,607	-
	20,162,758	17,071,317
<u>Benefits</u>		
Gratuity	3,124,430	2,338,928
Leave Pay	2,292,086	1,724,663
Medical Expenses	677,393	619,008
Employer NAPSA Contributions	607,240	501,163
Employer Pension Contributions	1,065,252	1,012,666
Staff Insurance-GLA and GPA	369,837	259,521
Subscriptions-Club and Gym	87,550	80,700
Subscriptions-Professional	150,485	110,827
	8,374,273	6,647,477
<u>Other Employee Costs</u>		
Internships	69,000	43,773
Staff Training	1,847,233	1,721,814
Staff Uniforms	15,869	11,100
Funeral Assistance	20,500	-
Year-End Party	-	105,518
	1,952,602	1,882,204
	30,489,633	25,600,998

PENSIONS AND INSURANCE AUTHORITY (“PIA”)

CREATED BY THE PENSION SCHEME REGULATION ACT NO. 28 OF 1996 (AS AMENDED BY ACT NO. 27 OF 2005)
AND THE INSURANCE ACT NO. 27 OF 1997 (AS AMENDED BY ACT NO. 26 OF 2005)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

APPENDIX - OPERATIONAL COSTS

Amounts are stated in Zambian Kwacha

Schedule II - Operating and Administrative Costs

	2019	2018
Advertising & Promotions	2,341,335	2,119,332
Audit Fees	90,000	85,000
Bank Charges	67,940	43,644
Board and Committee Expenses	1,651,842	930,047
Computer Expenses	25,620	23,036
Consultancy Costs	26,523	478,057
Entertainment	25,445	14,359
General Expenses	286,329	55,934
Grant Support to the Fidelity Fund	5,000,000	-
Insurance	638,163	183,721
International Day Celebrations	570,478	328,827
Motor Vehicle Expenses	134,614	120,413
National Financial Inclusion Conference	-	182,179
Office Consumables	148,105	156,895
Postage, Telephone & Internet	254,494	307,867
Print & Stationery	489,385	389,788
Procurement Committee Allowances	-	-
Repairs & Maintenance	1,484,295	1,125,526
Security Expenses	155,904	168,896
Subscriptions	-	-
Travelling Costs	1,056,031	799,797
Utilities	61,003	46,194
Workshops and Seminars	923,032	1,477,282
	15,430,540	9,036,791



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