Annual Report 2020

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Table of Contents

1.0	**STRATEGIC OVERVIEW**	**14**
1.1	Introduction	14
1.2	Vision	14
1.3	Mission	14
1.4	Values	14
1.4	Core Functions	14
2.0	**CORPORATE GOVERNANCE**	**15**
2.1	The Board	15
2.2	Board Committees	15
2.3	Board and Committee Meetings	16
3.0	**HUMAN RESOURCES AND ADMINISTRATION**	**17**
3.1	Staff Complement	17
3.2	Staff Movements	18
3.3	Internship Programme	18
3.4	Staff Welfare	18
3.5	Records Management	18
3.6	Implementation of Employment Code Act No.03 of 2019	19
3.7	Gender Mainstreaming Guidelines	19
3.8	Administration – Management of COVID-19	19
3.9	Training and Development	19
4.0	**INFORMATION AND COMMUNICATIONS TECHNOLOGY**	**20**
4.1	Regulatory Technology-Supervisory Technology (REGTECH-SUPTECH)	20
5.0	**AUTHORITY’S FINANCIAL PERFORMANCE**	**21**
6.0	**INSURANCE FIDELITY FUND**	**21**
7.0	**PENSIONS SUPERVISION**	**21**
7.1	Industry Composition and Membership	22
7.2	Pension Scheme Membership	23
7.3	Shareholding Requirements	24
7.4	Pension Schemes Trustees Training	24
7.5	Inspections	24
8.0	**INSURANCE SUPERVISION**	**26**
8.1	Industry Composition	26
8.2	Off-Site Analysis and Inspections	26
8.3	Enforcement Action	27

9.0	**REGULATORY AND SUPERVISORY FRAMEWORK**	**29**
9.1	The Insurance Bill	29
9.2	Review of the Pension Scheme Regulation Act	29
9.3	National Anti-Money Laundering/Combating the Funding of Terrorism Activities	29
9.4	Pensions and Insurance Industries Circulars and Guidelines	29
10.0	**CONSUMER PROTECTION AND EDUCATION**	**31**
10.1	Consumer Protection	31
10.2	Consumer Education	33
10.3	Pensions and Insurance Authority Public Perception Surveys	37
11.0	**NATIONAL FINANCIAL INCLUSION STRATEGY**	**37**
11.1	Micro-Pension Feasibility Study	38
12.0	**2020 FINSCOPE SURVEY**	**38**
13.0	**INTERNATIONAL ENGAGEMENTS**	**40**
13.1	The International Conference on Pension Supervision and Regulation	40
13.2	Eastern and Southern African Anti-Money Laundering Group 2nd Round of Mutual Evaluation Exercise	40
14.0	**PERFORMANCE OF THE PENSIONS AND INSURANCE INDUSTRIES**	**42**
14.1	Performance of the Pensions Industry	42
14.2	Pension Contributions	45
14.3	Outstanding Pension Benefits	45
14.4	Withdrawal Claims	45
14.5	Market Share	45
15.0	**INSURANCE INDUSTRY**	**48**
15.1	Performance of Insurance Industry	48
15.2	Employment Statistics	49
15.3	General Insurance Overview	50
15.4	General Insurance Business Financial Position Overview	51
15.5	Long-Term Insurance Overview	54
15.6	Long-Term Insurance Business Financial Position Overview	55
15.7	Insurance Market Share	57
16.0	**REINSURANCE**	**58**
16.1	Reinsurance Operating Results	58
16.2	Reinsurance Financial Position	60

List of Tables

Table 1: Number of meetings held by the Board and the Committees in 2020	17
Table 2: Employee Statistics by gender as at 31st December 2020	17
Table 3: Staff Movements by Departments/Units as at 31st December 2020	18
Table 4: Corporate Training	20
Table 5: Other Training Programmes	20
Table 6: Categories of Sponsoring Employers that delayed in remitting Pension Contributions due to the COVID-19 Pandemic.	22
Table 7: Membership Statistics for the Pensions Industry	23
Table 8: Demographic Membership Table as at 31st December 2020	23
Table 9: Average Risk Profile of Reporting Pensions Schemes as at 31st December, 2020	25
Table 10: Distribution of Insurance Entities	26
Table 11: Risk Assessment of Insurers and Reinsurers as at 31st December, 2020	26
Table 12: Brokers Compliance Reports as at 31st December, 2020	27
Table 13: Windsor General Insurance Limited (In liquidation) Policy Holder Liabilities vs Estimated Assets	28
Table 14: Status of Pensions Complaints as at 31st December, 2020	32
Table 15: Nature of Complaints Analysis	32
Table 16: Status of Insurance Complaints as at 31st December, 2020	33
Table 17: Use of Formal Financial Services by Adults - 2020 Finscope Topline Findings	38
Table 18: Range of Growth in Net Assets for the Year 2020	43
Table 19: Pensions Industry Return and Growth Rate on Net Assets Vs Inflation	43
Table 20: GWP Growth Rate (GWP to GDP Ratio)	48
Table 21: GWP Growth Rate over the last Five (5) Years	49
Table 22: Employment Statics in the Insurance Industry	49
Table 23: General Insurance Industry Abbreviated Comprehensive Statement of Income	51
Table 24: General Insurance Industry Abbreviated Statement of Financial Position	52
Table 25: 2020 General Insurance Key Performance Ratios	53
Table 26: Long-Term Insurance Industry Abbreviated Comprehensive Statement of Income	54
Table 27: Long-Term Insurance Industry Abbreviated Statement of Financial Position	55
Table 28: Long-Term Insurance Industry Key Performance Ratio	56
Table 29: Reinsurers Aggregate Abbreviated Comprehensive Statement of Income	59
Table 30: Reinsurer's Summary Statement of Financial Position	60

List of Figures

Figure 1: Percentage Distribution of Demographics of Membership Data-2020	24
Figure 2: Barriers to Pensions Uptake – 2020 Finscope Topline Findings (in Percentages)	39
Figure 3: Barriers to Insurance Uptake – 2020 Finscope Topline Findings (in Percentages)	39
Figure 4: Percentage Distribution of Demographics of Membership Data-2020	42
Figure 5: Investment Spread as at 31st December, 2020	44
Figure 6: Selected Investment Trends over the years (K Millions)	45
Figure 7: Registered Fund Administrator Share of Industry Net Assets	46
Figure 8: Self-Administered Pension Schemes' Share of Industry Net Assets	46
Figure 9: Registered Fund Managers' Market Share of Industry Net Assets	47
Figure 10: Self-Managed Pension Schemes Market Share of Industry Net Assets	47
Figure 11: Long-Term and General Insurance Industry Gross Written Premium Growth, 2016 – 2020 (K'Million)	48
Figure 12: General Insurance Market Share	57
Figure 13: Long-Term Insurance Market Share	58

Table of Legislation

Corporate insolvency Act No. 9 of 2017

Banking and Financial Services Act No. 7 of 2017

Financial Intelligence Centre Act No. 46 of 2010

Pension Scheme Regulation Act No. 28 of 1996

Insurance Act No. 27 of 1997

The Pensions Scheme (Investment Guidelines) Statutory Instrument No. 141 of 2011

The Pension Scheme Regulation (Pension and Insurance Levy) Regulations,
Statutory Instrument Number 100 of 2007

List of Abbreviations and Acronyms

ACC	Anti-Corruption Commission
AML	Anti-Money Laundering
BoZ	Bank of Zambia
CFA	Chartered Financial Analyst Programme
CFT	Combating the Financing of Terrorism
CISNA	Committee of Insurance, Securities and Non-Banking Financial Authorities
CCPC	Competition and Consumer Protection Commission
CPD	Continuous Professional Development
DEC	Drug Enforcement Commission
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FSCA	Financial Sector Conduct Authority
FSDZ	Financial Sector Deepening Zambia
GDP	Gross Domestic Product
GWP	Gross Written Premium
IAIS	International Association of Insurance Supervisors
IBNR	Incurred But Not Reported
IAZ	Insurers Association of Zambia
ICA	Institute of Certified Auditors
IFRS	International Financial Reporting Standard
ILO	International Labour Organisation
INFE	International Network for Financial Education
IOPS	International Organisation of Pension Supervisors
LEAs	Law Enforcement Agencies
MLSS	Ministry of Labour and Social Security
MoF	Ministry of Finance
MoJ	Ministry of Justice
MOU	Memorandum of Understanding
NFIS	National Financial Inclusion Strategy
OECD	Organisation for Economic Cooperation and Development
PBIT	Profit Before Interest and Tax
PIA	Pensions and Insurance Authority
PISMIS	Pensions and Insurance Supervisory Management Information System
PPE	Property Plant and Equipment
SADC	Southern African Development Community
SEC	Securities and Exchange Commission
TAG	Technical Advisory Group on Microinsurance
UPR	Unearned Premium Reserves
ZAPF	Zambia Association of Pension Fund
ZIALE	Zambia Institute of Advanced Legal Education
ZICA	Zambia Institute of Chartered Accountants
ZIHRM	Zambia Institute of Human Resource Management

Board of Directors

Mrs. Dorothy K. Mbao
Acting Chairperson
(Zambia Institute
of Chartered Accountants)

Ms. Mercy Munoni
(Ministry of Finance)

Mr. Givens Muntengwa
(Ministry of Labour
and Social Security)

Mr. Francis K. Mwale
(Ministry of Justice)

Ms. Namwandi Ndhlovu
(Bank of Zambia)

Mrs. Edna Haacuma
(Zambia Union of Financial
Institutions and Allied Workers)

Mr. Moffat Kauma
(Zambia Chamber of Commerce
and Industry)

Ms. Grace Samui
(Zambia Federation of Employers)

Executive Management As At 31st December 2020

Mr. Tresford Chiyavula
Acting Registrar and Chief Executive Officer

Mrs. Namakau Ntini
Acting Deputy Registrar, Insurance

Mr. Goodson Kapaso
Acting Deputy Registrar, Pensions

Mrs. Kabisa Ngwira
Board Secretary

Acting Board Chairperson's Statement

I have the honour, on behalf of the Board of Directors, to submit the Annual Report of the Pensions and Insurance Authority (PIA) for the financial year ended 31st December, 2020 in accordance with Section 41 of the Pensions Scheme Regulation Act No. 28 of 1996 (as amended by Act No. 27 of 2005).

The Board of Directors appreciates the confidence and trust that has been bestowed on it following our appointment to the Board by the Minister of Finance on 10th November, 2020. As a Board, we shall endeavor to build on the achievements of our predecessors, to prudently provide strategic direction and guidance to the Authority in an effort to build resilient Pensions and Insurance Industries.

During the year under review, the country, including the Pensions and Insurance Industries were faced with disruptions and uncertainties due to the COVID-19 pandemic. The Authority was compelled to adopt non-traditional methods of working such as working from home on rotation basis, scaling up off-site inspections in lieu of on-site inspections that had been suspended due to the COVID-19 restrictions, and the usage of virtual platforms to engage stakeholders and conduct trainings. All these measures were undertaken to ensure that that the Authority's regulatory and supervisory mandate continued with minimal disruption. This proactive approach by the Authority resulted in minimal impact for the majority of regulated institutions that were adversely affected by COVID-19 pandemic.

While acknowledging the challenges that the Authority experienced, it is also important to reflect on what was achieved in the year. The Authority continued to transition toward Risk Based Supervision (RBS) to improve the regulatory and supervisory framework of the Pensions and Insurance Industries. Of note, the Authority continued to work on legal reforms particularly the Insurance Bill that awaits promulgation[1]. The Insurance Bill, once enacted, will positively change the Insurance Industry by not only strengthening regulation and supervision, but ultimately contributing to the stability and growth of the Zambian financial sector.

Further, in an effort to foster prudent investment of

[1]At the time of this report, the Insurance Bill had been enacted into Law

The Insurance Bill, once enacted, will positively change the Insurance Industry by not only strengthening regulation and supervision, but ultimately contributing to the stability and growth of the Zambian financial sector.

pension funds and thereby protect pension scheme members, the Authority reviewed the Pension Scheme (Investment Guidelines) Regulations, Statutory Instrument No. 141 of 2011, in order to align it with current regional and international standards and enhance the investment portfolio of pension schemes.

The Authority also issued a number of guidelines that included circulars on Crisis Preparedness for COVID-19 to the Pensions and Insurance Industries, in order to strengthen the supervisory framework. The other guidelines issued by the Authority included:

- Corporate Governance Guidelines (one for the Pensions Industry and the other for the Insurance Industry) ;
- Guideline on Minimum Capital Adequacy for Service Providers;
- Guideline on E-Benefit Statements;
- Guideline on Conversion of Defined Benefit Scheme to Defined Contribution Scheme;
- Guideline on Treatment of Inactive Pension Schemes;
- Key Fact Statements (Minimum Disclosure Guidelines); and
- Treating Customers Fairly Guidelines – Claims and Complaints Management for Insurers and Brokers.

The Treating Customers Fairly Guidelines will help to build and maintain confidence and trust among the consumers of insurance services, ultimately contributing to increase in financial literacy and protection, and providing access to Pensions and Insurance services and products as outlined in the National Financial Inclusion Strategy (NFIS).

In addition, the Authority continued to collaborate with the Ministry of Finance and the other Financial Sector Regulators – the Bank of Zambia (BoZ) and Securities and Exchange Commission (SEC) in ensuring that the financial sector continued to thrive especially during the pandemic. One of the major threats to the financial sector was the increase in incidences of financial scams targeting consumers of financial products. In response to these threats, the financial sector Regulators embarked on a joint campaign with the theme, ***'Better Finances for a Better Today and Tomorrow: COVID-19 Response Strategy'***. This was aimed at sensitising consumers on the importance of dealing with licensed financial service providers and the prudent use of financial resources.

The Authority, BoZ and SEC also conducted a ***'Smart Investor Financial Sector Joint Messaging Campaign'*** aimed at raising awareness on fraudulent financial products in the market, and educating the public on how to distinguish regulated financial products and companies from unregulated products and companies.

Going forward, the Board remains committed to ensuring that the Authority and the Pensions and Insurance Industries continue to grow and contribute significantly to Zambia's Gross Domestic Product (GDP). The COVID-19 pandemic has certainly tested the Authority's ability to adapt and I believe the Pensions and Insurance Industries have demonstrated that they are well equipped and able to adapt to changing environments.

Finally, I wish to thank the Ministry of Finance for the continued guidance and support rendered to the Board and Management of the Authority. I further wish to thank Management and staff for their commitment to duty. Collectively, we were able to make the Authority meet its objectives during difficult and unprecedented conditions. My appreciation also goes to the Pensions and Insurance Industries for their cooperation and valuable support that is contributing to the development of Pensions and Insurance in Zambia.

Mrs. Dorothy K. Mbao
ACTING CHAIRPERSON

Acting Registrar's Statement

This report provides an overview of the Authority's performance; regulatory and supervisory landscape; highlights market developments over the year; and the overall performance of the Pensions and Insurance Industries. The report should be a valuable and essential tool for all players and other stakeholders to track and analyse performance and overall health of the business while identifying areas for improvement and opportunities for growth.

In March 2020, like others, we found ourselves having to react quickly and in a manner than we have ever experienced before due to the outbreak of the COVID-19 pandemic. The health guidelines put in place by Government resulted in the Authority suspending key activities such as on-site inspections, physical industry and stakeholder engagements and consumer education activities. The Authority had to swiftly re-prioritise areas of focus, the manner in which we work and ensure that we provided guidance to the regulated entities to help them navigate through the uncertain and difficult period.

The Authority also conducted a joint campaign with the Securities and Exchange Commission (SEC) and Bank of Zambia (BOZ) to highlight the risks of financial scams during the pandemic, as people were more financially vulnerable and more likely to make hasty and uninformed decisions.

The Authority also remains committed in contributing to attainment of Financial Inclusion as outlined in the National Financial Inclusion Strategy. It is on this premise, that the Authority issued Microinsurance Guidelines aimed at enhancing the development of microinsurance during the year under review.

In terms of pensions and insurance growth, the Authority is pleased to note that despite the challenges as a result of the COVID-19 pandemic, the Industries recorded considerable growth. The Pensions' Industry net assets increased to K9.49 billion in 2020 from K7.96 billion in 2019, translating

The Authority had to swiftly re-prioritise areas of focus, the manner in which we work and ensure that we provided guidance to the regulated entities to help them navigate through the uncertain and difficult period.

into 19.30 percent increase. The growth was considerably higher when compared to the previous years' growth in net assets.

The Insurance industry Gross Written Premium (GWP) increased to K4, 568 million from K3, 757 million in 2019, translating to a growth of 27.75 percent. This resulted in an Insurance Penetration Ratio (GWP to GDP ratio) of 1.40 percent (2019: 1.20 percent in 2019).

General Insurance Business accounted for K2, 292 million in 2019 as compared K2, 292 million in 2019 whilst Long-Term Insurance Business accounted for K1, 465 million in 2019 as compared to K1, 465 million in 2019. Despite the growth in Long-Term Insurance Business, General Insurance still dominates the industry accounting for 61 percent of total premiums.

The Pensions and Insurance Industries, just like many other sectors, have been affected by the COVID-19 Pandemic with companies struggling to book new businesses, renewing existing policies, delays in remittance of pension monthly contributions with some employers closing altogether, thereby forcing early withdraws of membership. How we will respond will determine how we get through this period. Strong, innovative and tech-savvy Pensions and Insurance Companies are critical as the operating environment is increasingly becoming uncertain. Companies that will survive are those that will adopt agile, focused and resilient business models. Companies will need to pursue smart business management, data-driven operations, robust channel development, and personalized customer services. Through structural adjustments and transformation, Pensions and Insurance Companies should be able to achieve sustainable growth.

The Authority remains resolved to continue improving the regulatory and supervisory landscape that delivers an amicable balance between effective regulation and supervision, and consumer protection and market development. The Treating Customers Fairly Guidelines, Microinsurance Regulation are, among other frameworks, expected to enhance policyholder protection and growth.

A robust regime will inspire public confidence and provide institutional support for the Pensions and Insurance Industries to grow and flourish. We remained optimistic that the Insurance Bill will be enacted in 2021 while we continue to work on the Pensions Bill.

In conclusion, I would like to acknowledge, with gratitude, the leadership and unwavering support by the Minister of Finance and his team at the Ministry of Finance. I would also like to thank the Board for the policy guidance and leadership in what was a difficult year. Further, I would also like to extend gratitude to the Pensions and Insurance industries including the Membership Associations and other supporting partners who continue to render support to the Authority and the two industries. Finally, I would like to thank management and staff of the Authority for their support and contribution during the year under review. Your continued diligence, passion and perseverance made all the difference in what was a considerable difficult year to navigate.

Mr. Tresford Chiyavula
ACTING REGISTRAR & CEO

Mandate, Vision, Mission and activities undertaken by the Authority

1.0 STRATEGIC OVERVIEW

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.

This Report outlines the performance of the Authority and the Pensions and Insurance Industries during the year 2020. 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 2020 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."

1.3 Mission

"To protect the interests of members and sponsors of occupational pension schemes, insurance policyholders, shareholders, and promote the development of the Pensions and Insurance Industries through effective regulation, supervision and excellence in service delivery."

1.4 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; and
e) Objectivity: We remain unbiased in the course of our work.

1.4 Core Functions

The Authority's core functions in accordance with section 5 of the PSRA include the following:
(a) licensing of 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 policyholders; and
(f) advising the Government on matters related to pensions and insurance.

2.0 CORPORATE GOVERNANCE

The Authority's corporate governance structures are defined in line with global best practices. The decision making processes are designed to mitigate conflicts of interest and uphold the principles of fairness, accountability, transparency and responsibility.

2.1 The Board

The Authority is governed by non-executive Board of Directors appointed by the Minister of Finance in accordance with Section 6 of the Pension Scheme Regulation Act. The Board is responsible for the overall policy direction and strategic leadership of 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.

Until 4th September, 2020, when the Board's tenure came to an end, the following were the Board of Directors.
a) Mrs. Petronella M.N. Mwangala (Board Chairperson-Ministerial Appointment);
b) Mr. Chibamba K. Lopa (Vice Chairperson- Zambia Association of Chambers of Commerce and Industry);
c) Mr. Akapelwa Imwiko (Ministry of Finance);
d) Mr. Anthony Dumingu (Ministry of Labour and Social Security);
e) Mrs. Mutinta M. Pensulo (Ministry of Justice);
f) Mrs. Pitican M. Syafunko (Zambia Institute of Chartered Accountants);
g) Ms. Prudence Malilwe (Bank of Zambia);
h) Mr. Harrington Chibanda (Zambia Federation of Employers); and
i) Mr. Alfred Chifota (Zambia Union of Financial Institutions and Allied Workers).

2.1.1 Changes in the Board Composition

In line with the provisions of the Pension Scheme Regulation Act, the Minister of Finance appointed a new Board on 10th November, 2020. The following were appointed to the new Board of the Authority.
a) Mrs. Dorothy K. Mbao (Acting Chairperson-Zambia Institute of Chartered Accountants);
b) Mrs. Edna Haacuma (Zambia Union of Financial Institutions and Allied Workers);
c) Ms. Mercy Munoni (Ministry of Finance);
d) Mr. Givens Muntengwa (Ministry of Labour and Social Security);
e) Mr. Francis K. Mwale (Ministry of Justice);
f) Ms. Namwandi Ndhlovu (Bank of Zambia);
g) Ms. Grace Samui (Zambia Federation of Employers); and
h) Mr. Moffat Kauma (Zambia Chamber of Commerce and Industry).

2.2 Board Committees

Section 5 of the Pension Scheme Regulation Act permits the Board to establish Committees for the effective discharge of its functions. The membership of the Committees includes professionals who are not members of the Board. The Committees undertake detailed analysis and scrutiny of various issues and thereafter make recommendations to the Board for action.

The following are the Committees of the Board.

2.2.1 Audit Committee

The function of the Audit Committee is to oversee the Authority's control framework. This includes internal controls, controls around financial reporting, risk management, and ethics and governance. The Committee also has an oversight function on external and internal audit matters.

2.2.2 Finance and Administration Committee

The Finance and Administration Committee closely monitors the financial performance of the Authority by tracking revenue and expenditure. It is also responsible for administrative processes which include internal policy formulation.

2.2.3 Technical Committee

The Technical Committee deals with all technical matters relating to regulations, practice and other matters relating to the development of both the Pensions and Insurance Industries. It formulates measures calculated to encourage healthy competition amongst all regulated entities and develops standards against which regulated entities should base their practice.

2.2.4 Registration and Licensing Committee

The Registration and Licensing Committee is responsible for registration and licensing of pensions and insurance entities. The Committee is also responsible for monitoring the performance of pensions and insurance entities and makes recommendations regarding the suspension or refusal to renew licenses for entities that are not compliant with the Pension Scheme Regulation Act and the Insurance Act.

2.2.5 Policyholders Protection Committee

The Policyholders Protection Committee is a statutory committee that was established to manage the Insurance Fidelity Fund (the Fund). The Committee is mandated to determine claims that are presented by policyholders that are prejudiced by the inability of an insurer to settle its liabilities.

The Committee also oversees the management of the investments of the Fund.

2.3 Board and Committee Meetings

During the year under review, the Board held four (4) quarterly meetings and four (4) special meetings. The new Board also undertook training and induction from 25th to 26th November, 2020. Guidance from these meetings and other oversight measures enabled the Authority to meet the objectives that were set in the year under review.

Table 1 below shows the number of meetings held by the Board and its Committees in 2020.

Table 1: Number of meetings held by the Board and the Committees in 2020

Type of Meeting	No. of Meetings
Board of Directors	8
Registration & Licensing Committee	5
Policyholders Protection Committee	3
Technical Committee	2
Finance & Administration Committee	7
Audit Committee	4

During the year under review, the Board considered the following key matters:

a) mid-term review of the Strategic Plan;
b) Pensions and Insurance Corporate Governance Guidelines;
c) Guidelines to the Insurance Industry on re-insurance arrangements;
d) Guidelines on issuance of e-benefits statements and supplemental documents to pension plan members;
e) Minimum Paid-Up Capital Requirements for Service Providers; and
f) Guidelines on Treating Customers Fairly.

3.0 HUMAN RESOURCES AND ADMINISTRATION

In 2020, the Authority continued to implement activities aimed at maintaining a motivated and productive team. The on-set of the COVID-19 pandemic in the first quarter of the year under review, brought along anxieties, health concerns and changes to work schedules and patterns that impacted adversely on productivity.

Despite these challenges, the Authority managed to respond with a focus to safeguarding the lives of employees while ensuring continuity of operations.

3.1 Staff Complement

The Authority continued to expand during the year, having been granted approval in 2018 to adjust the staff establishment from 54 to 75 by 2023, subject to availability of resources. The Authority therefore conducted recruitment to fill new positions as well as to fill positions left vacant due to staff movements, and achieved a staff complement of 59, as at 31st December, 2020. Table 2 below provides the employee statistics as at 31st December 2020.

Table 2: Employee Statistics by gender as at 31st December 2020

Description	Male	Female	Total
Staff Complement	33	26	59
Recruitments	4	6	10
Medical Discharge	1	0	1
Resignations	4	2	6

3.2 Staff Movements

The Authority recruited 10 employees (five (5) new positions and the other five (5) filling in vacant positions following resignations). The new positions recruited included three (3) in the pensions and insurance inspectorate units, one (1) in Information Communication and Technology (ICT) and one (1) in Communications Unit. Further, seven (7) separated (six (6) resignations and one (1) termination on medical grounds) from the Authority. Table 3 below shows the details in staff movement.

Table 3: Staff Movements by Departments/Units as at 31st December 2020

Departments	Recruitments	Resignations	Promotions	Transfers	Termination (Medical Discharge)
Pensions	2				
Insurance	5	4	1	1	1
Board Services and Legal Services	1	1			
Information Communication Technology	1		1		
Human Resources & Administration	0	1			
Communication	1				
TOTAL	**10**	**6**	**2**	**1**	**1**

3.3 Internship Programme

The Authority engaged five (5) interns in the Legal, Insurance, Pensions, Finance and Human Resources and Administration departments/units. The internship programme, which was rolled out in 2017 attracts several new graduates to increase their knowledge and apply their respective skills.

3.4 Staff Welfare

The Authority continues to enhance staff welfare benefits. During the year under review, the medical scheme benefits were enhanced positively. This adjustment also helped to respond to critical medical concerns that arose as a result of the COVID-19 pandemic.

3.5 Records Management

The Authority was on course in implementing programmes towards building a modern and efficient registry system. The long-term objective of the Authority's records management framework is to digitise the system and become more efficient in information management.

To that end, the Authority developed the Records Policy, which addresses issues such as filing, access and disposal of records and centralisation of documents in the Registry,

3.6 Implementation of Employment Code Act No.03 of 2019

The Authority implemented new conditions of service in line with the Employment Code Act No. 03 of 2019. The new provisions informed the negotiations and conclusion of the 2020- 2021 bargaining process with the Zambia Union of Financial Institutions and Allied Workers (ZUFIAW), local branch.

3.7 Gender Mainstreaming Guidelines

The Authority organised three (3) sensitisation meetings for members of staff in Gender Mainstreaming. The sensitisation meetings were facilitated by Bank of Zambia (BoZ) and were conducted in March and September, 2020.

3.8 Administration – Management of COVID-19

The year 2020 begun on a high note as the objective was to ensure that employees were supported to implement all activities in line with the Strategic Plan. However, the onset of the COVID-19 pandemic in March, 2020 disrupted plans as the Authority, industries and the country were advised to take measures to mitigate against the spread of the virus. Some of the activities implemented to this effect was closing the Authority to conduct disinfection, working in rotation and adopting virtual platforms for meetings and workshops. Through these measures, several plans were attended to. However, other activities were adversely impacted to the extent that they were deferred to 2021.

The COVID-19 pandemic further prompted the implementation of previously unorthodox measures as a way to continue with operations. These measures included the purchase of internet data to assist staff working from home, purchase of masks and hand sanitizers and disinfection of the office premises.

3.9 Training and Development

In optimising the Authority's strategic objective of improving employee and organisational performance, the Authority conducted/participated in various corporate training programmes and supported staff to participate in individual continuous professional development programmes.

The trainings included three (3) programmes facilitated by the Long–Term Country Engagement (LTCE) support with the Toronto Centre that commenced in 2018. The Toronto Centre is a Canadian based institution that was established in response to the global financial crisis. The Toronto Center focuses on building capacity in financial sector supervisors around the world.

The Authority also organised a Regulatory Impact Assessment and Total Quality Management workshop for senior and technical members of staff in January, 2020.

Further, the Authority participated in a Familiarisation and Training Programme hosted by the Financial Sector Conduct Authority (FSCA), in South Africa in March, 2020. The programme was designed to provide regulatory authorities operating in the SADC region with an opportunity to share and learn from each other's best practices and challenges in regulating and supervising the financial services industry. The training was also attended by participants from Angola, Botswana, Eswatini, Lesotho, Kenya, Namibia, Seychelles and Uganda.

Tables 4 and 5 below shows the trainings that staff participated in during the year under review.

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[1]BoZ was part of the initial team trained by International Labour Organisation (ILO) in gender as part of the National Strategy on Financial Inclusion.

Table 4: Corporate Training

Title of Training	Trainer	Number of Participants
Technology Risk Supervision(Virtual)	Toronto Centre	33
Corporate Governance for the Board of Directors(Virtual)	Toronto Centre	8
Regulatory Impact Assessment and Total Quality Management	Kaizen Institute of Zambia	49

Table 5: Other Training Programmes

Type of Training	Trainer	Number of Participants
Familiarisation and Training Programme	FSCA, South Africa	5
Career Development	ZCAS & Mulungushi University	2
Master's Programme	Various (Distance Learning)	7
Coping with Common Challenges of Developing Markets	World Bank/Toronto Center	2
LAZ Annual Conference	LAZ	2
Social Protection Analysis	ILO	1
Continuous Professional Development Programme (CPD) – specific to the profession	Various	19

4.0 INFORMATION AND COMMUNICATIONS TECHNOLOGY

To effectively and efficiently regulate and supervise the Pensions and Insurance Industries, the Authority has placed the use of Information and Communications Technologies at the core of its operations.

4.1 Regulatory Technology-Supervisory Technology (REGTECH-SUPTECH)

With increased internet penetration and the digital convergence accelerated by mobile technologies, there is evident increase in Financial Technologies (FINTECH), in the Pensions and Insurance Industries. Alive to this fact, the Authority implemented the Pensions and Insurance Supervisory Management Information System, PISMIS, in 2018. The Authority has continued adding other capabilities and functionalities to PISMIS to improve service delivery.

As at 31st December 2020, regulated entities were able to use the system for the following:

a) submission of annual and quarterly returns;
b) submission of audited financial statements; and
c) submission of actuarial valuation reports/certificates.

The Authority has since continued to upgrade the system to improve on service delivery.

5.0 AUTHORITY'S FINANCIAL PERFORMANCE

The Authority had a total approved budget of K65 million. The annual budget was prepared within the framework of the 2020 Annual Work Plan, derived from the 2019-2021 Strategic Plan and the 2020 annual plans.

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

The Authority recorded revenue amounting to K67 million during the year ended 31st December, 2020 (2019: K57 million), representing an increase of 17 percent from the previous year. The increase in revenue was attributed to growth in net assets of pension funds and increase in insurance Gross Written Premiums. Operational costs amounted to K53 million (2019: K49 million), accounting for 79 percent of total revenue.

The Authority's total assets increased to K121 million in 2020, from K105 million in 2019 translating into a 15 percent increase. The increase was attributed to the purchase of non-current assets and increase in cash due to increase in levies as a result of growth in net assets and GWP as detailed above.

6.0 INSURANCE FIDELITY FUND

The Insurance Act under Sections 109, 111 and 113 confers powers on the Minister of Finance to establish an Insurance Fidelity Fund and prescribe regulations with respect to the administration, management and application of the Fidelity Fund.

The Fidelity Fund is established for the purpose of indemnifying or otherwise protecting policyholders and other persons interested in the policies prejudiced by the inability of an insurer carrying on business in Zambia to meet its liabilities.

The Fund is an accumulation of license fees and investment income. As at 31st December, 2020, the Fund stood at K23 million (2019: K18.9 million), representing an increase of 21.7 percent.

7.0 PENSIONS SUPERVISION

Regulatory and supervisory actions in the Pensions and Insurance Industries largely centered on off-site analysis/off-site inspections of the regulated entities. Most of the on-site inspections could not be undertaken on account of COVID-19 and the consequent restrictions.

Sponsoring employers of some pension schemes were also negatively affected by the COVID-19 pandemic leading to suspension or decrease in business operations. Consequently, sponsoring employers of some pension schemes could not remit pension contributions on time leading to an increase in contribution arrears of the respective pension schemes. Table 6 below shows numbers of sponsoring employers from specific sectors that delayed in remitting pension contributions due to the COVID-19 pandemic.

Table 6: Categories of Sponsoring Employers that delayed in remitting Pension Contributions due to the COVID-19 Pandemic.

No.	Sector	Number of Sponsoring Employers
1.	Agriculture	1
2.	Construction	1
3.	Courier	1
4.	Education	4
5.	Fisheries	1
6.	Furniture	1
7.	Hospitality and Tourism	3
8.	Information Technology	2
9.	Legal	1
10.	Mining	3
11.	Travel and Transportation	1
12.	Water	1

7.1 Industry Composition and Membership

7.1.1 Pension Service Providers[2]

In the year 2020, the Pensions Industry had nine (9) (2019:8) pension fund managers responsible for the investment of pension scheme assets. The increase by one (1) fund manager during the year was as a result of the re-registration of Vunani Asset Management Limited.

The pension scheme administrative function, which includes the payment of pension benefits, preparation of statutory reports and member benefit statements, was carried out by six (6) (2019: 7) pension fund administrators. The reduction by one (1) fund administrator during the year was as a result of the surrender of the certificate of registration by Octagon Pension Services as its parent company (Octagon Africa Financial Services Limited) purchased 49 per cent shares in Alexander Forbes Financial Services Limited, a registered pension fund administrator. Alexander Forbes Financial Services Limited consequently changed its name to Octagon Financial Services Limited.

7.1.2 Pension Schemes[3]

There were 244 registered pension schemes as at 31st December, 2020 (2019: 242). The increase in the number of pension schemes was as a result of the registration of two (2) pension schemes namely, Mulungushi University Defined Contribution Pension Scheme and the Bank of Zambia Defined Contribution Pension Scheme.

Further, the Authority also reviewed Deeds of Affiliation on the new participating employers namely ISAT Africa Zambia Limited and Cellulant Zambia Limited.

[2]Appendix 1 shows the full list of service providers
[3]Appendix 2 shows the full list of registered pension schemes

7.2 Pension Scheme Membership

The total number of members in the registered pension schemes increased by 1.10 per cent from 111,959 as at 31st December, 2019, to 113,175 as at December 31st 2020. The increase in membership was attributed to new pension schemes, new participating employers and new entrants in the existing pension schemes.

Deferred membership reduced by 54.5 percent from 12,715 in 2019 to 5,782 in 2020. The drastic reduction was attributed to the abolishment of deferred membership by the Supreme Court of Zambia following the Judgements in the cases of Richard Chama and 213 others Vs National Pension Scheme Authority and eight (8) others (2020), and Standard Chartered Bank (Z) Plc Vs Willard Solomon Nthanga and others (2008). As a consequence, pension schemes started paying off benefits to deferred pension scheme members.

In terms of demographics, 24,186 members (21.40 percent) of the total membership represented female pension scheme members, while 88,989 (78.60 percent) represented male pension scheme members. In all the age categories, there were more male than female pension scheme members, except under the widows/widowers category, where 95.80 percent comprised of widows, as compared to 4.20 percent of widowers. Tables 7, 8 and Figure 1 below represent the broad categories of pension scheme membership.

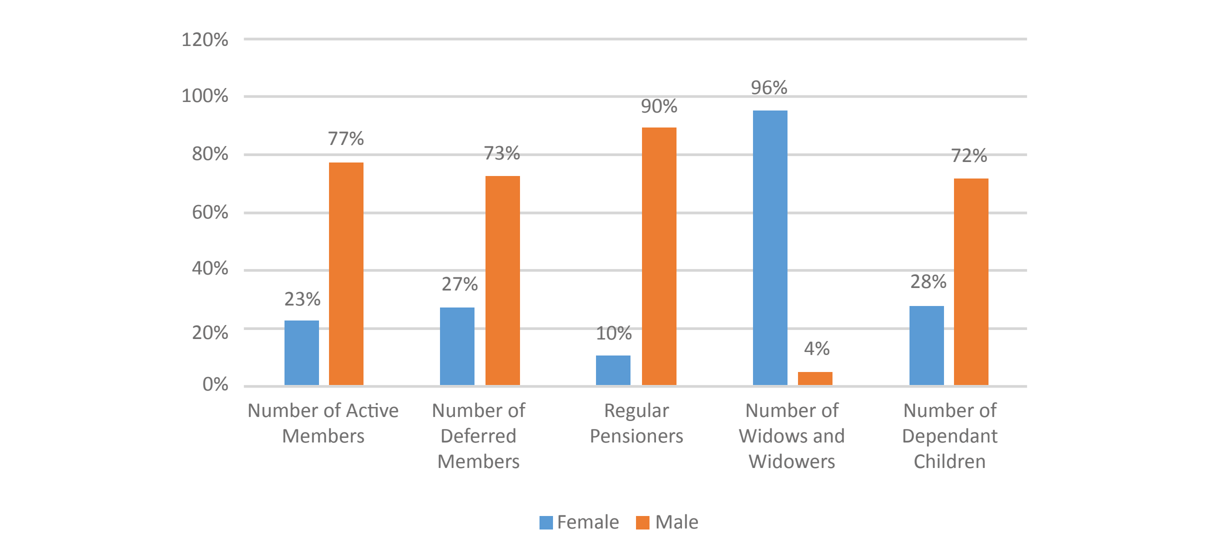
Table 7: Membership Statistics for the Pensions Industry

Membership Category	2020	2019	2018	2017	2016	Percentage Change
Active members	90,293	82,084	77,522	77,015	72,880	10.0%
Deferred members	5,782	12,715	11,052	13,488	13,127	-54.5%
Pensioners	17,100	17,160	18,869	18,459	19,523	-0.3%
Total	**113,175**	**111,959**	**107,443**	**108,962**	**105,530**	**1.1%**

Table 8: Demographic Membership Table as at 31st December 2020

Members Statistics	Female	Male	Total
Number of Active Members	20,324	69,969	90,293
15-25	2,452	3,334	5,786
26-35	8,417	22,577	30,994
36-45	6,034	25,508	31,542
46-55	2,751	13,796	16,547
56-65	670	4,754	5,424
Number of deferred Members	1,586	4,196	5,782
15-25	-	-	-
26-35	3	36	39
36-45	173	298	471
46-55	392	1,030	1,422
56-65	1,018	2,832	3,850
Total Annuitants	**2,276**	**14,824**	**17,100**
Regular Pensioners	1,700	14,608	16,308
Number of Widows and Widowers	501	22	523
Number of Dependent Children	75	194	269
Total	**24,186**	**88,989**	**113,175**

Figure 1: Percentage Distribution of Demographics of Membership Data-2020



7.3 Shareholding Requirements

Part IIIA of the Pension Scheme Regulation Act regarding the regulation of fund managers, administrators and custodians, 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. During the year 2020, all registered service providers were compliant with this requirement.

7.4 Pension Schemes Trustees Training

During the year under review, the Authority conducted one (1) Trustees training out of the scheduled four (4) trainings. This was a result of the restrictions caused by the COVID-19 pandemic. A total of 45 Trustees from 15 pension schemes attended the training.

Notwithstanding the challenges faced as a result of the pandemic, the Authority while strictly observing the Ministry of Health guidelines on COVID-19 pandemic prevention, conducted tailor-made Trustees training specific to pension schemes that urgently needed the service. The tailor-made trainings were different from the scheduled trainings as these were undertaken on the request of the pension schemes' boards of trustees. The following topics were covered during the Trustees' training:

a) roles and functions of Trustees;
b) governance documents for the Trustees, including pension scheme rules and trust deeds;
c) selection and oversight of service providers;
d) pension scheme design and risk implication;
e) appropriate pension scheme investments;
f) interpretation of statutory reports; and
g) Pension Industry updates.

7.5 Inspections

The Authority conducts inspections on pensions entities. However, during the year under review, the Authority undertook fewer on-site inspections owing to the restrictions imposed due to COVID-19 pandemic. The Authority therefore, focused more on off-site inspections.

7.5.1 On-site Inspections

The Authority had scheduled nine (9) (2019: 24) regular on-site inspections on the registered pension schemes.

The scheduled inspections for the year 2020 were not undertaken due to the outbreak of COVID-19. However, the Authority conducted three (3) targeted on-site inspections (2019:14) on pension schemes. The targeted inspections focused on investments, governance and operations. Findings on the targeted on-site inspections included the following:

a) non-submission of quarterly returns;
b) failure in governance requirement by the Board of Trustees to have regular meetings;
c) over concentration of fixed term deposits investments in one (1) sector;
d) failure to declare interest on investments by the service provider; and
e) some fixed term investments were not in the correct name of the scheme.

The Authority engaged the service providers and the Trustees of the respective pension schemes to resolve the findings of the on-site inspections. The findings were incorporated into the pension schemes and service providers risk assessments.

7.5.2 Off-Site Inspections

The Authority conducted off-site inspections for all 58[4] reporting pension schemes (2019: 28 pension schemes) with a combined net asset value of K 9.3 billion. Matters that required corrective action included the following:

a) high concentration of investments in fixed term deposits;
b) increase in receivables attributable to contribution arrears; and
c) non-compliance with The Pensions Scheme (Investment Guidelines) Statutory Instrument No. 141 of 2011, in the corporate bonds assets class, collective investment schemes, property and cash and cash equivalents.

The Authority engaged the service providers and the Trustees to resolve the identified findings of the off-site analyses.

Table 9 below shows the average risk profile obtained from the off-site inspections carried out on the 58 reporting pension schemes as at 31st December, 2020.

Table 9: Average Risk Profile of Reporting Pensions Schemes as at 31st December, 2020

Risk Score	Likelihood of a Significant Risk Event	Number of Reporting Pension Schemes		
		2020	2019	2018
1	Emerging Risk to Solvency or Viability	11	-	-
2	Existing Risk	43	39	35
3	Significant Threat to Solvency or Viability	4	17	20
4	High Risk (Actual or imminent insolvency)	0	1	2
Total number of schemes		**58**	**57**	**57**
Industry Average Risk Score		**1.90**	**2.33**	**2.44**

[4]There are 244 registered pension schemes. Some of these schemes report under multi-employer pension schemes, resulting in a total of 58 reporting pension schemes (reporting pension schemes are those that are required to submit quarterly and audited financial statements).

8.0 INSURANCE SUPERVISION

Insurance regulation and supervision is aimed at protecting the interest of policyholders. The Authority ensures that players in the insurance market are compliant with the provisions of the Insurance Act. The Authority focused on the following during the year under review:

a) off-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.

8.1 Industry Composition

In 2020, the Authority licensed 378 insurance entities (2019:354). Table 10 below shows the composition of the entities over the last three (3) years.

Table 10: Distribution of Insurance Entities

CATEGORY	31st December, 2020	31st December, 2019	31st December, 2018
Reinsurers	3	3	3
General Insurers	21	21	21
Long-Term Insurers	10	10	10
Insurance Brokers	54	38	37
Reinsurance Brokers	5	3	4
Insurance Agents	263	265	237
Loss Adjustors	7	3	5
Risk Surveyors	3	2	2
Assessors	6	6	8
Claims Agents	6	3	6
Total	**378**	**354**	**333**

8.2 Off-Site Analysis and Inspections

As part of prudential and market conduct supervision of entities, the Authority continued to conduct off-site analysis in order to monitor statutory compliance and financial soundness of insurance entities. However, due to COVID-19 restrictions, the Authority was unable to conduct on-site inspections but rather undertook 34 off-site inspections that focused on thematic areas that were deduced from the risk assessment of entities.

8.2.1 Off-Site Analysis

Table 11 below summarises the risk profile of insurance companies as at 31st December, 2020.

Table 11: Risk Assessment of Insurers and Reinsurers as at 31st December, 2020

Risk Class	Risk Score	No. of Companies 2020	No. of Companies 2019	No. of Companies 2018
Strong	0.0 - 1.0	2	3	3
Satisfactory	1.0 - 1.5	4	10	10
Fair	1.5 - 2.0	11	12	12
Marginal	2.0 - 3.0	14	3	3
Unsatisfactory	3.0 - 4.0	3	6	6
Total		**34**	**34**	**34**

As part of market conduct supervision, the Authority analysed the statutory returns for brokers and the results are summarised in Table 12 below.

Table 12: Brokers Compliance Reports as at 31st December, 2020

Description	Number of Compliant Brokers	Number of Reporting Entities	Level of Compliance
Submission of 2019 financial statements	46	46	100%
Availability of approved principal officer	51	52	98%
Availability of accounts officer	49	52	96%
Submission of Q3 2020 returns	49	52	94%

8.2.2 Off-Site Inspection

The Authority conducted eight (8) routine off-site prudential inspections of insurers (against 11 planned inspections) and ten (10) off-site market conduct inspections of brokers (against 10 planned inspections). Key findings from inspections of insurers included the following:

a) lack of appropriate reinsurance support contrary to the Reinsurance Guidelines;
b) poor financial and underwriting controls in premium management contrary to sections 33 and 34 of the Insurance Act; and
c) non-compliance with Fit and Proper Guidelines regarding the appointment of directors.

Key findings from inspections of brokers included the following:
a) non-compliance with section 21 of the Insurance Act regarding the requirement by brokers to transmit premiums to insurers;
b) lack of appropriate Corporate Governance structures; and
c) lack of compliance with Key Facts Statements Guidelines.

The Authority further conducted eight (8) AML/CFT inspections for long-term insurance companies. Findings of the inspections were shared with the respective entities for corrective action. The assessment report was also submitted to the (Financial Intelligence Centre) FIC in line with section 14 (7) of the Financial Intelligence Center Act No.46 of 2010.

Following the issuance of Key Facts Statements Guidelines during the first quarter of the year, the Authority conducted a mystery shopping exercise on 17 regulated entities (insurers, brokers and agents) to ascertain their compliance with the said Guidelines. Regulatory directives were issued to those that were non-compliant.

8.3 Enforcement Action

8.3.1 Windsor General Insurance Limited (Formerly Focus General Insurance Limited)

On 2nd January, 2020 the Authority resolved to place Windsor General Insurance Limited (formerly known as Focus General Insurance Limited) under Compulsory Liquidation for failing to meet solvency requirements. The Registrar as Liquidator took possession of the entity on the said date.

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[5]The number of reporting entities reflects the entities that were expected to satisfy a particular compliance requirement.

Section 71 of the Insurance Act as read with Section 128 (2) (a) of the Banking and Financial Services Act No. 7 of 2017, empowers the Registrar as Liquidator to bring, carry on or defend an action or legal proceedings in the name of and on behalf of the insurer.

Accordingly, the Authority took on seven (7) litigation matters from Windsor General Insurance Limited. The Liquidation Schedule regarding Windsor General Insurance Limited was filed into Court on 17th September, 2020 and in line with the Court Order dated 15th October, 2020, the Schedule was open to the public for inspection for 21 days from the date of the Order. At the instance/discretion of the Court, the period for inspection of the schedule was extended for 30 days. There were no objections raised on the liquidation schedule.

The Authority filed the notice of disposal of the assets recovered with the Patents and Companies Registration Agency (PACRA) in compliance with Section 115 of the Corporate Insolvency Act No.9 of 2017. At the time of this report, the assets had been disposed of during the first quarter of 2021

Table 13 below highlights the policyholder liabilities and estimated assets for Windsor General Insurance Limited (in liquidation).

Table 13: Windsor General Insurance Limited (In liquidation) Policy Holder Liabilities vs Estimated Assets

Product Line	Number of Policies	Percentage	Amount
Bond/ Guarantees	12	82%	66,452,935.08
Fire/Property	2	1%	441,842.65
Engineering	-	-	-
Marine/Transportation	4	1%	1,164,190.65
Agriculture	11	3%	2,703,988.02
Accident	1	0%	92,559.80
Motor	210	8%	6,681,917.44
IBNR/Margin @ 5%		5%	3,876,871.68
Total Liabilities	240	100%	81,414,305.32
Total Assets			**512,750.76**

8.3.2 Update on Liquidation of Focus Life Assurance Company Limited and A-Plus Assurance Company Limited

The Authority also continued to undertake on-going litigation on behalf of Focus Life Assurance Limited that had been under compulsory liquidation from May, 2018. The Liquidator commenced the process of settlement of claims to claimants that provided accurate bank details. A proportion of 22 percent and 18 percent was made for Focus Life Assurance Company Limited (FLAC) and A-Plus Assurance Company Limited (ALAC), respectively, in line with section 132(3) of the Banking and Financial Services Act (BFSA) No.7 of 2017. The challenges faced by the Liquidator in undertaking this exercise included presentation of incorrect / insufficient bank details by claimants and the slow pace of submission of details, particularly by A-Plus Life claimants.

9.0 REGULATORY AND SUPERVISORY FRAMEWORK

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

9.1 The Insurance Bill

Following the commitment that was made by the Ministry of Finance to schedule the Insurance Bill for the legislative process in 2021, the Authority held two (2) consultative workshops with the insurance industry and other key stakeholders to conduct a final review of the Insurance Bill.

The Insurance Bill has since been enacted into law in 2021.

The Authority also undertook a review of the Insurance (Fidelity Fund) Regulations to enhance the protection of policyholders.

9.2 Review of the Pension Scheme Regulation Act

The Authority undertook a review of the Pension Scheme Regulation Act with a view to it being repealed and replaced, in order to enhance the Authority's regulatory and supervisory framework.

The Authority also reviewed the Pension Scheme (Investment Guidelines) Regulations, Statutory Instrument No. 141 of 2011, in order to enhance the investment portfolio of pension schemes.

9.3 National Anti-Money Laundering/Combating the Funding of Terrorism Activities

The Authority made representations to the National Assembly's Committee of Cabinet Affairs on the ramifications of the Financial Intelligence Centre (Amendment) Bill No. 11 of 2020. The Financial Intelligence Centre Act No. 46 of 2010 is the legislation that establishes the Financial Intelligence Centre and provides for its functions and powers. The FIC also provides for the duties of supervisory authorities such as the Authority, and its reporting entities.

The amendment of the FIC Act enhanced Zambia's level of compliance with the Financial Action Task Force (FATF) 40 Recommendations and strengthened the legal framework and the level of effectiveness of Anti-Money Laundering/Combating the Funding of Terrorism (AML/CFT). With particular reference to the Pensions and Insurance Industries, the FIC (Amendment) Act mandates the Authority to apply the risk based approach in AML/CFT matters. In addition, the Authority will enforce reporting requirements relating to ultimate beneficial owners, ongoing due diligence, identification and confirmation of identities of customers in general and more specifically, beneficiaries of life insurance policies.

9.4 Pensions and Insurance Industries Circulars and Guidelines

The Authority issued the following Guidelines to the Pensions and Insurance Industries during the year under review.

9.4.1 Circulars on Crisis Preparedness for COVID-19

The Authority issued circulars on Crisis Preparedness for COVID-19 to the Pensions and Insurance Industries.

The Authority also issued a circular on Submission of Audited Financial Statements for the Year ended 31st December 2019 to the Pensions and Insurance Industries following requests from the industries for extensions due to the impact of the Covid-19 pandemic on the audit processes.

Further, the Authority issued a Public Advisory, guiding the public on how it could transact with the Authority during the period of the COVID-19 pandemic.

9.4.2 Corporate Governance Guidelines

The main objectives of the Guidelines were to:

a) establish and maintain minimum standards of corporate governance best practices;
b) promote high standards of conduct and sound governance practices;
c) promote effective and diligent exercise of fiduciary duties;
d) provide criteria for evaluation of performance;
e) ensure effective oversight and accountability by directors and senior management;
f) promote a culture of competition with integrity and with regards to the interests of all stakeholders;
g) promote strategic planning including taking a long-term view of what needs to be put in place presently to secure future success of the business; and
h) prevent corporate failures, enhance enterprise value and foster sustainable competition and ultimately corporate performance.

9.4.3 Guidelines on E-Benefit Statements

The Guidelines were intended to enhance member protection with respect to accessibility of member statements and instill confidence in the pensions system. Service providers will be required to ensure that pension scheme member benefit statements and other governance documents are available in electronic format.

9.4.4 Guidelines on Minimum Capital Adequacy Requirements for Service Providers

The Guidelines were issued to ensure that service providers remained resilient in the face of shocks or losses. The following are some of the main provisions in the Guidelines.
a) Fund administrators shall maintain minimum paid up capital of K250, 000.
b) Fund managers shall maintain minimum paid up capital of K500, 000 or 1% of total investment portfolio, whichever is higher.

The Guidelines also require fund manager's minimum paid up capital in investments to comprise 60 percent (excluding property or illiquid assets) and 40 percent as cost of management information system[6].

Existing service provider were expected to be fully compliant within two (2) years from the date the Guidelines were issued, while new service providers are to comply upon application.

9.4.5 Guidelines on Conversion of Defined Benefit Schemes to Defined Contribution Schemes

The main objective of the Guidelines were to streamline the Pensions Industry's practices with respect to conversion of Defined Benefit Schemes to Defined Contribution Schemes. The Guidelines include best practices in the treatment of pension benefits at conversion.

9.4.6 Guidelines on Inactive Schemes

The main objective of the Guidelines were to streamline the Pensions Industry's practice with respect to the treatment of inactive pension schemes. The Guidelines enshrine best practice in the treatment of unclaimed benefits under inactive pension schemes.

[6]Cost of management information system relates to the Information Management system that a pension fund manager has in place for safe keeping and timely monitoring of the pension scheme member assets

9.4.7 Treating Customers Fairly Guidelines - Claims and Complaints Management

The objectives of the Guidelines were to:

a) prescribe the minimum standards with which insurers will deal with their clients and policyholders;
b) promote transparency and disclosure of information between policy holders and insurers and/ intermediaries during the claims process;
c) promote the fair treatment of customers;
d) provide for policies and procedures for effective claims and complaints management; and
e) provide for supervisory reporting requirements on claims and complaints.

9.4.8 Key Facts Statements (Minimum Disclosure Guidelines)

The objective of the Guidelines is to enhance disclosure of key terms and conditions of selected insurance products. All insurers, insurance brokers and agents that issue and sell products prescribed in the Guidelines are mandated to provide customers with a Key Fact Statements.

9.4.9 Reinsurance Guidelines

The objectives of the Guidelines are to:

a) set standards for the use of reinsurance and other forms of risk transfer;
b) establish a framework to manage the selection, implementation, monitoring, review, control and documentation of reinsurance arrangements;
c) adequately control and transparently report their risk transfer programmes; and
d) provide further guidance and clarity on Section 43 of the Insurance Act.

10.0 CONSUMER PROTECTION AND EDUCATION

10.1 Consumer Protection

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

10.1.1 Pensions Complaints

The Authority received 38 (2019: 13) complaints from pension scheme members and service providers. The nature of complaints mainly related to delay and non-payment of pension benefits. Table 14 below summarises the status of complaints as at 31st December, 2020.

[7]Referred cases are those that do not fall under the Authority's jurisdiction and were referred to the correct institutions

Table 14: Status of Pensions Complaints as at 31st December, 2020

Status of Complaints	Pension Schemes	Service Providers
Pending cases as at 1st January 2020	6	0
New lodgments during the Year	37	1
Referred cases[7]	4	0
Resolved cases	27	1
Outstanding cases as at 31st December, 2020	13	0

Table 15 below summarises the number and nature of the complaints.

Table 15: Nature of Complaints Analysis

Nature of Complaint	Total	Percentage
Non-payments of pension benefits	21	55%
Under-payments	2	5%
Refusal to sign exit forms	3	8%
Assignment of benefits	1	3%
Other concerns	4	11%
Public sector complaints	3	8%
Refusal to purchase annuities	2	5%
Non-circulation of benefit statements	2	5%
TOTAL	**38**	**100%**

10.1.2 Insurance Complaints

The Authority received 410 (2019:112) insurance related complaints during the year under review. The significant increase in complaints handled was as a result of cases that were referred to the Authority from the Competition and Consumer Protection Commission (CCPC). The Authority had 207 un-resolved complaints as at 31st December, 2020.

The nature of the complaints related to delays in settlement of claims, unauthorised deductions from payroll, repudiated claims and third party claims. Table 16 below summarises the status of the complaints as at 31st December, 2020.

Table 16: Status of Insurance Complaints as at 31st December, 2020

Status of Complaints	Motor	Life	Other
Pending cases as at 1st January 2020	33	26	3
New lodgments during the year	43	32	1
Referred from CCPC	0	272	
Total cases handled during the year	**76**	**330**	**4**
Referred/discontinued cases	3	0	0
Resolved (in favour of policyholders)	48	172	3
Resolved (in favour of insurance companies)	2	1	0
Outstanding cases as at 31st December 2020	**23**	**183**	**1**

10.2 Consumer Education

During the year under review, the Authority continued improving awareness on pensions and insurance products. The intended outcome of consumer education was to raise awareness on the benefits of pensions and insurance and positively change public perception of pensions and insurance. The Authority used a variety of methods to engage with consumers, which ranged from media activities, campaigns, school sensitisation programmes to social media. However, due to the COVID-19 health guidelines, most of physical activities including provincial tours, exhibitions, school sensitisation programmes and workshops had to be cancelled.

PIA Acting Registrar Mr. Chiyavula (r), BoZ Deputy Governor Administration Mrs. Rekha Mhango during the 2020 Financial Literacy Awards

Some recipients of the 2020 Financial Literacy Awards from the Insurance Industry

National Financial Literacy Week Organisers during the 2020 Financial Literacy Awards

10.2.1 Consumer Education Commemorations

The Authority in 2020 participated in the World Consumer Rights Day, Financial Literacy Week and Insurance Week. All activities were conducted on radio, television and social media platforms.

10.2.2 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.

10.2.2.1 Media Coverage

The Authority featured on 69 (2019:32) radio and television consumer awareness programmes. The objective of the programmes was to raise awareness on the importance of Pensions and Insurance and to increase awareness of the Authority's role and mandate in the financial sector.

In an effort to reach people beyond the line of rail, the Authority engaged radio stations within and outside Lusaka. The radio stations aired a series of insurance radio dramas in local languages, Pensions and Insurance consumer education adverts and the syndicated PIA Insight Show that was aired in Lusaka, Central Province, Copperbelt Province, Southern Province and Eastern Province.

The Authority also aired 144 radio adverts promoting the importance of Insurance on two (2) radio stations.

In the print media, the Authority published 40 articles in the Zambia Daily Mail focusing on consumer education and developments in the Pensions and Insurance Industries. The articles were also uploaded on the Authority's website. Further, the Authority issued press statements to update the public on Pensions and Insurance matters during the year under review.

Further, the Authority in partnership with the Financial Sector Deepening Zambia (FSDZ) aired three (3) TV documentaries on ZNBC and Diamond TV aimed at raising awareness on the importance of insurance.

10.2.2.2 Media Training Workshop

The Authority in March, 2020 hosted a Media Engagement Workshop for 20 local language journalists from Lusaka, Copperbelt, Eastern, Southern and North Western provinces. The workshop was aimed at helping the local language journalists appreciate the role of the pensions and insurance in economic development and how to report on pensions and insurance matters.

10.2.3 Social Media Initiatives and Activities

The use of social media has also increased the Authority's footprint and enabled the Authority to take advantage of advancements in technology. The Authority's social media pages, Facebook, Twitter, LinkedIn and YouTube continued to gain traction.

10.2.4 School Engagements

In an effort to enhance pensions and insurance awareness among students, the Authority conducted a Student Essay Competition focusing on the role of insurance in economic development.

The Authority also undertook two (2) secondary school sensitisation programmes on pensions and insurance at the beginning of the year under review.

PIA 2020 Financial Literacy Week engagements with pupils and students

Minister of Finance Dr. Bwalya Ngandu speaking during the inaugural Insurance Awards

Minister of Finance Dr Bwalya Ngandu (fourth from left), IAZ President Ms. Christabel Banda (fourth from right), PIA Acting Registrar (third from right) with Insurance Industry representatives during the Insurance Awards

10.2.5 Insurance Industry Awards

The Authority in collaboration with members of the Nation Financial Inclusion Strategy (NFIS) Insurance Working Group hosted the Inaugural Insurance Industry Awards on 20th November 2020. The Awards were designed to celebrate excellence, innovation, prudence and stability in the Insurance Industry by recognising individuals and organisations that have exemplified outstanding performance in the industry.

Twelve award categories were awarded to deserving institutions and individuals. The Honorable Minister of Finance, Dr. Bwalya E.K Ng'andu (MP) officiated the event that was attended by 170 guests with representation from industry including insurers, brokers and supporting partners from the Ministry of Finance, FSDZ and the media.

10.2.6 Financial Inclusion Communication Campaign

The Authority working together with other stakeholders participated in the 'Better Finances for a Better Today and Tomorrow' Campaign that was aimed at raising awareness in line with the NFIS communication awareness campaign on financial inclusion.

10.2.7 Financial Regulators Joint Campaign

During the year under review, the Authority in collaboration with the BoZ and the Securities and Exchange Commission (SEC), launched a joint campaign, the Financial Sector Joint Messaging Campaign. The campaign was aimed at raising awareness on fraudulent financial products offered by non-regulated entities. In compliance with the COVID-19 restrictions, the campaign was fully hosted online. The online activities included weekly webinars with members of the public discussing various financial topics that included Pensions and Insurance. The campaign also shared various visual and audio interactive financial education material on social media.

10.3 Pensions and Insurance Authority Public Perception Surveys

In an effort to assess stakeholder satisfaction, the Authority conducted two (2) Satisfaction Surveys in 2020 with one targeting the Pensions and Insurance Industries players and the other, the public. The first survey examined the Authority's standing with regards quality of service delivery to regulated entities. The survey brought out a number of key areas that the Authority is doing well in and areas that require improvement.

Further, the survey revealed that the Authority established its role and mandate in the industry, as the majority of the respondents indicated that they understood the role of the Authority in the Pensions and Insurance Industries.

The customer satisfaction survey targeting the public revealed that the public was satisfied with the service that they get from the Authority. However, the survey also revealed that some members of the public do not understand the mandate of the Authority.

11.0 NATIONAL FINANCIAL INCLUSION STRATEGY

The Authority continued to implement activities outlined in the NFIS. The activities included consumer awareness through radio and television and the Insurance Gender Audit Survey whose results will be disseminated in 2021.

Further, the Authority, in collaboration with the insurance Industry, the Technical Advisory Group on Microinsurance (TAG) and FSDZ, issued Microinsurance Guidelines aimed at promoting the development of microinsurance and financial inclusion.

11.1 Micro-Pension Feasibility Study

The Authority, in collaboration with the NFIS Pensions Working Group commenced the feasibility Study on Micro-Pensions in line with the National Financial Inclusion Strategy 2017-2022 objective number 10 focusing on expanding supply of pension products. The Report from the Feasibility Study, which is earmarked to be completed in 2021, will assist with the promulgation of Micro-Pension Regulations.

12.0 2020 FINSCOPE SURVEY

The Authority with other stakeholders participated in the 2020 Finscope Survey that was spearheaded by BoZ. The topline findings revealed that financial inclusion had increased to 69.4 percent in 2020, from 59.3 in 2015. Further, it revealed that formal financial inclusion increased to 61.3 percent in 2020, from 38.2 percent in 2015. The growth was mainly attributed to the substantial increase in the uptake of mobile money services from 14 percent in 2015, to 58 percent in 2020.

In respect to the use of pensions and insurance products, the results showed that there was an increase from the 3.8% and 2.8% in 2015, to 8.2% and 5% in 2020 for pensions and insurance products respectively. The increase in the uptake of pensions by 4.4 per cent could be attributed to the increase in the number of public and private occupational pension scheme members as well as the extension of social security coverage. The increase in insurance uptake could be attributed to increase in microinsurance products and consumer education. Table 17 below shows the usage of financial products in 2015 and 2020 according to the 2020 Finscope Topline Findings.

Table 17: Use of Formal Financial Services by Adults – 2020 Finscope Topline Findings (in Percentages)

Description	2020	2015
Mobile money	58.5	14.0
Bank	20.7	24.8
Pension	8.2	3.8
Insurance	5.0	2.8
Micro-finance	2.1	1.3
Capital markets	0.6	0.3

In terms of barriers to using pension services, the survey identified unemployment as the main barrier at 66.60 percent. On insurance uptake, majority of the respondents cited lack of insurance awareness at 40.90 percent (2015:88.30 percent) as the main barrier. Figures 2 and 3 respectively show the barriers of pensions and insurance according to the 2020 Finscope Topline Findings.

Figure 2: Barriers to Pensions Uptake – 2020 Finscope Topline Findings (in Percentages)

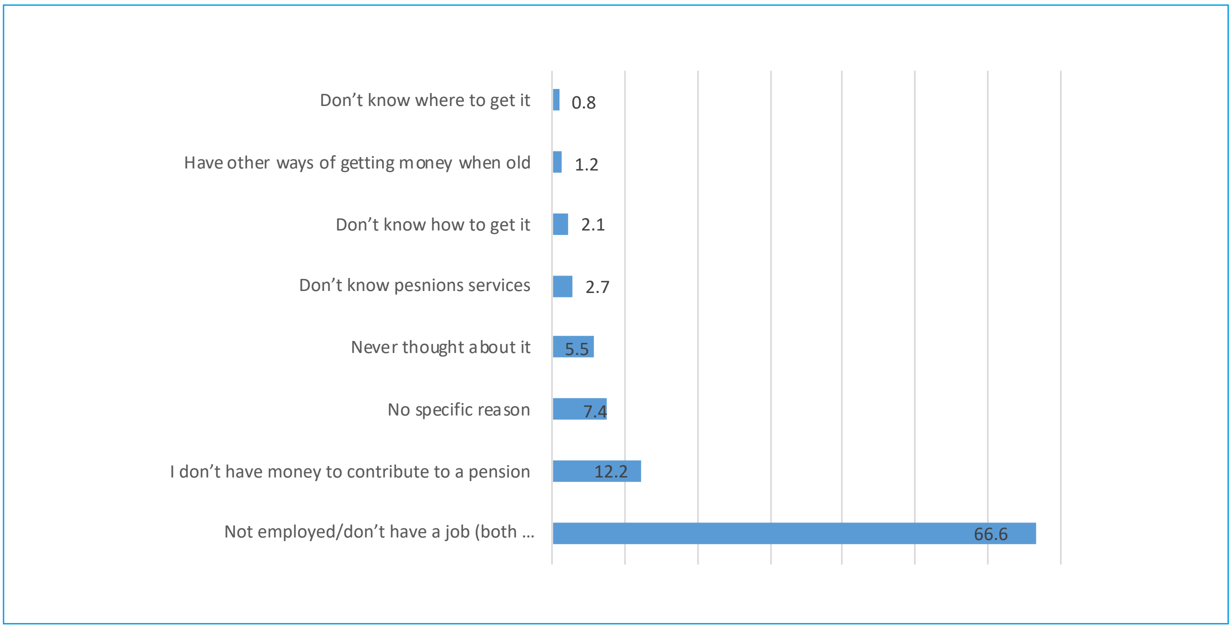
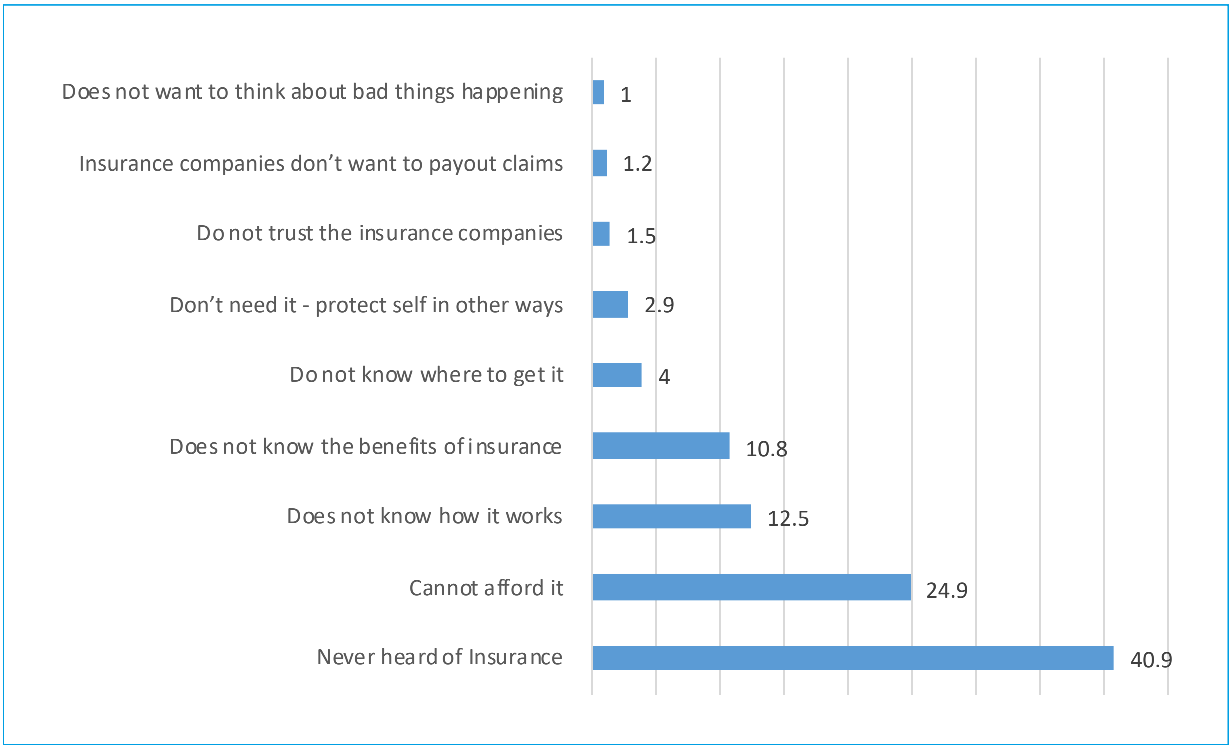


Figure 3: Barriers to Insurance Uptake – 2020 Finscope Topline Findings (in Percentages)



13.0 INTERNATIONAL ENGAGEMENTS

The Authority recognises that financial markets and the provision of financial services are global in nature and that international cooperation and collaboration are critical in helping to ensure the protection of Pensions and insurance consumers and the development of the industries. The Authority therefore works closely with its international counterparts to ensure it remains abreast of regulatory and supervisory developments and has the opportunity to influence international and regional regulatory policy. During the year under review, the Authority participated in the following forums:

a) International Organisation of Pension Supervisors (IOPS);
b) International Association of Insurance Supervisors (IAIS);
c) International Network on Financial Education (INFE);
d) Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA);
e) Financial Action Task Force (FATF);
f) Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); and
g) Organisation for Economic Cooperation and Development.

The Authority also participated in the International Microinsurance Conference that took place in November 2020.

13.1 The International Conference on Pension Supervision and Regulation

The Authority participated in the International Organisation of Pension Supervisors (IOPS) Conference that was held in, Mauritius, from 26th to 28th March, 2020. The conference considered, among other topical issues, the conversion of Defined Benefit Pension Schemes to Defined Contribution Schemes and governance of pension schemes.

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

Zambia was placed under enhanced follow-up by the FATF following the Mutual Evaluation completed in June, 2019. The Country was expected to present its first enhanced follow-up report at the first ESAAMLG Task Force meeting scheduled for April, 2020 in Arusha. However, the said report was deferred for consideration following adjustments to the scheduling of ESAAMLG meetings in view of the COVID-19 pandemic.

Despite the foregoing, the Authority continued addressing deficiencies identified in the Pensions and Insurance Industries in the Mutual Evaluation Reports (MER). The Authority undertook a sectorial risk assessment using the Risk Based Approach as required under the FATF recommendations. The assessment targeted the long-term insurance (life) sector, which is susceptible to Money Laundering/Terrorism Financing (ML/TF). Following the assessment, the Authority engaged the Pensions and Insurance Industries in collaboration with the FIC, conducted AML/CFT training aimed at addressing the weaknesses identified. A risk map informing further regulatory action and interventions was also developed for implementation.

Section 2

Performance of the Pensions and Insurance Industries

14.0 PERFORMANCE OF THE PENSIONS AND INSURANCE INDUSTRIES

14.1 Performance of the Pensions Industry

14.1.1 Industry Growth

The COVID-19 pandemic had a negative impact on the Pensions Industry, especially pension schemes in the tourism, mining, education and transport sectors. That notwithstanding, the Pensions Industry in general was resilient both in terms of the number of pension scheme members and industry net assets.

The private pension schemes net assets increased by 19.30 percent (2019: 3.60 per cent). Despite the effects of the COVID-19 pandemic on the industry, the increase was higher compared to the previous years' growth in net assets. The positive growth was mainly attributed to increased income from Government bonds, rental income, property revaluations, income from Collective Investment Schemes (CIS), improved fair value changes on equity and foreign exchange gains. Figure 4 below show the trend on net asset movement over a five year period.

Figure 4: Percentage Distribution of Demographics of Membership Data-2020

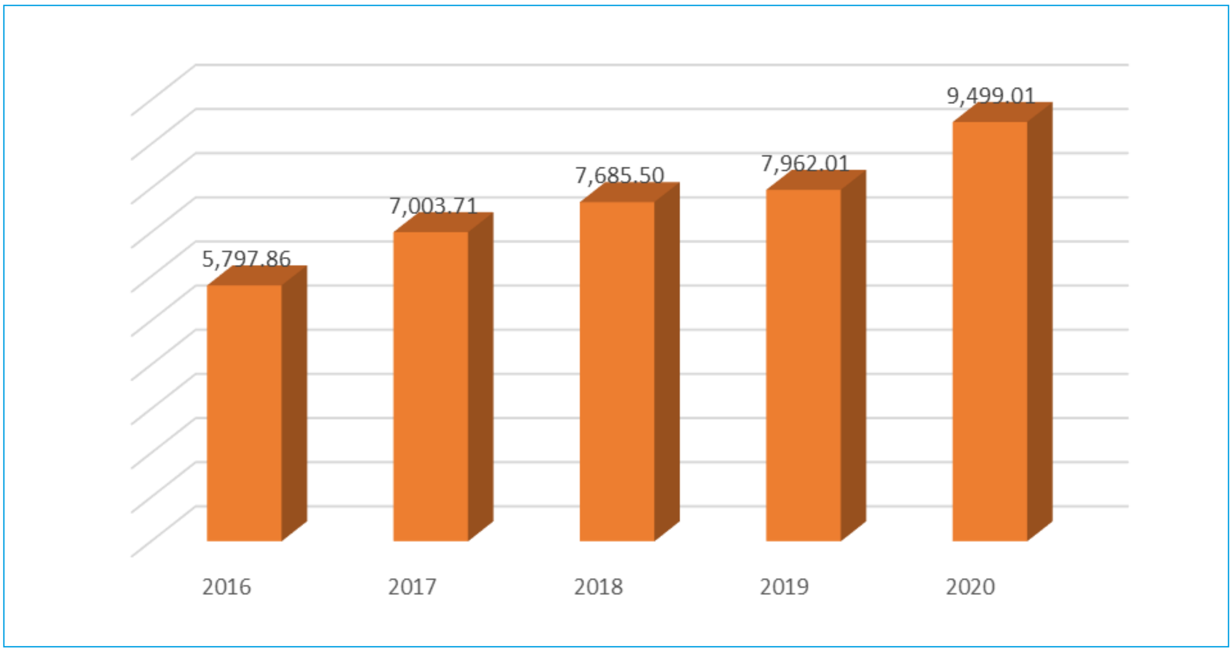


Table 18 below shows the number of schemes according to the range of growth in Net Assets.

Table 18: Range of Growth in Net Assets for the Year 2020

Range of Growth in Net Assets for the Year 2020	Number of Pension Schemes	Total Value of Net Assets
Less than 0%	6 (2019: 6)	**K551,298,589.12** (2019: K1,639,454,581)
0 % to 10%	9 (2019: 15)	**K910,215,108.09** (K3,254,910,143)
11% to 20%	14 (2019: 14)	**K2,953,248.36** (2019: K1,644,937,785)
21% to 30%	12 (2019: 9)	**K1,005,530,062.27** (2019: K576,847,720)
31% and above	17 (2019: 13)	**K3,937,359,847.84** (2019: K845,857,262)

14.1.2 Return on Net Assets

Return on average net assets during the year under review was 13.40 percent (2019: 10 percent). The increased return was well below the inflation rate of 19.20 percent, which suggests that the purchasing power of the pension funds was eroded due to the increase in inflation. Table 19 below shows the return and growth in net assets in relation to the inflation rate.

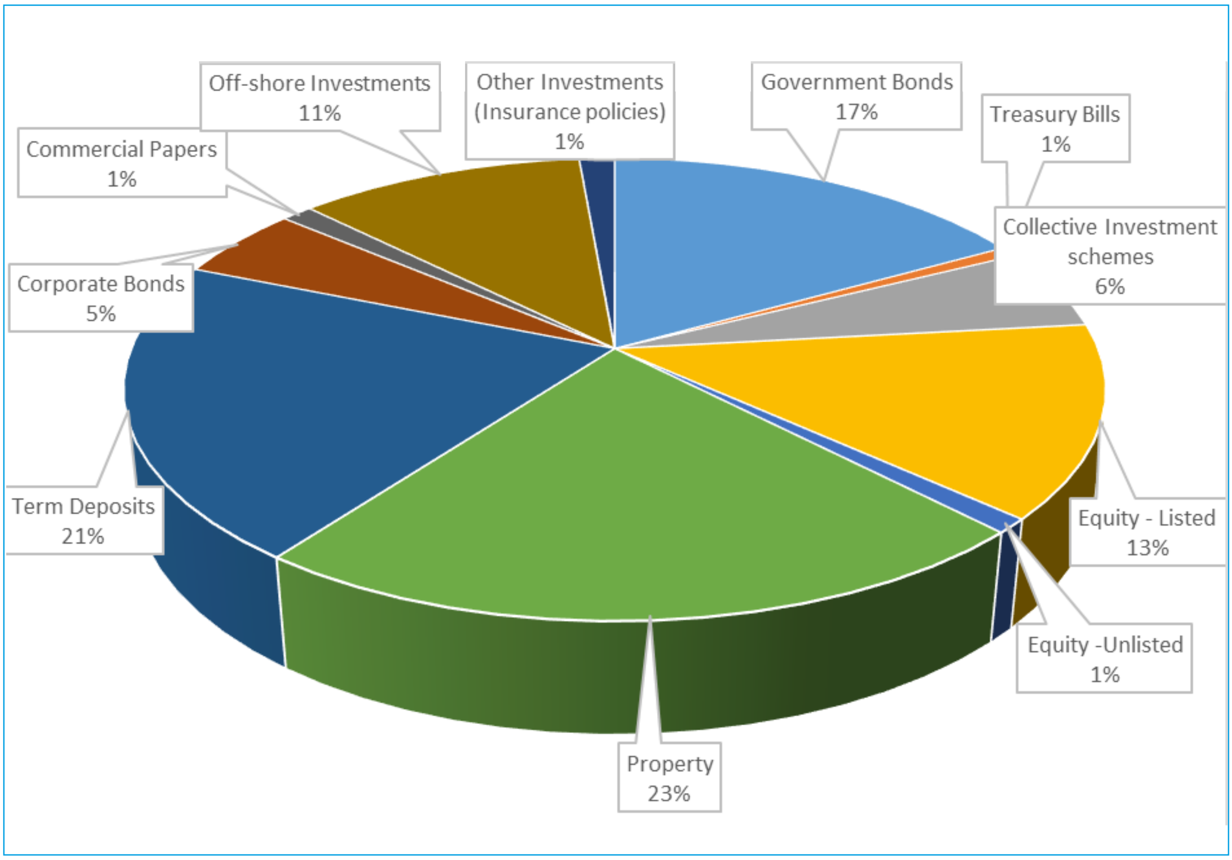
Table 19: Pensions Industry Return and Growth Rate on Net Assets Vs Inflation

Description (K 'Millions)	2020	2019	2018	2017	2016
Net Assets	9,499.01	7,962.01	7,685.50	7,003.71	5,797.86
Investment income	1,165.50	805.30	973.01	1,181.16	473.04
% Return on average net assets	13.35%	10%	13%	17%	8%
Year on Year Dec 2020 Inflation	19.20%	11.70%	7.90%	6.10%	7.50%
Growth in Net Assets	19.30%	3.60%	9.70%	20.80%	2.40%

14.1.3 Investments

In 2020, Pensions Industry investments increased by 18.70 per cent (2019: 5.60 per cent) from K8, 504 million in 2019 to K10, 096 million in 2020. The Pensions Industry investments are spread over various asset classes in line with the Pension Scheme (Investment Guidelines) Regulations 2011. While the industry as a whole was compliant, there were a few pension schemes that had breached the Investment Regulations. The Authority continued to engage such pension schemes to ensure compliance with the Regulations. Figure 5 below show the various investment vehicles in which pension funds had invested as at 31st December, 2020.

Figure 5: Investment Spread as at 31st December, 2020



14.1.4 Offshore Investments

Offshore investments increased by 116 percent from K521 million in 2019 to K1, 130 million in 2020 as the industry continued to diversify investments.

14.1.5 Listed Equity

The tradable market value for listed equity held by pension schemes reduced by 8.20 percent from K1, 478 million in 2019, to K1, 357 million in 2020. The equity holdings were affected by illiquidity on the capital market.

14.1.6 Unlisted Equity

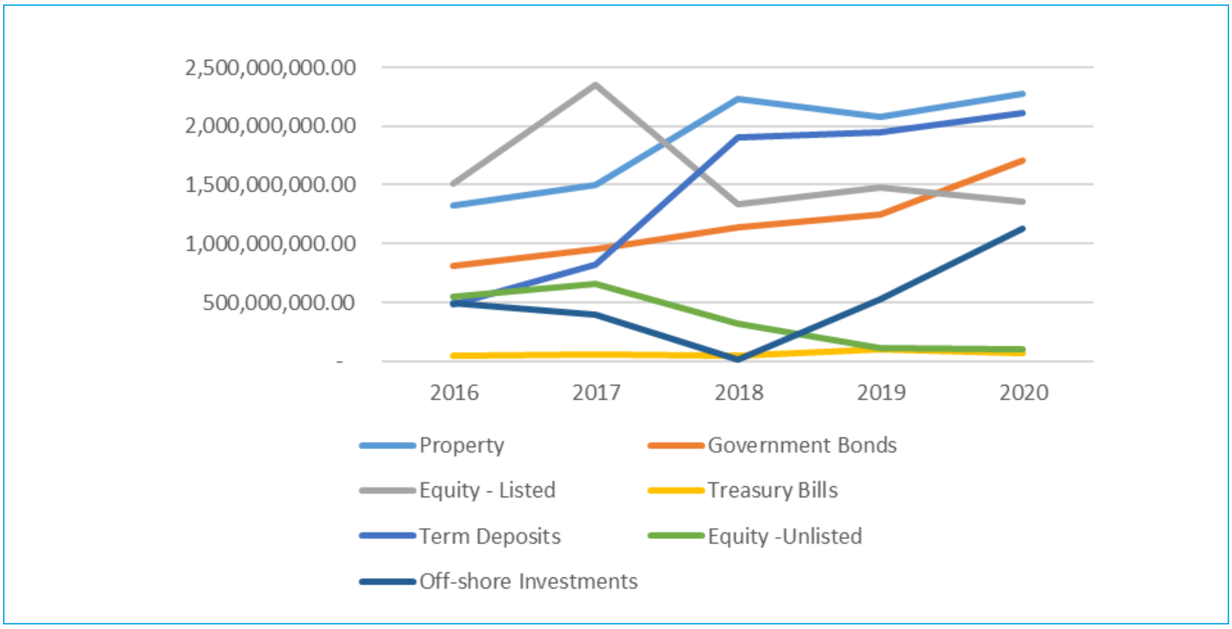
Investments in unlisted equity continued to reduce owing to the risks that come with the quality of the asset class that were found on the market. In 2020, unlisted equity investments reduced by 10.80 percent from K114 million in 2019, to K102 million in 2020.

14.1.7 Investment in Properties

There was improvement in the property investments as opposed to the previous year when property investments reduced. In 2020, property investment increased by 9.50 percent from K2, 075 million in 2019, to K2, 272 million in 2020. The main factor that caused the increase was property revaluations which increased by 98.20 percent from K82 million in 2019, to K163 million in 2020. Rental income also increased by 21.50 percent from K106 million in 2019, to K236 million in 2020.

Figure 6 below provides selected investments' trends over the past five years.

Figure 6: Selected Investment Trends over the years (K Millions)



14.2 Pension Contributions

Regular pension contributions from scheme members increased by 13.60 percent (2019: 18 percent) from K1, 024 million in 2019, to K1, 164 million in 2020. The increase was attributed to the new scheme members joining the schemes despite a lower basis for computing the contributions compared to those who were leaving the schemes. Other contributions increased by 45 percent (2019: 64 percent) from K101 million in 2019, to K146 million in 2020. A total of 64 percent (2019: 21 percent) of special deficit funding accounted for other contributions.

Unremitted contributions improved by 2.2 percent (2019: -62 percent) from K406 million in 2019, to K397 million in 2020. While there were specific individual schemes that had unremitted contributions, the Pensions Industry as a whole was compliant with regards to the timely remittance of contributions.

14.3 Outstanding Pension Benefits

Outstanding pension benefits improved by 1.90 percent from K536 million in 2019 to K525 million in 2020. The reduction in the value of outstanding benefits was as a result of payment of some outstanding benefits.

Notwithstanding this, total liabilities increased by 16.80 percent from K1, 384 million in 2019, to K1, 617 million in 2020. The increase was mainly attributed to pre-payments including security deposits, rentals and contributions.

14.4 Withdrawal Claims

During the year under review, refunds on account of withdrawals from the scheme by members increased by 17.70 percent from K579 million in 2019, to K681 million in 2020. Refunds accounted for 67 percent (2019: 57 percent) of the total benefits paid out.

14.5 Market Share

14.5.1 Pension Fund Administrators

This section analyses the pension market share with respect to net assets on the pension fund administrators, pension fund managers and self-administered; and managed schemes.

Analysis of the registered fund administrator share of pensions net assets revealed that Benefits Consulting Services led the market share with 43.81 percent followed by Minet Consulting Services Limited with 21.88 percent, Octagon Financial Services with 8.42 percent, Prudential Pensions Management Zambia with 5.42 percent, Madison Life Insurance Company Limited with 5.23 percent and ZSIC Life Insurance Limited with 2.06 percent. Figures 7 and 8 below show registered fund administrators and self-administered pension schemes' share of industry net assets as at 31st December, 2020 respectively.

Figure 7: Registered Fund Administrator Share of Industry Net Assets

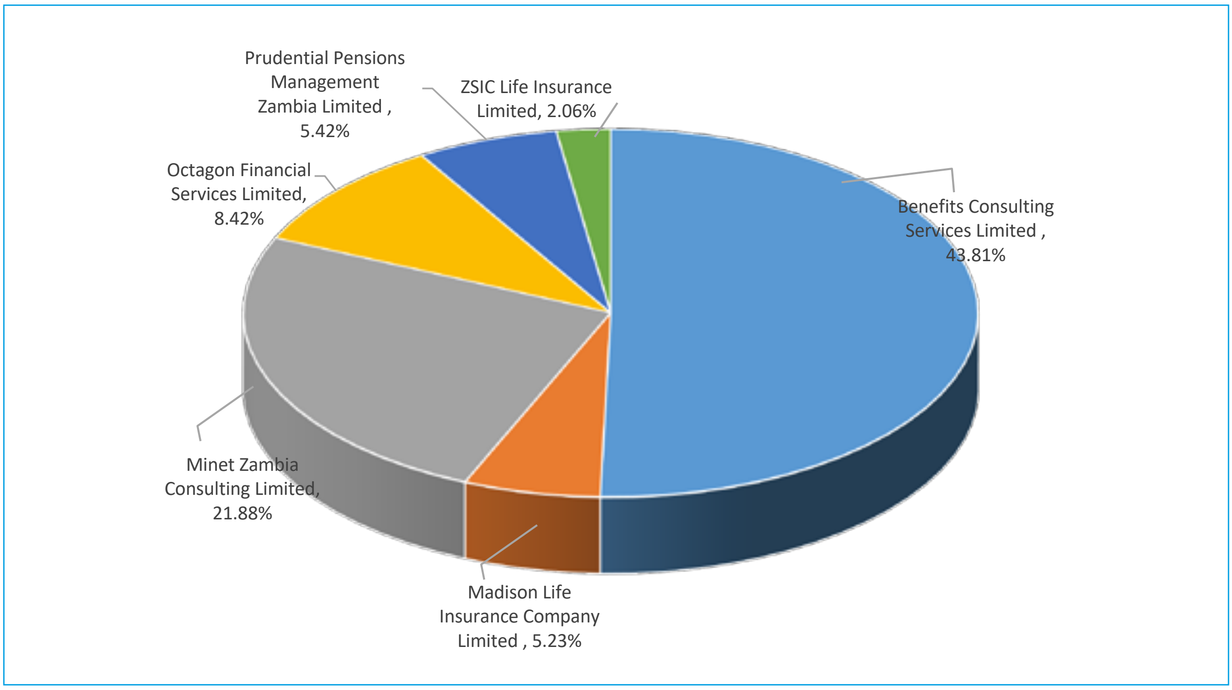
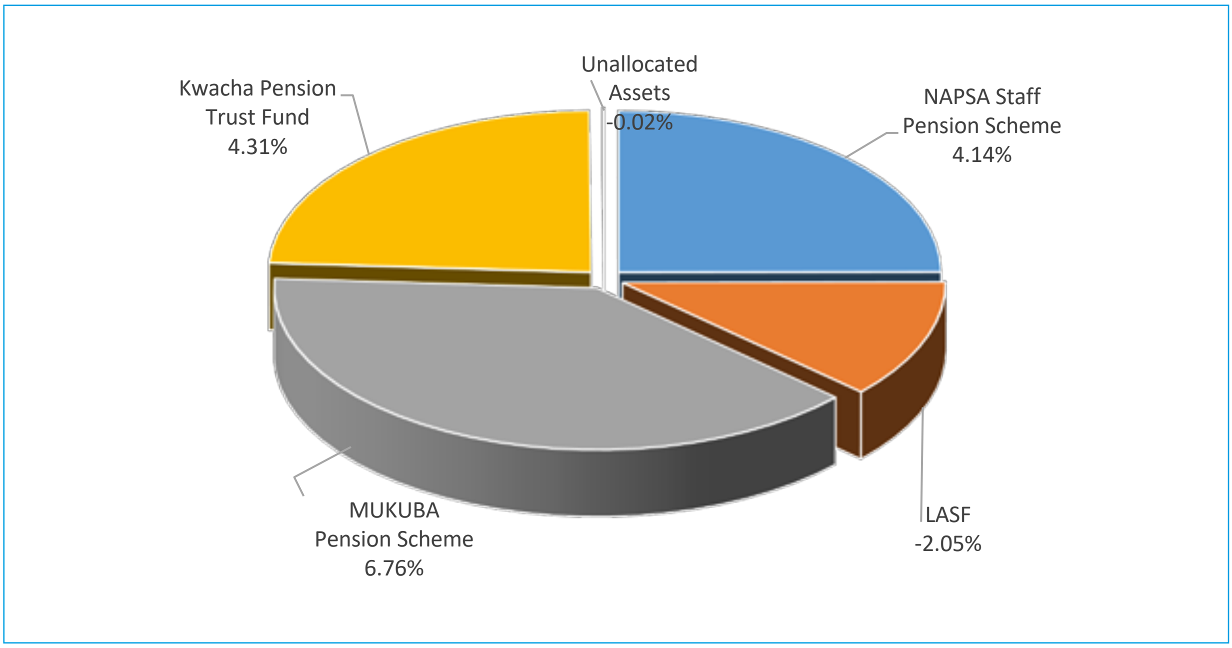


Figure 8: Self-Administered Pension Schemes' Share of Industry Net Assets



14.5.2 Pension Fund Managers

In terms of pension fund management, Africa Life Financial Services (Z) Limited led the market with 70.72 percent, followed by Prudential Pension Management Zambia with 14.63 percent, ZSIC Life Limited with 0.83 percent, Equity Capital Resources with 0.35 percent, Longhorn Associates Limited with 0.23 percent, Altus Capital Limited with 0.09 percent, while Madison Life Insurance Limited and Vunani Asset Management Company both had no market share.

Further, in terms of self-managed schemes, Mukuba Pension Scheme led the market with 6.76 percent, followed by Kwacha Pension Trust Fund with 4.31 percent, NAPSA Staff Pension Scheme with 4.14 percent and Local Authority Superannuation Fund with negative 2.05 percent. The unallocated assets of schemes without pension fund managers accounted for negative 0.02 percent. Figures 9 and 10 below show registered fund managers and self-managed pension schemes' share of industry net assets as at 31st December, 2020.

Figure 9: Registered Fund Managers' Market Share of Industry Net Assets

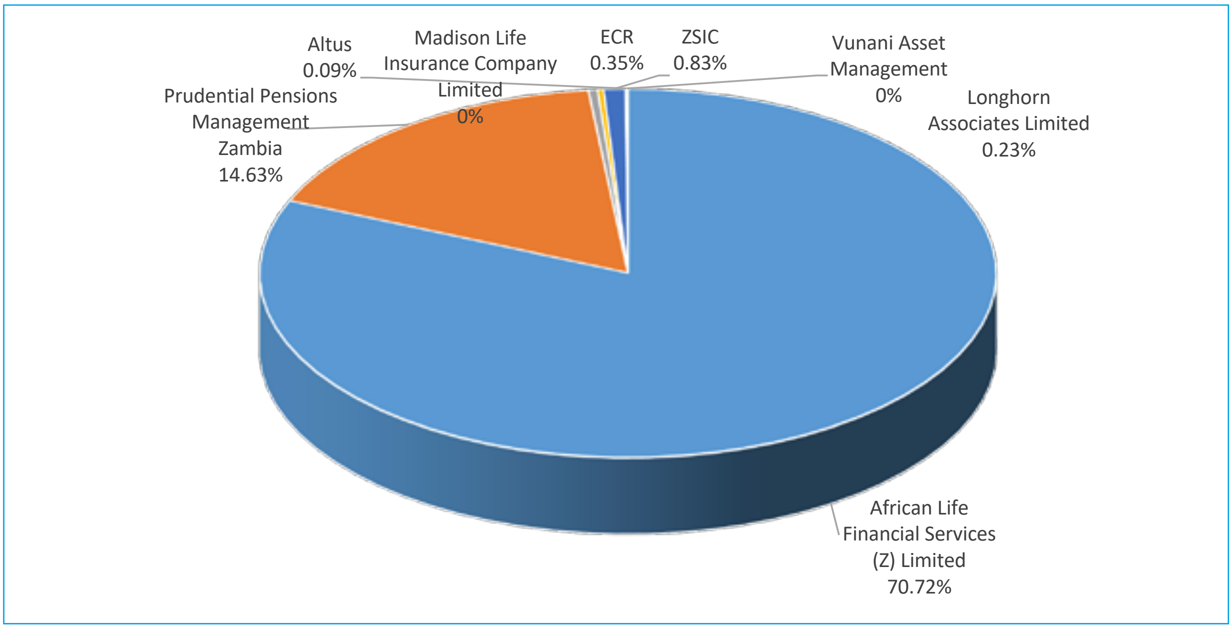
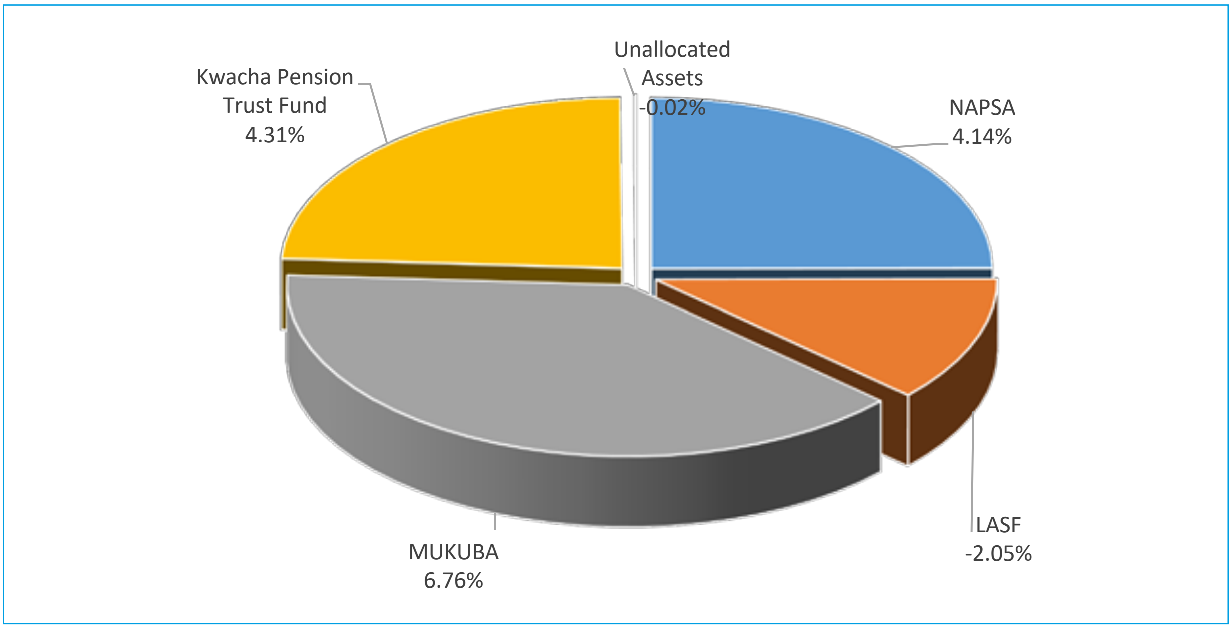


Figure 10: Self-Managed Pension Schemes Market Share of Industry Net Assets



15.0 INSURANCE INDUSTRY

15.1 Performance of Insurance Industry

The Insurance Industry recorded an overall increase of 27.75 percent in terms of Gross Written Premium (GWP) turnover during the year ended 31st December 2020, as compared to the year 2019. In quantum, GWP increased to K4, 568 million from K3, 576 million recorded in 2019. This resulted in an Insurance Penetration Ratio (GWP to GDP ratio) of 1.40 percent (2019: 1.20 percent in 2019). The Insurance Penetration Ratio is the GWP expressed as a percentage of the national GDP. Details of GWP over the period 2016 to 2020 are illustrated in Figure 11 and Table 20 below.

Figure 11: Long-Term and General Insurance Industry Gross Written Premium Growth, 2016 – 2020 (K'Million)

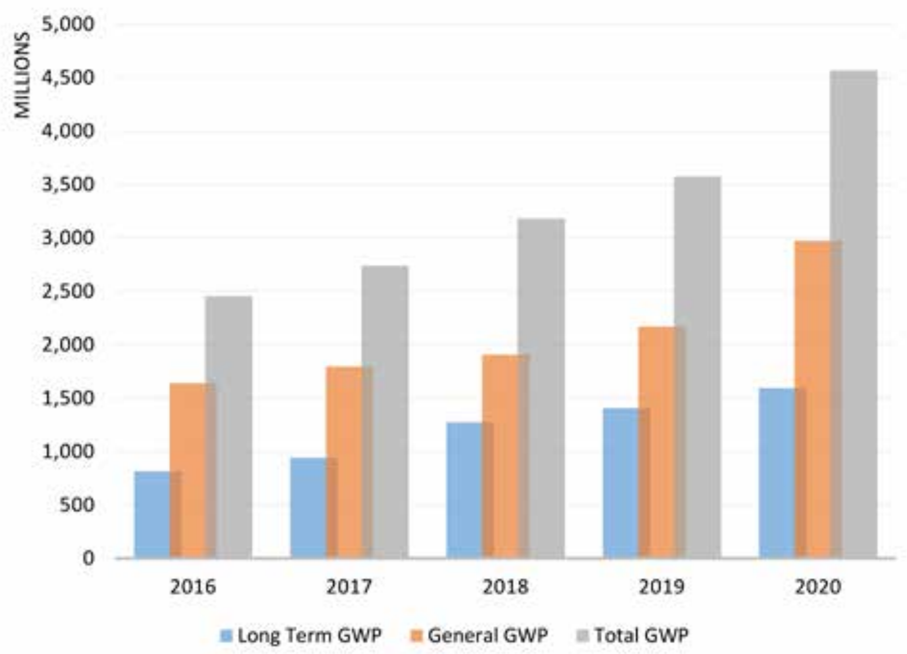


Table 20: GWP Growth Rate (GWP to GDP Ratio)

Year	2020	2019	2018	2017	2016
	K'000	K'000	K'000	K'000	K'000
Gross Written Premium	4,568,502.22	3,576,212.90	3,182,855.09	2,738,907.60	2,454,879.10
GDP (Constant)	332,397,077.68	277,634,199.43	253,355,886.44	230,054,038.65	205,915,775.64
Annual GWP Growth	27.75%	12.36%	16.21%	11.57%	16.53%
Annual GDP Growth	19.72%	9.58%	10.13%	11.72%	18.37%
GWP/GDP (Penetration Ratio)	1.374%	1.288%	1.256%	1.191%	1.192%

General insurance business accounted for K2,973 million during the year under review as compared to K2,292 million in 2019 (with a percentage growth of 29.74%), whilst long-term insurance business accounted for K1,594 million in 2020, as compared to K1,464 million in 2019 (with a percentage growth of 8.88 percent). Details of each respective insurance business type are discussed in Table 21 and the sections that follow later.

Table 21: GWP Growth Rate over the last Five (5) Years

GWP Growth Rate	2020	2019	2018	2017	2016
Long-Term Insurance GWP	1,594,819,419.00	1,464,723,453.00	1,275,228,870.00	941,589,995.00	815,167,927.00
Long-Term GWP Insurance Growth	8.88%	14.86%	35.43%	15.51%	13.58%
General Insurance GWP	2,973,682,804.00	2,292,072,808.00	1,907,626,219.00	1,797,317,605.00	1,639,711,174.00
General Insurance GWP Growth	29.74%	20.15%	6.14%	9.61%	18.06%
Total GWP	4,568,502,223.00	3,756,796,261.00	3,182,855,089.00	2,738,907,600.00	2,454,879,101.00

15.2 Employment Statistics

Insurance companies employed, 2,517 (2019: 2,866) people during the year under review. Details of these employment statistics are summarised in Table 22 below.

Table 22: Employment Statics in the Insurance Industry

Occupational Category	2020				2019 (Restated)			
	Male		Female		Male		Female	
	Zambian	Non-Zambian	Zambian	Non-Zambian	Zambian	Non-Zambian	Zambian	Non-Zambian
Officials and Managers	127	16	43	8	201	22	53	6
Professionals	92	19	57	4	99	0	78	5
Technicians and Associate Professionals	211	7	133	4	261	3	160	0
Clerks	173	0	204	0	233	0	231	0
Service and Shop Workers and Market Sales Workers	587	0	508	0	721	0	503	0
Skilled Agricultural and								

Occupational Category	2020				2019 (Restated)			
	Male		Female		Male		Female	
	Zambian	Non-Zambian	Zambian	Non-Zambian	Zambian	Non-Zambian	Zambian	Non-Zambian
Shop Fisheries Workers	6	0	2	0	6	0	1	0
Craft and Related Trade Workers	34	0	0	0	8	0	1	0
Plant and Machine Operators and Assemblers	4	0	0	0	0	0	0	0
Elementary Occupations	15	0	22	0	9	0	2	0
Temporary Employees	59	0	32	0	62	0	39	0
Others	61	1	88	0	63	2	97	0
Totals	**1369**	**43**	**1089**	**16**	**1663**	**27**	**1165**	**11**
Grand Totals	**2517**				**2866**			

15.3 General Insurance Overview

This section gives an overview of the performance of the general insurance business. The general insurance data that was used in the analysis was captured from the audited financial statements of general insurance companies[13] for both financial years as at 31st December respectively.

15.3.1 Premium Income

As earlier indicated, GWP for general insurance business increased by 29.74 percent during the year under review to K2, 973 million, from K2, 292 million recorded in 2019.

The business recorded a net premium of K1,286 million in 2020 (2019: K1,189 million) after ceding K1,687 million in 2020, and K1,103 million in 2019, representing a 53.03 percent increase. Therefore, the industry recorded a retention ratio of 43.25 percent (2019:52 percent).

15.3.2 Claims Paid

The General insurance business paid out K595 million in net claims in 2020 compared to K516 million in the previous year, representing an increase of 15 percent. Other details relating to performance are illustrated in Table 23 below.

[13] ZSIC General submitted unaudited (draft) financial statements.

Table 23: General Insurance Industry Abbreviated Comprehensive Statement of Income

	31st December, 2020	31st December, 2019	Growth
	K	K	
Gross Written Premium	**2,973,682,804.00**	**2,292,072,808.00**	**29.74%**
Premium Ceded	(1,687,625,888.00)	(1,102,771,906.00)	53.03%
Net Premium	**1,286,056,916.00**	**1,189,300,902.00**	**8.14%**
Investment Income	60,762,508.00	69,012,169.00	-11.95%
Other Income	79,491,426.00	10,305,261.00	671.37%
Reinsurance Commission	204,432,968.00	61,284,032.00	233.58%
Net Income	**1,630,743,818.00**	**1,329,902,364.00**	**22.62%**
Net Claims Paid	**(595,364,218.00)**	**(516,190,332.00)**	**15.34%**
Acquisition Costs	(199,957,564.00)	(189,698,418.00)	5.41%
Management & Operation Expenses	(686,475,539.00)	(583,193,682.00)	17.71%
Net Expenses	**(1,481,797,321.00)**	**(1,289,082,432.00)**	**14.95%**
Unearned Premium Movement	(66,727,609.00)	(18,900,051.00)	253.06%
Fair Value adjustments on Investments	32,531,770.00	(7,529,043.00)	-532.08%
Exchange Losses	24,764,334.00	12,549,822.00	97.33%
Profit Before tax	**139,514,992.00**	**26,940,660.00**	**417.86%**
Taxation	**(37,838,036.00)**	**(37,013,120.00)**	**2.23%**
Profit After Tax	**101,676,956.00**	**(10,072,460.00)**	**-1109.46%**

15.4 General Insurance Business Financial Position Overview

15.4.1 Assets

Total assets in general insurance business increased to K2, 855 million in the year under review from K2, 259 million in 2019, representing a 26 percent increase.

15.4.2 Equity

Total equity increased by 5.75 percent from K430 million in 2019 to K455 million in 2020. The increase was attributed to the rise in retained profits. Other details relating to the financial position are illustrated in Table 24 below.

Table 24: General Insurance Industry Abbreviated Statement of Financial Position

GENERAL INSURANCE - INDUSTRY ABBREVIATED STATEMENT OF FINANCIAL POSITION			
ASSETS	**31st December 2020**	**31st December 2019**	**Change**
PPE, Deferred/Current Tax & Prepayments	357,397,810.00	274,775,464.00	30.07%
Investments	379,206,037.00	280,649,549.00	35.12%
Reinsurance Receivables	704,965,496.00	515,895,698.00	36.65%
Receivables - Policyholders	699,717,760.00	589,055,682.00	18.79%
Other Assets & Receivables	360,764,837.00	320,316,122.00	12.63%
Cash & Bank Balances	349,117,535.00	278,508,060.00	25.35%
Total Assets	**2,851,169,475.00**	**2,259,200,575.00**	**26.20%**
CAPITAL & RESERVES			
Share Capital	259,307,176.00	253,074,906.00	2.46%
Share Premium	28,703,762.00	27,509,122.00	4.34%
Retained Profits & Reserves	166,914,783.00	149,586,465.00	11.58%
Total Capital & Reserves	**454,925,721.00**	**430,170,493.00**	**5.75%**
LIABILITIES			
Technical Provisions (IBNR, UPR)	696,458,458.00	511,782,518.00	36.08%
Outstanding Claims	545,328,128.00	396,044,369.00	37.69%
Reinsurance Payables	291,367,382.00	252,437,040.00	15.42%
Other Payables	863,089,786.00	668,766,155.00	29.06%
Total Liabilities	**2,396,243,754.00**	**1,829,030,082.00**	**31.01%**
Total Equity & Liabilities	**2,851,169,475.00**	**2,259,200,575.00**	**26.20%**

15.4.4 Expenses Ratio

The expense ratio measures an insurance company's efficiency in management of expenses before factoring in insurance claims and investment gains or losses. This ratio measures expenses as a percentage of net earned premiums. The ratio stood at 47.76 percent in 2020 (2019: 46.7 percent), which translated into a 2.27 percent increase.

15.4.5 Claims Ratio

This ratio measures net claims paid as a percentage of net earned premium. The ratio stood at 59.67 percent in 2020 (2019: 41.9 percent).

15.4.6 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 14.04 percent in 2020, compared with 15.40 percent in 2019.

15.4.7 Combined Ratio

This ratio measures the profitability of an insurance company to indicate whether it has made an underwriting profit from performing their 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 expenses, claims and commissions than it is receiving from premiums and, therefore, making an underwriting loss.

The ratio stood at 121.48 percent in 2020 (2019:104 percent) an indication that general insurers were not managing their expenses well.

15.4.8 Profit Margin Ratio

The profit margin increased to 4.69 percent in 2020 from 1.20 percent in 2019. In addition, Profit before tax increased by 414 percent from K27 million in 2019, to K139 million in 2020.

15.4.9 Return on Capital Employed

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

The ratio increased from 6.30 percent in 2019 to 26.35 percent in 2020. The ratio indicates that the general insurance market was more efficient in generating profits from shareholder funds in 2020 as compared to 2019.

A summary of the key performance ratios for the general insurance business are shown in Table 25 below.

Table 25: 2020 General Insurance Key Performance Ratios

2020 GENERAL INSURANCE KEY PERFOMANCE RATIOS			
PROFITABILITY RATIOS:	**31st December, 2020**	**31st December, 2019**	**31st December, 2018**
			(Restated)
1. Expenses Ratio = Operational Expenses/ Net Earned Premium	47.76%	46.70%	55.60%
2. Claims Ratio = Claims Incurred/Net Earned Premium	59.67%	41.90%	34.70%
3. Commission Ratio = Acquisition costs/Net Earned Premium	14.04%	15.40%	14.70%
4. Combined Ratio = Expenses Ratio + Claims Ratio + Com. Ratio	121.48%	104.00%	101.30%
5. Profit Margin Ratio = PBIT/Gross Written Premium	4.69%	1.20%	6.40%
6. Return of Capital = PBIT/Equity	26.35%	6.30%	32.80%
INDUSTRY GROWTH RATIO			
7. Annual Market Growth	29.74%	20.00%	6.00%

[14] ZSIC Life, Metropolitan and Liberty Life had not submitted their audited financials at the time of reporting.

15.5 Long-Term Insurance Overview

This section outlines the performance of the long-term insurance business for the year 2020 in comparison to the industry's results in 2019. The data used in the analysis is sourced from the audited financial statements of long-term insurance companies[14].

15.5.1 Premium Income

The GWP for long-term insurance business increased by 8.88 percent during the year under review to K1, 595 million, from K1, 464 million recorded in 2019.

The business recorded a net premium of K1, 267 million in 2020 (K1, 172 million: 2019) after ceding K327 million in 2020, and K292 million in 2019 representing a 11.94 percent increase. The year under review recorded a retention ratio of 79.50 percent (2019: 80.05 percent).

15.5.2 Benefits

Long-term insurers paid K735 million during the year under review in net benefits compared to K571 million in 2019. Insurance benefits and claims increased by 28.75 percent in the year under review. Other details relating to performance are illustrated in Table 26 below.

Table 26: Long-Term Insurance Industry Abbreviated Comprehensive Statement of Income

	31st December 2020	31st December 2019	Growth
	K	K (Restated)	
Gross Premium received	**1,594,819,419.00**	**1,464,723,453.00**	**8.88%**
Premium Ceded	(327,124,596.00)	(292,237,653.00)	11.94%
Net Premium Received	**1,267,694,823.00**	**1,172,485,800.00**	**8.12%**
Investment & Other Income	503,613,144.00	247,127,326.00	103.79%
Fee Income	37,511,803.00	28,302,569.00	32.54%
Reinsurance Recoveries	95,100,288.00	58,717,221.00	61.96%
Reinsurance Commission	(701,574.00)	2,388,422.00	-129.37%
Net Other Income	**1,903,218,484.00**	**1,509,021,338.00**	**26.12%**
Net Insurance Benefits & Claims	(735,390,611.00)	(571,172,417.00)	28.75%
Acquisition Expenses	(223,978,816.00)	(202,378,588.00)	10.67%
Management & Operation Expenses	(661,866,950.00)	(567,051,377.00)	16.72%
Net Expenses	**(1,621,236,377.00)**	**(1,340,602,382.00)**	**20.93%**
Long term Fund Movement	(210,907,856.00)	(156,512,955.00)	34.75%
Fair Value Adjustments on Investments	12,319,374.00	37,463,513.00	-67.12%
Exchange losses & other Expenses	(4,320,504.00)	(1,593,012.00)	171.22%
Profit Before Tax	**79,073,121.00**	**47,776,502.00**	**65.51%**
Taxation	(26,094,723.00)	(4,050,250.00)	544.27%
Profit After Tax	**52,978,398.00**	**43,726,252.00**	**21.16%**

15.6 Long-Term Insurance Business Financial Position Overview

15.6.1 Assets

Total assets in long-term insurance business increased to K2, 540 million in 2020 from K1, 823 million in 2019, posting a 39.35 percent growth.

15.6.2 Equity

Analysis revealed that total equity increased by 37.60 percent to K293 million in 2020 (2019: K213 million). This could be attributed to an increase in share capital and retained profits from K125 million in 2019 to K135 million in 2020 as well as retained profits that increased from –K12 million in 2019, to K57 million in 2020. Other details relating to financial position of the long-term insurance business are summarised in Table 27 below.

Table 27: Long-Term Insurance Industry Abbreviated Statement of Financial Position

ASSETS	31st December, 2020	31st December, 2019	Growth
	K	K	
Property, Plant & Equipment	311,260,204.00	181,614,478.00	71.39%
Intangible Assets	2,045,101.00	9,782,759.00	-79.09%
Deferred Acquisition Costs	15,696,580.00	17,258,510.00	-9.05%
Deferred Tax	40,053,442.00	30,645,296.00	30.70%
Investments	1,252,794,568.00	809,469,516.00	54.77%
Reinsurance Receivables	65,428,084.00	63,463,176.00	3.10%
Receivables - Policy Holders	293,718,607.00	229,911,843.00	27.75%
Right of Use	17,984,951.00	10,645,268.00	68.95%
Other Receivables	211,840,434.00	229,689,039.00	-7.77%
Cash & Bank Balances	329,152,044.00	240,205,480.00	37.03%
Total Assets	**2,539,974,015.00**	**1,822,685,365.00**	**39.35%**
CAPITAL & RESERVES			
Share Capital	135,010,365.00	125,010,355.00	8.00%
Share Premium	77,830,173.00	77,941,073.00	-0.14%
Capital Contributions	-	-	
Retained Profits	57,385,365.00	(11,965,676.00)	-579.58%
Revaluation Reserves	22,376,711.00	21,666,867.00	3.28%
Total Capital & Reserves	**292,602,614.00**	**212,652,619.00**	**37.60%**
LIABILITIES			
Life Assurance Fund	1,616,609,295.00	1,221,925,358.00	32.30%
Outstanding Claims	155,897,457.00	33,187,871.00	369.74%
Other Payables	450,299,820.00	341,988,573.00	31.67%
Finance Lease & Overdraft	24,564,829.00	12,930,944.00	89.97%
Total Liabilities	**2,247,371,401.00**	**1,610,032,746.00**	**39.59%**
Total Equity & Liabilities	**2,539,974,015.00**	**1,822,685,365.00**	**39.35%**

15.6.3 Long-Term Insurance-Ratio Analysis

15.6.3.1 Expenses Ratio

The expense ratio stood at 56.94 percent in 2020 (2019: 50.00 percent).

15.6.3.2 Claims Ratio

The ratio stood at 55.04 percent of net written premium in 2020 (2019: 50.20 percent).

15.6.3.3 Commission Ratio

The ratio stood at 19.10 percent in 2020 (2019: 17.80 percent).

15.6.3.4 Combined Ratio

The combined ratio stood at 131.08 percent in 2020 (2019:117.90 percent). The ratio suggests that long-term insurers were not able to cover their expenses from underwriting results in the year under review, without relying on investment income and other income.

15.6.3.5 Profit Margin Ratio

The industry reported profits before tax in 2020 and the comparative year resulting in a movement of 65.50 percent, i.e. profit of K79.07 million from K47.78 million in 2019. This resulted in a profit margin of 5.14 percent in 2020, and 3.26 percent in 2019.

15.6.3.6 Return on Capital Employed

The return on capital employed increased from 22.47 percent in 2019 to 28.54 percent in 2020. The ratio revealed that the market for long-term business was efficient during 2020.

A summary of the key performance ratios for the long-term insurance business are indicated in Table 28 below.

Table 28: Long-Term Insurance Industry Key Performance Ratio

2020 LONG-TERM INSURANCE KEY PERFOMANCE RATIOS			
PROFITABILITY RATIOS	**31st December, 2020**	**31st December, 2019**	**31st December, 2018**
	K	**K(Restated)**	**K(Restated)**
1. Expenses Ratio = Operational Expenses/ Net Premium	56.94%	50.00%	49.40%
2. Claims Ratio = Claims Incurred/Net Premium	55.04%	50.20%	46.60%
3. Commission Ratio = Acquisition costs/Net Premium	19.10%	17.80%	17.00%
4. Combined Ratio = Expenses Ratio + Claims Ratio + Com. Ratio	131.08%	117.90%	113.00%
5. Profit Margin Ratio = PBIT/Gross Written Premium	5.14%	3.26%	-0.70%
6. Return of Capital = PBIT/Equity	28.54%	22.47%	-4.90%
INDUSTRY GROWTH RATIO			
7. Annual Market Growth	8.32%	15.00%	35.00%

15.7 Insurance Market Share

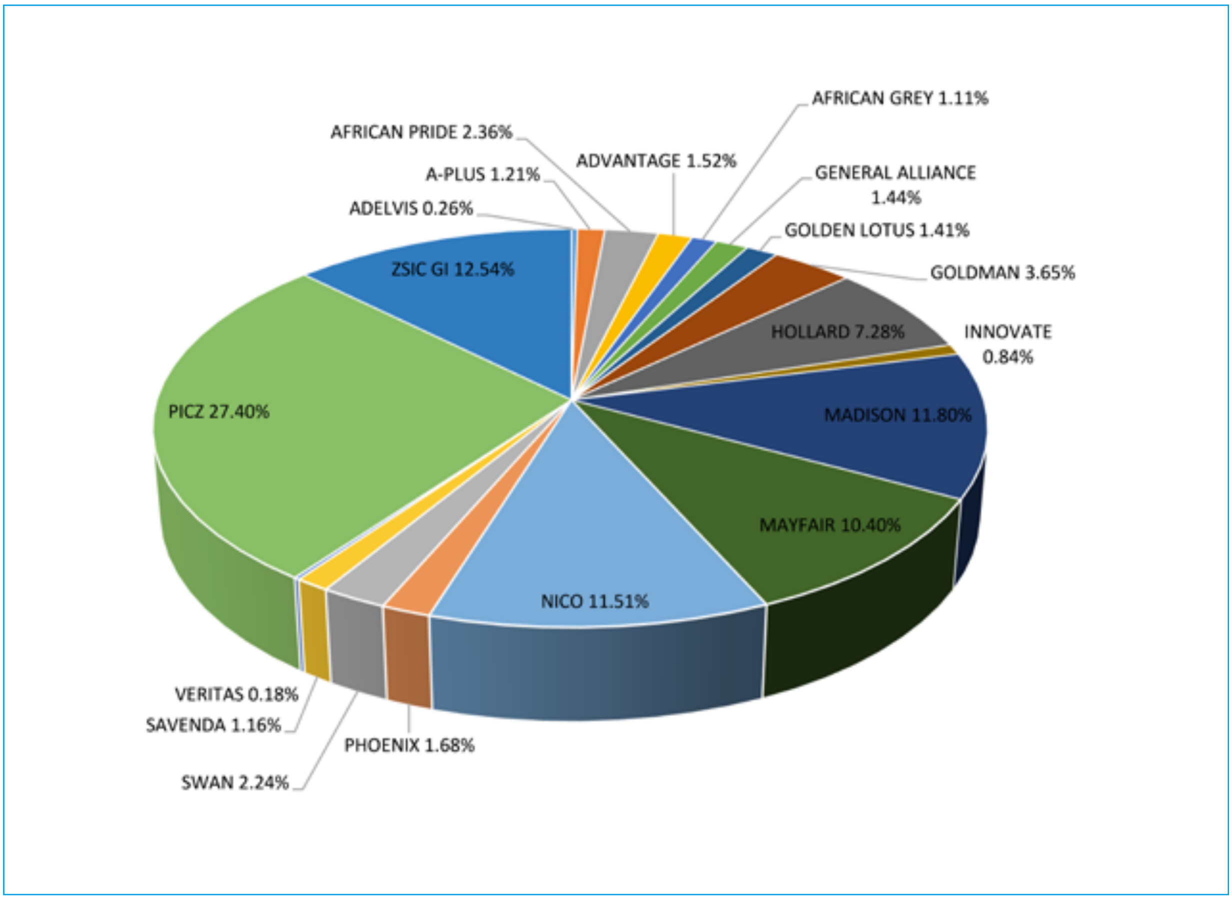
This section analyses the insurance market in terms of market share with respect to GWP. The analysis reports the ranking exclusively within the separate insurance business types.

15.7.1 General Insurance Market Share

The analysis revealed that Professional Insurance Corporation Zambia Limited (PICZ) led the market share with 27.40 percent in the year under review followed by ZSIC General Insurance Limited 12.54 percent, Madison General Insurance Company Zambia Limited 11.80 percent, NICO with 11.51 percent, and Mayfair Insurance Company Zambia Limited with 10.40 percent, while Hollard General Insurance accounted for 7.28 percent. The four largest General Insurers accounted for 63.25percent of the GWP market share in 2020 (2019: 62.6 percent).

Details relating to the market share of other market players in general insurance business are summarised in Figure 12 below.

Figure 12: General Insurance Market Share

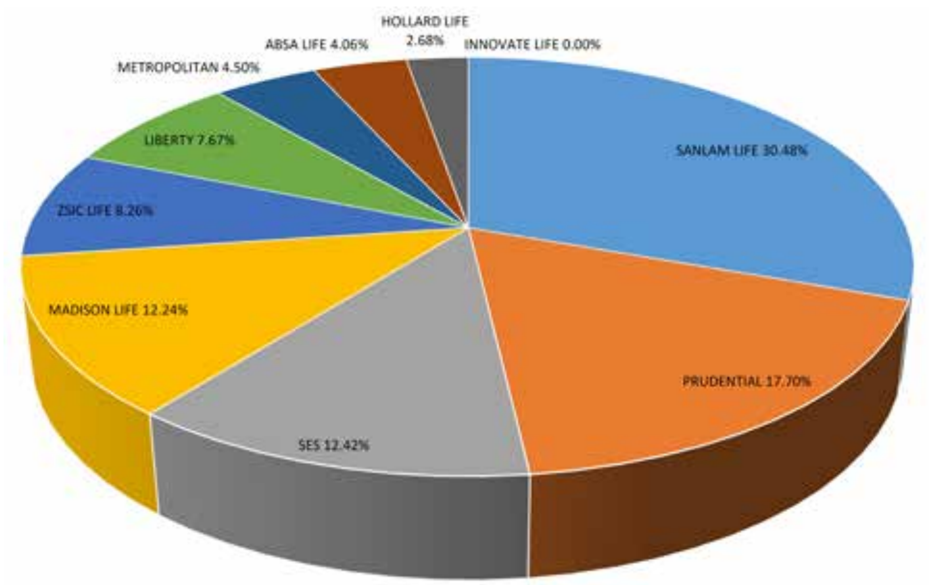


15.7.2 Long-Term Insurance Market Share

Analysis of the long-term insurance market share revealed that Sanlam Life Insurance Zambia led the GWP market share with 30.48 percent in the year under review followed by Prudential Life Assurance Zambia with 17.70 percent and Specialty Emergency Services 12.42 percent, Madison Life with 12.24% and ZSIC Life with 8.26 percent. The four largest long-term insurers accounted for 72.84 percent of the GWP market share in 2020 (2019: 71.30 percent).

Details relating to the market share of other market players in long-term insurance business are summarised in Figure 13 below.

Figure 13: Long-Term Insurance Market Share



16.0 REINSURANCE

16.1 Reinsurance Operating Results

The GWP for reinsurance business increased by 56.68 percent in the year under review to K161 million from K103 million in the previous year. Retrocession commissions decreased by 11.25 percent from K9.36 million in 2019 to K8.31 million in 2020.

Profit before tax was K24.17 million in 2020 from K1.19 million in 2019.

Other details relating to operating results of reinsurance business are summarised in Table 29 below.

Table 29: Reinsurers Aggregate Abbreviated Comprehensive Statement of Income

	31st December, 2020	31st December, 2019	Growth
	K	K	Change
Gross Reinsurance Premiums	**161,047,180.00**	**102,788,787.00**	**56.68%**
Retrocession Premiums Ceded	(33,587,280.00)	(34,425,366.00)	-2.43%
Net Reinsurance Premium Income	127,459,900.00	68,363,421.00	86.44%
Retrocession Commissions Received	8,305,567.00	9,358,795.00	-11.25%
Unearned Premium Movement	(4,176,564.00)	(4,022,422.00)	3.83%
Net Earned Premiums	**131,588,903.00**	**73,699,794.00**	**78.55%**
Net Reinsurance Claims	(31,257,681.00)	(24,438,495.00)	27.90%
Net Commission / Acquisition Costs	(45,673,410.00)	(22,410,045.00)	103.81%
Operating Expenses	(45,548,204.00)	(31,034,265.00)	46.77%
Operating Surplus / (Deficit)	**9,109,608.00**	**(4,183,011.00)**	**317.78%**
Other Income, Revaluation & Exchange Gains	20,199,121.00	5,378,150.00	275.58%
Taxation	(5,142,581.00)	(3,335,542.00)	54.18%
Profit After Tax	**24,166,148.00**	**(2,140,403.00)**	**1229.05%**

16.2 Reinsurance Financial Position

Total assets increased by 51.59 percent to K225 million in 2020 from K148 million in 2019. Details of the consolidated statement of financial position are summarised in Table 30 below.

Table 30: Reinsurer's Summary Statement of Financial Position

	31st December 2020	31st December, 2019	CHANGE
	K	K	%
PPE, Deferred/Current Tax & Prepayments	31,534,402.00	30,679,179.00	2.79%
Investments	85,754,829.00	38,940,927.00	120.22%
Retrocession Receivables	805,227.00	320,273.00	151.42%
Premium Receivables	58,695,803.00	55,632,825.00	5.51%
Other Receivables	19,217,097.00	19,364,727.00	-0.76%
Cash & Bank Balances	28,772,692.00	6,147,812.00	368.02%
Total Assets	**224,780,050.00**	**151,085,743.00**	**48.78%**
Equity & Liabilities			
Share Capital	85,000,000.00	70,000,000.00	21.43%
Share Premium	24,978,551.00	2,530,642.00	887.04%
Retained Profits & Revaluation Reserves	19,524,303.00	(2,541,846.00)	-868.12%
Total Equity	**129,502,854.00**	**69,988,796.00**	**85.03%**
Unearned Premium Reserve	18,870,335.00	15,362,029.00	22.84%
Reinsurance Payables	25,304,647.00	18,168,736.00	39.28%
Other Payables	36,254,325.00	31,730,878.00	14.26%
Outstanding Claims	14,847,889.00	15,835,304.00	-6.24%
Total Liabilities	**95,277,196.00**	**81,096,947.00**	**17.49%**
Total Equity & Liabilities	**224,780,050.00**	**151,085,743.00**	**48.78%**

APPENDICES

Appendix 1: Statement of Changes in Pension Net Assets

STATEMENT OF CHANGES IN NET ASSETS			
DESCRIPTION (K)	**2020**	**2019**	**Percentage Change**
INFLOWS			
Contributions	1,310,753,346.57	1,125,537,726.44	16.5%
Normal - Members	470,941,798.21	425,440,802.71	10.7%
Normal - Employers	693,325,802.55	599,058,218.59	15.7%
Additional / Voluntary	12,884,236.99	10,532,326.41	22.3%
Special- Deficit Funding	94,445,081.96	21,540,105.39	338.5%
Transfer From Other Funds	39,156,426.86	68,966,273.34	-43.2%
Total Investment Income	1,867,955,787.02	805,268,387.40	
Investment Income	1,165,502,713.01	839,405,611.44	38.8%
Interest / income from Government Bonds	336,430,742.28	209,042,260.84	60.9%
Interest / income from Treasury Bills	24,916,304.52	115,613,009.86	-78.4%
Dividends from equities	134,550,844.35	111,834,388.71	20.3%
Rent from Properties	127,284,066.95	104,758,353.83	21.5%
Interest from cash deposits	403,684,330.08	236,760,838.74	70.5%
Income From Collective Investment Securities (capital gain/loss)	94,251,652.82	34,782,084.07	171.0%
Income from off shore investments - Equity	41,343,918.65	26,614,675.39	55.3%
Income from off shore investments - Bonds	3,040,853.36	-	
Other Income	702,453,074.01	- 34,137,224.04	-2157.7%
Claims from Insurance	-	-	
Fair value changes in equities	-56,786,182.53	-322,418,634.56	-82.4%
Property revaluations	163,400,351.33	82,438,825.72	98.2%
Foreign exchange gain/ (loss)	577,500,235.64	197,913,130.75	191.8%
Change in value of investments	12,380,432.79	3,351,158.70	269.4%
Profit/(loss) on sale of Investments	2,520,787.13	3,579,294.17	-29.6%
Recoveries (Court settlements, impairments)	3,437,449.65	999,001.18	244.1%
Total Inflows	**3,178,709,133.59**	**1,930,806,113.84**	**64.6%**

STATEMENT OF CHANGES IN NET ASSETS			
DESCRIPTION (K)	**2020**	**2019**	**Percentage Change**
EXPENDITURE			
Benefits paid	1,016,384,937.20	1,100,610,045.58	-7.7%
Pensions	111,830,666.57	200,118,278.79	-44.1%
Lump sum benefits	119,605,809.40	160,433,708.94	-25.4%
Death Benefits	49,933,115.67	44,907,425.16	11.2%
Refund and withdrawals of Contributions	681,477,855.52	579,061,303.53	17.7%
Transfers to other pension funds	25,134,704.96	85,489,242.36	-70.6%
Income Tax Expenses	-		
Others (Premiums on insurance Policies, Annuities)	28,402,785.08	30,600,086.80	-7.2%
Administration Expenses	178,740,046.17	146,195,261.19	22.3%
Operational Expenses	17,786,684.65	15,410,260.21	15.4%
Staff Costs	19,893,078.18	13,439,765.95	48.0%
Investment Property Costs	23,258,824.31	18,115,711.93	28.4%
Other Expenses (Taxation, PIA Levy, Bad debt provision, commissions, handling fees, medical levy)	117,801,459.03	99,229,523.10	18.7%
Taxation	64,529,776.87	61,000,172.98	5.8%
PIA Levy	30,088,595.73	24,038,960.46	25.2%
Bad Debt Provision	17,392,566.06	8,010,257.71	117.1%
Commissions	2,239,679.69	3,431,576.04	-34.7%
Handling Fees	3,550,840.68	2,748,456.90	29.2%
Medical Levy	-	-	
Management Costs	231,966,077.94	166,503,955.66	39.3%
Total Expenditure	**1,427,091,061.31**	**1,413,309,262.43**	**1.0%**
	-	-	
EXCESS/(DEFICIT) OF INCOME OVER EXPENDITURE	**1,751,618,072.28**	**517,496,851.41**	**238.5%**

Appendix 2: Statement of Pension Net Assets Available for Pension Benefits

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS			
DESCRIPTION (K)	**2020**	**2019**	**Percentage Change**
OPENING NET ASSETS	**7,962,007,495.38**	**7,685,497,302.25**	**3.6%**
ASSETS	**11,116,051,776.25**	**9,346,745,810.41**	**18.9%**
Fixed Assets	40,506,391.14	40,323,894.06	0.5%
Investments	10,083,070,855.17	8,504,880,372.73	18.6%
Government Bonds	1,719,891,288.16	1,243,443,456.68	38.3%
Treasury Bills	88,682,662.85	103,098,600.17	-14.0%
Collective Investment Schemes	572,957,779.42	357,924,073.24	60.1%
Equity - Listed	1,358,294,287.94	1,478,296,819.59	-8.1%
Equity -Unlisted	102,245,253.50	114,592,049.09	-10.8%
Property	2,273,207,114.65	2,075,230,966.77	9.5%
Term Deposits	2,152,356,235.40	1,947,911,350.07	10.5%
Corporate Bonds	509,031,056.80	520,188,342.23	-2.1%
Commercial Papers	123,286,194.96	125,259,137.77	-1.6%
Municipal Bonds	-	-	
Off-shore Investments	1,130,117,658.07	521,860,806.68	116.6%
Other Investments (Insurance policies)	53,001,323.42	17,074,770.44	210.4%
Current Assets	992,474,529.94	801,541,543.62	23.8%
Debtors	35,520,349.81	36,773,216.38	-3.4%
Income Receivable from Fixed Interest Securities	100,099,636.10	122,913,465.61	-18.6%
Arrear Contributions	397,889,786.68	406,638,490.71	-2.2%
Cash at Bank	405,370,248.66	190,610,545.49	112.7%
Other - Loans to employees, Interest Receivable, income tax receivable, Dividends receivable, Rent Receivable)	53,594,508.69	44,605,825.43	20.2%
	-		#DIV/0!
LIABILITIES	**1,617,044,054.45**	**1,384,738,315.03**	**16.8%**
Long-term liabilities (Deferred liability on pension)	27,179,000.00	27,179,000.00	0.0%
Current Liabilities	1,589,865,054.45	1,357,559,315.03	17.1%
Creditors (Investment Management Fees, Audit Fees, Custodial fees, PIA Levy, Fund Administration Fees, Actuarial Valuations fees, deferred Income)	894,012,977.79	733,194,344.74	21.9%
Contributions received in advance	28,069,416.39	11,123,236.62	152.3%
Benefits Due	525,807,140.50	536,004,744.28	-1.9%
Bank Overdraft	-	-	

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS			
DESCRIPTION (K)	**2020**	**2019**	**Percentage Change**
Taxation	60,170,579.66	58,752,489.29	2.4%
Prepayments (Security Deposit, Rent Pre-paid)	81,804,940.11	18,484,500.10	342.6%
NET ASSETS AT THE END OF THE YEAR	**9,499,007,721.80**	**7,962,007,495.38**	**19.3%**
	-		
MEMBERS' FUNDS	**-**		
Members' funds at the beginning of the quarter ADJUSTED	7,765,344,325.15	7,467,255,116.81	4.0%
Excess of income over expenditure	1,751,618,072.28	519,128,054.20	237.4%
Reserves	-17,954,675.63	-24,375,675.63	-26.3%
	-	-	
MEMBER ASSETS AT THE END OF THE QUARTER	**9,499,007,721.80**	**7,962,007,495.38**	**19.3%**

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 2020

CONTENTS **PAGE**

Report of the Directors	1
Statement of Responsibilities for the Financial Statements	7
Report of the Independent Auditors	8
Statement of Surplus or Deficit	13
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Funds	16
Statement of Cash Flows	17
Summary of Significant Accounting Policies	18
Notes to the Financial Statements	31

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 2020.

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 Stand No. 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 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 ("MoF");

(ii). A representative of the Ministry of Justice ("MoJ");

(iii). A representative of the Zambia Institute of Chartered Accountants ("ZICA");

(iv). A representative of the Bank of Zambia ("BoZ");

(v). A representative of Zambia Union of Financial Institutions & Allied Workers ("ZUFIAW");

(vi). A representative of Zambia Association of Chambers of Commerce and Industry ("ZACCI");

(vii). A representative of the Zambia Federation of Employers ("ZFE");

(viii). A representative of the Ministry of Labour and Social Security ("MLSS"); and

(ix). One person with expertise in matters of pensions and insurance

(b) Board Composition

(i)	Mrs Petronella M. N Mwangala	-	Chairperson
(ii)	Mr Chibamba K Lopa	-	Vice Chairperson
(iii)	Mr Harrington Chibanda	-	Member
(iv)	Mr Alfred Chifota	-	Member
(v)	Mr Anthony Dumingu	-	Member
(vi)	Mr Akapelwa Imwiko	-	Member
(vii)	Ms Prudence Malilwe	-	Member
(viii)	Mrs Pitican Miyanda Syafunko	-	Member
(ix)	Mrs. Mutinta Pensulo	-	Member

The above listed Directors tenure came to an end on 5th September 2020. On 6th November 2020, the following Directors where appointed to the Board;

(i).	Mr Peter H Banda	-	Chairperson (Expert Ministerial Appointment)
(ii).	Mrs Dorothy K. Mbao	-	Vice Chairperson (Representing ZICA)
(iii).	Ms Mercy Munoni	-	Member (Representing MoF)
(iv).	Mr Francis Mwale	-	Member (Representing MoJ)
(v).	Mr Givens Muntengwa	-	Member (Representing MLSS)
(vi).	Ms Namwandi Ndhlovu	-	Member (Representing BoZ)
(vii).	Mrs Edna Haacuma	-	Member (representing ZUFIAW)
(viii).	Mr Moffat Kauma	-	Member (Representing ZACCI)
(ix).	Ms Grace Samui	.	Member (Representing ZFE)

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: **K1.520million** (2019:- K1.652million).

4. Management

(a). Key Management

The day-to-day operations of the Authority are managed by the Registrar, Mr Christopher Mapani. 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 Kabisa Ngwira	-	Board Secretary
(iv).	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). *Finance Department*

The department is responsible for financial management and accounting systems.

(iv). *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.

(v). *Other Units:*

The Authority also has other units that support the Registrar's office. These are Board Secretarial, Procurement, Human Resources, Communications and Information Communication Technology.

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 **K13.476million** (2019:-K8.579million).

(c) Income

(i). Levies amounted to **K58.525million** (2019:- K51.297million).

(ii). Investment and sundry income amounted to **K8.519million** (2019:- K5.808million).

(d) Expenditure

Administration and operating expenditure totalled **K53.208million** (2019:- K48.526million). The main operating costs were:

(i) Costs of personnel of **K36.639million** (2019:- K30.490million).

(ii) Recurrent operating costs of **K11.275million** (2019:- K15.431million). Included in 2019 recurrent operating costs is an amount of K5million contribution made to the Insurance Fidelity Fund. This was a one-off contribution in order to enhance and grow of this fund for the good of the Policyholders whose mandate to protect is the Authority's.

(iii) Depreciation and amortisation of **K2.203million** (2019:-K1.950million).

(iv) Impairment Losses on Financial Assets of **K3.089million** (2019:-K0.655million).

(e) Capital Expenditure

Fixed assets amounting to **K4.998million** (2019:-K1.973million) were acquired during the year under review. No major changes were made to the accounting policies and use of fixed assets.

(f) 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 42 to 43.

(g) 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 may arise 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.

(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 18 to 38.

(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 28 in Accounting Policy 7(f). Exposures are discussed on pages 38 to 42 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 and is managed separately from the Authority. The Authority has no liability other than in meeting monthly contributions into the scheme.

10. Auditors

By resolution of the Board, the Auditors, EMM Corporate Partners were appointed as External Auditors for the financial year 2020. They are eligible for reappointment and they expressed their willingness to continue in office.

On behalf of the Board:

SECRETARY	04/08/2021 **DATE**

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 2020.

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 13 to 17, and the additional information on pages 18 to 46, 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 2020;

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 2020 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 13 to 17 were approved by the Board Members on 04/08/2021 and signed on its behalf by:.

BOARD CHAIRPERSON **DIRECTOR**

EMM Corporate Partners
Chartered Accountants and Management Consultants

EMM

A member of cpaai

A MEMBER OF CPAAI-EMEA

CPA Associates International (CPAAI) is a worldwide association of accounting and consulting firms with its head office in New York, USA. EMM is a member of the Europe, Middle East and Africa region of CPAAI. In January 2020, CPAAI merged with MGI Worldwide to create a major, bigger and better international accounting association.

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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 2020, 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 2020, and its financial performance and cash flows for the year then ended.

Separate Opinion in relation to IFRS as issued by the IASB

The Authority has prepared financial statements in line with IFRSs. In our opinion, the Authority has prepared Financial Statements that comply with IFRS as issued by the IASB.

Basis for Opinion on Compliance with IFRS

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 opinion on compliance with IFRS.

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.

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1. Valuation of Financial Instruments

The Authority's disclosures about its structured financial instruments are included in Accounting Policy 7(a)(ii). 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.

2. 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.* 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 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 made based on these returns and in some cases were these are not submitted on time estimates are made. However, these accounts are still reconciled at the year-end based on audited financial statements. 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.

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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, the Authority had not undertaken some activities planned for the year and this had an impact on the Strategic Plan. Further, medical expenses for members of staff had increased due to Corona Virus testing and treatment at medical facilities. In trying to mitigate the Virus, the Authority also incurred further expenses in this regard.

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

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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.

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

The Authority did not comply with *Section 58(d) of the Public Finance Management Act of 2018*, which requires audit reports of government entities to be completed by 30th April of each following year.

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)*;

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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: 000856

EMM CORPORATE PARTNERS
Chartered Accountants and Management Consultants

31/8/24
Date

STATEMENT OF SURPLUS OR DEFICIT

Amounts are Stated in Zambian Kwacha	Note	**2020**	2019
Operating Income			
Insurance Levy Income	1.	**30,298,126**	24,120,836
Pension Levy Income	2.	**28,227,789**	27,176,069
		58,525,915	51,296,905
Non-Operating Income			
Investment Income	3.	**7,284,850**	5,306,099
Other Income	4.	**874,491**	501,967
		8,159,341	5,808,067
		66,685,256	57,104,972
Expenditure			
Impairment Loss on Financial Assets	5.	**3,089,750**	655,345
Depreciation and Amortisation	7.	**2,203,100**	1,950,077
Emoluments and Benefits	Schedule I	**36,639,729**	30,489,633
Operation and Administration Costs	Schedule II	**11,275,970**	15,430,540
		53,208,549	48,525,595
Operating Surplus	6.	**13,476,707**	8,579,377
Total operating result attributable to:			
Controlling Interests		**13,476,707**	8,579,377
Non-controlling Interests		**-**	-
		13,476,707	8,579,377

Statement of Comprehensive Income

Amounts are Stated in Zambian Kwacha	Note	**2020**	2019
Operating Surplus		**13,476,707**	8,579,377
Other Comprehensive Income:			
Items that will not be subsequently reclassified to Surplus and deficit:			
Revaluation Surplus - Cost Adjustment	7.	**-**	7,929,661
Revaluation Surplus – Depreciation Write Back	7.	**-**	1,661,050
		-	9,590,711
Items that may be subsequently reclassified to surplus and deficit:		**-**	-
		-	-
Other Comprehensive Income		**-**	9,590,711
Total Comprehensive Income		**13,476,707**	18,170,087
Total comprehensive income attributable to:			
Controlling Interests		**13,476,707**	18,170,087
Non-controlling Interests		**-**	-
		13,476,707	18,170,087

STATEMENT OF FINANCIAL POSITION

Amounts are Stated in Zambian Kwacha	Notes	**2020**	2019
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.	**33,271,071**	30,477,684
		33,271,071	30,477,684
Current Assets			
Receivables at Amortised Cost	8.	**24,691,290**	19,052,315
Other Financial Assets	9.	**6,520,018**	8,204,462
Placements with Credit Institutions	10.	**56,517,775**	46,982,455
Total Current Assets		**87,729,083**	74,239,232
Total Assets		**121,000,154**	104,716,916
FUNDS AND LIABILITIES			
Funds			
Accumulated Funds		**95,779,385**	82,110,863
Revaluation Reserves		**9,207,083**	9,398,897
Total Equity		**104,986,468**	91,509,760
Non-Current Liabilities			
Pension Registration Fees	11.	**6,520,829**	5,351,618
Employee Benefits and Provisions	12.	**4,514,666**	3,100,774
Capital Grants	13.	**65,975**	65,975
		11,101,470	8,518,368
Current Liabilities			
Employee Benefits and Provisions	12.	**1,273,098**	1,054,234
Amounts Owed to Third Parties	14.	**1,477,426**	1,053,826
Other Financial Liabilities	15.	**2,161,693**	2,580,729
Total Current Liabilities		**4,912,217**	4,688,789
Total Equity and Liabilities		**121,000,154**	104,716,916

The financial statements were approved by the Board of Directors on 04/08/2021 and signed on its behalf by:

BOARD CHAIRPERSON **DIRECTOR**

STATEMENT OF CHANGES IN FUNDS

Amounts in Zambian Kwacha	**Revaluation Reserve**	**Accumulated Funds**	**Total Funds**
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
Balance as at 1 January 2020	**9,398,897**	**82,110,863**	**91,509,760**
Total Comprehensive income	**-**	**13,476,707**	**13,476,707**
Amortisation of Revaluation Reserve	**(191,814)**	**191,814**	**-**
At 31 December 2020	**9,207,083**	**95,779,384**	**104,986,467**

STATEMENT OF CASH FLOWS

Amounts are Stated in Zambian Kwacha	**Notes**	**2020**	2019
Cash Inflow from Operating Activities			
Operating Surplus		**13,476,707**	8,579,377
Interest Received	3.	**(7,284,850)**	(5,306,099)
Depreciation	7.	**2,203,100**	1,950,077
Gain on Disposals		**(465,874)**	(43,637)
Changes in Accounts Receivable		**(5,638,976)**	(1,695,186)
Changes in Other Receivables		**1,684,445**	(2,022,497)
Change in Pension Registration Fees		**1,169,211**	933,266
Change in Other Financial Liabilities		**(419,035)**	(68,959)
Change in Amounts Owed to Third Parties		**423,600**	(81,673)
Change in Employee Benefits and Provisions		**1,632,756**	276,178
Net Cash Inflow from Operating Activities		**6,781,084**	2,520,846
Returns on Investment and Servicing of Finance			
Interest Received	7.	**7,284,850**	5,306,099
		7,284,850	5,306,099
Investing Activities			
Actual Payments to Acquire Tangible Fixed Assets	7.	**(4,998,023)**	(1,973,270)
Proceeds from Disposal of Assets		**467,409**	43,638
Net Cash Outflow on Investing Activities		**(4,530,614)**	(1,929,633)
Net Increase in Cash and Cash Equivalents		**9,535,320**	5,897,313
Cash and Cash Equivalents at start of year		**46,982,455**	41,085,142
Cash and Cash Equivalents at end of year		**56,517,775**	46,982,455
Represented By:			
Cash at Bank and in Hand	10.	**13,535,185**	14,450,461
Short-Term Bank Deposits	10.	**42,982,590**	32,531,995
		56,517,775	46,982,455

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31st December 2020 are set out below:

1. Basis of Preparation

The financial statements for the year ended 31st December 2020 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. Measurement Basis

The financial statements have been prepared under the historical cost convention, except for land and buildings which are reflected at revalued cost, and unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received from sell of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Authority uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Authority (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

3. 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 2020.

4. Adoption of New and Revised International Financial Reporting Standards ("IFRSs")

(a). **Application of New IFRS requirements**

For the preparation of financial statements, the following amendments to Standards are mandatory for the first time for the financial year beginning on or after 1st January 2020:

(i). ***Amendments to IAS 1: Presentation of Financial Statements and IAS 8: Change in Accounting Policies:*** This standard is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or

condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The following amendments are effective for annual reporting periods beginning on or after 1st January 2020. Earlier application is permitted.

- ***Impact of Change on the Current Period:*** IAS 8 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption. The IASB did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of IFRS 15 Revenue from contracts with customers, but not for entities that adopted IFRS 16 Leases without using the simplified transitional approach. Additional comparative information –third statement of financial position.

- ***Additional Comparative Information –Third Statement of Financial Position:*** If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the statement of financial position (statement of financial position) at the beginning of the preceding period, the entity must present a third statement of financial position as at that date (1 January 2019 for entities with a 31 December 2020 year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by IAS 8. The third statement of financial position must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

- ***Impact of Change on Prior Interim Financial Reports:*** There is no explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect as part of the disclosures made under paragraphs 28 and 29 of *IAS 8*.

(ii). ***IFRS 3 - Business Combinations: – Amendments to IFRS 3.*** The Standard has been amended with respect to definition of a business. The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.

(iii). ***Amendments to IFRS 4-Insurance Contracts (Superseded by IFRS 17):*** The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.

(iv). ***Amendments to IFRS 16: Leases:*** IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Effective 1st January 2019, the final amendments are effective for annual periods beginning on or after 1st January 2020.

(v). ***IAS 39 - Financial Instruments: Recognition and Measurement:*** This standard outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortised cost or fair value). Special rules apply to embedded derivatives and hedging instruments. The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.

(vi). ***IFRS 7 - Financial Instruments:*** **Disclosures:** This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.

(vii). ***IFRS 9 - Financial Instruments:*** The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. Initially effective 1st January 2018, the final amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b). **New IFRS Requirements in Issue but not Yet Effective**

The entity has also elected to adopt the following new or amended Standards and Interpretations that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2020.

(i). Annual Improvements to IFRS Standards 2018-2020 Cycle.

(ii). Covid-19-Related Rent Concessions – Amendments to IFRS 16 and

(iii). Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The Directors anticipate that the new Standards, amendments and Interpretations will be adopted in the entity's financial statements when they become effective.

(c). Amendments to Existing Standards Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the entities. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

(i). ***IAS 1 - Presentation of Financial Statements:*** This standard sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The amendments are effective for annual periods beginning on or after 1st January 2023. Earlier application is permitted.

(ii). ***IAS 16 - Property, Plant and Equipment:*** This standard outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted.

(iii). ***IAS 37 - Provisions, Contingent Liabilities and Contingent Assets:*** This standard outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted.

(iv). ***IFRS 1 - First-time Adoption of International Financial Reporting Standards*:** This sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted.

(v). ***IFRS 3 - Business Combinations:*** This standard outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

(vi). ***IFRS 4 - Insurance Contracts:*** The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.

(vii). ***IFRS 17 - Insurance Contracts:*** IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity. The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after 1st January 2022.

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.

(d). New Standards and Interpretations

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 entity in the current or future reporting periods and on foreseeable future transactions.

5. 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 the Statement of Comprehensive Income.

6. 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 Statement of Comprehensive Income in the year the item is de-recognised.

(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.

7. 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 the Statement of Comprehensive Income.

(b) Financial Assets

The Authority'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:

- 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.

(iv). Impairment

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 the statement of comprehensive income.

(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.

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 comprehensive 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.

(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 statement of comprehensive income.

(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 2020 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 43.

8. 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.

9. 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 purchase or otherwise acquire non-current assets are recognised as deferred revenue in the statement of 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.

10. 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.

11. Segmental Reporting

Segmental reporting is applied in line with IFRS 8 to report the split between Insurance levy and Pension levy. Expenditure, however, is not segmented. Segmental reporting is not required for assets and liabilities.

12. 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 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.

(b). Levies

Levy is paid by a pension scheme, insurance company and a person whose premium or source of premium is obtained from a business carried out in Zambia. This is paid on the net assets of the pension fund at a rate 0.3 percent ("%") per annum ("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.

13. 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

14. 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 31 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

15. Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Zambian Kwacha	**2020**	2019

1. Insurance Levy Income

General Insurance	**23,277,384**	17,466,831
Long-Term Insurance	**7,020,742**	6,654,005
	30,298,126	24,120,836

2. Pension Levy Income

Pension Scheme Levies	**28,227,789**	27,176,069

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	**261,053**	245,981
Interest on Held to Maturity Placements	**6,795,156**	4,898,330
Interest on Internal Staff Loans and Advances	**228,641**	161,788
	7,284,850	5,306,099

4. Other Income

Profit on Sale of Non-Current Assets	**465,874**	43,638
Sundry Income	**408,617**	458,330
	874,491	501,968

5. Impairment Loss on Financial Assets

	Trade Receivables	**Other Assets**	**Total**
Balance at 31 December 2018	6,042,512	-	6,042,512
Impairment Loss for the Year	649,451	5,894	655,345
Balance at 31 December 2019	6,691,963	5,894	6,697,857
Impairment Loss or the Year	**2,703,197**	**386,554**	**3,089,751**
Balance at 31 December 2020	**9,395,160**	**392,448**	**9,787,608**

6. Taxation

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

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	Tota
Cost								
At 1 January 2020	25,866,220	4,622,792	1,140,874	693,716	1,654,300	1,431,030	3,104,354	38,513,28
Additions	-	2,902,233	6,850	1,409,532	436,610	242,798	-	4,998,02
Disposals		(1,457,640)	(58,583)		(130,633)	(6,000)	-	(1,652,856
At 31 December 2020	**25,866,220**	**6,067,385**	**1,089,141**	**2,103,248**	**1,960,277**	**1,667,828**	**3,104,354**	**41,858,45**
Depreciation								
At 1 January 2020	1,377,529	2,928,997	768,285	467,153	1,179,634	1,314,004	-	8,035,60
Charge for the Period	388,691	933,383	109,239	275,142	341,888	154,757	-	2,203,10
Eliminated on Disposal	-	(1,457,640)	(57,048)	-	(130,633)	(6,000)		(1,651,320
At 31 December 2020	**1,766,220**	**2,404,741**	**820,476**	**742,295**	**1,390,889**	**1,462,761**	**-**	**8,587,38**
Carrying Amounts								
At 31 December 2019	24,488,691	1,693,795	372,590	226,563	474,665	117,026	3,104,354	30,477,68
At 31 December 2020	**24,100,000**	**3,662,644**	**268,665**	**1,360,953**	**569,388**	**205,067**	**3,104,354**	**33,271,07**

Capital Work in Progress relates to the Pensions Insurance Supervisory Management Information System (PISMIS).

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

Note 7 Cont'd

	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		2,928,997			1,179,634			
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

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

	2020	2019
8. Receivables at Amortised Cost		
Net Levies Receivable	**24,691,290**	19,052,315
(a) Analysis of Trade Receivables		
Gross Amounts Receivable	**34,086,450**	25,744,277
Less: Impairment Provision	**(9,395,160)**	(6,691,963)
	24,691,290	19,052,314
(b) Movement in Impairment Provision		
At the beginning of the Period	**6,691,963**	6,042,512
Charge for the Period	**2,703,197**	649,451
At the End of the Period	**9,395,160**	6,691,963
(c) Net Accounts Receivables are summarised as follows:		
Neither past due nor impaired	**5,453,832**	4,119,084
Past due but not impaired	**25,929,421**	20,975,742
Impaired	**2,703,197**	649,451
Gross	**34,086,450**	25,744,277
Less: allowance for impairment	**(9,395,160)**	(6,691,963)
Net	**24,691,290**	19,052,314

The average credit period on payment of levies is 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 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.

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 bases.

2020	**Amount**	**ECL**	**2020**
Ageing			
Pass (0 months)	15,807,515	5%	790,376
substandard (1 - 3months)	12,309,588	10%	1,230,959
Doubtful (4 - 5months)	423,819	15%	63,573
Loss (6 > months)	5,545,529	20%	618,289
Life Time ECL	34,086,450		2,703,197

2019	Amount	ECL	2019
Ageing			
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

9. Other Financial Assets

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

9. Other Financial Assets

	2020	2019
Prepayments	**666,723**	2,387,843
Staff Receivables	**4,961,134**	4,415,759
Sundry Debtors	**1,284,609**	1,406,755
	6,912,466	8,210,356
Less: Impairment Provision	**(392,447)**	(5,894)
	6,520,019	8,204,462

10. Placements with Credit Institutions

(a) Cash at Bank and in Hand

Held with ZANACO Centre	**496,607**	139,257.66
Held with ZANACO Premium	**13,035,140**	14,306,136.24
Petty Cash	**3,437**	5,067.00
	13,535,184	14,450,460.90

(b) Short-Term Bank Deposits

Held with ABSA Bank	**8,639,149**	-
Treasury Bill	**2,132,773**	-
Held with Cavmont	**-**	4,549,262.81
Held with First National Bank	**8,948,954**	9,075,070.31
Held with Indo Zambia Bank	**7,071,888**	5,777,947.77
Held with Stanbic Bank	**9,776,692**	7,898,427.93
Held with ZANACO	**6,413,135**	5,231,285.70
	42,982,591	32,531,995
	56,517,775	46,982,455.43

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.

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

11. Pension Registration Fees

	2020		2019
Balance at Start of Year	**5,351,618**		4,418,352
Movements during the Year	**1,169,211**	-	933,266
Balance at Close of Year	**6,520,829**		5,351,618

12. Employee Benefits and Provisions

Gratuity Provision	**4,514,666**	3,100,774
Leave Pay Provision	**1,273,098**	1,054,234
	5,787,764	4,155,009
Analysed As:		
Current Portion of Obligations	**1,273,098**	1,054,234
Non-Current Portion of Obligations	**4,514,666**	3,100,774
	5,787,764	4,155,009

13. Capital Grants

Restated Balance AT Start	**65,975**	68,154
Amortised during the year	**-**	(2,179)
Balance as at year end	**65,975**	65,975

14. Amounts Owed to Third Parties

Audit Provisions	**95,000**	90,000
NAPSA	**126,191**	107,475
PAYE	**1,256,235**	856,351
	1,477,426	1,053,826

15. Other Financial Liabilities

Staff-Related Accruals	**361,946**	624,686
Sundry Payables	**1,799,746**	1,956,042
	2,161,692	2,580,729

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

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 2020			
	Receivables	**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	30,544,585	-	-	30,544,585
-Cash and Equivalents	4,415,759	-	5,067	4,420,826
Total	**34,960,344**	**-**	**5,067**	**34,965,411**

	Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position			
Other Financial Liabilities	-	1,273,098	1,273,098
Trade and Other Payables	-	2,161,693	2,161,693
Total	**-**	**3,434,791**	**3,434,791**

	31 December 2019			
	Receivables	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	24,868,934	-	-	24,868,934
-Cash and Equivalents	13,535,185	-	32,531,995	46,067,180
Total	38,404,119	-	32,531,995	70,936,114

	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	-	2,580,729	2,580,729
Total	-	3,634,963	3,634,963

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

(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 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 2020, 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:

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

Category	Rating	ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
		2020			
Bank and Cash Balances	Performing	12-Month ECL	**13,535,185**	**-**	**13,535,185**
Fixed Deposits	Performing	12-Month ECL	**42,982,590**	**-**	**42,982,590**
Receivables at Amortised Cost	Performing	Simplified Approach	**34,086,450**	**(9,395,160)**	**24,691,290**
Other Financial Assets	Performing	Simplified Approach	**6,912,465**	**(392,447)**	**6,520,018**
			97,516,690	**(9,787,607)**	**87,729,083**
		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	25,744,277	(6,691,963)	19,052,315
Other Financial Assets	Performing	Simplified Approach	8,210,356	(5,894)	8,204,462
			80,937,089	(6,697,857)	74,239,232

The Authority's primary credit exposure from illiquidity of cash and cash equivalents amounted to **K13.535million** at 31st December 2020 (2019: K14.450million).

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:

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 2020					
Non-Interest Bearing	**409,351**	**1,228,054**	**3,274,811**	**11,101,470**	**16,013,686**
At 31 December 2019					
Non-Interest Bearing	390,732	1,172,197	3,125,859	8,518,368	13,207,156

(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.

(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

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

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 2020, the Authority did not have financial instruments measured at fair value (2019: 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 2020 and 2019 were as follows:

	2020	2019
Debt	**-**	-
Cash	**56,517,775**	46,982,455
Net Debt	**56,517,775**	46,982,455
Equity	**104,986,468**	91,509,760
Net debt to equity ratio	**53.83%**	51.34%

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.

(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:

	2020	2019
(i) Key Management Compensation		
Salaries and Other Short-Term Benefits	**2,795,653**	2,480,641
(ii) Remuneration to Board Members	**1,520,458**	1,651,842
(iii) Loans to Senior Management	**1,637,174**	245,501
(iv) Grants to Fidelity Fund	**-**	5,000,000

19. Capital Commitments

There were no capital commitments at the year end (2019: K1,000,000).

20. Contingent Liabilities

(a). The Authority has not entered into any unquantifiable contingent liabilities as at the year-end (2019: 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 attended to the following cases:

(i) In a lawsuit from 2010 relating to a liquidation matter between *Fidelity Life Assurance Limited* and the *National Savings and Credit Bank Pension Scheme.* The Court ruled that the Authority did not need to be joined to the matter.

(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) The ultimate outcome of this matter cannot presently be determined as efforts to locate the Plaintiff, and the Court record have proved futile. Accordingly, no provision for any effects on the Authority that may result from the matter has been made in the financial statements.

(d) As at the time of the report, the Registrar of the Authority, *Mr Christopher Mapani, the Deputy Registrar Insurance, Mr Titus Nkwale, and Manager- Actuary (former Manager Compliance and Inspection-Insurance, Mr Nicholas Mbuya* were facing charges in courts of law on two counts of

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in Zambian Kwacha

Abuse of Authority of Office contrary to Section 21(1)(a) and 41(a) of the Anti Corruption Act No. 3 of 2012, relating to:

(i) The appointment of *Tobias Milambo* as Chief Executive Officer of *Ultimate Insurance Company Ltd*; and

(ii) The issuance of a 2020 Insurer's general licence to Ultimate Insurance Company Ltd.

The Authority's internal Legal Counsel has assessed that:

(i). No material risk arises from these proceedings, other than reputational risk. The Authority is not meeting costs of defending these proceedings..

There are no other potential contingent liabilities which exist with respect to this matter

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, the Authority had not undertaken some activities planned for the year and this had an impact on the Strategic Plan. Further, medical expenses for members of staff had increased due to Corona Virus testing and treatment at medical facilities. In trying to mitigate the Virus, the Authority also incurred further expenses in this regard.

APPENDIX – PERSONNEL COSTS

Amounts are Stated in Zambian Kwacha	**2020**	2019
Wages and Salaries		
Salaries and Wages	**19,145,769**	15,607,641
Allowances	**5,632,823**	3,961,510
Bonus Pay	**636,434**	593,607
	25,415,026	20,162,758
Benefits		
Gratuity	**3,459,491**	3,124,430
Leave Pay	**2,707,070**	2,292,086
Medical Expenses	**774,136**	677,393
Employer NAPSA Contributions	**720,444**	607,240
Employer Pension Contributions	**1,286,365**	1,065,252
Staff Insurance-GLA and GPA	**542,104**	369,837
Subscriptions-Club and Gym	**65,450**	87,550
Subscriptions-Professional	**139,327**	150,485
	9,694,386	- 8,374,273
Other Employee Costs		
Internships	**55,000**	69,000
Staff Training	**1,456,917**	1,847,233
Staff Uniforms	**18,400**	15,869
Funeral Assistance	**-**	20,500
	1,530,317	1,952,602
	36,639,729	30,489,633

APPENDIX - OPERATIONAL COSTS
Amounts are stated in Zambian Kwacha

	2020	2019
Advertising & Promotions	**1,999,357**	2,341,335
Audit Fees	**95,000**	90,000
Bank Charges	**79,189**	67,940
Board and Committee Expenses	**1,520,458**	1,651,842
Computer Expenses	**1,475,325**	25,620
Consultancy Costs	**547,000**	26,523
Entertainment	**-**	25,445
General Expenses	**201,737**	286,329
Grants to Insurance Fidelity Fund	**-**	5,000,000
Insurance	**502,314**	638,163
International Day Celebrations	**492,963**	570,478
Legal Costs	**23,337**	-
Motor Vehicle Expenses	**595,723**	134,614
National Financial Inclusion Conference	**105,814**	-
Office Consumables	**227,552**	148,105
Postage, Telephone & Internet	**396,534**	254,494
Print & Stationery	**545,496**	489,385
Repairs & Maintenance	**1,234,275**	1,484,295
Security Expenses	**155,904**	155,904
Travelling Costs	**443,413**	1,056,031
Utilities	**89,973**	61,003
Workshops and Seminars	**544,607**	923,032
	11,275,971	15,430,540

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