

MEDIA RELEASE: FOR IMMEDIATE RELEASE

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NAMFISA's RESPONSE TO THE IMPACT OF COVID-19 ON THE NON-BANK FINANCIAL INSTITUTIONS (NBFIs) SECTOR

1. NAMFISA's mission is to effectively regulate and supervise financial institutions, while our vision is to have a safe, stable and fair financial system contributing to the economic development of Namibia in which consumers are protected. Given the dual role of ensuring financial soundness coupled with consumer protection, we need to strike a balance in our response towards COVID-19. Despite tough economic conditions, the Non-bank Financial Institutions (NBFIs) remain financially sound with adequate capital buffers to absorb adverse shocks.
2. The World Health Organization (WHO) has declared coronavirus (COVID-19) as a pandemic with the situation changing by the day through increases in new cases, both infections and deaths. The dynamic nature of the pandemic makes it difficult to forecast the extent of the economic impact on markets. The long-term effects of the COVID-19 pandemic upon the global economy remain difficult to model but in the short-term, global economic growth is expected to severely decline.
3. The coronavirus outbreak as a national disaster is expected to compound the effects of an already depressed domestic economy. The Namibian economy is in for a turbulent period and may further decline because of the COVID-19 pandemic, as key economic activities are expected to significantly slow down and in some instances come to a complete halt.
4. The measures to combat the spread of the coronavirus (COVID-19) pandemic as communicated in section 5(1) of Government Gazette Notice No. 9 dated 28 March 2020 that include a 21-day lock down, discouragement of physical contact and prohibition of public gatherings, have an impact on operational functions of businesses and ordinary citizens through lay-offs and furloughing.

NAMFISA expects a severe impact of COVID-19 on NBFIs through reduced or no new business during the lockdown period, adverse impact from the dwindling financial markets and rising claims, although with varying degree of brunt depending on the industry.

5. The NBFIs sector is diverse and requires varying approaches depending on the sector. The Authority, therefore, requires NBFIs to offer immediate relief to the consumers based on varying business models and product features, but without compromising the financial soundness of the institutions. These types of **relief to consumers must only be directed to clients that are directly impacted by COVID-19**. These include, but not limited to:

5.1. INSURANCE INDUSTRY:

Long-term / Life Insurance

- **Premium holiday** relief with possibility for extension in the event the State of Emergency is prolonged, whilst ensuring that clients are covered 100% during the period determined by the insurers. In the event that a claim occurs during or after the period the outstanding premiums should be deducted from the claim amount.
- Upon request of clients allow for **premium holidays** on saving, investment and retirement annuity policies and therefore treat such policies as paid-up policies, which can be reinstated after a period determined by the insurer has passed, without imposing penalties or costs for clients for the “missed” premiums and without clients having to pay in the premiums missed. Clients should be informed that when choosing this option they forfeit investment returns on the portion of the “missed” premiums for the period.
- Inform clients of policies including funeral policies that have **premium holiday** built into them and circumstances under which they can be used.
- Group Life Policies to allow cover whilst employees work from home during the State of Emergency.
- Credit Life Policy claims be honoured and not unduly be repudiated.

Short-term insurance

- All business electronics currently on a corporate customer’s policy to enjoy the same cover at home as at the business premises, to enable work from home policies during the State of Emergency.

- Accepting motor accident claims when vehicle license expires during the lockdown period.
- Consider extensions when policies are deemed to have lapsed for the duration of the State of Emergency.

Relief by the Authority to regulated entities

- Allow insurers to provide financial assistance to insurance intermediaries during the lockdown period who will not be able to engage in day to day activity.
- Postponement of Quarter 1 Returns due 1 May 2020 for 30 days i.e. to 1 June 2020

5.2. MEDICAL AID FUNDS INDUSTRY:

Funds to submit their rules for amendments to the Authority as soon as possible to allow for the following:

- Contribution holidays in conjunction with the apportionment of benefits;
- Allow members to downgrade benefit options during the course of the year although ordinarily they are only permitted to change options at the beginning of the year. This will enable the affected members to downgrade to more affordable benefit options.
- Contribution and benefit freezing for members in sectors that are severely impacted, such as tourism amongst others, to be treated as continuing members after a reasonable period has lapsed once the President of the Republic of Namibia lifts the State of Emergency.
- Provide ex-gratia allowance/benefits to all COVID-19 related claims where a member benefits relating to laboratory tests, consultations and hospitalization or any other COVID-19 related treatment is /will be depleted.

Relief by the Authority to regulated entities

- Annual Financial Statements: It is likely that Funds will not be able to convene annual general meetings (AGM) and/or elections until such a time that the impact of the pandemic has been brought under control. Therefore, in the event that the lockdown is extended beyond the date that the Funds' AGMs were supposed to be held, the Board of Trustees of Funds are required to seek an extension in terms of section 6 of the Medical Aid Funds Act, 1995 (Act No. 23 of 1995) for the submission of their annual financial

statements and to convene their AGMs 30 days after the State of Emergency has been lifted.

- Statutory quarterly returns: the Authority will extend the period for submission of the statutory quarterly returns for the quarter ended 31 March 2020, which is due for submission on 1 May 2020, to 1 June 2020. The normal submission requirements for the remaining statutory quarterly returns for the 2020 financial year will apply and the submission due dates will remain 1 August 2020, 1 November 2020 and 1 February 2021 respectively, unless otherwise communicated by the Authority.

5.3. CAPITAL MARKETS INDUSTRY:

- Business Continuity Planning: All financial market participants, including infrastructures should be ready to apply their contingency plans, including deployment of business continuity measures, to ensure operational continuity in line with regulatory obligations. Regulated entities should continue to apply the requirements on risk management, and react accordingly.
- Market Disclosure: Issuers should disclose as soon as possible, any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation. To the fullest extent possible, companies should provide investors with insight regarding their assessment of, and plans for addressing, material risks to their business and operations resulting from the coronavirus, so that information on material events is disclosed. Issuers should regularly evaluate their message and communication plan for updating investors, analysts and other stakeholders to ensure up-to-date and consistent disclosure of information.
- Financial Reporting: Issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year-end financial report, if these have not yet been finalised or otherwise in their interim financial reporting disclosures.
- Issuers should further assess whether it is necessary to provide information about the expected impact on their medium to long-term financial results, including their results for the remainder of the year. Additionally, issuers that

have provided guidance to the market regarding their operational or financial results should consider whether there is a need to update or withdraw such guidance with a view to adequately manage market expectations. Issuers and companies should further work with audit committees and auditors to ensure that their financial reporting, auditing and review processes are as robust as practicable in light of the circumstances in meeting the applicable requirements.

Relief by the Authority to regulated entities

- Postponement of Quarter 1 Returns due 1 May 2020 for 30 days i.e 1 June 2020
6. NAMFISA will continue to monitor the changing economic conditions and impact on the NBFIs sector due to COVID-19 and will communicate any new policy responses particularly on the Microlending and Pension Funds industries. The public will be informed as soon as a decision is made.

For any enquiries, please contact Ms. Victoria Muranda at vmuranda@namfisa.com.na

Stay safe and please follow the guidance of local health officials and the Government of the Republic of Namibia.

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