

NAMFISA PRESENTATION
NAMAF Annual Trustee Development Training
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General Manger: Insurance and Medical Aid Funds

NAMFISA

Overview

Key features of the Medical Schemes Act, **1967**

Key features of the Medical Aid Funds Act, **1995**

Salient features & main features Financial Institutions Markets (FIM) Bill

Overview of Supervision

- **Mandate**

- Supervise in terms of the NAMFISA Act or other empowering Acts, the business of financial institutions and financial services;

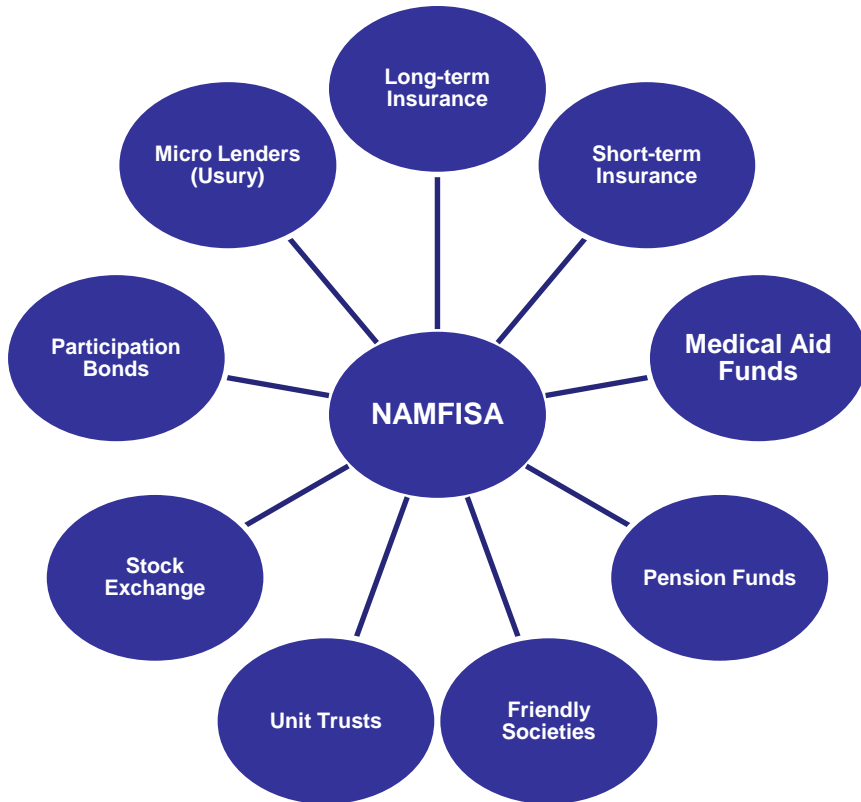
- **Why**

- To ensure adequate protection for **CONSUMERS** of financial products/services;
- Prudential - financial soundness of supervised entities;
- Market Conduct – ensure market integrity, e.g. TCF etc.

- **Approach**

- Combination of Compliance/Rules Based and Risk/Principles Based-industry compliance to the Namibian regulatory frameworks as well as a sense of commitment to Sound Operating Practices that contribute to systemic security, confidence and success.

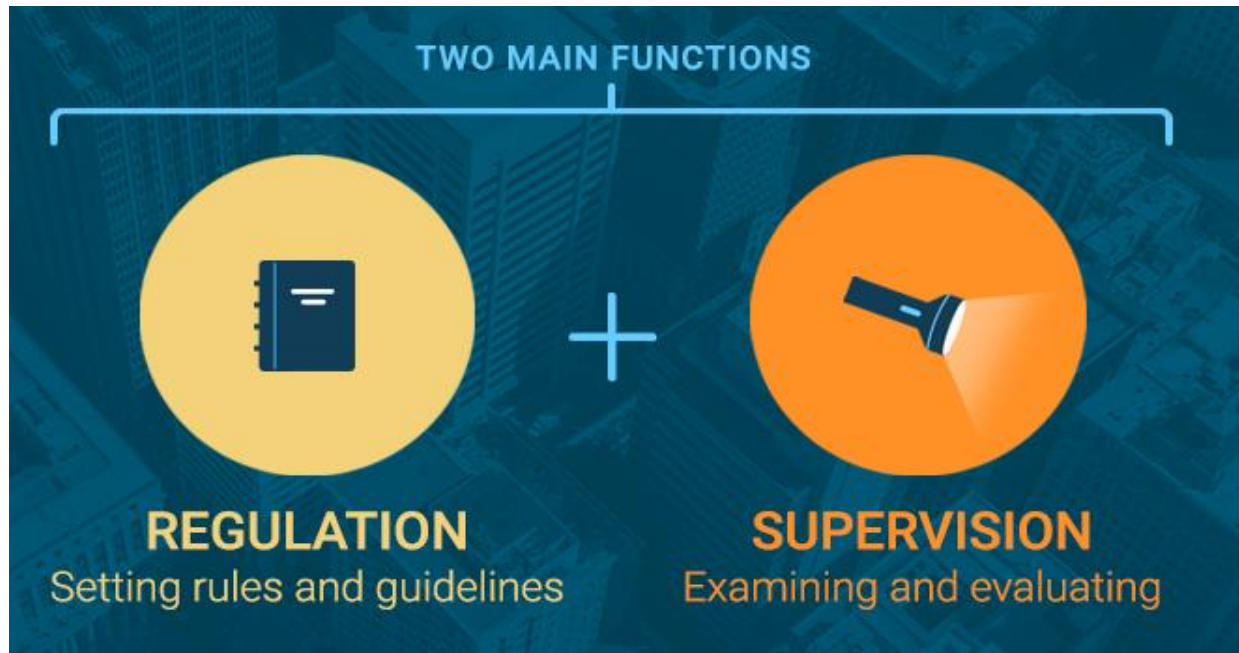
Current Regulatory Ambit



Size of the Regulated Financial Sector (at March 2019)		
Number of institutions	Number of intermediaries	Assets N\$
608	5 700 (excludes medical aid intermediaries)	N\$ 290 billion

REGULATION versus SUPERVISION

Promoting a safe, sound and stable financial system



- Minister - responsible for drafting Regulation
- NAMFISA – responsible for enforcing Regulation through Supervision

Medical Schemes Act, 1967 (Cont,)

Central Council for Medical Aid Schemes (“Council”)

- ❖ Established in terms of section 4
- ❖ Functions outlined in section 8 as follows:
 - a) To control, promote and coordinate the establishment, development and functioning of medical schemes;
 - b) To investigate complaints and settle dispute in relation to the affairs of medical schemes; and
 - c) To perform such functions as may be prescribed.

Representative Association of Medical Schemes (“Association”).

- ❖ Established in terms of Section 23A
- ❖ It consisted of members nominated by members representing medical schemes and its purpose was to:
 - a) To represent all registered medical schemes; and
 - b) perform the functions assigned to it by the Medical Schemes Act.

Medical Schemes Act, 1967 (Continued)

Registrar

- ❖ An officer appointed by the Minister after consultation with the Council.
- ❖ The Registrar was the Executive Officer of the Council thus had to perform the functions and carry out the duties assigned to or imposed upon the Registrar by or under the Medical Schemes Act.



Medical Funds Act, 1995 – Key Features



Established NAMAF as a juristic body.

- ❖ To control, promote, encourage and co-ordinate the establishment, development and functioning of funds in Namibia;
- ❖ NAMAF consists of all registered medical aid funds.

Medical Funds Act, 1995 – Key Features (Cont,)

Registrar



- ❖ In terms of section 3 of the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001):
 - ✓ the functions of the Authority are to exercise supervision, in terms of this Act or any other law, over the business of financial institutions and over financial services;
 - ✓ the Registrar is vested with the powers to supervise the business of medical aid funds in term of the Medical Aid Funds Act.
 - ✓ This encompasses prudential supervision and market conduct supervision.

1967 vs 1995

- ❖ There is no Council and Association under the Medical Aid Funds Act, 1995
- ❖ Under the Medical Schemes Act, 1967 the Registrar was the Chief Executive Officer of the Council.
- ❖ Under the Medical Aid Funds Act, 1995 the Registrar is the Chief Executive Officer of NAMFISA.
- ❖ Membership to NAMAf under the Medical Schemes Act, 1967 was voluntary, it is compulsory under the Medical Aid Funds Act, 1995
- ❖ Under the Medical Schemes Act, 1967 the Registrar was appointed by Minister after consultation with the Council.
- ❖ Under the Medical Aid Funds Act, 1995, the appointment of the Registrar is by the Minister in consultation with the NAMFISA Board.

1967 vs 1995

- ❖ Under the Medical Schemes Act, 1967 the Registrar reported to the Minister of Health and Welfare.
- ❖ Under the Medical Aid Funds Act, 1995 the Registrar reports to the Minister of Finance as it does on all other NBFIs



Current legislative framework - Challenges

- ❖ Non Bank Financial Institutions (NBFI) sector suffers from the following major deficiencies:
 - ✓ Outdated current legislative framework for regulation and supervision;
 - ✓ Legislative framework that :
 - relies hugely on a compliance;
 - does not provide adequate supervisory and enforcement powers;
 - does not recognize the inter-linkages within the financial sector, locally, regionally and internationally; and
 - does not explicitly include consumer education and financial stability.
 - ✓ The NAMFISA Board is an administrative board and has no regulatory functions;

Supervisory Challenges

- **Governance**
 - Skills and competency;
 - Outsourcing of core business.
- **Slow or stagnant growth in coverage**
 - Compromising sustainability of funds
 - Premiums increases > affordability
- **Financial Inclusion**
 - Products innovation
 - Low penetration ratio (poor coverage of Namibian majority)
- **Malpractices**
 - Repudiation of claims
 - Treaty Consumers Fairly
 - Historic ill capacitated Regulator (both in number of staff and capacity)



Regulatory Reform – FIM Bill

- ❖ Integrated and flexible approach to supervision and regulation
- ❖ Incorporate international principles and standards of financial regulation
- ❖ Predict and respond to the needs of the socio-economic conditions in the Namibian financial services industries
- ❖ Encourages greater consumer awareness and protection.
- ❖ An integrated approach to supervision and regulation of the NBFIs, in particular uniformity and consistency of rules and provisions, resulting in:
 - ✓ Elimination of silos; and
 - ✓ Elimination of conflicting provisions and regulatory arbitrage.



Regulatory Reform – FIM Bill (cont,)

- ❖ Address market conduct malpractices
 - ✓ Section 344 Non-payment of contributions (obligation to report)
 - ✓ Section 354 waiting periods
 - ✓ Section 356 benefit options
- ❖ Empowers the Authority with enabling legislation e.g.
 - ✓ Corporate governance
 - ✓ Investment limits
 - ✓ Solvency requirements
 - ✓ Regulation of Medical Aid Brokers and Administrators
- ❖ Enhances the enforcement powers of the Registrar
 - ✓ Increased administrative penalties .e. g a board member who contravenes or fails to comply with certain provisions of Chapter 7 commits an offence and is liable on conviction to a fine not exceeding N\$2 500 000 or to imprisonment for a period not exceeding five years, or to both such fine and imprisonment.



Regulatory Reform – FIM Bill (cont,)

Compliance based

- Rules based supervision
- Focus on compliance, i.e. ticking the boxes, approaches.

Risk based

- RBS sets out overarching framework
- more concerned about business strategy, management style, attitude to risk, internal controls, quality of corporate governance, etc

FIM Bill Main Changes - Medical Aid Funds

- ❖ NAMFISA may impose conditions on the registration of an applicant as it considers necessary
 - ✓ On paper entity ticks all the boxes but understanding and managing the business compromised
- ❖ Supervision of Administrators and Medical Aid Fund Brokers
 - ✓ Annual registration of brokers
- ❖ Requirement for an insurance coverage for an individual or an entity or any other Financial guarantee for errors and omissions
- ❖ Additional grounds for cancellation, e.g:
 - ✓ material misrepresentation or failure to provide information that was materially relevant in its application for registration
 - ✓ provide financial services without professional integrity, prudence, proper skill and due diligence

FIM Bill Main Changes - Medical Aid Funds (cont,)



- ❖ Provision permitting NAMFISA to provisionally suspend the registration or take control of the assets of a registered Medical Aid Fund
- ❖ No prior approval of Rules and rule amendments required for implementation
- ❖ Specific provisions pertaining to waiting periods and insurance taken out by medical ad funds
- ❖ Fund administrators and brokers to be registered
- ❖ MAF required to appoint a valuator
- ❖ Prescribes the administration and brokerage services that can be provided.

FIM Bill Main Changes - Medical Aid Funds (cont,)

- **Duties of Board of Trustees – section 344**
- **Governance criteria requires *inter alia*:**
 - Board members to be Fit and Proper;
 - Board must appoint Management that is Fit and Proper;
 - Certain persons not to be appointed as Board members;
 - Powers to remove board members that are not competent
 - Ensure that Policyholders' Interests are protected;
 - Act with due Care, Diligence, Prudence and Good Faith;
 - Avoid/manage conflicts of interest where applicable;
 - Obtain expert advise where there is lack of expertise within the Board;
 - Monitor the performance of the management.



FIM Bill Main Changes - Medical Aid Funds (cont,)

- ❖ NAMFISA may, on the grounds that a Principal Officer an/or Trustee is **not fit and proper**, direct the Fund to **appoint a new** Principal Officer and/or Trustee
- ❖ Introduction of the **obligation** on the Board of Trustees to inform NAMFISA in writing on becoming aware of any material matter relating to the affairs of the fund
- ❖ NAMFISA may direct the Board of a Medical Aid Fund to change the Auditor and or Valuator
- ❖ Risk Based Solvency Requirement to ensure capital considers all material risks fund is exposed to
- ❖ Annual report to include:
 - the financial position of the Medical Aid Fund
 - the investment policy of the Medical Aid Fund
 - the activities of the Board during the year; and
 - any other matters required by the standards

Draft Standards

1. MAF.S 7.4 - **Rules**
2. MAF.S 7.5 - **Financial soundness**
3. MAF.S 7.7- **Proof of membership**
4. MAF.S 7.8 - **Termination**
5. MAF.S 7.10 - **Valuation reports**
6. MAF.S 7.11 - **Minimum number of members**
7. MAF.S 7.12 - **Annual Report**
8. MAF.S 7.13 - **Waiting periods**
9. MAF.R 7.1 - **Business of a medical aid fund (Demarcation)**
10. MAF.S 7.2 - **Investments**



Policy & Supervisory Intervention Considerations

- Capacity building
 - Trustee Accreditation programme
 - To become requirement for approval as key person
- Benefit option review
 - Cost benefit analysis of benefits
 - Age vs typology of benefits
 - Low cost benefit options to increase membership and affordability

Thank you