Zim's insurance industry reaches for a lifeline

By Dumisani Ndlela

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Zimbabwe's insurance companies, which have grappled with a major marketing nightmare posed by the fast erosion of the country's domestic currency, are reportedly battling to reach for a new lifeline in the form of foreign currency-denominated policies.

Market players said there was now a glimmer of hope after the Reserve Bank of Zimbabwe (RBZ) granted Tristar Insurance Company regulatory authority to transact insurance in foreign currency.

A number of insurance companies had lined up their applications with the RBZ after the new regime received assent from the Commissioner of Insurance, they said.

The move would give real value compensation to policy holders, who have failed to replace lost or damaged properties due to the erosion of policy values by inflation, currently officially estimated at over 2,000,000% year-on-year.

Some companies and individuals had resorted to monthly top-ups of their policies on high value properties like motor vehicles and office equipment and machinery, but the pace of price increases in recent months had made it impossible to catch up with rising inflation, even with those top-ups.

Tristar said under the new regime, it could now insure any risk using Euros, Pounds, US Dollars and Rands.

“Where we can't repair or replace the assets locally, we settle your claim in hard currency,” the company said.

An insurance sector expert said the foreign-currency denominated cover plan could significantly improve sales for insurance firms, particularly among exporting firms who had foreign currency earning capacity.

“The industry had been lobbying for this for quite some time. The granting of regulatory authority to Tristar means regulatory authorities have realised how difficult it is to market insurance using a currency under attack. People were no longer insuring their vehicles or anything because it did not make sense when you could not get replacement due to the erosion of value,” he said.

Most vehicles, including those owned by companies, were shunning comprehensive cover and simply taking third party insurance to get permission to drive on the country's roads.

Third party covers only assist in the replacement or repair of third party vehicles in an accident. But that had also been heavily affected by inflation, resulting in most disputes spilling into the courts as owners of damaged assets sought to get fair value replacement costs.

ABOUT DUMISANI NDLELA

Dumisani Ndlela is a Zimbabwean journalist specialising in business and financial reporting, with experience reporting on commodities, stock and financial markets, advertising, marketing and the media. He has previously reported from a number of regional countries as well as from the UK and Germany on commodities and regional integration. He can be contacted on dndlela@yahoo.co.uk.
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