

## INTRODUCTION

Part VII of the Competition and Consumer Protection Commission Act ("the Act") provides the primary provisions of consumer protection in Zambia. The Competition and Consumer Protection Commission ("the Commission") is mandated to enforce the said Act and is therefore the primary advocate of competition and consumer protection issues in Zambia.

Many Zambians have in the recent past realised the importance of acquiring insurance services as a cushion to the various calamities that may arise as well as investment. With this upsurge in insurance services, different players have sprung up in the market to provide cover for losses through insurance such as life and property insurance. Sadly, many consumers do not get to enjoy the full benefits of insurance as some insurance companies engage in unfair trading practices hence the need to have an enlightened consumer with regards the Act.

## INSURANCE

Insurance is an agreement in which a consumer makes regular payments to a company and the company promises to pay money if the person is injured or dies, or to pay money equal to the value of something (such as a house or car) if it is damaged, lost, or stolen. It is a form of investment in the sense that consumers pay little in terms of premium for relatively large benefits. Insurance services may also include life insurance (pension, savings and health insurance) and non-life insurance (motor insurance, marine aviation and other transport insurance, fire and property insurance). Purchasing insurance services requires attention just like any other major investments you consider. Insurance companies offer different distribution channels for consumers to purchase insurance policies. Some companies use exclusive agents (the agent can only represent one company), while others offer services through a network of independent agents (agent may represent a number of companies).

Additionally some insurers offer insurance products through call centers, mail and/or web-based services.

Insurance service providers will always try to be as innovative as possible to ensure that consumers purchase their services. Henceforth, consumers also ought to be critical when choosing which insurance services to purchase.

## COMMON UNFAIR TRADING PRACTICES THAT CONSUMERS SHOULD OBSERVE

1. Agents of insurance companies are usually given a specific target to meet monthly. This has put pressure on some to forge some of their already existing clients' or potential clients' documents and subsequently enrol a consumer for a policy without their consent.
2. In some cases, clients that have contributed the full period of the policy are not paid for their matured policies.
3. Some insurance companies adjust premium contributions (usually upwards) without the express consent of the insured.
4. Delayed payment of cash bonuses to clients is another common unfair trading practise by some insurance companies.
5. After a client has contributed to a policy term and he/she has been subsequently paid, some insurance companies have re-introduced another policy without the consent of the consumer.
6. There is misrepresentation of insurance product benefits by agents who seek to meet commission targets.
7. There is non-disclosure of critical terms and conditions of insurance policies that can help

consumer /clients to make a decision whether or not to purchase the insurance policies. Clients are surprised once they decide to cancel a policy as it is at that time that they realise that they had signed up for a policy not suitable for them. For instance, a client signing up for a policy that would accrue benefits to them after making contributions for a long period of time such as ten years, when one only has two years before retirement and may fail to continue with contributions in order to get the benefits. Clients end up losing even a big portion or their own contributions according to the terms and conditions of such a policy.

## CONSUMER TIPS ON INSURANCE SERVICES

- **Shopping around:** make sure you check a number of insurance service providers before making a purchasing decision. Shopping around will help you find an insurance service that you need and at an affordable price you may be willing to pay. Engage other past consumers of insurance services. Seek audience with your family and friends before making a final decision.
- **Avoid sharing personal details:** before making a final decision to purchase any insurance services, avoid giving out your personal details such as phone number, Man Number, NRC number and bank details. This will help you not to be offered any unsolicited service (service not demanded for). Avoid signing on any document before reading and understanding its terms and conditions. Always ask for copies of insurance documents you sign.
- **Asking questions:** Always ask questions such as; how much is the premium (money paid on any insurance service)? What is the coverage for such a policy? How are benefits paid; do you have to submit a claim? At what point are the benefits paid? What happens when I willingly cancel the policy?

## GUIDE FOR INSURANCE COMPANIES ON COMPLIANCE

- **Train Agents on insurance services:** Ensure that all the Agents employed have basic knowledge on insurance and Terms and Conditions of all insurance services you offer. Let them read and understand the CCPA and the consequences of not being compliant.
- **Routine update of clients:** Make sure your clients are notified on timely basis of any changes to their insurance policy (e.g. change of tenure or premium payments). Always keep track of your clients' policies so that at any time you will be able to meet your financial obligations.
- **Call Back Clients:** There must be a call back system by the insurance service provider for new clients to confirm their enrolment onto a new insurance policy.

### Having a Well Known Consumer Redress Mechanism

Make sure that you have a well-known consumer redress system. This should be known by your customers so that they easily get redress. This can be done by simply availing your clients and potential clients your flow chart showing Names /positions, phone numbers of the relevant officers to be contacted when unsatisfied.

Creating a simplified way of resolving complaints administratively will prevent loss of revenue and litigation of your company



### How to Contact the Commission

Further information on insurance consumer tips can be obtained from:

### The Executive Director

Competition & Consumer Protection Commission, 4<sup>th</sup> Floor Main Post Office, Cairo Road, P. O Box 34919

Lusaka. Tel: 260-211-222787, 232657

Fax: 260 -211-22789.

Email: [zcomp@ccpc.org.zm](mailto:zcomp@ccpc.org.zm) or

Call us on toll free line **5678** on all networks



## CONSUMER PROTECTION UNDER THE COMPETITION AND CONSUMER PROTECTION ACT (CCPA) No. 24 of 2010



## A GUIDE FOR CONSUMERS OF INSURANCE SERVICES