

**CONF/IRA/00/001/03**

**16<sup>th</sup> May, 2022**

**CIRCULAR NO.IC, RE & RI BROKERS 02/2022**

**TO: INSURANCE, REINSURANCE COMPANIES AND REINSURANCE BROKERS**

**RENEWAL OF REINSURANCE CONTRACTS FOR THE YEAR 2023**

The reinsurance business in Kenya is governed by sections 8, 20 and 29 of the Insurance Act and supporting regulations and guidelines. The Act requires insurance companies to put in place proper reinsurance arrangements and also mandates the Authority to examine and approve all reinsurance treaties and other reinsurance contracts entered into by insurers.

Over the years, the Authority has issued circulars for annual renewal of reinsurance contracts in line with the provisions of the Insurance Act. Such circulars outline specific requirements to be taken into consideration by insurance companies while entering into annual reinsurance arrangements.

The Authority has noted with concern a trend where some insurers do not adhere to the requirements as outlined in the said circulars. The areas of non-compliance identified include but not limited to:

1. Late submission of reinsurance arrangements for approval by the Authority as required under the Act
2. Insurers entering into reinsurance arrangements with lowly rated or unrated securities.
3. Arranging reinsurance programs through reinsurance brokers who are unregulated and not registered under the Insurance Act and have no physical presence in the Kenyan market

4. Placement of Kenyan risks overseas with foreign reinsurers not registered under the Act in contravention of section 19 of the Act.

Consequently, you are required to take note of the following for compliance going forward:

- (1) Insurers are further required to ensure that all reinsurance treaties in respect of Long –Term insurance business written in Kenya are locally placed as per circular dated 21<sup>st</sup> July 2008.
- (2) Insurers are reminded that failure to pay reinsurance premiums has an effect of voiding of the reinsurance contracts. In this regard, you are required to provide proof of settlement of reinsurance balances up to 2<sup>nd</sup> quarter of the year 2022 or an agreed payment plan with the reinsurers while submitting your completed contracts for the year 2023.

The completed reinsurance contracts should be accompanied by an actuarial certificate/report on the adequacy and contractual certainty of the reinsurance arrangements. At a minimum, the actuarial report should provide the following information:

- i). Summary of changes in the current and previous reinsurance arrangement.
- ii). A five-year risk profile based on the size of claims per class of business.
- iii). Changes in the Reinsurance Management Strategy
- iv). Credit rating of reinsurers
- v). Reinsurance arrangement per class of business
- vi). Summary of the reinsurance structure
- vii). Actuarial opinion on the following;
  - (a) adequacy of retentions and how such retentions were determined.
  - (b) adequacy of reinsurance capacity bought by the insurers in terms of whether such capacity is optimal
  - (c) the level of ceding commission by class of business reinsured.
  - (d) adequacy of MDP's and rates for non-proportional treaties
  - (e) the contractual certainty of the reinsurance contracts

Please note that unfair contract terms will not be accepted in the treaties and insurers will not be allowed to write any new business effective **1<sup>st</sup> January, 2023** if their reinsurance arrangements will not have been approved by the Commissioner before that date.

You are expected to start your reinsurance negotiations early and the final reinsurance cover notes shall be filed with the Authority for approval latest by **31<sup>st</sup> October, 2022**.

The information requested above should be submitted to our **Records Management Office** on **2<sup>nd</sup> Floor, Zep Re Place, Longonot Road, Upper Hill**.



**GODFREY N. NJIRU**  
**COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER**

