

*IC 01/2005: Admission of
Collective Investment Schemes
(Section 42 Insurance Act).*

My office has received presentations from various groups regarding the admission of investments made by insurance companies in collective investment schemes.

After considering the representations and as provided for under section 42(2) of the Insurance Act, I wish to issue the following guidelines:-

- Investments made by insurance companies in domestic collective investment schemes approved by the Capital Markets Authority of Kenya (CMA) under the Capital Markets (Collective Investment Schemes) Regulations, 2001 may be treated as admissible assets under section 42 of the Insurance Act for solvency purposes.
- Insurers shall however be required to apply to my office providing all the necessary documentation for approval of such investments. No insurer shall show such investments in the Settlement of Admitted Assets and Liabilities (Form No. INS. 41-1) as admitted assets without a written approval from my office.
- Investments in offshore collective investment schemes shall **NOT** be admissible for purposes of demonstrating solvency of insurance companies.

*IC/02/2005: Rebating of
premiums and commissions*

It has come to my attention that rebating of insurance commissions is being resorted to as a means by brokers of directly varying terms quoted by insurers; an issue that is causing considerable confusion, especially in the tendering process.

Similarly, it has come to light that some brokers, after rebating the whole or part of their commission – obviously in a bid to gain advantage whilst bidding for insurance contracts – apparently approaching insurers with a view to having over-ride commissions paid to make up for income lost through such rebates.

I have also been given to understand that in other instances some insurers are making other forms of payments to independent intermediaries as inducements as they solicit for business. This includes subsidizing office running costs and offering special bonus schemes and other forms of payments and handouts, outside the prescribed brokerage structure.

I would therefore like to draw the attention of insurers, brokers and agents to the following to provisions of Section 73 of the Insurance Act, Cap 487:

- No person shall offer ‘any rebate of the whole or part of any brokerage commission or premium except such rebate as may be allowed in accordance with a published prospectus or manual or schedule of rates of an insurer’.
- ‘No insurer shall Pay to a broker or agent as brokerage, commission, fee or other remuneration, any sum in excess of the amounts prescribed ...’

Insurers are also hereby reminded that they must stick to the rates they have filled with my office. Those rates should not be diluted by any irregular discounts, upon placement of risks, at renewal or any other time during the policy period. The premiums must be quoted on a gross basis and all underwriters shall be required to debit accounts on gross premiums and settle broker’s commission there from.

Lastly, I wish to emphasize that brokers and insurers must transact insurance business within the provisions of the Insurance Act and in accordance with sound business practice.

IC & RE 03/2005: Governance and Management of insurance Institutions

We are conducting a survey on the management of insurance and reinsurance companies as part of measures to instill good governance of these institutions.

In this regard, please furnish my office with the following information:-

- A list of all your management staff starting from the Chief Executive Officer indicating their academic and professional qualifications and experience.
- If any of the management staff listed above holds shares in the organization, kindly indicate the number of shares held and percentage thereof.
- Provide a list of your board members and indicate the amount of shareholding by each. Indicate how many of them are executive.
- Copies of the last board minutes certified by your company secretary.

IC 04/2005: Motor Premium Rates

Section 75 of the Insurance Act requires that the insurance companies file with the Commissioner of Insurance schedules of rates they intend to use. It also provides that any revision or alteration of rates already filed with this office be furnished at least sixty (60) days before effecting the changes.

In the last few years, I have observed that some insurance companies have been charging premium rates that are not commensurate with the risks undertaken, therefore negatively affecting the overall performance of the insurance industry.

For proper coordination of underwriting of motor insurance business, we have developed the following guidelines as attached herewith to be used for the approval of motor premium rates in the year 2006.

Please note that premium rates which are below these recommended rates shall not be approved in terms of Section 75(5) of the Insurance Act.

I would like to draw your attention to the provisions of Section 67 D (2)(b) which imposes a penalty of Kshs.200,000 for charging a premium rate different from those filed with this office.

Please note that we shall give written approvals of premium rates filed with us on all classes of insurance business before the 31st December, 2005.

It shall be your responsibility therefore to ensure that you do not obtain such written approval of rates from this office before then.

TYPE OF COVER	THIRD PARTY ONLY (TPO)	COMPREHENSIVE
MOTOR PRIVATE	Kshs.5,000 Net of all discounts	Rate: 4% Net of all discounts
MOTOR COMMERCIAL	Kshs.7,500 Net of all discounts	Rate: 5% Net of all discounts Excess: 5% of value of the vehicle, Minimum Kshs.20,000