

## ***CIRCULARS TO THE INSURANCE INDUSTRY***

*IC & RE 10/2008: policy documents wordings*

As per provisions of section 30 of the Insurance Act, insurers are required to submit copies of proposal and policy forms, endorsements and any form of written matter describing the terms or conditions of or the benefit to or likely to be derived from policies that are issued by the insurer.

We have however noted that some insurers have been using policy/proposal/endorsement wordings which have not been approved by this office.

For this reason, you are required to submit copies of all proposal forms, policy documents and endorsements currently in use for the following classes of business:

- Aviation
- Personal Accident
- Motor Private
- Motor Commercial
- Theft
- Liability and
- Marine

This information should be submitted not later than 31<sup>st</sup> December, 2008.

*IC & RE 09/2008: Premium rates for listed risks*

Premium rates for listed risks were reviewed last in year 2005. Since then, insurers have continued to file the same rates.

I recently appointed a Risk Evaluation Committee to look into the appropriateness of these rates and recommend the way forward. In order to check on compliance with the filed rates, I also requested insurance companies vide my Circular dated 2<sup>nd</sup> July 2008 to submit to this office rates applied on all listed risks. An audit of the applied rates has revealed that:-

- i. The majority of risks are rated well below (some times up to 50%) the filed (base) rates disclosing massive undercutting.
- ii. The existing thresholds for the listed risks of Kshs.300 million for fire risks and Kshs.150 million for engineering risks are considered appropriate.
- iii. That the 2005 summary of listed risks was correctly rated and the rates were intended to be base rates that required to be enhanced in phases to technical rates within a period of four (4) years.

- iv. That new risks in this bracket have not been evaluated to determine appropriate rating.

In view of the above, I wish to urgently draw your attention to the following:-

- That we still maintain the 2005 recommended rates for purposes of underwriting year 2009.
- That new risks (Exceeding the thresholds) not appearing in the 2005 lists, be filed separately. Further, IRA should be notified at least three (3) weeks before such risk attaches seeking ratification on existing rates or guidance on the same. The Risk Evaluation Committee will then meet and evaluate after relevant information is provided.
- All underwriters are required to apply premium rates filed as base rates and any deviation thereof will attract heavy statutory measures.
- A copy of the rates filed with this office should be given to the re-insurers for information.

Kindly note that all premium rates are filed together with application for renewal of registration on or before 30<sup>th</sup> November 2008.

*IC & RE 08/2008: Customer  
complaints Desk*

The Insurance regulatory Authority (IRA) has continued to receive an increasing number of complaints from policyholders and claimants as a result of unsatisfactory services by insurance companies.

Most of the complaints emanate from lack of insufficient information supplied to the complainants regarding their queries and/or issues.

In order to improve service delivery to the policyholders, claimants and members of the public it has been found necessary for all insurance companies to establish a customer care/complaints desk which should be prominently located. These desks should be manned by well trained officials on matters of insurance and public relations.

Insurance companies are requested to confirm to this office the establishment of such desks at the earliest.

*IC & RE 072008: Opening of Branches*

We have noted that some insurance companies have been opening branches all over the country and in some cases losing control over such branches. This has led to huge financial losses by some insurers.

Consequently, in accordance with section 7(1) of the Insurance Act, all insurance and reinsurance companies are required to submit details of all their branch offices indicating the full address, business done (2007 premium) and name and qualifications of the branch manager. This information should be submitted to this office not later than 31<sup>st</sup> December 2008.

Please also note that with effect from 1<sup>st</sup> January 2009 any insurer wishing to open a new branch shall be required to obtain prior approval by this office.

*IC & RE 06/2008: Corporate Governance Training*

Following the recent successful training of Directors of Insurance Companies on corporate governance, it has now become necessary to make it a requirement for all directors of insurance companies to go through corporate governance training.

Consequently, with effect from 1<sup>st</sup> January, 2009, we shall not approve any director of an insurance company under section 27A of the Insurance Act without evidence of corporate governance training.

In this regard, we shall accept as evidence a certificate issued by the Centre for Corporate Governance (CCG) or any other equivalent institution.

*IC & RE 02/2008: Reinsurance arrangement for long term insurance business*

As you are aware, Section 29(1) of the Insurance Act requires all registered underwriters to have in place appropriate reinsurance arrangements being arrangements approved by the Commissioner of Insurance in respect of insurance business underwritten in the course of their business.

Currently, the practice of reinsurance business is that business in respect of all classes of insurance is placed internationally once the requisite mandatory cessions have been ceded to Kenya Re, PTA Re and Africa Re.

However this Authority has reviewed the status of Long-Term business and is of the view that there is adequate local capacity to

support this class of business. It has therefore been found necessary to require that all reinsurance treaties in respect of long-term insurance business written in Kenya be locally placed with effect from 1<sup>st</sup> January 2009.

Please therefore note to comply with this requirement in your next renewals.