



IRA

# INSURANCE REGULATORY AUTHORITY

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IRA

*“Bima bora kwa Taifa”*

## Understanding Your Insurance Policy

An insurance policy is a legal contract between an insurance company and a policyholder. It is the evidence that you are insured and is normally issued after paying the first premium. As a policyholder, it is important that you read and understand your policy. This will enable you to verify whether it meets your insurance needs. Further, reading the policy will help you understand your rights and obligations as well as those of the insurance company.

There are a number of terms used in an insurance policy and which, as a policyholder, you need to understand and familiarize yourself with:

### **Title of Policy:**

This section indicates the class or type of policy that you are taking and also includes the name and address of the insurance company.

### **The Preamble:**

Sets out the necessary conditions that must be met by the parties

before the completion of an insurance contract. It identifies the parties to the contract, the agreement, the proposal form, the premium amount, refers to the policy schedule, any report or other document relating to the policy, policy terms and conditions, compensation upon the happening of the insured event and the sum insured.

### **Policy Schedule:**

Outlines your name and address; type of policy taken; the policy number; your business or profession; date of commencement of cover; period of insurance; sums assured; premium amount and provision for signature of the insurance company's authorized official. It also contains cover limits defining the highest benefits payable in case of a loss.

### **Definitions:**

Defines the terms used in the policy document. This section is very important and is meant to guide you in understanding your policy.

You are required to refer to it when reading the policy.

### **Policy Benefits:**

Describes the types of benefits the policy will pay in the event of a loss. These include Theft, Burglary, Death, Disability, Surrender and Maturity benefits among others.

### **Policy Exclusions:**

Exclusions are risks the insurance company is not prepared to cover under the policy. Examples include HIV/AIDS, Riot, Intake of Illegal Drugs & Alcohol and War, among others. Some insurers, however, allow policyholders to buy back some of the exclusions by paying additional premium.

### **Policy Conditions:**

These are rules guiding the policy such as how to revive a lapsed policy, surrendering a policy, rules guiding policy loans, loss of policy document, duty of disclosure and policy cancellation and termination.

### **Signature and Attestation:**

This section contains a place for

the signature of the insurance company's authorized officer and the policyholder's signature. You are required to sign this part of the policy only when satisfied with the policy. You have a maximum of thirty (30) days, also known as the cooling off period, within which you can decide to sign or refuse to sign the policy.

Many buyers of insurance sign policies without understanding its terms and proceed to keep it safely only to produce it at the time of a loss. This is dangerous and is synonymous with using a driving license to which you have not appended your signature and whose expiry date you do not know.

Note that different policies have different terms and the ones highlighted here are common to most insurance policies.

In case you do not understand any terms in your policy, contact your

Insurance Agent, Medical Insurance Provider, Insurance Company or IRA for further guidance.

**NB: Previous articles published in this series are available on our website.**

You may also visit our website for more information. ([www.ira.go.ke](http://www.ira.go.ke))



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