

LEGAL NOTICE NO.....

THE INSURANCE ACT

(Cap. 487)

INSURANCE PRODUCTS GUIDELINES, 2018

IN EXERCISE of the powers conferred by section 3A(a), (b) and (g) of the Insurance Act, the Insurance Regulatory Authority issues the following guidelines—

INSURANCE PRODUCTS GUIDELINES, 2018

1. These guidelines may be cited as the Insurance Products Citation. Guidelines, 2018.

2. In these guidelines, unless the context otherwise requires— Interpretation.

 “**Insurance Product**” means products and services developed, offered or marketed by an insurer.

 “**New product**” means an insurance product that is to be introduced in the market and has not been previously sold by an insurer.

 “**Repackaged product**” means an existing insurance product that has been enhanced or varied.

3. These guidelines provide principles to be adhered to in product design, pricing, marketing, disclosures and how applications for issuance of new and repackaged products should be made to the Authority. Introduction

4. The purpose of these guidelines is to enhance the transparency and efficiency of the product approval process by:- Objective
 - (1) Providing insurers and intermediaries with guidance on what constitutes a new or repackaged product; and

(2) Detailing the information required to be submitted to the Authority when submitting new or repackaged products for approval.

5. These guidelines shall apply to all insurers, takaful operators, and intermediaries registered under the Insurance Act. Scope
6. The board and management of an insurer shall be responsible for the development of new or repackaged products. General requirements
7. An insurer shall develop, document and implement policies and procedures to prudently manage risks associated with the products it offers and ensure the needs and rights of consumers are appropriately addressed.
8. An insurer shall ensure that the following requirements are met prior to offering a new product-
- (1) the new product falls within the ambit of insurance business or takaful business;
 - (2) has the capacity to adequately manage and control the risks associated with the new product, including the financial capacity to support existing and new product lines; and
 - (3) adherence to principles relating to the fair treatment of customers.
9. The insurers shall design and price the insurance products keeping in view the basic guiding principles which include the following:
- (1) Evolving risk coverage needs of the customer should be considered while developing new products and revising existing products. Product Design
 - (2) The product design should ensure adherence to the basic principles of insurance.
 - (3) The design of insurance product should take care of Policyholders' reasonable expectations.
 - (4) Insurance product design should ensure transparency and clarity in wordings, terms, coverage, exclusions and conditions in order to devise a fair and balanced risk transfer mechanism through insurance.

- (5) Design and pricing of products shall be based on sound and prudent underwriting and actuarial basis.
 - (6) Information relating to the product should be in simple and understandable language.
 - (7) The terms, conditions, exclusions and warranties of the contract shall be fair to both parties.
 - (8) The pricing of products should generally be based on appropriate data and/or technical justification.
 - (9) The pricing and design of the product should be in line with the underwriting policy of the insurer.
 - (10) The insurer should ensure that competition does not lead to unjustified price cutting and other improper underwriting practices.
 - (11) The insurer shall assign capital to all products and monitor results to gauge the continuing need of capital for the products.
10. An insurer shall take into consideration the following aspects when designing an insurance product:-
- (1) Setting a business case for new or enhanced product;
 - (2) Market testing and analysis to be done after a no objection by the Authority;
 - (3) Cost benefit analysis;
 - (4) Risk identification, assessment and mitigation;
 - (5) An implementation plan for the product, including milestones;
 - (6) Clearly defined and appropriate levels of delegation for approval of all material aspects of product design; and
 - (7) Post-implementation review.
11. An insurer or intermediary shall incorporate actuarial review during the pricing process. Product Pricing
12. An insurer when pricing an insurance product, shall ensure that there:-
- (1) are clearly defined and appropriate levels for review and approval of all material aspects of pricing and fair treatment of customers;
 - (2) is a process for the reflection of emerging experience in price adjustments;

- (3) is a profit and loss analysis which includes monitoring the effect of price movements on the bottom line;
 - (4) is a process for the insurer's product pricing to respond to competitive and other external environmental pressures;
 - (5) is a process for and the ability to monitor deviations of actual price from the technical underwriting pricing; and
 - (6) is a method for monitoring compliance with pricing policies and procedures for proposed pricing variations.
13. The filing of insurance products shall involve giving notification to the Authority of the piloting, commencement of sale or launch of the products. Filing
14. An application for approval of a product shall contain:-
- (1) Formal application letter.
 - (2) The policy wording documentation.
 - (3) Proposal form.
 - (4) Claim form.
 - (5) Marketing brochure.
 - (6) Actuarial premium pricing structure or actuary's report for life insurance products.
 - (7) Reinsurance agreement/statement.
 - (8) Product Business plan (at least three years).
 - (9) Service Level Agreement (if applicable).
 - (10) An approval from shariah advisory council in case of takaful products.
 - (11) Any other relevant information.
15. The proposal form, claim form and marketing brochure of an insurance product shall prominently bear the name of the insurer.
16. The insurer shall only commence the pilot or sale of an insurance product upon receipt of a letter of no objection for the pilot or an approval for the sale from the Authority.
17. An insurer or intermediary shall market and promote insurance products or services in a manner that is clear, fair and truthful.
18. An insurer shall ensure that the marketing information provided is accurate, clear and truthful not only to customers but also to intermediaries who may rely on this information in providing advice to customers.

20. The marketing information provided shall:
- (1) be easily understandable;
 - (2) be consistent with the result reasonably expected to be achieved by the majority of customers of that product including illustrations where necessary;
 - (3) state prominently the basis for any claims or benefits and any significant limitations;
 - (4) not hide, diminish or obscure important statements or warnings; and
 - (5) be consistent with the terms and conditions of their application to the Authority.
21. If an insurer or intermediary becomes aware that the information provided is not accurate and clear or is misleading, it shall withdraw the information and notify any persons that it knows to be relying on the information as soon as reasonably practicable.
22. An insurer or intermediary shall ensure that any advertising and promotional material is consistent with the terms and conditions of their application to the Authority.
23. Insurers shall submit annual reports to the Authority on the performance of each product filed, for a period of three years after the commencement of the sale in a prescribed form. Reporting
24. An insurer or intermediary who intends to withdraw any insurance product shall; Withdrawal
- (1) notify the Authority of the intention to withdraw the insurance product from the market including reasons for the withdrawal; and
 - (2) satisfy the Authority that it has put in place sufficient measures to protect the interests of the existing policyholders.
25. The Authority may at its discretion require the insurer or intermediary to notify the public of the withdrawal of an insurance product from the market.

26. Where the Authority determines non-compliance with the provisions of these guidelines, it may take any intervention prescribed in the Insurance Act. Enforcement.

27. Where the Authority determines that the regulated entity has not met the requirements of these guidelines, the Authority may impose any or all of the administrative sanctions to correct the situation in accordance with the provisions of the Insurance Act, including but not limited to— Administrative Sanctions

- (1) Direct the regulated entity to take appropriate remedial action;
- (2) Withdraw or impose conditions on the sale of the insurance product taking into account the nature of the breach;
- (3) Impose additional reporting requirements and monitoring activities;
- (4) Withdraw or impose conditions on the business license taking into account the nature of the breach and;
- (5) Monetary penalties not exceeding Kenya Shillings one million.

Issued on the 2018.

ABDIRAHIN H ABDI
Chairman,
Insurance Regulatory Authority.

GODFREY K KIPTUM
Ag. CEO & Commissioner of Insurance
Insurance Regulatory Authority.