



# **The Role of the Insurance Regulatory Authority in the development of the insurance industry in Kenya**

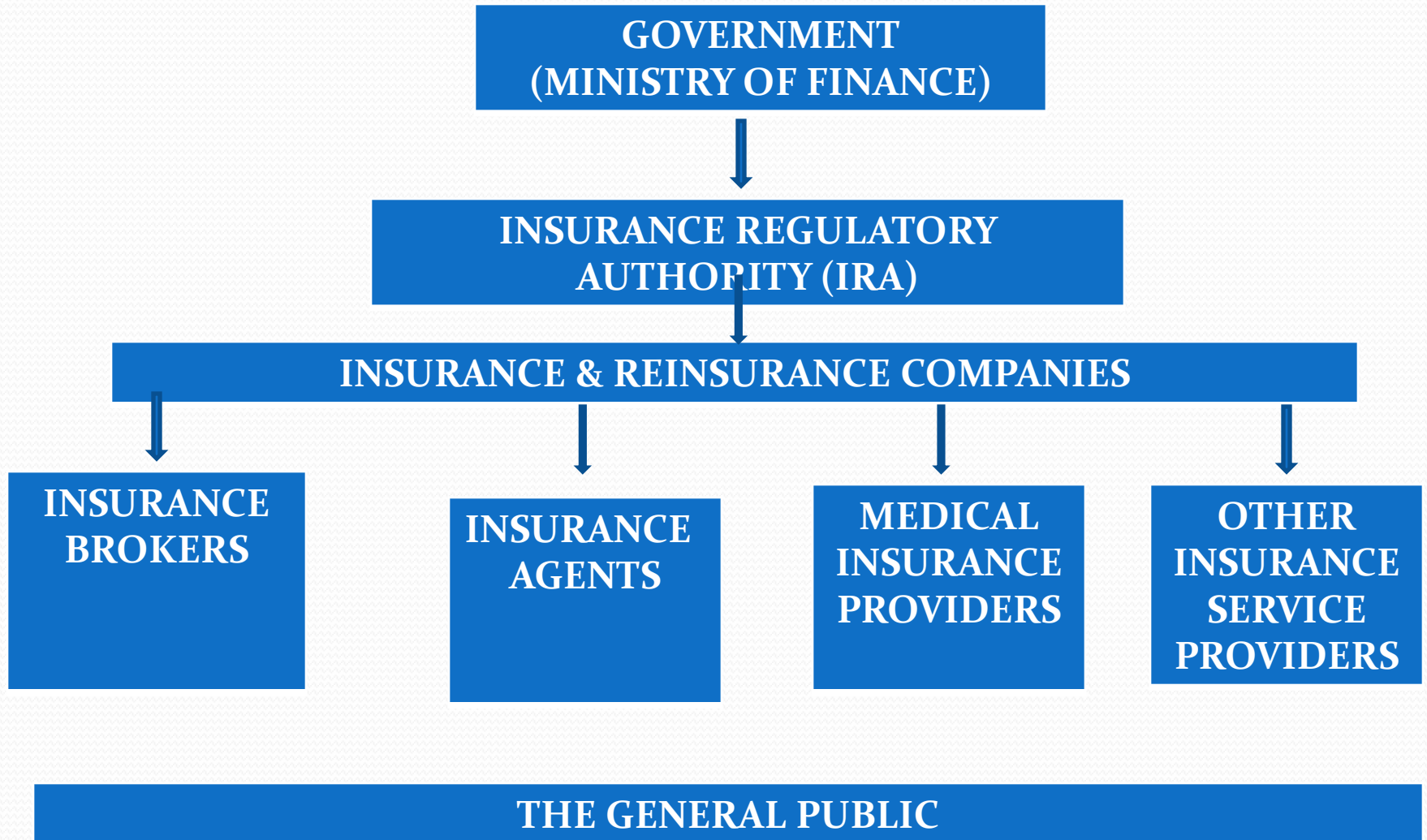
# Why supervise?

- Insurance is a business of trust and can be abused;
- What is being sold is a promise which must be kept;
- There exist a conflict of interest between policyholders and Shareholders as follows:
  - Policyholders expect their claims to be paid from the insurance fund
  - Investors (shareholder) expect to make profit from the same fund.
- The policyholders interest has to be safeguarded by the regulator
- Some companies are mismanaged when there is no regulation

# Who is IRA?

- IRA is the Insurance Regulatory Authority
- An autonomous Government institution created through an Act of Parliament
- IRA started operations in May 2007.
- IRA took up the functions of the former Department of Insurance
- Charged with regulating supervising and developing the insurance industry in Kenya.
- Located in Nairobi, Upper Hill area, Zep Re place
- Headed by the Board of directors and run by Commissioner of Insurance who is also the CEO

# Structure of IRA



# Functions of IRA

- To ensure effective regulation, supervision, and development of insurance in Kenya.
- To formulate and enforce standards
- To issue licences to all persons
- To protect the interests of insurance policy holders and insurance beneficiaries
- To promote the development of the insurance sector
- To ensure prompt settlement of claims
- To investigate and prosecute insurance fraud

# How IRA Regulates & Supervises

- Regulation is about IRA ensuring that players comply with the provisions of the Insurance Act CAP 487
- Supervision means the oversight function IRA exercises over the operations of insurance companies. Among the supervisory functions are:
  - Ensuring the viability of applications for licensing
  - Ensuring that all board members are Fit & proper
  - Ensuring that all senior management staff Fit & proper
  - Ensuring that insurers have adequate Capital at all times
  - Approval of insurance products
  - Inspection, investigation, analysis of accounts and returns, intervention and withdrawal of licenses among others

# Specific Steps taken by IRA to stabilize the industry

- Consumer Protection
- Consumer Education
- Establishment of Policyholders Compensation Fund
- Establishment of Insurance Fraud Investigation Unit
- Training of various interest groups

# Consumer Protection

- IRA receives and handles all complaints pertaining to insurance business as raised by members of the public
- Where necessary, meetings are held between the complainants and the providers or their agents to resolve the disputes
- Complainants are advised accordingly about the status of their complaint (whether the claim is payable or not)
- The division calls for the necessary information regarding claims already paid by insurers through law firms and for which the claimants have not received the same.
- Complainants then pass on the details to the Advocates complaints Commission for further action



# Consumer Education

- Make Kenyans aware about the benefits of insurance
- Make Kenyans aware of their rights and obligations
- Fight the negative perception people hold towards insurance
- Encourage Kenyans to secure the welfare of their loved ones through income protection insurance
- Encourage Kenyans to protect their possessions through buying short term insurance
- Encourage Kenyans to protect themselves against liabilities through buying liability insurance
- Get the views of the public on the practice of insurance
- Pass the right messages on insurance

# Policyholders Compensation Fund

- Was established in 2004 under the section 179 of the Insurance Act as a result of the collapse of a number of insurance companies in the 1970s and 90s leaving policyholders were left with no option but to meet claims from own sources
- The fund pays claims left outstanding by insurers who become bankrupt/insolvent

# Insurance Fraud Investigation Unit

- Established in 2011 to fight fraud in the insurance industry
- Role is to investigate and prosecute fraudulent activities within the industry
- Approximately 40% of all insurance claims are fraudulent
- Fraudsters include ambulance chasers, police, doctors, lawyers, motor garages, employees of insurers among others
- Insurance fraud increased the cost of insurance (premium)
- The Unit is manned by CID officers from the Police dept.

# Who are the fraudsters?

- **Ambulance chasers**
  - police, doctors, lawyers, policyholders and employees of insurers
- **Insurance Agents:**
  - Misrepresentation, premium & claims embezzlement, stealing client details to issue unauthorized policy, selling unauthorized products, operating without a valid license
- **Insurance Companies**
  - Failing to pay genuine claims, Employees colluding with fraudsters, mismanaging insurance funds (corruption)
- **Policyholders involvement in fraud**
  - Stage managing losses, reporting false claims, colluding with staff of insurers to defraud

IFIU investigates and prosecutes such fraudulent activities

# Training of different interest groups

- Other interest groups trained by IRA include:
  - Boda Boda operators
  - Teachers
  - Business community
  - Church ministers
  - Cooperative societies
  - Members of the public (Open days)

# Why focus on Cooperatives' ?

- The cooperative movement is the engine for current and future development in Africa
- Cooperatives mobilize small savings and pool them up for investments
- Investments created through cooperative funds are exposed to risk like any other
- Stability of the cooperative sector is heavily linked to stability of its investments
- Insurance provides the best opportunity for cooperatives to manage risks

Permit me to thank you very much for turning up for this workshop as you have given us the opportunity to express our concerns about the insurance industry as well as detail to you the specific steps the Government is taking to streamline the industry. I strongly believe that given what you have learnt now and what you will learn after this lesson will enable you to reconsider your perception about insurance.



THANK YOU

Q & A



