

INSURANCE AGENTS WORKSHOP HELD IN NAIROBI - PANARI

**THE ROLE OF INTERMEDIARIES IN THE
DEVELOPMENT OF THE INSURANCE SECTOR
IN KENYA**

Introduction

□ The insurance Regulatory Authority (IRA) is the prudential regulator of the insurance industry in Kenya. Formerly the Department of insurance, IRA became autonomous on 1st May 2007 through an Act of Parliament.



Role of Intermediaries

- ❑ Intermediaries are the interface between the insurance industry and the common mwananchi.
- ❑ Intermediaries understand the mwananchi and his demands/preferences better than insurance companies themselves.
- ❑ Intermediaries need to be consulted during product design and development to take their concerns into consideration.



Role of Intermediaries

- ❑ Intermediaries are so crucial in the marketing of insurance products in this country.
- ❑ Intermediaries are held in high esteem by the regulator as crucial partners given the role they play in the development of the insurance sector in Kenya.
- ❑ Intermediaries do partner with the regulator in creating insurance awareness and educating the public on the need to procure insurance products



Requirements of a Good Insurance Agent

- ❑ **Integrity:** Must have high moral standards
- ❑ **Plausible:** must be reasonable, believable, trustworthy and credible.
- ❑ **Training:** Agents must be well trained to enable them understand their stuff. They should also be trained by insurers on the products they are selling.
- ❑ **Need for disclosure** of material facts pertaining to the products being sold. You should be able to explain to clients the pertinent features of products you are selling.



Requirements of a Good Insurance Agent

- ❑ **Disclosure** of their status regarding in the products they are selling. It is important to disclose whether you are a broker, a tied agent, a whole of market agent or a product provider or you are simply advertising a product.
- ❑ **Disclosure** of the policy terms conditions, warranties and exclusions. Most intermediaries do not do this in fear of losing business. However, failure to do so leads to lots of complaints as well as high policy lapse rates, especially in life insurance business.



After Sales Service

- ❑ Agents should know that policy holders require services immediately an insurance contract has been completed. Services range from policy assignments, amendments, claims administration, general complains, simple advice, need for additional policies, need to terminate or surrender policies and many other requirements.
- ❑ Intermediaries who keep tracing the needs of the few clients they have and keep serving those needs end up doing better than those who continue introducing new clients and end up loosing them in droves.



After Sales Service

- ❑ Demand for insurance services keep changing during the various stages one goes through in life starting with employment or starting a business, marriage, childbirth, education, personal insurance needs such as medical, mortgages, annuities in old age and many more. Insurance intermediation is not a once off affair.
- ❑ Agents need to be abreast with technological changes in the market in order to stay relevant and in constant contact with their clients.



Challenges Facing Insurance Agents In Kenya

- ❑ **Direct selling** by insurers: Radio, T. V, Print Press, 24 hour Call Centers, the Internet, Mailing/Coding systems.
- ❑ **Banc assurance**–Customer database.
- ❑ **Brand Assurance** – Customer database
- ❑ **Mobile selling** – currently taking root in the micro insurance sector
- ❑ **M-PESA** – as a way of collecting/paying premiums and claims.
- ❑ **Mobile brand clinics** – used by product providers in creating product awareness



Commissions Paid

- ❑ Commissions paid to agents under long term insurance business are being revised by insurance companies as they deem the rates to be too high and a deterrent to the penetration of life business in Kenya. They are in fact untenable.
- ❑ Commissions paid under investment products are also subject to review by the service providers with a view to making the investments products appealing to investors. A commission of 40% is so high an expense for an investor.

Challenges Facing Insurance Agents In Kenya

- ❑ Challenge arise from insurance brokers and medical service providers who are considered as professionals with high moral standards by corporate clients.
- ❑ **Miss-selling:** Agents must ensure that they understand the insurance needs of prospective clients before they propose a product for them. Agents must also not sell to a client a product that the client already possesses.



Opportunities Available to Intermediaries

❑ Islamic Insurance

The emergence of the concept of Islamic Insurance (the Takaful Insurance) is bound to take the insurance market by storm.

The insurance industry is due to expand as Islamic insurance is expected to introduce the hitherto uninsured Muslim community into the mainstream insurance business.

Islamic Insurance

- ❑ Muslims, according to their faith do not subscribe to certain etiquettes of the conventional way of conducting insurance business.
- ❑ The entry and development of Takaful financial models is bound to address this anomaly. The adoption of Muslim friendly financial models stands to expand the region's Gross Domestic Product substantially given the rate at which Muslims are increasingly participating in the region's financial sector.

Islamic Insurance

- ❑ The Insurance Regulatory Authority has already licensed one Takaful window operator. IRA has since received two more applications for licensing of Takaful operators and is currently analyzing them.

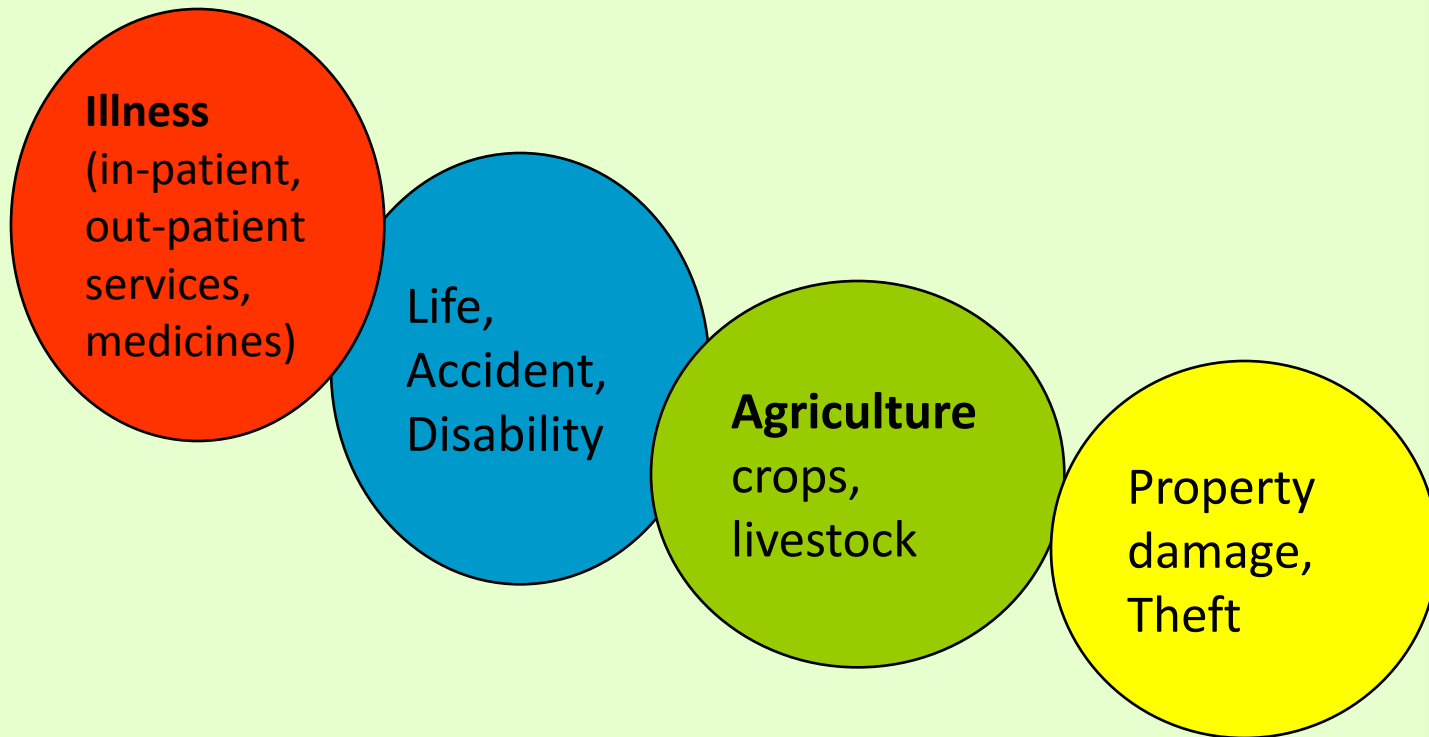
Why the poor need Microinsurance ?

- ❑ Because their resources are so limited, poor people can experience great financial disruption when unexpected events befall them.
- ❑ If a breadwinner is injured or falls ill, there is not only the loss of income and labor, but the prospect that without cash in advance there will be no treatment at all.

- ❑ Loss of breadwinner leads to funeral expenses and need for continued cash for basic needs and education of the family.
- ❑ Destruction of any of a poor person's property may be a great blow to the family's economy.
- ❑ Even small sums insured can ensure some protection and peace of mind (and dignity) for a poor person.

Micro Insurance

□ Micro insurance Risks



Opportunities Available to Intermediaries

❑ Banc assurance

There are abundant employment opportunities for insurance agents and brokers activities available with these institutions whether direct or indirect. Agents do have a very wide database and can introduce difficult clients to banc assurances.

**RECENT AMENDMENTS TO THE INSURANCE
ACT THAT MIGHT IMPACT ON INSURANCE
INTERMEDIARIES AS CONTAINED IN THE
NATIONAL BUDGET**

General Powers to Issue Guidelines and Power of Information sharing

- ❑ The Insurance Regulatory Authority has been given powers to Issue supervisory guidelines and prudential standards.
- ❑ Share information with other regulatory authorities.

Amendments Regarding Premium Outstanding

- ❑ Section 42 (1) of the Insurance Act was amended by deleting clause (d) in relation to outstanding premiums. As a result of the amendment, outstanding premium ceased being admissible in totality as assets of an insurer. Section 156, subsection (7) of the Insurance Act which permitted brokers to hold premiums for up to 90 days was also deleted.

Medical Insurance Business

- ❑ By amendment of Section 150A (1) to provide that any person who provides medical insurance business in expectation of commission, fee or other remuneration to apply to the Authority for Registration.
- ❑ Any intermediary undertaking medical insurance business to seek registration as a Medical Insurance Provider.
- ❑ Whereas remuneration may be earned for this purpose, such intermediaries will not undertake liability by way of insurance.

New Classes of Insurance Business

- ❑ There will now be thirteen (13) classes of business and medical insurance now ceases to be part of the Personal Accident Insurance class of business.
- ❑ Application for licensing and submission of returns to take the new format.

Insurance Agents

- ❑ By amendment to Section 153(5) of the Insurance Act substitute the word 'Kenya' wherever it appears with the words 'the East African Community'
- ❑ Allows citizens of East African Community member countries to be registered as insurance agents in Kenya.

Bank Guarantee by Brokers

- ❑ The principal regulations requiring insurance brokers to have additional bank guarantee or government bond based on outstanding premium has been harmonized.
- ❑ With regard to outstanding premium. This requirement has since been waived.
- ❑ Effective 10th June 2010

Payment to Insurance Regulatory Authority

- ❑ The principal regulations are amended at Regulation 49 removing the requirement for payments in respect of fees payable by members of the insurance industry to be made by 'crossed banker's draft'.

Payment to Insurance Regulatory Authority

- This allows the Authority to receive fees payable by members as prescribed and in the most convenient manner.
- Legal Notice No. 85 of 2010
- Effective 10th June 2010

The Proceeds of Crime and Anti-Money Laundering Act, No. 9 of 2009

- ❑ The minister appoints 28th June, 2010 as the date on which the Act shall come into operation.
- ❑ The Authority shall put in place mechanisms to ensure that the Insurance Industry complies with the provisions of the Act.

THANK YOU

