

Insurance Regulatory Authority (IRA)

Role of IRA
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ABOUT IRA



About IRA

- Insurance Regulatory Authority (IRA) was created by the Insurance (Amendment) Act of 2006 and came into operation on 1st May 2007.
- The Authority was established with the mandate of **regulating, supervising and developing** the insurance industry in Kenya.
- The **vision** is to be a leading insurance industry regulator.
- The **mission** is to effectively and professionally regulate, supervise and develop the insurance industry.



Functions of IRA

- Effective **administration, supervision, regulation and control** of insurance and reinsurance business in Kenya.
- **Formulate and enforce standards** for the conduct of insurance and reinsurance business in Kenya.
- **Issue licenses** to all persons involved in insurance business .
- **Promote development** of the insurance sector .

Functions of IRA cont'd

- **Advise the government** on the national policy to be followed in order to ensure adequate insurance protection and security for national assets.
- **Protect the interests** of insurance policy holders and insurance beneficiaries in any insurance contract;

Objectives of IRA

- Enhance regulatory and supervisory framework
- Ensure proper pricing of insurance products.
- Develop appropriate enforcement mechanisms that deter malpractices
- Ensure timely settlement of claims
- Ensure adherence to good corporate governance principles in the insurance industry
- Enhance surveillance and supervision
- Increase insurance penetration
- To standardize insurance contract documents
- To enhance international alliances with other Regulators
- Public education and awareness



Role of IRA ...Supervision I

- This entails the enforcement of rules and standards guiding the conduct of insurance business in Kenya.
- Our approach to this is through off-site and on-site inspections.
- We inspect companies to check compliance levels with regulations and ascertain their financial and economic status. e.g sufficiency of capital, run professionally, pay claims, appropriate products offered, investments, financial reporting,

Role of IRA ...Supervision II

- Companies are also expected to submit their accounts to the Authority for inspection and analysis before they are issued with annual licenses.
- Risk Based Supervision.

Role of IRARegulation

- Regulation is important and essential for the proper functioning of the insurance industry.
- Regulations used for the insurance industry in Kenya include the Insurance Act Cap 487 and its accompanying Schedules and Regulations.
- Circulars and Guidelines are normally issued by the Commissioner of Insurance/Chief Executive Officer of IRA detailing provisions that insurance/re-insurance companies and intermediaries need to comply with.
- Guidelines issued for
 - Corporate governance,
 - Intermediaries,
 - Anti money laundering



Role of IRA..... Development

- The Authority carries out research to find and establish industry and consumer requirements with a view to enhancing development of the industry.
- Insurers are encouraged to respond to consumer needs by innovating products that meet their needs e.g. Crop and livestock insurance
- Micro insurance
- Creates awareness on the benefits of buying insurance.
- Increase distribution channels : Banc Assurance



Role of IRA..... Consumer Education

Through consumer education programmes, we

- Seek to sensitize the public on the importance of insurance, the benefits of insurance , policyholders rights and obligations .
- Provide reliable information and advice in order to understand better, risks and insurance products, importance of proposal forms, policy documents, etc.
- This information enables consumers to make better and informed insurance purchase decisions.



Role of IRA..... Consumer Protection

- IRA has a responsibility to protect the interests of policy holders and their beneficiaries in any insurance contract.
- The Authority's Consumer Protection unit receives and handles complaints against any licensed member of the insurance industry
- It also receives and responds to enquiries relating to insurance products .
- Complaints provide feedback about products and services being offered by industry players and give us the opportunity to assess the impact of certain products in the market.
- We provide assistance to complainants at no fee.
- Standardized policy wordings



SAMPLE OF TEACHERS COMPLAINTS

- **Broadly fall under the following categories**
 - Unauthorized premium deductions.
 - Underpayment of surrender values.
 - Delay in cancellation of policy.
 - Misleading information by agent.

UNAUTHORISED DEDUCTIONS –SAMPLE COMPLAINT

- “The above deductions by company XXXX are being done without my consent. I did not sign any contract”
- “The above named visited the school and secretly recorded the TSC number and therefore deductions were effected without my authorization”
- “I wish to request your office to advise the above mentioned to stop the premium deductions as the policy was proposed without my authority or consent”

UNAUTHORISED DEDUCTION CONT'D

- “I have been deducted my salary illegally since August 2008 by the above insurance who took my TSC number without my consent. The agent visited my station of work but I did not sign any proposal form or give them my pay-slip”.
- “I found my April pay-slip salary a deduction of Ksh. 2050 which I did not authorize any agent from the above company to do so”

PROPOSAL FORM

- How did the agents get the teachers details ?
- Who completed the proposal forms?
(Is it the teachers or agents)
- Whose responsibility is it?

WAS PAID LESS THAN MY TOTAL PREMIUM CONTRIBUTION (Surrender Value)

- “I took policy for 15 years, by end of 3rd year, I had contributed Ksh. 60,000. I requested to terminate policy and requested a refund. I received a voucher for Ksh:12,000 , this was too little compared to Ksh. 60,000 . I did not sign voucher”

Surrender Value Cont'd

- “I request them to stop the above policy as surrender value.”
- “ I hereby claim the refund from the named firm due to financial constrains at which I am now”
- “They got my 24 months premiums and paid me none”



Claim for Surrender Value.

- Occurs when an insured is unable to continue paying premiums due to some unplanned events.
- The insured terminates the policy in return for some cash payment which is called surrender value.
- For the surrender value to accrue, the policy must have been in force for a specified number of years, minimum 3 years .



Calculating Surrender Value

- Total premiums paid under the policy
- Less allowances for expenses including agent's commission
- Less cost of providing cover up to the date of cancellation.
- Expenses are at their highest in the early years
- Little time for interest to accrue.

So, what should you do?

- Adequately discuss your financial needs with the agent.
- Agree on reasonable premium payment to avoid cancellation of the policy before maturity.
- Surrender should be the last resort.

Conclusion

- Lack of insurance literacy can result in negative perception of the insurance industry and poor insurance choices .
- An informed consumer is able to grow and protect their wealth, makes informed insurance decisions and provides an opportunity for greater insurance penetration.

 **Asante**