



The Microinsurance Regulations 2015

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- **PART I : PRELIMINARY**
- **PART II: MICROINSURANCE CONTRACTS**
- **PART III: REGULATION OF MICROINSURANCE BUSINESS**
- **PART IV: MISCELLANEOUS**

Preliminary

- Regulations may be cited as the Microinsurance Regulations, 2015.
- There are a total of 27 draft regulations
- A number of issues covered including:-
 - ✓ Definition of the key terms in the regulations
 - ✓ Microinsurance Contracts approval process
 - ✓ Revocation of approval
 - ✓ Change in premium rates
 - ✓ Policy document and microinsurance criteria
 - ✓ Disclosure requirements
 - ✓ Claims processing and payments
 - ✓ Microinsurers License
 - ✓ Prudential requirements
 - ✓ Customer care
 - ✓ Intermediation of microinsurance contracts

Definitions

➤ Some of the terms defined in the regulations include;

1. Act means the Insurance Act, 2015

2. Bundled Microinsurance Product means one or more classes of general business, life business or both,

(b) **3. Fixed Sum Insurance Contract** means an insurance contract under which an agreed specified fixed sum or fixed benefits is payable by the insurer to the policyholder on the occurrence of the insured risk

4. General micro insurance business means microinsurance business where the products concerned are general insurance products

5. Insured risk means the uncertain event or events specified in the insurance contract, the occurrence of which triggers the insurer's liability to make a payment, or provide a benefit under the contract

Defns cont...

6. **Licensed insurer** includes a licensed microinsurer
7. **Licensed microinsurer** means an insurer holding a microinsurers licence
8. **Life micro insurance business** means microinsurance business where the contracts concerned are life insurance contracts
9. **Master policyholder** in relation to a group insurance contract, means the person who is the legal holder of the policy issued in respect of the contract
10. **Microinsurance agent** means a person who is exempted from the requirement to obtain an insurance agent's licence to act as an insurance agent in respect of microinsurance contracts,
11. **Microinsurance business means** the business of undertaking liability, as an insurer, under microinsurance contracts

Defns cont...

12. Microinsurer's licence means an insurer's licence that, in accordance with section 17(2) of the Act, restricts the business that may be carried on by the insurer to undertaking liability as an insurer under microinsurance contracts

13. Qualified microinsurance actuary means a person who is;

- (a) an Associate of the Actuarial Society of Kenya
- (b) an Associate of a prescribed actuarial association
- (c) a certified Actuarial Analyst of a prescribed actuarial association
- (d) is recognised by a prescribed actuarial association as having equivalent status to an Associate; or
- (e) has an equivalent qualification to an Associate, awarded by an actuarial association specified by the Authority

Microinsurance Contracts

Approval process

➤ A licensed insurer shall not;

(a) Enter into, sell or market an insurance contract as microinsurance unless the insurance contract is a microinsurance contract within the meaning of these Regulations

(b) Enter into, sell or market an insurance contract in respect of which the Authority has issued a directive,

(c) without the written approval of the Authority, enter into, sell or market a microinsurance contract where the terms of the contract are materially different to those approved by the Authority

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Microinsurance Contracts contd

- A licensed insurer may apply to the Authority for;
 - (a) the approval of an insurance contract as a microinsurance contract; or approval to amend the terms

- An application under these regulations shall be accompanied by the following:-
 - (a) copies of documents relating to the proposed insurance contract in the form specified by the Authority
 - (b) written details of the premiums and how the product has been rated
 - (c) written certification of the microinsurance actuary that, in the actuary's opinion
 - (i) the contract is rated in accordance with accepted actuarial methodologies; and
 - (ii) the insurer has sufficient financial capacity or reinsurance, to support the risk

Microinsurance Contracts contd

- e) written details of the claim procedures

- (f) A sales plan specifying how it is proposed that the will be sold and distributed, including projected sales over the next 3 years

- (g) the proposed Policy Summary

- If the Authority refuses to grant an approval under these regulations, or imposes conditions on the grant of the approval, the decision notice will contain a statement of the Authority's reasons for the refusal or for the imposition of conditions,

Microinsurance Contracts contd

- The Authority may, by written notice, revoke its approval of an insurance contract as a microinsurance contract
 - (a) on the application of the licensed insurer that is entitled to sell the contract; or
 - (b) if it forms the opinion that the contract,
 - (i) no longer satisfies, or never satisfied, the criteria specified in the regulations
 - (ii) does not comply with these regulations or, where appropriate, the Act or the Insurance Regulations; or

- Before revoking the approval of a microinsurance contract under these regulations, the Authority will give the licensed insurer concerned written notice of its intention to revoke the approval

Microinsurance Contracts contd

- A micro insurance policy document shall,
 - (a) be written in English or Kiswahili;
 - (b) state clearly the terms of the micro insurance policy;
 - (c) contain no, or few, exclusions

- A licensed insurer shall, within 10 working days of the commencement of a microinsurance contract, provide a policyholder with the policy document

- A microinsurance contract must satisfy the following criteria,
 - (a) the contract must be developed with the intention of meeting the needs of, and being marketed and sold to;
 - (i) low-income persons generally; and
 - (ii) specific types or descriptions of low income persons; or

Microinsurance Contracts contd

(b) the premiums to be charged under the contract must be affordable for those low-income persons

- The microinsurance criteria may include detailed criteria with respect to;
 - (a) the characteristics of a microinsurance contract;
 - (b) persons who are considered as low income persons;
 - (c) whether premiums are affordable; and
 - (d) such other matters as the Authority considers appropriate

- Neither these Regulations, nor the microinsurance criteria shall be taken as preventing the purchase of a microinsurance contract by a person who is not a low-income person

Claims Management

- A claim under a microinsurance policy shall be accepted or rejected by a licensed insurer within 7 days of receipt of the claim by the insurer,
- Where an insurer accepts a claim made under a microinsurance contract, it shall, within 10 days of the receipt of the claim,
 - (a) pay the claim; and
 - (b) provide the policyholder with written confirmation of payment, setting out how the amount paid has been calculated.
- Where an Insurer is unable to complete the claim process due to a reasonable cause, the insurer shall be required to obtain an extension of time of not more than five days from the Authority
- Where an insurer rejects a claim, it shall within 10 days of the receipt of the claim, provide the policyholder with a written notice of the rejection of the claim, specifying brief reasons for its rejection of the claim

Prudential Requirements

- The minimum paid up capital requirement of a licensed microinsurer for the purposes of section 33(1)(a) of the Act is Kenya Shillings fifty (50) million or RBC to be determined from time to time by the Authority

Consumer Protection

- A licensed insurer shall establish and maintain;
 - (a) procedures for dealing with complaints and disputes in relation to its microinsurance business in a fair manner; and
 - (b) a unit responsible for dealing with enquiries and complaints made in respect of its microinsurance business by policyholders.

Regulation Of Microinsurance Business

- A licensed insurer shall;
 - (a) within 5 business days of receiving a (written) complaint, provide an initial response to the complainant; and
 - (b) within one month of receiving a (written) complaint, notify the complainant of its final decision on the complaint.

Intermediation of Microinsurance contracts

- An individual may be appointed, and may act, as an insurance agent in relation to microinsurance contracts without obtaining an insurance agent's licence under the Act in accordance with these regulations

Regulation Of Microinsurance Business



- A licensed insurer may appoint an individual as its microinsurance agent in accordance with these regulations provided that;
 - (a) the insurer is satisfied, following enquiry, that the individual is fit and proper to be a microinsurance agent;
 - (b) the individual has successfully completed a microinsurance training program approved by the Authority;

- A licensed insurer shall keep a register of all microinsurance agents that it has appointed which shall;
 - (a) Contain the full name, business address and contact details of each agent; and
 - (b) Record the date upon which the agent was appointed and on which the appointment was terminated; and the scope of the microinsurance agent's authority

Training Obligations;

- A licensed insurer, a licensed insurance broker and a licensed agent with employees, shall provide appropriate micro insurance training to;
 - (a) any of its employees that have responsibilities in relation to the distribution of micro insurance policies; and
 - (b) in the case of a licensed insurer, its microinsurance agents.

Commissions

- A licensed insurer shall not pay commission and fees to an agent or broker that exceed **15%** of the premium payable
- The agreement entered into with an insurance agent, including a microinsurance agent, may provide for the repayment of commission to the insurer in the event of early termination of the contract, in accordance with Guidelines issued by the Authority

Conclusion

- A number of provisions in the Kenya Microinsurance policy paper have not been taken into the regulations
- The Authority shall issue guidelines from time to time aimed at fulfilling the provisions in the policy paper not taken care of in these regulations
- The MI policy paper avoided a strict definition of microinsurance- so as to promote market development through innovation
- Microinsurance to be defined through the product approval process of the Authority



THANK YOU