

GENERAL INSURANCE IN KENYA

INTRODUCTION

The insurance industry shows double digit growth over the years because Kenyans are becoming more aware of the benefits. Low penetration rates are due to low levels of disposable incomes for individuals as well as a poor savings culture for Kenyans. In 2012, micro-insurance sector was introduced in the 11th schedule of Insurance Regulatory Authority to help in accessibility of insurance covers for low income earners. This segment covers individuals against accidents, illness, death, fire, natural disasters as well as mobile phone protection packages.

In general, there are two types of insurance covers, namely;

- General insurance and
- Life insurance.

Life insurance policies are covers where a certain amount is paid out by the insurer to the beneficiaries of the insured upon occurrence of death of the insured or paid to the insured upon maturity of the policy before death. The policies available under life insurance are:

- Whole life insurance
- Endowment insurance
- Term insurance
- Investment-linked insurance
- Annuity insurance
- Medical and Health insurance

The above policies cover the risks of premature death, illness and retirement income.

General insurance covers every other insurable claim that is not covered under life insurance, like property. Some of the covers include:

- Motor vehicle insurance
- Travel insurance
- Personal accident cover
- Fire/house owners/household
- Medical and health insurance

General insurance protects the insured from property loss or damage, loss made during the time of destruction as well as personal injury and accidents.

For this report, an in depth analysis of the general insurance in Kenya will be provided.

MOTOR INSURANCE

Motor insurance has been in existence almost since the inception of the motor vehicle industry. The motor vehicle was labelled a 'lethal' machine and people saw the need to cater for damages caused in case of an accident. Also known as auto/car/vehicle insurance, motor insurance is a legal requirement in Kenya under the Kenya traffic laws Act 405 prior to using public roads. Motor insurance covers cars, trucks, and other road vehicles. This insurance cover covers the vehicle against theft, fire, accidents, loss of property, third party risks such as injury and destruction of property. Under this policy, the vehicle is the first party, the second party being the insurer and the third is any person who suffers loss caused by the occurrence of events insured against. There is also a No-Claim Discount given to the insured

for no claims made in one year from inception off holding the policy, and renewing with the same insurer. While partaking an insurance cover, it is important to look at some factors such as the stability of the insurer company, the expeditious settlement of claims, special features of the policy, reputation of the company concerning claims payment and of course the rate charged.

There are 3 different types of covers from insurance companies in Kenya:

- Motor Third Party - This protects third party casualties against death, bodily injury and property damage
- Motor Comprehensive - This policy covers both the third party's death, physical injuries and/or property and the vehicle against losses from fire, theft or an accident.
- Motor Third Party Fire and Theft - Protects third parties against aforementioned losses and against fire and theft only for the vehicle.

Auto insurance is a major component of insurance in Kenya, accounting for 45% of Gross Written Premiums in Kenya and 60% of insurance covers taken up. The commercial segment takes up the larger segment of close to 25% of all covers taken. Growth in the sector has been reported over the past few years, as the economic power of the masses continues to increase such that more people can afford personal vehicles. Nonetheless, this class of insurance remains the unprofitable one since most Kenyan drivers are young and reckless leading to accidents. Insurance companies have high chances of going into ruin if dependent on this sector alone as the sole source of revenue. CIC Group is the market leader for motor insurance covers commanding a 9.8% market share. Some of the best insurance companies offering

motor insurance are Madison Group, Jubilee Group, GA insurance, First Assurance, Britam Kenya, UAP, APA, Heritage, AIG and AMACO.

TRAVEL INSURANCE

For one travelling anywhere around the world, it is advised that they take up a travel insurance cover. It caters for travel delay and cancellation, loss of passports, loss of baggage already checked in at the airport, loss of money, hijacking, personal civil liability and medical expenses or assistance during travel around the clock.

Nevertheless, payment for air tickets using credit cards is limited to taking up a travel insurance. Other policies also exclude activities exposing one to a higher risk level, such as hiking, scuba diving, bungee jumping, skiing among others.

This is still a struggling sector in the insurance business but an increase in international flights recently only means an increase in risks involved. Companies that offer the policy are Jubilee Insurance, Heritage, and AIG. Resolution Travel has partnered with a multi-national insurance company Linkharm Services to provide travel insurance to people travelling for leisure, business and studies.

PERSONAL ACCIDENT COVER

Personal accident insurance covers your expenses from an accident with a lump sum payment, a daily or monthly amount, for example hospital bills, or a payment for loss of life from an accident.

Group personal insurance: this is insurance taken up by employers to cover his employees against accidents that occur during working hours. This cover compensates the employer in

case of death or disability, or even medical expenses incurred. The premiums are paid by the employer hence owns the policy.

Student personal insurance: this is a cover taken by individuals such as parents and guardians or an educational facility to cover students from primary school up to the tertiary level against financial consequences resulting from accidents. AIG and APA are some of the companies that offer this policy.

FIRE AND THEFT INSURANCE

Theft or burglary insurance is a policy that covers loss or damage of property caused by theft. Theft here is described as forced, violent or threatening entry or exit into a building which has a 24-hour security system such as guards or alarm systems or both. Goods stolen in another building or in open space are not covered in the general policy unless stated otherwise. An insurance broker is required to visit the premises and value the goods therein which belong to the client.

Fire insurance in Kenya is defined as cover against damage caused by fire to property. It involves replacement, reconstruction or repair of damaged property. It may also incorporate property nearby that is damaged and items within such property.

Fire and theft insurance covers come in different forms such as motor insurance and property insurance.

MEDICAL AND HEALTH INSURANCE

Most medical and health covers in Kenya cover only local medical expenses. It is important for any Kenyan to obtain a medical cover since medical services continue to be on the rise.

Another point of concern is the fact that most insurance covers offered only cover local medical expenses. There are six (6) international insurance companies registered and regulated in Kenya to offer international health policies; Bupa International, AXA PPP International, Aetna Global, CIGNA and Allianz. These coverage plans are available for both locals and expats.

Jubilee insurance offers JCare as their medical cover with 5 different plans. As for Resolution Insurance, medical insurance remains their core business. Most insurance companies offer medical and health insurance covers for both individuals and corporates.