

# Government wants importers to insure transit goods with local firms

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The Shipping and Maritime Affairs Principal Secretary (PS), Nancy Karigithu is urging local importers to insure all goods entering the country with local companies in line with the Marine Cargo Insurance Policy which takes effect this month.

Karigithu said it was imperative for all importers ferrying goods to the country either by air or sea, to buy insurance cover for the cargo from local insurance companies

“This will help grow the country’s insurance companies and banks as well as expand their capacity,” Karigithu said.

The PS noted that although 90 per cent of Kenya’s international trade is carried out on ships, most of the cargo is either uninsured or it is insured by foreign insurance companies, a scenario which the Marine Cargo Insurance Policy, enacted in 1984 and operationalized in 1987 intends to reverse.

Karigithu speaking to the media in her office on Tuesday told local importers to build the nation by, “buying Kenya and building Kenya”, through giving local firms all the jobs of underwriting goods imported into the country.

She further noted that although marine cargo insurance is regulated by section 20 of the Insurance Act, chapter 487 of the Laws of Kenya which prohibits placement of any Kenyan business on an insurer not registered under the same Act, importers continue flouting the law with impunity and urged them to stop putting their trust on foreign insurance firms at the expense of Kenyan companies.

The PS said implementation of the policy which was enacted through an Act of parliament in 1984 and designed to take effect in 1987, will arrest capital flight and haemorrhaging of foreign exchange which goes to foreign insurance firms.

Karigithu said implementation of the new Marine Cargo Insurance Policy which took effect on the 17th of January this year will encourage Kenyan importers to take bigger risks since they will be assured of compensation in case of loss or damage to transit cargo in the high seas.

She said her department in collaboration with the Kenya Revenue Authority (KRA) will go out of their way to ensure that the new policy is adhered to the letter in line with a directive from the National Treasury CS Henry Rotich who directed KRA in his 2016/2017 Budget speech to work with shipping and maritime stakeholders to implement the provisions of the Insurance Act.

Karigithu noted that due to procrastination in implementing the Insurance act to allow local insurance companies to insure all transit cargo, Kenya was losing over Sh25 billion annually to foreign insurance companies.

“We in the Maritime Affairs and Shipping department will not sit back and watch when this colossal amount of foreign exchange which rightfully belongs to Kenyan insurance companies goes to foreigners,” the PS asserted.

In order to recoup this money and plough it back to the local economy, Karigithu announced the formation of a task force to put in place regulatory mechanisms of ensuring that all transit cargo is insured locally.

The new policy, the PS noted, will rein in on dumping of un-customed goods, misdeclaration of imported cargo and enhance transparency in the field of international trade besides reducing the cost of storage and sanctions at the port of entry.

She further said besides creating more jobs, building the local insurance industry and professionalizing the import trade industry, the new policy will also help expand the Kenyan banking industry which has the capacity to fund and give credit facilities to the local insurers dealing with international trade.

The PS dismissed arguments by some nay-sayers that local banks will not be able to absorb the huge volumes of credit demands from the local insurers by expressing confidence in local banks which she described as “strong enough to absorb the increased volume of trade imposed on them by the expanded insurance businesses.”

The taskforce charged with charting the way forward on the operationalization of the Marine Insurance Policy, Karigithu announced, draws members from various government and private sector agencies, the Insurance Regulatory Authority, the State Law office, the Inter-governmental Standing Committee on Shipping, the Association of Kenya Insurers, the Kenya Shippers Council, the Motor Vehicle Importers Association and the Kenya Freight Forwarders and Warehousing Association and other key players and stakeholders representing major players in the import and export sector in Kenya.

The PS further announced that the Customs department in the KRA will supervise the implementation of the new policy to ensure total compliance and penalise those who try to circumvent the law.

This new concept, she further said, will reign in on the smuggling of contraband cargo and drugs besides capacity building local insurers and creating over 5000 jobs for Kenyans.

The new policy, Karigithu added, will also address theft of cargo on transit besides reigning in on other bad habits in Kenyan ports.

After implementing the new policy, the PS added, the local insurers will create a fund locally to promote industrial development in Kenya from which they will borrow internally to spur growth in the insurance industry.

*By Bernard Namunane*