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Kenyan insurers go online to net marine business ahead of law kick-off

From left: Britam regional director Stephen Wandera, managing director Benson Wairegi and Shipping and Maritime PS Nancy Karigithu during the launch of the Britam Marine Insurance Portal in Nairobi. PHOTO | DIANA NGILA

IN SUMMARY

- Experts have warned against the "big bang" implementation of the new law saying based on the volume of cargo to be insured, Kenyan firms need huge underwriting muscle to win the confidence of importers.

Local insurers are sharpening their claws for high profile marine contracts even as experts warn of capacity challenges ahead of the January 1 deadline issued to importers.

Several firms have unveiled new strategies including new portals targeted at clinching big business when Section 20 of the Insurance Act takes effect. The law prohibits procurement of marine insurance cover from foreign firms "except in exceptional circumstances."

Marine insurance covers movement of cargo from one location to another against risks like damage, pilferage, theft or non-delivery. It is currently the preserve of deep-pocketed foreign underwriters.

Statistics show Kenya imports goods worth Sh1.57 trillion annually, with 90 per cent of this being insured with offshore providers. The imports are expected to hit between Sh2 trillion and Sh2.2 trillion by 2020, yielding potential marine cargo insurance spend of over Sh30 billion annually in premiums.

Experts have warned against the "big bang" implementation of the new law saying based on the volume of cargo to be insured, Kenyan firms need huge underwriting muscle to win the confidence of importers.

Ahead of the January deadline, however insurance companies in general business have been aggressively positioning themselves for the change which is expected to raise their premiums by about Sh17 billion.

Britam, Jubilee, CIC, Sanlam and UAP are some of the firms that have placed their bets publicly.

The CIC Insurance is banking on a new web-based portal targeting insurance intermediaries, including brokers and agents.

"Currently, 90 per cent of imports are insured in the country they originate from. We already do marine insurance but we have not been doing it in as big a way as this opportunity portends.

We want to be in the forefront as this new area of growth opens up," said CIC Insurance Group CEO Tom Gitogo.

Britam Holdings has also unveiled a portal to tap the new business.

Group managing director Benson Wairegi while dismissing claims of capacity constraints among local players said the local industry has the capacity to competitively offer marine cargo insurance for the importers.

Technical capacity

Not to be left out Jubilee Insurance has also developed a marine cargo insurance product.

“Jubilee insurance has developed an online solution that will enable our customers and intermediaries to interact with us in a convenient, fast and easy way by being able to buy and manage their own marine insurance policy at the click of a button,” said the insurer which plans to unveil its portal this week.

However, importers through Shippers Council chief executive Gilbert Langat say the industry must demonstrate both financial and technical capacity to undertake marine insurance locally.

“Another major concern for shippers is price competitiveness of the products that are locally available,” said Mr Langat.

“Claims settlement and service level agreement must be clearly stipulated while procuring local marine insurance. The test for insurers will be in the time it takes to settle claims and ensuring that the importer incurs very minimal cost in the process.”

Foreign affiliated insurers, especially subsidiaries of South African conglomerates, have been touting the parent companies muscle and experience in the business pitches.

The subsidiaries of South African underwriters UAP Old Mutual Group and Sanlam Kenya both of whom have launched similar marine cargo insurance products say they will actively seek a piece of the Sh30 billion marine cargo insurance market by issuing covers to traders backed by their parent firms.

Emerging challenges

“Importers have traditionally preferred to use foreign firms especially when importing cargo such as mining and construction equipment. We believe the law will help buyers avoid the associated risks,” said UAP Old Mutual Group chief executive Peter Mwangi.

Local software manufacturer Turnkey Africa has set up a new online platform targeting insurance companies and brokers.

According to the firm, the portal, known as TurnQuest Marine, is a cloud-based service designed within a broader system of applications specifically developed for insurance businesses and stakeholders including the Insurance Regulatory Authority (IRA).

To thrash out emerging challenges, a team will be formed to help Kenyan shippers swiftly buy local marine insurance as the deadline fast approaches.

Smooth out hitches

State Department of Shipping and Maritime Affairs principal secretary Nancy Karigithu last week said the committee including insurers, state agencies and shippers will smooth out any hitches to implementation of the order issued by the Treasury.

She maintained the government will enforce the law come January 1.

“The taskforce will establish why many importers and exporters prefer to procure insurance covers overseas. It will also develop a joint action plan of all concerned parties for awareness campaigns on appropriate use of international commercial trade terms across the country,” said Mrs Karigithu.

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