MAGAZINES

Marine insurance business sparks price war as firms jostle for clients

TUESDAY, FEBRUARY 28, 2017 18:15

INSURANCE REGULATORY AUTHORITY ACTING CEO GODFREY KIPTUM ADDRESSES JOURNALISTS IN MOMBASA ON MONDAY. PHOTO | LABAN WALLOGA

Claims of undercutting have rocked the marine cargo insurance business as a record number of players enter the segment just one month after a law compell importers to buy policies from local industry players took effect.

The number of firms offering marine cargo insurance has risen to 37 from 34 last year, sparking off a vicious price war as new players angle for a slice of the pie.

The Insurance Regulatory Authority (IRA) has raised concerns over unsustainable premiums. Without naming firms charging the rock bottom prices, IRA acting chief executive Godfrey Kiptum said the agen was keenly studying the trend and would strictly enforce laws to win the confidence of importers.

“As a rule, firms file their rates with us and we expect that they will be able to pay claims with the premiums they collect,” said Mr Kiptum at Bandari College on Monday during a forum on marine cargo insurance for importers.

Ideally, insurance firms are supposed to pool together enough premiums to be in a position to compens all importers who incur any marine-related risk within the coverage period. Undercutting claims put fir at risk in case a high number of their clients lodge claims against loss or damage of their cargo during transportation.

Data produced by the association of manufacturers indicates that the sector collected a gross premium Sh2.9 billion in the year to December 2015 with claims taking up Sh500 million or 17 per cent.

Shipping and Maritime Affairs principal secretary Nancy Karigithu said there was a need for collaborati between the ministry, the regulator and industry stakeholders to ensure that implementation of the law was smooth.

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"We are into the second month since we started implementing t rule and we will be holding more forums to sensitise importers a clearing agents, especially on international commercial terms us in the sector," she said.

From January 1, Kenya has been implementing section 20 of the Insurance Act which requires all imports to be insured locally.

The insurance industry hopes to net a total of Sh25 billion by en December.

MARKETING OVERDRIVE

The prospect of securing this business has thrown the industry into a spin, with insurance companies go on marketing overdrive and launching marine cargo insurance products with attractive offers.

Of the 34 insurers that offered marine cargo insurance last year, only four — GA, ICEA Lion, Kenindia an APA Insurance transacted more than Sh200 million each in gross premiums.

Local purchase of marine cargo insurance would increase its share of total industry premiums from the current 1.7 per cent to about 10 per cent, according to the projected figures, Ms Karigithu said in a recen interview.

A technical team comprising six government agencies and the private sector was formed to oversee implementation of the law.

Members of the team include the Kenya Revenue Authority, the IRA, Kenya International Freight and Warehousing Association, Association of Kenya Insurers, State Department of Shipping and Maritime Affairs and Intergovernmental Standing Committee on Shipping, which is providing secretariat services the task force.

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