

# Why insurance sector in Kenya has stagnated

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POLICE OFFICERS DISPLAY STOLEN VEHICLES NUMBER PLATES. TRUST OF THE INSURANCE INDUSTRY IS FAST DECLINING  
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A lot has been done for the insurance industry in advancing its growth, but it seems that a lot still needs to be achieved.

Kenya's insurance growth rate is at a penetration rate - the total value of insurance premiums as a proportion of Gross Domestic Product (GDP) - of about three per cent.

This doesn't compare with a country like South Africa at 13 per cent, thus showing that we are still far from one of the countries with the highest penetration rates in the world.

A look at figures from Insurance Regulatory Authority (IRA) for the period January to December 2016 shows an improvement in growth figures with an improvement from 2015 of 9.9 per cent to 12.3 per cent in 2016.

The figures do not mean a higher penetration of insurance in the economy since the economy is still growing at the same or higher rate.

One of the main reasons insurance is not growing is the cost.

The premiums are not affordable to the majority of the population hence presenting a challenge to the industry to lower the premiums.

The insuring public are quite ignorant on the value of insurance to their lives and you find they would rather do "harambees" than buy insurance to mitigate a loss.

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The industry in Kenya has had a culture of recruiting agents from drop-outs in primary schools and high schools and using these to drive insurance sales in the country. This of course is not the best way to drive sales of such a highly technical product like insurance.



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Fraud in the sector has made the industry very unattractive to would-be entrants in the field. As a result, people who would have brought extra knowledge and expertise in the field are shut off, condemning it to its doom.

It also has a way of rising insurance premiums by up to 20 per cent.

Trust of the industry is at its lowest since insurance started in Kenya in the early 20th Century. Claims are not being paid on time, service providers are not getting their invoices honoured, agents are not receiving their commissions on time or at all.

Weak regulation of the industry has seen bankrupt companies continue to operate despite measures taken to improve the sector.

It seems that the measures taken are just meant to be seen and appreciated but not to be implemented. Some companies are facing a myriad of legal suits from service providers or claimants.

There's a pending Micro Insurance Bill of 2014 that is meant to solve the problem of high premiums by making possible the establishment of lower premium products fit for low income households.

Their creation aims to lower the cost of selling microinsurance products and increase the accessibility and customer value of insurance in the Kenyan market. This bill needs to be passed ASAP.

IRA has embarked on a campaign of educating the public on the value of insurance through the media and holding workshops all over the country.

Bima Intermediaries Association of Kenya (BIAK) is an insurance agents association mandated to look after the welfare of the agents among other duties.

We have been looking at the quality of agents in the industry, especially new entrants in the industry noting that there are very many conmen in the industry masquerading as insurance agents.

Fraud can be contained by insurance companies sharing data on fraudulent activities with the companies and also involving BIAK especially where insurance agents are concerned.