



ASSOCIATION OF KENYA INSURERS (AKI)

CLARIFICATION ON MINIMUM PAID UP CAPITAL REQUIREMENTS FOR INSURANCE COMPANIES

Our attention has been drawn to articles appearing in sections of the media regarding new minimum capital requirements for insurance companies. We have received various enquiries from members of the public and wish to clarify some issues that were inaccurate in the reports. At the outset we wish to point out that a failure to recognize Shareholder Funds as a whole has led to misperceptions of the readiness of individual companies to convert such funds into paid up capital.

1. Minimum Share Capital

The minimum paid up share capital for insurance companies depends on the class of insurance business that the company writes. Insurance companies are expected to enhance their minimum paid up share capital by **14th June 2010** as follows:-

- Kshs. 300 million for general business only,
- kshs 150 million for life business only and
- Kshs 450 million for composite insurance companies (or for both classes).

The effective date is **NOT** 1st January 2010 as reported in some sections of the press.

The reports appear to have considered only the paid up share capital in the books but failed to acknowledge other key components of shareholders funds such as retained earnings . These components in the balance sheet can be converted into share capital through a simple procedure as per the Insurance and Companies Act.

We wish to point out that contrary to the impression created, majority of insurance companies in Kenya are adequately capitalized and shareholders are as fully committed to increase paid up capital requirements as they have demonstrated in the past . A few companies who may not meet the new requirement are in discussion with strategic partners for the injection of new capital.

2. Outdated data

We also wish to state that the report in question was broadly pegged on industry data for 2008. Considering that a lot of developments have occurred in the industry this year, the figures are not representative of the current situation in the industry.

3. Licensing

Insurance companies are licensed by the Insurance Regulatory Authority annually. Section 23 (i) of the Insurance Act Cap 487 states that "No person shall be registered as an insurer or if registered shall have his registration renewed unless he meets the minimum capital requirements specified in the schedule". This means that the necessary checks and controls are there to ensure that insurance companies operating in Kenya meet the minimum capital requirements.

We wish to assure the public that insurance companies are in a sound financial position and there is no cause for alarm. Members of the public are free to seek clarification from their insurers or Association of Kenya Insurers (AKI).

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