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FOREWORD

I am pleased to present the Insurance Industry Annual Report for the year 2008. This is the fifth issue of this publication.

The insurance industry recorded positive results in 2008 despite the unprecedented political and economic crisis following the disputed December 2007 Presidential Elections and the global financial meltdown that impacted negatively on the economy.

The industry recorded a gross premium income of Kshs. 55.19 billion compared to Kshs 48.09 billion 2007, a 14.8% increase. These results were achieved despite the poor economic growth in the country, which declined to 1.7% compared to 7.1% in 2007.

During the year under review, the industry experienced various challenges. Key among them being, the poor public perception of insurance. The Association of Kenya Insurers (AKI) in conjunction with other stakeholders continued to engage the Government in order to come up with lasting solutions to these challenges. It is commendable to note that the government, on its part, has initiated a comprehensive review of the Insurance Act. The process is expected to indentify any weaknesses, gaps or inconsistencies in the existing law that may have hampered the growth and development of the insurance industry. The new Insurance Act is expected to accelerate the growth and development of the insurance sector tremendously.

The future of the insurance industry is bright given the huge untapped market (with insurance penetration at a mere 2.63%), increasing usage of ICT, utilisation of alternative distribution channels, research and product development. The government recognizes the important role played by the insurance sector in the growth of the Economy and it has identified the industry as a major player in the financial sector in the achievement of Vision 2030.

Finally, I hope you will find this report informative and look forward to receiving your comments and/or suggestions for further improvement of the report in the next issue.

NELSON C. KURIA, OGW

CHAIRMAN, AKI

1.1. Economic Overview

Global

The slowdown in the World economy in recent times has been attributed to the slow growth of the US economy. Global output declined to 3.8% in 2008, down from 5.2% in 2007. Among major economies, growth was led by China (9.8%), Russia (7.4%), and India (7.3%). Worldwide, nations varied widely in their growth results, with Macau (15%), Azerbaijan (13.2%), and Angola (11.6%), registering the highest. Growth rates slowed in all the major industrial countries and most developing countries, because of uncertainties in the financial markets and lower consumer confidence.

Africa

After years of slow growth, the African Economies are gaining momentum and maintaining steady growth rates. In 2008, GDP growth in Africa was 5.9 % compared to 6.3% in 2007. This was, the fifth consecutive year when growth exceeded 5.5 per cent. The decrease in growth in 2008 is attributed to the reduced global market for Africa's products due to the effects of the financial turmoil in developed economies, high energy costs and rise in food prices. In the Sub-Saharan Africa countries growth declined from 6.9% in 2007 to an estimated 6.1% in 2008.

Eastern Africa

GDP growth in East Africa averaged 7.3 per cent in 2008, down from a very strong 8.8 per cent in 2007. This is despite the political turmoil experienced in Kenya in early 2008. This strong growth is expected to slow down to 5.5 per cent in 2009 and is projected to be about the same in 2010. In 2008, Ethiopia, Rwanda, Sudan, Tanzania and Uganda continued to be the fastest growing economies in the Eastern Africa at 11.6 per cent, 8.5 per cent, 8.4 per cent, 6.8 per cent and 7 per cent, respectively. All the five countries are also projected to maintain strong, but lower growth in 2009 and 2010 because demand for their major agricultural and horticultural exports is less sensitive to the effects of the global crisis than minerals and textile fibres. Tourism has, however, been heavily impacted, and, these forecasts are subject to considerable uncertainties due to the unstable political situation in some countries. *(Source: Africa Economic Outlook Website).*

Kenya

Post-election violence in early 2008, coupled with the effects of the global financial crisis on remittances and exports, high fuel and food prices, and inadequate rainfall in various parts of the country reduced GDP growth to 1.7% in 2008, down from 7.1% in 2007.

Kenya's public and publicly guaranteed debt increased by 14.1 percent in the first eight months of the fiscal year 2008/09 to stand at Kshs 992.9 billion in February 2009 from Kshs 870.6 billion in June 2008. Specifically, public domestic debt increased by 11.1 percent during the period from Kshs 430.6 billion in June 2008 to Kshs 478.2 billion in February 2009, while Kenya's external debt increased by 17.0 percent from Kshs 440.0 billion (USD 6.8 billion) to Kshs 514.7 billion (USD 6.6 billion) over the same period, on account of depreciation of the Kenya Shilling against major currencies. *(Source - Kenya Monthly Economic Review, April 2009)*

The food price shock of 2008 put an upward pressure on inflation to 26.2% in 2008 from 9.8% in 2007 for headline inflation and from 5.7% in 2007 to 11.1% in 2008 for underlying inflation. The rise in inflation was attributed to the escalating fuel prices and the depreciation of the Kenyan shilling during this period. Kenya also witnessed an unprecedented rise in food prices which was attributed to unseasoned droughts and increases in the costs of fertilisers.

The financial sector has seen steady growth since 2003 and recorded a value added growth of 3.1% in 2008. Total domestic credit increased from Kshs. 670.8 billion in December 2007 to Kshs. 827.4 billion in 2008. The Nairobi Stock exchange experienced a downturn in 2008 with the share index losing 1,924 point by the ending of 2008 to close at 3,521.

1.2 World Insurance Performance in 2008

The stabilisation of the global markets together with the reduction by major central banks of key policy rates implies that possibility of a complete breakdown in the global financial system has greatly been reduced.

The global financial crisis is likely to constrain the growth of non life insurance in most parts of the world. Non life insurance premiums are however expected to grow in countries where the economy is isolated from the financial crisis or where non life insurance is under developed. Life insurance companies are more exposed to volatility in global financial markets than non- life insurance companies. This is because of the long term nature of the investments supporting future liabilities,

Below is a summary of insurance performance in a few countries in Africa

Table 1: summary of insurance performance in a few countries in Africa

Country	Non -Life Premium (USD Millions)	Penetration % of GDP	Life Premium (USD Millions)	Penetration % of GDP	Total Penetration % OF GDP
Kenya	492	1.76	244	0.87	2.63
Algeria	829	0.48	44	0.03	0.51
Egypt	643	0.40	944	0.58	0.98
Morocco	1,631	1.92	952	1.12	3.04
Nigeria	1,188	0.52	210	0.09	0.61
Tunisia	640	1.73	87	0.24	1.97
South Africa	6,527	2.36	20,919	7.58	9.94

Source: Business Monitor international, Economic survey 2009

Global Catastrophic Losses

Year 2008 experienced some of the worst catastrophic losses. More than 240,500 people lost their lives. Insurers across the world paid out USD 52.5bn to compensate for property claims, and the total

impact on the economy caused by natural and man-made catastrophes around the world added up to USD 269bn.

According to Swiss Re's, "Natural catastrophes and man-made disasters in 2008", 137 natural catastrophes and 174 man-made disasters occurred in 2008. Asia suffered the most in terms of the number of lives lost, while the US was worst hit in regard to insured property losses. Europe was less impacted with only minor losses compared to the previous year.

Major man-made disasters caused losses of USD 7.8bn in 2008, with large-scale industrial fires, explosions and losses in the energy sector at the top of the list. Man-made catastrophes resulted in 5,600 deaths in 2008; shipping and boating accidents as well as bombings and social unrest caused the most casualties.

1.3 Kenyan Insurance Sector

1.3.1 Changes in Legislation

The insurance sector witnessed a number of legislative changes in 2008, as contained in the Finance Act 2008.

(a) Insurance Act

- **Investment limits.**

Section 50(10) was amended to ease investment limits requirement for both long term and general insurance business. Insurers can now invest up to 10% of their total admitted assets in one company or group of companies, up from 5%.

- **Publication of information on products.**

Under Section 93, providers of annuity products and other insurance investment products are now required to publish information regarding such annuities and other products on a quarterly basis in a manner specified by the Commissioner.

- **Protection of Policyholders.**

Section 179 of the Insurance Act was amended to protect the policyholders by providing compensation for the policyholders of any insurer wound up where the court is satisfied that they have sufficient grounds to justify the winding up petition.

- **Claims Settlement Period**

Section 203 requires insurance companies to settle claims within 90 days after liability has been determined by a Court, failure to which the IRA will levy a penalty of 5% on the outstanding amounts. Inability to pay claims plus interest will result in winding up of the company.

- **Powers to appoint Public Prosecutors**

Section 204 was introduced giving the Attorney General Powers to appoint public prosecutors to handle any matter of a criminal nature arising under the Act.

b) Income Tax Act, Cap 470

Section 19 of the Income Tax Act, Cap 470 was amended to provide a new method of taxation for life insurance business as here below.

The gains and profits from long term insurance business shall be the sum of:

1. The actuarial surplus recommended by the actuary to be transferred from the life fund to the shareholders, whether transferred or not;
2. Any other amount transferred from the life fund for the benefit of shareholders and
3. 30% of the management expenses and commissions that is in excess of the maximum provided for under the Insurance Act.

In case of an actuarial deficit, the shareholders are required to inject more capital into the life fund and the amount transferred shall be treated as a negative transfer. This will be limited to the amount of actuarial surplus recommended by the actuary to be transferred from the life fund to the shareholders' fund in previous years of income.

1.3.2 Insurance Sector Players

There were 42 licensed insurance companies in 2008. Twenty companies wrote general insurance business only, seven wrote long term business only while fifteen were composite (both life and general). There were 141 licensed insurance brokers, 19 medical insurance providers (MIPs), 3,356

insurance agents, 5 re-insurers (2 locally incorporated), 17 loss adjusters, 2 claims settling agent, 6 risk managers, 152 loss assessors/investigators and 19 insurance surveyors during the year.

1.3.3 Premium Income

The gross written premium by the industry was Kshs 55.19 billion compared to Kshs 48.09 billion in 2007 representing a growth of 14.8%. The gross written premium in General insurance was Kshs 36.89 billion (2007: Kshs 32.95 billion) while that from long term business was Kshs 18.30billion (2007: Kshs 15.14 billion).

General insurance premium grew by 12 % while life insurance premium and contributions from deposit administration business grew by 20.9%. The industry has consistently recorded growth over the last seven years as illustrated in table 2 below.

Table 2: Growth in Gross Premium for the Period 2002 – 2008

Year	2002	2003	2004	2005	2006	2007	2008
Short Term	17.23	19.40	22.78	25.39	29.20	32.95	36.89
Long Term	7.30	8.50	9.97	11.03	12.48	15.14	18.30
Total	24.53	27.90	32.75	36.42	41.68	48.09	55.19

Figures in billions Kenya shillings.

1.3.4 Profitability

Twenty one general insurance companies made underwriting profits. . The overall underwriting profit posted under general insurance was Kshs 0.805billion while life insurance recorded an underwriting deficit of f Kshs. 1.284 billion. Earnings from investment and other income reduced from Kshs. 12.19 billion in 2007 to Kshs 8.49 billion in 2008. The combined industry profit before taxation declined by 59% to Kshs.1.64 billion compared to Kshs 4.01 billion in 2007.

1.3.5 Assets & Liabilities

The total assets held by the industry increased by 9.0% to Kshs 146.12 billion in 2008 (2007: Kshs 134.10 billion). The total liabilities for the industry increased by 12.1% to Kshs 116.37 billion in 2008(2007: Kshs 103.83 billion). The net assets decreased by 1.4% to Kshs 29.62 billion in 2008 (2007: Kshs 30.04 billion).

1.3.6 Claims

The industry incurred net claims totaling Kshs 22.75 billion in 2008 compared to Kshs 24.70 billion in the year 2007, representing a decrease of 7.9%.

1.3.7 Total Expenses

The total expenses for the industry was Kshs 14.76 billion in 2008 (2007: Kshs 16.58 billion), representing a decrease of 11%.

1.4 Insurance Industry Performance Relative to the Economy

The performance of the industry relative to the Kenyan economy for the period 2003 to 2008 is shown in table 3 below.

Table 3: Insurance Performance relative to economy

*Includes pension's contributions.

	2003	2004	2005	2006	2007	2008
Gross Domestic Product (GDP) at market prices	1,136.3	1,282.5	1,415.2	1,642.4	1,814.2	2,099.7
Life Insurance Premium*	8.50	9.97	11.03	12.48	15.14	18.30
Life Penetration % GDP	0.75%	0.78%	0.78%	0.76%	0.83	0.87
General Insurance Premium	19.40	22.78	25.39	29.20	32.95	36.89
General Penetration % GDP	1.69%	1.76%	1.79%	1.78%	1.82%	1.76
Total Premium*	27.90	32.75	36.42	41.68	48.09	55.19
Total Penetration % GDP	2.44%	2.54%	2.57%	2.54%	2.65%	2.63

Figures in billions Kenya shillings.

+ - Insurance Penetration = (Gross Premium/GDP)*100%

The penetration of insurance in year 2008 was 2.63% compared to 2.65% in 2007. Long term insurance recorded a penetration ratio of 0.87% while that of general insurance was 1.76%.

2.0 Balance Sheet, Profit and Loss Statements

2.1 Industry Combined Profit & Loss Statement

The insurance industry's profit and loss statement for the last three years is shown in table 4 below.

Table 4: Combined industry Profit and Loss Statement

	2006	2007	Growth %	2008	Growth %
Gross Earned Premium	36.14	42.58	17.82	42.01	-1.34
Reinsurance ceded	8.74	9.48	8.47	11.35	19.73
Net Earned Premium	27.40	33.10	20.80	30.66	-7.37
Investment & Other income	14.42	12.19	-15.46	8.49	-30.35
Net Income	41.82	45.29	8.30	39.15	-13.56
Net Incurred claims	21.20	24.70	16.51	22.75	-7.89
Total Commissions & Expenses	14.77	16.58	12.25	14.76	-10.98
Profit/(Loss) before Taxation	5.85	4.01	-31.45	1.64	-59.10
Provision for Taxation	0.87	0.99	13.79	1.08	9.09
Profit/(Loss) after Taxation	4.97	3.02	-39.24	0.56	-81.46

Figures in billions Kenya shillings

The gross earned premium decreased by 1.34% in 2008 compared to 2007, where an increase of 17.82% was recorded. The reinsurance ceded increased by 19.73%.

Investment and other income decreased by 30.35% in 2008 compared to 2007 mainly due poor performance at the stock market during the year.

Net incurred claims and commissions & expenses similarly decreased by 7.89% and 10.98% in 2008 respectively. Profit/ (loss) before taxation was down by 59.10% in 2008 compared to a decrease of 31.45% in 2007 mainly due to increase in reinsurance ceded. Provision for taxation increased by 9.09% to Kshs. 1.08 billion in 2008 compared to Kshs. 0.99 billion in 2007.

2.2 Industry combined balance sheet

The insurance industry's combined Balance Sheet is shown in table 5 below.

Table 5: Insurance industry combined Balance Sheet

	2006	*2007	Growth %	2008	Growth %
Shareholders Capital, Life Fund & Reserves	27.40	30.04	9.64	29.62	-1.40
Total Assets	110.07	134.10	21.83	146.12	8.96
Total Liabilities	82.67	103.83	25.60	116.37	12.08
Net Assets	27.40	30.04	9.64	29.62	-1.40
Profit/(Loss) before Tax	5.85	5.07	-13.33	5.67	11.83
Return on Capital Employed	0.21	0.17	-19.05	0.19	11.76

Figures in billions Kenya shillings

* Figures have been restated

The insurance industry shareholders capital, life fund and reserves declined by 1.40% to Kshs. 29.62 billion in 2008 compared to Kshs. 30.04 billion in 2007.

The Total assets during the year increased by 8.96% to Kshs. 146.12 billion compared to Kshs. 134.10% in 2007. The liabilities increased by 12.08% to Kshs. 116.37 billion in 2008 compared to Kshs. 103.83 billion in 2007.

Profit before tax increased by 11.83% during the year compared to Kshs. 5.07 billion in 2007. Return on capital employed increased by 11.76% in 2008 compared to 2007.

3.0 General Insurance Report

3.1 Premium Income

Gross premium for the year was Kshs. 36.90 billion compared to Kshs. 32.95 billion in 2007. This represents a 12% growth. In 2007, 13% growth was realised. Table 6 below shows the gross premium and market share for each company.

Table 6: Gross Premium, Percentage Growth and Market Share Per Company

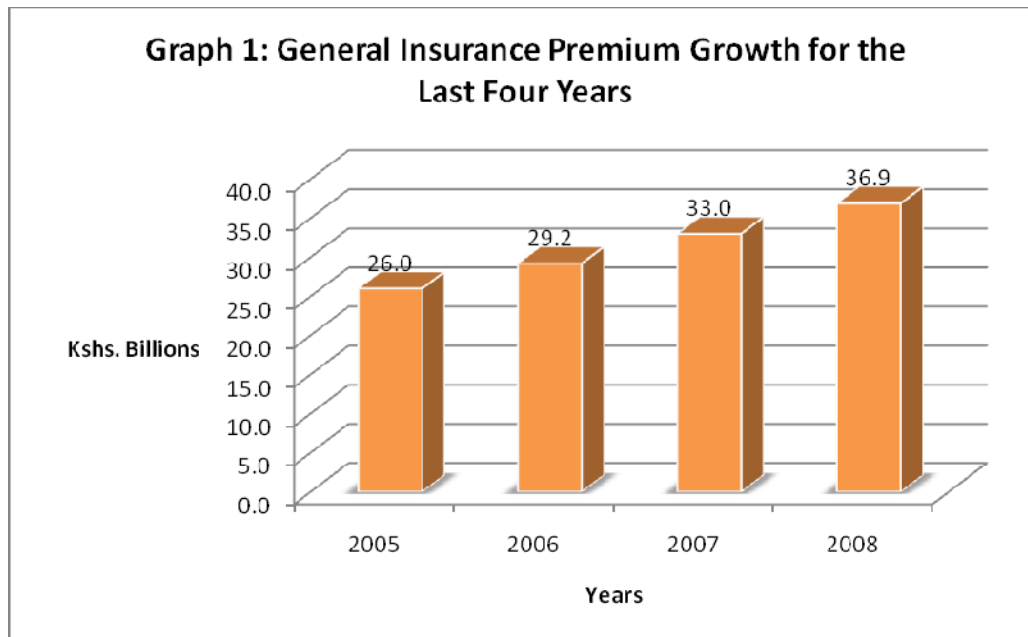
Company	Gross Premium 2006	Gross Premium 2007	Percentage Growth (%)	Market Share (%)	Gross Premium 2008	Percentage Growth (%)	Market Share (%)
Africa Merchant	330,819	563,755	70.41	1.71	976,595	73.23	2.65
AIG	1,694,249	1,801,720	6.34	5.47	2,084,859	15.71	5.65
APA	2,008,419	2,355,582	17.29	7.15	3,002,903	27.48	8.14
Blue Shield	2,015,845	2,273,514	12.78	6.90	2,203,284	-3.09	5.97
British American	516,939	679,719	31.49	2.06	992,955	46.08	2.69
Cannon	271,938	557,934	105.17	1.69	602,062	7.91	1.63
Concord	550,302	585,892	6.47	1.78	668,902	14.17	1.81
Co-operative	1,092,460	1,028,771	-5.83	3.12	1,280,698	24.49	3.47
Corporate	286,175	351,045	22.67	1.07	365,800	4.20	0.99
CFC Life	664,084	674,704	1.60	2.05	631,264	-6.44	1.71
Directline	319,794	259,337	-18.90	0.79	696,226	168.46	1.89
Fidelity	605,392	684,069	13.00	2.08	737,893	7.87	2.00
First Assurance	867,454	1,038,550	19.72	3.15	1,350,061	29.99	3.66
Gateway	375,410	436,422	16.25	1.32	527,422	20.85	1.43
Geminia	421,704	460,869	9.29	1.40	513,045	11.32	1.39
General Accident	553,774	682,246	23.20	2.07	887,907	30.14	2.41
Heritage	1,308,565	1,505,178	15.03	4.57	1,712,210	13.75	4.64
ICEA	1,163,018	1,173,168	0.87	3.56	1,416,838	20.77	3.84
Intra	361,356	402,905	11.50	1.22	462,800	14.87	1.25
Kenindia	2,903,847	3,028,529	4.29	9.19	2,831,687	-6.50	7.67
Kenya Orient	219,000	283,386	29.40	0.86	439,170	54.97	1.19
Kenyan Alliance	408,543	353,396	-13.50	1.07	156,919	-55.60	0.43
Lion	1,189,831	1,217,653	2.34	3.70	1,597,683	31.21	4.33
Madison	559,360	625,993	11.91	1.90	549,812	-12.17	1.49
Mayfair	143,022	273,097	90.95	0.83	454,771	66.52	1.23
Mercantile	317,220	369,860	16.59	1.12	377,432	2.05	1.02
Occidental	606,574	740,812	22.13	2.25	874,531	18.05	2.37
Pacis	91,905	162,494	76.81	0.49	251,860	55.00	0.68
Pioneer	16,682	89,506	436.55	0.27	130,513	45.82	0.35
Phoenix	391,994	525,995	34.18	1.60	628,637	19.51	1.70

Company	Gross Premium 2006	Gross Premium 2007	Percentage Growth (%)	Market Share (%)	Gross Premium 2008	Percentage Growth (%)	Market Share (%)
Real	790,114	746,858	-5.47	2.27	872,290	16.79	2.36
Tausi	701,694	500,578	-28.66	1.52	487,336	-2.65	1.32
The Jubilee	1,920,679	2,450,255	27.57	7.44	3,109,317	26.90	8.43
The Monarch	114,339	140,526	22.90	0.43	114,664	-18.40	0.31
Trident	400,648	360,961	-9.91	1.10	440,049	21.91	1.19
UAP	1,578,022	2,000,056	26.74	6.07	2,465,158	23.25	6.68
Total	29,196,358	32,948,011	12.85	100.00	36,895,551	11.98	100.00

Figures in Kshs. '000

Graph 1 - General insurance premium growth for the last four years (2005 – 2008)

General insurance premium has grown for the last four years by over Kshs. 10 billion which represents an average growth of Kshs. 3 billion per year. This is presented in the graph below:



3.2 Performance of main classes of general insurance

The following four classes of insurance recorded premiums in excess of Kshs. 4.0 billion each and accounted for 73% of the total gross premium in 2008.

Table 7: Distribution of Gross Premium per Class

	Class of Business	Gross Premium (Kshs. billions)	% Of Total Premium
1	Motor Private	6.1	16.5%
2	Motor Commercial	9.3	25.2%
3	Personal Accident	7.1	19.2%
4	Fire Industrial	4.3	11.7%
5	Others	10.1	27.4%
	Total	36.9	100.0%

The rest of the classes contributed 10.1 billion or 27% of the general insurance premium. The market average gross premium per company was Kshs. 1.02 billion and eleven companies exceeded that average. Table 7 above shows the distribution of gross premium per class.

Motor insurance accounted for 41.7% of the total gross premium while all other classes shared the balance. The situation was almost similar in 2005, 2006 and 2007. This demonstrates that motor insurance is the dominant class of general business followed by personal accident and fire industrial as shown in table 7 above. The premium for Personal Accident appears high because medical insurance business is reported under this class. A separate report on medical insurance has been provided in Section 3.7 of this report.

3.3 Gross Premium Growth per Class

Table 8 below shows distribution of gross premium per class from 2005 to 2008. Comparison of growth in 2007 and 2008 shows that the WCA class recorded the highest growth of 99.8% followed by aviation with a 24.3% growth. During the year, the Miscellaneous Accidents class which had a growth of 96.7% in 2007 recorded a negative growth of 18.6%. This was the only class that recorded negative growth during the year. In 2007, WCA and Engineering classes of insurance had negative growth.

Table 8 - distribution of gross premium per class from 2005 to 2008.

Class of Business	2005	2006	2007		2008	2007/2008 GROWTH
Aviation	170,751	172,992	261,457		324,968	24.29%
Engineering	832,228	1,054,113	1,047,806		1,274,417	21.63%
Fire Domestic	556,135	597,364	621,561		672,104	8.13%
Fire Industrial	3,460,941	3,781,098	3,810,479		4,322,691	13.44%

Class of Business	2005	2006	2007		2008	2007/2008 GROWTH
Liability	681,703	750,087	758,088		918,143	21.11%
Marine	1,272,553	1,383,819	1,575,286		1,735,729	10.19%
Motor Private	4,406,286	4,732,129	5,527,138		6,102,723	10.41%
Motor Commercial	6,707,361	7,738,783	8,806,277		9,322,442	5.86%
Personal Accident	4,453,203	5,117,012	6,254,091		7,069,521	13.04%
Theft	1,428,120	1,611,457	1,620,405		1,764,987	8.92%
WCA	1,304,873	1,509,565	1,073,716		2,145,004	99.77%
Miscellaneous	706,130	807,578	1,588,645		1,292,640	-18.63%
Total	25,980,686	29,196,358	32,948,011		36,895,551	11.98%

Figures in Kshs. 000

Graph 2 – General insurance premium distribution per class - 2008

The distribution of gross premiums per class for the major classes is as shown in the chart below.

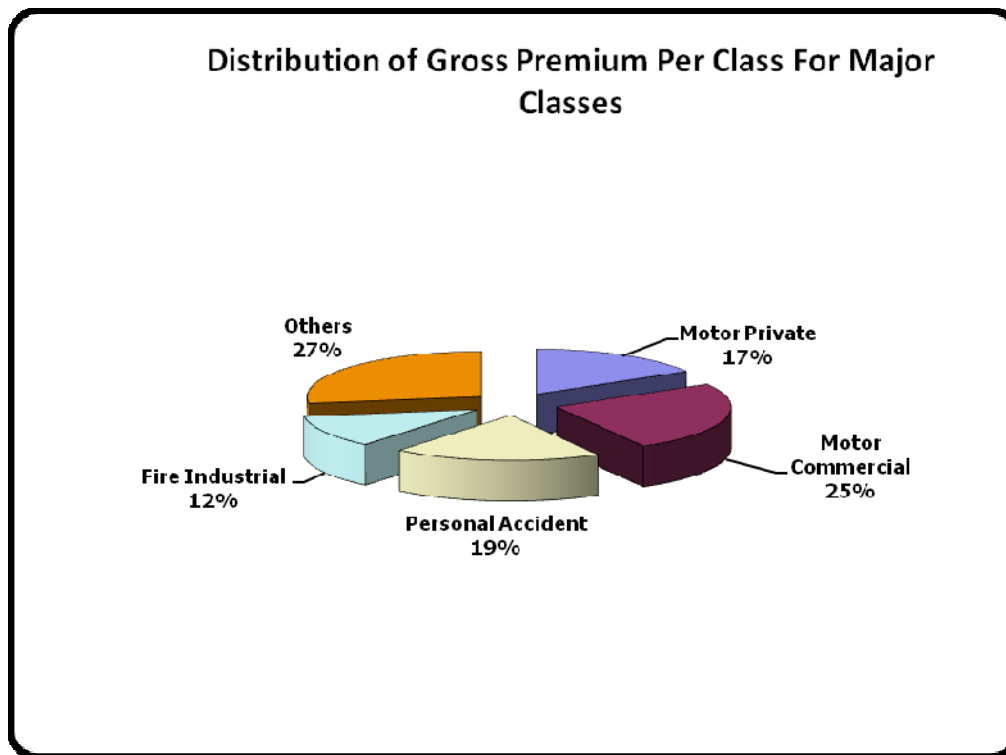


Table 9: Gross Premium per company per class

Companies	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	WCA	Miscellaneous	Total
Africa Merchant	-	1,874,328	7,634,193	8,085,347	2,276,245	2,122,601	272,874,364	653,628,865	5,048,026	7,200,448	10,547,237	5,303,648	976,595,303
AIG	-	47,709,000	49,481,000	670,226,000	254,898,000	48,193,000	227,807,000	281,939,000	364,315,000	79,863,000	59,764,000	664,000	2,084,859,000
APA	77,348,000	113,751,000	33,862,000	298,931,000	293,003,000	103,754,000	258,851,000	374,942,000	1,096,421,000	101,064,000	156,888,000	148,088,000	3,002,903,000
BlueShield	-	9,513,000	5,465,000	21,165,000	1,764,000	3,197,000	515,862,000	1,582,633,000	19,091,000	16,589,000	15,961,000	12,042,000	2,203,284,000
British American	-	15,922,000	22,606,000	69,790,000	8,670,000	68,097,000	101,526,000	161,176,000	475,066,000	28,167,000	31,859,000	10,076,000	992,955,000
Cannon	-	42,517,255	9,418,622	49,230,861	1,973,453	30,370,381	127,256,034	213,267,029	24,003,306	23,706,668	53,787,615	26,530,512	602,061,736
CFCLife	-	-	-	-	-	-	-	-	631,264,000	-	-	-	631,264,000
Concord	-	12,417,712	8,616,770	52,310,463	3,610,039	27,207,488	129,103,335	147,837,306	10,974,638	34,729,547	69,084,395	173,009,887	668,901,580
Co-operative	-	16,177,000	19,565,000	93,932,000	6,573,000	2,039,000	370,814,000	306,167,000	221,750,000	191,862,000	46,936,000	4,883,000	1,280,698,000
Corporate	-	9,507,000	5,248,000	31,616,000	1,982,000	9,991,000	113,768,000	132,095,000	12,533,000	32,253,000	10,267,000	6,540,000	365,800,000
Directline	-	-	-	-	-	-	-	696,226,224	-	-	-	-	696,226,224
Fidelity Shield	-	9,044,000	12,046,000	76,603,000	4,039,000	63,562,000	156,637,000	282,444,000	17,478,000	43,987,000	68,951,000	3,102,000	737,893,000
First	-	103,811,000	24,955,000	181,817,000	23,481,000	57,063,000	243,308,000	375,501,000	120,494,000	65,517,000	120,013,000	34,101,000	1,350,061,000
Gateway	-	11,520,961	5,815,608	22,320,334	6,076,158	4,634,934	128,679,386	312,299,028	6,671,149	10,002,248	11,952,650	6,449,291	527,421,747
Gemina	-	7,007,972	16,247,072	57,564,881	4,608,106	57,385,765	86,406,691	122,620,635	15,000,251	51,536,970	80,086,765	14,579,524	513,044,632
General Accident	-	43,081,666	18,927,461	122,254,833	9,328,899	70,256,474	94,432,990	159,322,261	141,601,750	64,490,605	97,427,461	66,782,197	887,906,597
Heritage	925,000	26,949,000	100,193,000	205,609,000	42,744,000	83,041,000	465,200,000	207,474,000	369,258,000	61,942,000	111,976,000	36,899,000	1,712,210,000
ICEA	38,358,000	79,376,000	35,320,000	216,643,000	34,509,000	31,957,000	274,514,000	294,284,000	208,901,000	114,905,000	77,092,000	10,979,000	1,416,838,000
Intra Africa	-	45,160,334	11,922,590	27,675,219	1,669,114	29,161,099	85,432,115	137,256,199	15,189,250	27,217,752	62,002,834	20,113,901	462,800,407
Jubilee	-	35,849,000	7,913,000	305,886,000	51,818,000	162,353,000	312,556,562	186,739,688	1,711,067,000	78,480,000	63,341,000	190,134,000	3,109,317,000
Kenindia	-	163,024,000	35,316,000	593,523,000	32,742,000	345,427,000	343,989,000	546,008,000	146,288,000	250,477,000	345,429,000	29,464,000	2,831,687,000
Kenya Orient	-	1,710,343	3,448,971	12,119,373	1,512,179	3,012,387	179,326,350	162,914,222	4,537,319	13,842,851	10,573,024	46,173,047	439,170,066
Kenyan Alliance	-	8,441,797	15,703,847	16,419,816	577,049	2,121,808	46,426,864	42,715,666	10,526,334	7,423,390	5,759,991	802,918	156,919,480
Lion of Kenya	138,808,000	65,393,000	38,602,000	218,069,000	22,209,000	108,860,000	191,244,000	532,977,000	86,389,000	68,448,000	109,516,000	17,168,000	1,597,683,000
Madison	-	15,775,000	4,728,000	51,879,000	9,702,000	11,140,000	73,976,000	99,790,000	248,678,000	9,986,000	7,555,000	16,603,000	549,812,000
Mayfair	-	35,848,149	14,904,657	63,491,200	4,304,946	40,503,932	76,947,228	53,543,561	20,036,484	40,151,541	60,220,458	44,818,452	454,770,608
Mercantile	-	4,317,000	8,383,000	27,580,000	1,482,000	3,935,000	37,041,000	22,198,000	43,705,000	14,897,000	8,767,000	205,127,000	377,432,000
Monarch	-	134,020	1,497,028	10,953,478	1,474,900	2,821,807	31,833,397	37,072,202	15,752,443	2,546,465	9,363,455	1,214,594	114,663,789
Occidental	-	32,115,315	26,452,906	132,398,100	4,357,190	69,230,979	150,382,489	177,646,399	21,472,340	77,721,056	134,980,098	47,774,147	874,531,019
Pacis	-	4,157,000	5,470,000	19,693,000	4,266,000	11,268,000	87,823,000	79,220,000	14,466,000	9,892,000	14,627,000	978,000	251,860,000
Phoenix of EA	69,529,000	91,060,000	6,304,000	114,309,000	3,352,000	6,381,000	215,890,000	70,079,000	28,869,000	15,897,000	6,198,000	769,000	628,637,000

Companies	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	WCA	Miscellaneous	Total
Pioneer	-	-	-	-	-	-	-	-	130,513,135	-	-	-	130,513,135
Real	-	86,261,000	23,255,000	156,211,000	15,408,000	26,274,000	178,550,000	214,492,000	94,578,000	20,195,000	29,336,000	27,730,000	872,290,000
Tausi	-	18,538,196	20,596,300	73,018,582	7,267,587	81,239,074	74,254,337	55,547,285	10,732,519	64,606,839	64,009,883	17,524,931	487,335,533
Trident	-	22,376,592	9,031,647	53,683,195	2,571,043	36,282,189	60,354,641	107,354,569	12,140,640	32,753,981	64,401,064	39,099,013	440,048,574
UAP	-	94,077,000	63,174,000	267,683,000	53,894,000	132,846,000	389,656,000	493,032,000	714,710,000	102,636,000	126,331,000	27,117,000	2,465,158,000

The table above shows that during the year under review:

- Only five companies engaged in Aviation business;
- Only one company specialized in one class of business that is motor insurance business and specifically PSV business.
- Two companies that specialize in life insurance business engaged in Medical/Personal Accident insurance.
- The data in relation to medical insurance is recorded under personal accident data.

Table 10: Underwriting Profit/Loss per class per company

Company	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	WCA	Miscellaneous	Total
Africa Merchant	2,363	256,994	1,378,334	1,047,000	1,283,531	-193,236	-50,806,173	115,990,176	2,252,584	-4,316,241	1,010,755	1,116,410	69,022,498
AIG	-	7,991,000	-7,702,000	118,684,000	-11,216,000	13,249,000	-70,279,000	-54,142,000	55,598,000	13,253,000	-6,866,000	375,000	58,945,000
APA	-4,126,000	-18,420,000	-4,406,000	-47,795,000	8,095,000	9,597,000	-52,047,000	34,938,000	-22,952,000	7,631,000	56,988,000	59,428,000	26,931,000
Blue Shield	-	3,676,000	1,899,000	5,469,000	1,120,000	1,639,000	-36,925,000	178,555,000	22,446,000	3,522,000	2,347,000	4,488,000	188,237,000
British American	-	2,211,000	5,616,000	8,346,000	-1,686,000	16,126,000	-1,377,000	6,910,000	62,693,000	4,522,000	5,303,000	-3,545,000	105,120,000
Cannon	-	182,133	2,665,787	673,448	4,771,331	5,456,604	-17,231,163	38,403,254	13,653,178	4,623,010	13,852,904	-40,582,358	26,468,128
CFC Life	-	-	-	-	-	-	-	-	-9,722,000	-	-	-	-9,722,000
Concord	-	2,756,036	1,585,629	9,932,342	1,372,399	-19,391,915	-45,317,083	43,262,319	4,183,205	7,828,647	-23,828,967	82,047,112	64,429,725
Co-operative	-	-4,009,000	-4,408,000	10,365,000	19,188,000	193,000	-97,442,000	47,507,000	24,039,000	51,054,000	15,412,000	190,000	61,905,000
Corporate	-	-706,000	2,272,000	-1,510,000	-6,310,000	1,018,000	-5,253,000	7,676,000	-2,765,000	-3,057,000	-1,265,000	5,378,000	-4,522,000
Directline	-	-	-	-	-	-	-	-5,543,230	-	-	-	-	-5,543,230
Fidelity Shield	-	-312,000	90,000	-1,130,000	-1,592,000	-3,508,000	-41,785,000	38,549,000	-3,270,000	-2,923,000	19,456,000	242,000	3,817,000
First Assurance	-	22,986,000	5,519,000	34,811,000	-2,249,000	-5,441,000	1,712,000	8,818,000	18,163,000	1,199,000	876,000	6,762,000	93,156,000
Gateway	-	-849,011	-91,034	-4,736,269	3,361,344	-8,299,088	-32,420,434	-40,288,766	702,155	-2,603,375	21,620	-908,271	-86,111,130
Geminia	-	-423,931	2,158,118	1,621,859	1,042,043	5,884,570	-19,121,753	-16,267,100	2,258,725	5,234,199	7,976,916	-182,891	-9,819,245

Company	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	WCA	Miscellaneous	Total
General Accident	-	10,706,186	2,766,048	17,997,944	1,438,911	19,155,221	-40,372,263	-899,009	21,105,989	-4,508,537	-30,601,246	10,362,354	7,151,598
Heritage	-2,918,000	-2,861,000	14,536,000	-29,615,000	4,482,000	4,164,000	-104,248,000	69,265,000	11,527,000	-2,411,000	36,875,000	6,979,000	5,778,000
ICEA	2,730,000	9,438,000	13,882,000	-19,114,000	7,181,000	2,349,000	-119,470,000	-29,430,000	12,643,000	-13,621,000	20,063,000	1,678,000	-111,672,000
Intra	-	12,168,910	-843,251	363,034	-3,860,601	5,505,629	-10,884,902	4,764,546	-10,364,264	5,230,144	15,831,016	-9,381,293	8,528,968
Jubilee	-	2,000	543,000	-29,270,000	11,758,000	-35,459,000	47,518,000	39,085,000	77,579,000	-21,171,000	3,356,000	54,077,000	148,018,000
Kenindia	-	-8,240,000	13,592,000	23,751,000	16,472,000	25,615,000	7,014,000	-28,134,000	-39,155,000	-4,227,000	45,430,000	5,892,000	58,009,000
Kenya Orient	-	2,581,059	794,064	-10,565,544	-1,865,502	3,440,005	-22,257,886	23,892,231	441,822	5,293,594	10,791,045	19,746,816	32,291,704
Kenyan Alliance	-	-10,851,260	-2,598,614	-9,085,371	-5,466,936	757,443	-90,153,935	-59,160,793	130,509,098	-17,240,231	6,909,255	-204,420	-56,585,764
Lion of Kenya	-334,000	11,862,000	6,918,000	19,275,000	872,000	36,002,000	-116,033,000	-60,486,000	29,042,000	8,628,000	40,121,000	23,356,000	-777,000
Madison	-	-3,901,000	3,250,000	16,805,000	-4,675,000	-1,372,000	-9,865,000	1,162,000	25,413,000	-2,614,000	4,053,000	39,000	28,295,000
Mayfair	-	-1,965,917	2,193,241	-1,206,600	1,682,110	-3,878,796	-8,031,776	5,162,490	492,289	-2,522,933	-10,965,722	10,231,475	-8,810,139
Mercantile I	-	70,000	1,140,000	3,329,000	-1,026,000	-504,000	-23,707,000	-3,218,000	8,538,000	4,888,000	-442,000	10,393,000	-583,000
Monarch	-	2,527,730	160,077	-1,174,422	91,283	139,323	-9,366,555	-5,578,472	2,391,708	-109,575	-3,968,168	-190,897	-15,077,968
Occidental	-	1,543,153	7,912,621	30,973,933	1,314,652	-5,778,344	17,091,002	-11,620,761	3,318,714	6,949,813	-2,039,302	1,742,792	51,408,272
Pacis	-	-2,224,000	-3,575,000	-2,011,000	1,234,000	-2,021,000	-27,739,000	22,052,000	2,155,000	826,000	1,216,000	-73,000	-10,160,000
Phoenix of E A	7,370,000	9,668,000	-2,971,000	18,420,000	4,299,000	-2,330,000	-68,065,000	3,327,000	-249,000	881,000	5,630,000	-1,609,000	-25,629,000
Pioneer	-	-	-	-	-	-	-	-	-2,772,219	-	-	-	-2,772,219
Real	-	17,404,000	3,162,000	5,650,000	804,000	6,900,000	-27,277,000	4,420,000	8,989,000	-2,355,000	5,122,000	6,409,000	29,228,000
Tausi	-	-1,237,909	22,050	189,975	1,787,218	29,279,609	-6,038,681	-40,535,207	29,715	-2,057,878	13,017,860	6,011,769	468,522
Trident	-	448,436	4,074,960	-6,784,887	2,264,418	-5,436,450	6,573,146	-6,135,019	-4,759,847	-2,522,595	-3,043,179	16,212,055	891,038
UAP	-	2,981,000	1,144,000	15,696,000	30,002,000	33,560,000	-116,979,000	26,375,000	32,419,000	26,080,000	38,700,000	-5,363,000	84,614,000
TOTAL	2,724,363	65,458,609	72,679,030	179,402,442	85,969,201	126,417,575	-1,190,585,456	358,675,659	476,573,852	69,383,042	287,339,787	271,116,653	804,928,758

The table above shows that:

- Only five companies made profits on Motor private insurance business. The overall result was a loss of 1.2 billion.
- Thirteen companies made losses under motor commercial, but the overall result was a profit of 359 million.
- No other class of insurance made a net loss apart from motor private.
- Personal Accident insurance recorded made the highest profit followed by WCA.

Table 11: Summary of Revenue Accounts (General Insurance Business)

Class of Insurance	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	WCA	Miscellaneous	Total
Gross Written Premium	324,968,000	1,274,416,640	672,103,672	4,322,690,682	918,142,908	1,735,728,918	6,102,723,221	9,322,442,451	7,069,520,584	1,764,987,361	2,145,003,930	1,292,640,062	36,895,551,430
Net Earned Premium	5,843,363	267,798,736	474,552,644	920,395,562	482,179,976	834,748,262	5,404,563,975	8,448,732,410	5,720,011,390	1,140,367,923	1,725,522,861	668,602,646	26,093,314,746
Net Claims Incurred	3,824,000	147,658,379	167,080,551	470,262,707	227,891,009	427,185,759	4,509,998,806	4,852,525,147	3,550,238,953	693,158,071	654,418,561	208,674,618	15,913,165,561
Total Expenses	-705,000	54,682,748	234,792,063	270,728,412	168,319,766	281,145,927	2,085,257,624	3,237,365,605	1,693,194,583	377,825,810	783,763,514	188,877,375	9,375,179,426
Underwriting Loss/Profit	2,724,363	65,458,609	72,679,030	179,402,442	85,969,201	126,417,575	-1,190,585,456	358,675,659	476,573,852	69,383,042	287,339,787	271,116,653	804,928,758

The above table shows the summary of revenue accounts for 2008. It is important to note the following;

- While the industry made an underwriting profit of 805 million, Motor Private made a net loss of about 1.2 billion. This has been the trend over the last four years hence there is need to introduce measures that can change the trend. All other classes of general insurance made an underwriting profit.
- It is important to note that WCA which has been the worst performing class of insurance over the years has made a profit of over 287 million. This may be attributed to the introduction of WIBA.

3.4 Claims

3.4.1 Incurred Claims

General Insurance incurred net claims of 15.9 billion in 2008 compared to 14.5 billion in 2007. The net earned premium for 2008 was 26.1 billion compared to 23.6 billion in 2007. This represents 11% growth for the year under review, compared to 17% for 2007. The claims ratio for the industry in 2008 was 61% compared to 62% in 2007.

Table 12: Loss Ratio per Class (General Business 2008)

Class	Net Earned Premium	Net Claims Incurred	Loss Ratio 2008
Aviation	5,843,363	3,824,000	65.44%
Engineering	267,798,736	147,658,379	55.14%
Fire Domestic	474,552,644	167,080,551	35.21%
Fire Industrial	920,395,562	470,262,707	51.09%
Public Liability	482,179,976	227,891,009	47.26%
Marine	834,748,262	427,185,759	51.18%
Motor Private	5,404,563,975	4,509,998,806	83.45%
Motor Commercial	8,448,732,410	4,852,525,147	57.43%
Personal Accident	7,069,520,584	3,550,238,953	50.22%
Theft	1,140,367,923	693,158,071	60.78%
EL	1,725,522,861	654,418,561	37.93%
Miscellaneous Accident	668,602,646	208,674,618	31.21%

From the table above, we have noted the following:

- Motor private had the highest loss ratio followed by aviation.
- 2008 Employers Liability net earned premium was Kshs. 1.7billion compared to 1.5billion in 2007. The increase of Kshs. 0.2billion was a normal growth of 13%. On the other hand 2008 net incurred claims amounted to Kshs. 0.654billion compared to Kshs. 1.5billion in 2007. The decrease of Kshs. 0.9billion was very significant. It represents a decline of 56% in incurred claims. The Employers Liability had the third lowest loss ratio of 37.9% compared to 104.8% in 2007. The low loss ratio can therefore be attributed to decrease in claims. The main reason for improved loss ratio was the introduction of Work Injury Benefits Act insurance, which outlawed common law claims. This locked out ambulance chasers and court cases.

3.4.2 Loss Ratio per Class for the Last four Years

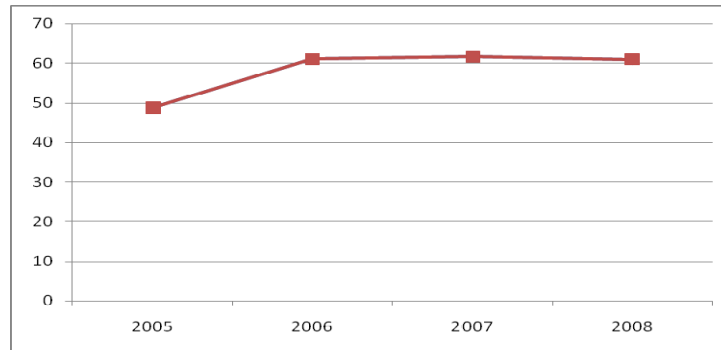
Table 13

Class	2005	2006	2007	Loss Ratio 2008
Aviation	33.3%	11.5%	52.5%	65.4%
Engineering	45.5%	52.4%	26.8%	55.1%
Fire Domestic	29.2%	26.8%	26.1%	35.2%
Fire Industrial	20.2%	34.0%	59.1%	51.1%
Public Liability	51.4%	49.1%	27.4%	47.3%
Marine	34.4%	39.5%	47.4%	51.2%
Motor Private	82.3%	75.8%	75.8%	83.5%
Motor Commercial	49.2%	51.0%	50.6%	57.4%
Personal Accident	64.9%	73.4%	68.0%	50.2%
Theft	51.3%	59.1%	51.6%	60.8%
EL	95.2%	90.4%	104.8%	37.9%
Miscellaneous Accident	27.0%	21.8%	40.5%	31.2%
Average	48.7%	61.1%	61.7%	61.0%

From the above table, the following observations can be made:

- Motor private insurance was the worst performer with a loss ratio of 83.5% which was an increase of loss ratio of over 10% from the previous year.
- Ratios for fire industrial, Personal accident, WCA and Miscellaneous Accident classes improved in 2007.

Graph 3:- Average loss Ratios for the last four years



3.5 Total Expenses

Total expenses amounted to Kshs 9.4 billion in 2008 compared to 8.7 billion in the year 2007. This represents an increase of 8.0% from the previous year. The increase in expenses for 2006/2007 was 19.2%. The total expenses account for 25.5% of the gross written premium for the year under review. This has been the scenario for the last four years.

3.6 Underwriting Results

The overall underwriting result for general insurance was Kshs. 805million, compared to 365 million in the previous year. This was a major improvement with an increase of over 120% from the previous year. This is despite the post election violence that gripped the country in the early months of 2008.

3.7 Medical Insurance Business

Medical insurance has previously been reported either under Personal Accident or Miscellaneous Accidents classes of business. It has become necessary to report it separately so as to monitor its trend.

Below is a summary of revenue accounts 2008

Table 14:- Summary of Medical Statistics

Company	ICEA	Pioneer	First Assurance	Kenindia	Heritage	Pacis	Madison	CFC	CIC	Mercantile	Britak	General Accident	APA	UAP	Jubilee	Total
Gross Premium	115,137,575	130,513,135	45,711,000	46,155,334	263,303,655	543,000	182,522,000	483,278,000	65,722,000	34,855,616	297,513,630	123,165,231	838,114,256	607,171,000	1,479,129,436	4,712,834,868
Net Earned Premium	109,303,470	87,446,802	22,864,000	18,864,172	243,679,282	17,000	157,354,000	499,799,000	37,056,000	8,056,788	221,156,454	10,001,840	783,543,224	543,617,000	1,425,606,944	4,168,365,976
Incurred Claims	69,510,125	70,570,361	4,516,000	46,425,191	167,594,707	0	87,600,000	368,149,000	27,049,000	4,041,370	117,496,457	6,044,764	681,054,246	349,077,000	1,083,498,463	3,082,626,684
Total Expenses	45,969,600	19,648,660	17,346,000	7,106,576	89,028,367	183,000	43,933,000	138,043,000	8,175,000	-3,410,185	75,228,484	-12,711,765	147,055,201	169,231,000	307,825,262	1,052,651,200
Underwriting Profit/Loss	-6,176,255	-2,772,219	1,002,000	-34,667,595	-12,943,792	-166,000	25,821,000	-6,393,000	1,832,000	7,425,603	28,431,513	16,668,841	-44,566,223	25,308,000	34,283,220	33,087,093

There are fourteen (14) companies writing this class of insurance. The gross premium for medical insurance for the year 2008 was 4.71 billion. This is an 11% growth from the previous year's gross premium of Kshs. 4.25 billion. This class made a profit of Kshs 33.1 million compared to Kshs. 7.4 million in the previous year. This is an improvement of over 300 percent.

4.0 Long Term Insurance Report

4.1 Premium Income

The total premium income and pensions contributions from all the three classes of long term business (Ordinary Life, Group Life and Deposit Administration) was Kshs 18.30 billion in 2008 compared to Kshs. 15.14 billion in 2007. This represents a growth of 20.87% (2007: 13.30 %). However, the contribution of the life insurance sector to the GDP recorded during the year is only 0.87 %.

Ordinary life business had the highest contribution in the year with a gross premium income of Kshs. 7.11 billion (38.84 % share) compared to 6.06 billion in the year 2007. The growth in the ordinary life business during the year was 17.3% (2006: 16.2 %)

Group life business recorded gross premium income of Kshs. 4.57 billion (20.77 share %) compared to Kshs. 3.60 billion in 2007. The overall growth in group life business during the year was 26.9% (2007: 28.6 %).

Contributions to deposit administration schemes during the year amounted to Kshs. 6.63 billion compared to Kshs 5.52 billion in 2007 recording a growth of 20.1 % (2007: 20%).

The distribution of Gross Premium and pension contributions in the year 2008 is illustrated in the table below:

Table 15: Gross Premiums Distribution per Class

Class of Business	2008		2007		2006		2005		2004	
	Gross Premium (Kshs)	% Share	Gross Premium (Kshs)	% Share	Gross Premium (Kshs)	% Share	Gross Premium (Kshs)	% Share	Gross Premium (Kshs)	% Share
Pensions	6,627,626	36.20	5,480,506	36.19	4,420,386	35.42	3,875,328	35.14	3,401,847	34.14
Ordinary Life	7,109,690	38.84	6,061,129	40.03	5,218,026	41.81	4,567,345	41.41	4,191,271	42.06
Group Life	4,569,458	24.96	3,600,154	23.78	2,841,894	22.77	2,586,009	23.45	2,372,653	23.81
Total	18,306,773	100.00	15,141,789	100.00	12,480,305	100.00	11,028,682	100.00	9,965,771	100.00

(Figures in Kshs. '000)

The gross premium per company and market share over the last four years is illustrated below:-

Table 16 – Gross premium and market share per company (2004 – 2008)

COMPANY	YEAR 2008				YEAR 2007		YEAR 2006		YEAR 2005		YEAR 2004	
	ORDINARY LIFE PREMIUM	GROUP LIFE PREMIUM	TOTAL	MARKET SHARE (%)	GROSS PREMIUMS	MARKET SHARE	GROSS PREMIUMS	MARKET SHARE (%)	GROSS PREMIUMS	MARKET SHARE (%)	GROSS PREMIUMS	MARKET SHARE (%)
Apollo	44,788	124,102	168,890	1.45	161,526	1.78	205,140	2.55	167,917	2.35	51,009	0.78
Blue Shield	115,367	29,582	144,949	1.24	152,934	1.69	113,352	1.41	115,678	1.62	96,758	1.47
British American	1,872,727	475,247	2,347,974	20.10	1,861,719	20.55	1,537,546	19.08	1,275,383	17.83	1,100,159	16.76
Cannon	72,140	2,378	74,518	0.64	69,944	0.77	74,131	0.92	73,705	1.03	67,808	1.03
CFC Life	913,813	95,432	1,009,245	8.64	894,347	9.87	797,790	9.90	748,505	10.46	715,113	10.89
Co-operative	88,744	1,000,642	1,089,386	9.33	918,401	10.14	612,623	7.60	553,033	7.73	470,962	7.18
Corporate	76,419	2,392	78,811	0.67	65,901	0.73	51,348	0.64	38,689	0.54	32,402	0.49
Geminia	10,483	2,062	12,545	0.11	12,651	0.14	11,972	0.15	10,613	0.15	9,414	0.14
First Assurance	0	58,175	58,175	0.50	27,180	0.30	5398	0.07	16,512	0.23	-	-
Heritage All	0	164,450	164,450	1.41	151,193	1.67	101057	1.25	99,304	1.39	115,098	1.75
ICEA	501,709	526,507	1,028,216	8.80	689,132	7.61	886,641	11.00	667,239	9.33	584,040	8.90
Jubilee	380,651	600,634	981,285	8.40	735,336	8.12	459,487	5.70	479,639	6.71	541,451	8.25

Kenindia	287,388	52,563	339,951	2.91	297,156	3.28	294,198	3.65	244,718	3.42	266,731	4.06
Kenyan Alliance	271	34,022	34,293	0.29	46,283	0.51	48,235	0.60	41,339	0.58	51,525	0.78
Madison	426,728	74,575	501,303	4.29	517,923	5.72	551,959	6.85	509,985	7.13	517,447	7.88
Mercantile	34,324	2,990	37,314	0.32	45,847	0.51	63,160	0.78	70,156	0.98	67,977	1.04
Metropolitan Life	74,741	42,183	116,924	1.00	16,813	0.19	16,435	0.20	0	0.00	0	0.00
Monarch	0	32,008	32,008	0.27	69,182	0.76	30786.925	0.38	17,495	0.24	4,299	0.07
Old Mutual	386,367	69,141	455,508	3.90	478,047	5.28	453,795	5.63	517,213	7.23	518,612	7.90
Pan Africa	1,502,445	1,007,587	2,510,032	21.49	1,470,433	16.23	1,396,908	17.33	1,169,212	16.34	1,065,885	16.24
Pioneer	228,900	8,075	236,974	2.03	187,608	2.07	165,696	2.06	145,842	2.04	137,849	2.10
Trinity	27,165	58	27,223	0.23	28,359	0.31	27813.915	0.35	30,585	0.43	42,907	0.65
UAP Insurance	64,520	164,653	229,173	1.96	163,367	1.80	154,447	1.92	160,595	2.25	106,478	1.62
Total	7,109,690	4,569,458	11,679,147	100.00	9,061,283	100	8,059,919	100.00	7,153,354	100.00	6,563,924	100

The contributions and market share for deposit administration business in the last four years is shown in table 19 below

Table 17 – Deposit Administration Contributions per Company

Company	Pensions Contributions -2008	Market Share - 2008 (%)	Pensions Contributions -2007	Market Share - 2007 (%)	Pensions Contributions -2007	Market Share - 2006 (%)	Pensions Contributions – 2005	Market Share – 2005 (%)
Apollo	106,828	1.61	83,099	1.52	68,028	1.54	70,226	1.81
BlueShield	9,953	0.15	61,472	1.12	26,034	0.59	34,743	0.90
British American	595,390	8.98	339,774	6.20	242,542	5.49	124,934	3.22
Cannon	4,172	0.06	-	-	-	-	-	-
CFCLife	998,574	15.07	879,434	16.05	863,978	19.55	707,942	18.27
Heritage All	233,243	3.52	170,928	3.12	156,103	3.53	119,583	3.09
ICEA	1,934,684	29.19	1,825,796	33.31	1,382,680	31.28	1,433,721	37.00
Jubilee	1,286,695	19.41	985,402	17.98	779,626	17.64	682,166	17.60
Kenindia	791,634	11.94	675,092	12.32	560,485	12.68	468,296	12.08
Kenyan Alliance	35,405	0.53	28,150	0.51	34,016	0.77	29,166	0.75
Madison	269,068	4.06	225,712	4.12	162,176	3.67	102,436	2.64
Mercantile	24,248	0.37	18,536	0.34	27,580	0.62	26,367	0.68
The Monarch	3,609	0.05	4,615	0.08	-	-	-	-
Pan Africa Life	78,581	1.19	41,911	0.76	41,911	0.95	25,403	0.66
Pioneer Assurance	2,525	0.04	2,976	0.05	-	-	-	-
UAP Insurance	252,842	3.82	137,609	2.51	75,227	1.70	50,226	1.30
Total	6,627,450	100.00	5,480,506	100.00	4,420,386	100.00	3,875,209	100

4.2 Claims

The long term insurance business claims and policyholder benefits totalled to Kshs.10.60 billion compared to Kshs. 9.73 billion in 2007 representing an increase of 8.9% (2007:17.9%).

Ordinary life business claims reduced by 8.7% from 4.096 billion in 2007 to Kshs 3.740 billion in 2008. Group life claims increased by 87.3% from Kshs 1.451 billion in 2007 to 2.718 billion in 2008. Benefits paid on deposit administration business remained relatively constant recording a minor decrease of 1% to stand at 4.139 billion compared to 4.183 billion.

The distribution of gross claims incurred for year 2004 - 2008 is shown in table below.

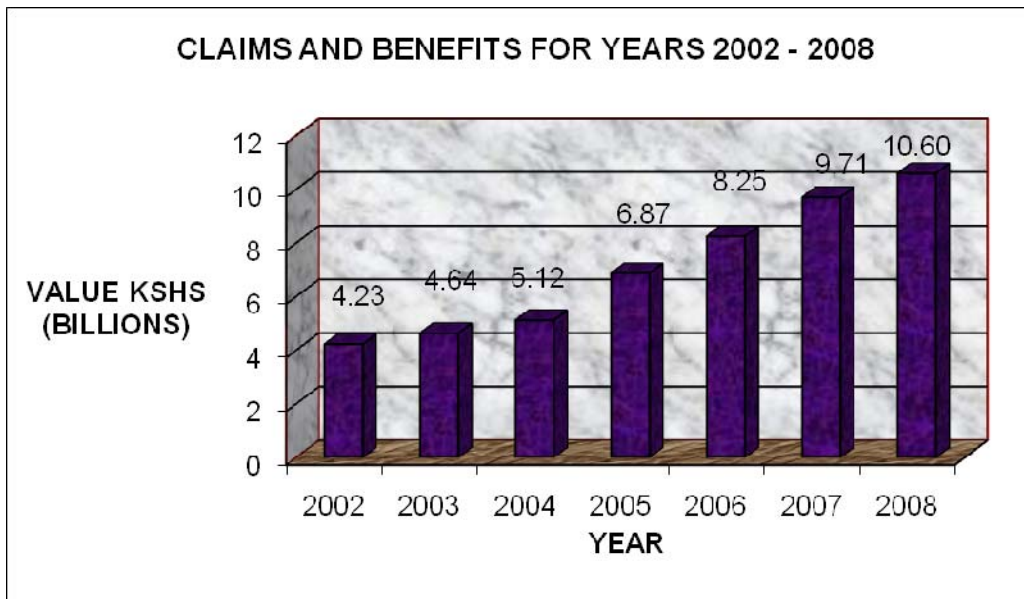
Table 18: Distribution of Claims in Long Term Business

Class of Business	Year 2008		Year 2007		Year 2006		Year 2005		Year 2004	
	Gross Claims Paid (Kshs)	Share (%)	Gross Claims Paid (Kshs)	Share (%)	Gross Claims Paid (Kshs)	Share	Gross Claims Paid (Kshs)	Share	Gross Claims Paid (Kshs)	Share
Ordinary Life	3,740,162	35.29	4,096,137	42.09	4,095,582	49.63	2,724,640	39.69	1,502,871	29.30
Group Life	2,718,695	25.65	1,451,272	14.91	1,274,149	15.44	1,199,582	17.47	892,779	17.40
Pensions	4,139,192	39.06	4,183,946	42.99	2,882,221	34.93	2,941,397	42.84	2,726,977	53.20
Total	10,598,049	100.00	9,731,355	100.00	8,251,952	100.00	6,865,619	100.00	5,122,627	100

Figures in Kshs. '000

The claims paid over the last seven years are illustrated in graph 3 below: -

Graph 4: Long term business Claims and Benefits (2002 – 2008)



Net claims and policy holder benefits in ordinary life decreased by 11% from 3.998 billion in 2007 to 3.557 billion in 2008 as shown in table 20 below.

Table 19: Net claims & policyholder benefits in ordinary life business

2008				2007			
Life and Health Claims	Surrenders and Annuity Payments	Maturities /Partial Maturities	Net Claims and Policyholder benefits Payable	Life and Health Claims	Surrenders and Annuity Payments	Maturities /Partial Maturities	Net Claims and policyholder benefits Payable
859,670	1,482,541	532,158	3,557,958	957,871	1,131,472	596,844	3,998,048

Figures in Kshs. '000

4.3 Commission and Management Expenses

The total operating and other expenses incurred during the year 2008 for life business (ordinary and group life) was Kshs. 3.287 billion compared to Kshs 2.756 billion in the year 2007 representing an increase of 19.3%. Management expenses account for 28% of the gross premium.

Commission expenses for ordinary and group life amounted to Kshs.1.991 billion compared to Kshs 1.554 billion in the year 2008 representing an increase of 28.1%.

4.4 Reinsurance

The total reinsurance premium ceded by long term insurers was 1.226 billion compared to 1.131 billion in 2007 representing decrease of 8.4 %.

4.5 Investment and Other Income

Investment and other income from ordinary and group life classes increased by 20% to 3.544 billion in 2008 compared to 2.945 billion in 2007.

4.6 Deposit Administration Business

There has been growth in pension fund contributions with the deposit administration funds recording total contributions amounting to Kshs.6.627 billion in 2008 compared to

Kshs. 5.519 billion in 2007. The total fund held by insurance companies increased to Kshs 34.742 billion from Kshs 31.138 billion in the year 2007.

Most insurance companies declared lower investment returns on funds in 2008. The industry recorded average returns of 6 % in 2008 compared to 8.9% in 2007. The total interest paid by the industry on deposit administration schemes was Kshs 2.202 billion compared to Kshs 2.736 billion in 2007. The claims and benefits paid during the year amounted to Kshs 4.139 billion compared to Kshs 4.203 billion in 2007.

Detailed reports of long-term business statistics for the year 2008 are annexed.

Pension – Long Term Business Statistics – Year 2008

Company	PENSIONS CONTRIBUTIONS - 08	MARKET SHARE – 08 (%)	PENSIONS CONTRIBUTIONS - 07	MARKET SHARE – 07 (%)	INTEREST RATE DECLARED			SURRENDERS AND ANNUITIES PAID 2008	SURRENDERS AND ANNUITIES PAID 2007	INTEREST PAYABLE TO POLICY HOLDERS 2008	INTEREST PAYABLE TO POLICY HOLDERS 2007	FUND AS AT END OF THE YEAR 31/12/08	FUND MARKET SHARE (%)	FUND AS AT END OF THE YEAR 31/12/07	FUND MARKET SHARE (%)
					2008	2007	2006								
Apollo	106,828	1.61	83,099	1.25	4.00	11.00	12.50	53,448	59,945	14,513	39,016	493,193	1.42	425,300	1.37
BlueShield	9,953	0.15	61,472	0.93	0.00	10.00	9.00	25,729	3,523	0	4,143	95,121	0.27	110,897	0.36
British American	595,390	8.98	339,774	5.13	6.00	10.50	18.00	109,194	124,202	89,722	107,004	1,840,841	5.30	1,264,923	4.06
Cannon Assurance	4,172	0.06	1,923	0.03	0.00	0.00	0.00	4,839	4,837	0	0	24,878	0.07	23,647	0.08
CFC Life	998,574	15.07	879,434	13.27	5.00	9.50	11.00	617,938	937,911	274,732	355,301	5,092,265	14.66	4,436,897	14.25
Corporate Insurance	176	0.00	446	0.01	0.00	0.00	0.00	-	-	244	0	3,852	0.01	3,784	0.01
Heritage All	233,243	3.52	170,928	2.58	8.00	13.00	15.00	161,805	153,472	80,664	110,860	1,138,307	3.28	992,216	3.19
ICEA	1,934,684	29.19	1,889,524	28.51	9.25	9.00	9.00	1,888,121	1,762,093	947,729	1,012,146	13,289,423	38.25	13,289,423	42.68
Jubilee	1,286,695	19.41	985,402	14.87	8.00	12.00	12.75	555,283	426,439	316,023	459,903	5,880,669	16.93	4,833,264	15.52
Kenindia	791,634	11.94	675,092	10.19	9.50	11.00	11.00	375,995	452,248	357,511	400,957	4,310,541	12.41	3,588,117	11.52
Kenyan Alliance	35,405	0.53	28,150	0.42	6.00	10.00	10.00	27,825	12,814	13,217	18,326	239,285	0.69	218,488	0.70
Madison	269,068	4.06	225,712	3.41	5.00	9.00	10.00	160,643	142,894	46,410	66,926	1,021,323	2.94	866,488	2.78
Mercantile	24,248	0.37	18,536	0.28	8.00	8.00	7.00	36,832	41,090	14,536	15,221	202,176	0.58	193,824	0.62
The Monarch	3,609	0.05	4,615	0.07	12.00	11.00	6.70	1,515	607	1,256	322	12,624	0.04	9,275	0.03

Pan Africa Life	78,581	1.19	58,655	0.89	10.00	10.00	12.50	19,916	17,946	368	23,006	352,405	1.01	293,372	0.94
Pioneer Assurance	2,525	0.04	2,976	0.04	5.00	8.00	-	-	15,174	234	81,618	5,801	0.02	3,042	0.01
UAP Insurance	252,842	3.81	137,609	2.08	7.50	10.00	16.00	100,109	48,356	45,500	41,839	739,298	2.13	585,491	1.88
Total	6,627,626	100.00	5,563,347	100.00	6.07	8.94	9.44	4,139,192	4,203,551	2,202,659	2,736,588	34,742,002	100.00	31,138,447	100.00

Figures in Kshs'000

Ordinary Life Business Statistics 2008

Company	GROSS PREMIUMS	MARKET SHARE (%)	REINSURANCE	NET PREMIUM	CLAIMS + BENEFITS	COMMISSIONS	OPERATING & OTHER EXPENSES	TOTAL EXPENSES	INVESTMENT INCOME+OTHER INCOME	COMMISSION RATIO (%)	LOSS RATIO (%)	EXPENSE RATIO (%)	COMBINED RATIO (%)	OPERATIONS RATIO (%)
Apollo	44,788	0.63	826	43,962	23,846	3,635	17,497	21,132	72,173	8.27	54.24	48.07	102.31	-61.86
Blue Shield	115,367	1.62	133	115,234	23,264	49,231	22,963	72,194	14,862	42.72	20.19	62.65	82.84	69.94
British American	1,872,727	26.34	27,702	1,845,025	984,304	638,318	491,147	1,129,465	444,356	34.60	53.35	61.22	114.57	90.48
Cannon	72,140	1.01	1,151	70,989	41,876	6,729	38,049	44,778	43,384	9.48	58.99	63.08	122.07	60.95
CFC Life	913,813	12.85	10,779	903,034	459,936	125,934	352,754	478,688	222,051	13.95	50.93	53.01	103.94	79.35
Co-operative	88,744	1.25	7,081	81,663	116,578	51,222	40,329	91,551	45,394	62.72	142.75	112.11	254.86	199.28
Corporate	76,419	1.07	472	75,947	63,698	27,332	13,337	40,669	33,449	35.99	83.87	53.55	137.42	93.38
Gemina	10,483	0.15	1,508	8,975	14,790	1,689	3,034	4,723	13,043	18.82	164.79	52.63	217.42	72.10
ICEA	501,709	7.06	27,526	474,183	279,128	109,948	130,117	240,065	367,547	23.19	58.87	50.63	109.49	31.98
Jubilee	380,651	5.35	7,230	373,421	213,905	1,985	156,238	158,223	377,899	0.53	57.28	42.37	99.65	-1.55
Kenindia	287,388	4.04	745	286,643	23,574	67,688	59,979	127,667	107,626	23.61	8.22	44.54	52.76	15.22
Kenyan Alliance	271	0.00	259	12	416	73	119	192	1,802	588.13	3371.24	1556.59	4927.83	-9681.02
Madison	426,728	6.00	1,054	425,674	334,059	43,525	137,477	181,002	84,960	10.22	78.48	42.52	121.00	101.04
Mercantile	34,324	0.48	3,902	30,422	24,474	4,373	13,113	17,486	11,538	14.37	80.45	57.48	137.93	100.00
Metropolitan Life	74,741	1.05	180	74,561	8	4,782	42,637	47,419	3,821	6.41	0.01	63.60	63.61	58.48
Old Mutual	386,367	5.43	23,385	362,982	216,040	120,154	422,185	542,339	428,516	33.10	59.52	149.41	208.93	90.88
Pan Africa Life	1,502,445	21.13	10,008	1,492,437	810,449	249,881	418,599	668,480	208,099	16.74	54.30	44.79	99.09	85.15
Pioneer	228,900	3.22	653	228,247	93,619	71,759	92,521	164,280	26,629	31.44	41.02	71.97	112.99	101.32
Trinity	27,165	0.38	104	27,062	14,432	2,075	45,042	47,117	36,733	7.67	53.33	174.11	227.44	91.70
UAP Insurance	64,520	0.91	0	64,520	1,751	44,817	26,585	71,402	4,597	69.46	2.71	110.67	113.38	106.26
Total	7,109,690	100.00	124,697	6,984,992	3,740,162	1,625,149	2,524,505	4,149,654	2,567,578	23.27	53.55	59.41	112.95	76.20

Figures in Kshs. '000

Group Life Business Statistics 2008

Company	GROSS PREMIUMS	MARK ET SHARE (%)	REINSURANCE	NET PREMIUM	CLAIMS+ BENEFITS	COMMISSIONS NET	OPERATING&OTHER EXPENSES	TOTAL EXPENSES	INVESTMENT INCOME+ OTHER INCOME	COMMISSION RATIO (%)	LOSS RATIO (%)	EXPENSE RATIO (%)	COMBINED RATIO (%)	OPERATIONS RATIO (%)
Apollo	124,102	2.72	83,760	40,342	40,990	7,899	13,151	21,050	29,049	19.58	101.61	52.18	153.79	81.78
BlueShield	29,582	0.65	1,891	27,691	56,346	6,946	22,538	29,484	6,684	25.08	203.48	106.48	309.96	285.82
British American	475,247	10.40	142,261	332,986	160,659	44,047	61,686	105,733	121,164	13.23	48.25	31.75	80.00	43.61
Cannon	2,378	0.05	1,163	1,215	34	98	392	490	689	8.03	2.82	40.32	43.14	-13.55
CFC Life	95,432	2.09	31,261	64,171	20,232	4,763	20,963	25,726	7,443	7.42	31.53	40.09	71.62	60.02
Co-operative	1,000,642	21.90	87,706	912,936	533,828	56,467	246,002	302,469	80,141	6.19	58.47	33.13	91.61	82.83
Corporate	2,392	0.05	1,375	1,017	1,672	0	621	621	448	0.00	164.41	61.06	225.47	181.42
Geminia	2,062	0.05	1,350	712	741	165	1,027	1,192	1,221	23.17	104.02	167.42	271.44	100.00
First	58,175	1.27	51,725	6,450	10,832	5,029	4,498	9,527	10,599	77.97	167.94	147.71	315.64	151.32
HeritageAll	164,450	3.60	102,438	62,012	58,929	33,827	32,131	65,958	131,429	54.55	95.03	106.36	201.39	-10.55
ICEA	526,507	11.52	117,637	408,870	764,021	31,607	70,063	101,670	240,375	7.73	186.86	24.87	211.73	152.94
Jubilee	600,634	13.14	106,954	493,680	179,753	12,885	67,267	80,152	126,266	2.61	36.41	16.24	52.65	27.07
Kenindia	52,563	1.15	39,361	13,202	6,883	4,205	6,463	10,668	18,794	31.85	52.14	80.81	132.94	-9.42
Kenyan Alliance	34,022	0.74	32,641	1,381	10,933	3166	1,913	5,079	5,211	138.53	791.62	367.73	1159.35	782.08
Madison	74,575	1.63	22,537	52,038	28,680	2,620	27,813	30,433	18,636	5.03	55.11	58.48	113.60	77.78
Mercantile	2,990	0.07	942	2,048	3,170	86	1,142	1,228	2,350	4.20	154.79	59.96	214.75	100.00
Metropolitan Life	42,183.00	0.01	2,418.00	39,765	15,387.00	3,574.00	12,680.00	16,254	2,156.00	8.99	38.69	40.88	79.57	74.15
Monarch	32,008	0.70	15,243	16,765	7,187	1,617	7,066	8,683	64,894	9.64	42.87	51.79	94.66	-292.43
Old Mutual	69,141	1.51	6,810	62,331	83,809	33	4,233	4,266	15,913	0.05	134.46	6.84	141.30	115.77
Pan Africa Life	1,007,587	22.05	181,930	825,657	715,325	135,590	54,835	190,425	72,579	16.42	86.64	23.06	109.70	100.91
Pioneer	8,075	0.18	1,386	6,689	1,633	120	0	120	208	-	-	-	-	-
Trinity	58	0.00	0	58	105	0	0	0	0	0.00	180.22	0.00	180.22	180.22
UAP Insurance	164,653	3.60	69,221	95,432	17,545	11,290	106,341	117,631	20,692	11.83	18.38	123.26	141.65	119.96
Total	4,569,458	100.00	1,102,010	3,467,448	2,718,695	366,033	762,825	1,128,858	976,940	10.56	78.41	32.56	110.96	82.79

Figures in Kshs. '000