

A WORD FROM THE EXECUTIVE DIRECTOR'S DESK

THE INTEGRATED MOTOR INSURANCE DATA SYSTEM

Fraud in the Insurance Industry is probably as old as the industry itself and, it is a worldwide problem. Motor Insurance remains one of the classes of insurance where fraud is rampant. Unconfirmed statistics point to fraud accounting for as much as between 30-40% of all motor claims paid by the insurers in Kenya.

Year 2009 statistics by Association of Kenya Insurers (AKI) indicate that the total claims paid by the industry under the motor class of business was a whopping Kshs.10 billion. If the above percentage of fraud was to be confirmed it would mean that the industry paid as much as Kshs.3 to 4 billion by way of fraudulent claims.

The concept of a computerised Integrated Motor Insurance Data System was first conceived by AKI in the year 1999. It was primarily to address fraud in Motor Insurance. The system was developed and put to use from year 2002. Unfortunately, after being in operation for a period of one year, the results were not very encouraging. No meaningful cases of fraud were detected. The conclusion made then, was that either there was no fraud in the Motor Insurance business or the system was not up to scale. The other possibility was that insurers were economical in the volume of, and quality of the data that they forwarded to the system for analysis.

Be as it may, the Association terminated the contract with the developers and administrators of the system citing the reason that the same had not achieved the expected results. In the meantime, fraud in the motor insurance continued unabated.

In 2006, a process of identifying a provider of a better system was started. After a very lengthy process involving lots and lots of twists and turns a provider was finally identified and sourced in the latter part of year 2009 and a contract signed. The system was rolled out from the beginning of 2010 and is expected to be finalised by March 2012. The system comprises three modules viz, underwriting, claims and fraud watch.

Progress of the system and the challenges faced so far will be the subject of the next issue of the bulletin



Mr. Tom Gichuhi,
AKI Executive Director

“The system was rolled out from the beginning of 2010 and is expected to be finalised by March 2012.”



1. Fire and Engineering Listed Risks.

The Industry Listed Risks Taskforce continues to evaluate risks as and when they are forwarded to IRA. The review is a continuous exercise and members are advised on guidelines accordingly without delay especially where full information is disclosed from onset. A comprehensive template detailing the minimum requirement for evaluation and the procedure to be followed with effect from 1st February 2011 was forwarded to underwriters. This will minimise the time taken by the taskforce to finalise on the enquired rates. Further, the taskforce has analysed all listed risks data up to September 2010. The analysis shows numerous cases of rates below technical levels. The Commissioner has written to the concerned underwriters on the same.

The General Insurance Council has proposed to IRA the need to revise the threshold as follows:-

IAR & Fire

From Ksh. 300m – Ksh.500 million

CAR (Roads)

From Ksh.150m – Ksh.750 million

Other Engineering

- From Ksh. 150m – Ksh.300 million

The rationale behind the proposed revision is that the sums insured of properties and construction works have increased tremendously since the thresholds were set a decade ago.

2. ZEP-RE Sponsored Seminar.

ZEP-Re has offered to train underwriters on engineering insurance. The training will focus on Contractors All Risks and selected engineering classes. It will be conducted between May to August 2011 at a venue to be advised later. The duration of the training will be one week and will cover the following topics:-

- Car Insurance (Risk Appraisal and Rating)
- Contractors Plants and Equipment;
- Erection All risks Insurances;
- Machinery Breakdown Insurances;
- Machinery Loss of Profits;

- Electronic Equipment Insurances;
- Deterioration of Stocks Insurances;
- Engineering Risks Surveys.

The target group will be underwriters who have joined the industry recently. The Secretariat will work on the modalities of organising the training while Zep-Re will facilitate and meet other costs.

3. Road Safety Campaigns

A documentary on road safety was produced in December 2010. The main focus was on motor cycles, pedestrians and pedal cycles. Clips from the documentary were aired in December 2010. The documentary will be aired on KBC TV from 6th April 2011.

4. Medical Insurance Business

The medical underwriters expressed concern that some hospitals have been increasing charges every year without consulting stakeholders. To address the poor performance of medical insurance, the underwriters and MIPAK (Medical Insurance Providers Association of Kenya) held a meeting on 2nd March 2011 to discuss issues of concern. Later on a joint meeting will be held with the Association of Hospitals with the aim of negotiating hospital charges and improving services.

5. Seminar on Safety at Workplaces

The Committee intends to organise a workshop in Mombasa in June 2011. The target group will be sisal farmers from Voi and hotel industries in Mombasa. The Secretariat will liaise with the Department of Occupational Safety & Health to facilitate. Already two workshops have been held in Nairobi and Nakuru on safety at workplaces.

6. Renewal of Marine Cargo Surveillance Scheme Contract.

The Secretariat renewed the contract with Oceanic Marine Surveyors Kenya Ltd for one year from January 2011 to expire on 31st December 2010 after evaluating the performance for the expired period. Members are requested to utilise the

successfully held the Motor Pool Annual General Meeting on 16th February 2011. The highlights were as follows:-

The Chairman reported on the investments and gave a presentation on

deployment with the industry-wide exercise having been completed in January 2011. The Secretariat has been working with the vendor in helping members initiate the transmission of real data.

Integration with Members

Majority of member companies have been integrated to the IMIDS and successfully taken through the process of data transmission. There are some members companies which are not yet integrated due to administrative bottlenecks which are being addressed. Members are now expected to initiate real data transmission.

Networking

WAN (Wide Area Network)

The deployment of the secondary link, i.e. the backup link, is in the final stages with the exception of BlueShield Insurance Company whose personnel could not avail the equipment that had been delivered to them for the said purpose. Configurations for the links are currently underway. Once configurations are finalised, the testing and commissioning of the links will be conducted.

Training

Original Manufacturer's (OEM) Training
The Secretariat received and reviewed a proposal from HP to conduct specialised training for the Secretariat's technical staff.

Systems Management Module

Training

This training was conducted on 25th March 2011 and was attended by ICT Managers from the insurance companies. The training was aimed at imparting skills that would enable those charged with the responsibility of IMIDS administration at the company to perform the tasks as expected.



services by forwarding instructions to the surveyors with all the required information.

7. Research on Uninsured Marine Market

The Marine Technical Committee intends to carry out a study on uninsured marine insurance. The objective of the research is to establish the reasons why marine insurance has been recording low growth. The research is also intended to establish areas with growth potential and why they have remained untapped.

It was observed that marine losses have been increasing over the past five years. It was proposed that the research could also identify the areas where losses are centred. The Secretariat is sourcing for proposals from various research firms.

8. Motor Pool Annual General Meeting

The Motor Pool Winding Up Committee

the audited accounts.

The audited accounts for the year ended 30th September 2010 were adopted Appointment of Auditors for the year 2011 was delegated to the Committee.

9. Integrated Motor Insurance Data System (IMIDS)

Implementation Progress Report

The Secretariat organised an Underwriting Managers Forum on 10th February 2011 to enlist their help in resolving challenges that were identified from the piloting, namely, lack of data and quality of data. The purpose of the forum was to seek solutions from the underwriters themselves on ways of overcoming these challenges. The forum came up with a number of recommendations and a report on the same is currently under preparation.

Software Platform - Underwriting Module

The Underwriting module is under

AKI AGENTS OF THE YEAR AWARDS 2010

The AKI Agents of the year Award (2010) ceremony was held on Friday 1st April 2011 to award the winners.

The main objective of the award is to recognize the exemplary performance of the top life agents in the industry and to motivate all life sales agents to achieve greater productivity and improve on quality of business sold, thus enhancing the growth of the life insurance sector. The award underscores AKI's commitment in encouraging the increase of life insurance penetration by getting more Kenyans to purchase life insurance.

333 Life Sales Agents met the set minimum criteria for year 2010. This is the highest number of qualifiers since the advent of the awards in 2002.



The Permanent Secretary, Ministry of East African Community, Mr. David Nalo gave the keynote address on behalf of the Minister during the dinner awards ceremony.

The Life Agents Forum which is a half day training session facilitated by high level speakers was held for the qualifiers at Sarova Panafric Hotel on Friday 1st April 2011.

A colourful Dinner Award Ceremony was held for the qualifiers at the Carnivore Grounds on Friday, 1st April 2011. The Invited Guest of Honor, Hon. Hellen Sambili, Minister for East African Community was represented by the Permanent Secretary Mr. David Nalo, who gave the speech on behalf of the Minister. The occasion was graced by distinguished guests including Chief Executives of insurance companies and representatives of the Association of Insurers of Uganda and Burundi.

The number of life insurance agents per company who qualified is shown right:

COMPANY	NO. OF QUALIFIERS
Shield Assurance Company	2
British American Insurance Company	110
CFC Life Assurance Limited	36
Co-operative Insurance Company Ltd	1
Corporate Insurance Company Ltd	4
Insurance Company of East Africa	33
Jubilee Insurance Company Ltd	37
Kenindia Assurance Company Ltd	6
Madison Insurance Company Ltd	41
Pan African Life Assurance Ltd	32
Pioneer Life Assurance Company Ltd	25
UAP Life Assurance Company Ltd	3
Old Mutual Life Assurance Company Ltd	3
TOTAL	333



The AKI Executive Director gives the welcome remarks at the Agents Forum held at Sarova Panafric Hotel.

AKI AGENTS OF THE YEAR AWARDS 2010

NEW BUSINESS AWARDS

This award is given to the agents who at the close of the competition period meet the following minimum performance standards: 30 policies issued within one year and Kshs. 1.5 million annualized premium income (API), and A first year persistency of 85%.



Agnes Mwangi of CFC Life Assurance Company is declared the overall winner for the New Business Award and is presented with a cheque of Kshs. 100,000/= by the Guest of Honor PS Ministry of E.A. Community Mr. D. Nalo & the AKI Chairman, Mr. S. Wandera.



Agnes Mwangi of CFC Life Assurance Company displays her trophy.

PERSISTENCY AWARDS

The winners have qualified in the previous 3 competition years and achieved a minimum Persistency of 70%.



Pan Africa Life Assurance Company celebrates as Mr. Boniface Otiemo Okoth is awarded a trophy for second runner up position, New Business Award.



Mr. Stephen Karanja of British American Insurance was the overall winner in the Persistency Category. He was presented with a cheque of Kshs 80,000/=. Mr. Karanja was also the first runner up in the New Business Award Category.

AKI AGENTS OF THE YEAR AWARDS 2010



British American Insurance Company display their various awards at the ceremony.



CFC Life Assurance Company celebrates as one of their own (Agnes Kagure Mwangi) tops the awards.



The team from British American Insurance Company receive the Company Award for the fourth year running from the LIC Chairman, Mr. T. Gitogo (left).



Mr. Frank Muchiri, the Chief Executive Officer of Madison Insurance Company (right) receives the Most Improved Company Award from the ILC Chairman Mr. J. Macharia.

The Secretariat would like to thank everyone who worked tirelessly to make this event such a great success. Special recognition is made to the Organising AAYA Taskforce for their dedication and hard work.

LIFE INSURANCE UPDATE



Participants at the Life Agents Seminar held at Redcourt Hotel on 28th January 2011.

PUBLIC EDUCATION CAMPAIGN ON LIFE ASSURANCE

A life public education campaign dubbed "Live Life" is currently running on Classic F.M. the campaign started on 14th March 2011 and will run for a period of three months to end on 13th May 2011.

The features are aired four times daily from Monday to Friday on Classic F.M as follows:-

TIME	FREQUENCY
6.00 TO 10.00 A.M	Once
12.00 TO 2.00 P.M	Once
4.00 TO 8.00 P.M	Once
RUN-OFF STATION	Once

Members are encouraged to tune in every day and listen to the messages and give feedback to the Secretariat.

LIFE SALES AGENTS SEMINAR

A life Agents Seminar was organised on 28th January 2011 at the Red court

Hotel. The seminar was well attended with 78 Life Agents in attendance. Mr. Muthoga Ngera, a member of the LIC opened the seminar on behalf of the Convenor while the LIC Chairman gave the closing remarks. The following topics were presented and well received by the participants:-

- Developing Entrepreneurship skills
- **Mr. Waweru Njoroge**
- Personal Financial Planning
- **Mr. Patrick Wameo**
- Selling in a Depressed Market
- **Mr. Leonard Asher**
- Lifestyle for Success
- **Mrs. Phyllis Mwangi**

AKI / RBA PENSIONS WORKSHOP

The Secretariat requested for budget proposals for 2011 from member companies. These were compiled and forwarded to RBA for consideration and inclusion in their budget proposals. The Convenor of the AKI Pensions

Committee, Mr. James Oyugi presented these proposals to RBA during their budget Retreat in Mombasa on 25th January 2011. The presentation was well received and RBA indicated that they were interested in further understanding of the Guaranteed Fund class of business.

As a result, the Pensions Committee organized a workshop for RBA to further explain the workings and uniqueness of the Guaranteed Fund class of business. The workshop was held on 11th March 2011 at Intercontinental Hotel with very good attendance from RBA. IRA was also well represented. The Industry was represented by the AKI Chairman, AKI Executive Director, Convener of the Pensions Committee and members of the Pensions Committee. The workshop was very successful and it was agreed that the Insurance Industry and RBA would work together as partners with the aim of growing the Pensions business in Kenya.



and Others , HCCC No 50 of 2006

This matter which was filed in the year 2006 was successfully concluded on 27th September, 2010 i.e a period of five (5) years. The ruling was delivered by Lady Justice Roslyn Wendo in favour of the Association. The decision to move to Court by AKI was made by the AKI Board, after several attempts to engage in dialogue with the Police in an effort to have them forward details of stolen and recovered motor vehicles on a monthly basis to AKI failed. At the time members agents were not allowed access into various police stations country wide in order to identify vehicles that had been recovered

INCOMING NEW MEMBERS

The Association held an Annual General Meeting held on Thursday, 24th March, 2011. During the meeting, members ratified the membership of four insurance companies as follows:-

- Shield Assurance Company Ltd
- Takaful Insurance of Africa Ltd
- UAP Life Assurance Company Ltd
- Xplico Insurance Company Ltd

REVIEW OF THE INSURANCE ACT

The Consultants M/S Lobbying Associates have finalized the Draft Prototype Insurance Bill, 2011. The Statutory & Legal Affairs Committee has reviewed the document which will now be presented to the Board and thereafter to the General Membership.

INSURANCE MOTOR VEHICLE THIRD PARTY RISKS BILL, 2010 ON STRUCTURED COMPENSATION

The Bill proposing the introduction of Structured Compensation Scheme under Cap 405 did not go through and has since lapsed. Efforts will be made to lobby both Treasury and Parliament once the Bill is reintroduced. However, it must also be noted that the heavy parliamentary agenda focusing on the implementation

of the Constitution may delay the debate on Bills not considered to be crucial.

BUDGET PROPOSALS 2011/2012

The Budget proposals for the year 2011/2012 were prepared and forwarded to the Ministry of Finance and the Insurance Regulatory Authority.

MEETING WITH THE PERMANENT SECRETARY TREASURY

The AKI Board held a meeting with the Permanent Secretary Ministry of Finance, Mr Joseph Kinyua on 21st January 2011. The discussions touched on:-

- Strengthening the insurance industry for economic growth in line with Vision 2030,
- The waiver of Kshs 2.4 billion in respect of customs bonds,
- Section 23 on Ownership and Management of Insurance Companies,
- Retirement Benefits Policy vis a vis Insurance Sector Policy for Pension Administration
- Taxation of Management Expenses.

SUIT IN RESPECT OF STOLEN AND RECOVERED MOTOR VEHICLES

Republic vs the Commissioner of Police

Following the conclusion of the matter, the Advocate have since extracted the court order together with a penal notice and served the Attorney General, the Commissioner of Police and the Registrar of Motor Vehicles KRA accordingly. Further the Order was advertised in the Daily Nation on 1st April, 2011.

The order states that “the Commissioner of Police, Provincial police officers, Officers Commanding all Police divisions, Officers commanding police stations, officers in charge of traffic ,any auctioneer and/ or court brokers are prohibited or restrained from conducting any sale by public auction, private treaty, or otherwise of unclaimed motor vehicles (accident or stolen) within the Republic of Kenya without the participation of the applicants (AKI) and the appointment of an officer representing the applicants and appointed in writing from them and a further order of Prohibition against the Registrar of motor vehicles or any other officers appointed by him restraining him from registering or re-registering any motor vehicle sold by the Commissioner of Police now and in future”.