Key changes in Kenyan insurance regulations and how they affect business owners

By Alniz Popat, Founder and Chief Executive Officer

Since 2013, Kenya's insurance industry has undergone a welcome overhaul. The government has introduced a series of much-needed changes designed to clamp down on unethical and irresponsible business practices and to protect those who buy insurance.

In a country where state health provision is still far from adequate, health insurance is not a luxury. By law, all employers must register employees for the National Hospital Insurance Fund – the country's primary provider of health insurance – paid for by monthly deductions from their salaries. But this doesn't offer sufficient protection for anyone who becomes seriously ill or who has ongoing health needs.

Despite that, many people can't afford to take out their own private policies, so offering health insurance as a benefit for your employees will help you attract and retain top-quality talent.

While the new, tighter regulations may initially seem complex, they will ensure that the cover you pay for will provide your employees with the high-quality protection they need. However, the changes have inevitably resulted in a number of licenses for insurance brokers and agents not being renewed and some existing policies becoming non-compliant, so it's crucial to understand how the regulations will affect your company.

Whether you're considering providing health insurance, or it's been part of your company benefits package for some time, here's what you must know about the new regulations.

Aims of the new regulations

In January 2013, Kenya's Insurance Regulatory Authority (IRA) unveiled its 2013 – 2018 strategic plan. This set out three clear goals:

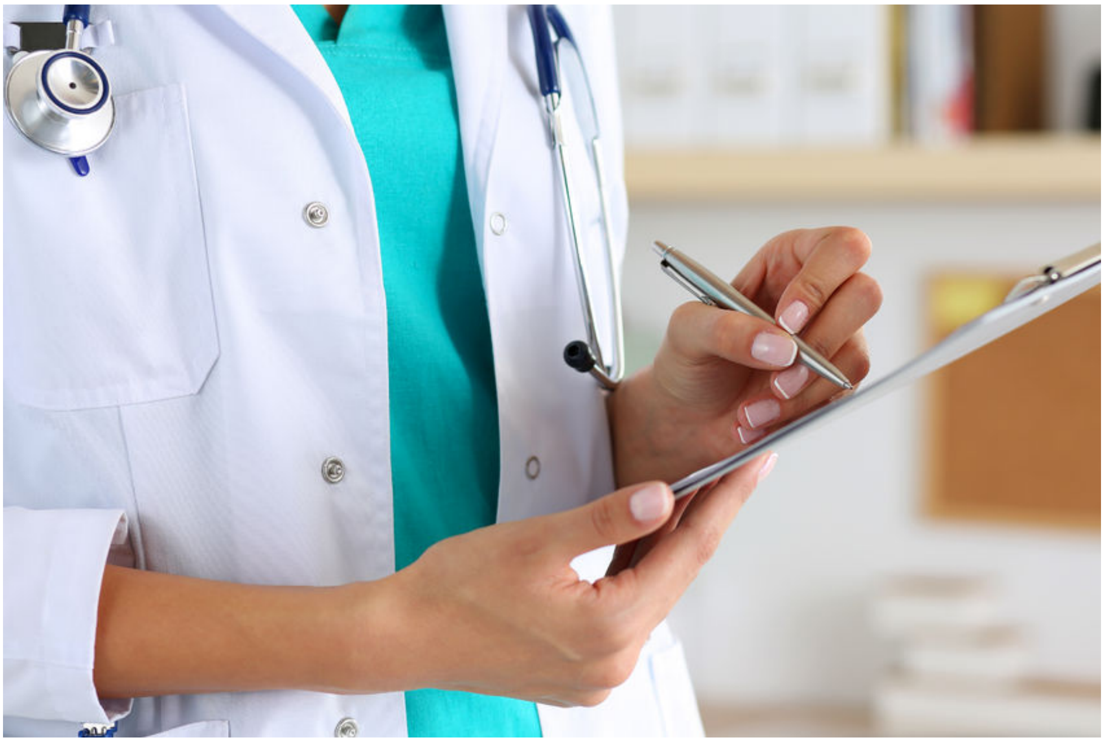
- Promoting consumer education and protection
- Promoting an inclusive, competitive and stable insurance industry
- Offering quality customer service

Later that year, a new insurance act was introduced to bring the industry under tighter control. The act incorporated various previous pieces of legislation that related to insurance as well as introducing new rules. Since then the Insurance Regulations 2015 and the Insurance (Amendment) Act 2016 have introduced further measures, and additional changes are being put in place incrementally.

Here are some of the most important changes that have helped to provide increased protection for health insurance customers and beneficiaries.

Ensuring financial stability

In June 2015, Kenya's National Treasury Secretary, Henry Rotich, announced an increase in minimum capital requirements, establishing a minimum level of available funds that organisations involved in offering insurance would need to have. At the same time, he unveiled new risk-based capital requirements – the total each company has to meet is now determined by a combination of factors, including the types of insurance business they are involved in and their specific risk profile. The aim was to make sure all the companies offering insurance services in Kenya actually have the means to settle any valid claims they receive.



New rules will also soon be introduced to bring financial reporting in the insurance sector into line with the International Financial Reporting Standards (IFRS). This will make it easier for the regulator to check that companies are abiding by the capital requirements.

Protection against fraud

Various measures have been brought in to counteract fraud.

All applicants for local medical insurance must now submit proof of their personal identification number (PIN). Even companies applying need to have one. This should help to prevent fraudulent applications for insurance, protecting honest customers from an unfair increase in premiums as a result of fake claims.

According to the Proceeds of Crime and Anti Money Laundering Act, insurance companies now have to report any suspicious transactions. The 2016 guidelines explain that this might include cases where the source of the premium payment can’t be traced back to the policyholder or where an application for a new policy is not consistent with the applicant’s financial standing or habits.

The IRA now has a dedicated Insurance Fraud Investigations Unit, which works in collaboration with the police to investigate suspected instances of insurance fraud. Policyholders are welcome to contact the unit directly with any concerns.

Protection against excessive premiums and late settlements

The Insurance Regulations 2015 brought in various measures to protect the financial interests of policyholders.

One element concerns the level of premiums. Providers must now give due consideration to the premiums they charge, as well as their claims management and underwriting processes, as part of a financial condition report. They must also file their premium rates with the IRA annually.

The regulations set strict percentage limits for the levels of commission that providers could pay to intermediaries such as brokers and agents.

There are also plans in place to impose a fine on insurance companies that take more than 30 days to settle a claim. This will certainly incentivise providers to handle claims more quickly, so you’re not left waiting.

Treating customers fairly

The IRA has recently introduced a consumer protection policy, which forces insurance providers to demonstrate that they treat customers fairly at every stage of their relationship. As part of this, from the beginning of 2017, insurance companies have had to complete a self-assessment tool to help the IRA gauge how fairly they treat customers. This includes assessing the level of information and advice given to customers, as well as suitability of products and ease of making a claim.

In addition, if you or one of your employees has a problem dealing with an insurance company, it’s now easier to make an official complaint. The IRA has set up a Consumer Protection Department to handle complaints from policyholders who are unhappy with the service they have received.

Regulating intermediaries

Back in 2003, the government announced plans to regulate a booming section of the insurance industry: HMOs (health management or health maintenance organisations). Many of these intermediaries had gone out of business, leaving policyholders out of pocket. Legislation was introduced that compelled the remaining HMOs to become insurance companies, forcing them to comply with all the same regulations as existing providers.

Brokers also now have to meet minimum capital requirements and keep a record of compliance in order to prove that they are able to settle claims for customers. They must also have a full risk-management strategy in place.

The Insurance Regulations 2015 enforced elements of the Insurance Act, which mean brokers cannot hold on to money deposited by customers for more than two working days. This means there is now less risk of your broker holding on to your money for an unreasonable length of time rather than passing it on to your chosen insurance provider.

In January 2015, the IRA released draft guidelines to prevent banks and their 'bancassurance' agents from compelling customers to purchase a particular insurance policy. It also has plans to police the activities of insurance agents, many of whom are still unlicensed, to crack down on fraud and mis-selling.

Helping you get better informed

The government has acknowledged that private healthcare is an essential ingredient in improving Kenya's overall health provision. And in order to make private treatment accessible to most people, it realises that it's important to increase the uptake of medical insurance.

As a result, it has launched a variety of campaigns to increase awareness and understanding of insurance among individuals and businesses.

Ensuring health insurance services are current and compliant

These changes in insurance industry regulation are all good news for customers, and the picture is likely to continue looking brighter as the legislation further rolls out. The changes that have been put in place so far have helped to improve the overall quality of the medical insurance products available on the market here in Kenya and the way policyholders are treated.

If you already provide health insurance for your employees, it's crucial to make sure that the policies you have signed up for are still compliant. A number of insurance providers have shut down over the past few years, struggling to cope with the increasingly tight regulatory environment. In 2013, the IRA forced two medical insurance companies to close because they failed to meet requirements.

It's interesting to note, though, that despite the clampdown, there were 55 insurance companies operating in Kenya in 2016 compared with 48 at the end of 2013. So there is still plenty of choice available.

If you have previously bought employee health insurance through a broker or agent, it's important to check that they are still operating. Some insurance brokers were closed down by the IRA in 2016 because they had failed to register or obtain permits.

Whether you're just beginning to think about providing staff health insurance or are simply keen to make sure that what you're offering is still viable, arranging a consultation with a reputable insurance consultant is a good idea. They will be able to assess your needs and then, if appropriate, recommend suitable products from compliant providers, making sure you get a fair deal. If anything changes that could affect the health coverage you're providing for employees, they will keep you informed and help you to respond appropriately, protecting your interests – and those of your employees – at every stage.

About the author: Alniz Popat, Founder and Chief Executive Officer

Alniz founded Lifecare 20 years ago in his native country Kenya to address the growing need for individual and corporate health insurance solutions. Soon thereafter Alniz expanded into Dubai, and in recent years he added yet another office with the establishment of Lifecare's presence in Qatar. As CEO of Lifecare Alniz is responsible for the strategic direction of the business, and it is his drive and passion to help people get the right healthcare through affordable insurance that has resulted in Lifecare's strong growth over the years. Today Alniz proudly oversees 100 caring and passionate employees who work tirelessly to deliver an excellent service to the 1,200 businesses and 25,000 members who are part of the Lifecare client portfolio. Alniz is a graduate of the University of Western Ontario, Canada in Finance and Economics, and is an active member of the Young Presidents' Organisation in Kenya, and the World Presidents' Organisation in the United Arab Emirates.