Tax Alert

Marine insurance

December 2016

Importers of goods into Kenya must insure their cargo against physical and other losses arising during the course of a sea voyage or air transport due to extreme weather conditions, accidents and theft among other risks.

The focus of this alert is sea or marine insurance A contract of marine insurance is a contract whereby the insurer undertakes to indemnify the assured, in manner and to the extent thereby agreed, against marine losses, that is to say, the losses incidental to marine adventure.

Currently, most importers use foreign insurance companies to insure goods during the course of sea transportation of their cargo. The insurance premiums, the price of the goods and freight/ transportation cost are paid to the exporter in the country of origin under the Cost, Insurance and Freight (CIF) trade arrangement.

The exporter, is responsible for engaging a transporter and insurer for the goods up to the port of entry of the importer. While this arrangement seems straightforward to importers, it unfortunately denies the local insurance companies the marine insurance business pertaining to imports into Kenya.

In light of this, the Cabinet Secretary for the National Treasury, in his budget statement in June 2016, highlighted the requirement for importers to use local insurance companies to cover importation of goods. It is important to note that this requirement is not new as the Insurance Act already provided for the use of local insurance companies under Section 20. This section prohibits the placement of Kenya business with insurers not registered in Kenya without the approval of the Commissioner of insurance.

The local insurance companies have indicated that they have the required capacity to cover marine insurance and are as competitive as overseas insurance companies in terms of premiums and efficiency in processing insurance claims. Therefore, the move by the Cabinet Secretary is expected to boost the local insurance sector.

In response to the Cabinet Secretary's directive, the Kenya Revenue Authority (KRA) Commissioner for Customs and the Kenya Trade Network Agency (KENTRADE) a state agency under the National Treasury mandated to facilitate cross border trade and establish, manage and implement the National Electronic Single Window System (Kenya TradeNet System) are now developing the framework within which the directive shall be implemented.

The requirement shall become effective 1 January 2017 and the Kenya Revenue Authority is expected to provide the guidelines for its implementation through a public notice before the effective date. We shall issue a comprehensive alert once the guidelines are published.

Kindly speak to PwC should you need further clarification or support. Our contacts are:

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