

What you need to know about insurance and its dotted lines

BY NOELLA MUTANDA

Every time I talk about insurance, and it does not matter whoever I am talking with, I get amazed at the level of ignorance about insurance products, services and industry as a whole. There are many myths around this subject which I have come to conclude arise from ignorance and apathy towards the subject.

Initially I was of the thought that it is the 'uneducated' and those who we refer to as the 'Wanjikus' who do not know or understand the subject matter. Nothing is further from the truth!

The information gap between insurance industry players and the consumers is very wide. Here are some answers to some of the most common insurance related questions.

Q: What is insurance?
This is the mechanism through which we transfer risks to insurance companies at a fee called premium. The insurance companies in return promise to pay for the insured loss (risk) should it occur.

Q: What is an insurance policy document? This is the document evidencing (proof) of the existence of an insurance contract between a consumer and an insurance company. Insurance policies contain terms and conditions of the contract. It is important to obtain, read and understand your insurance policy.

Q: How many forms of insurance do we have?
Two i.e. life (long term) and general (short term). Life insurance are contracts for more than one year while general insurance contracts are for one year or less.

Q: Can I cancel my policy if I am not satisfied with its terms and conditions? Yes. Under life insurance policy this action must be taken within the first 30 days after receiving the policy document. In case you cancel the policy within the 30 days, you will be refunded the whole premium paid



INSIGHT: Noella Mutanda

less withholding tax. Regarding general insurance business, cancellation of the policy will lead to a prorata refund of the premiums so far paid.

Q: What happens to my policy if I fail to pay my insurance premium?
Failure to pay insurance premiums as stipulated in the policy amounts to breach of policy terms and conditions and leads to the termination of the contract.

Q: Can I change the terms and conditions of my policy? Yes. You can negotiate with your insurance company to address some of your concerns in the policy.

Q: What happens to my policy if an insurance company collapses? If you have a life insurance policy and the insurance company is closed down, your policy remains valid and you should continue paying policy premiums throughout the remaining term of the policy. Failure to continue paying premiums leads to termination of the policy by the insurance company. You have the right to claim under the policy immediately the policy matures.

Q: Can I insure my property with more than one insurer? No. Insurance contracts are guided by principle of indemnity which requires that the policyholder is taken back to the financial position they were in immediately

before the loss occurred. Insuring the same property, e.g. a house, with more than one insurer so as to be paid twice should the insured loss occur amounts to gaining unduly from the contract.

Q: Can I insure my life with more than one insurer? Yes. You can insure your life with more than one insurer. This is because life cannot be valued.

Q: What is a surrender value? This is the amount of money that the policyholder will be paid by the life insurance company if he decides to terminate the policy before maturity. Surrender values apply within a certain duration of time provided for in the policy document.

Q: Can I sell my vehicle together with its insurance cover? No. motor insurance policies are not transferable because they are personal in nature.

Q: What is Insurance Premium Tax Relief? This is a benefit offered by the government to all life insurance policyholders. Under the relief, the employer is required to pay premiums to the insurer less the 15 per cent relief. PTR became effective in 1993 and is not applicable retrospectively.

Q: Does motor vehicle comprehensive policy cover the driver and/or the owner? No. As the name suggests, motor vehicle comprehensive policy only protects damage or loss to the motor vehicle and any claim made by the third parties. As such the policy does not pay any claim for loss or damage made by the policyholder. Policyholders are therefore advised to buy separate insurance to protect them against losses arising from the use of the vehicle.

Q: Can I drive a car without motor vehicle insurance in Kenya? No. motor third party risks cover is compulsory in Kenya. Driving without this insurance is illegal.

Noella Mutanda is the head of corporate communications at the Insurance Regulatory Authority. nmutanda@ira.go.ke