

# Lets....



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# **Understanding your Insurance Needs and Tips on Buying Insurance**

**But first.. about the College...**

# About the College of Insurance

- The only College offering insurance training in Eastern Africa.
- It trains school leavers -Diploma for Kenya (AIK) and the UK (ACII)
- Train employees of the insurance industry who want to enhance their knowledge in insurance.
- Trains trustees of pension schemes.
- There are approximately 49 insurance companies, 160 insurance brokers, 300 service providers and over 4000 insurance agents.
- The current number of employees in the insurance industry is estimated to be 20,000.

**Did you know that there are only a few trained professionals in the following areas?**

- **Actuarial science.**
- **Loss adjustment.**
- **Risk management.**
- **Marine survey.**

- **Average adjusters.**
- **Oil engineers.**
- **Financial analysts.**
- **Fire engineers.**

# BACKGROUND

- Poor public image of insurance/claim settlement
- The new Constitution/Vision 2030
- The New IRA.
- Policyholders Protection Fund (PHPF)
- Insurance Fraud Investigation Unit.

**Hence low insurance penetration and low usage of insurance.**

**You can be licensed to operate an insurance agent.**

# Understanding Insurance

**What are the  
benefits of  
insurance?**



**Benefits of  
insurance**

**But first, what is  
insurance?**

# Life insurance Vs General insurance

- Why is general insurance bigger than Life insurance in Kenya/Africa?
- The law?
- Ignorance?
- Dying positive cultural practices?

# What is Insurance?

**Insurance is a form of management used to offer a financial payment when unplanned or unexpected losses occurs.**

**It is a transfer of the risks of financial losses from one entity (that is exposed to risks) to another (the insurer) in exchange of payment of a premium.**



**Insurance is part of a broad discipline called Risk Management- the practice of appraising, controlling, and providing financial payment for unexpected and unplanned losses.**

# Having insurance is like....

**Having an army or  
Police force.**

**Having these shows that your  
are ready for your enemies  
should they decide to attack.  
The enemies may never  
attack...**

**But you must always have  
your defences ready and  
prepared.**

**This is insurance for a  
country's national survival.**



# Having insurance is wise.... because....

## Proverbs 6:6-7

Go to the ant, you sluggard;  
Consider its ways and be wise!

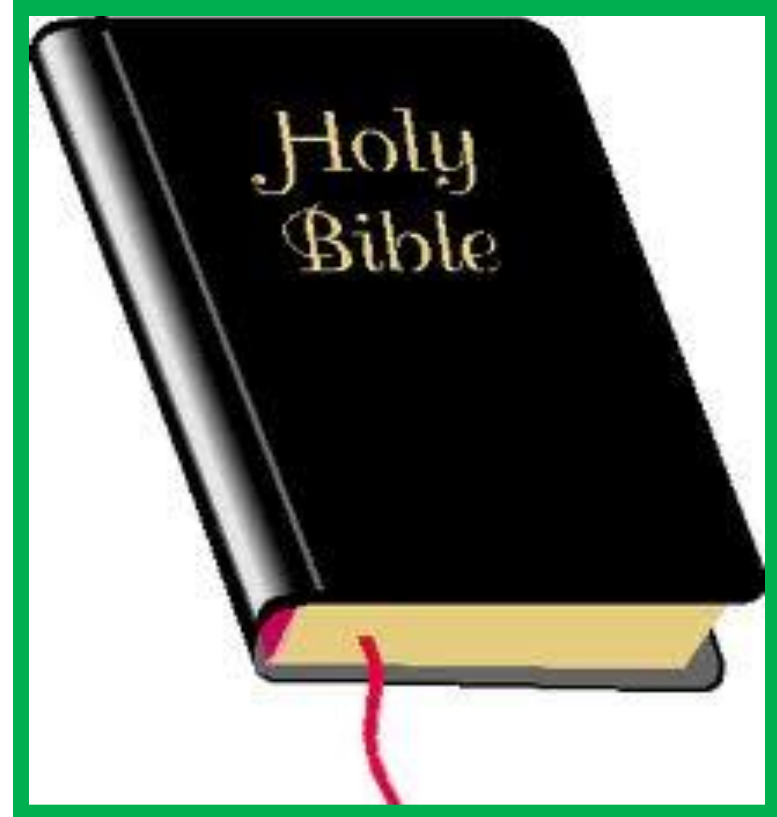
It has no commander,

No overseer,

Yet it stores its provisions in  
Summer,

And gathers its food at harvest.

**It is wise to be prepared for loss/misfortunes.**



# Why insurance?

**There are some form of insurance  
in all societies.**

**I.e. all societies take some measures  
to either control risks or reduce its  
impact;**

**This includes the African  
traditional societies.**

# **Modern Insurances**

- Modern insurance is practiced in all countries;**
- This can obviously be because insurance meets certain specific needs in societies.**

# Logic of Insurance.....

- Insurance operates on the basic understanding that risks are ever present in life and societies and that losses and set-backs do from time to time occur to all.
- A peril is what converts a risk into a loss.
- In insurance, we are concerned with the financial consequences of risks only.
- **What is a peril?**

# From risks to losses

- A peril is a primary cause of loss.
  - For a risk to become a loss, there has to be a peril.
- Thus, fire, untimely death, theft, accident, storm, diseases, flood, terrorism, political violence, tsunamis, old age etc are perils.
- And these hits some of us from time to time. The only thing that we do **not** know is whom they will hit...but we know they will hit someone.....

**As a Christian let me call this.....  
Visitation by the devil**





Floods



Storms



Political  
violence



Fire



Diseases



Accidents



**Attacks the family with diseases, accidents and untimely death**



**Discourages friends and relatives from assisting you in times of problems.**

# **We cannot control the occurrence of perils i.e....**

- In most cases, the occurrence of perils is beyond the control of anyone who may be affected by them.**
- So is the magnitude of the loss that they cause.**

# Risks that we all face:



**1. Dying too soon- at least for those with dependants.**

**2. Becoming physically challenged from old age, accidents or diseases.**

**3. Having our assets lost or destroyed by perils.**

# Risks faced by members of the Cooperatives

- **Death or disablement before/after taking loans.**
- **Loss of job after taking loan.**
- **Loss/destruction of property bought by loan.**
- **Sickness of members.....**

**Simply put, members of the cooperatives are just like other members of the society and are exposed to the same risks and perils like anybody else.**

**Do the following  
look familiar?**



# Political violence



# Political violence





# Theft



CoolClips.com







# A motor cycle accident



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**Police reports now show that motor cycles are only second to matatus in rate of accidents.**

# A road accident



**Applicable classes of insurance: motor, personal accident, work injury, group personal accident, life assurance etc**



# A house on fire



**Material damage –applicable classes of insurance:  
fire, theft, all risks, goods in transit etc.**

# A plane crash



**Applicable classes of insurance:  
aviation cargo, hull and liabilities.**

# Insurance for the physically challenged

## Applicable classes of insurance:

- Personal accident;
- Medical/Health;
- Income protection;
- Group accident.



**Friends and relative can visit us in hospitals when we are sick, but who caters for our dependants at this time?**





# YES,

*Insurance can be summed up as*

*"Praying for the best while...*

*...being **PREPARED** for the Worst.*



# Planning and risks

**In simpler terms, this is called planning.**

**We plan what to do and when to do it, but we should remain alive to the fact that things could go wrong. And they often do.**

- **The position and logic of insurance is that it is better to be prepared financially for misfortunes if and when they do occur than to be unprepared.**
- **If you don't plan.....you have planned to fail!**

# How does insurance operate?

- It is the duty of insurance to financially mitigate the effect of perils i.e. losses.
- This is done through creation of a fund out of which losses are paid.
- Those who opt to insure choose to put in a small payment (called premium) rather than face the uncertainty of a major loss....
- Or call upon friends to help..... as
- This may not always be satisfactory.

# **Key Challenges of Life**

**So far we have talked about the benefit of insurance in the event of a misfortune and seen that misfortunes do occur.**

**However, insurance can also be used in planning and providing for the three key challenges of life.**

**These are:**

# Key challenges of life

**Buying a house.**

**Educating children  
in colleges  
and/universities.**

**Living in financial  
freedom after  
retirement/old  
age.**

# Buying a house

**Applicable policies: life policies, mortgage protection policies, fire and other perils policies etc**





# Educating children in colleges/universities

## Appropriate Policies

- Life assurance saving policies maturing when a child is entering university or college.
- Unit linked policies;
- Education policies that provides cash on death or disablement of breadwinner while the child is in college/ university .



**Maseno  
University**



# Students graduating in a local university



# Living in financial freedom in retirement

- We all believe that we shall grow old and not die young!
- It is important to remember that we may live longer in retirement than the entire working life.  
And how shall we live?



# Retired old man



# Summary on benefits of insurance

- **Security-replacement of lost assets etc**
- **Peace of mind**
- **Protection**
- **Medium of saving just like the cooperatives**
- **Investment of funds**
- **Advice on loss minimization.**

# Tips on buying insurance



Tips on buying insurance

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**1**

## **Have compulsory insurance**

**Ensure you have all the compulsory insurances**

- **Motor vehicle third party injuries**
- **Workers injuries benefit insurance**
- **NSSF and NHIF**

2

## Protect your most important assets



# 3

## **Protect family and employees against the risk of pre-mature death.**

**It may not do much, but a lump sum paid on death to the family of the bread winner can go along way in assisting the family in settling down while facing the reality of the pre mature death of the bread winner**







**4**

**Plan buying major assets and important undertakings using insurance among other considerations.**

**Contributes toward important undertakings in life—mainly buying/building a house and educating children in colleges and universities.**

5

## Ensure you have some critical insurances

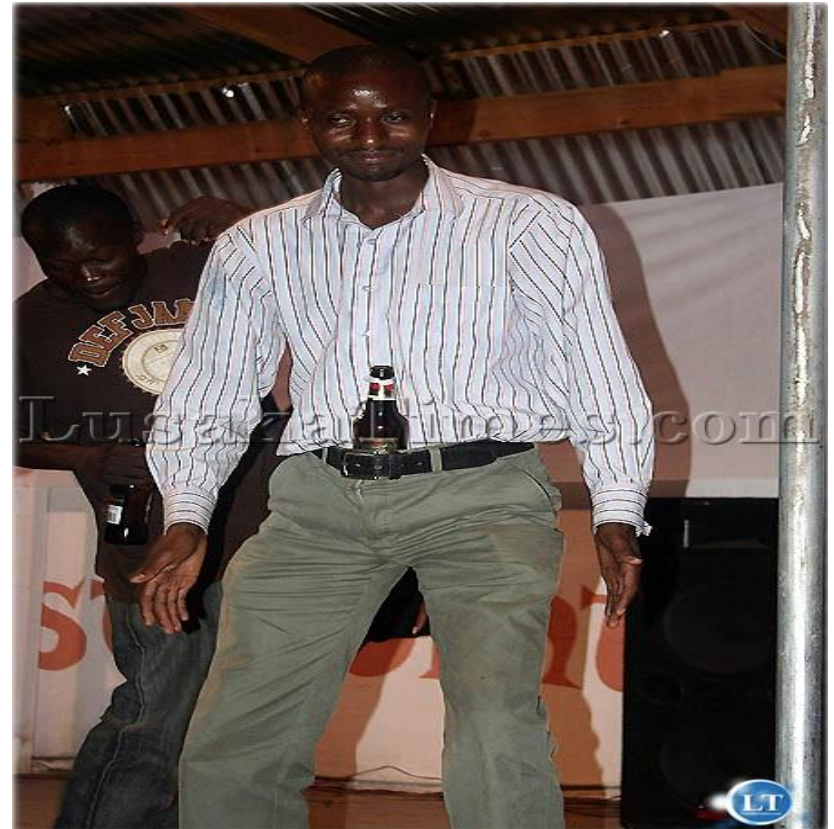
- Personal Accident
- Health insurance for self and family
- Key assets
- Some life policy
- Education policy.



# Education policy for children in colleges and universities

- The future belong to the educated, the learned and the wise.

Will you have enough funds to educate your children in colleges and universities?



# Personal accident and health insurances



**Aftermath  
of accident**



FPGindia.org





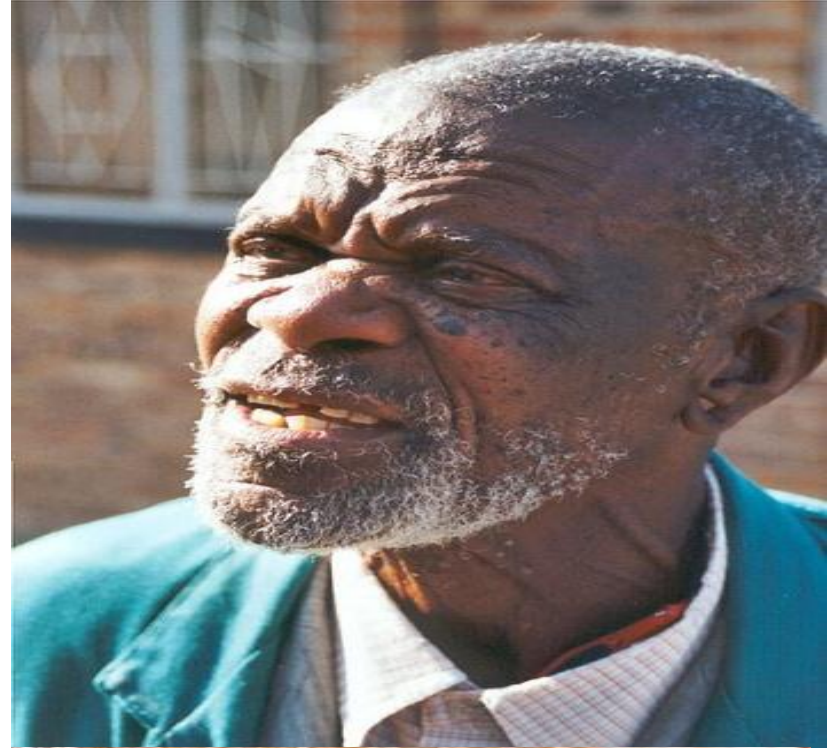
**6**

## **Enhance your financial plan for old age by buying an insurance policy**

- **A day comes when we are no longer able to work but we will still have our basic requirements and may be even other greater challenges.**
- **It is important to plan for such a day.**



# Retirement benefit insurance



# **Retirement benefit insurance**

**Planning for retirement is important.**

**Retire into financial freedom.**

**Not to be a burden to society and to others including our children.**



**7**

# **Investments using insurance**



**A unit trust is a pooled investment vehicle for small private investors.**

**Unit funds are able to obtain professional management and wide spread approach to investments.**

# **Use insurance for investment**

**Can be used as a means of diversifying investments and borrowing.**

**Some of the Companies offering this facility are:  
Old Mutual, British American, ICEA, Madison,  
Cooperative Insurance Company Ltd.**

**Some life policies have investment assets and  
can be used as a security for loan.**



# Tips on buying insurance

**8**

**Buy insurance that you need.**

**9**

**Deal only with licenced operators.**

**10**

**Obtain advice from a licenced broker and agent.**

**11**

**Deal with those with an office near you-it saves a lot of time when you want to see them.**



Read and gather information about insurance so that you can have some understanding of it...

- Listen to radio.
- Use newspapers.
- Advertisements.
- Information bulletins.
- Insurance professionals.

The end....take off, don't tax forever,  
buy insurance, its your security!

GOD BLESS  
YOU ALL!

