

Lets....



Benefits of Insurance **and Tips on** **Buying Insurance**

Benefits of Insurance

**Benefits of
insurance**



Benefits of insurance



What is insurance?

- ▶ **Insurance is a form of management used to offer a financial payment when unplanned or unexpected losses occurs;**
- ▶ **It is defined as transfer of the risk of a potential loss, from one entity (that is exposed to risks) to another (the insurer) in exchange of payment of a premium.**

- **WHAT IS INSURANCE?**

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

Why insurance?

- **There are some form of insurance in all societies.**
- **Another way of looking at this is to say that there are some forms of risk mitigation practices in all societies.**
- **All people take some measures to either control risks or reduce its impact;**
- **This includes the African traditional societies.**

Modern insurances

- Modern insurance exists 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.
- 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.
- **When we don't plan.....**

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.

YES,

Insurance can be summed up as

"Praying for the best while...

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



From risks to losses

- **For a risk to become a loss, there has to be a peril.**
- **A peril is the primary cause of loss.**
- **Thus, fire, pre mature death, theft, accident, storm, diseases, terrorism, political violence, pre-mature death etc are perils.**
- **And these hits us from time to time.**

We can not control the occurrence of perils i.e....

- In most cases, the occurrence of a peril is beyond the control of anyone who may be affected by it.**
- So is the magnitude of the losses that they cause.**

Risks that we all face:

- **Dying too soon- at least for those with dependants.**
- **Becoming physically challenged from accidents or diseases.**
- **Having our assets lost or destroyed by perils as individuals or businesses.**
- **Do the following look familiar?**



A motor cycle accident



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?



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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 incur a small loss (premium) rather than face the uncertainty of a major loss....**
- **Or call upon friends to help..... as**
- **This may not always be enough.**

The amount of premium payable is determined by the probability of occurrence of losses which is scientifically worked out by specifically trained professional called actuaries and underwriters, among others

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 at colleges/universities; and
- Living in financial freedom after retirement/old age.

Buying a house

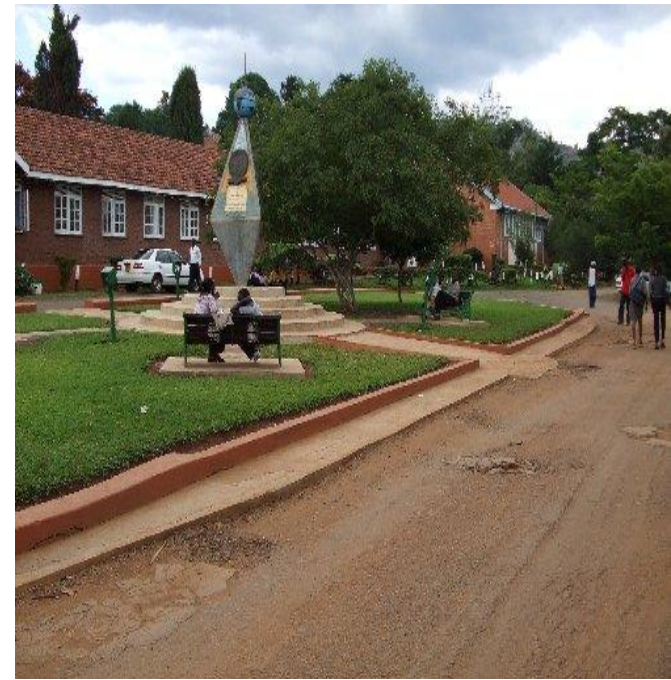
Applicable policies: life policies, mortgage protection policies, fire and other perils policies etc



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

Living in financial freedom in retirement

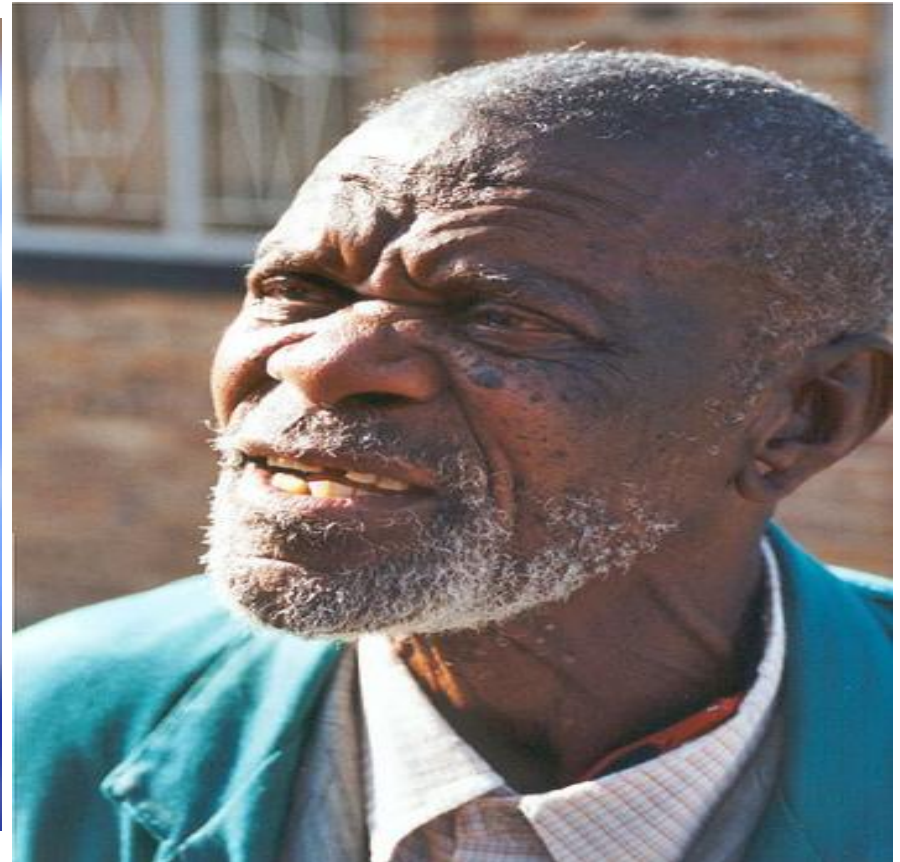
- We all believe that we shall grow old and not die young!
- It is important to remember that we may live longer in retirement than the entire working life.



And how shall we live?

Retired old man







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Solutions for financial freedom in old age

- **Employers' / occupational benefit schemes;**
- **Personal retirement benefit policies- these are pure investment policies and one can choose their retirement dates;**
- **Both of these are regulated by the Retirement Benefit Authority (RBA);**
- **Life assurance products maturing at retirement age.**

BENEFITS OF INSURANCE

1. Peace of Mind Products

- ▶ Life assurance products;
- ▶ Disablement products;
- ▶ Medical insurance products.



2. Savings/Investment Products

- ▶ Life assurance with investment aspects, and retirement products.
- Insurance gives an alternative investment vehicle/source of collaterals

Peace of mind



Grow your wealth with life assurance policies



Slowly grow your wealth with life assurance pure investment policies.

**Protect you wealth
from perils**



3. Family protection policies

- Education products-maturing when a child is going to college/university; or
- Buy life assurance policy which avails a sum of money if the sponsor dies while the child is at college/university



Other benefits of insurance

4. Advise on reduction and control of losses

-Pre-loss control and post loss control measures;

5. Invisible earnings;

6. Social benefits;

- **Job creation and retention;**
- **Provision for old age;**
- **Provision for education.**

Insurance is a superior method of handling risks because:

- **It anticipate losses and plans for them.**
- **It creates a fund out of which losses are paid.**
- **It employers trained personnel.**
- **It spread risks nationally, regionally, and internationally.**

Tips on buying insurance



Tips on buying insurance

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Tips on buying insurance

REMEMBER

- **You can't stop bad things from happening to you.**
- **But you can protect yourself financially by purchasing insurance.**
- **How much insurance you need depends on a lot of factors including how much you own, how much your assets are worth, whether you have dependents, your age, and how much out-of-pocket cost you could afford to bear.**

You can estimate your coverage needs by taking the above factors into account;

Understand that life insurance is **long term** while property insurance is **short term**.

Insurance is technical

- **An insurance policy is a legal contract that may be loaded with technical terms that can be sometimes difficult to understand.**
- **Read the documents before signing to find out about the coverage you're buying.**
- **Plain English policies will soon start being issued.**
- **Some things in a policy are clear and can be understood.**
- **Examples are:**

CAN TELL YOU:

- **Who or what is covered;**
- **What coverage, exclusions and limitations apply;**
- **When coverage begins and ends;**
- **How much coverage is provided;**
- **How much you'll pay for coverage (the premium);**
- **How you report a loss or file a claim;**
- **It's always a good idea to ask an insurance professional such as a broker or agent or even the insurer to explain any terms, conditions, or benefits that you do not understand.**

Tips on buying insurance

- Have some understanding of what insurance can do for you-protection, savings , provision for old age, education for children and investment;
- Use the web, News Papers, TV and radio etc to get information about insurance;
- Know that life insurance is about **protection** and **investment** while property insurance is about **protection of assets**.

Tips on buying insurance

- Shop around;
- Talk to others;
- Listen to and use agents, brokers and other intermediaries such as banks, cooperatives etc to buy insurance;
- Use those you can trust.**

USING INSURANCE AS AN INVESTMENT VEHICLE

- **Understand yourself and your financial circumstances and decide the type of policies that you need to buy.**
- **Decide what you want to achieve e.g. have another form of security other than land or stock, old age protection etc.**
- **Remember: it about you and your needs.**
- **Therefore, choose insurance policies that serves you and not the agent or the company or any one else.**

Insurance policies and faith

- **There are now insurance companies selling policies which are compliant with the Islamic faith.**
- **They have been approved by Islamic scholars**
- **Insurance which complies with the Koran is called Takaful.**

Must have **insurances**

- **Health insurance for your self and family- you never know when it might help you in an emergency.**
- **Insurances that the law requires.**
- **Insurance for critical assets e.g. car, cows, domestic assets etc.**
- **Education policies for children college/university education.**
- **Investment policies to diversify investment risks e.g. unit linked policies.**

Insure your most important assets



Is it your farm?



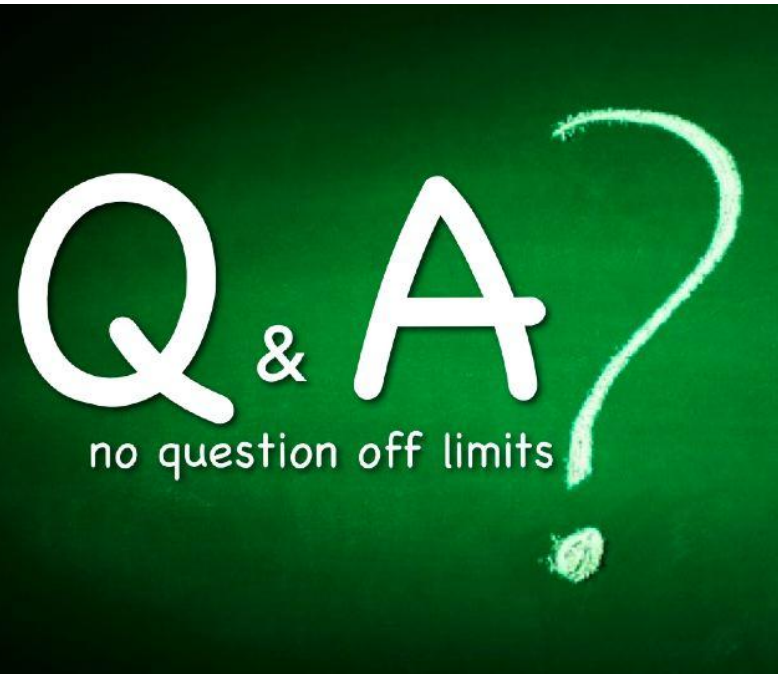
Insurance company and insurance sellers

- **Must be licensed by IRA.**
- **Must have a good claim payment reputation.**
- **Confirm the registration status with IRA.**
- **Site the agent's and broker's certificate of registration.**
- **They should have a good reputation.**
- **Preferably have an office in your local town.**
- **Banks and many cooperatives are now selling insurance and one can get good advice at no cost to themselves from them.**

Conclusion

- **Insurance plays a critical role in the life of each individual as well as in the socio-economic growth of the nation;**
- **Insurance involves helping individuals and businesses to manage risks so as to protect themselves from catastrophic losses;**
- **It also entails anticipating potential risks and putting in place mechanisms to manage them;**
- **Life insurance can be used to provide for the key challenges of life;**
- **One should have some form of insurance which serves their needs.**

The end



Questions
are
guaranteed in
life;
Answers
aren't.

**GOD
BLESS
YOU
ALL!**