



THE ASSOCIATION OF KENYA INSURERS

**INSURANCE INDUSTRY REPORT
FOR THE YEAR 2006**

DISCLAIMER

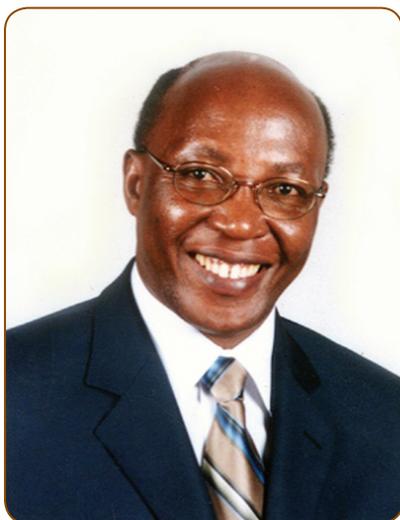
Information contained in this report has been obtained from the audited annual financial statements received from member companies of the Association of Kenya Insurers. While reasonable care has been taken in compiling the report, the Association of Kenya Insurers accepts no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of the report.

All information and figures are provided without warranty of any kind as to their accuracy or completeness but where necessary corrections for casting errors have been done.

TABLE OF CONTENTS

FOREWORD	iv
1.0 EXECUTIVE SUMMARY	1
1.1. Economic Overview	1
1.2 World Insurance Performance in 2006	1
1.3 Kenyan Insurance Sector Performance.....	2
1.4 Insurance Industry Performance Relative to the Economy	4
2.0 Insurance Industry Profit and Loss Statement and Balance Sheet	5
2.1 Industry Combined Profit & Loss Statement.....	5
2.2 Industry combined balance sheet	5
3.0 GENERAL INSURANCE REPORT	7
3.1 Premium Income	7
3.2 Distribution of Gross Premium per Class	8
3.3 Premium Growth per Class	9
3.4 Claims	15
3.5 Expenses.....	16
3.6 Underwriting profit.....	17
3.7 Medical Insurance Business	17
4.0 LONG TERM INSURANCE REPORT	19
4.1 Premium Income	19
4.2 Claims	21
4.3 Commission and Management Expenses.....	22
4.4 Other Information on Ordinary Life Business	23
4.5 Other Information on Group Life Assurance Business	23
4.6 Deposit Administration Business	24
Annexure 1: Deposit Administration Business Statistics (2006)	26
Annexure 2: Ordinary Life Business statistics (2006)	27
Annexure 3: Group Life Business Statistics (2006)	28

FOREWORD



It is my pleasure to present the Insurance Industry Annual Report for the year 2006.

The Insurance Industry experienced fairly good growth in 2006 with most companies reporting increased premium income and profitability. The industry recorded gross premium income of Kshs. 41.68 billion compared to Kshs. 36.40 billion in year 2005, representing a growth rate of 14.5%. The good performance can be attributed to the overall economic growth in the country, which reached 6.1% in 2006 compared to 5.8% in 2005.

The insurance industry experienced significant developments during the past year. The enactment of Insurance Amendment Act (2006) saw the creation of the long awaited Insurance Regulatory Authority. It also introduced the requirement that insurance premium for motor and fire classes of business is paid before the insurance contract is entered into. The proposed amendments in the Finance Bill 2007 are a further indication of the government's commitment to strengthening the industry. Amongst the proposed changes is to have insurance premiums for all classes of insurance paid on a Cash and Carry basis and an increase in the minimum share capital. The Cash and Carry measure is a healthy development which when fully implemented will improve liquidity and ease cash flow of insurance companies.

The introduction of "Cash & Carry" is also a wake up call for the insurance companies to rethink their strategies by offering creative solutions for premium payment to their customers as well as customisation of client needs. Insurance companies should re-examine their claim payment procedures and put in place measures to improve on it. They must be innovative in coming up with new products that cater for the diverse needs of the insuring public and embrace technology.

The outlook for the year 2007 is bright given the higher projected growth in the economy coupled with an enabling regulatory environment.

BEN I. WAIREGI
CHAIRMAN, AKI

1.0 EXECUTIVE SUMMARY

1.1. Economic Overview

Global

The global economy grew at a rate of 5.1% in 2006 compared to 4.3% in 2005. Economic activity in most regions such as the United States, Europe, Japan, China and India exceeded expectations.

Africa

Africa's economy grew by 5.5 % in 2006 well above the long-term trend. Gross Domestic Product per capita grew by 3.5% with oil producing countries taking the lead in growth. The oil importing countries and agriculture dependent countries recorded reasonable growth. The economic growth in the sub-Saharan Africa region for the year 2007 is projected to go up to 6.3%.

Kenya

The Kenyan Economy recorded a real GDP growth of 6.1 % in 2006 compared to 5.8% in 2005. The main drivers of this growth were agriculture, transport and communication sectors. Other sectors that recorded significant growth during the year included manufacturing, wholesale and retail trade, real estate & business services. The tourism sector sustained its recovery course in 2006. The overall inflation increased from 10.3% in 2005 to 14.5% in 2006. Trade balance widened from a deficit of Kshs 182.67 billion in 2005 to Kshs 270.49 billion in 2006. The money supply expanded from Kshs 557.8 billion in December 2005 to Kshs 653.0 billion in 2006.

The share prices for most listed companies rose substantially as reflected in the NSE share Index, which rose from 3973 points in December 2005 to 5646 points in December 2006. This was largely due to increased public participation, emergence of the NSE as an alternative source of funds as evidenced by a number of IPOs and privatization of state corporations.

The Kenya Shillings exchange rate averaged Kshs 72.30 to the US dollars in 2006, 4.4% stronger than in 2005, this was as a result of strong inflows from trade, tourism and remittances.

The financial sector remained stable and recorded a moderate growth with the banking sector taking the lead.

1.2 World Insurance Performance in 2006

Worldwide insurance premiums amounted to USD 3,723 billion in 2006. This translates to 7.7% of global economic value generation (GDP), indicating no change comparing with 2005 figures. According to the Swiss Re sigma study (World Insurance in 2006), growth in total premium volume accelerated further to 5% (adjusted for inflation). Both life and non-life premiums increased over previous year by 7.7% and 1.5% respectively.

Real premium growth in the emerging markets of 16% continued to outpace the growth of 4% experienced in the industrialized countries. On insurance spending, industrialized countries spent about 9% of the gross domestic product on insurance in 2006, while in the emerging markets this ratio varies from 1.4% in the Middle East and Central Asia to 4.7% in Africa.

With real growth of 7.7%, the life insurance market expanded faster than overall economic activity in most countries, with the clear exception of Japan. Booming stock markets favouring unit-linked products, in combination with regulatory changes and tax incentives, were the main contributors to 2006's strong growth rate.

Recovering from last year's stagnation, global non-life business grew by 1.5%, below the growth in GDP. However, this headline figure masks a sharp divergence in performance between the industrialized world, which saw only tiny growth of 0.6%, and the robust 11% delivered by emerging markets.

The outlook for 2007 suggests a mixed picture; while healthy growth is expected in life insurance, with strong development of savings and pensions products, premium in non-life is likely to stagnate.

The outlook for profits remains robust with the life sector expected to make further progress in profitability. Non-life insurance profitability is expected to deteriorate slightly, as premium growth is sluggish.

1.3 Kenyan Insurance Sector Performance

1.3.1 Changes in Legislation

The Financial Services sector witnessed a number of changes over the past year. The establishment of the Insurance Regulatory Authority through the Insurance Amendment Act (2006) was the most important.

Other taxation and legislation changes with a direct impact on the insurance sector were:

- Increase in Life and Health Insurance relief to Kshs 60,000 effective 1st January 2007.
- Changes in the Retirement Benefit Act to allow for access to retirement benefits upon permanent emigration.
- Income from Policyholders' Compensation Fund was exempted from taxation.
- Insurance agents were allowed to transact business for more than three companies. Tied agents who transact life insurance only were not included in this change.
- Introduction of remittance of premium through a "Cash and Carry" arrangement for fire and motor insurance. The insurance company can only assume risk upon receipt of premium.
- Restriction of Third party injury claims to a maximum of Kshs 3 million
- Insurance brokers guarantee was increased to Kshs 3 million.
- VAT on management and related insurance services are now subject to VAT effective 16th June 2006

1.3.2 Insurance Sector Players

There were 43 licensed insurance companies in 2006. Twenty one companies wrote general insurance business only, seven wrote long term business only, while fifteen were composite (both life and general). There were 197 licensed insurance brokers, 2633 insurance agents, 2 locally incorporated re-insurers, 26 loss adjusters, 209 loss assessors/investigators and 30 risk surveyors during the year.

1.3.3 Premium Income

The gross premium written by the industry was Kshs 41.68 billion compared to Kshs 36.42 billion in 2005 representing a growth of 14.5%. The gross written premium from General insurance was Kshs 29.20 billion (2005: Kshs 25.39 billion) while that from long term business was Kshs 12.48 billion (2005: Kshs 11.03 billion). This is a ratio of 70:30 in favour of general insurance.

General insurance premium grew by 15% while life insurance premium and contributions from deposit administration business grew by 13.1. The industry recorded growth over the last five years as illustrated in table 1 below.

Table 1: Growth in Gross Premium for the Period 2002 – 2006

	2002	2003	2004	2005	2006
Short Term	17.23	19.40	22.78	25.39	29.20
Long Term	7.30	8.50	9.97	11.03	12.48
Total	24.53	27.90	32.75	36.42	41.68

Figures in billions Kenya shillings.

1.3.4 Profitability

Most companies recorded underwriting losses in the year 2006. Sixteen general insurance companies had an underwriting profit but only four life insurance companies recorded an underwriting profit.

The overall underwriting loss for the industry was Kshs 1.23 billion with general insurance recording an underwriting profit of Kshs 0.58 billion while life insurance recorded an underwriting deficit of Kshs 1.81 billion.

Earnings from investment income of Kshs 14.42 billion mitigated an otherwise undesirable situation resulting in a gross profit of Kshs 5.8 billion in 2006 compared to Kshs 4.32 billion in 2005. This represents a growth of 35% in gross profit.

1.3.5 Assets & Liabilities

The total assets held by the industry increased by 20.6% to Kshs 110.065 billion in 2006 (2005: Kshs 91.289 billion).

The total liabilities by the industry increased by 12.2% to Kshs 82.668 billion in 2006 (2005: Kshs 70.463 billion).

The net assets increased by 43.8 % to Kshs 27.397 billion in 2006 (2005: Kshs 19.054 billion).

1.3.6 Claims

The industry incurred net claims totaling Kshs **21.20** billion compared to Kshs **17.27** billion in the year 2005 representing an increase of **22.7%**.

1.3.7 Total Expenses

The total expense for the industry was Kshs **14.77** billion (2005: Kshs **8.24** billion) an increase of **33.98%**.

1.3.8 Comparison of Insurance Performance with other countries

The contribution of insurance to the GDP is still low as reflected in the comparative figures from other countries in table 2 below.

Table 2: Comparative Figures from other countries

Country	Population (Million)	GDP USD Billion	Per capita GDP USD	TOTAL Premiums USD Million	Non Life Premium	Life Premium USD Million	Insurance Penetration %	Non Life Penetration %	Life Penetration %
India	1,119.5	901	804	43,032	5,812	37,220	4.8	0.6	4.1
Egypt	75.4	107	1,419	843	487	356	0.6	0.5	0.1
South Africa	46.6	255	5,472	40,731	7,624	33,106	16	3	13
Malaysia	25.80	153	5,930	7,537	2,656	4,881	4.9	1.7	3.2
Kenya	36.10	24.51	679.04	622.09	435.82	186.27	2.54	1.78	0.76

Source: Swiss Re consulting, Economic Survey 2007

1.4 Insurance Industry Performance Relative to the Economy

The performance of the industry relative to the Kenyan economy for the period 2003 to 2006 is provided in the table 3 below:

Table 3: Insurance Performance relative to economy

	2003	2004	2005	2006
Gross Domestic Product (GDP) at market prices	1,136.3	1,282.5	1,415.2	1,642.4
Life Insurance Premium	8.50	9.97	11.03	12.48
Life Penetration % GDP	0.75%	0.78%	0.78%	0.76%
General Insurance Premium	19.40	22.78	25.39	29.20
General Penetration % GDP	1.69%	1.76%	1.79%	1.78%
Total Premium	27.90	32.75	36.42	41.68
Total Penetration % GDP	2.44%	2.54%	2.57%	2.54%

Figures in billions Kenya shillings.

The penetration of insurance computed as a ratio of Gross Premium to Gross Domestic Product (GDP) was 2.54% compared to 2.57% in 2005. Long term insurance recorded a penetration ratio of 0.76% while that of general insurance was 1.78%.

2.0 Insurance Industry Profit and Loss Statement and Balance Sheet

2.1 Industry Combined Profit & Loss Statement

The insurance industry's profit and loss statement for the last three years is shown in table 4 below.

Table 4: Combined industry Profit and Loss Statement

	2004	2005	Growth %	2006	Growth %
Gross Earned Premium	25.60	31.95	24.80	36.14	13.11
Reinsurance ceded	7.03	8.22	16.93	8.74	6.34
Net Earned Premium	18.56	23.73	27.86	27.40	15.47
Investment & Other income	5.71	10.66	86.69	14.42	35.27
Net Income	24.29	34.39	41.58	41.82	21.61
Net Incurred claims	11.86	17.27	45.62	21.20	22.76
Total Commissions & Expenses	10.06	12.80	27.24	14.77	15.39
Profit/(Loss) before Taxation	2.34	4.32	84.62	5.85	35.42
Provision for Taxation	0.44	0.77	75.00	0.87	12.99
Profit/(Loss) after Taxation	1.90	3.55	86.84	4.97	40.0

Figures in billions Kenya shillings

The gross premium and investment income increased by 13.1% and 35.3% respectively in 2006 compared to 2005.

Net incurred claims and commissions & expenses increased by 22.8% and 15.4% in 2006 respectively. Growth in Profit/ (loss) before taxation was recorded at 35.4% in 2006 compared to 84.6% in 2005.

Similarly, there was an increase in provision for taxation by 13% to Kshs. 870 million in 2006 compared to Kshs. 770 million in 2005. This is an indication that the insurance industry's contribution to the Ex-chequer continues to go up steadily.

2.2 Industry combined balance sheet

The insurance industry's combined Balance Sheet is shown in table 5 below.

Table 5: Insurance industry combined Balance Sheet

	2004	2005	Growth %	2006	Growth %
Shareholders Capital, Life Fund & Reserves	16.60	20.82	24.45	27.40	31.60
Total Assets	75.10	91.28	21.54	110.07	20.59
Total Liabilities	58.50	70.46	20.44	82.67	17.33
Net Assets	16.60	20.82	24.45	27.40	31.60
Profit/(Loss) before Tax	2.34	4.32	84.62	5.85	35.42
Return on Capital Employed	0.14	0.21	50.00	0.21	0.00
Return on Assets	0.03	0.05	66.7	0.05	0.00

Figures in billions Kenya shillings

The insurance industry shareholders capital, life fund and reserves grew by 31.6% in 2006 compared to 24.5% in 2005.

Total assets and liabilities grew by 20.6% and 17.3% in 2006 compared to 21.5% and 20.4% in 2005 respectively.

Net assets increased by 31.6% in 2006 compared 24.5 in 2005. Profit before tax increased by 35.4% during the year compared to 84.6% in 2005 on the account of growth in premium and investment income. Return on capital employed and on assets remained the same as 2005.

3.0 GENERAL INSURANCE REPORT

3.1 Premium Income

Gross premium in 2006 was Kshs. 29.20 compared to Kshs. 25.39 in 2005. Gross premium per company and the market share of each company is shown in table 6 below.

Table 6 – Gross premium, Market Share Per Company

	Company	Gross Premium 2005 (KShs.)	Gross Premium 2006 (KShs.)	Percentage Growth	Market Share
1	Africa Merchant	240,493,965	330,819,263	37.6%	1.13%
2	AIG	1,594,310,000	1,694,249,000	6.3%	5.80%
3	APA	1,504,366,000	2,008,419,000	33.5%	6.88%
4	Blue Shield	1,920,880,918	2,015,845,000	4.9%	6.90%
5	British American	415,267,000	516,939,000	24.5%	1.77%
6	Cannon	231,197,213	271,938,380	17.6%	0.93%
7	Concord	603,973,314	550,301,577	-8.9%	1.88%
8	Co-operative	924,921,027	1,092,460,000	18.1%	3.74%
9	Corporate	226,494,000	286,175,000	26.3%	0.98%
10	CFC Life	583,419,000	664,084,000	13.8%	2.27%
11	Directline	0	319,793,584	-	1.10%
12	Fidelity	540,334,000	605,392,000	12.0%	2.07%
13	First Assurance	672,774,000	867,454,000	28.9%	2.97%
14	Gateway	343,957,478	375,409,869	9.1%	1.29%
15	Geminia	383,329,033	421,703,846	10.0%	1.44%
16	General Accident	469,084,730	553,774,136	18.1%	1.90%
17	Heritage	1,116,484,000	1,308,565,000	17.2%	4.48%
18	ICEA	1,021,746,000	1,163,018,000	13.8%	3.98%
19	Intra	361,346,150	361,355,657	0.0%	1.24%
20	Invesco	829,945,265	958,439,423	15.5%	3.28%
21	Kenindia	2,778,409,000	2,903,847,000	4.5%	9.95%
22	Kenya Orient	139,122,570	218,999,705	57.4%	0.75%
23	Kenyan Alliance	457,713,551	408,543,073	-10.7%	1.40%
24	Lion	1,079,045,934	1,189,831,000	10.3%	4.08%
25	Madison	825,629,000	559,360,000	-32.3%	1.92%
26	Mayfair	0	143,022,165	-	0.49%
27	Mercantile	311,008,000	317,220,000	2.0%	1.09%
28	Occidental	446,480,525	606,573,803	35.9%	2.08%
29	Pacis	12,215,000	91,905,000	652.4%	0.31%
30	Pioneer	0	16,681,583	-	0.06%
31	Phoenix	365,883,000	391,994,000	7.1%	1.34%
32	Real	643,765,000	790,114,000	22.7%	2.71%
33	Standard	693,433,199	476,748,138	-31.2%	1.63%
34	Tausi	672,125,038	701,694,152	4.4%	2.40%
35	The Jubilee	1,782,868,000	1,920,679,167	7.7%	6.58%
36	The Monarch	60,400,751	114,339,328	89.3%	0.39%
37	Trident	327,662,023	400,647,704	22.3%	1.37%
38	UAP	1,400,602,000	1,578,022,000	12.7%	5.40%
	Total	25,980,685,684	29,196,357,553	12.4%	100.00%

3.2 Distribution of Gross Premium per Class

The following six classes recorded gross premiums of Kshs. 1.5 billion and above and accounted for 84% of the total gross premium in 2006. Other remaining classes had 4.8 billion or 16% of the general insurance premium. The average gross premium per company was Kshs. 768 million and only 13 companies exceeded the average.

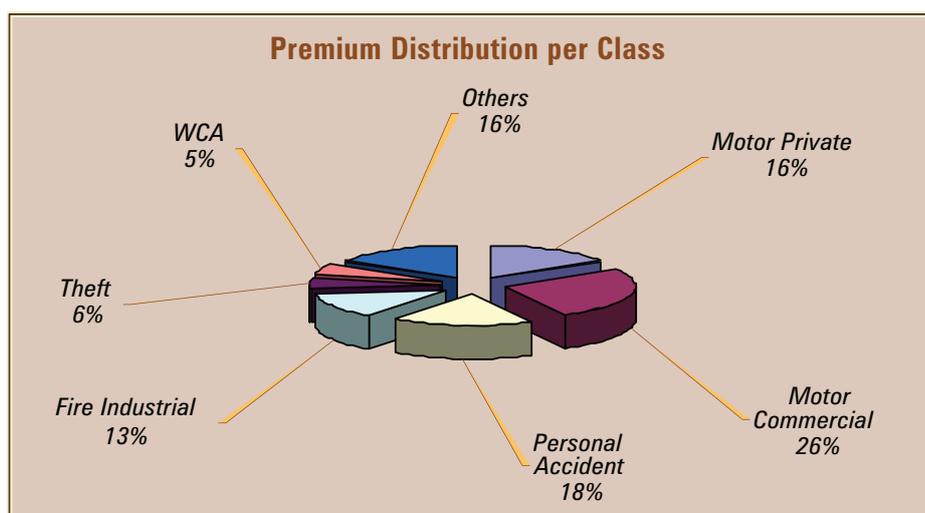
The distribution of gross premium per class for the major classes is shown below on table 7.

Table 7 – Gross premium distribution

	Class of Business	Amount (Billions)	% of Total Premium
1	Motor Private	4.7	16.1%
2	Motor Commercial	7.7	26.4%
3	Personal Accident	5.1	17.5%
4	Fire Industrial	3.8	13.0%
5	Theft	1.6	5.5%
6	WCA	1.5	5.1%
7	Others	4.8	16.4%
	Total	29.2	100.0%

Motor accounted for 42.5% of the total gross premium. The situation was similar in 2005. This demonstrates that motor is the class with the highest premium for general business followed by personal accident and fire industrial as shown on table 7 above.

Pie chart showing premium distribution among the six major classes



About 70% of the gross premiums was contributed by Motor commercial (25%), Personal Accident (17%), Motor Private (16%) and Fire industrial (13%). This implies that if the underwriting standards

and claims management for the four classes are improved then the industry can realise higher growth and profitability. There is also great potential in personal lines particularly domestic fire and personal accident business classes.

3.3 Premium Growth per Class

The table below shows growth of premium per class from 2004 to 2006. The class with the highest growth was Engineering with 26.7%, followed by WCA and Motor (Commercial) with 15.7% and 15.4% respectively. In 2005, Motor Commercial had the highest growth followed by WCA. The class with the lowest growth was aviation with 1.3%. In 2005 this class had a negative growth and had the lowest growth.

Table 8 - Premium Growth per Class (2004 – 2006)

Class of Business	2004	2005	2004-2005 % Growth	2006	2005-2006 % Growth
Aviation	252,009	170,751	-32.2%	172,992	1.31%
Engineering	737,083	832,228	12.9%	1,054,113	26.66%
Fire Domestic	537,158	556,135	3.5%	597,364	7.41%
Fire Industrial	3,316,378	3,460,941	4.4%	3,781,098	9.25%
Liability	646,439	681,703	5.5%	750,087	10.03%
Marine	1,196,231	1,272,553	6.4%	1,383,819	8.74%
Motor Private	3,835,834	4,406,286	14.9%	4,732,129	7.39%
Motor Commercial	5,534,798	6,707,361	21.2%	7,738,783	15.38%
Personal Accident	3,677,418	4,453,203	5.2%	5,117,012	14.91%
Theft	1,312,793	1,428,120	8.8%	1,611,457	12.84%
WCA	1,104,345	1,304,873	18.2%	1,509,565	15.69%
Miscellaneous	658,602	706,130	7.2%	807,578	14.37%
Total	22,809,088	25,980,686	13.9%	29,196,358	12.38%

Figures in Kshs.'000 (thousands)

Graph 1: General Insurance Premium Growth

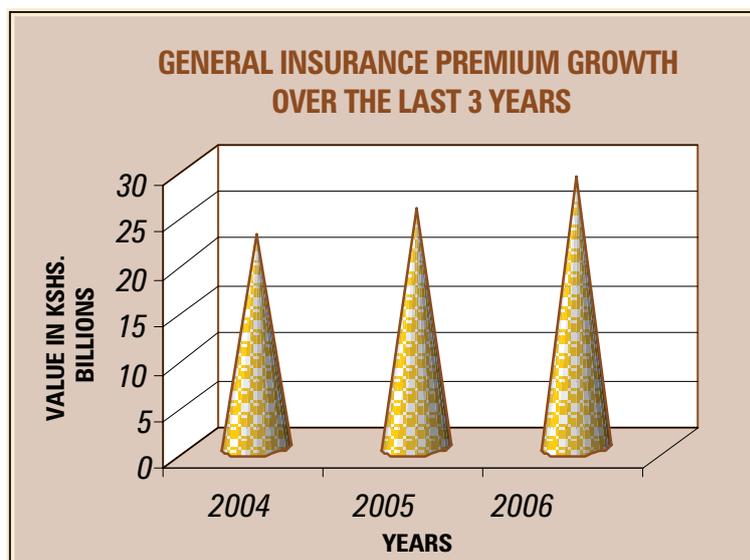


Table 9: Gross premium per company per class

Company	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident/ Medical	Theft	Miscellaneous	WCA	Total
Africa Merchant	1,886,832	295,429	1,989,475	4,139,318	2,219,544	772,796	85,934,399	193,017,842	2,912,841	3,348,179	27,461,072	6,841,536	330,819,263
AIG		144,521,000	44,381,000	515,564,000	224,533,000	34,660,000	195,396,000	175,071,000	270,260,000	59,583,000	576,000	29,704,000	1,694,249,000
APA	68,213,000	48,249,000	21,088,000	195,936,000	87,891,000	71,450,000	168,785,000	296,924,000	821,705,000	87,478,000	69,748,000	70,952,000	2,008,419,000
Blue Shield		7,900,000	4,169,000	14,900,000	2,716,000	9,057,000	382,756,000	1,544,429,000	5,550,000	20,371,000	6,316,000	17,681,000	2,015,845,000
British American		13,467,000	15,069,000	54,667,000	1,701,000	48,382,000	38,148,000	42,399,000	262,426,000	17,632,000	4,764,000	18,284,000	516,939,000
Cannon	660,000	37,209,753	5,365,062	17,151,221	2,098,002	12,604,428	44,914,184	75,349,599	13,026,186	8,232,925	18,570,202	36,756,818	271,938,380
Concord		8,127,790	11,218,962	43,314,666	4,733,846	27,722,435	124,520,441	146,680,840	9,188,579	29,740,121	91,987,082	53,066,815	550,301,577
Co-operative		12,712,000	18,248,000	74,670,000	111,387,000	732,000	304,059,000	277,987,000	108,317,000	158,237,000	1,767,000	24,344,000	1,092,460,000
Corporate		6,869,000	4,608,000	24,657,000	1,146,000	5,473,000	88,843,000	120,962,000	10,858,000	15,681,000	433,000	6,645,000	286,175,000
CFC Life									664,084,000				664,084,000
Directline								319,793,584					319,793,584
Fidelity		10,804,000	12,305,000	56,628,000	3,758,000	63,107,000	129,990,000	214,974,000	27,028,000	40,935,000	4,114,000	41,749,000	605,392,000
First Assurance		95,588,000	19,514,000	137,739,000	13,913,000	45,052,000	131,361,000	229,681,000	66,461,000	53,026,000	25,145,000	49,974,000	867,454,000
Gateway		13,653,963	5,148,317	33,777,539	2,670,394	3,112,189	88,345,034	192,668,774	12,063,152	11,060,496	5,999,939	6,910,072	375,409,869
Geminia		6,394,849	16,182,044	47,432,230	3,421,733	43,311,610	86,256,718	108,196,719	13,201,333	45,361,548	4,605,794	47,339,268	421,703,846
General Accident		34,093,629	13,944,475	96,109,758	7,158,956	39,954,786	53,763,707	125,024,363	46,536,687	44,294,428	39,708,590	53,184,757	553,774,136
Heritage	7,316,000	33,421,000	78,679,000	173,165,000	40,184,000	50,076,000	320,147,000	131,380,000	313,504,000	57,914,000	33,927,000	68,852,000	1,308,565,000
ICEA	32,283,000	41,678,000	34,666,000	233,879,000	44,430,000	36,823,000	215,186,000	167,616,000	198,292,000	91,790,000	4,769,000	61,606,000	1,163,018,000
Intra		22,216,373	8,713,110	26,719,169	1,420,953	23,645,019	88,150,409	107,901,441	11,379,836	25,260,097	10,212,659	35,376,591	361,355,657
Invesco		1,320,352	38,797	3,217,304	536,336	1,712,564	132,973,799	800,122,660	4,453,343	3,840,780	2,791,292	7,432,196	958,439,423

Company	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Mainline	Motor Private	Motor Commercial	Personal Accident/ Medical	Theft	Miscellaneous	WCA	Total
Kenindia	-	106,443,000	37,089,000	581,124,000	38,283,000	326,360,000	385,417,000	577,858,000	210,640,000	279,468,000	34,471,000	326,695,000	2,903,847,000
Kenya Orient	-	1,640,427	3,250,684	8,544,334	1,076,959	1,753,885	78,482,819	78,087,899	2,276,712	5,444,426	30,245,971	8,195,589	218,999,705
Kenyan Alliance	-	6,367,820	20,320,504	54,342,117	3,786,080	4,898,623	153,764,610	108,925,516	29,463,812	15,904,921	620,885	10,148,185	408,543,073
Lion	7,807,000	61,461,000	34,923,000	231,978,000	24,782,000	87,667,000	169,175,000	289,158,000	111,563,000	89,631,000	21,881,000	59,805,000	1,189,831,000
Madison	-	27,864,000	7,106,000	56,359,000	21,692,000	15,828,000	75,112,000	83,560,000	228,624,000	12,010,000	21,228,000	9,977,000	559,360,000
Mayfair	-	10,207,307	4,465,582	23,662,490	1,220,276	13,666,713	22,024,444	12,439,404	11,873,248	20,237,536	8,459,646	14,765,519	143,022,165
Mercantile	-	4,618,000	11,671,000	39,024,000	1,505,000	6,348,000	33,273,000	23,948,000	50,901,000	19,572,000	117,066,000	9,294,000	317,220,000
Occidental	-	6,569,131	19,482,543	75,235,611	3,180,458	62,700,130	119,056,238	123,729,714	17,252,365	70,861,842	24,353,351	84,142,420	606,573,803
Pacis	-	1,273,000	2,307,000	8,782,000	1,571,000	530,000	34,527,000	30,784,000	4,665,000	3,631,000	491,000	3,344,000	91,905,000
Pioneer	-	-	-	-	-	-	-	-	16,681,583	-	-	-	16,681,583
Phoenix	54,826,000	64,802,000	6,119,000	95,691,000	2,489,000	5,672,000	89,009,000	46,159,000	9,529,000	11,439,000	642,000	5,617,000	391,994,000
Real	-	91,705,000	22,053,000	148,853,000	27,184,000	28,947,000	150,225,000	167,829,000	48,282,000	29,870,000	18,011,000	57,153,000	790,114,000
Standard	-	9,609,144	2,544,616	25,505,979	4,744,245	3,370,032	94,922,123	300,823,948	15,526,997	3,578,586	248,312	15,874,156	476,748,138
Tausi	-	26,131,957	28,220,283	91,692,380	5,230,113	88,111,574	124,136,357	111,233,046	16,612,616	84,984,579	29,654,204	95,687,043	701,694,152
The Jubilee	-	32,069,271	20,019,296	288,556,973	16,739,687	81,246,347	205,987,287	119,623,611	991,966,289	54,326,345	110,816,804	59,327,257	1,920,679,167
The Monarch	-	6,500,692	2,427,186	12,734,763	1,532,361	6,158,868	28,799,296	35,536,694	11,597,987	3,958,962	1,272,548	3,819,971	114,339,328
Trident	-	13,173,484	12,305,106	51,350,044	2,678,124	25,147,152	73,546,543	86,258,572	31,216,052	34,680,139	16,608,725	53,683,763	400,647,704
UAP	-	45,157,000	47,723,000	233,996,000	36,474,000	107,766,000	215,142,000	272,650,000	447,083,000	98,073,000	18,612,000	55,337,000	1,578,022,000
TOTAL	172,991,832	1,054,113,371	597,364,042	3,781,097,896	750,087,067	1,383,819,151	4,732,129,408	7,738,783,226	5,117,011,618	1,611,456,910	807,578,076	1,509,564,956	29,196,357,553

Table 10: Underwriting Profit/Loss per class per company

Company	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident/Medical	Theft	Miscellaneous	WCA	Total
Africa Merchant	497,018	-2,371,628	-518,095	1,501,294	348,987	-243,551	-1,348,260	21,616,263	2,561,787	-1,501,878	20,055,527	-290,997	40,306,466
AIG		39,142,000	5,644,000	103,756,000	15,548,000	8,762,000	-28,135,000	-10,757,000	6,556,000	15,016,000	513,000	1,508,000	157,553,000
APA	-1,353,000	-12,192,000	11,450,000	-10,026,000	-8,912,000	36,100,000	-36,714,000	-15,140,000	-8,109,000	32,272,000	42,806,000	-19,847,000	10,335,000
Blue Shield		-1,855,000	1,813,000	-13,195,000	1,113,000	-3,253,000	-53,905,000	522,822,000	4,739,000	376,000	1,110,000	7,031,000	466,796,000
British American		1,312,000	4,823,000	9,434,000	461,000	1,855,000	-1,315,000	-5,844,000	43,848,000	10,995,000	141,000	-4,151,000	61,560,000
Cannon	-12,845	1,103,264	618,662	11,347,850	-353,083	-18,628,032	-7,958,069	-25,148,891	1,304,467	204,381	18,872,723	-14,497,140	-33,146,714
Concord		2,417,938	2,366,567	5,513,980	2,253,873	-10,025,886	-5,831,357	8,988,445	2,076,219	-1,414,563	37,415,134	-1,189,243	42,571,106
Co-operative		1,115,000	4,792,000	26,828,000	-33,104,000	136,000	-97,457,000	3,969,000	8,349,000	27,281,000	284,000	3,526,000	-54,281,000
Corporate		523,000	1,598,000	3,970,000	2,064,000	868,000	-39,326,000	-17,093,000	2,470,000	7,863,000	308,000	-896,000	-37,651,000
CFC Life	-	-	-	-	-	-	-	-	12,955,000	-	-	-	12,955,000
Directline	-	-	-	-	-	-	-	3,203,885	-	-	-	-	3,203,885
Fidelity	-	-5,662,000	2,169,000	-2,438,000	1,425,000	-4,269,000	-22,959,000	23,536,000	-2,844,000	-7,109,000	925,000	-30,487,000	-47,713,000
First Assurance	-	21,085,000	716,000	17,655,000	3,594,000	2,189,000	-19,722,000	-16,622,000	4,309,000	8,373,000	1,786,000	-19,769,000	3,594,000
Gateway	-	-3,391,941	188,752	-4,224,498	-1,865,005	-4,005,346	-17,788,691	-1,645,481	-9,865,666	-69,654	8,701,689	-10,519,835	-44,485,675
Gemina	-	-233,476	2,192,836	-1,741,829	813,289	2,631,444	-19,252,103	5,760,234	-619,449	2,759,724	5,100,122	-4,311,543	-6,900,751
General Accident	-	4,760,406	91,834	15,347,575	-12,578,991	7,110,590	-45,811,873	-26,527,456	5,475,937	-3,733,513	10,802,137	-46,190,489	-91,253,844
Heritage	-2,240,000	72,000	-3,559,000	5,392,000	1,240,000	1,419,000	-8,365,000	13,610,000	-4,928,000	-1,834,000	8,061,000	13,410,000	22,278,000
ICEA	5,889,000	7,578,000	9,615,000	6,134,000	8,142,000	11,028,000	-34,341,000	10,658,000	-28,404,000	16,206,000	981,000	-61,815,000	-48,331,000
Intra	-	9,154,954	5,480,266	10,714,593	2,623,619	5,462,577	-4,831,669	5,582	-5,836,731	-3,022,770	-3,792,864	-8,700,027	7,257,530

Company	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Maine	Motor Private	Motor Commercial	Personal Accident/Medical	Theft	Miscellaneous	WCA	Total
Invesco	-	13,304	-624,653	-36,887,457	621,126	-1,775,653	4,966,351	224,172,888	2,370,031	3,061,914	-3,128,761	2,575,343	195,364,433
Kenindia	-	5,065,000	10,398,000	99,768,000	-472,000	57,069,000	27,056,000	-15,567,000	-35,863,000	-35,657,000	20,371,000	-144,693,000	-12,540,000
Kenya Orient	-	-17,238	885,371	-3,786,859	837,586	88,465	16,871,217	5,490,331	-217,144	1,910,244	9,636,561	-16,961,408	14,737,126
Kenyan Alliance	-	-1,147,033	7,325,861	18,203,918	274,870	-4,579,876	-18,691,640	1,315,901	-10,887,240	-389,861	-385,286	226,897	-8,733,489
Lion	-334,000	8,773,000	7,302,000	19,110,000	-545,000	5,106,000	-45,143,000	-48,813,000	16,982,000	24,938,000	2,329,000	-13,790,000	-24,085,000
Madison	-	3,693,000	401,000	13,474,000	814,000	3,221,000	-17,034,000	8,582,000	10,586,000	2,729,000	5,096,000	-10,300,000	21,262,000
Mayfair	-	-1,746,929	-505,103	-5,873,925	-99,990	-3,060,515	-7,615,924	-3,401,283	-2,152,446	-6,130,018	-1,473,454	-2,843,921	-34,893,508
Mercantile	-	298,000	700,000	-4,358,000	149,000	-626,000	-11,060,000	-385,000	7,875,000	-2,747,000	-241,000	-5,989,000	-16,383,000
Occidental	-	-5,772,742	-261,271	17,149,898	1,426,198	18,143,382	1,488,781	-26,629,294	-1,822,824	3,764,492	2,149,561	-11,739,235	-2,103,054
Pacis	-	-725,000	-609,000	-816,000	166,000.00	-109,000.00	-3,208,000	2,728,000	283,000	-1,488,000	97,000.00	312,000.00	-3,676,000
Phoenix	6,209,000	5,102,000	-4,875,000	6,411,000	945,000	-388,000	-29,768,000	-8,110,000	-14,653,000	805,000	-3,461,000	-7,761,000	-49,544,000
Pioneer	-	-	-	-	-	-	-	-	-17,190,665	-	-	-	-17,190,665
Real	-	7,612,000	5,558,000	-10,794,000	-6,193,000	2,103,000	-11,481,000	16,718,000	-6,471,000	18,250,000	-5,187,000	22,900,000	33,013,000
Standard	-	3,988,806	-3,507,226	13,343,564	925,470	421,948	-9,395,974	11,917,929	34,297,851	8,411,148	130,542	-1,636,308	58,897,749
Tausi	-	-421,156	4,176,299	-20,150,448	-2,081,868	9,580,103	-9,693,465	8,752,815	2,818,610	-8,258,395	6,078,447	-41,984,283	-51,183,340
The Jubilee	-	-3,416,525	-254,654	-54,187,838	556,203	5,791,961	1,993,796	-3,132,411	-52,085,617	-1,549,463	14,795,277	-2,880,452	-94,369,724
The Monarch	-	-1,529,321	-1,218,162	-784,071	79,887	-547,856	-4,613,392	-12,118,636	1,329,369	117,495	1,630,106	-1,332,257	-18,986,836
Trident	-	-13,344,098	2,101,720	8,186,024	-2,102,085	1,623,454	-11,712,366	-9,080,365	-2,817,958	-7,072,555	6,980,981	13,279,582	-13,957,666
UAP	-	8,301,000	8,749,000	9,357,000	30,238,000	27,827,000	3,561,000	64,929,000	-13,760,000	20,454,000	-452,000	-17,005,000	142,198,000
TOTAL	8,655,173	77,283,585	85,224,004	253,333,771	8,353,086	157,025,209	-588,540,638	712,761,456	-47,341,469	123,809,728	208,841,442	-436,811,316	582,473,029

Table 11 represents summaries from the revenue accounts of general insurance business.

Table 11: Summary of Revenue Accounts (General Insurance Business)

Class of Insurance	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accidents	Theft	Miscellaneous	WCA	Total
Gross Premium	172,991,832	1,054,113,371	597,364,042	3,781,097,896	750,087,067	1,383,819,151	4,732,129,408	7,738,783,226	5,117,011,618	1,611,456,910	807,578,076	1,509,564,956	29,196,357,553
Net Earned Premium	12,363,894	197,515,283	420,594,426	832,795,625	363,954,382	684,016,128	4,369,404,169	7,155,338,070	3,760,555,214	915,817,588	460,775,672	1,305,893,606	20,192,477,055
Incurred Claims	1,417,119	98,766,786	111,848,292	111,848,292	151,233,788	270,250,895	3,286,508,222	3,627,556,961	2,759,284,035	487,109,742	100,300,465	1,182,788,153	12,342,632,010
Total Expenses	2,298,602	12,430,211	219,768,131	260,912,304	148,147,510	255,703,018	1,619,736,590	2,772,272,347	1,048,860,649	213,683,116	132,557,762	580,866,770	7,267,353,013
Underwriting Profit/Loss	8,655,173	77,283,585	85,224,004	253,333,771	8,353,086	157,025,209	-568,540,638	712,761,456	-47,341,469	123,809,728	208,841,442	-436,811,316	582,473,029

The following observations are evident from the data above:-

- The industry made an underwriting profit of 582 million
- WCA and Motor Private made a net loss of Kshs 1.04 billion.
- All other classes of general insurance made a net profit.

3.4 Claims

General Insurance Business incurred net claims of 12.3 billion in 2006 compared to 10.2 billion in 2005. The net earned premium for 2006 was 20.2 billion compared to 17.1 billion in 2005. This represents an 18% growth in net earned premiums. The claims ratio for the industry in 2006 was 61% compared to 49% in 2005.

Table 12: Shows the loss ratio per class in 2006

Class	Net Earned Premium	Incurred Claims	Loss Ratio
Aviation	12,363,894	1,417,119	11.5%
Engineering	188,480,283	98,766,786	52.4%
Fire Domestic	416,841,426	111,848,292	26.8%
Fire Industrial	779,745,625	265,448,549	34.0%
Liability	307,734,382	151,233,788	49.1%
Marine	683,346,128	270,250,895	39.5%
Motor Private	4,337,701,169	3,286,508,222	75.8%
Motor Commercial	7,112,075,070	3,627,556,961	51.0%
Personal Accident	3,760,555,214	2,759,284,035	73.4%
Theft	824,624,588	487,109,742	59.1%
Miscellaneous	459,895,672	100,300,465	21.8%
WCA	1,308,646,606	1,182,788,153	90.4%
	20,192,477,055	12,342,632,010	61.1%

The six classes that performed poorly with loss ratios exceeding 50% were as follows:

Table 13: Poorly performing classes in General Insurance

Class	Loss Ratio (%) 2005	Loss Ratio (%) 2006
WCA	95.2%	90.4%
Motor Private	82.3%	75.8%
Personal Accident	64.9%	73.4%
Theft	41.3%	59.1%
Engineering	45.5%	52.4%
Motor Commercial	49.2%	51.0%

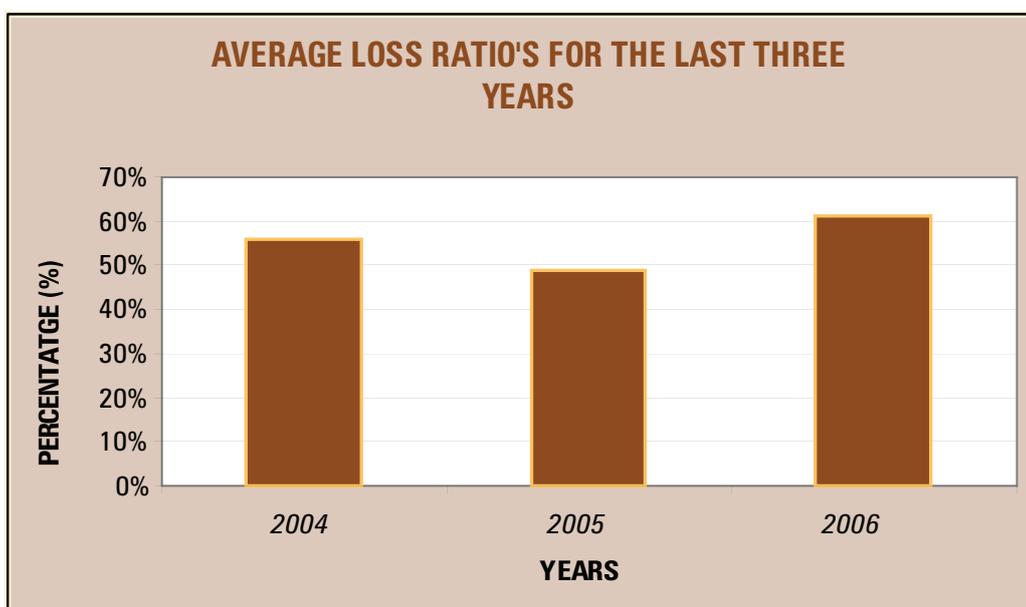
The six classes had high loss ratios in 2005 as well. The loss ratio was higher in 2006 compared to 2005 for these classes. Improvement of underwriting standards and claims management especially in WCA and Motor Private would reduce these losses. The recently introduced Work Injuries Benefits Bill 2007, if passed, is likely to result in a reduction of losses incurred under the WCA class.

The general insurance loss ratio per class is shown in table 14 below.

Table 14: Loss ratios (2004 - 2006)

Class	2004	2005	2006
Aviation	-123.70%	33.3%	11.5%
Engineering	38.96%	45.5%	52.4%
Fire Domestic	25.47%	29.2%	26.8%
Fire Industrial	39.80%	20.2%	34.0%
Liability	41.38%	51.4%	49.1%
Marine	33.30%	34.4%	39.5%
Motor Private	62.78%	82.3%	75.8%
Motor Commercial	47.50%	49.2%	51.0%
Personal Accident	64.61%	64.9%	73.4%
Theft	51.38%	51.3%	59.1%
WCA	104.63%	95.2%	90.4%
Miscellaneous	40.65%	27.0%	21.8%
Average	56.00%	48.7%	61.1%

The loss ratio for the aviation insurance class improved from 33.3% in year 2005 to 11.5% in year 2006. The loss ratio for WCA and motor private classes also improved slightly whereas that of motor commercial, engineering, theft and marine deteriorated.



The average loss ratio fell between 2004 and 2005 but there was an increase in 2006. Risk improvement measures and prudent claims management can reduce the loss ratios.

3.5 Expenses

Total expenses amounted to Kshs 7.3 billion in 2006 compared to Kshs 6.1 billion in the year 2005. This represents an increase of 19.7% from the previous year. Total expenses accounted for 25% of the gross written premium for the year 2006. In 2005 the total expenses accounted for 24% of the gross premium.

3.6 Underwriting profit

The overall underwriting profits for general insurance amounted to Kshs. 582 million. Despite the growth in gross premium by 12%, underwriting profit decreased by 28%. This can be attributed to the increase in claims incurred from Kshs. 10.2 billion in 2005 to Kshs. 12.3 billion in 2006, and total expenses from 6.1 billion in 2005 to Kshs. 7.3 billion in 2006.

3.7 Medical Insurance Business

This class of general insurance business has previously been reported under personal accident or miscellaneous accidents.

Table 15 below is a summary of the performance of the medical insurance business.

Table 15 – Key data on medical insurance business (2006)

Company	ICEA	Pioneer	Kenindia	Heritage	Madison	CFC	CIC	Mercantile	Britak	General Accident	APA	UAP	Jubilee	Total
Gross Premium	92,599,715	16,681,583	80,140,000	225,736,658	152,322,000	664,084,000	32,511,000	37,363,851	183,060,000	33,873,372	758,508,268	354,993,000	923,650,445	3,533,492,892
Net Earned Premium	65,736,168	14,454,760	75,000	119,716,670	95,025,000	640,348,000	9,326,000	5,335,731	71,177,000	3,453,668	594,316,542	308,471,000	850,802,834	2,778,238,373
Incurred Claims	64,456,611	12,528,547	93,000	85,008,405	66,780,000	511,005,000	8,010,000	2,751,131	36,434,000	4,405,079	498,197,836	213,897,000	744,501,617	2,248,068,226
Total Expenses	34,684,434	19,116,878	16,600	45,561,940	41,017,000	116,388,000	1,498,000	-2,613,690	7,576,000	1,729,753	117,773,919	127,917,000	163,258,979	673,924,813
Underwriting Profit/Loss	-33,404,877	-17,190,665	-34,600	-10,853,675	-12,772,000	12,955,000	-182,000	5,198,291	27,167,000	-2,681,164	-21,655,214	-33,343,000	-56,957,762	-143,754,666

Observations:

- Gross premium for medical insurance business was 3.5 billion, accounting for 12% of the gross premium for general insurance business.
- This class of business made a loss of Kshs. 144 Million.
- This is the second highest loss maker after WCA.
-

4.0 LONG TERM INSURANCE REPORT

4.1 Premium Income

There has been sustained growth in premium income recorded over the last three (3) years. The total long term premium income and pensions contributions from all the three classes of long term business (Ordinary Life, Group Life and Deposit Administration) was Kshs 12.480 billion compared to Kshs. 11.028 billion in 2005. This represents a growth of 11.63 % (2005: 10.60%) which is way above the GDP growth rate of 6.1% attained in 2006. However, the contribution of the life insurance sector to the GDP recorded during the year (Kshs. 1,642.405 Billion) is only 0.76 %.

Ordinary life business had the highest contribution in the year with a gross premium income of Kshs. 5.218 billion (41.81 %) compared to 4.567 billion in the year 2005. The overall growth in the ordinary life business during the year was 14.24 % (2005: 9%)

Group life business recorded gross premium income of Kshs. 2.841 billion (22.77 %) compared to Kshs. 2.586 billion in the year 2005. The overall growth in group life business during the year was 9.89 % (2005: 9%). Group life business appears to stagnate yet it should ideally grow as average incomes improve in a country (average nominal wages rose by 14.6% in 2006 compared to 14.4% in 2005).

Contributions to deposit administration schemes during the year amounted to Kshs. 4.420 billion compared to Kshs 3.875 billion in the year 2005. The growth in deposit administration business during the year was 14.06% (2005: 13%).

The distribution of Gross Premium and pension contributions in the year 2006 is illustrated in the table below:

Table 16: Gross Premiums Distribution per Class

Class of Business	2006		2005		2004	
	Gross Premium (Kshs. 000)	% Share	Gross Premium (Kshs. 000)	% Share	Gross Premium (Kshs. 000)	% Share
Pensions	4,420,386	35.42%	3,875,328	35.14%	3,401,847	34.14%
Ordinary Life	5,218,026	41.81%	4,567,345	41.41%	4,191,271	42.06%
Group Life	2,841,894	22.77%	2,586,009	23.45%	2,372,653	23.81%
Total	12,480,305	100.00%	11,028,682	100.00%	9,965,771	100.00%

(Figures in Kshs. '000)

The gross premium per company and market share over the last three years is illustrated below:-

Table 17 – Gross premium and market share per company (2004 – 2006)

Company	Year 2006 – Gross Premiums			Market Share (%)	Year 2005		Year 2004	
	Ordinary Life	Group Life	Total		Gross Premiums	Market Share (%)	Gross Premiums	Market Share (%)
1 Apollo	36,544	168,596	205,140	2.55	167,917	2.35	51,009	0.78
2 Blue Shield	62,146	51,206	113,352	1.41	115,678	1.62	96,758	1.47
3 British American	1,361,343	176,203	1,537,546	19.08	1,275,383	17.83	1,100,159	16.76
4 Cannon	73,627	504	74,131	0.92	73,705	1.03	67,808	1.03
5 CFC Life	713,033	84,757	797,790	9.90	748,505	10.46	715,113	10.89
6 Co-operative	45,366	567,257	612,623	7.60	553,033	7.73	470,962	7.18
7 Corporate	48,559	2,789	51,348	0.64	38,689	0.54	32,402	0.49
8 Geminia	8,376	3,596	11,972	0.15	10,613	0.15	9,414	0.14
9 First Assurance	0	5398	5,398	0.07	16,512	0.23	-	-
10 Heritage All	0	101,057	101,057	1.25	99,304	1.39	115,098	1.75
11 ICEA	315,495	571,146	886,641	11.00	667,239	9.33	584,040	8.90
12 Jubilee	249,278	210,209	459,487	5.70	479,639	6.71	541,451	8.25
13 Kenindia	210,861	83,337	294,198	3.65	244,718	3.42	266,731	4.06
14 Kenyan Alliance	837	47,398	48,235	0.60	41,339	0.58	51,525	0.78
15 Madison	448,846	103,113	551,959	6.85	509,985	7.13	517,447	7.88
16 Mercantile	30,657	32,503	63,160	0.78	70,156	0.98	67,977	1.04
17 Metropolitan Life	16,435	0	16,435	0.20	0	0.00	0	0.00
18 Monarch	0	30786.925	30,787	0.38	17,495	0.24	4,299	0.07
19 Old Mutual	375,526	78,269	453,795	5.63	517,213	7.23	518,612	7.90
20 Pan Africa	1,016,760	380,148	1,396,908	17.33	1,169,212	16.34	1,065,885	16.24
21 Pioneer	165,679	17	165,696	2.06	145,842	2.04	137,849	2.10
22 Trinity	26463.46	1350.455	27,814	0.35	30,585	0.43	42,907	0.65
23 UAP Insurance	12,194	142,253	154,447	1.92	160,595	2.25	106,478	1.62
Total	5,218,026	2,841,894	8,059,919	100.000	7,153,354	100.00	6,563,924	100

(Figures in Kshs. '000)

The contributions and market share from deposit administration business in the last two years is shown in table 18 below

Table 18 – Deposit Administration Contributions per Company

Company	Pensions Contributions 2006	Market Share 2006 (%)	Pensions Contributions 2005	Market Share 2005 (%)
Apollo	68,028	1.54	70,226	1.81
Blue Shield	26,034	0.59	34,743	0.90
British American	242,542	5.49	124,934	3.22
CFC Life	863,978	19.55	707,942	18.27
Heritage All	156,103	3.53	119,583	3.09
ICEA	1,382,680	31.28	1,433,721	37.00
Jubilee	779,626	17.64	682,166	17.60
Kenindia	560,485	12.68	468,296	12.08
Kenyan Alliance	34,016	0.77	29,166	0.75
Madison	162,176	3.67	102,436	2.64
Mercantile	27,580	0.62	26,367	0.68
Pan Africa Life	41,911	0.95	25,403	0.66
UAP Insurance	75,227	1.70	50,226	1.30
Total	4,420,386	100.00	3,875,209	100

(Figures in Kshs. '000)

4.2 Claims

The long term insurance business claims and policyholder benefits totalled to Kshs. 8.252 billion compared to Kshs. 6.863 billion in 2005. Claims and benefits paid increased by 20.19%, which is higher than the premium growth of 11.63% over the same period.

Ordinary life business recorded an increase in claims while group life and deposit administration recorded a decrease in claims.

The distribution of gross claims incurred for year 2006 is shown in table 19 below.

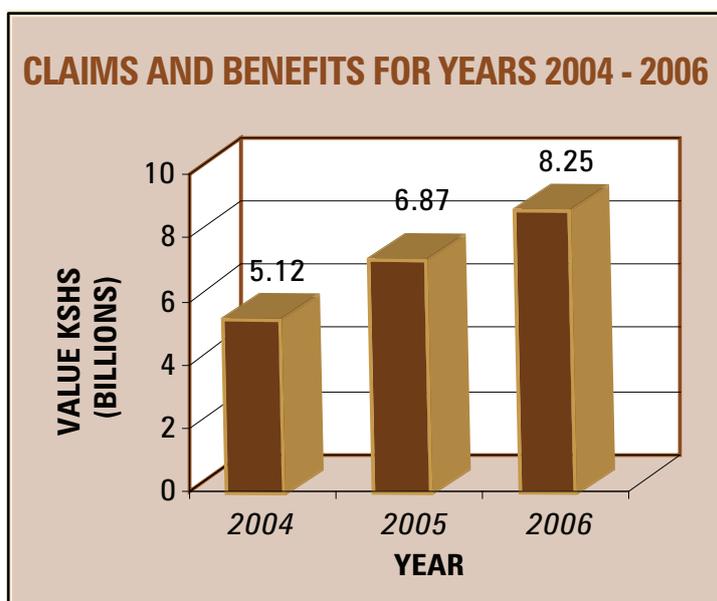
Table 19: Distribution of Claims in Long Term Business

Class of Business	Year 2006		Year 2005		Year 2004	
	Gross Claims incurred (Kshs)	Share %	Gross Claims incurred (Kshs)	Share %	Gross Claims incurred (Kshs)	Share %
Ordinary Life	4,095,582	49.63	2,724,640	39.69	1,502,871	29.30
Group Life	1,274,149	15.44	1,199,582	17.47	892,779	17.40
Pensions	2,882,221	34.93	2,941,397	42.84	2,726,977	53.20
Total	8,251,952	100.00	6,865,619	100.00	5,122,627	100.00

Figures in Kshs. '000

The claims paid over the last three years are illustrated below: -

Graph 2: Claims and Benefits (2004 - 2006)



4.3 Commission and Management Expenses

The total operating and other expenses incurred during the year 2006 for life business (ordinary and group life) was Kshs. 2.597 billion compared to Kshs 2.138 billion in the year 2005. Operating and other expenses increased by 21.5% in the year 2006.

Commission expenses for ordinary and group life amounted to Kshs.1.178 billion compared to Kshs 1.003 billion in the year 2005 representing an increase of 17.5%

4.4 Other Information on Ordinary Life Business

New Business

The tables below show the number of ordinary Life Insurance Policies and annualized premium income (API) over the last three years:

Table 20: New policies and API (2004 – 2006)

2004		2005		2006	
No. of Policies	API Kshs.	No. of Policies	API Kshs.	No. of Policies	API Kshs.
75,389	1,619,755,845	79,528	1,968,910,695	93,994	3,612,045,006

New policies issued in 2006 grew to 93,994 representing an increase of 18% (2005: 5.4).

Existing Business

The table below provides a summary of existing policies over the last three years.

Table 21: No. of existing policies (2004 – 2006)

	2004	2005	Growth (%)	2006	Growth (%)
No. of Existing Policies	313,945	331,493	5.6	367,059	10.7

The total number of existing policies grew by 10.7% to reach 367,059 at the end of 2006.

Net Bonus Declared Under Individual Life Policies

The bonuses declared over the last three years have remained relatively uniform as shown in the table below:

Table 22: Average bonuses declared (2004 – 2006)

	2004	2005	2006
Average Bonus Declared (%)	3.90	4.41	4.47

4.5 Other Information on Group Life Assurance Business

The tables below provide a summary on number of Schemes and Membership under Group Life in Kenya:

Table 23: New schemes in group life (2004 – 2006)

2004		2005		2006	
No. of Schemes	Premium (Kshs.)	No. of Schemes	Premium (Kshs.)	No. of Schemes	Premium (Kshs.)
233	227,595,872	277	372,260,307	384	211,555,487

Table 24: Existing schemes in group life

2004		2005		2006	
No. of Schemes	Premium (Kshs.)	No. of Schemes	Premium (Kshs.)	No. of Schemes	Premium (Kshs.)
1,554	112,933,2690	1,703	1,249,156,968	1761	1,437,073,463

Table 25: Membership under group life schemes

2004	2005	2006
658,034	785,128	897,502

The industry wrote 384 New Schemes in 2006 representing a growth of 38.7% (2005: 19.4). Growth was recorded in the number of new schemes written but the premium from the schemes has declined by 43% to Kshs. 211, 555,487 (2005: Kshs 372,260,307).

This is a clear indication that the cut throat competition on rates is beginning to have a negative impact on group life insurance premiums. The number of schemes existing as at December 2006 was 1761 with a membership of 897,502. The coverage of group life insurance for the working population estimated at 8.74 million is only 10% indicating the high potential for this class.

4.6 Deposit Administration Business

The government recently introduced a number of changes in the retirement benefits sector in the 2007/2008 budget. The key changes include a requirement to pay benefits within 60 days and benefits to fully vest in a member within one year.

The value of private pension funds grew by 21.6% from 148.6 billion as at September 2006. The NSSF pension portfolio grew by 16.7% from Kshs. 54.5 billion to Kshs. 63.6 billion in 2006.

There has been growth in pension fund contributions with the deposit administration funds recording total contributions amounting to Kshs. 4.420 Billion in 2006 compared to Kshs. 3.875 billion in 2005. The overall fund held by insurance companies increased to Kshs 24.966 billion from Kshs 20.973 billion in the year 2005. Most schemes are managed by insurance companies but the fund held by insurers in relation to the overall private pensions industry in the country is only 16.80% (2005: 17.5)

Most insurance companies declared higher investment returns on funds compared to the previous year. The industry recorded average returns of 11.90% in 2006 compared to 9.33 in 2005.

The total interest paid by the industry on deposit administration schemes was Kshs 2.476 billion. The claims and benefits paid during the year amounted to Kshs 2.882 billion compared to Kshs 2.941 billion in 2005

The tables below provide a summary on number schemes, contributions and membership for deposit administration business.

Table 26: New Business

2004		2005		2006	
No. of Schemes	Contributions Kshs.	No. of Schemes	Contributions Kshs.	No. of Schemes	Contributions Kshs.
43	114,388,336	63	138,281,959	49	233,732,937

Table 27: Existing business

2004		2005		2006	
No. of Schemes	Contributions Kshs.	No. of Schemes	Contributions Kshs.	No. of Schemes	Contributions Kshs.
1,017	26,664,251	1,044	3,414,734,033	1,047	3,878,855,402

Table 28: Membership

2004	2005	2006
73,653	75,788	76,502

The number of New Schemes acquired by the insurance industry in 2006 declined to 49 in 2006 (2005:63). The contributions from new schemes has however, grown steadily in the past three years to stand at Kshs. 233, 732,937 as at the end of 2006.

The number of existing schemes has grown marginally in the last three years to 1,047 as at 31st December 2006. The membership in the schemes has been level in the past three years and a total of 76,502 members were in schemes managed by insurance companies.

Detailed reports of long-term business statistics for the year 2006 are annexed.

Detailed Long Term Business Statistics

Annexure 1: Deposit Administration Business Statistics

Company	PENSIONS CONTRIBUTIONS 2006	MARKET SHARE 2006 (%)	PENSIONS CONTRIBUTIONS 2005	MARKET SHARE 2005 (%)	INTEREST RATE DECLARED (%)			SURRENDERS AND ANNUITIES PAID	INTEREST PAYABLE TO POLICY HOLDERS	FUND AS AT END OF THE YEAR 31/12/06	FUND AS AT START OF THE YEAR 1/1/06	LIFE FUND AT START OF YEAR 01/01/05
					2006	2005	2004					
Apollo	68,028	1.54	70,226	1.81	12.50	11.00	8.00	29,469	34,480	363,130	290,091	220,688
Blue Shield	26,034	0.59	34,743	0.90	9.00	8.00	8.00	3,157	5,989	72,535	43,669	34,742
British American	242,542	5.49	124,934	3.22	18.00	10.25	7.50	73,744	148,542	942,347	630,377	554,038
CFC Life	863,978	19.55	707,942	18.27	11.00	8.50	7.50	739,314	401,693	4,140,073	3,613,716	3,259,350
Heritage All	156,103	3.53	119,583	3.09	15.00	8.00	8.00	102,134	111,321	861,086	713,079	591,686
ICEA	1,382,680	31.28	1,433,721	37.00	9.00	7.60	6.00	1,181,403	800,026	10,079,447	9,086,718	8,404,837
Jubilee	779,626	17.64	682,166	17.60	12.75	10.50	9.50	284,767	461,464	3,823,268	2,866,945	2,178,108
Kenindia	560,485	12.68	468,296	12.08	11.00	10.00	8.50	187,692	218,741	2,977,450	2,385,916	1,929,352
Kenyan Alliance	34,016	0.77	29,166	0.75	10.00	10.00	5.00	23,590	15,561	184,826	158,839	133,330
Madison	162,176	3.67	102,436	2.64	10.00	7.00	6.00	172,924	74,841	652,374	588,281	649,045
Mercantile	27,580	0.62	26,367	0.68	8.00	7.00	6.00	17,784	8,084	199,157	172,277	148,702
Pan Africa Life	41,911	0.95	25,403	0.66	12.50	11.00	9.00	19,533	31,066	216,675	163,211	157,470
UAP Insurance	75,227	1.70	50,226	1.30	16.00	12.50	12.50	46,710	165,133	454,399	260,749	278,209
Total	4,420,386	100.00	3,875,209	100.00				2,882,221	2,476,961	24,966,767	20,973,868	18,539,557

Figures in Kshs '000

Annexure 2: Ordinary Life Business statistics 2006

Company	Gross Premiums	Market Share (%)	Reinsurance	Net Premium	Claims + Benefits	Commissions	Operating & Other Expenses	Total Expenses	Investment Income+ Other Income	COMMISSION RATIO (%)	LOSS RATIO (%)	EXPENSE RATIO (%)	COMBINED RATIO (%)	OPERATIONS RATIO (%)
Apollo	36,544	0.70	0	36,544	20,523	4,734	27,115	31,849	70,165	12.95	56.16	87.15	143.31	-48.69
Blue Shield	62,146	1.19	175	61,971	39,617	22,854	28,947	51,801	16,138	36.88	63.93	83.59	147.52	121.48
British American	1,361,343	26.09	17,583	1,343,760	1,644,111	303,489	389,245	692,734	1,043,085	22.59	122.35	51.55	173.90	96.28
Cannon	73,627	1.41	1,455	72,172	30,719	9,108	62,089	71,198	103,817	12.62	42.56	98.65	141.21	-2.63
CFC Life	713,033	13.66	19,264	693,769	577,340	85,740	255,092	340,832	372,276	12.36	83.22	49.13	132.35	78.69
Co-operative	45,366	0.87	4,528	40,838	2,212	12,353	14,830	27,183	923	30.25	5.42	66.56	71.98	69.72
Corporate	48,559	0.93	731	47,828	22,891	19,043	18,160	37,203	12,173	39.82	47.86	77.78	125.65	100.19
Gemina	8,376	0.16	752	7,624	2,881	1,627	1,137	2,764	8,119	21.34	37.79	36.25	74.03	-32.46
First Assurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage All	0	0.00	0	0	25	0	626	626	27,336	-	-	-	-	-
ICEA	315,495	6.05	38,469	277,026	167,710	70,564	36,490	107,054	53,437	25.47	60.54	38.64	99.18	79.89
Jubilee	249,278	4.78	4,190	245,088	167,948	32,181	147,505	179,686	294,882	13.13	68.53	73.31	141.84	21.52
Kenindia	210,861	4.04	3,187	207,674	127,763	30,523	20,064	50,587	164,600	14.70	61.52	24.36	85.88	6.62
Kenyan Alliance	837	0.02	49	788	984	15	197	213	434	1.94	124.99	27.02	152.01	96.88
Madison	448,846	8.60	2,301	446,545	290,474	49,272	179,516	228,788	125,721	11.03	65.05	51.24	116.28	88.13
Mercantile	30,657	0.59	5,355	25,302	18,237	4,559	14,234	18,793	42,030	18.02	72.08	74.27	146.35	-19.76
Metropolitan Life	16,435	0.31	142	16,293	16,675	41,231	71,455	112,686	5,767	253.06	102.34	691.62	793.97	758.57
Monarch	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Old Mutual	375,526	7.20	15,179	360,347	110,867	140,945	321,635	462,580	532,553	39.11	30.77	128.37	159.14	11.35
Pan Africa Life	1,016,760	19.49	2,111	1,014,649	735,804	210,207	308,030	518,237	1,307,621	20.72	72.52	51.08	123.59	-5.28
Pioneer	165,679	3.18	372	165,307	105,605	0	94,739	94,739	39,406	0.00	63.88	57.31	121.19	97.36
Trinity	26,463	0.51	97	26,367	9,493	4,221	24,937	29,158	13,348	16.01	36.00	110.59	146.59	95.97
UAP Insurance	12,194	0.23	0	12,194	3,703	4,419	14,075	18,494	2,597	36.24	30.37	151.66	182.03	160.73
Total	5,218,026	100.00	115,941	5,102,085	4,095,582	1,047,086	2,030,118	3,077,204	4,236,428	20.52	80.27	60.31	140.59	57.55

Figures in Kshs. '000

Annexure 3: Group Life Business Statistics 2006

Company	Gross Premiums	Market Share (%)	Reinsurance	Net Premium	Claims + Benefits	Commissions Net	Operating & Other Expenses	Total Expenses	Investment Income+ Other Income	Commission Ratio (%)	Loss Ratio (%)	Expense Ratio (%)	Combined Ratio (%)	Operations Ratio (%)
Apollo	168,596	5.93	74,720	93,876	38,439	15,184	11,027	26,211	62,463	16.17	40.95	27.92	68.87	2.33
Blue Shield	51,206	1.80	2,503	48,703	45,172	5,661	7,130	12,791	8,018	11.62	92.75	26.26	119.01	102.55
British American	176,203	6.20	117,607	58,596	39,673	12,194	28,282	40,476	21,553	20.81	67.71	69.08	136.78	100.00
Cannon	504	0.02	0	504	911	0	647	647	1,648	0.00	180.78	128.24	309.02	-17.84
CFC Life	84,757	2.98	12,294	72,463	32,986	6,805	21,378	28,183	5,196	9.39	45.52	38.89	84.41	77.24
Co-operative	567,257	19.96	40,928	526,329	312,704	2,933	181,396	184,329	24,573	0.56	59.41	35.02	94.43	89.77
Corporate	2,789	0.10	0	2,789	1,938	119	1,042	1,161	698	4.27	69.49	41.63	111.12	86.09
Gerninia	3,596	0.13	2,229	1,367	1,341	233	615	849	823	17.07	98.11	62.09	160.20	100.00
First	5,398	0.19	4,569	829	907	431	2,317	2,748	1,597	51.99	109.41	331.48	440.89	248.25
Heritage All	101,057	3.56	45,578	55,479	16,137	7,785	36,104	43,889	161,205	14.03	29.09	79.11	108.20	-182.37
ICEA	571,146	20.10	64,747	506,399	379,281	19,164	75,866	95,030	130,861	3.78	74.90	18.77	93.66	67.82
Jubilee	210,209	7.40	37,172	173,037	88,184	5,014	61,832	66,846	305,179	2.90	50.96	38.63	89.59	-86.77
Kenindia	83,337	2.93	52,954	30,383	7,550	901	5,399	6,300	31,822	2.97	24.85	20.74	45.58	-59.15
Kenyan Alliance	47,398	1.67	25,016	22,383	13,855	4012	10,835	14,847	6,320	48.41	61.90	66.33	128.24	100.00
Madison	103,113	3.63	52,585	50,528	75,922	6,005	20,885	26,890	29,120	11.88	150.26	53.22	203.48	145.84
Mercantile	32,503	1.14	19,427	13,076	11,367	1,901	3,285	5,186	3,477	14.54	86.93	39.66	126.59	100.00
Metropolitan Life	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Monarch	30,787	1.08	17,686	13,101	8,455	1,794	6,941	8,736	13,986	13.70	64.54	66.68	131.22	24.46
Old Mutual	78,269	2.75	9,173	69,096	18,519	45	73	118	50,421	0.07	26.80	0.17	26.97	-46.00
Pan Africa Life	380,148	13.38	146,602	233,546	119,257	25,262	39,940	65,202	374,196	10.82	51.06	27.92	78.98	-81.24
Pioneer	17	0.00	0	17	0	0	0	0	0	-	-	-	-	-
Trinity	1,350	0.05	0	1,350	254	0	0	0	0	0.00	18.84	0.00	18.84	18.84
UAP Insurance	142,253	5.01	61,976	80,277	61,296	15,308	51,940	67,248	58,331	19.07	76.36	83.77	160.13	87.46
Total	2,841,894	100.00	787,766	2,054,128	1,274,149	130,752	566,934	697,686	1,291,487	6.37	62.03	33.97	95.99	33.12

Figures in Kshs. '000