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INVESTING IN INSURANCE; are we getting it right?

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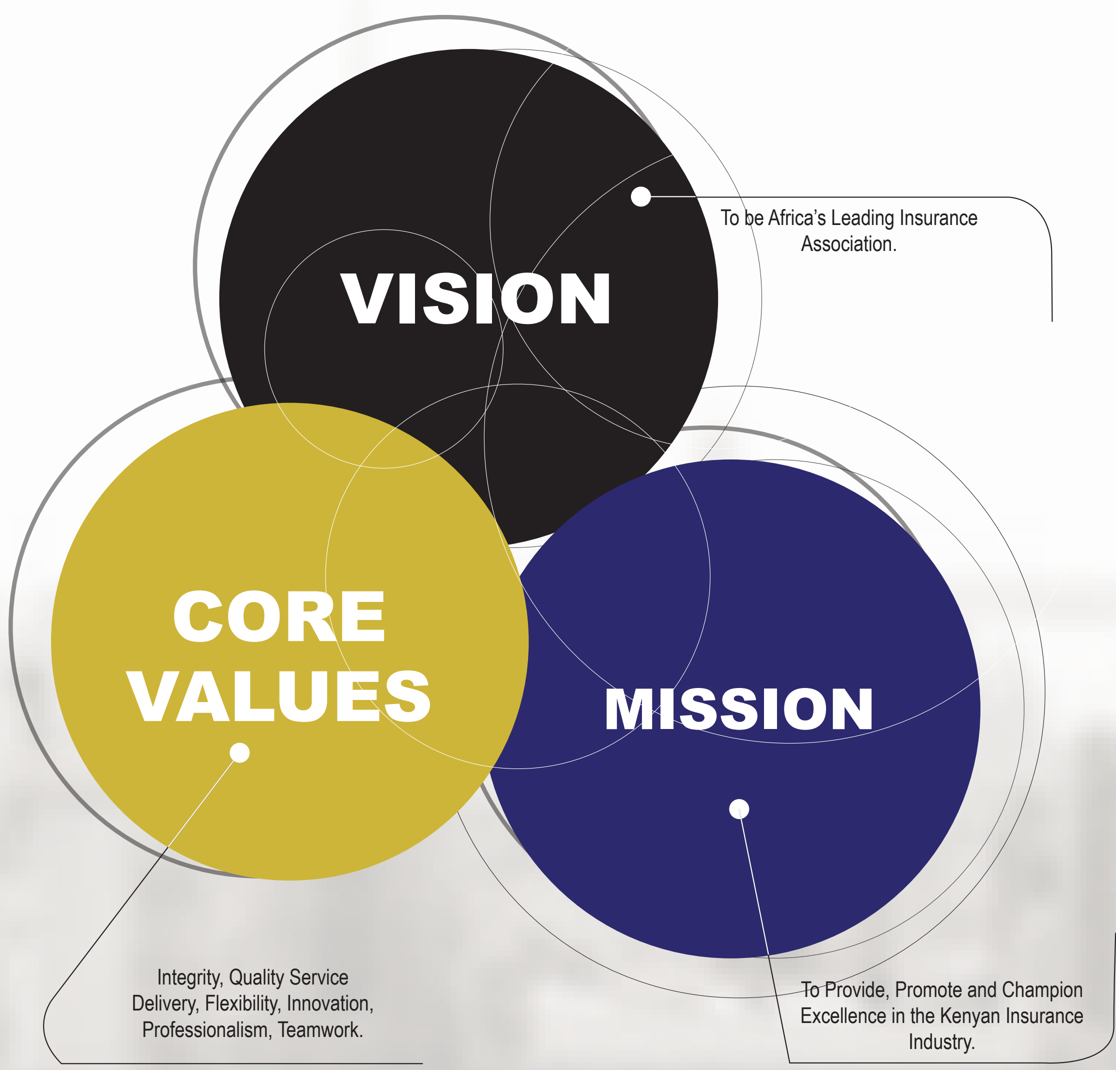

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YOU ARE STRONGER THAN YOU THINK

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EDITOR'S NOTE

We are witnessing mega projects coming up in this country. Road construction, real estate development and numerous other infrastructural undertakings are an indicator that our economy is going the right direction—growing. Economic growth impacts all sectors of a people, and more so insurance. It is thus imperative that we rethink this sector and 'up our game'.

As it is said, the fish rots from the head downwards. Consequently, bad leadership negatively affects any institution. It is therefore important that we have the right leadership within the sector so as to steer this industry to greater heights. This can only be realised through appropriate corporate governance and as Geoffrey Njenga opines, "It will require decisive leadership to yank the insurance out of the hole of traditional thinking and offer Kenyans an efficient industry." Fortunately the players in this field are not much challenged on this front.

The world has gone digital and our country is among the continental leaders embracing the technological advancements obtaining in the first world. Insurance has now gone digital and this promises to see us penetrate further. It's time our IT and Claims managers touched base on this! But watch out, the flipside of the scenario is an evil called cybercrime: Nicholas Murigi gives us insights into this 'neo-crime' and offers advice on how to short-circuit it. He suggests that, "There should be deliberate efforts by management to provide for adequate resources to guard against compromise of information assets resident in their companies." Revamping IT departments in the industry is of cardinal importance now.

A few years back, our Government came up with an economic growth blueprint dubbed Vision 2030.The Vision's first director general was Mr. Mugo Kibati who has since moved into this industry. We have him on board and he points out that "Training and quality end-to-end customer service experience remains a key factor that will help advance the insurance penetration agenda and ultimately help us meet Vision 2030 goals." He is point on.

Taking insurance to the people calls for passion on the part of the providers and the drive to appeal to the consumers' needs. Martin Muteti avers that it's time we changed the narrative; shift the paradigm. "Emotions sell and drive this world. Human beings never argue with positive emotions." There you are marketers.

Kate Kibarah tells us how to check obesity in our children. There can't be better counsel during this festive season.

Merry Christmas and a great 2017.

Aram Kabono

Financial Services

Risk Based Capital in Financial Services Sector

The regulatory oversight across all segments of the financial sector is anchored on the pursuit of stability

By Habil Olaka

The financial services sector plays a critical role in any economy's growth and developmental aspirations. Even with definitive observation, the interplay between financial sector development and the economy's performance has been a subject of debate, especially on the direction of causality. The common question has often been: Is it finance that promotes economic progress or it is economic progress that promotes the thriving of finance?

It is possible that the nexus could be running both ways, with the two reinforcing each other. Nonetheless, the effect of finance on economic growth has been proven to be stronger than the reverse. For this reason, the strides that the financial sector makes are better seen in the context of its support for economic progress.

In a similar vein, any circumstances that undermine the thriving of the financial sector stand to weaken the overall health of the economy. For this reason, the regulatory oversight across all segments of the financial sector is anchored on the pursuit of stability.

At the centre of the stability pursuit—and more so subsequent to the global financial crisis of late 2000s—is the concept of risk based capital. The core of this concept is that financial services providers' need some determined minimum amount of capital appropriate to support its overall business operations in consideration of its size and risk profile.

Let me give a brief illustration of how the risk based capital model underpins the stabilisation objective of the financial sector in Kenya. It is a fact that the Kenyan financial system is bank-dominated.

> "it's clear a risk-based capital limit and a leverage ratio limit have opposite consequences when it comes to estimation"

The Kenyan banking industry has over the past decade registered impressive progress with regard to innovation—especially on the back of information and communication technology—that has spurred strides in the financial deepening agenda.

These strides have been made on the back of the industry remaining ambitiously expansionary. That necessitates that the industry is adequately capitalised,

stable, and with a high quality asset base that provides a strong impetus to extend outreach through expansion within and outside Kenya and embracing of agency banking and mobile banking.

The Central Bank of Kenya (CBK), pursuant to its regulatory mandate, oversees these developments in the banking industry. The oversight is in line with its second principal objective of maintaining financial stability. It is from here that the developments in regard to capital requirements for banks stem.

The core capital for banks and mortgage finance institutions has been increasing over time. For instance at the turn of the millennium(December 31, 1999) the minimum core capital for banks and mortgage finance institutions was Ksh.200 million, subsequently rising by Ksh.50 million annually to Ksh.500 million by December 31,2005. Subsequently, the core capital has been increased gradually to the current level of Ksh.1 billion.

Over the same time, the CBK's prudential guidelines have been dynamic, being characterised by periodic reviews in line with international developments. The prudential guidelines relating to minimum capital are:

- A core capital of not less than eight per cent of total risk weighted assets plus risk weighted off-balance sheet items;
- A core capital of not less than eight per cent of its total deposit liabilities;
- A total capital of not less than 12 per cent of its total risk weighted assets plus risk weighted off-balance sheet items.

At the same time, the CBK has specified a bank or mortgage financial institution capital adequacy ratio as at least 12 per cent of which eight per cent is core capital, with the ratio having eligible capital as the numerator and the denominator as assets adjusted for various risks (credit risk, market risk and operational risk).

One of the recent reviews of the CBK's prudential guidelines entailed that in addition to the above minimum capital adequacy ratios of eight per cent and 12 per cent, institutions are required to hold a capital conservation buffer of 2.5 per cent over and above these minimum ratios to enable the institutions withstand future periods of stress. This therefore brings the minimum core capital to risk weighted assets and total capital to risk weighted assets requirements to 10.5 per cent and 14.5 per cent, respectively. The capital conservation buffer should be made up of high quality capital which should mainly be comprised of common equity, premium reserves and retained earnings.

One may ask: So what is the novelty of a risk-based capital rule such as the one spelled by the CBK's prudential guidelines? It simply sits with the fact that under risk based rules high-risk assets require more capital than low-risk assets. This contrasts it with the so-called leverage ratio test—simply how much debt one can take with a given level of equity—which tends to have the same capital requirement regardless of the nature of asset risk.

It is clear therefore that a risk-based capital limit and a leverage ratio limit have opposite consequences when it comes to estimation. One can argue that the leverage ratio test underestimates the risks of some assets and consequently invites over investment in such assets. This limitation is addressed by the risk-based capital limits.

But even as that may be the case, it is worth noting that no risk measure is perfect. As the 2008 crisis illustrated, every financial crisis is caused by something turning out to be far riskier than anyone expected. But that is no reason for complacency and assumption that all assets are equally risky. While risk-adjusted measures won't prevent financial crises, reasonable risk limits coupled with simple backstops to catch the biggest mistakes can improve risk management and make crises rarer and smaller.

Furthermore, risk-based capital model is only as good as it is complementary to the overall risk management. This is because its underpinning is the fact that it is micro-prudential in orientation—meaning it seeks to enhance the safety and soundness of individual financial institutions.

There is an inherent limitation to this type of orientation, especially arising from the notion that risk is exogenous in the sense of assuming that any potential shock triggering a financial crisis has its origin beyond the behaviour of the financial system. With the benefit of hindsight, thanks to the 2008 financial crisis, there is recognition that risk factors may configure endogenously—in the sense that they could have systemic dimension.

On that basis we now have a steady move towards macro-prudential policies that seek to address the interconnectedness of individual financial institutions and markets, as well as their common exposure to economic risk factors. Macro-prudential policies take into account the pro-cyclical behaviour of the financial system in the effort to foster its stability.

In this regard, I could argue that risk based capital regimes are absolutely necessary but only complementary to the broader stability policy tools as provided by the macro-prudential regimes.

Habil Olaka is the CEO, Kenya Bankers Association

Foreign Investment can Boost Insurance? an executive's opinion

For the industry to remain competitive and continue attracting investments, it must constantly analyse itself to stay ahead of trends

By George Otieno

Insurance markets typically mirror the economic growth and investment trends in the broader market of any given country. Kenya is no exception to this rule. Kenya is home to large multinationals such as General Electric, Google, IBM, Intel Corporation and Mastercard to name a few. Meanwhile, the economy is predicted to grow by six per cent in 2016, representing one of the highest growth numbers in Africa. It therefore makes sense that Kenya's ability to attract foreign direct investments has also seen record numbers. According to the Foreign Direct Investment (FDI) intelligence website, in 2015, Kenya recorded the fastest rise in FDI in Africa and the Middle East, at 47 per cent.

Likewise, Kenya's insurance market has seen some large foreign investments in recent years. UK-based Prudential Plc has invested an estimated Ksh.1 billion in Kenya having returned to the country after a 30 year absence in late 2014 buying Shield Assurance. In other deals valued in billions, Old Mutual, a South African firm, increased its shareholding in UAP to 60.6 per cent from 23.3 per cent; South African firms Metropolitan and Sanlam bought Canon and Gateway respectively; Swiss Re bought a 26.9 per cent stake in Apollo Investment; and Mauritius Union Group bought a controlling stake in Phoenix of East Africa Assurance. Other important recent market entrants include reinsurers such as Continental Re, Ghana Re, CICA Re and SCOR, which have opened regional offices in Kenya along with reinsurance brokers J.B. Boda, Afro-Asian and Reinsurance Solutions.

These are all signs of a healthy business climate marked by a growing domestic market of young, well-educated and upwardly mobile population. With a 2.8 per cent penetration rate compared to South Africa's 14 per cent, there is clearly room to grow. But despite this, insurers see Kenya as a financially stable market where they can access the region and even the larger continent.

In order for the industry to remain competitive and continue attracting investments, it must constantly analyse itself to stay ahead of trends and to remain relevant. It is not enough to sit back and wait for business to come. This, as any successful company knows, is a fool's errand. Staying ahead of the curve is the only way to remain attractive. In addition to this, I would also caution that the industry should not become too addicted to FDI as the perfect fix. The downside of this strategy is that it exposes companies to external shocks of the variety currently impacting international markets. I would propose a more balanced approach that focuses on organic domestic growth with support from international investors.

The general insurance sector would benefit from strengthening existing companies through mergers, for instance, such as the merger between Britam and Real Insurance. This would pave the way for fewer and more viable companies that would then be able to service the population in a more effective way. From my perspective as the Head of the African Trade Insurance Agency (ATI), a multilateral insurer specialising in political/investment and commercial risk insurance products, I'd like also to see local companies expand their product offerings to clients. We already set an example of this following the post-election violence in 2007 when millions of Kenyans suffered losses that were largely uninsured. ATI was able to fill this gap by providing added capacity to local insurers with the support of the Lloyd's of London insurance market. This allowed insurers to offer protection to their clients against future losses due to political violence. We are ready to partner with the market on Trade Credit Insurance as well.

One of ATI's mandates when it was formed in 2001 was to increase insurance capacity in its African member countries and part of our mandate is not to compete with local insurers. Because ATI operates in a unique space that requires intense capitalisation—our current capital stands at close to US$200 million—we are in a good position to play a supportive role in the sector. To date, we have added Ksh.2.1 trillion in capacity to the sector across the region. This is an accomplishment that I am most proud of for the simple fact that a strong insurance sector signals a healthier population. Be it access to health, life or education insurance, people with insurance cover are able to have a better quality of life, knowing that they are sheltered against unforeseen disasters.

For international investors in the insurance sector, I would also caution that understanding the market is key to achieving sustainability and success. In Africa, the relationship with the insured and the overall perception of insurance is typically not positive. The relationship is marred by mistrust, which reflects the impression held by most that insurers don't pay—essentially running away when something does happen and they are needed to pay. This perception is based on environments where there may be weak regulations governing the sector. In Kenya, thankfully, this has changed, and it is now one of the sector's biggest selling points to prospective courtiers. For internationals to succeed here, they must come with the mindset of winning hearts and minds because ultimately, insurance is about trust.

"in order for the industry to remain competitive and continue attracting investments, it must constantly analyse itself"

The mission to gain the trust of our clients and to change the negative perception about insurance is a mission that ATI has been on for several years. Paying our first claim in 2009 with a gradual progression to where we paid out the largest claim in Kenya's history in 2013 on Westgate for Ksh.100 million, which was part of a much larger amount of close to Ksh.5 billion that was off-set with the support of our reinsurance partners. In 2015, ATI posted a net claims pay out representing claims paid in all its member countries of Ksh.860 million. We believe this is an important part of building a relationship with our clients that is based on trust. As such, this is part of our longer term strategy that has seen us grow a sizeable claims reserve so that we are seen as a trusted partner. We would like to be here for the long term, seeing companies grow and expand into new markets, and helping the countries within the region to be able to more easily trade with each other. In this way we can create wealth that stays in the continent and that is built on a more sustainable foundation.

Insurance is a business but the successful companies also recognise that when you're holding someone's future health, education, and indeed, their life in your hands, it is a calling that cannot be taken lightly. In an African context, perhaps this perspective runs a bit deeper than for companies in more developed regions, where insurance has become an entrenched part of daily life. In Africa, very few have the comfort of being able to survive a catastrophe simply because insurance is rarely factored into the equation. International investors entering Africa may not be able to relate to this as profoundly as someone who has grown up on the continent. I believe that recognising the emotional component of insurance is crucial to being able to connect with clients and to be able to grow the business. It's not merely about advertising. It is about relationships. We are ultimately in the business of growing strong and healthy relationships that, in the end, are good for our countries and our communities. The strength of these relationships can also help us create stronger companies that have a choice in their growth options.

George Otieno is the CEO, ATI (African Trade Insurance Agency)

About Vision 2030; unpacking the role of Insurance

As a sector, we must strive to play a role not just as insurance companies but as financial service providers

By Mugo Kibati

At the conceptual stage of the Kenya Vision 2030 national development plan, one of the fundamental pillars identified to accelerate growth, centered on the role of the financial sector. This sector, comprising of the insurance, banking, capital markets and pension funds was considered to be a key platform to help mobilise financial resources for national development.

Besides mobilising financial resources and helping deepen financial inclusion across the sector, Vision 2030 envisaged the development of a fully-fledged financial centre. A centre, that would ideally provide a regional hub for financial services delivery and benchmarked against Mauritius and South Africa Financial Centres.

The architects of Vision 2030 blueprint were clear that financial services would play a critical role in the next phase of the development of our country by providing better intermediation between savings and investments than at present.

The intention here was to assist the mobilisation of investment funds that are required to implement the flagship projects of Vision 2030. The basis for such a key focus on the role of the financial services sector was founded on the sector importance. This is the sector that currently contributes about four per cent to Gross Domestic Product (GDP) and provides assets equivalent to about 40 per cent of GDP.

Besides the banking avenues where financial inclusion has significantly grown, the financial sector is still characterised by low penetration and limited supply of long-term finance. The potential to improve the depth and breadth of the sector to make Kenya a globally competitive financial hub—serving a large part of the Africa region of Africa—was however considered as a vast unexploited resource. In its element, the exploitation of this resource would ideally involve the development of a vibrant and stable financial system to mobilise savings, and to allocate these resources more efficiently in the economy.

Fast-forward to 2016 and we have made some positive strides that we should be proud of. These strides include the organisational design of the Insurance Regulatory Agency complete with a strategic plan that focuses on addressing insurance penetration challenges.

For one, a major challenge to insurance growth in Kenya with a bearing on Vision 2030 scorecard remains the industry capacity to maintain positive

public goodwill. The insurance sector has suffered immensely due to poor/negative perception. This sector inspires low public confidence, which limits product uptake.

Innovation and adoption of alternative delivery channels will also remain a key imperative towards the expansion of insurance services. This particular score is important, as it will also accelerate the delivery of insurance services to micro levels.

Delivery of insurance services say on mobile and related digital channels including the internet presents a two pronged advantage. Such delivery and distribution while raising efficiency for the underwriter, similarly presents a variety of advantages for the consumer including marked convenience. Indeed, we must imagine a day in the not so distant future where almost half of the distribution channel will be online and on a cash-and-carry basis. A day when—thanks to sound collaborative efforts with premium financiers—bancassurance will not just be a buzzword, but a reality.

It remains incumbent on us to turn the tide on such a perspective by working hard to proffessionalise the delivery of the insurance service. Training and quality end-to-end customer service experience remains a key factor that will help advance the insurance penetration agenda and ultimately help us meet Vision 2030 goals.

Beyond the proffessionalising aspects, the insurance sector will need to play a key role in raising product and service awareness.

Lack of awareness on our services and range of products has greatly affected our collective sector growth. More than 80 per cent of Small and Medium Enterprises (SMEs) though contributing a significant value to our national GDP are sadly underserved insurance wise. Most of these enterprises though very well banked are not risk covered and survive at the mercy of economic circumstances. The conversion of SME's to Risk Services consumers will remain a key imperative to help us achieve Vision 2030 goals.

"Innovation and adoption of alternative delivery channels will remain a key imperative towards the expansion of insurance"

The range of risks that continue to face SMEs is growing by the day from the traditional fire and related perils to emerging/contemporary risks including cybercrime and terrorist threats. Unfortunately, these risks carry a bigger threat for SMEs, which continue to play a key role in our economic growth than they do for larger corporate—which have significantly embraced risk solutions. In many instances, a fire incident or death of the vision bearer at an SME ends up acting as a death knell for the enterprise: Very few SMEs are able to recover from such incidents, which can be risk-managed through existing products.

The growth of these organisations and enterprises is also constrained due to poor perks. For example, an experienced bus driver in fledgling overland transport company may opt to leave an SME that does not provide health and pension coverage. His departure effectively reduces the SME's efficiency and constrains its overall capacity to attract quality talent.

For this reason, the Vision 2030 Blueprint had somehow envisaged these challenges and sort to outline avenues to streamline the insurance sector including creating a competitive environment which leads to brand activities, increased investment and better public awareness of the benefits of insurance.

Vision 2030, as structured also seeks to attract capital infusion into the industry for enhanced premium growth and profitability; achieving the necessary economies of scale that will make insurance affordable and accessible and increase retention capacity so as to minimise possible outflows arising from low local underwriting capacity.

Plans were also outlined with a specific focus on the need to develop and execute a comprehensive model for pension reforms, which are already underway.

Quite topical today is the ongoing push by the government to provide a framework for marine cargo insurance opportunities for local underwriters.

By all means, this will be a significant business line estimated at more than Ksh. 30billion that will be unlocked through the legislative review.

As a sector, we must however, strive to play a role not just as insurance companies but as financial service providers. This will entail enabling people to live their best possible lives by structuring and delivering to the market financial products that are responsive to their needs. It also calls upon us to change our approach on how and when we educate our clients on risk solutions, savings and investing.

Ours will be an effort to enhance financial services beyond life and general insurance to enable our clients reap the benefits of value-added services including pensions and wealth management among other services.

Opportunities now abound for the delivery of micro saving solutions through pensions which are equally key to the national development efforts geared at deepening financial inclusion especially at old age to eliminate high dependency.

Critically, Vision 2030 goals—from our sector perspective—will require us to make sure that our products talk to younger, tech-savvy generations: We have little choice than to deliver products that keep them engaged and interested. The distribution models will have to embrace more of online and related digital solutions including feature phone customised products.

In its element, Vision 2030 goals had clearly envisaged that as the economy expands, the amount of insurable assets will also grow; and as personal incomes rise, Kenyans will demand more insurance. The potential to strengthen the insurance industry in the interest of long-term savings and better coverage of risk cannot be gainsaid.

Undoubtedly, "the challenge is to improve the efficiency and outreach of insurance service providers. This can be achieved through consolidation, a public education campaign and investment in new technology."

Mr. Mugo Kibati is the Group Managing Director at Sanlam Kenya and the immediate former Director-General of Kenya Vision 2030 Delivery Board

Cybercrime in Insurance Industry; the obtaining status

Cyber attacks in insurance continue to grow in scope and frequency as many insurers begin to use digital channels to create tighter relationships

By Nicholas Murigi

For those who work in or depend on the insurance industry, knowledge of potential threats, vulnerabilities and mitigation strategies associated with cyber security risks is an increasing priority. Cyber security risks affect payers, service providers, brokers, agents and, of course, consumers of different insurance products and services. The various insurance segments—health, life property and casualty—have unique characteristics that determine how susceptible they are to cyber threats.

Why has cyber security—the ability to protect networks, computers, programs and data from attack, damage or unauthorised access—become such a significant concern? And why should organisations and individuals in the insurance industry establish safeguards to help mitigate these threats? These are critical questions, especially in light of frequent attacks.

Why cyber attackers are attracted to insurance

Insurance is a big data-driven industry that retains valuable data and information assets. These assets include:

- Electronic PHI(Protected Health Information)
- Other personal identifying information, such as birth dates and related beneficiary information
- Financial information, including credit card data covered by the Payment Card Industry standards
- Demographic and other secondary information, including names, addresses and phone numbers.

The nature of insurance operations exposes these assets to additional vulnerabilities. Criminal organisations, nations and individuals can exploit inappropriate access to this information to support

“cyber attacks in the insurance sector continue to grow in scope and frequency as many insurers begin to use digital channels”

various criminal activities. One example is spear phishing—a social engineering attack where perpetrators masquerade as a trusted party to obtain important information such as passwords from the victim to use in blackmail and fraud.

Healthcare data can be exploited to file fraudulent claims, support identity theft, target secondary attacks against consumers and businesses or blackmail patients who wish to keep certain conditions or treatments confidential. Direct financial data such as credit card numbers and banking accounts can be used to access consumers' and organisations' financial assets. Demographics, property location, property coverage values and supporting rider information could be used by criminal organisations to target customers for property crimes. These data assets can become liabilities unless properly identified and protected.

Certain characteristics of the modern insurance industry can also introduce additional vulnerability. Consumers are demanding a full suite of digital experiences and capabilities, including online access to policies, claims and payment information. These expectations now have been extended to include continual access via mobile devices. In addition, insurance operations require fluid data sharing with multiple business associates and supporting organisations to process payments and claims.

Cyber attacks in the insurance sector continue to grow in scope and frequency as many insurers begin to use digital channels to create tighter relationships and offer new products in order to expand their share of customers' financial portfolios.

To cater to this demand, many insurance companies are investing in upgrading their traditional IT systems (such as under writing systems and claims systems) as well as integrating agency portals, online policy applications, and web-and mobile-based applications for filing claims. Despite these heavy technology investments, are the cyber threats below;

1. **Hackers stealing personal data on existing and potential customers**

   Personally identifiable information (PII) is extremely lucrative for hackers to obtain, as they can sell it on the black market for identity fraud purposes. In this case, cyber criminals breach a part of the IT network used by an insurer to store data from customers and sales prospects

2. **Targeted attack on company employees to steal online banking information**

   An attack could pinpoint company employees with emails containing malware to capture confidential data such as bank account numbers, user accounts, passwords, and credit card numbers. Hackers could use this to compromise servers used by employees to remotely access the affected company's IT systems.

3. **Preying on companies noncompliant with the Payment Card Industry Data Security Standard**

   Cybercriminals seeking payment card information to sell on the black market and commit fraudulent transactions identify vulnerabilities in a company's systems and software. These hackers then steal payment card information for tens of thousands of customers—including names, addresses, and unencrypted card security codes.

4. **Health insurance fraud**

   Hackers are targeting databases containing customers' health insurance information to sell on the dark web

Defending against cyber security threats

1. Information Systems Security Management System (ISMS)

Organisations should adopt and implement an ISMS. This is a systematic approach to managing sensitive company information so that it remains secure. It is a framework of policies and procedures that includes all legal, physical and technical controls involved

in an organisation's information risk management processes. It includes people, processes and IT systems by applying a risk management process. It can help small, medium and large businesses in any sector keep information assets secure. This is based on ISO 27001—a specification for ISMS.

2. Defence-in-Depth

Defense-in-depth is a layered security approach to increase security of the IT systems as a whole. If an attack causes one security mechanism to fail, other mechanisms may still provide the necessary security to protect the system. The idea behind the defense-in-depth approach is to defend a system against any particular attack using several independent methods.

3. Cybercrime Insurance

Although IT security technologies can provide a preventive measure against cybercrime, it is impossible to ensure complete protection. The very nature of cybercrime is ever changing with new schemes developing as rapidly as new technologies emerge. Despite the implementation of preventive measures, cybercrime attacks could still result in a substantial financial loss for any company.

This financial risk or exposure can be mitigated in two ways

- Transfer the risk to an external insurance company by purchasing cybercrime insurance.
- Assume the risk internally by setting aside funds to compensate for the potential future loss. This is called self-insurance.

Self-insurance is the riskier of the two options since a company must accurately understand the risk in order to set aside appropriate funds. Instead, many companies are choosing to purchase cybercrime insurance, an emerging area for insurers.

4. Cybercrime insurance products

In cybercrime, any loss is a result of two factors: A cyber attack and the failure of prevention mechanisms. Commercial general liability insurance is available for businesses to protect against potential losses such as property damage, workers' injury or natural disasters. But traditional general insurance products do not cover cybercrime risk for a few reasons: The concept of cybercrime risk is relatively new, and the majority of commercial insurance provides coverage for tangible assets.

Therefore, insurers must offer a specialised insurance policy to allow companies to transfer the risk arising from cybercrime. In order to calculate premium rates and process claims after a cybercrime attack, an insurer needs to estimate the cost of loss from a cybercrime incidence. Since it is not easy to estimate non-financial losses such as reputation loss, companies who purchase cybercrime insurance can only transfer the calculable financial loss risk to the insurer.

Insurance companies, like other financial institutions are a target for cybercriminals. There should be deliberate efforts by management in these companies to provide for adequate resources to guard against compromise of information assets resident in these organisations.

To address the risk of cybercrime, companies should use a combination of technology for prevention and insurance for mitigation. Through cybercrime insurance, companies can transfer the financial consequences of IT security incidents to an insurer. As cybercrime risk is a relatively new type of commercial risk, the challenges faced by the insurer may result in a barrier to widespread availability of this type of insurance coverage.

Insurers will also experience a significant impact across the insurance value chain. Thus insurance companies should strive to develop capacity to explore cybercrime products.

Nicholas Murigi works for Central Bank of Kenya

Corporate Governance in Insurance; the heart of the matter

Companies must endeavour to secure the best leadership possible in both the board and management for maximum output and benefit for all stakeholders

By Geoffrey Njenga

Corporate governance may mean many things to many people and can be defined in many different ways, but the basic theme in this subject is good governance or good leadership. Indeed, leadership is the most important ingredient in any human endeavour: It is now generally agreed that governance or leadership surpasses all previous conventional thinking with regards to factors of production.

Some companies and countries have reached high heights of success as a result of having focused leadership. Israel for example is a virtue desert but a significant global leader in horticultural and dairy farming. Singapore, a tiny city-state without any known natural resources has achieved the status of a developed country within a generation. Nearer home, Rwanda has literally come back from the land of the dead to be a modern and fast growing economy, setting pace for most of Africa. The inverse is also true. The presence of poor, unworthy, corrupt and retrogressive leadership holds enterprise captive and perverts entire sectors and can even destroy a nation. Indeed everything rises and falls on leadership.

The core principles of corporate governance include; authority and duties of the shareholders and stakeholders, the rights and obligations of the shareholders, leadership of the board of directors, structure of the company, balance of power, internal controls and procedures, assessment of board members, corporate culture of the company, corporate compliance and corporate governance reporting among others.

Corporate governance demands that a company is organised in the best way possible for ease of management. It further demands that the leadership at every level conducts itself in the best interest of the organisation. The board retains overall authority and responsibility over the organisation. Enterprise must endeavour to secure the best leadership possible in both the board and management for maximum output and benefit for all stakeholders and must remain accountable at all times. Good corporate governance leads to healthy enterprise.

How can corporate governance help our insurance industry? First the industry must redeem its image by demanding leadership that has integrity. Good and competent leadership will inspire confidence and attract more people to purchase insurance cover for their insurable interests.

Secondly the industry must embrace whole-heartedly the cardinal tenets of corporate governance. The most important of this is that leadership must at all times and in every way act in the best interest of the company and for the maximum benefit of the stakeholders.

Thirdly those who destroy the image of the industry and mess up lives when companies fail must be punished. It is curious that with more than ten companies having failed, not one single individual is serving term behind bars for their part in this heinous crime.

The Policy Holders' Compensation Fund can broaden its mandate to be much more than undertakers. They can be effective co-supervisors with the IRA to offer helpful oversight which help any underwriter before failure.

Good leadership will attract creativity in the industry. The industry craves real and genuine change that will make insurance relevant to the common man as opposed to the rampant but cheap cut-and-paste games in the name of creating new products.

Good leadership will have a firm grip on technology as the driver of future trends. It will also seek ways to communicate with the stakeholders and therefore open all channels of communication including making the language of various documents understandable by everyone. Good leadership trains its focus on the future and works tirelessly to position companies to compete tomorrow today.

It will require decisive leadership to yank the insurance industry out of the hole of traditional thinking and offer Kenyans an efficient insurance industry. New ideas must come into play to unlock the great potential in the insurance business. One such idea is mediation to deal with the single and most devastating challenge in the insurance business in Kenya—the delayed claims settlement. Outstanding claims not only hold massive resources in all insurance companies in the form of reserves but these claims and subsequent and frequent legal battles between insurers and their customers is the prime single source of lack of public trust of the industry.

"corporate governance demands that a company is organised in the best way possible for ease of management"

Mediation can serve as an effective claims settlement method. It (Mediation) is in the bouquet of what is referred to as Alternative Dispute Resolution (ADR) mechanisms which resolve conflicts and disputes away from the traditional judicial court processes. The other main methods in this group include arbitration and negotiation. Nevertheless, mediation stands out above all others because it offers the disputants the opportunity to resolve their own problems by focusing on interests and not rights. The court process is always about rights and no wonder therefore matters linger in courts for years. Mediation is really the crown in the jewel of ADR: It is now the best global practice in dispute management and resolution even for the largest global corporate entities.

Mediation offers faster, less expensive and above all, sustainable solutions to disputes. It is particularly applicable in situations where relationships are important as in insurance business. It is also highly confidential thus protecting the disputants from unnecessary publicity. The process is completely voluntary and cost-effective as compared with the traditional court process. And the beauty of the practice is that it produces a win/win situation which would be a big plus in the dispute prone insurance industry business. Mediation works best away from the lawyers because lawyers are trained to fight about legal rights. It is also true that lawyers often confuse mediation with arbitration. Arbitration is basically a private judicial process which ultimately produces a winner and a loser and as such arbitration cannot deliver sustainable peace.

The court or judicial process is basically adversarial while seeking rights. Again the court process takes a very long time. It is expensive and often attracts negative publicity. It creates enemies and inevitably destroys relations.

As a matter of fact, our judiciary in its effort to help resolve disputes faster has recently activated clause 159 of the Kenyan Constitution 2010, which embraces ADR. We now have the "Judiciary-Mandated or Annexed Mediation." The idea here is to encourage disputants to attempt to resolve disputes through mediation. This process can now deal with matters which are already in court. The myriad matters clogging the courts and also destroying the image of the insurance industry can now be resolved faster for less in the mediation process. The agreement reached through mediation is filed in court as the final award of the court.

Should the insurance industry embrace mediation, this will not only unclog the systems in the companies but more importantly unclog the public interest and goodwill and attract phenomenal growth of the business. Any company seeking growth should constitute a mediation desk where matters can be resolved faster through mediation, of course initially guided by a trained mediator.

As the judiciary has discovered, the conventional way of dealing with outstanding cases does not help at all. Banks are quickly adopting mediation in dealing with their myriad problems with their customers.

Insurance business is set for great things but the fortunes of this great industry will follow the fortunes of the leaders. Corporate governance is the key for the insurance business in Kenya.

Geoffrey Njenga is a chartered insurer/Corporate Governance trainer

Innovation in Insurance; time to take the Uber route

The upcoming generation of insurance consumers will hardly visit the insurer's office: They are already looking for products online and on their mobile phones

By Muema Muindi

Innovation Defined

According to Wikipedia, innovation is simply a "new idea, device, or method." However, innovation is often also viewed as the application of better solutions that meet new requirements, unarticulated needs, or existing market needs. This is accomplished through more-effective products, processes, services, technologies, or business models that are readily available to markets, Governments and society. The term "innovation" can be defined as something original and more effective and, as a consequence, new, that "breaks into" the market or society. It is related to, but not the same as, invention.

While a novel device is often described as an innovation, in economics, management science, and other fields of practice and analysis, innovation is generally considered to be the result of a process that brings together various novel ideas in a way that they affect society. In industrial economics, innovations are created and found empirically from services to meet the growing consumerdemand.

In business and economics, innovation can be a catalyst to growth. With rapid advancements in transportation and communications over the past few decades, the old world concepts of factor endowments and comparative advantage which focused on an area's unique inputs are outmoded for today's global economy. Economist Joseph Schumpeter, who contributed greatly to the study of innovation economics, argued that industries must incessantly revolutionise the economic structure from within, that is innovate with better or more effective processes and products, as well as market distribution, such as the connection from the craft shop to factory. He famously asserted that,"creative destruction is the essential fact about capitalism."In addition, entrepreneurs continuously look for better ways to satisfy their consumer base with improved quality, durability, service, and price which come to fruition in innovation with advanced technologies and organisational strategies.

The Practice

Barely five years ago, a company called UberCab made a splash in San Francisco by letting you hail a car with your Smartphone. Since then, the company—now known as Uber, has spread like wildfire through the globe. Uber currently operates in 58 countries and is valued at over $50 billion.Uber has fought rivals and regulators as it has transformed from a black-car service into a sprawling logistics company gunning for a future of self-driving cars. It has confronted threats from the taxi industry and even its own drivers. But its valuation has continued to climb, and it has attracted more and more investors.

> "needless to say, technology will play an increasingly significant role in shaping the way insurance companies interact with consumers"

Every major industry globally is undergoing disruption thanks to innovation driven by technology. Besides Uber, the is Airbnb's impact on the hospitality industry going to prove that disruption driven by unprecedented innovation fuelled by technology is the driving force shaping global business.

Uber not only made it more convenient for customers to move from point A to B but also harnessed valuable data about customer behaviour. Using this data, Uber was able to understand its customers at the individual level and predict their travel behaviourgiving it a competitive edge over traditional transport providers.

On its part, Airbnb which describes itself as, "a social website that connects people who have space to share with those who are looking for a place to stay" simply lists spare rooms and apartments online making it convenient for anyone looking for accommodation anywhere around the world. Guests are encouraged to post a review of the place they stayed in thus creating a valuable trove of data that gives Airbnb a unique competitive edge and attractiveness to users.

By creating customer-centric "Big Data" both Uber and Airbnb have been able to leverage the power of the "network effect" and generate billions of dollars without necessarily owning cabs or hotel properties. The key to their business success lies in understanding their customers. Uber and Airbnb are good examples of how technology can help businesses develop a deeper and more extensive grasp of consumer needs and behaviour.

Of course, not everyone is happy with Uber and Airbnb least of all traditional service providers who were content with customers looking for them. But such is the disruptive nature of innovation. Who would have envisaged that traditional industries like transport and hospitality could be disrupted so easily using technology?

The Justification

Some years back, people used to joke about the disruptive nature of the IT industry citing the rapid obsolescence of hardware and software. What many did not however realise is that no industry or business is immune to the disruptive force unleashed by technological innovation.

The insurance industry is no exception to what has been termed the "digital" revolution sweeping across the world. Like other "traditional" industries, insurance globally is inevitably grappling with the disruptive impact of innovation. Some seismic shifts are already being felt as mobile and online platforms play an increasingly ubiquitous role in insurance underwriting and distribution.

Needless to say, technology will play an increasingly significant role in shaping the way insurance companies interact with consumers. As insurers strive to be more customer-focused and responsive to consumer needs, technology (data) can help them achieve this goal. In an increasingly competitive environment, technology will be critical in growing market share and differentiating product in the market. Moreover, insurers will have to harness emerging technologies to spur innovation.

A 2016 report by Ernst & Young on the insurance industry in sub-Saharan Africa identifies technology as one of the primary growth drivers. Technology will underpin new underwriting platforms and distribution channels. It will also help deepen insurance inclusion in countries like Kenya where less than three per cent of the population has access to insurance.

The next generation of insurance consumers will hardly visit the insurer's office. They are already looking for products (policies) online and on their mobile phones. They want to pay premiums using convenient platforms like mobile money. They want claims processed and paid fast online. The customer now wants to do everything at their convenience.

This is not to say that insurance brokers and other intermediaries will be eliminated. Rather, they will have to adopt innovative ways of engaging the consumer. This includes online and mobile policy purchases and premium payments. Technology can help expedite claims processing and payments thus vastly improving the customer experience. Slow claims management remains a major customer pain point.

So what does all this disruption portend for the customer? By leveraging technology, insurers will better understand their customer—for example, through the use of data analytics like in the case of Uber. This will enable them customise products to specific consumer needs and trends. More importantly, technology and more so, the opportunity to innovate, provide insurance firms with the best tool to vastly improve the customer experience by integrating all aspects of their business from selling policies, collecting premiums, and processing and settling claims.

In a nutshell, the insurance industry's Uber moment beckons.

Muema Muindi is the Managing Director, Kenya Orient Insurance Co. Ltd

Ref:
- *Wikipedia*
- *Business Insider*

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Occupational Safety; a case study in workplace hazards

The duty of care goes as far as it is reasonable, and practical to the extent of taking precaution

By Milkah Murimi

Mr. Ndoro Kaka Kakondo a Grade 1 Trade Certificate holder in electricity was employed by Salt Manufacturers [K] Limited as a motor vehicle electrician, in 1990. While replacing a defective battery of his employer's truck, he was injured. Owing to his inability to continue working, because of the injuries sustained in the workplace accident, he left employment. This was on January 8, 2003. He moved to the magistrate's court seeking compensation and on October 2, 2008 the court found the company at fault for failing to provide protective gears to the employee. It awarded him some money: He was not satisfied with the award. Aggrieved with little amount, he moved to the Labour and Employment Court on an Appeal and as anticipated, the High Court paid him more. [Ndoro Kaka Kakondo V Salt Manufacturers (K) Ltd [2016] ekLR]

The depressing trilogy of Mr. Ndoro Kaka Kakondo begun on August 17, 2001 when his supervisor and line manager Mr. Sukesh instructed him, to start a truck, which had stalled. The battery was faulty, requiring its replacement. The slot for the battery was high up in the driver's cabin. To effectively do the work, he had to mount the cabin while holding onto the truck's door handles. The cabin was five feet from the ground. It was raining and slippery. Sadly, the Human Resource department had not provided him with a ladder and safety boots to accomplish the task. He had to step on the truck's tyre while dismounting. Since it was slippery, he slid, lost grip of the door handles, and fell down backwards. There was an iron bar on the rough ground. All along, he was holding spanners on his hands as he dismounted. As a result, he was injured on his back. However, in actual sense, the HR department had failed to provide and maintain proper and adequate plant tackle and appliances to enable him carry out his work safely. Similarly, he had not been provided with safety apparels.

The employer opposed his court application by saying that Mr. Ndoro had negligently contributed to his own injury by disembarking backward from the truck and that he did not find it necessary to pay anything over and above what he paid him as awarded by the Trial Court citing contributory negligence.

As human resource managers, we find some glaring failures on the side of the employer. For instance, the HR department did not demonstrate how the act of this employee of dismounting backwards, would result in contributory negligence. The manager did not call for any evidence to show that Mr. Ndoro should have dismounted otherwise. Nonetheless, the dismounting exercise would entail a reversal of the climbing up exercise. In this sense, Mr. Ndoro in the absence of a ladder, held on to the door, stepped on the tyre while climbing down and slipped falling backwards. It was illogical for the employer to expect the employee to come down while facing the front since he would not have sufficient grip of the door handles, if he was facing away from them (handles).

It was therefore the responsibility of the HR department to supply the safety system and safety equipment to this Employee. There is no law, which requires an employee to make request for such system and equipment. It is not in the Factories and Other Places of Work Act. Neither is it in the Occupational Safety and Health Act. Nor can we find it in common law.

Similarly, the law does not distinguish between skilled and unskilled labour, sometimes pejoratively characterised as manual labour. The duty of care is not only therefore owed to employees with exceptional skills. It extends to all employees under the law. Indeed, unskilled labourers such as those cutting cane in sugar plantations need supervision and instruction from their employers on safety at work, and are entitled to pursue compensation for work injury against their employers, if they (employers) fall short in securing safe systems of work.

In our case here, the employee was an auto electrician and it is even doubtful that his role could be classified as manual; he held a Grade 1 Trade Certificate in his field, and he was therefore not unskilled, carrying out manual tasks. However, the duty of care goes as far as it is reasonable, and practical to the extent of taking precaution.

"the law does not distinguish between skilled and unskilled labour"

The employer did not show what reasonable duty of care he exercised with respect to this employee. The risk of falling and getting injured in rainy and slippery conditions cannot be said to have been necessarily incidental to his employment.

It was avoidable had there been a safe system of work, and proper working tools. The employer needed to show what the employee could have done differently to avoid the accident. This, together with the employers' own evidence on its fulfilment of statutory and common-law obligations, was therefore lacking.

Elsewhere, it is well settled that at common law, an employer is not merely required to provide a safe system of work, but must ensure employees comply with that safe system of work. This duty of care involves adequate supervision by the employer and or provision of operational manuals. But here, the employer's supervisor merely instructed Mr. Ndoro to start the stalled vehicle. No supervisory input is shown and or provision of operational manual to the employee is demonstrated. While Mr. Ndoro climbed up and down the truck to replace the battery, it was rainy and slippery and with a rough ground with metal objects beneath. Therefore, employers must ensure that there is a safe system of work, and ensure employees follow that system while performing their duties, otherwise it will be unimaginably costly both financially and even emotionally to see your employee injured while working for your company.

Ms Milkah Murimi is the Acting Executive Director, Institute of Human Resource Management

Prudent Investing; the safeguard for future generations

It is critical to note that investing is never instant, neither is it a get-rich-quick scheme

By Linda Keya

Kenya offers exciting investment possibilities for both locals and international entities. But to ensure shared prosperity and guarantee a stable business environment, investments—big or small—must be done responsibly. To invest is to allocate money (or sometimes another resource, such as time) in the expectation of some benefit in the future, and it comes with risks.

In finance, the benefit from investment is called a return. The return may consist of capital gain and/or investment income, including dividends, interest and rental income. The projected economic return is the appropriately discounted value of the future returns. The historic return comprises the actual capital gain (or loss) and/or income over a period of time. In the early 1900s purchasers of stocks, bonds, and other securities were described in media, academia and commerce as speculators. By the 1950s, the term investment had come to denote the more conservative end of the securities spectrum, while speculation was applied by financial brokers and their advertising agencies to higher risk securities much in vogue at that time. Since the last half of the 20th century, the terms speculation and speculator have specifically referred to higher risk ventures.

Investment generally results in acquiring an asset, also called an investment. If the asset is available at a price worth investing, it is normally expected either to generate income, or to appreciate in value, so that it can be sold at a higher price (or both). Investors generally expect higher returns from riskier investments. Financial assets range from low-risk, low-return investments, such as high-grade government bonds, to those with higher risk and higher expected commensurate reward, such as emerging markets stock investments. Investors, particularly novices, are often advised to adopt an investment strategy and diversify their portfolio. Diversification has the statistical effect of reducing overall risk.

Investors, including individuals, pension plans and foundations, must make a deliberate attempt and plan to provide security and opportunities to the next generation and generations after. It is actually becoming increasingly urgent that principle investors think about succession not just as an event but as a way of life, which should be among the laid out plans when thinking of investing.

Against the foregoing backdrop, interest in investing that incorporates environmental, social and governance concerns is attracting new interest. This market demand—combined with technological innovations—is helping to shape the future of sustainable, responsible and impact investing. However, it is critical to note that investing is never instant, neither is it a get-rich-quick scheme. Investing from ground up can be nerve raking. It takes work, lots of intimidations and numerous failures and it is over all, a learning curvature. Then again, it can also be so fulfilling and rewarding, sometimes even more than the effort put in and the challenges faced, especially when an investor learns some of the building blocks and major concepts of investments, and the general rules of what it means and how time earns money through compounding.

In personal finance, you use your spending plan to help you decide how much you can save and invest each month, then save and invest that money according to your goals, taking advantage of asset allocation to achieve those financial goals with minimum risk.

Focusing on your goal is key. This may include your goals for your family's well-being, shelter, food, clothing, and recreation, now and in the future. It helps you make proper savings and investment decisions. It also helps you calculate your spending plans and offer you an opportunity to plan for the future personal lifestyle and financial goals.

We don't just save and invest to accumulate huge wealth. We save and invest with a particular goal or goals in mind. In fact, how you save and invest depends upon the very purpose you want to save. For instance, if you need to replace a household appliance costing a few thousand shillings in the next six months, you will save differently than you would if you were saving to pay for a child's education in 10–15 years. To make these decisions, you need to understand the relationship among investment risk, time horizon and investment reward.

Risk can be spread over many different investments - commonly referred to as diversification; this will more often than not enhance overall returns. Sometimes it helps outperform a non-diversified portfolio. Diversification is the best strategy to adopt in making savings and investment decisions—low risk for short term goals and high risk for long term goals. As you do this, remember, the more risk you take in your investment, the higher the reward for you and those that will come after you are gone.

Investing with the next generation in mind can also be clustered to bring out different strengths and properties. For example, cash and equivalents are composed of cash, checking accounts, savings, and other short-term, interest-bearing accounts as well as any investment that can be readily turned into cash within a few days without risk of loss due to market fluctuations. Because of their liquid nature and little susceptibility to market fluctuations, cash and equivalents are generally used for short term financial goals.

On the other hand, income investments comprise bonds, certain stocks, and other investments that generally pay periodic interest or income, but whose principal value may vary daily. They offer higher return with a steady stream of income. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

Equity investments include most stocks and other ownership investments whose principal values vary daily but have potential for future growth. They are fairly volatile but in the fullness of time, you will find that they outperform the income and the cash investments. This makes them a good choice for your succession plan.

Combining two or more of the above in your overall portfolio will most likely stabilise your investments and help minimise the volatility while potentially optimising your portfolio return for the amount of risk you are willing to take. This is called asset allocation; it does not ensure a profit or protect against a loss. This will definitely provide a compelling long-term investment opportunity for your children and even grandchildren.

Linda Keya is the editor Family Business Magazine

"investors, particularly novices, are often advised to adopt an investment strategy and diversify their portfolio"

Accessing Health Insurance; the efforts of NHIF

The Fund has abolished the accreditation fees of Ksh. 50,000 and Ksh. 100,000 respectively for public and private health care facilities

Article by NHIF

Virtually every developing country with a functioning Government uses publicly funded and managed systems for third-party payment for medical care. Either the government directly provides and finances services in a national health service, or it compels other entities (employers or sickness funds) to finance insurance that pays both public and private providers of care. In many developing countries, this system has failed to provide adequate financial protection for its citizens and adequate access to care. The gap shows up in the form of private out-of-pocket spending for services that "universal insurance" cannot or does not supply. Although both history and ideology leads such countries and the global organisations that advise and support them to sometimes be sceptical, the limits to public systems suggest that one possible alternative might be a role for private insurance.

If people are sometimes paying substantial sums out of pocket for their medical care, the case for voluntary insurance is obvious. Insurance arrangements could instead permit them to pay smaller amounts, on average. This would avoid having households use up much of their income and wealth to pay for a drug that the country's health system does not provide, or to cover the fee for life-saving surgery as an alternative to being on an impossibly long waiting list in the public system.

"it remains the Fund's core objective to cover every eligible person regardless of social, economic and cultural dynamics"

The health benefits of insurance are positive and clear, but the evidence indicates another profound social benefit: With insurance, a family can avoid a large shock to its wealth, and it can greatly reduce its financial vulnerability.

A majority of Kenya's population receives healthcare services from the public sector. The range of services include preventive, promotive, curative and rehabilitative. Preventive services include routine childhood immunisations and environmental activities to control mosquito breeding which in turn reduce malaria transmission. Promotive services are mostly educational services provided to the general population on healthy lifestyles and available interventions. Curative and rehabilitative services include all treatment activities available at hospitals and other healthcare facilities.

To achieve these functions, the Kenya Government has traditionally run a network of healthcare facilities staffed by Government employees and run directly by the budgets allocated by the government from public resources.

Worthy of note in the Kenyan healthcare provision are the National Insurance Health's(NHIF) efforts to ensure that services are made available, affordable and at close proximity to where citizens live irrespective of their economic status.

Since its establishment 50 years ago, NHIF has made great strides on its mandate of offering health coverage to Kenyan residents. It remains the Fund's core objective to cover every eligible person regardless of social, economic and cultural dynamics. The Fund is keen on enrolment of more members and improved customer care. The 2014-2018 Strategic Plan is very clear on registration and strong customer relations as key objectives in the NHIF growth plan. This calls for a new approach in engaging members.

Towards this end, NHIF embarked on a massive campaign on marketing activities aimed at reaching members where they are. The campaign dubbed Supacover was specifically designed for voluntary membership. With the drive, NHIF went to meet people at their door steps, in their places of work, to not only talk to them about its products but also respond to their questions and feedback on the Fund's products and benefits.

The marketing activities were done in partnership with Population Services Kenya (PSK), where a comprehensive below-the-line (BTL) campaign aimed at raising awareness and user experience among the people was rolled out. The Supacover campaign has also ensured NHIF stands out as the ultimate insurance cover for this group. This was achieved through road shows to reach a wider population and create excitement among the target group and Interpersonal Communication (IPC), which entails one-on-one interaction to convince the public to register for the health cover.

The Supacover registration drive kicked off in Mid-May 2016 and has been a successful campaign. The drive which happened in Nyanza, Rift Valley, Eastern, Coast, Nairobi and Central regions enabled the Fund to enrol an average of 70,000 new principal members every month. NHIF normal services are available in 98 branch offices and 46 Huduma active Centres across the country.

It is worth noting that NHIF is committed to listen to all stakeholders, stay alert to market and world-trends within the health sector, to ensure the reality of Universal Health Coverage. This continuous journey has seen the roll-out of new benefits such as:

- Outpatient treatment;
- Inpatient treatment;
- Maternity package;
- Renal dialysis;
- Kidney transplant;
- Radiology package (MRI & CT Scan);
- Oncology package (chemotherapy & radiotherapy;
- Rehabilitation for drugs and substance abuse
- Chronic diseases package (diabetes & hypvertension);
- Surgical package for both major & minor surgeries
- Specialised Lab Test.

In order to ensure every NHIF member has access to these services regardless of the part of the country where they live, NHIF has abolished the accreditation fees of Ksh. 50,000 and Ksh. 100,000 for public and private health care facilities in order to ensure as many facilities as possible are accredited to offer services including the upcoming ones like the Government driven free maternity cover.

Article by NHIF

Ref:

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- *Healthcare in Kenya; Wikipedia*

Insurance Brokers; their role in industry growth

The underwriter, broker and the consumer form a symbiotic relationship through which their mutual loyalties are recognised and nurtured

By Brian Rop

The role of insurance brokers in the growth of insurance the world over is unquestionable and has been acknowledged for centuries. All over the world, insurance products are distributed through either intermediaries or as direct business to insurance companies. According to the Insurance Regulatory Authority 2015 Annual Report, of the total underwritten premium, insurance brokers contributed 41 per cent under short-term insurance and 22 per cent under long-term business. Direct business accounted for 12 per cent and 15 per cent respectively, while the balance was underwritten through agents. It is of importance to note that customers need to make informed decisions in choosing correct products that suit their business interests. Traditionally, the function of the broker was to advise the insured on a suitable insurable program by improving the current portfolio and in addition, attract suitable insurers on the best terms. In the absence of this opportunity being provided to the broker to bring to the table his experience in drafting the policy wordings or for that matter in improving the rates, a question is often raised as to what is the value addition that 144 insurance brokers can bring to the transaction. In the modern setup, the most important and crucial role that a broker plays, which all of us would appreciate is the increased level of informed "decision making" by the insured through retaining or transferring their risks to the most competitive insurance company.

This has been possible through re-engineering of business processes such as risk management as evident in modern insurance brokerage.

As the concept of risk management is being embraced, brokers are particularly tapped in for advice by corporate entities on how to minimise insurable losses; such as the scope of cover required to cover the risks that need to be insured against, the types of risks which a

company would avoid, transfer to an insurer or find more economical ways to minimise and retain. As insurance brokers use analytical tools, more so scientifically to analyse risk, they refine information in form of advisory supported by a clear decision trail and logic to help corporates make strategic decisions about the risks they face as well as the mitigation measures to be deployed. In this regard, the growth an insurance industry is anchored on how best practice using sophisticated information in the form of risk management is relayed. It is evident that most corporate customers only venture infrequently into the insurance market while sourcing for quotations whereas the insurance broker is always in constant contact with insurance providers hence an excellent knowledge of various insurable products available, their terms and conditions, and more generally, the risk appetite of various insurance companies. In spite of telemarketing, e-commerce and direct selling by insurers, intermediaries, particularly the brokers will continue to play a vital role in arranging cover and providing their expertise in the event of claims. Thus, insurance brokers enhance market performance by their coordination of market activities, which is often an exceptionally time consuming activity for consumers.

"to increase insurance penetration in the country, innovation will be a catalyst in achieving industry growth as aspired"

To increase insurance penetration in the country, innovation will be a catalyst in achieving industry growth as aspired. Advancement in technology is transforming the traditional roles of the broker and the consumer. The broker is gradually evolving into the new role of the facilitator. He identifies risk gaps in the market and facilitates the fulfilment of these needs by collaborating with underwriters to provide the insured with customised products. In this process, the underwriter, broker and the consumer end up forming symbiotic relationships, where their mutual loyalties are recognised and nurtured. In eras, when the broker was absent, the consumer was taken for granted; he was a docile underdog in the world of insurance. Business opening hours, mode of payment, suite of products and range of services were all dictated by the underwriter at his sole discretion.

Dissatisfied insureds were pushed aside and the queue for buying the products continued to be filled in by the less demanding and more subservient consumers.

However,the unprecedented sea of change brought in by insurance brokers in post liberalisation of the insurance industry has resulted in a new movement where consumer delight is the buzz word. We have witnessed this in the banking and telecom sectors, "the agency banking model" and "the hybrid of dealers and agents" respectively in our country in the last decade. Therefore, there is no reason why it will not be a game changer in increasing insurance penetration within insurance sector in the next decades

Handling, overzealous and well informed consumers who are increasingly demanding to satiate for themselves the best of services, thanks not only to the purchasing power but also due to the variety of choice, confronting them is going to be the order of the day. Though quality of product becomes the focus area together with price sensitivity, the moves made by the different players in the market clearly herald a drive towards consumer retention and the insurance broker is better placed in cementing relationships with the right information. Hence focusing on the three principles "People, Relationship and Service" the 21st century insurance broker will immensely contribute to the growth of the insurance industry not only in Kenya but all over the world.

In Kenya, there are 144 insurance brokers; six of them being reinsurance brokers.

Brian Rop is Group Business Manager at Liaison Group

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ARE YOU A RELIABLE NARRATOR?

Changing the narrative; the way to higher penetration

This industry requires only one gallant insurance sales person, only one bold CEO who will say enough is enough

By Martin Muteti

Insurance is a principal driver of an economy and life. It delivers the critical ingredient for both the economy and human life. To the insured, it delivers peace of mind subsequently making them more focused. When people are at peace with themselves, they are at peace with the economy are they are capable of transforming it. This is because they do not have fear about their future and they do not carry any uncertainty with themselves.

Shift the paradigm

It is time the insurance sub sector approached selling of insurance products and services from the above perspective. Insurance contributes a great deal to peace and prosperity of a people and an economy. Let us stop counting clients as statistics. Let us count them as healthy responsible citizens at peace with their present and future that we have empowered and continue to empower. Let us change our narrative from the amount of money we are making (read company turnover) to telling our potential clients how many others we've made to be at peace with their present and future. Peace of mind is an emotion. Emotions sell and drive this world. Human beings never argue with positive emotions. Selling and buying is over 85 per cent driven by emotions. The Human being can pay anything to satisfy a positive emotion. Hook into this and watch your bottom line. Stop the old narrative; it's tired, same and flat.

This calls for rewiring our minds and those of the sales staff. An emotion is not sold in a day. Selling emotions is a process, and you sell them to the heart—you must win the confidence of the potential client. This means you must make them your friends first. We do business with friends. To a great majority of sales people, clients and potential clients are just numbers and bodies that remit money to the company every end-month. The great opportunities that lie ahead for the insurance industry shall be tapped into by those that sell emotions to their real business partners.

Study consumption trends

The next mega opportunity lies in studying consumption patterns and identifying who holds the command. This is not rocket science or brain surgery. Start by asking yourself, between the male and female gender who subscribes to peace of mind more? The answer is obvious; women. Whatever business that you are in,

insurance included, please remember; it's a woman's world. Why?

1. Women are emotional buyers. So, once they buy the product from your company, you have them for life unless you disconnect the emotion. That means you can have higher retention rate among female clients.
2. Women think "trust"; men think "respect." Prove thyself trustworthy to them and you have them forever.
3. Women think "we", men think "me" That tells you that you can get more referrals from women than men.
4. A big number of women affiliate/pull together, to deliver "what we have in common". On the other hand, men are natural competitors. They think "differentiation", how different I am from all of you. That's why you have more women chamas than men. It's because majority of the men want to prove they are better than all others while the women carry a mentality of "Look how much we have in common and done with each other."

This is a woman's world. Tap into it and your business shall never lack: Ignore it and you will always be fluctuating.

The next big thing is to ask yourself, where to get the women. Where do they congregate? Where do I meet them in their relaxed mood and element? How about if we pitched tent in their gatherings, friendly sessions, became friends and in the process sell to all of them? Ask any woman you meet after reading this article where you can get her and her friends in their relaxed mood and in their right element and you will be surprised at how we miss opportunities.

"emotions are not sold in a day. Selling emotions is a process, and you sell them to the heart"

Know your new customer

Behold the customer of your future! Therein lies another great one. If your current customers are aging, who will be your customer tomorrow? When do most of us get to hear about insurance? For most of us, we meet strangers called insurance salespeople after getting our first job. Guess what, as an industry, we are telling the young and growing that we don't care about them. How about introducing insurance messages to children in schools? How about making them interact and love insurance from a tender age?

The father of marketing in this century, Professor Phil Kotler, says that marketing is that business practice that makes selling irrelevant. Marketing makes selling automatic. The marketing messages prepare the client so well that selling becomes like preaching to the converted.

The final great opportunity lies in service. Anybody and any insurance company can sell by giving an enticing promise to the client. However, what happens after you have brought the client on board is more important, otherwise your company can become a clearing house.

Invest in the 'financier'

Customer service is the only differentiating factor in business. How you treat the customer determines whether you will be in business for long. All businesses are funded by the customer. Invest heavily in customer service and be ruthless to those who frustrate the customer. Be ruthless to those who hoard information from the customer. Re-look your internal systems and if they delay or hoard customer information, replace them. Get out of your offices and go to the field. Have a feel of your customers: Let them give you a piece of their mind. Remember, money is made in the field. If you think that is too hard, please remember, you can manage the business so well from the office until you close down.

This industry requires only one bold insurance sales person, only one bold CEO who will say "enough is enough with sameness, enough is enough with rigidity", and tap into these great opportunities. After all the bulb was not made by improving on the candle. The future is great but only for those that create it today.

Martin Muteti is a Management Consultant at ACT Consulting Ltd

YOU ARE STRONGER THAN YOU THINK

A Stronger Insurance Sector; the steps to take

For insurers to confidently "up their game", they need to understand why penetration and density are so low

By Aram Kaboro

Sub-Saharan Africa (SSA) presents a lucrative economic growth frontier in the world. For the past ten years, the region's economy (taken as a whole) has grown between five and seven per cent per annum (well above the world average). During this period real income per person in the region has increased by more than 30 per cent.SSA has managed to maintain economic growth and macro-stability in spite of the global financial crisis and a turbulent euro zone. Almost all countries in the region outperform EU nations with regards to public debt. Goods and services that were once rare are now widely available. Three quarters of Africans have mobile phones, the same as India. Nigeria produces more films than America. International corporates have been falling over themselves in the scramble for a piece of the pie. There are mega-economic projects being undertaken especially in infrastructural development that promise to open up the region even further for investment. Nevertheless, is insurance the region growing in tandem with other sectors?

Insurance penetration in SSA is not 'encouragingly' growing. South Africa accounts for almost 80 per cent of all premiums in the region and the country has an insurance penetration rate of about 13 per cent, well above the developed world average. Of the rest, Kenya is among the most advanced, with a penetration rate of three per cent. Nigeria, in comparison, is about 0.3 per cent, even though it is Africa's largest economy.

Kenya presents a 'cosy' insurance growth landscape. The country has a young population, a growing middle class—most with smart phones—and an increasingly large Diaspora coming back or remitting money for investment back home. There is a whole new generation of savvy consumers with disposable incomes. There is rapid urbanisation, giant infrastructure projects, new energy schemes and growing industry: Devolution is already spurring a burst of activity in previously marginalised areas. Insurers are up for better times but several factors will determine the rate of growth in the industry.

The industry has to devote more resources to product design, customer education and distribution. Insurance should not just be about affordability but an experience that is accessible, simple enough to communicate and won't create confusion but incentives.

The penetration rate in the country should be an opportunity for insurers. However, this is true only if conditions permit penetration and density to increase in the medium to long term. For insurers to confidently "up their game", they need to understand why penetration and density are so low, and if these conditions are going to change soon. Low penetration rate is a double-edged sword: While it represents an opportunity for insurers, it will only bear fruit if economic conditions are given so that penetration and density are allowed to increase in the medium to long term. Some of these conditions relate to the regulatory environment and political stability, but the most interesting ones actually depend on insurers themselves. Indeed, one of the reasons for Kenya's low penetration and density is the insurers' risk appetite, the type of population segments they target and the products they deploy. Most insurers have for a long time targeted mainly the group insurance market and the upper five per cent of the economic strata: It has been the norm to design products targeted at the upper and middle classes. This is now changing with several insurers targeting the bottom of the pyramid with microinsurance products and partnering with retailers and telecom firms to distribute cheaper and simpler products to the underserved and younger customers. Demand seems to be ready for these products, and uptake has been high.

Mobile technology has helped some insurers to tap into niche markets of low-income people using alternative, informal insurance systems. Insurance-on-the-go has now become a reality and is enabling insurers reach out to customers in far-flung areas which in the past were a challenge for even the most aggressive of agents. Social media on the other hand has ushered in a marketing platform that is cost-effective: Coupled with the diverse electronic media (TV and FM stations) social media presents a great opportunity for insurance penetration but only if utilised to the uttermost, and with well-crafted product marketing strategies.

A recent report by KPMG estimates that premiums in SSA would, on average, be 20 per cent lower if it were not for fraud. The impediment plays out in Kenya and has been a 'headache' to many an insurer. The industry needs to address the 'evil'. Insurers must interrogate why people think that making a false or exaggerated claim is an easy way to make a quick buck? Why is there a perception that you are unlikely to get caught? And why do some otherwise honest people view insurance fraud as a means to 'get their money's worth' from the premiums they pay?

Delayed claim settlements may be one of the major causes of the foregoing scenario. Insurers must strive to settle claims in record time in a bid to stem the vice and win the confidence of their customers. There should be heightened fraud deterrent structures in place across the industry, and there should be no let-up in identifying, deterring and enforcing against fraudulent activity. But more needs to be done to understand why otherwise honest people commit fraud. Why do so many think it is acceptable to exaggerate a claim or, in some cases, to claim for something that has not happened?

"the industry has to devote more resources to product design, customer education and distribution"

Our insurance industry may be the fast growing in Africa but we still have a long distance to cover to be at per or even surpass the best in the continent—South Africa. This can only be achieved through a raft of strategies and reforms, some of which we have discussed above.

Aram Kaboro is the consulting editor for this journal

- *Willis Towers Watson: Sub-Saharan Africa, Insurance's New Frontier for Patient Innovators*
- *Clyde & Co: The African Insurance Market in 2014, Opportunities and Challenges*
- *Financial Times: Africa's insurance market, a 'giant waking up'*

Benchmarking; should insurance be rated higher than other industries on corporate governance?

Good governance must be reflected mainly in claims settlement as the business of an insurance company is paying claims

By William Kiama

Insurance companies play an important financial intermediation role in the economy; they assume the financial risk that individuals and corporations would find difficult to bear alone. Insurers also offer investment and savings instruments to the general public. In 2015, the gross premium income amounted to Ksh. 173.8 billion. Members of the public therefore willingly gave these funds to insurance companies in return for a promise.

Corporate Governance is understood as a system of financial and other controls in a corporate entity and broadly defines the relationship between the Board of Directors, senior management, shareholders and the stakeholders. Corporate governance includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. Timely and accurate disclosure on all material matters regarding the insurer, including the financial situation, performance, ownership and governance arrangements, is part of a corporate governance framework. Corporate governance also includes compliance with legal and regulatory requirements.

The Corporate Governance framework should clearly define the roles, responsibilities and accountability within an organisation with built-in checks and balances. The importance of Corporate Governance has received emphasis in recent times since poor governance and weak internal controls have been associated with major corporate failures. Though failures and eventual closure of some insurance companies may not have been documented, issues of corporate governance have been cited as the major causes.

In case of the financial services sector—where the entities accept public liabilities for fulfilment of certain contracts—the relationship is fiduciary with enhanced responsibility to protect the interests of all stakeholders. Safety and financial strength of insurance companies are critical to the overall strength of the financial services sector. The introduction of risk-based supervision in the insurance industry will go a long way in ensuring that insurance companies are underwriting risks that they are capable of servicing.

An insurance company gives the insured a promise to pay some amount of money on the happening of a specified event. Unlike the ordinary purchase of goods and services, the insured pays the premium based on a promise to be compensated if a certain event occurs. What the insured takes home is may be a receipt for the premium and a document (mainly a cover note) promising to compensate at a future date if something happens. The policy document is issued thereafter.

Claims payment is not automatic. Once the specified event occurs, the insurer will need to consider whether some of the basic principles have been breached by the insured, including payment of premium. They will also consider whether the insured had complied with all policy conditions and warranties. Based on the assessment, the insurer takes a decision to pay the claim or repudiate the same. The average person lacks confidence in insurance due to the suspicion that claims will not be paid. There is therefore a need to operate prudently and raise the confidence of customers in relation to claims payment.

Insurance operates under some basic principles which includes; Utmost good faith, indemnity, insurable interest, contribution and subrogation. The principle of utmost good faith is our main focus here. It requires the insured to disclose all material facts relating to the risk. A material fact is any information that would affect the decision of a prudent insurer in deciding whether to take up a risk or not, and at what terms. The duty lies squarely with the proposer as this is the person who knows all the facts relating to the risk. Where a material fact has not been disclosed to the underwriter, a claim may be repudiated on that basis. We retaliate here that the undisclosed fact must have a bearing to the decision of the underwriter.

Insurance companies collect money from the general public and in return give promises to pay. For a member of the public to "take home the promise" of compensation, they must have a big faith in the institution. Remember, the general public does not know who are the directors of this company nor the employees. They have just entrusted their money with the institution, with the believe that they will get value of their money if the insured event happens. This therefore calls for the need to raise transparency and disclosure for insurance companies.

Life Assurance policies are long term in nature. They take a long time to mature—sometimes 15 or 20 years. To convince a customer to be paying a monthly premium for a benefit that will be paid after 20 years, their degree of confidence in the insurance company must be quite high. On the other hand, we have policies whose benefits are payable upon death of the policyholder. The policyholder may be the only bread winner of the family and the only person who can deal with "complicated matters". Insurance companies must therefore convince the general public that such payments will be made even in the absence of the policyholder. The degree of confidence is very important here and good governance must be reflected mainly in claims settlement as the business of an insurance company is paying claims.

For a customer to select a particular insurance company among the many that are registered in Kenya, the insured must be convinced that the directors of the company have to meet the "fit and proper" criteria. The criteria to be satisfied, at a minimum, would relate to integrity demonstrated in personal behaviour and business conduct, soundness of judgment and financial soundness. Likewise, they must be convinced that the senior managers of the company also meet a certain criteria and also high level of integrity. They must be seen to be protecting the policyholders' interests and ensuring transparent fair play norms for the market operators.

The insurance business in Kenya is mainly understood by the chosen few. Most of the proposers would take out insurance since they have heard a confession from a friend or simply because it is compulsory. The underwriter is the person who understands the product and the insured believes most of the statements made by the insurer. Any unethical practices or unclear terms works to the detriment of insurers. It does not matter which company is involved in unethical practices. It affects the whole insurance fraternity and lowers the confidence levels of the customers. The management of insurance companies should build strong corporate governance frameworks that create an empowered board of directors, a solid control environment, increased levels of transparency and disclosure. Insurance companies must have a higher benchmark in terms of corporate governance than all other organisations as they sell an intangible service which is required only when one is unfortunate. Banks will also fall in this category.

> **"there is therefore a need to operate prudently and raise the confidence of customers in relation to claims payment"**

To invest profitably in an insurance company, the following basics must be understood by the shareholders and the management team as a whole: The company must be rated highly by the general public in terms of corporate governance issues; the business of an insurance company is to pay claims which should be paid promptly and all claims are payable unless proved otherwise, which must be brought out clearly to the insured.

William Kiama works with the Association of Kenya Insurers

Obesity in Children; how to check the condition

Limit sugar laden beverages, soft drinks as well as fat and greasy foods, processed foods and junk food

By Kate Kibarah

Obesity simply means having too much body fat and it is important to note that it is different from being overweight, which means weighing too much. Both terms mean that a person's weight is greater than what is considered healthy for his or her height. Body mass index (BMI) is used to measure the amount of body fat for both adults and children and ituses height and weight measurements to estimate a person›s body fat.

Is your child obese?

Children grow at different rates, so it is not always easy to know when a child is obese or overweight therefore working closely with your healthcare provider helps you identify this. Once your child's BMI is known, it can be plotted on a standard BMI chart for children aged two to 19 as stipulated below; A child with a BMI;

Below the 5th percentile is known to be Under weight

- At the 5th and less than the 85th percentile is known to be of Normal Weight
- At the 85th and below 95th percentiles is known to be Over weight
- At or above 95th percentile is known to be Obese

BMI calculations are not used to estimate body fat in babies and young toddlers. For kids younger than two, doctors use weight-for-length charts to determine how a baby's weight compares with his or her length.

Any child who falls at or above the 85th percentile may be considered overweight.

Why is obesity in children on the increase?

Sedentary lifestyles:Today, children are spending more time watching TV or with electronic devices from playing Video games or on the computers to phones and tablets while spending less time actively playing outside.In other words, many children spend almost all of their after school-free time in front of one screen or another.

Poor eating habits: Parents on the other hand are busy with daily schedules so jam packed thus have fewer free moments to prepare healthy nutritious meals for their children. The society has changed as well and unhealthy eating habits have become part and parcel or our day to day living. Much of what we eat is quick and easy, from fat laden fast food to microwave and pre-packaged meals. Inother cases children have refused to eat healthy and dictate their eating habits.

Other factors such as genetic syndromes, endocrine problems, and medicinesor a combination can be linked to excessive weight gain.When it comes to genetics genes can play a role in what kids weigh. Our genes help determine body type and how the body stores and burns fat just as they influence other traits. Genes alone however

cannot explain the current obesity crisis. Because both genes and habits can be passed down from one generation to the next, multiple members of a family may struggle with weight.It is important to note that people in the same family tend to have similar eating patterns, maintain the same levels of physical activity, and adopt the same attitudes toward being overweight. A child's risk of obesity greatly increases if one or both parentsare overweight or obese.

The risks

Obesity increases a child's chances of developing medical problems that can affect their present and future health. These include high blood pressure, type 2 diabetes, elevated blood cholesterol levels, hyperlipidemia, liver and renal disease, and reproductive dysfunctionwhich were all once considered adult diseases. There are also psychological effects like low self-esteem, negative body image and depression and may be teased, bullied, or rejected by peers. There is the risk of developing unhealthy dieting habits and eating disorders, such as anorexia nervosa and bulimia and at risk for substance abuse in some cases.

In addition, there is also the risk of bone and joint problems, shortness of breath that makes exercise, sports, or any physical activity more difficult and may make asthma symptoms worse or lead children to develop the condition. Others are restless sleep or breathing problems at night, such as obstructive sleep apnoea. There is also the tendency to matureearlier and as overweight kids may be taller and more sexually mature than their peers, raising expectations that they should act as old as they look, not as old as they are. Overweight girls may have irregular menstrual cycles and fertility problems in adulthood as well.

Cardiovascular risk factors including high blood pressure, high cholesterol, and diabetes that develop in childhood can lead to heart disease, heart failure, and stroke in adulthood.

How to make it better

The healthiest way to change weight is gradually. Small but permanent changes in eating and physical activity may work better than a series of short term changes that cannot be sustained.

It starts with you. If you eat well, exercise regularly, and build healthy habits into your daily life, you are modelling a healthy lifestyle for your children. Talk to them about the importance of eating well and being active, but make it a family affair, a whole family approach that will become second nature for everyone.There are many ways of doing sosuch as getting your children involved by letting them help you plan and prepare healthy meals. You could also take them along when you go shopping so they can learn how to make good food choices.

Try not to reward your children for good behaviour or to stop bad behaviour with sweets or treats. Come up with other ways to change behaviour. Think about the snacks you pack for them to eat at school, during an outing or as normal daily snacks as well. There are many options to healthy snacking that you can work with from fruits, fresh juices, nuts and seeds, healthy candy and cakes, to yogurt and so on.

"Obesity simply means having too much body fat and it is important to note that it is different from being overweight"

Remember if you became very strict - especially on food - they may rebel and overeat these forbidden foods outside the home or sneak them in on their own. Spoil them once in a while and or let them know they can still eat these foods but healthy foods first and should dominate their diet. Serve a variety of healthy foods and eat family meals together as often as possible. Encourage them to eat breakfast every day, must have fruits and vegetables daily. Limit sugar laden beverages, soft drinks as well as fat and greasy foods, processed foods and junk food.

Cut down on TV, computer, and video game time and discourage eating in front of a screen. Encourage your children to be physically active. Make them play outside, engage them in other physical activities like swimming, playing games, walking and so on. Above all, let your children know that you love them no matter what their weight.

Other recommendations

For a child up to the age of one, breastfeeding is recommended as this may help control how much they eat.In addition to its many health benefits, breastfeeding may help prevent excessive weight gain.

It is recommended to start good habits early for children up to the age of five. This is the time to teach them on healthy eating. This helps shape food preferences. From the ages of six to12, put them on daily activities whether through organised sports, or home made games like playing in the yard, walking or cycling. At this age, let them be more involved in making good food choices, such as packing lunch and choosing healthy menus.

The crucial time is when they are teens. Teens like fast food, but try to steer them toward healthier choices like grilled chicken sandwiches, salads, and smaller portion sizes. Teach them how to prepare healthy meals and snacks at home. Encourage them to be active every day.

Kate Kibarah is a Clinical Nutritionist & Colon Hydrotherapist

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