ASSOCIATION OF KENYA INSURERS

INSURANCE SALES AGENTS HANDBOOK

BECOMING AN EFFECTIVE INSURANCE SALES AGENT

AKI

ASSOCIATION OF KENYA INSURERS

CONTENTS

TO THE READER

This handbook has been developed by the Association of Kenya Insurers (AKI) with the aim of sharing knowledge on the insurance industry with insurance sales agents, both new and established. The book also provides information on sales skills development that will take your agency business to the next level.

Technological advancement notwithstanding, the role of insurance sales agents in distributing insurance in Kenya and the world at large remains critical.

This handbook begins with an overview of the insurance sector in Kenya. In particular, it identifies and defines the role of the various players in the industry and the key indicators used to gauge industry performance and growth. It is important to note that insurance operates within the confines of Kenyan laws and these may change from time to time. You therefore need to keep abreast with the changes in law that affect how insurance operates.

The second part of the book delves into the sales cycle from undertaking a needs analysis, selling and customer service. The last part of the handbook provides detailed information on both life and non-life insurance products.

This handbook has been designed to make learning about insurance simple and enjoyable. Given it is a learning tool, we have also provided you with pages to put down your notes.

We believe this handbook will provide you with a good foundation and reference point as you start off and grow in your insurance sales career.

E-mail us via info@akinsure.com with your feedback.

Happy learning.

Mr. TOM GICHUHI
Executive Director
Association of Kenya Insurers

CHAPTER 1

INSURANCE INDUSTRY OVERVIEW

In this Chapter, we will shed more light on how the insurance industry relates to the economy, who the players in the industry are as well as provide descriptions for common terms used in insurance business.

Insurance and the Economy

1. **Insurance provides safety and security:** Insurance provides financial support and decreases the impact of risks in economic and social life.
2. **Insurance creates financial resources:** Insurers mobilize domestic savings which generate massive pools of capital. This capital is then ploughed back (Invested) into the economy through a variety of channels including government papers, equities and others.
3. **Insurance contributes to GDP:** One of the main macroeconomic indicators of a country is Gross Domestic Product.

   Insurance contribution to the economy is measured as a factor of the Gross Domestic Product (GDP), the result is referred to as insurance penetration.

   $$\frac{\text{Gross Written Insurance Premium x 100}}{\text{Gross Domestic Product}} = \text{Insurance Penetration}$$

4. **Insurance increases savings:** Insurance encourages people to save for a variety of goals. For example life insurance helps one to develop a saving habit since premium is paid regularly. Saving for retirement also requires long-term discipline.
5. **Insurance transfers risk:** Insurance helps individuals and businesses transfer the risk of financial loss to the insurer. This helps create a stable economic environment especially when disaster strikes.
6. **Insurance gives medical support to society:** Medical insurance is considered essential in managing risk in health and this plays a great role in the health and wealth of a society.
7. **Insurance provides employment opportunities:** The insurance industry has many players and these players provide employment to thousands of Kenyans.

PLAYERS IN THE KENYAN INSURANCE INDUSTRY

The Kenyan insurance industry has many players and it's important for an insurance agent to know the various players who influence the industry.

Insurance Regulatory Authority (IRA)

The Insurance Regulatory Authority (IRA) is a statutory government agency established under the Insurance Act to regulate, supervise and develop the insurance industry. As the regulator, IRA licenses all players in the industry.

IRA works with industry players in achieving the following fundamental insurance regulatory objectives:

i. Ensure compliance by insurance/reinsurance companies and intermediaries with legal requirements and sound business practices;
ii. Promote voluntary compliance;
iii. Set clear objectives and standards of intervention for insurance/reinsurance companies and intermediaries or type of intervention;
iv. Protect consumers and promote high degree of security for policyholders;
v. Promote efficient, fair, safe and stable markets;
vi. Maintain the confidence of consumers in the market;
vii. Ensure insurance/reinsurance companies and intermediaries remain operationally viable and solvent; and
viii. Establish a transparent basis for timely, appropriate and consistent supervisory intervention, including enforcement.

Insurance Companies

An insurance company is a financial institution that provides a range of insurance products to protect individuals and businesses against the risk of loss.

An insurance company operates by pooling risks from a large number of policyholders with the calculated risk that not all policyholders will claim at the same time.

There are three main types of insurance companies in Kenya;

i. Life Insurance companies- these carry out life insurance or long term business only
ii. General (also called Non- Life) Insurance Companies- these carry out general insurance or short-term business only
iii. Composite Insurance companies- these carry out both Life and General Insurance business.

Reinsurance Companies

Reinsurance is insurance for insurers. Reinsurance happens when an insurer transfers a portion of the risk to a reinsurer through a reinsurance treaty.

The aim of reinsurance is to reduce over exposure and guarantee business continuity in the event of huge claims.

Insurance Brokers

An insurance broker is a professional who represents consumers in their search for the best insurance policy for their needs. They work closely with their clients to research coverage, terms, conditions, and price and then recommend the insurance policy that best fits the bill. They also assist their clients in claims processing.

Insurance Agents

An insurance agent is a representative of an insurer who negotiates and sells insurance contracts to clients. Insurance Agents can be independent agents or tied to one insurance company.

Association of Kenya Insurers (AKI)

The Association of Kenya Insurers is the umbrella body for all insurance companies in Kenya. AKI is governed by an elected board of directors who are CEOs in the member companies. AKI's mandate includes promoting cooperation among its members, protecting and prompting the members' common interests, raising awareness about insurance, market research, and industry capacity building.

AKI's day-to-day activities are carried out by a Secretariat led by an Executive Director.

Association of Insurance Brokers of Kenya (AIBK)

The Association of Insurance Brokers of Kenya (AIBK) is the umbrella body for all Insurance Brokers in Kenya. It represents its members' business interests.

College of Insurance

The College of Insurance is the industry training center and undertakes various training programs in insurance matters to meet industry needs.

The College offers classes for various levels of certification to individuals wanting to remain relevant to the industry. These include Certificate of Proficiency (COP), Diploma in Insurance as well as several other training programs targeting industry players and professionals.

Insurance Institute of Kenya

The Insurance Institute of Kenya (IIK) is the umbrella body for insurance professionals in Kenya. Professionals who join the Institute benefit from professional recognition, continuous professional development, building and growing networks and mentoring/ mentorship opportunities.

It is recognized by the Insurance Regulatory Authority as the industry professional body.

Reinsurance Brokers

A reinsurance broker is a professional who represents an insurer in their search for the best reinsurance treaty. This involves seeking the most competitive rates and terms, technical advice on risk management and also assistance in claims processing on behalf of the insurer. The reinsurance broker earns a commission from the reinsurance company.

Insurance Investigators

An insurance investigator is a professional who examines insurance claims to weed out any fraud. They investigate every detail concerning the claim filed to determine the facts behind a suspicious claim.

From their investigations, they provide a report to the insurance company that will either approve or disapprove the claim. They also provide testimony when a case is taken to Court.

Motor Assessors/ Valuers

These are professionals licensed by IRA to carry out the business of assessing/ valuing vehicles before or after an accident. They can be hired by insurance companies or individuals.

They are also used by banks to establish the value of vehicles on loan or vehicles that are being used as collateral for loans.

Insurance Surveyors

An insurance surveyor is a person who engages in surveying risks and in advising on the rate and terms and conditions of premiums including making suggestions for improvement of the risks. In the marine insurance business, it includes a person who surveys or assesses the losses on behalf of the insured.

Loss Adjusters

A loss adjustor also known as loss assessors, are professionals who do the business of assessing, investigating, negotiating and settling losses on behalf of the insurer or the insured.

Claims Settling Agents

A claims agent is a professional who is appointed by the insurance company to settle or negotiate an insurance claim. They pay claims on behalf of an insurance company. A claim agent investigates the circumstances that led to the damage or loss; evaluates the claim based on the terms and conditions provided in the policy and determines the most appropriate compensation.

Risk Managers

A risk manager works with an organization to help them identify, measure and evaluate the risks that can affect them and their profitability. They assist the company in risk management which involves developing strategies to minimize, eliminate or transfer identified risks.

An organization might be exposed to three types of risks;

- ***Strategic risk*** which occurs when a company's business plan is altered due to technological changes, new competitors etc.
- ***Compliance risk*** which may occur when the company does not comply with relevant laws and regulations.
- ***Reputational risk*** which occurs due to lawsuits, negative publicity and criticism about company's people, products and services.

Medical Insurance Providers (MIPs)

These are individuals or firms which act as medical insurance brokers. Medical insurance providers require the insured to pay regular premiums as per the specific agreement so that in the event of risk the policy can cover the expenses.

They differ from the medical insurers in that they do not undertake the risk, they act as a broker for medical insurance business.

GLOSSARY OF COMMON INSURANCE TERMS

Insurance – An arrangement where a company (or the State) undertakes to provide a guarantee of compensation for a specified loss, illness, damage or death in return for payment of a specified premium.

Insurer – Is the company that accepts risks after receiving premiums and pays claims.

Insured – Also known as Policy Holder. This refers to the person who has taken insurance and pays premium

Agent – A person licensed to sell insurance on behalf of insurance companies.

Broker – A licensed insurance professional who advises customers on insurance and sells insurance on behalf of insurance companies.

Underwriter – The person who calculates how much premium to charge for various insurance products and accepts or rejects risks on behalf of insurance companies.

Underwriting – The process an insurance company uses to decide whether to accept or reject an application for an insurance cover.

Proposal Form – This is an application form completed by a potential client for an insurance cover.

Policy – It is a formal contract /document issued by an insurance company to the insured (insured) setting out terms on which the insurance cover has been provided.

Policy period – The period a policy is in force, from the beginning or effective date to the expiry or end date.

Premium – The amount the insured pays an insurance company. It could be a one off payment or regular installments or as per the agreement with the insurer.

Claim – A request for payment when the insured event occurs as per the terms of the insurance policy.

Excess – This is the amount the insured is expected to pay when making a claim. The amount is specified in the policy.

Liability – The effects of your actions or lack of actions on others while undertaking your responsibilities.

Grace period – The time - usually 31 days - during which a policy remains in force after the premium is due but not paid. The policy lapses (expires) after 31 days if premium is not paid.

Lapse – The termination (expiry) of an insurance policy because premium has not been paid.

Cancellation Notice – Termination of an insurance policy by either the Insurance Company or the insured before the renewal date.

Renewal – Continuation of a policy after expiry date

First/ Second / Third Party – The first party is the insured, the second is insurance company and the third party is any other person(s) who may be affected by the insured actions.

Third- party claim – A claim filed by a third party against the first party's insurance policy.

Sum insured – It relates to the value of the insurance and this is the basis upon which premium is calculated and claim paid.

Co-pay – Often found in some medical insurance policies. This is the percentage of each medical bill the insured pays out of their own pocket.

Endorsement – A written agreement expanding or limiting the terms and conditions of a policy.

Rider – This is an additional benefit on a policy.

Exclusions or limitations – Provisions that exclude or limit coverage of a policy.

Towing coverage – This is motor insurance benefit that pays for towing charges when a car cannot be driven. It also pays labor charges, such as changing a flat tyre at the place where the car broke down.

Material misrepresentation – A significant untruth on an insurance application form which, if a company had knowledge of, might have rejected the application.

Pre-existing condition – A medical problem or illness you had before applying for health care coverage.

Beneficiary – The person, people, or entity who will receive benefits from an insurance policy or an annuity contract if the policy holder is deceased.

Accident – An unforeseen, unintended event.

Insurable interest – Any financial interest a person has in the property, person or liability.

Loss history – This refers to the number of insurance claims previously made by an insured. An insurance company will consider loss history when underwriting a new policy or considering renewal of an existing policy.

Market value – The current value of the asset you are insuring such as your home, motor vehicle etc.

Risk/Peril – An occurrence that can cause loss to an individual or a business for example fire, theft, death, accidents and others. A named-peril/risk policy covers the insured only for the risks identified in the policy. An all-risk policy covers all causes of loss except those specifically excluded.

Refund – The amount of money returned to the insured for overpayment of premium or when a policy is cancelled before the expiry or renewal date.

CHAPTER 2

BECOMING AN INSURANCE SALES AGENT

Introduction

Insurance sales agents play a critical role in distributing and increasing uptake of insurance products. A well trained and informed team of insurance sales agents can positively transform the insurance industry.

In this Chapter, we will look at what it takes to become an effective sales agent. In particular, the chapter will tackle, what it takes to get licensed as well as the nitty gritty of selling insurance.

As an insurance sales agent in Kenya, you can be an independent agent, meaning you can sell insurance on behalf of several companies. You could also be tied to a specific insurance company, via contract, meaning you only sell products from that company. Agents earn a commission from every sale they make. This is why, whether independent or tied, insurance agents run their work like a business.

This handbook has been developed with the intention of growing you and your business as an agent. The first step we would like you to take is to take time to go through the questions below and respond to them truthfully (we recommend that you write your responses down).

- *What is work?*
- *Why work?*
- *Why are you in the insurance business?*
- *What do you expect to get out of this business?*
- *How does your work affect your customers and the people around you?*
- *What are your plans for your agency business?*
- *What are your plans for yourself?*

Some of the things we have gathered over the years of engaging with successful and less successful agents is that if you can give your customers what they genuinely want, then your growth in the business is guaranteed.

Getting Licensed

Insurance falls under the larger financial services sector. It is therefore important for anyone selling insurance to have a grasp of insurance products, the insurance sector as well as the contractual relationship between them, clients and the insurance companies they represent.

When an insurance agent is engaged by an insurance company, the agent will be issued with a one year provisional license. During that one year, the agent is expected to undertake a Certificate of Proficiency (COP) administered by the College of Insurance. After acquiring the COP certification, the agent is expected to apply to IRA for a license. Failure to acquire the COP certificate within the stipulated time may lead to cancellation or non-renewal of the agent's insurance practicing license.

The Insurance Regulatory Authority (IRA) issues licenses to qualified agents annually via an online portal on their website.

The requirements to get a license include;

1. Log in to Online portal http://online.ira.go.ke/
2. For tied agents - confirmation by the Principal Officer of the Insurance Company that the tied agent has the knowledge and experience necessary to act as an agent. This includes a copy of the COP certificate
3. Documents of proof of nationality. Note that all agents must be East African citizens.
4. The current registration fee is Kshs.1, 000 payable to IRA
5. For independent agents- a certified copy of the business registration.
6. In the case of a Corporate Agent, the below will apply;
    - Certified copy of the business registration or a certificate of incorporation
    - A copy of the Articles of association or rules and regulations
    - Details of the shareholders or partners

Insurance sales agent's role in selling insurance

The biggest task of an insurance sales agent is identification of sales opportunities for insurance products to serve a portfolio of clients. This responsibility extends to helping clients clearly identify and adopt risk management strategies, providing after sales services such as claims settlement; and ensure client retention through policy renewals.

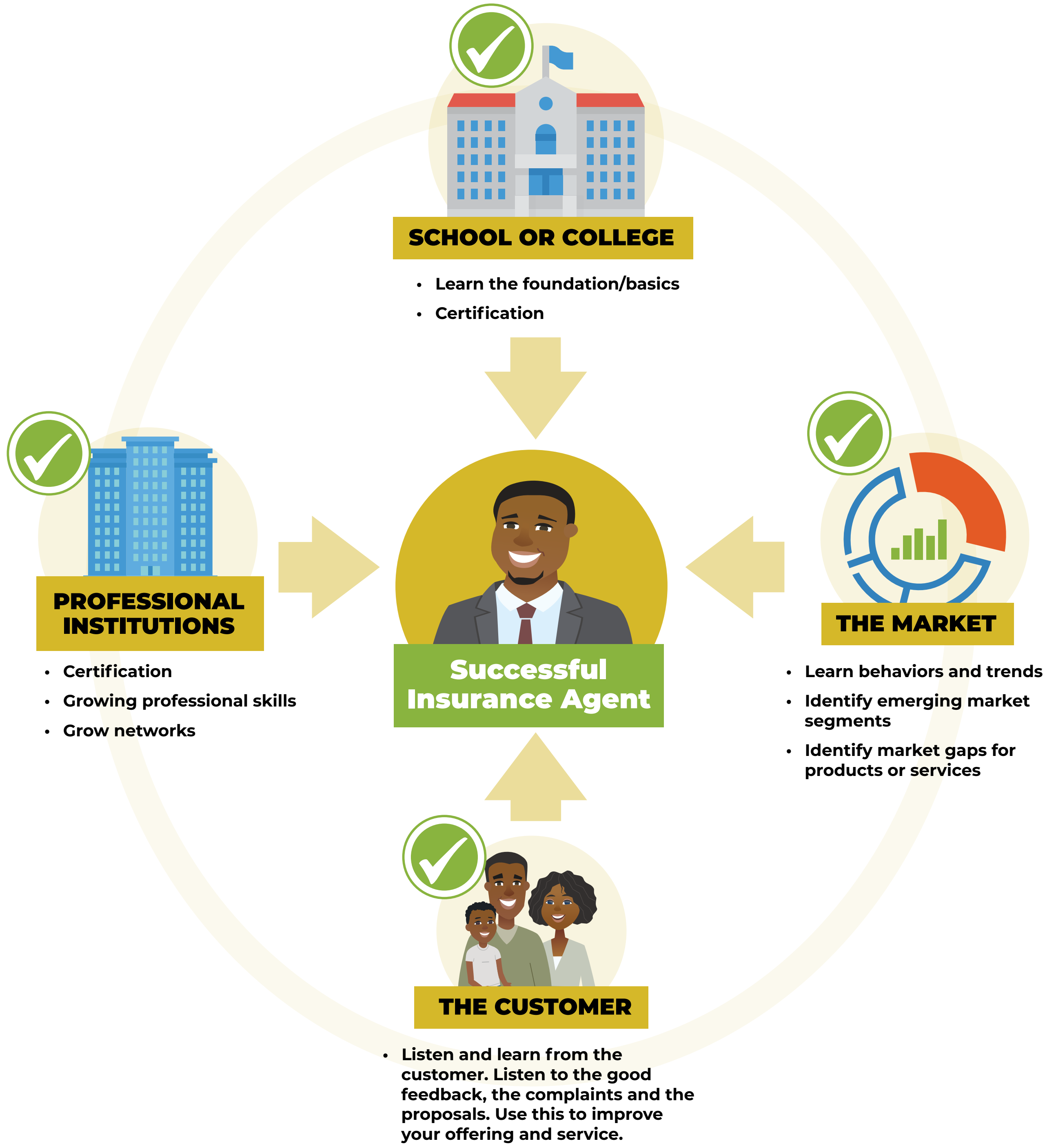
The roles include, but are not limited to;

1. Promoting and selling insurance products by drawing suitable strategies for product marketing and brand promotion
2. Providing financial advisory services to the client
3. Building business relationships with clients
4. Offering exceptional and personalized customer service to clients
5. Practice professionalism in all business dealings
6. Continuously improving on sales and marketing skills and learning about the insurance industry locally and globally.

They say knowledge is power and that learning is a continuous process. The skills you needed 10 years ago to become an insurance sales agent or even grow in the profession are not necessarily the top requirements now. The skills to thrive are ever changing and as an agent, it is your responsibility to continue learning new ways of selling in the changing environment and un-learn what doesn't work.

American businessman and futurist, Alvin Toffler wrote: *"The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn."*

There are a variety of information sources on insurance matters and each of these sources has its value and can be tapped into for a variety of skills and knowledge. A successful insurance agent is one that strives to learn and apply the lessons learned from each of the sources.



SELLING INSURANCE

The Sales Cycle

When selling any product or service, there is a set of repeatable steps that a sales person takes to move a prospective buyer from the early stage of awareness to closing a sale.

In this handbook, we will focus on seven key stages in selling insurance: Customer analysis, prospecting, selling and presentation, negotiation, handling objection and rejection, closing the sale and finally, customer service.

Stage 1. Customer Needs Analysis and Market Segmentation

Needs Analysis

Needs analysis is a formal, systematic process of identifying and evaluating the insurance needs of a potential or existing client with a view to offering the best solution.

Every client or group of clients is unique. The main purpose of analyzing customer needs is to help the insurance agent to identify and offer the most suitable solution to the client.

Clients, existing or potential, have needs that can be categorized into the following types;

- Normative Need
- Comparative Need
- Expressed Need and
- Felt Need

I. Normative Need

This refers to needs that are identified according to a norm or a set standard. Such standards are generally set by experts. For example the professional bodies of lawyers and doctors have set a standard to have professional indemnity insurance.

Successful insurance agents therefore need to be in touch with and document the normative needs of their respective markets. Further, it is important for insurance agents to challenge the companies they represent to carry out frequent market surveys to come up with authentic normative information and needs. Without knowing the existing normative needs, the insurance agent and company shall be chancing in the market.

II. Comparative Need

The term comparative needs derives its meaning from the word comparison. That means there are needs that will present themselves based on comparing two possible client groups/categories. For example, a population of staff working in similar jobs, earning the same or nearly the same are likely to have comparative needs. Having this understanding, the successful insurance agent will be adequately prepared to present similar offerings/ proposals to such groups. For example, teachers or civil servants will generally have comparative life insurance needs. However, as an agent you still have to authenticate the needs. Once confirmed, you can present the insurance proposal to a group as opposed to an individual. This makes selling easier

III. Felt Need

Felt needs are changes considered necessary by people to correct or address the challenges they are facing. Every potential client has a felt need for insurance but they haven't verbalized it. It is the duty of the insurance agent to probe and listen to the felt needs of the potential clients then offer a suitable solution to address the same.

IV. Expressed Need

Expressed need is what people say they need. This is what the potential client or existing client will expressly say/speak out. An expressed need is a felt need that has been turned into a verbalized request or demand by a potential or existing client.

A successful insurance agent must be a very keen listener and discerner of expressed needs. Why? Sometimes clients express their insurance needs in a language that is not similar to insurance language. It is important to understand that, clients/potential clients have their own language which as an insurance agent you must understand. For example, the need can be expressed in the form of a complaint or as an existing problem.

By interacting with clients in a non-selling environment, an insurance agent can easily identify expressed needs.

How to Conduct Insurance Needs Analysis

STEP 1

Determine the desired outcomes. Identify what the potential client wants to achieve

STEP 2

Link the desired outcomes to the insurance solution on offer

STEP 3

Identify what it will take for the client to get the desired outcomes. For example, the client will require to pay X premium per month for X number of years

STEP 4

Evaluate the client ability and potential. For example, discuss with the client if they can sustainably pay the X premium for X number of years. Settle on what is suitable for the client.

STEP 5

Determine the timing. For example, assess if the timing is right for the client to buy the product. Match the client ability with the time. Do not pressurize the client to buy the product only for them to stop paying or cancel the policy.

STEP 6

Conduct a Cost Benefit Analysis. Conduct a thorough cost benefit analysis for each insurance product and share with the client for final decision

STEP 7

Agree and bring the client on board.

Market Segmentation

Market segmentation is the process of dividing a mass and differentiated market into groups with similar traits. These groupings are what we refer to as market segments.

The segments created are composed of consumers who will respond similarly to *marketing* strategies and messages since they have similar traits such as age, sex, interests, needs, geographical location, and profession among other characteristics.

The purpose of market segmentation is to make it easier to develop products that address the needs of each cluster and also make marketing and sales more targeted.

There are four major types of market segmentation and within each of these categories are multiple sub-categories to further classify customers.

1. Demographic Segmentation- This is one of the most popular and commonly used type of market segmentation. It refers to statistical data about a group of people including; Age, sex, income, location, family situation, education among others. Because demographic information is factual and statistical, it is easy to uncover using various source, in Kenya for example the Kenya National Bureau of Statistics (KNBS) provides such information.

2. Psychographic Segmentation - This segments customers by personality or character traits. This includes values, attitudes, interests, lifestyles, psychological influences, beliefs, motivations and priorities among others. It answers the question 'who is the customer'.

   Psychographic segmentation elements are subjective and therefore can be slightly more difficult to identify than demographics. These require further research to uncover and understand.

3. Behavioral Segmentation - this focuses on customer actions such as how they purchase, how they spend, what brands they interact with and at what stage of the customer journey they are at.

   It answers the question, 'what do customers do?'

4. Geographic Segmentation- This is the simplest type as it categorizes customers based on their geographic location. This could be country, county, region, town, climate, urban vs rural among others.

A successful insurance agent is one who can analyse a target market and segment it accordingly and can select and present the most suitable solution for each identified segment.

Stage 2: Prospecting

Prospecting refers to the habit of going out to look for business. It means going out to look for potential clients. This is the first step on the sales process.

The goal of prospecting is to develop a database of potential customers and then systematically communicate with them with the aim of converting them from potential to acquired clients.

Prospecting Skills

1. Be consistent

A successful salesperson prospects daily. The key to successful consistent prospecting is having the right systems set up from the start.

i. Start by creating a list of prospects and collect the necessary information on them so that you are able to propose relevant solutions. Block your schedule so that you can work on this uninterrupted.
ii. Create a schedule of how you will engage the prospects for example you can schedule them by order of priority, or you could choose to go by their location or you could choose to speak to them as a group.

iii. Identify the hours when you feel the most productive. If you feel most productive in the morning, that's when you should do the prospecting.

iv. Start small, pick a specific hour and focus on the task. Later on, you can increase the time that you spend on your daily prospecting task.

Remember, from the prospect list, the success rate will highly be determined by:-

- How you prioritized them right from the start. If you got it right, the success rate will be higher
- The length of the list. A shorter list can generate a low success rate
- Timing

Remember, consistency is the key to revenue growth. Have a daily list of at least 20 prospects that you reach out to/call and request to meet.

2. Focus, Focus, Focus

Focus is necessary to get things done, especially when it comes to prospecting. It requires you to put your energy and time to calling each prospect, staying focused on following through until you get a meeting approval and ensuring that you are disciplined enough to make it a daily action.

3. Learn how to research

Prospecting is associated with finding and processing the information about every contact. That is why research is one of the most important skills every insurance sales agent should have. Get curious about your prospects. Collect adequate background information about them, this will help you know which products will meet their current and even future needs.

4. Deal with rejection - learn from losses

Rejection and being told no is part of life. Do not take it personally. The prospect may reject your request not because they don't like your product but simply because it is the wrong time or they are in the wrong place/location. Seek to learn and ask yourself WHY the prospect turned your request down. Success comes from understanding and learning from your failures.

5. Provide value

When you sell, the most important thing you have to provide is value. And not just value in your product or service. Try to provide value in every conversation you engage in. This is one of the most important prospecting skills.

You have to convince your prospect that their time will be well-spent if they decide to engage with you. Value separates you from others and it secures long-term success for your company.

6. Nurture relationships

Relationships are built over time. So, don't get discouraged to hear no, because you are likely to hear it many times, even with a great pitch.

Seek to nurture relationships with the prospects even if they turn your request down.

7. Learn to listen

You can improve your sales performance by sharpening your listening skills.

Let your prospect talk more and try to articulate your thoughts at a normal pace.

The most important thing to note is - do not interrupt! Not only is this rude, but you might miss on something important that your prospect could have said.

Stage 3: Selling and Presentation

Effective Selling

Effective selling means leading, guiding, educating and directing your potential clients/ clients to help them solve a problem or achieve a desired outcome.

For insurance, it means guiding the potential client to identifying a need that can be solved by an insurance product and then going ahead to assist the client actualize their wish.

Becoming effective in selling insurance

1. **Ability to Listen**. A good insurance sales agent needs to be a keen listener. By listening keenly, you can pick the needs of the client and thereafter present the most appropriate solution.
2. **Empathy**. A good insurance sales agent has the ability to appreciate the client's perspective and needs. Be human. Everyone wants a human around them
3. **Hunger**. A successful life insurance sales agent is one that has an insatiable hunger for business growth.
4. **Competitiveness.** A successful insurance sales agent is one who enjoys measuring themselves against their peers/best performers in the industry.
5. **Networking Ability**. Your network determines your net-worth. Have a wide and valuable network.
6. **Confidence.** Clients buy you before they buy the product. Be confident in yourself and the products you are selling.
7. **Enthusiasm.** Be enthusiastic and let your enthusiasm make the client want to buy the product and want to be associated with you. Enthusiasm brings life where none existed.
8. **Resilience**. Successful insurance agents have grit and don't quit easily. When the going gets difficult, review and get back in the game.

Effective Presentation

Presentation skills is the ability of an individual to understand the audience, engage and interact with the audience and transmit messages with clarity.

A successful insurance agent is one who:-

- Is aware about the above abilities
- Puts in personal effort to develop self in acquiring good presentation skills
- Puts into practice presentation skills regularly
- Knows their audience and;
- Uses the best/suitable presentation style

Once you have understood your audience, it is important to select a presentation style that best suites them. There are different styles one can adopt including:

1. Coach

Coach-style presentations work best for agents who are enthusiastic about the topic they are speaking about.

A coach teaches by guiding. So if you choose the coaching style of presentation, you only demonstrate how the insurance product can suit the potential client then you let them make the next move/choice. Your business is to demonstrate the HOW (benefits), then allow the client to come into the discussion. The agent will then guide the discussion to its logical conclusion.

2. Connector

The connector-style presentation is one in which the agent highlights what they have in common with the audience/potential client and hooks on these common bases to sell their product.

Human beings love connection. We all love people that "Click" with us.

This means that you have to do advance research on the potential client before meeting them. In the event that you cannot get enough advance information, identify the general commonalities such as age bracket, both of you having dependents, etc.

3. Storytelling

We all love a good story. A story telling presentation is one that involves use of relevant stories to clarify, involve and move the audience or potential client towards buying the product. The best presenters in the world are master story tellers.

Choose between the above three main presentation types or a mix of all of them as you engage potential and existing clients.

Remember!

A good presenter;

1. Shows passion and connects with the audience
2. Focuses on their client's needs and providing a solution
3. Keeps it short and simple with a focus on the core message (introduction, main message and call to action)
4. Smiles and makes eye contact with the audience

Stage 4: The Art of Negotiation

Negotiation is a strategic discussion that addresses issues in a way that both parties find acceptable. The outcome of a negotiation is a compromise.

Negotiations involve give and take as all involved parties try to reach an agreeable compromise, this inevitably means one party will always come out on top of the negotiation.

There are three main outcomes from negotiations namely;

- *Win-win* - All parties involved are winners. Each party gets what they want and are happy and satisfied. As an insurance agent, always strive to deliver a win-win in any negotiation.
- *Win- lose* -One party wins while other party loses. Not the best position to be in especially if you expect the other party to support your insurance business through premium payments. A successful insurance agent looks for a win-win, even if it means selling the perceived future benefits that shall accrue to the client. Never make your client feel that you are the winner.
- *Loose-Loose* -Both parties are losers. No one wins. A typical scenario is where you negotiate selling an insurance product to a client, go through the entire process of negotiation but the client doesn't buy. You lose a sale and the potential client loses an opportunity for cover. This scenario can be disheartening, but it presents a big opportunity to step back, review the entire process, improve your approach and offerings then take it back to the client.

A successful insurance agent must understand that, most people will say no several times before they say yes. Be encouraged and stay at it.

Negotiation Stages

There are five stages to the negotiation process:

1. Prepare
2. Information exchange
3. Bargain
4. Conclude
5. Execute

- **Prepare**

Successful negotiations are highly determined by preparation. Adequate preparation affords you a head start. Collect as much information about the client/potential client as possible. Examples of information that a successful insurance agent will need to collect/ have in advance include but not limited to:-

- Client general information (average age, does he/she have potential beneficiaries, what the client does, general likes/dislikes, demeanor, etc.)
- Can the client afford the insurance product and if yes, which ones and to what premium levels. Having a rough idea helps.
- What does the client do for a living? This may give an indication of affordability and reliability.

- **Information exchange**

This involves sharing critical information between yourself and the client. You will need to share information about yourself, your agency/company you are representing, products you are offering and why. The client at this stage shares information about self, possible beneficiaries etc.

This stage requires honesty and openness.

This stage is successful if carried out face to face. However, some information can be shared on phone or virtually depending on the circumstances.

It is this stage that sets the pace and stage for the next one.

- **Offer and bargain**

Bargaining means asking for or offering the best product to the potential client. Here, a successful insurance agent not only presents the potential client with the offer but also gives the reasons why that offer is the best for the client.

A successful insurance agent must at this stage back up the offer with benefits that accrue if the potential client buys the product. The rule of thumb is to ensure that at least the client buys a product based on the benefits presented and ability to sustain premium payments.

- **Conclude/Close**

This stage involves:-

i. Explaining to the client/potential client what you have agreed
ii. Telling the client what is needed (Information, documents, etc.)
iii. Filling the proposal forms
iv. Signing/sign off
v. Informing the client about what happens next (What to expect, when, by who etc.)
vi. Exchanging final pleasantries and departure from venue

This is an impression stage. Remember, the client has just committed or not committed to parting with money in exchange for a promise.

If the client has committed, he/she needs constant assurance that all is well and that they have made the best decision. Lift the moods of the client/potential client as you close. In the event that the client has not purchased the product, you have an opportunity to encourage the client to. The same client who hasn't bought today, can buy another day. So leave a positive impact with a promise to keep in touch.

As an agent, it is also likely that you can feel down if the client hasn't bought. This is called the seller's remorse. You can feel rejected. Remember, the client has not rejected you as a person. Feel encouraged and remember, the same client who didn't buy the product can still buy in a different environment and time. Go back and re-organize and re-strategize.

- **Execute**

Execution is a process. It begins once the client has signed and paid the first premium

There are two sides to execution; the client and agents sides.

i. The client side

This involves the client:-

a. Providing the critical documents
b. Paying the initial premium
c. Successfully going through the medical examination process if required
d. Reading the policy proposal
e. Confirming that all details in the proposal are in order
f. Signing off the proposal
g. Paying all the follow up premiums according to schedule

ii. The agents side

This involves the agent;

a. Providing guidance to the client on the medical examination this includes, where to go, notifying the medical examination center of the client, what tests to carry out and where and when to submit results.
b. Developing the life insurance proposal with all details provided
c. Sending the proposal to the client to read/confirm/sign off
d. Entering the policy proposal into the respective insuring company system
e. Banking/transmitting the payment to the insuring company
f. Ensuring that the policy is in force
g. Development of the life policy document
h. Sharing the policy document with the client
i. Enlightening the client on how to treat the policy document (Safe custody, what to do in case it's lost, etc.)
j. Communicating with the client through the whole on boarding process and during the lifetime of the policy

Remember!

- There is no shortcut to negotiation preparation.
- Building trust in negotiations is key.
- Communication skills are critical during bargaining.
- You learn every day. Keep learning and becoming better.

Stage 5: Handling Objections and Rejection

Handling objections

You have properly analyzed your clients' needs and presented your product and even negotiated, but the client still does not commit.

According to Duford Insurance Group, the three most used objection statements from clients are;

'I need to think about it,' or,

'I don't really need it,' or,

'I can't afford it.'

When you hear any of these objections, it is important to dig deeper to un-earth the real reason. It is important to also be prepared with rebuttals to these and other objections that prospective clients may raise.

When the prospective client says ***I need to think about it.***

> Prospective client: I like this, but I need to think about it
>
> Agent: That's fine. But when you say you need to think about it, what do you mean?

Your rebuttal, will lower the prospective client's resistance and will help the client express their concerns more and get to the core of the issue. You need to keenly listen to what the client is saying before you offer any further solutions or rebuttals.

When the prospective client says ***I cannot afford it.***

> Prospective client: I cannot afford it'.
>
> Agent: If I can find something else that is affordable for you and that satisfies what you're looking to do, can we move forward?"

At this point, it's more important to make your prospect a client, even if that means selling them a smaller plan. You will gain a trusted client who can give you more business and referrals for years to come.

When prospective client says, ***I don't need this.***

This is probably one of the most difficult objections to deal with. Because this objection originates from poor needs analysis which means the product offered does not meet the client's needs. Dealing with this objection requires the agent to ask the client more questions to better understand the client's needs before offering another product.

Read more here: https://davidduford.com/insurance-sales-objections-rebuttals/

Handling Rejection

Usually, a rejection in sales just means that your product wasn't what the prospect needed. It hardly ever has anything to do with you personally, so don't get emotional when you lose a sale.

Some of the reasons for rejection could be;

- Maybe the prospective client couldn't afford it.
- The client might not be convinced that what you are selling is the right product for them
- The timing could have been wrong
- The environment could have been wrong
- May be they have in the past had a bad experience with insurance companies

Handling Rejection

1. Don't take it personally. It's not about you.
2. Be at ease, you also reject many things in your life
3. Talk to other insurance sales agents about rejection. You will realize that they all experience it and they have devised ways of coping
4. Take time to cool off. If it weighs you down, take time to relax and gain energy for a come back
5. Allow yourself to feel all the emotions you feel. You are human
6. Surround yourself with supportive people
7. Always end with gratitude and positivity. Appreciate the opportunity they gave you to present. If not for anything, just for sharpening your presentation skills!

Stage 6: The Closing Strategy

Closing is the final step of a transaction. It means that the client has accepted the offer and is willing to buy the insurance product and pay the premium.

How to close the sale

1. Identify the decision maker. If the prospect is the decision maker, make sure they make the decision. If there is another decision maker, seek to meet them for closure
2. Be real. Do not close it for the sake of the cheque/first premium. Make sure the client can sustain the premium payments. You are in this business for the long haul.
3. Create a sense of urgency. Once you have ticked number two above, create an impression in the client's mind that there is no better time to join/sign in than today
4. Overcome objections. No one wants to part with money. Be aware the potential client will have objections or doubts. Prepare in advance and respond to each objection adequately
5. Watch what you say! At the point of closure, the client is very conscious. Be careful not to paint a picture of doubt. Present a picture of reliability and long term partnership
6. Sign off. Get the client to sign in/off all necessary documents
7. Policy document. Let the client know when they will receive the policy document and offer to go through the document with them so that they are clear on what they have signed up for. This helps with having the client committed for the long term.

Stage 7: Customer Service

The short definition of customer service is meeting the needs of any customer. The longer version of customer service is to ensure the client is happy with the product and service provided during the sale and the support after the sale.

Why is customer service in insurance important?

Insurance involves selling a promise, and this involves building a relationship with the customer. This is especially true for life insurance which is a long-term commitment. Excellent customer service through the whole journey of prospecting and acquiring the customer is important. It is also very critical after the customer has bought the product.

It is a fact that insurance products are not very different in nature. However, the quality of your customer service is what helps an agent standout and thrive in the business.

What is good customer service?

According to the Institute of Customer Service (ICX), Kenya, good customer service has the following qualities;

- Prompt- timely delivery of products or services
- Polite- Good manners is a must whether the client purchases or not

- Professional- All customers should be treated professionally. This shows the client they are valued
- Personal- clients like the idea that their purchase is treated in a personal way

How to deliver exceptional service

Customer experience entails a number of areas or activities including but not limited to:

1. Understanding the client needs and situations
2. Ensuring placement of the right product and service in alignment with their situation and circumstances and also ensuring the client understands the product and how it works.
3. Ensure timely delivery of relevant information and documentation including proposal forms, policy documents, receipts, statements and others
4. Prompt payment of premiums and delivery of corresponding receipts
5. Keeping the client updated of new products and other relevant information within the business
6. Consistent and planned client communication throughout the duration of the cover. Do not be a hit and run agent.
7. Professional handling of the client's complaints and concerns and updating them promptly.
8. Always be professional. Keep time, communicate clearly, dress appropriately and be pleasant.
9. Ensure you are always adding value to your client. Be a valuable asset to your client.

OTHER CRITICAL SUCCESS FACTORS

BUSINESS ETIQUETTE

The word etiquette has French origins and is used to describe a set or requirements governing people's behavior and interaction in various societal settings. Etiquette will differ from one setting to another, for example the behavior at a sporting event differs from behavior at a business meeting.

Business etiquette therefore refers to acceptable behavior within a business setting. The objective is to get people to feel comfortable and respected around you.

Insurance business requires a high standard of business etiquette.

Why?

Insurance is a business of trust. Anything you do or don't do can highly determine if you and your agency is to be held in esteem. Business etiquette rules have serious implications if broken. It is therefore important to play by the rules of the business game.

We have put together some etiquette rules to guide you in your insurance agency business.

1. Appearance and grooming

Your appearance before a client, existing or potential, is very important. In insurance business, you are trying to convince a client to part with their hard earned money in exchange for a future, unseen promise.

Practice good hygiene at all times. Have neat hair, clean fingernails, make sure your clothes are clean and smell fresh.

2. Pay attention to names

Names are one of the first bits of information that we learn about someone. It is how people recognize and acknowledge each other. Most people, including your clients, existing and potential, are very particular about their names.

When you introduce yourself, include your last name. This is especially important if you have a common first name.

When you first meet someone, pay attention to their name. If you aren't sure how to pronounce it, ask. If it is an unusual or difficult to pronounce name, the person is probably used to it and won't mind. It shows that you have taken an interest in them and care about getting it right. Don't carelessly butcher their name or invent a nickname unless the client allows you or gives you their nickname. Acknowledge people with the name they prefer.

Remembering names can be challenging, especially if you meet multiple people at one time or many people in a day. One trick that you can use is to identify a characteristic that helps you differentiate them. Another is to repeat their name and try to use it in your conversation 3 to 4 times, but not so frequently that it is obvious.

3. Shake hands and make eye contact

Handshakes are the universal business greeting. A firm handshake is still considered a positive trait. A weak one is negative. Greeting the people that you come in contact with isn't only polite but it establishes rapport. It is important to greet everyone with the same degree of enthusiasm.

Usually, the higher ranking person will offer their hand first, but if they don't, you can still offer yours. Learn to give a warm and firm handshake while making direct eye contact and smile. Those who avert their eyes are viewed as lacking confidence and honesty.

After the initial greetings, strike a conversation to prepare for the main discussion on the insurance solution you are providing to address their needs.

Some ways to strike up a conversation could be to complement the client on something striking such as grooming, dressing, accessories etc. You could also remark on the surroundings ranging from the weather, the surrounding environment, the office space etc.

4. Smile

A smile is a universal ice breaker. Learn to give a warm smile. It is a sign of appreciation and friendliness. Practice giving a warm smile and make it your norm.

5. Give cues that show you're paying attention

When the client is speaking, it is important to nod or smile. This shows that you are engaged and actively listening. It tells them that you care about what they say and value their thoughts.

Be careful not to interrupt. If you wish to speak, you may send a nonverbal signal by opening your mouth, but it is polite to wait for them to finish.

6. Introduce others

No one likes to awkwardly stand with a group of people. It is uncomfortable. If you strike up a conversation with a client and you are accompanied by others, it is polite to make an introduction.

7. Send customized, Thank You notes

After a meeting with a client/potential client, write out a thoughtful thank you and send it by e-mail. It may take a few more minutes of your time, but it is appreciated.

8. Proofread written communication for grammar and typos

If you are like most professionals, you will have written communication between you and your client. This could be e-mails or text messages. Remember that each message sent reflects on you, so you need to make sure that they are professional and well-written. It only takes a few seconds to proofread your communication before hitting send.

9. Be polite and professional in all forms of communication

It doesn't matter if you are meeting face-to-face, by phone or through email, each interaction needs to be professional.

When you communicate through text only, you don't have the tone of voice, facial expressions and other nonverbal cues that accompany it. Remember to keep messages short and to the point. Don't send anything that you wouldn't say in-person.

10. Keep time

Whether it is arriving to work or a meeting, punctuality is critical. Time is precious.

A successful insurance agent is one that keeps time and keeps their word.

11. If you invite a client to a business lunch, it's your treat

Lunch meetings give you the opportunity to get to know a client better, impress him/her or learn more about them and their needs. The rule of thumb is that the person who extends the invitation covers the bill. Don't make a fuss over it.

12. Table manners matter

Dining etiquette can help you earn or lose a client. Many of the rules that your parents enforced at the dinner table are still in play, here are a few reminders.

- Don't talk with your mouth full or chew with it open
- No elbows on the table
- Don't blow your nose with the napkin

- No texting or playing with your phone at the table
- Keep your phone on silent mode or switch it off
- Keep your phone face down or away from view.

Eating while talking business can be difficult if you choose a messy item from the menu. (Stay away from finger foods) The rules may change based on where you eat. If you are eating at a five-star, luxury restaurant, you'll need to learn about table placements and crockery setting.

13. Don't overshare but don't be too distant either

Don't drag your personal life into professional settings. Telling every client/potential client about your other side of life puts them in tense and awkward positions.

People want to know a little bit about you though. If you don't share anything, you will come off as snobbish or distant. It is important that you know which topics are appropriate and which are not.

In general, politics and religion are the two topics considered inappropriate in nearly every professional setting.

14. Don't shout

Some individuals have loud, booming voices that demand to be heard. Sometimes, we get excited in conversation and forget to tone down the volume of our voice. Either way, it is important to keep sound volume to a decent level. A loud environment distracts and disturbs others.

15. Be aware of non-verbal cues

You might be surprised by how much your facial expressions, body language and hand movements convey to others. Your facial expressions play a huge role in how others perceive you. Everything from your posture to your furrowed brow is a form of communication. Stand upright, smile and if necessary, put on your smiling face.

It is also important to learn to read other people's non-verbal ques. For example, if your client keeps looking at their watch, they are communicating that they are in a hurry or need to be elsewhere.

16. Don't be a complainer

Nobody likes a complainer around them. Despite all your personal challenges, please avoid coming through to your clients with complaints. Remember, clients buy you before they buy the product.

Tips on developing Business Relationships

It is said that people buy people. To be a successful insurance sales agent, you need to consciously and deliberately go out of your way to connect and build a relationship with every prospect/existing client. This will make you top of mind on any matter touching on insurance including referrals.

Below are some tips for developing and maintaining business relationships.

- **Be Authentic**

This is pretty simple. Be who you are and accept others as they are. Success is found in simplicity.

Find clients/potential clients you feel a natural connection with. The authenticity of connecting personality, beliefs and point of view can accelerate relationships.

- **Identify shared goals and values**

We seek out people in life we like, share similar goals and values with. Are they honest, kind, knowledgeable, helpful? How do they treat others? This is about moral character. Do we respect them? Never take advantage of your clients/potential clients.

- **Develop mutual respect**

Trust and respect are built over time. We prove ourselves over time and through different experiences. Create an environment of respect and one which fosters trust by your clients/ prospects.

- **Be human**

We are human and sometimes that means sharing and supporting people through difficulty. Showing our vulnerability is part of our authenticity. Caution: this is best shared with a select few prospects/clients rather than everyone. Good judgment is important here.

- **Be reliable**

Let your clients/prospects know that you can be counted on when they need something addressed. This shows loyalty to the customer and belief in the business.

- **Develop and keep good networks**

The greatest compliment in business is a referral. We should be thoughtful and connect with people for the right reasons. Remember, not all referrals work out.

BUSINESS PERSISTENCY

Persistency refers to the volume of business that a life insurance company, agent or agency is able to retain till maturity.

What is lapsing?

Life insurance is a long-term contract, in Kenya they usually average at 10 years. The life insurance policy indicates the frequency of premium payment as agreed between the agent and client.

Lapsing therefore refers to a situation where the premium payments as agreed in the contract are not honoured. The term lapse refers to a 'lapse in coverage' meaning the life insurance contract is no longer active and therefore cannot payout the benefits as set out in the contract.

Some of the factors that impact on business persistency include;

1. Commission-based selling- When agents focus on selling only policies that can earn them maximum benefits instead of what the customer needs.

2. Poor selling - When agents fail to undertake their clients' needs analysis, they may end up selling products that do not match their clients' needs
3. Financial constraints- changes of clients' financial status due to a variety of reasons may strain their finances and they cannot sustain premium payments.
4. Poor customer service- Agents place a lot of focus on obtaining new clients but fail to continue putting in any effort once a client signs up. This poor after- sale service may lead to lapses.
5. Stiff competition from other financial services such as SACCOs, banks, micro lenders etc
6. Competition from social (traditional) financial alternatives available in the community such as harambees and chamas
7. Mode of premium payment- the payment of cash, cheque and mobile money transfer- tend to register higher lapse rates
8. Poorly trained or semi-skilled insurance sales agents can result in customers dropping off due to poor on boarding experience
9. Devolution of the Government has led to poor tracking of existing check-off business

Lapsing therefore results to poor business persistency and this has a negative impact on life insurance business and agents. It also impacts customers negatively.

Poor persistency can result in a cycle that works to the disadvantage of all involved. Here is a scenario;

- Policyholder signs up and stops paying premium after a while. This impacts the insurers ability to cover the average mortality of existing policyholders since the amount from that pool has been reduced by the non-payment.
- Fewer policies in force at a certain point in time reduce company/agency profits.
- Capital crunch results in increased cost per policy, which includes operational and sales cost.
- As a result, new insurance policies become more expensive.
- More expensive policies are harder to sell.
- Policyholders tend to discontinue paying premiums if they become too expensive or there is a change in customer needs or financial circumstances.

Based on the above journey, the best position for a successful insurance agent is to ensure clients are retained till maturity of the policy.

FINANCIAL MANAGEMENT

As an insurance sales agent, you fall within the financial services sector. As such, it is important for one to have a good understanding of finances and financial management.

There are two aspects of financial management in this case; the personal aspect and the business aspect.

Personal finance management covers managing your money as an individual. It encompasses; saving and investing, budgeting, insurance, retirement planning, tax and estate planning.

From the business perspective, it encompasses the strategic planning, organizing, direction and controlling financial undertakings in an organisation.

As an insurance sales agent, it is important to have a good understanding of both aspects so that as you engage clients, you can advise from a point of knowledge.

Financial management is a skill that helps you make sound financial decisions. It involves answering the following questions;

1. What are your overall money goals?
2. Where is the money coming from?
3. How much is coming in?
4. What plans are in place to safeguard and grow the money?
5. Are there other plans should 'Plan A' fail?
6. How do you document the journey and hold yourself accountable?

It is important to note that there are good and bad seasons, but it is important to be flexible to adopt to the changes but don't lose sight of the overall goal.

Basic Financial Management Principles

In summary, a successful insurance agent should practice the following basic financial management principles:-

1. Have a financial plan. It could be a short-term, medium-term or long-term plan. Not planning is planning to fail.
2. Spend less than you earn
3. Seek advice from mentors or people with more experience than you and have succeeded in the areas you wish to succeed in.
4. Do your research before investing in something. Be wary of deals that sound too good.
5. Put your earnings to work. Money does not grow if it is sitting idle.
6. Insure your investments to protect from financial loss. As an insurance sales agent, you need to consume your products so that you can be a better ambassador.
7. Know the difference between good debt (Debt that has potential to bring money into your pocket) and bad debt (Debt that takes money out of your pocket and the money will not flow back)
8. Understand and play with risk to your advantage
9. Diversify your investments. Don't put all your eggs in one basket.
10. Plan for your retirement
11. Keep learning about financial management

TECHNOLOGY AS A TOOL

Technology is transforming businesses, transforming how we work and disrupting entire industries. How insurance products are sold has changed. From prospecting to closing, today's mobile telephony, social media, and other technology platforms are revamping the life insurance sales process in ways that would have been unthinkable only a decade ago.

It is therefore critical for any insurance agent to keep abreast with emerging technology that can accelerate sales and service provision to their advantage.

Below are some technology tools that insurance sales agents can use in their day-to-day business:

1. Mobile Telephone

The mobile phones, especially smart phones, have revolutionized the way we conduct business and build relationships. As an agent this tool enables you to stay in touch with your customer through direct phone calls, SMS, WhatsApp, telegram and other instant messaging platforms.

Remember to use this tool professionally. Do not for example start sending unnecessary forwards to your clients who may find them offensive or intrusive.

2. Social Media Networks

Social media, just like smart phones above have enhanced and created immense communication and marketing platforms. Depending on how you as an agent use these platforms, you can enhance your professional image and business growth opportunities. For example, some agents post their services on Facebook, LinkedIn, Twitter, WhatsApp and other platforms.

Networking has also become much easier using social media platforms. You can now network with other professionals from anywhere in the world and exchange knowledge.

If you also use social media to express your personal life and opinions, it may affect your professional presence and deny you the potential for business growth. Remember that the internet never forgets and is unforgiving.

3. The Internet

Outside of the social media platforms, the internet presents boundless opportunities and platforms for marketing and engaging with clients.

The internet has also made the world a global village which means that any new information on the insurance market is available anywhere in the world. Today, we have online courses on any subject matter, insurance included. As such the net is a vital education and continuous improvement tool.

4. Digital Management tools

Both internal and customer processes have benefited from use of technology to make them more efficient and effective. These management tools include systems such as;

Customer Relationship Management (CRM) which helps manage interactions with existing and potential customers.

Digital Management System (DMS) which simplifies work processes regardless of the organisations size.

Cloud computing gives users the ability to store and access data in files, software and servers through internet connected devices such as computers, tablets and smartphones. For example a potential client may ask about some information that you do not readily have, instead of saying I'll get back to you, you can simply log in to the cloud platform from wherever you are and pull out the information. It also helps you carry less physical documents, which looks more professional.

CONTINUOUS DEVELOPMENT

Continuous development refers to the process of continuously enlightening and growing your knowledge and skills necessary for the growth of the business. It also cuts across to the team within the agency.

Personal growth is a necessary component of an insurance agent's career journey. The business environment is ever dynamic and it is important for any insurance agent to up-skill and cross-skill themselves.

Why Continuous Development?

Personal growth is a necessary component for the Life Insurance Agent. The business environment is ever so dynamic that it is critical for all players to continue up-skilling and cross-skilling themselves. One may join the industry at a certain level of professional development however, it is tragic to become complacent or indeed stagnate at that level.

Whilst insurance companies provide great opportunities for growth and career development, it is the agent's personal responsibility to develop an interest and take advantage of those opportunities.

Opportunities for agents tied to insurance companies come in the form of in-house and external trainings and development forums. For the independent agent, there are also numerous opportunities for self-development such as part-time university learning, attending relevant trainings and workshops, online learning, research and personal reading among others.

Joining professional bodies such as the Insurance Institute of Kenya (IIK) also give access to training and development forums for their members that agents can take advantage of.

> *THE ILLITERATE OF THE 21ST CENTURY WILL NOT BE THOSE WHO CANNOT READ AND WRITE, BUT THOSE WHO CANNOT LEARN, UNLEARN, AND RELEARN*
>
> ***ALVIN TOFFLER***
> ***AMERICAN BUSINESSMAN***

CHAPTER 3

LIFE INSURANCE PRODUCTS IN KENYA

In this Chapter, we will look at the salient features of life insurance products. We have also included the questions that customers ask most frequently. Insurance sales agents can use this information to educate their potential or existing customers.

Role of an agent in selling Life Insurance

Successful insurance agents thrive on the principle of openness. At the point of engaging the client/potential client therefore, it is very important to openly share/disclose to the client the full details of the life insurance products so that they make conscious and informed decisions. It is particularly crucial to ensure that the client understands all the policy conditions. This helps forestall any future challenges such as lapsation and unnecessary disputes.

Life Insurance Products and Frequently Asked Questions

Life insurance is a long-term contract between a policy holder and an insurer and facilitates long-term savings. Regular savings over a long period ensure that a decent amount is accumulated to meet the policy holder's financial needs at various stages in life. In the event of death of the policyholder, life insurance ensures that their loved ones continue to enjoy the same quality of life. There are other events in life that may trigger payment depending on the terms of the contract including critical illness, terminal illness, temporary or permanent disability. Other expenses such as funeral expenses may also be covered in a life insurance policy.

Life insurance provides financial support in the event of untimely demise and it also acts as a long-term investment. This cover enables a policy holder to meet his/her goals such as children's education, marriage, building homes or planning for relaxed retired life. Life insurance policies comprise protection policies designed to provide benefit in the happening of insured event and investment policies whose main objective is to facilitate the growth of capital or a combination of both. The categories of life insurance are outlined below.

a. **Personal Life Insurance** comprises all individual life policies categorized as Term Assurance policies; Endowment policies; Investment policies and Whole life policies.

b. **Group Life Insurance** comprises Group Life schemes mainly organized by employers on behalf of their employees; Group Credit/Group Mortgage Schemes which are loan protection schemes organized by financiers like banks, co-operative societies, microfinance institutions, etc.; and last expense schemes which are many a time given as a rider to the group life schemes. Nevertheless, funeral/last expense covers can also be arranged on standalone basis.

c. **Deposit Administration/Pension Business** - These are Pension Plans / schemes whereby the insurance company gives a contractual guarantee on all the contribution paid into the scheme and in addition a guarantee on minimum annual rate of return. This ensures that the retirement funds are secure and available when required by retiring members because the insurance company bears the investment risk.

d. **Investment/Unit Linked Contracts** - These products give investors both insurance and investment under a single integrated plan. The main objective is to facilitate the growth of capital invested by the client.

A. PERSONAL LIFE INSURANCE

1. What is life insurance?

Life insurance is a risk management tool that enables an individual to transfer the risk from themselves to the insurance company. Life policies can either be for protection against the insured event; or can be a savings channel where the aim is to grow your money.

The insured pays the premium and the insurer promises to pay a sum of money to an appointed beneficiary should the insured event occur. Depending on the type of policy one takes, events such as terminal or critical illness, death and disability can trigger payment.

2. Why do I need life insurance?

Life insurance protects the financial interests of your family. It can provide financial support in the event of critical illness, disability or sudden death. It can also act as a long-term investment that will help you meet your goals such as children's education, building your dream home, a relaxed retirement life or any other goal.

When you have a life insurance policy, Kenya Revenue Authority allows a tax relief on the premium paid. The current tax relief is 15% for a maximum of Ksh5, 000 per month (Ksh60, 000 per year).

3. Which policy should I buy?

There are different types of life insurance policies, its best that you choose the policy that best suits you, and your future goals and needs. Some of the things you should understand are: the scope of the cover period, the various terms and conditions and the premium payable. It is important to contact the insurance company or agent for more details and guidance.

4. What are the different types of Life Insurance covers?

There are five broad types of Personal Life Insurance Covers:

a) Term Assurance

This policy offers protection only for a particular period which is agreed upon by the insurance company and insured. It is the simplest and cheapest form of life insurance since it provides life cover only with no investment benefits. The insurance company will pay out the full sum assured if the insured passes away within the insurance period. There are no benefits that are payable if the insured is still alive when the policy matures.

b) Whole Life

A whole life policy offers life-long protection to the insured. The insured selects how they would like to pay premiums. It could be throughout your life, you can chose to cease payment at a particular age (for example at 60), or you can chose to pay one single premium.

c) Endowment

An endowment policy combines both protection and investment. The insurance company will pay out the full sum assured if the insured passes away within the insurance period. If the insured is still alive when the policy matures, the insurance company will pay out the sum assured and all the bonuses earned in the course of the policy.

d) Unit Linked / Investment insurance policies

Unit linked policies also combine protection and investment. A part of the premium is used to purchase life protection and the rest is used to purchase units in an investment fund managed by the insurance company. Investment returns on the policy are linked to the investment performance of the managed fund.

e) Funeral Insurance cover

Funeral Insurance cover is meant to cater for funeral expenses of an insured or their dependents in the event of their demise. The benefits are payable within 48 hours after notification of death.

5. How do I buy a life insurance policy?

Before buying a life insurance policy it is important to evaluate your needs and goals as well as those of your family. Once you are clear on your needs and goals, you will be able to select a type of cover that best suits you.

Next, it's important to talk to an insurance agent or visit an insurance company of choice to find out the policies they offer and the terms and conditions for each policy.

You can choose to purchase a life insurance policy directly from a life insurance company or through an insurance intermediary.

Applying for a life insurance policy is a simple exercise. In summary, the process involves-

- Identifying the desired product and attendant features
- Completing a proposal form
- Providing the required documents like I.D card, Pin number, etc. as requested by the company
- Undergoing a medical examination if necessary
- Paying the initial premium
- The insurance company reviews the proposal and documents submitted and issues the policy document
- Read and understand the policy

6. What do I need to look out for when taking life insurance?

When taking out Life Insurance there are several things that you need to look out for including: The policy document, the policy term or period, the amount of premium and the frequency of payments, and the bonus (if any).

Other things to look out for are cancellation clauses, the cash surrender value (the amount the insurance company will pay you if you cancel your policy after 3 years but before maturity), policy loan (you can take a loan from the insurance company against your policy after an agreed period).

7. What factors are considered when calculating premiums for life insurance?

Age, occupation, health status, lifestyle (e.g. smoker vs. non-smoker), sex (females tend to live longer than males). All these influence premium rate.

8. What is a Policy Document and what does it contain?

A life Insurance policy document is a formal contract that the insurance company gives to the insured. It serves as legal evidence of the insurance agreement and sets out the exact terms on which the life cover has been provided. It outlines details such as:

- The type of policy
- The name and address of the insured and the insurance company
- The event upon occurrence in which the benefit becomes payable
- Duration of cover
- Amount of premium and frequency of payment
- The sum assured and other benefits
- Inclusions- What is covered
- Exclusions- What is not covered

Contact the company in case you have not received your policy document within one month of signing up for the cover. It is very important to read and understand your policy document.

Grace period for review of policy document- You may cancel your life insurance by returning the policy document to the insurance company within 15 days after receiving it and you feel that it does not reflect what you agreed upon when buying the policy. At this point, the premium that you have paid (less any medical fees incurred) is refundable.

9. Who is a beneficiary and why is it important to nominate one?

A beneficiary is the person who receives the payout outlined in the policy following the demise of the insured. Choosing a beneficiary ensures that your benefits go to the right people. If you chose minors (below 18 years) as beneficiaries, ensure to also nominate a responsible guardian.

10. What do I do if I need to make changes to my life insurance policy?

Circumstances may change and it may require an adjustment to your life insurance policy document. You need to make a request to your insurance company in writing and they will advise you on the next steps required to effect the changes.

11. What happens if I am unable to keep up with my premium payments?

If you are unable to pay premiums within the first 1 to 3 years, your policy may lapse. However, after 3 years of consistent payment, the policy gains value and as such the insurance company is able to refund a portion of the paid premium. The insurance company will advise you on other options to keep the policy in force e.g. the already paid premium can be utilized to fully pay premiums for a policy of a lower value.

12. Can a lapsed policy be reinstated?

A lapsed policy may be reinstated. However, the insurance company will require the insured to meet certain conditions such as medical checkup at the time of reinstatement and payment of outstanding premiums.

13. Should I cancel my policy?

When buying a life insurance policy, you are essentially buying the protection and benefits that comes with it. Cancelling therefore means you forfeit these benefits and protection. Cancelation also means that the premiums already paid may go to waste.

If someone asks you to cancel your current policy and then buy another policy, consult your current life insurance company first to avoid losing your benefits. Many times your current insurance company can make the changes you want at a lower cost as opposed to moving to a new company.

14. What happens if I die before my policy matures?

In the event of death, the policy benefits are paid to your nominated beneficiary (ies). Some policies have riders that come into play to keep the policy in force until maturity. Be sure to read and understand the terms of your policy.

For example, Education policies pay some benefits upon the demise of the insured but the policy remains in force until maturity to enable the children complete their education as per the original plan of the insured.

15. How do I make a claim and how long does it take?

When the policy matures, the insurance company will contact you to collect your benefits. The insured or beneficiaries can also get in touch with the insurance company if the insurer has not made contact.

In the event of death or disability, the insurance company should be notified immediately. The necessary forms should be completed and the person making the claim will be advised on the required documents to facilitate processing of the claim.

B. GROUP LIFE INSURANCE

1. What is Group Life Insurance Cover?

This is a life insurance cover that a group can undertake. It is a key benefit that employers offer employees. The policy document is in the name of the employer who usually pays the premium. As with other types of group benefits, group life insurance is generally cheaper compared to individual policies.

SACCOs, Chamas and Investment groups also take group life insurance and members pay the premium.

2. Why take group life insurance cover?

The aim of this cover is to assist the group members at their most vulnerable point.

For employers, this cover helps attract and retain quality staff as it forms one of the welfare benefits.

3. What is covered under Group Life Assurance

Group life insurance mainly covers death from any cause (natural, illness or accident). Other optional benefits to the cover include permanent total disability cover, last expense cover and a critical illness cover.

4. Who is eligible for group life insurance cover?

Anyone above the age of 18 and below the age of 65 years. Cover for members who are over 65 years can be addressed on need basis.

5. How are the benefits calculated?

For employees, the benefits are fixed as a multiple of their salary. The most common multiples in the market are 3, 4 and 5 times the employees' annual salary.

The benefit can also be arranged as a fixed amount where one category for example may be given Ksh2million and another Ksh5million.

For groups such as SACCOS and chamas, the benefits will be on a fixed amount agreed at the beginning of cover.

6. Is a medical check-up required before the policy becomes active?

All members in a group life insurance become covered immediately up to a set limit, referred to as the free cover limit. This limit is determined by the insurance company based on the size of the group.

However, as explained in No.5 above, the range of benefits vary based on the income scale. Therefore, there will be individuals who will be above the free cover limit.

For any individual above the free cover limit, they are required to undergo a medical check-up. For those below the free cover limit, a medical examination is not compulsory.

The insurance company covers the cost of the medical examination and also advices on the doctors, clinics or hospitals to visit for the examination.

7. When does the benefit become payable?

The benefit becomes payable upon the death of a member of the affinity group.

If the cover included the optional covers of permanent and total disability as well as critical illness cover, then these become payable when these events occur.

8. How is a claim made?

Once any of the insured events occurs, the employer should be immediately notified. For a member in an affinity group, the officials should be notified. The insurer should then be notified by the employer or group officials for the claim process to start. The claim amount is then paid to the employer or officials for forwarding to the employees or members nominated beneficiaries.

9. How will my benefits reach my beneficiaries?

As part of the requirements before a cover becomes effective, every employee or member is required to complete an application form and a nomination of beneficiary form. The beneficiary form indicates their nominated beneficiaries and the percentage allocation of benefits. A member can make changes to their nomination form as many times as they find it necessary.

The insured is issued with a certificate of cover, which the beneficiaries can use to lodge a claim. Thereafter, as indicated in eight above the employer or officials are paid by the insurance company for forwarding to the nominated beneficiaries.

If a member appoints minors as beneficiaries, then they are required to appoint a guardian.

10. What happens if I leave employment/ or leave the group?

Once you leave employment or the group, you cease to be a member of the scheme. However, you can arrange with the insurance company to take up an individual life cover.

11. Can premiums be refunded?

No. The premiums are paid in exchange for the cover benefits in the event of permanent disability, critical illness or death. Once the insurance period of one-year ends, the unutilized premiums are not refunded.

12. What is Funeral Insurance Cover?

Funeral insurance cover is a common additional benefit under the Group Life Insurance. Funeral Insurance cover caters for funeral expenses of a member in the event of their demise. The benefits are payable within 48 hours after notification.

C. PENSION

1. What is a Pension?

Pension is a regular payment that is made during a person's retirement from an investment fund to which that person or their employer had been contributing to during their working life.

A pension or retirement benefit scheme is a form of insurance. The scheme protects members against the risk of poverty in old age by ensuring that they are able to provide for themselves in retirement.

2. What is a personal pension plan?

A personal pension plan, also referred to as a retirement plan, is a vehicle or service offered by insurance companies to build up a sum of money that can be used upon retirement. The money you put in is invested to generate a regular income referred to as pension.

3. Why should I plan for retirement?

You may be active today, but a time will come when you will have to slow down and retire and thanks to advances in medicine, we now live longer. Our living expenses such as food, utility (water, electricity) bills, medical bills, housing and others, do not retire. Planning for retirement helps us create an income that will cater for these expenses and ensure that the quality of life led in old age is still as good as when one was active.

Planning for retirement is also important given today's economic realities where it will be difficult to rely on other people for your daily needs. The family unit is weakening and the traditional notion of parents relying on their children is fading.

4. How do I save for retirement?

There are structured ways of planning for retirement as explained below:

Employer Sponsored Schemes- These schemes are formed by the employers for the benefit of their employees. It is not compulsory for employers to form pension schemes, however, employees can come together and form a scheme.

Individual Pension Plans- These are offered by insurance companies. Both employed and self-employed people can join individual pension plans.

Government sponsored plans- The National Social Security Fund (NSSF) provides basic financial security to Kenyans upon retirement. Contribution is compulsory for employers and employees. However, the benefits paid out are often not sufficient to provide for comfortable retirement.

5. Who can join a personal pension's scheme?

Anyone over 18 years of age who is either employed or self-employed. You join a personal pension's scheme simply by completing an application form and making your first contribution. Membership is open to the following:-

- Those working in organizations that do not have a retirement benefits scheme.
- People in seasonal or contractual employment.
- Self-employed
- People working in the Diaspora.
- Members of existing schemes who are changing jobs and would like to transfer their pension funds form the employer-sponsored scheme.
- Members of existing pension schemes who seek to enhance their retirement savings.
- Small to medium sized employers who cannot afford to set a Staff Retirement Scheme
- Partnerships and Practice set up
- Non-Governmental organizations etc.

6. What are the benefits of joining a pension's scheme?

- The contributions have a 100% capital guarantee. Retirement benefits schemes managed by insurance companies guarantee that your funds will not be lost. They also guarantee a minimum rate of return.
- Contributions are flexible depending on your financial ability and needs.
- Contributions are easy to make through deductions from your salary, direct debits, Mobile money etc.
- The fund earns compound interest. This allows contributions to grow into significant retirement savings over time
- It gives one the discipline to save and improve financial security in his/her retirement
- It offers a pooling advantage. Funds from various members are pooled together to form a huge fund that allows a larger scale of investments resulting in higher returns.
- The current Retirement Benefits laws allow one to utilise up to 40% of their fund to purchase a home.
- The accumulated fund plus investment income are paid to beneficiaries upon the death of the insured, providing a financial cushion for them

- Withdrawal terms are flexible
- An employer can contribute on behalf of the employee as long as the combined contributions do not exceed 30% of the employees' salary.
- Provides various flexible payments to a member at retirement i.e. Lump sum, pension/ Annuity and even the option to keep the savings invested and draw an income from it.

Tax Benefits and calculations

**Laws relating to tax on pensions may change as laws are reviewed. What has been provided here is what is currently prevailing in 2021.*

- Contributions to the pension scheme are tax deductible. The current Income Tax Act allows for a maximum tax deductible contribution of Ksh20,000 per member per month
- Income earned from investments is tax-free and therefore generates more funds for reinvestment.
- On retirement before 65 years, current tax laws allow for annual tax free pension up to Ksh300, 000. Pension payments after the age of 65 are tax-free.
- At retirement or withdrawal, you are entitled to receive tax free lump sum payment of up to Ksh600,000. Any amounts above that are taxed as illustrated in the tables below.

Below 50 years or below 15 years in the Scheme

If you are below 50 years, or have been a member in a retirement scheme for less than 15 years, the pension amounts are subject to tax as per table below:

Lump Sum Max	Ksh600,000	0
On the first	Ksh121,968	10%
On the next	Ksh114,912	15%
On the next	Ksh114,912	20%
On the next	Ksh114,912	25%
On the balance		30%

Above 50 years or above 15 years in the Scheme

If you are above 50 years, or have been a member in a retirement scheme for more than 15 years, the cash amounts are subject to tax as per table below;

Up to Ksh400,000	10%
Ksh400,000 - Ksh800,000	15%
Ksh800,000 - Ksh1,200,000	20%
Ksh1,200,000 - Ksh1,600,000	25%
Above Ksh1,600,000	30%

7. Do contributions made to the scheme earn interest?

Yes. The contributions are invested and start earning income from the day the contributions are received by the insurance company. Your total accumulated fund is made up of your contributions and the investment returns.

8. Who forms the personal pension's scheme?

Insurance companies are the main founders of personal pension schemes. The schemes are registered under the Retirement Benefits Authority (RBA) and Kenya Revenue Authority (KRA). The personal pension schemes enjoy all the benefits gained from saving for retirement.

9. Can my employer contribute to my personal pension scheme?

Yes. Your employer can contribute a percentage of your monthly salary towards your personal pension plan based on the agreement reached between you and your employer. The employer is allowed to treat the contributions as a tax allowable expense in their books of expense.

10. What happens when I change employers?

The individual pension plan belongs to you and is not affected by job changes. If your current employer is contributing towards your plan, you should negotiate with your future employer to also contribute if they do not have a staff retirement scheme.

If you are part of your employer's pension scheme, you can transfer from the previous scheme to your current employer's scheme if they have one. Be sure to check the terms and conditions of your new employer's scheme before transferring to ensure that it is registered with KRA to enable you continue enjoying the tax benefits.

11. What happens when I leave employment?

The individual pension plan belongs to you and is not affected by job changes. The current laws allow you to withdraw 100% of your own contributions to the scheme plus interest earned and a further 50% of the employer's contributions plus interest earned. The balance of 50% from the employer is retained in the scheme until age 50. This is a legal requirement to safeguard people against old age poverty.

12. Can I lose my retirement fund?

No. The contributions have a 100% capital guarantee. The retirement benefit schemes managed by insurance companies are guaranteed funds, which means that the insurance company guarantees the capital (contributions) put into the scheme plus a minimum rate of return. This means that if money is lost in the course of investment, the clients' money is fully protected and it is the insurance company that bears the loss.

13. How do I know how much I have contributed to the scheme and the interest earned?

At the end of every year, the Insurance company sends a statement to each member clearly reflecting the contributions made by the member, the contributions made by the employer if any and the income earned from these respective contributions.

14. What happens if I die or become incapacitated whilst working?

The total fund arising from contributions and investments is paid to the nominated beneficiary immediately upon loss of life. The total fund is also payable to you or your beneficiary in case of incapacitation.

15. What happens when I retire?

If it's a pension scheme, you are allowed to take 1/3rd of the total pension fund as cash at the time of retirement. The remaining 2/3rds of the fund is converted into a monthly pension which is paid to you at the end of every month. For the rest of your life.

If it is a provident scheme, then the entire fund (subject to applicable taxes) is paid to you as a lump sum upon retirement.

D. ANNUITIES

1. What is an Annuity?

An annuity is a contract between an individual and an insurance company where the individual pays a premium and the insurance company pays an income to the individual for the rest of their life after retirement.

2. What is their purpose?

An annuity is a savings tool that enables you to have an income during retirement. The lifetime retirement income, guaranteed by an insurance company, is a valuable benefit and security that an annuity can provide.

An annuity is also a saving (financial planning) tool that can be used to plan for when you will not have an income. For example, if you plan to take time off from your income earning activity (business or employment) you can use an annuity to ensure you have an income during that period.

3. How are Annuities used to pay retirement benefits?

A retiree needs approximately 60% of their last monthly salary to maintain their living standard. The retirement benefits fund can be an important source of income but it may not be enough to finance all your needs in retirement. A survey by the Retirement Benefits Authority showed that majority of contributors spent all their savings within three years of retirement. One way of avoiding this is using annuities to provide you with a guaranteed stream of income for as long as you live. You can also purchase an annuity plan that guarantees an income for your loved ones after you die.

There are two ways that benefits are paid out from a retirement benefits scheme;

a) Payment directly from the retirement scheme fund- The retiree is paid out of the ongoing scheme for as long as they live.
b) Purchase of an annuity - The insurance company converts the lump sum that you have into a lifetime income through an annuity.

4. Types of Annuity

Immediate annuity - the income payments begin within 12 months after you buy the annuity. This is suitable for those who are about to retire or have already retired. The premium for an immediate annuity is paid as a lump sum at the time of purchase.

For example if you retire at age 55 and you make a lump sum premium contribution to the insurance company, you will receive your first income payment within 12 months after paying the lump sum premium.

Deferred annuity -this type of annuity is for people who would like a guaranteed income after retirement but still have working years ahead of them and therefore do not need it to start right away. The premium in this case is paid well in advance and this can be a lump sum payment or periodic payments until retirement.

For example, at the age of 30, you may purchase a deferred annuity that begins income payments at age 55. You can choose to either pay a lump sum premium then or make yearly premium payments until you are 54. The lump sum premium paid at age 30 will be smaller compared with what you have to pay if you purchase an immediate annuity at age 54. Also the future income will be higher because the premium paid at age 30 will be invested by the insurance company and accumulate interest over the years.

5. Choosing the right annuity

The type of annuity you choose and other additional benefits will determine the amount of income you will receive during retirement. As you plan to purchase an annuity, it is also important to understand how much you will need to earn during retirement. A study by Retirement benefits Authority shows that you require approximately 60% of your last salary to maintain a similar standard of living in retirement.

Before choosing an annuity, check all the options being offered by various insurance companies to ensure you get the best deal.

The amount of income payment you will receive upon retirement will depend on:

- The amount you pay to purchase the annuity;
- Your age when you purchase annuity and your sex (women live longer than men)
- The benefits options you choose.

You can choose to have your income paid every month, every three months, every six months or once a year.

6. Benefit options for Annuities

Level annuity without guaranteed period - pays a fixed regular income after retirement for as long as you live.

Level annuity with a guaranteed period - pays a fixed regular income for a guaranteed period say 10 years or for the rest of your life, whichever is longer.

Increasing annuity - pays an income which increases each year at a specified rate to partially protect your income from inflation. With increasing annuity, the starting income is lower than you would get from a level annuity, but it will provide you with better income years later in your retirement period.

Joint-life annuity - pays an income for the rest of your life, and then continues to pay the income to your partner for the rest of his/her life, after your demise. However, income to your partner may be at a reduced amount.

7. How do I pay for an Annuity?

To purchase an annuity plan, you may pay to an insurance company a lump sum premium just before retirement. Alternatively, you can make periodic premium payments until your selected retirement age. Upon retirement, the insurance company would provide income payments for the rest of your life. You can buy annuities from any life insurance company, which offers annuity products.

8. Can an Annuity provide a guaranteed period of payment?

An annuity contract may provide a guaranteed period of payment where a specific payment amount is assured, whether the annuitant survives the period or not. If the annuitant dies within the guaranteed period, the balance of the guaranteed payments is paid immediately instead of being paid on the periodic due dates over the remainder of the guarantee period.

9. Who is involved in an Annuity?

The following are the parties involved in an annuity contract.

Insurance Company - issues the contract, provides contract information, allocates the money as instructed by the owner, and is responsible for the guarantees.

Owner - makes the decisions about the annuity, such as how much money to invest and the way it should be allocated. The owner also names the beneficiaries.

Beneficiary - usually, the beneficiary is the one who may have the right to receive the death benefit if the owner dies before income payouts begin or before the end of the guaranteed period of payment.

10. How are annuities priced?

The factors affecting the pricing of an annuity include;

- Age
- Sex
- Prevailing investment market
- Projected expenses
- Guaranteed period

E. FUNERAL INSURANCE COVER

1. What is Funeral Insurance?

This an insurance policy used to pay for funeral expenses upon demise of the insured.

It can be purchased as a stand-alone product or as part of life or general insurance.

2. How does it work?

Like any other insurance policy, the insured determines the type of package they desire and premiums are paid pegged on the benefits in the cover. Premiums can be paid monthly, quarterly, half-yearly or annually depending on the agreement with the Insurer. Upon death of the insured, the insurance company pays the claim to the appointed beneficiary within 48 hours of receiving notification and relevant documentation.

3. How much does it cost?

Funeral insurance can cost as low as Ksh100 per month. The premium is calculated at roughly 1.5 per cent of the total cover. For example a cover of Ksh100, 000 will attract a premium of Ksh1, 500 per year or Ksh125 per month.

Depending on your budget and preference, various service providers have different benefits. Remember, to compare the benefits being offered versus the premium to ensure you get the best value for your money.

4. Why do I need funeral insurance?

No amount of money can take your place, however, a funeral insurance cover can go a long way to minimize the financial drain on your loved ones.

5. Can I take out cover for my entire family?

Most funeral plans include full family protection, but it usually only extends as far as covering your immediate family (your spouse, your children) and your parents.

6. How long does a Funeral cover last?

- Funeral insurance is renewed annually.
- Cover for you will cease when you pass away, as long as your premiums are up to date.
- Cover for your partner and/or other family members, such as your parents, will end when you pass away or when they pass away, whichever comes first. As long as your premiums are up to date.
- Cover for your children will end when you pass away, or when they pass away or when they turn 21, whichever comes first. As long as your premiums are up to date. If your children are unmarried full-time students, mentally or physically impaired then in some cases their cover may be extended to the age of 25.

7. Will my family remain covered after my death?

Yes, provided premiums are paid by the family members covered on the policy.

8. Must I use my Funeral Insurance benefits on burial expenses?

The beneficiaries may use the funds in any way they see fit. The amount they will receive is supposed to be used to pay for funeral related products and services. However, it can also be used to settle loans, debts, or any other bill or expense.

9. What happens if I miss a premium payment?

Depending on the insurer, the grace period will differ, they range from 15 to 30 days. This will have to be discussed with the insurer at the point of purchase.

CHAPTER 4

NON-LIFE / GENERAL INSURANCE PRODUCTS

In this chapter we will look at the salient features of the most common non-life or general insurance products. We have also included the questions that customer ask most frequently. Insurance sales agents can use this information to educate their potential or existing customers.

General Insurance Products and Frequently Asked Questions

General Insurance also known as Non-Life insurance is a contract where the insurer (insurance company) promises to compensate the insured (insurance insured) in the event that there is a loss /damage to property or against liability. General insurance typically covers any insurance other than life. Most general insurances are annual or short-term contracts.

In Kenya, non-life insurance is classified into 14 distinct insurance classes. These are Aviation, Engineering, Fire Domestic and Industrial, Public Liability, Marine, Motor Private and Commercial, Personal Accident, Theft, Work Injury Benefits (WIBA), Medical, Micro Insurance and Miscellaneous insurance. Miscellaneous insurance includes: Agriculture, Golfers, Travel, Bonds, and Plate Glass insurances among others.

1. Home Insurance (Domestic Package - DP)

This policy insures the home. It combines coverage for the home that is, the building and household contents against theft, fire, floods, earthquake e.t.c, as well as domestic workers against death or injury while in the course of employment. The policy also covers the homeowners or occupiers against lawsuits for injury or property damage caused to other people (third parties).

What does Domestic Package insurance cover?

Home Insurance policy has five (5) sections, A to E, as broken down below;

- Section A - Cover for the structure (building) of your home against risks such as fire, floods, earthquake etc.
- Section B - Cover for your personal belongings or contents of the building such as furniture, electronics, Art and others against risks such as theft, fire, floods, earthquake, etc
- Section C - Cover for items you move with outside the house such as mobile phones, watches, IPads, laptops, rings, cameras, spectacles against risks such as accidental damage, theft, fire, floods, earthquake, etc. This section is also referred to as All Risks
- Section D - Liability protection, this covers domestic workers for injury or death while undertaking domestic work.
- Sections E and F - Coverage of owners and occupiers against lawsuits for injury or property damage caused to other people within the property or by objects or actions originating from the property.

You can chose which of the sections you wish to cover depending on whether you are a tenant, living in your own home or are a landlord.

Can I purchase home insurance if I am renting a house?

Yes. You can purchase home insurance as a tenant for the content in the home, items you move outside with and liabilities for domestic workers and third parties.

Why is it important to take a home inventory before purchasing Domestic Package Insurance?

Before you home insurance, you will be required to provide a home inventory. A home inventory is a list of all the things in your house including electronics, furniture, kitchen equipment and jewelry. It is important to record the serial numbers of the major appliances, keep the receipts and user manuals safely.

Having an up-to-date home inventory will help you insure the correct value of property and get your insurance claim settled faster.

How often should I review my policy?

Home insurance is an annual cover. However, if in the course of the year you make improvements to your home such as fire and burglar alarm systems, upgraded plumbing or electrical system or if you make a major purchase. Inform your insurance company about the improvements or changes.

You may need additional cover if there is a change in the value of your home or its contents.

What should I do if I am leaving the house unoccupied for some time?

If you are leaving your house without an occupant for eight (8) or more consecutive days, you will need to inform your insurance company. Cover may be suspended for the period, or extended to cover the period of un-occupancy on payment of an additional premium.

2. Personal Accident and Group Accident Insurance

A Personal accident insurance provides financial benefits to an individual if he/she is involved in an accident resulting in injuries or death. While, Group personal accident insurance provides financial benefits to a group of people such as a family, employees, chamas, learning institutions, SMEs or any other group of people with common interest.

When calculating premiums to be charged for this insurance, the following factors are considered: Age, location, occupation, current physical health status and lifestyle, type and amounts of benefits.

What are the benefits under this cover?

- Accidental Death - Pays the fixed amount or multiple of salary for loss of life due to an accident
- Permanent Disability - Pays a certain percentage of the fixed amount or multiple of salary in the event of permanent disability caused by an accident
- Weekly payment - Pays a weekly income for temporary disability resulting from accidental injury

- Medical Expenses - Compensates the insured for medical expenses that arise from an accident including dental and optical expenses
- Emergency Evacuation - Covers emergency medical evacuation expenses.
- Pay for the cost of artificial appliances that arise from an accident such as crutches, hearing aid and prosthetics
- Repatriation Expenses - pays for the return of the deceased to place of residence.

Who is a beneficiary and why is it important to nominate one?

Beneficiary is a person who receives the benefits following death of the insured. The person applying for insurance is required to nominate preferred beneficiaries and the percentage allocation of benefits.

If a child below 18 years is appointed, then a responsible guardian who will administer benefits upon death should also be appointed. Choosing a beneficiary ensures that the benefits go to the right people.

3. Medical Insurance and Group Medical insurance

Medical insurance, also referred to as health insurance, covers the medical expenses incurred by the insured or their dependents. It covers numerous illness and or bodily injuries.

It can be taken by an individual or a group of people.

The policy covers both out-patient (walk in and out of hospital) and in-patient (hospital admission).

Does medical insurance cover all medical bills?

Each medical insurance is different in terms of the medical treatments it can cover. This is dependent on the type of cover and on the premium paid. It is therefore very important to review the policy document together with your insurer to ensure you have clearly understood what is covered and what is not covered.

Most medical insurance policies can be extended to cover additional benefits such as optical and dental cover, congenital defects, maternity expenses, pre-existing conditions, chronic ailments, psychiatric conditions among others.

Most covers exclude cosmetic surgery or treatments, family planning and treatments not administered by a registered medical practitioner.

4. Travel Insurance

Travel Insurance covers specific risks that may occur in the course of travel. The insurance is dependent on coverage limits, which also determine the premium paid. Covered risks and exclusions vary significantly by policy type, insurer, and travel preferences. The risks typically covered include:

- Trip interruptions
- Cancellations (entire trip or a section of the trip)
- Lost or delayed baggage
- Carrier or service provider failures
- Emergency evacuations (due to physical threats and medical emergencies)

- Theft and other crimes
- Medical treatment for injuries caused due to travel
- Accidental death (including transportation of remains)

What is not covered?

- Natural disasters
- Severe weather
- Crimes committed against you or a member of your traveling party
- Lost travel documents or identification papers
- Civil unrest
- Unannounced strikes that render your carrier unable to operate

5. Professional Indemnity Insurance

This insurance policy covers liability to a third party arising from the performance of, or failure to perform services by a professional. Insurance is provided in accordance with the limits, conditions and activities defined in the policy.

Who is a professional?

There is not one standard definition of a professional but they do possess the following characteristics:

- Skills and knowledge highly valued by society
- Usually trained in the specific skill
- Usually a member of a professional association - for regulation purposes
- May have a special license to provide the specialized service
- Advice/ Service is usually in exchange for a fee

Traditional professions- Accountants, Architects, Engineers, Advocates, Insurance Brokers, Doctors/Nurses

Non-Traditional professions- Advertising Agents, Property Valuers, Real Estate Agents, Event planners, Debt collectors and consultants

What professional liabilities does the insurance cover?

Negligent acts, errors or omission

- Misleading statements
- Unintentional breach of confidentiality
- Libel or slander (defamation)
- Dishonest, fraudulent or malicious acts, omissions by any former or present employee

What liabilities are not covered under this insurance?

- Performance guarantees
- Intentional acts by the professional
- Patents/trade secrets
- Prior claims/circumstances
- Policy excess

6. Work Injury Benefits Act (WIBA) Insurance

The Work Injuries Benefits Act (WIBA), requires that all employers must provide compensation to employees for work related injuries or diseases contracted as a result of work.

WIBA insurance policy responds to the requirements of the above Act. It covers employees whilst on duty against accidental bodily injury, disablement or death. Compensation is payable in accordance with the provisions of the WIBA Act. The maximum benefit is set at 96 months' salary. The insurance also covers funeral expenses, medical expenses and artificial appliances or prosthetics.

WIBA policy does not cover the armed forces, minors, business owners and employees deployed outside Kenya.

What are the key exclusions under WIBA?

- Any injury by accident or disease sustained outside Kenya
- Any liability arising out of any court proceedings
- Any liability arising out of pre-existing medical conditions unless previously declared.
- Any Injury by accident /or disease attributable to war or war like activities
- Any Injury by accident/ or disease outside the course of duty
- Injury caused by deliberate and wilful misconduct

All employers should read the Workmen Benefits Injury Act under the Kenyan Laws for detailed understanding of their responsibilities to their employees.

7. Employers' Liability (EL) Insurance

Employers' liability insurance protects employers from their legal liability to an employee for injury arising out of, and in the course of employment. The policy protects the Employers against lawsuits brought against them by employees due to allegations of injuries or contracting diseases because of employer negligence. The employee must prove negligence on the part of the employer e.g. if injury is a result of lack of a helmet - which the employer failed to provide.

Employers Liability compliments WIBA and picks common law claims after WIBA has dealt with statutory claims.

What are the Policy exclusions?

- Any injury by accident or disease sustained outside the geographical area of operation.
- Any injury by accident or disease attributable to civil war Injury or disease caused by goods supplied or remedial treatment.
- Fines and Penalties incurred by the employee
- Any claim (in the event of cancellation or non-renewal of this policy) not first reported in writing against the insured as specified in specific in the policy.
- Any known losses before policy inception
- Any losses as a result of policy cancellation or non-renewal

8. Public Liability Insurance

Public liability insurance is the most common type of insurance taken out by small businesses. This insurance is essential for businesses that interact with the public such as customers receiving deliveries or clients visiting their office or work premises. Even home-based businesses should consider public liability insurance if their home office is also used as a client's meeting place.

What does public liability insurance cover?

Business owners purchase general Public liability insurance to cover legal liabilities due to accident, injuries and claims of negligence by third parties. These policies protect against payments as the result of bodily injury, property damage, medical expenses, and the cost of defending lawsuits. Simple accidents like coffee spilling over a client's computer, or a loose nail causing a customer to trip while visiting your office, could cost you millions if you are uninsured.

This policy can be extended to cover Products liability where required.

9. Products Liability Insurance

Product liability insurance covers the cost of compensating anyone injured by a faulty product or damage to property caused by a faulty product that a business designs, manufactures or supplies. This insurance mainly targets the food and beverage industry, cosmetics, pharmaceuticals and manufacturers etc.

What does products liability insurance cover?

- Personal injuries caused by a faulty product
- Loss of, or damage to property caused by the faulty product

What are the general Policy Exclusions?

- Repair, Replacement and Recall
- Professional Liability
- Pollution
- Contractual liability
- Fines and penalties
- War

10. Fire and Perils Insurance

The basic fire and perils insurance covers loss or damage to property caused by fire, lighting or explosion.

The cover can also be extended to cover riots, strike, malicious damage, storm, earthquake, impact by vehicles, aircraft or other aerial devices, subterranean fire, spontaneous combustion or overflowing water from tanks and pipes.

This insurance covers assets such as buildings, plant and machinery, stock insurance, office equipment, furniture, fixtures and fittings.

The insurer guarantees to pay for the loss or damage to the property for the specified period (usually one year). The valuation of property is made according to the market value.

What is not covered?

- Items like precious stones, curios or works of art, manuscripts, plans, drawings, securities, obligations or documents of any kind, stamps, coins or paper money, cheques, books of accounts or other business books, computer systems records, explosives, manuscripts etc. unless specifically declared in the policy.
- Damaged cold storage stocks due to change of temperature.
- Loss / damage/ destruction of any electrical and/or electronic machine, apparatus, fixture or fitting arising from over running, excessive pressure, short circuiting, arcing, self-heating or leakage of electricity.
- Loss / damage / destruction of Boilers, Economisers or other Vessels, machinery or apparatus which generates steam.

11. Business Interruption Insurance

This policy provides cover for loss of profits caused by reduction or interruption of production due to damage caused by fire and allied perils to the insured's premises. Allied perils are perils such as earthquake, flood, explosion, malicious damage that are insured in addition to fire at additional premium.

Business Interruption Insurance is taken together with fire insurance (see 10 above) to ensure both the business and the assets/materials are covered. Both covers have to be valid for a claim to be settled.

Business Interruption insurance covers loss of Gross Profits, wages that are paid while production is interrupted and auditors fees incurred in preparation of the claim.

12. Burglary or Theft Insurance

Burglary or theft insurance covers loss or damage of insured property because of theft accompanied by visible, forcible and violent entry into, or exit out of the insured premises.

The policy extends to cover damage to the doors, windows, walls and roof by intruders in their attempt to gain entry and exit. As well as damage to the contents in the event of an attempted break-in to the premises.

Which losses are not covered under this burglary/theft insurance?

The policy excludes losses such as:

- Damage by fire
- Theft by trick, pilferage, shoplifting
- Entry by use of key unless by force
- Where employee(s) collude with outsiders in perpetration of the crime

Can I purchase burglary insurance if I am renting a business premise?

Yes, theft or burglary insurance provides financial protection against loss or destruction of your possessions even when you rent a business premises.

13. Money Insurance

All businesses handle money in some form - cash, cheques, credit card slips, bankers' drafts and others- making this form of insurance essential for businesses large and small.

Money insurance covers loss or damage of cash in transit, cash in premises, cash in safe, cash with authorised staff and damage to safe/strong rooms. The policy will cover loss of money in varying scenarios including hold up, burglary and by use of force or threat of the person with the money. A Personal Accident cover is also included for those carrying money.

Policy features can include:

- Money in transit to and from banks, carried by employees
- Personal assault cover
- Money on business premises, in or out of safes
- Personal and safe damages
- Cover for money in the home of employee or director
- Cover for money in safety deposits

Why should you consider it?

- Essential protection of financial assets
- Protection for employees and others who transport monies
- Peace of mind security, minimising disruption to your business
- May cover risks that are excluded in other insurance policies

Does Money insurance cover money in MPESA, AIRTEL, EQUITEL, ORANGE and other such accounts?

Money insurance does not cover mobile/electronic money i.e. Money in the mobile phone transferred following hold up / threat at gunpoint. However, cover for such risks can be extended at an additional premium or insured under a separate cover.

What are the common exclusions in money insurance?

- Any loss of money in which an employee of the Insured or member of the Insured's family is directly or indirectly involved
- Unexplained losses and/or shortages due to errors or omissions
- Any damage or loss of money occurring because of use of any keys, unless access obtained by force, violence, assault or threat.
- Theft or loss of money by employees through manipulation of any computer software.

14. Fidelity Guarantee Insurance

Fidelity Guarantee insurance covers an employer against loss of money, business equipment, securities or other goods belonging to the business resulting from an act of fraud or dishonesty by employees for improper personal financial gain in the course of their duties.

Why is Fidelity Guarantee Insurance important?

Companies are exposed to significant financial losses, due to crime committed by employees. Companies most often seek fidelity guarantee insurance where employees are more likely to cause financial loss because of their constant exposure to cash, stocks or other assets.

Who is covered?

Fidelity Guarantee covers all employees engaged under a contract of service, for example storekeepers, sales people, staff authorized to handle cash among others.

It covers actions such as forgery, misappropriation of funds, embezzlement or diversion of money and theft of money or property.

Fidelity insurance may include a single employee or a group of employees and the cover extends to measurable financial losses only. The type and extent of cover you chose will depend on your particular business.

Who is not covered?

The cover does not insure all the staff and it excludes the following:

- The business owner
- A director, partner or sole proprietor of the Business, a trustee
- Commission agent, consignee, contractor or other agent or representative of the Business
- Any employee or category of employees not in the Schedule of the Policy or an employee not on permanent terms of service.

Can compensation occur if loss is discovered after a staff member has left employment?

Yes. However, this has to be within 3-6months after policy expires or the termination of the employment whichever comes first. The policy runs for one year and the 3-6months is referred to as 'discovery period'.

What happens when staff are hired or resign?

The policy allows the insured to add, replace or remove staff during the period of insurance by advising insurance company accordingly.

What is excluded under this policy?

The policy excludes such form of losses as; damage by fire, political and terrorism, unexplained losses, consequential loss of any kind, loss by use of electronic equipment.

15. Marine Insurance

Marine insurance is broadly divided into three categories namely: marine hull insurance, marine cargo insurance and marine third party liability.

a) Marine hull insures risks associated with boats, canoes, dhows, vessels, ships and other marine vessels.

b) Marine third party liability insures the vessel owner; vessel charterer in respect of legal liabilities to third parties. It does not cover loss or damage to the vessel.

c) Marine cargo insurance covers shipments from starting point to the final destination. The same insurance can cover any shipment by road, rail or air.

There are two types of marine cargo insurance:

- **Marine open cover**

The Marine open cover is an umbrella cover and is ideal for those engaged in continuous or regular import and export of goods. It is an agreement to provide insurance cover on all shipments of the insured at pre-agreed rates and terms.

- **Voyage policy**

This is a single policy cover that covers the goods from one place to another irrespective of the duration involved. The policy therefore ceases or lapses once the goods are delivered to the destination.

The insurance cover contains the policy number, name of the assured, name of the transporting vessel, details of the voyage, description of goods, type of cover, sums insured and the premium.

16. Goods in Transit (GIT) Insurance

Goods in transit insurance covers loss or damage to goods and/or merchandise while moving it from one place to another.

This cover is restricted to Kenya but can be extended to cover East Africa subject to agreement with the insurance company.

The insurance covers loss or damage to goods when:

- Loading, carrying or unloading from any vehicle
- Collision, overturning or derailment of the conveying vehicle
- Theft and pilferage following collision, overturning or derailment of the conveying vehicle.

This insurance can extend to cover expenses reasonably and necessarily incurred in respect of;

- Cost of debris removal of property damaged from the site where damage occurred
- Transferring property from the vehicle following an accident and reloading to another conveyance
- Security and protection at the site of accident
- Damage to tarpaulins, trailer curtains, ropes, chains, webbing straps and packing material following an accident.
- Political violence and terrorism is currently a common extension.

What is not covered by GIT?

The insurance policy does not cover loss, destruction or damage caused by:

- Loss from an unattended vehicle
- Wear and tear

- Defective or inadequate packaging or insulation.
- Wilful misconduct of the Insured, theft or dishonesty
- Delay or loss of market

This Policy does not cover loss of or damage to the following goods unless specifically agreed:

- Deeds, bonds, bills of exchange, promissory notes, money or other negotiable currency, securities or stamps;
- Documents, manuscripts, business books, computer systems records, patterns, models, moulds, plans or designs;
- Electrical or electronic equipment, cameras, photographic or binocular equipment
- Bullion, Jewellery, non-ferrous metals, precious stones, precious metals, platinum or silver articles, furs, watches, curios, or works of art
- Glass and other articles of a brittle nature except as a direct result of fire, theft or accident to the conveying vehicle;
- Explosives;
- Livestock/living creatures

17. Carriers Legal Liability Insurance

Carriers Legal Liability Insurance insures a carrier (person or entity providing transportation for hire) against legal liability claims.

The insurance covers accidental loss or damage to goods in the custody or control of the insured whilst in transit by road, rail, inland waterway, air or any other specified means. The cover territory is within Kenya however, it can extend to East Africa based on agreement with the insurer.

The insurer shall not be liable to pay in respect of liability arising from:

- Loss of any kind, delay or loss of market.
- Political violence and terrorism, war, confiscation by authority.
- Loss or damage to goods belonging to the insured or to an employee or agent of the Insured
- Carriage of illicit, illegal, contraband or smuggled goods.
- Illegal sale, conversion or wrongful disposal of goods in the custody or control of the Insured
- Wilful misconduct of the Insured, theft or dishonesty on the part of the Insured's employees, disappearance of or unexplained inventory shortage.
- Defective or inadequate packaging or insulation.
- Damage, destruction and deterioration to goods caused by change in temperature resulting from total or partial breakdown of any refrigeration or cooling equipment unless such breakdown has been caused by an event not excluded from this Policy.
- A motor vehicle driven by you, or anyone with your permission while the driver is under the influence of alcohol or any other intoxicating substance or drug.
- Abandonment of consignment

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AKI

ASSOCIATION OF KENYA INSURERS

Contact Us

Association of Kenya Insurers
AKI Centre, Mimosa Rd, Muchai Drive off Ngong Road
P.O. Box 45338 -00100 Nairobi
Tel: 0709 640000
Mobile: 0722 204149 / 0733610325
Email: info@akinsure.com Website: www.akinsure.com
Facebook: AKIKenya
Twitter: AKI_Kenya
LinkedIn: AKI Kenya