

DECLARATION

THIS MANAGEMENT PROJECT IS MY ORIGINAL WORK AND HAS NOT BEEN PRESENTED IN ANY FORM OR MANNER TO ANY UNIVERSITY OR INSTITUTION. **" FIRE INSURANCE PRACTICE IN KENYA "**

BY:

KUU, STEPHEN KIIIO.

DATE: 19th July 1995

THIS MANAGEMENT PROJECT HAS BEEN SUBMITTED FOR EXAMINATION WITH MY APPROVAL AND UNIVERSITY SUPERVISION.

DATE: 17th July 1995

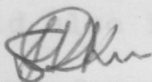
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NOVEMBER 1994.

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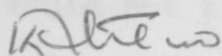
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(INSURANCE OPTION)

DEDICATION
ACKNOWLEDGEMENTS

To my mother Telesia Ndumi, my wife Veronicah Mueni and my children Erick and Josephine.
Many people have directly or indirectly assisted me in various ways to make this project a reality. I would sincerely thank them all, even if they are not mentioned here.

Sincere thanks go to my supervisor Mr. Kephers U. Atieno for his invaluable comments and advice throughout the project. I am particularly grateful for his guidance and patience.

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Finally, I must acknowledge the patience and understanding of my wife, Veronicah and children, Erick and Josephine, from whom I took time normally available for family activities to work on this project and the MBA programme during the past two years.

DEDICATION

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The Commissioner of Insurance libraries. The findings of this study can be used as pointers or guidelines to the practice of fire insurance in Kenya.

From the secondary data gathered, it was established that there are 29 insurance companies underwriting fire business. Old Mutual Insurance company transacts life business only. There are 3 reinsurance companies in Kenya, namely Kenya Re, Zep Re and Africa Re. East-Africa Re was established when this project was being compiled. It was established that there are several categories of intermediaries who participated in one way or the other in the fire insurance practice. Among these intermediaries, we have 168 registered brokers, 2024 registered agents, loss surveyors, loss adjusters and investigators.

The findings also show that most insurance companies offer fire commercial/industrial, domestic package, all risks, computer and contractors all-risks policies to their insureds to cover fire

ABSTRACT

Fire insurance is a branch of general insurance business which takes care of risks associated with property. This project was embarked on to redress the apparent lack of awareness of fire insurance. It's main objective was to investigate into and document the fire insurance practice in Kenya.

The primary data for this project was collected using questionnaire and interview methods. Secondary data was collected through literature reviews of books, newspapers and magazines in the Lower Kabete Campus, Kenya Re, The College of Insurance and The Commissioner of Insurance libraries. The findings of this study can be used as pointers or guidelines to the practice of fire insurance in Kenya.

From the secondary data gathered, it was established that there are 39 insurance companies underwriting fire business. Old Mutual Insurance company transacts life business only. There are 3 reinsurance companies in Kenya, namely Kenya Re, Zep Re and Africa Re. East Africa Re was established when this project was being compiled. It was established that there are several categories of intermediaries who participated in one way or the other in the fire insurance practice. Among these intermediaries, we have 168 registered brokers, 8024 registered agents, loss surveyors, loss adjusters and investigators.

The findings also show that most insurance companies offer fire commercial/industrial, domestic package, all risks, computer and contractors all risks policies to their insureds to cover fire

risks. Apart from just the simple insurance cover for fire, insurers offer other services such as surveys, loss adjusting and advise insureds on risk improvement methods.

It was also established that insurers have different practices when it comes to underwriting. Thus notwithstanding that most insurers regard the seven underwriting factors outlined in table 14 as important, their underwriting practices will differ from one insurer to another. That is why discounts and loadings vary from one insured to another and are based on the information provided by the proposer (insured to be) in the proposal form or the surveyors report (where a pre-acceptance surveyor is conducted).

Further, it was established that insurers differ in their claims practice, there are certain factors which they all consider when settling claims. To guard against fraudulent fire claims, insurers appoint adjusters, surveyors or investigators to investigate and furnish them with a report about the fire claims lodged. They also require the insured to call the fire brigade immediately a fire breaks out, report to the police and fill a claim form.

The Kenya fire insurance market consists of sellers, middlemen and the buyers. The sellers (Insurance Companies) do not follow the modern marketing concept but instead sell their services directly or through middlemen. The most popular method of getting new business is through insurance brokers and/ or agents.

This study also established that most companies reinsure risks in excess of their capacity. In addition, it is compulsory to cede

25% of each and every risk underwritten to Kenya Re. In the treaties 25%, 5% and 10% of the treaty business go to Kenya Re, Africa Re, and Zep Re respectively.

Finally, the findings of this study have come up with 7 underwriting factors that insurers consider when writing fire insurance. These are summarised in table 14. (Khamala, 1985:1).

Various forms of insurance have evolved over time to serve as some of the means of providing such protection and security. One of these forms of insurance is fire insurance which takes care of risks associated with property.

The home is undoubtedly one of the most important, and probably most valuable investment that an average consumer will ever make. It therefore follows that protection against damage to the dwelling is a central part of every family's insurance program. In the same token, industries and commercial buildings play a key role in a country's economic growth. Their continued protection or immediate reinstatement or repair in case of their destruction by fire is of paramount importance if growth is to be sustained.

In Kenya, as elsewhere in the world, insurance against fire is provided for by various policies vide Domestic (house-holder's or house owners) policy, All Risks (domestic and commercial) policy, Fire (Commercial or Industrial) policy, computer policy and contractors all risks policy.

One of the cornerstones of Kenya's development strategy in the post-independence era was the economic growth through rapid industrialization. Industries were to be the backbone of Kenya,

CHAPTER ONE

1.00 INTRODUCTION:

1.10 BACKGROUND

Security and protection against losses or contingencies, based on the principle of mutual cooperation, have existed in most societies since the early days of civilization (Khamala, 1985:1). Various forms of insurance have evolved over time to serve as some of the means of providing such protection and security. One of these forms of insurance is fire insurance which takes care of risks associated with property.

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One of the cornerstones of Kenya's development strategy in the post-independence era was the economic growth through rapid Industrialization. Industries were to be the backbone of Kenya,

providing solutions to critical problems facing the country then and even today, namely, poverty, unemployment, overpopulation and illiteracy. Many of these dilemmas are partially solved. But Industrialization and Urbanization also brought in their wake numerous other hazards such as environmental pollution, accidents, fires and explosions. According to Irukwi (1989:12), only about 10

per Fire is one of man's most valuable servants but has also proved to be one of his most destructive enemies (Green, 1986:250). During 1986, for example, the estimate of the fire damage in the United States of America was 5,850 Lives lost and property worth 6.7 billion dollars damaged (Green, op cit, adopted from Karter Jr, 1987). Statistics has shown that residential fires are the most numerous type of building fires but contribute a small percentage of total losses as opposed to Industrial or Commercial fires which are fewer but contribute the highest percentage of the total losses (Green, 1986:251). It has been experiencing heavy claims due to

A tragic factor about fires is the catastrophic damage of which they are capable. British Insurers, for example, reported that a fire at Ordnance Depot at Dannington in 1983 was responsible for a loss of 165 million pounds (Post, 1990:6). Prevention is

The Eastern and Southern Africa region is estimated to have a total of current annual insurance premium income of US \$650 million. Out of the US \$650 million, approximately US \$125 million is for fire and special perils. Invariably, fire is the second largest non-life branch after motor and constitutes on the average about 25 per cent of the total non-life market (Appannah, 1987:17).

From Appendix 10 (Kenya non-life market results), it is evident that fire is the second largest non-life business in the Kenyan market after motor business. The importance of fire insurance can not therefore be over emphasized. Omondi (1988) studied the

Despite it's importance, the insureds tend to under- or un-insure their property. According to Irukwu (1989:12), only about 10 per cent of the fire losses in Nigeria is insured.

The problem of under-insurance or failure to insure against fire is not found in African Countries alone. According to a study done in California, there was increasing evidence that much of the property damaged was un-insured or under-insured (post, 1990:9). Property is said to be un-insured when there is no insurance cover in force to provide for compensation in the event of a loss. Under-insurance occurs when the sum insured is below the actual value of the property insured. should however be realised that these papers

Fire insurance has been experiencing heavy claims due to increased fire outbreaks. As a result of the increased fire outbreaks, every one is currently paying the price of fire damage in terms of loss of life, damage to property and increases in fire insurance premiums. Hence, the old adage that, 'prevention is better than cure' is very much applicable in fire losses (whether insured or not) as it is in other facets of life.

The need for protection against fire losses has subsequently led to the growth of other associated professions such as fire surveyors, fire loss adjustors and fire investigators (Njoroge, 1989:18). Thus, fire insurance has provided employment

mechanism. Atieno (1987) conducted a study on the attitudes of the middle class income group towards life assurance. He discovered that middle class people in Nairobi generally held negative attitudes towards life assurance. Omondi (1988) studied the operations of the Kenya Insurance motor pool and found out that it was faced with high rate of accidents resulting to adverse claims experience of the pool.

Many other papers and research studies have been written on several aspects of insurance. Very few of them, however, have touched on fire insurance. Some of the papers which have superficially dealt with fire are; Kithinji (1990) who wrote a paper on the development of fire insurance in Kenya, Irukwu (1989) who addressed fire losses and their effects on the national economy of Nigeria and, Njoroge (1989), who wrote on the fire insurance business in Kenya. It should however be realised that these papers have tackled the topic of fire insurance in passing and none of them is based on any empirical research. Indeed, a diligent search for the available research works has revealed none that has been conducted on fire insurance practice in Kenya. Hence the need for the current study.

1.30 OBJECTIVE OF THE STUDY

The main objective of this study is to investigate and document the operations of the Insurance companies as far as fire insurance business is concerned. To facilitate the achievement of this objective, the following areas will be investigated:

1. The composition of the Kenya fire insurance market.
2. Types of fire policies and other services offered by fire insurers as well as the underwriting and claims practice in the fire business
3. The underwriting factors that insurers consider before accepting a fire risk.
4. Reinsurance and marketing of fire insurance business.
5. Government supervision.

1.40 IMPORTANCE OF THE STUDY

The study will be important to:

- a) The general public because it will enable them understand and appreciate fire insurance.
- b) The Insurance companies because it will offer suggestions about those areas of their operations that do not live up to the Government and public expectations. Although no primary data was collected concerning the shortcomings of insurers operations, the literature review indicated the areas where insurers have failed to meet the public or Government expectations. Suggestions for improvement will then be offered.
- c) Academics as it will serve as an eye opener for further research in specific aspects of the fire insurance practice in Kenya.

opportunities, directly in the insurance companies as well as the associated professions, to hundreds of people in Kenya.

1.20 STATEMENT OF THE PROBLEM

Insurance plays a very important role in the Kenyan economy. Data on returns from insurance companies available from the Office of The Commissioner of Insurance indicates that in 1992 the total premium income amounted to Kshs. 7,498,678,336 this being 0.03 per cent of our GDP in the same year. The 1992 GDP was K£11315.62 million which is equal to Ksh.226212.4 million (Development plan 1994-1996:13). Non-life premium in 1992 amounted to Kshs. 5,578,373,000 this being 0.02 per cent of the GDP during the same period.

Despite the significance of insurance, in general, fire insurance included, majority of Kenyans treat it with skepticism and reservation. Skepticism can be traced to among other things ignorance on the part of the public and it's (public) specific complaints against the insurance companies (NUISA, 1990:5). Several studies have been carried out in the process of investigating the much wider subject of insurance. Irukwu (1977) conducted a study on insurance management in Africa. His findings relate more to west Africa and his country of origin, Nigeria, than to other parts of Africa. Khamala (1985) conducted a study on the life assurance practice in Kenya. He found out that the industry experienced some problems, most of which were traceable to the general lack of knowledge by the average policyholder about the life assurance

CHAPTER TWO

2.00: LITERATURE REVIEW

2.10: THE COMPOSITION OF THE FIRE INSURANCE MARKET.

In this study, the insurance industry is taken to mean all the insurance companies operating in Kenya as well as the buyers and Intermediaries in the insurance business. The buyers comprise the commercial sector as well as the general public. An intermediary is taken to mean any company that performs insurance related business either to facilitate the underwriting process or the settlement of claims. Intermediaries include all Insurance brokers, Insurance Agents, the Loss adjusters and the Investigators. These are discussed in various sections of this chapter.

In this section I will briefly discuss the role played by the insurance Companies. The Insurance Companies provide a financial service in the sense that they support the industries producing goods or offering services. The buyer of Insurance, whether a private individual or a large corporation places his financial risk in the hands of an insurer in return for a premium. (Dickson, G.C.A 1986:68).

In the Kenyan scene, we have one insurance company transacting one form of insurance only. The said company is Old Mutual that transacts Life business only. All the other companies transact both life and general businesses. Insurance companies which transact several businesses are referred to as composite companies.

Majority of the Insurance companies are private owned by local proprietors. In this category we have Corporate, Gateway, United,

Geminia, Kenya Alliance and the Monarch insurance companies among others. Kenya national assurance company is state owned while Jubilee and Pan Africa are publicly owned (quoted in the stock exchange). The Union, Alico, British America are foreign owned in the sense that local ownership is below 51%.

We also have the Reinsurance companies. Reinsurance according to Dickson G.C.A (1986:179) means 'insuring again', and entails insuring with someone else part (or all) of the risk which has been insured by a member of the public, that is, insurance of insurance. All insurance companies are legally bound to reinsure with Kenya Re (the local reinsurance company) 25% of all the direct business written in Kenya. Other reinsurers in the market include the Africa Reinsurance and the PTA (ZEP) Re to which the insurance companies are required to reinsure 10% and 5% respectively (in their treaties). Private reinsurers are expected to start operating soon because of the structural adjustment programmes taking place in Kenya. A case in point is the East Africa Reinsurance company limited which was launched on November 1st 1994. It is locally owned and has a share capital of Ksh. 300 million. (Luseno, 1994: 5).

2.20: THE ORIGIN AND DEVELOPMENT OF FIRE INSURANCE

As a whole, insurance in its present form has been practiced for a long time. Marine insurance, the earliest form of modern insurance appears to have had its origin in Italy around the thirteenth century (Vaughan, 1989:64).

Very little literature on the insurance industry in Africa exist today. It is however evident that insurance in it's modern form was unknown to Africa until the early part of this century (Irukwu, 1977:7-10). Insurance was introduced to each African country by the early European settlers. The former British colonies, such as Kenya, received the idea of modern insurance from early British Merchants, and insurance practices in these areas are almost entirely patterned along British lines. Likewise, those African countries that came under French, Germany, Portuguese, or Italian influence, adopted the insurance practice of their colonial masters (Irukwu, 1977:8).

In Kenya dealings in modern insurance began in 1904 when the London and Lancashire Insurance company limited appointed agents for fire insurance business only in Nairobi (Kithinji, 1990:12). Those Agents transacting Insurance business were subsidiary offices of U.K. Insurance Companies. Other companies followed suit appointing as their agents banks, general traders, solicitors or firms of accountants.

Before the formation of the Kenya Reinsurance Corporation (in 1970) there was no co-ordinated effort by the Insurance Industry to record the historical development of the insurance business in Kenya. The only written documentation found are the minutes of the Insurance Association of Eastern Africa.

The earliest minutes on record are dated 4th, January, 1935. These minutes are records of the transactions of the Association only particularly with regard to the fixing of rates of the fire,

workmen's compensation, motor, and marine insurances (Kithinji, 1990:12). It may not be surprising to note that the association was controlled from London and major changes or amendments to the constitution and rates had to be referred to London.

Kenya has borrowed heavily from the U.K. insurance market in that it has confidently adopted to changes from the U.K. market. A case in point is the abolition of the tariff in Kenya which followed the same trend as the U.K. and the change of name to Association of Kenya Insurers (AKI) which was done following a similar change in the U.K. market (Kariuki, 1991:22).

Since the 1970's, a great deal of economic development has taken place in Kenya. Industrial projects of all sizes have been initiated and completed throughout Kenya. This development has meant more buildings and machinery which require cover for fire and special perils. Kenyans have also set up their own businesses which require fire and burglary insurance. They also own private dwelling houses which they would like to insure under the domestic package policy. (see appendix 4)

With the rapid growth of the commercial, industrial, and domestic sectors in Kenya since independence, the demand for fire insurance has risen year after year. Statistics has shown that fire business has grown by 11 per cent annually from 1977 and fire business alone accounts for approximately 19 per cent of the total non-life premiums annually (Njoroge, 1989:18).

From appendix 10, it can be seen that fire insurance is the second largest class of general insurance business after motor

insurance. Gross premiums on fire insurance grew from Ksh.530 million in 1988 to Ksh. 894 million in 1992, while those of motor insurance (the leading class in general business) increased from Ksh. 1394 million to Ksh. 2352 million over the same period.

2.30: TYPES OF POLICIES FOR FIRE INSURANCE

2.31: The Kenya standard fire policy

The basic Fire Policy wordings have not changed. The Tariff Fire Policy is the main policy that is adopted by all the Insurance Companies in Kenya. During the introductory stages of Fire Insurance, the policy wording and rating were determined and strictly controlled by the Fire Committee Of The Insurance Association Of East Africa. The majority of the companies operating in Kenya up to 1980s when the fire tariff started falling apart were members of the Association. Under the tariff agreement members charged rates stipulated in the tariff. A member had to make an application for any amendment of the rates, or in case of a new risk not catered for. If it was a major change, the association originally had to refer the matter to London for determination.

According to Kithinji the above practice brought stability in the rating of fire insurance in that it removed the unnecessary competition and helped in maintaining the rates at an economical level. This is because the capacity of non-tariff companies was very small and they were not allowed by the tariff companies to lead in a co-insured policy (Kithinji, 1990:14).

The tariff rating still remains the most important source of rates and is taken as reference by all insurance companies in Kenya. However, section 75 of the Insurance Act 1985, provides that all insurers should file with the commissioner of insurance a schedule or manual of rates of premium proposed to be used. The commissioner has powers to ask the company to modify or revise the schedule or manual rates before he approves them (Insurance Act, 1984:67).

Each insurer is supposed to file with the commissioner of insurance at the time of registration or renewal, specimens of the policies for the businesses it intends to transact.

The fire insurance policy issued by most insurance companies in Kenya is more or less standard in the sense that the wording and ratings are similar across the companies transacting fire insurance (refer appendix 3). Most of the differences are in the conditions and endorsements to the policy.

2.31.1 Definition of fire and the standard fire policy cover

A fire may be defined as combustion in which oxidation takes place so rapidly that a flame or glow is produced. The fire must be hostile, that is, it must be of such a character that it is outside the normal confines (Green, 1986:256).

According to Peverett (1981:56), the word 'fire' is used in its popular meaning, and the old adage that, "there is no smoke without a fire" is false. Overheated materials can give a lot of smoke but there is no "fire" unless there is actual ignition.

2.31 As far as insurance is concerned, the fire that is covered is of specific type and implies the actual ignition of something which ought not be on fire. This again implies that the fire must be hostile or unfriendly. A friendly fire is that which is within the confines which it was intended. For fire to qualify for insurance cover, it must be accidental or fortuitous as far as the insured is concerned.

In addition to the direct loss by fire, fire insurance also covers other circumstances in which the loss is so closely related to the fire that it is regarded to be caused by it. These according to Hall (1985:7/1), include;

- Property damaged by water or other extinguishing agents used for extinguishment purposes.
- Damage caused by fire brigade in the execution of their duties, for instance, in gaining access to the fire base.
- Property blown up to prevent the fire from spreading.
- Damage caused by falling walls or parts of the building in which the fire takes place.
- Loss or damage to property removed from a burning building caused by rain, theft or damage during removal, provided that the removal was justified and the insured takes steps as soon as it's reasonably possible to protect the removed property from further damage.

2.32 The above losses are covered since they are often an inevitable result of the fire itself. Fire is therefore the proximate cause of loss because it was within the contemplation of the contract.

Fire insurance, is therefore, the provision against losses caused by fire, lightning, and other related perils. The insurer agrees for a fee, to reimburse the insured in the event of such an occurrence.

2.31.2 Need For Fire Insurance

The need for fire insurance arises from three basic facts:

- (i) The existence of material property susceptible to damage or destruction by fire or other perils covered by the fire policy.
- (ii) The fact that material property has intrinsic value measurable in terms of money recognized by the economic benefits of the society.
- (iii) The fact that the occurrence of a fire will result not only in loss or damage to material property but also other consequential losses such as loss of production causing loss of profits.

Fire insurance has grown up from the recognition that the loss of individuals can be made good by the insured community. The purpose of fire insurance is, therefore, to spread the loss, but it does not prevent fire waste.

2.32: Fire Exclusions (Refer Conditions 5, 6 & 7 appendix 3):

Some of the perils that are specifically excluded are:

-Explosion: The intention of this exclusion is clear, namely, the doctrine of proximate cause will not apply, so that notwithstanding fire being the proximate cause, insurers will not be liable for any resulting explosion, except for explosion of boilers or gas used for domestic purposes. Cover for this peril is granted in return for an additional premium based on the occupation of the premises.

-Earthquake or Subterranean fire: Earthquake here refers to fire loss resulting from earthquake on payment of additional premium, Earthquake may be covered. When earthquake risks are covered, particular attention must be paid to the locality of the property, for the risk requires special rating according to its situation and the susceptibility of the neighborhood to earthquakes.

Subterranean fire means fire of volcanic origin or a burning coal mine or oil well (Gamlen, et al 1991:40).

-Its own spontaneous fermentation, or heating, or combustion: A good example of spontaneous heating is hay which has been insufficiently dried before stacking. The introduction of the words "its own" limits the operation of proximate cause and results in the effect of spontaneous combustion being limited to the stack which goes on fire. If the fire spreads to other property or buildings, these would be subject to a valid claim.

-Other exclusions include war invasion act of foreign enemy, military, usurped power, martial law, bush fire, and damage attributed to nuclear weapons.

Although this listing is not exhaustive, it is intended to draw the readers attention to their (exclusions) presence and consequences in the standard fire policy.

2.33 Other Types of Policies

2.33.1 Domestic package or household policy (Appendix 4)

These insurances have been issued for many years to cover private houses and their contents in respect of a wide range of

specified perils and liabilities. They are beneficial to the insured and have been a useful source of additional premium income to insurers. (Gamlen E. et al 1991:109). There is nothing like a "standard" domestic package or household policy. This has led to a widening of the cover provided and the provision of a number of 'add on' extensions. The opportunity has also been taken to reissue the policies in plain english as far as possible, which makes for easier reading and understanding of the cover and the conditions.

Appendix 4 shows a sample Domestic package insurance prospectus which gives the policyholder the benefit of 5 policies in a single package as highlighted in the following paragraphs:

Section A: This covers the insureds house comprehensively against fire and other perils, subject to exclusions.

Section B: Covers the insureds contents against loss or damage caused by fire, lighting, thunderbolt, earthquake, subterranean fire, explosion, riot and strike and burglary. For an exhaustive listing of the risks covered, please refer to Appendix 4 section B.

Section C: Covers the insureds valuables against loss or damage caused by burglary, fire, theft from person, loss in transit or while travelling and accidental damage. Items covered under this section includes jewellery, watches, personal effects and works of art. The principal exclusion under this section are war, civil commotion, wear and tear, depreciation and damage due to moth, restoring or renovation.

Section D: Covers the domestic servants against death or injuries sustained whilst at work. The maximum number that can be covered

are three. Beyond this limit, the proposer can effect a workmen's compensation policy.

Section E: Covers the insured against his liabilities to members of the public who might be injured as a result of negligence in the process of occupying or effecting occupancy as the owner of the house.

Section F: Covers the insured for his liabilities to members of the public as tenants.

Conditions found in the DP policy:

- 1) The insured may not leave the house for more than 30 consecutive days without an occupant if the subject matter of insurance is the building and neither is he to leave the house for more than 7 days without an occupant in the case of contents, in each case, he must arrange for proper and approved security. However, the tariff provides endorsements (see appendix 9) by which the Insured may extend cover during days of an occupancy upon payment of additional premium. These additional premium varies from Insurer to Insurer.
- 2) The proposer must be willing to insure all his contents in the house, that is, he cannot pick the most vulnerable items and leave the others.
- 3) The insured must specifically list all items that are serialised, eg. TV and Video sets, radios and cameras. He must also list all the items that are at least 10% of the total amount in the schedule.

2.33.2 All Risks Policy

All risks cover has been available for contract works, specified valuables, personal property, professional equipment and for domestic buildings and contents. (Peeverett 1981:103).

All risks policy does not cover all the risks under the sun. The items that are normally covered under this policy are; Jewellery, pictures, cameras, watches, computers, binoculars and spectacles, to name but a few.

All risks policy, basically covers risks of fire, theft and accidental damage to the insured item(s) whilst in any premises or in transit in the country it is restricted to. It should however be noted that the list of the insured perils varies from insurer to insurer and every policy wording is different. (Peeverett 1981:113). All risks cover is available for domestic buildings and industrial/commercial premises. These policies list the usual insured perils or contingencies in the conventional manner with the extensions. All risks cover can be effected separately by completing the all risks proposal form (Appendix 7) or through completion of section c of the Dp proposal form.

2.33.3 Contractors All risks policy

Contractors All risks policy covers the contractor (insured) in respect of loss, destruction or damage to property insured whilst on the contract site arising from any cause for which the insured is responsible in accordance with the terms of the contract subject to the policy exclusions.

Cover includes the unfixed materials or equipment on site for incorporation in the works and all items of construction plant, equipment and tools. Temporary buildings for use as site offices, mess accommodation, workers' camp, stores, workshops and their contents are also covered. The above extends to include architects and other professional fees, and also the removal of debris. (Hall C.E 1985:8/10). The exclusions are basically those applicable to any All risks cover.

2.33.4 Industrial All risks Policy

This provides cover to industrial concerns against the following perils;

- (a) Perils of a chemical nature eg. explosion, spontaneous fermentation, heating and combustion.
- (b) Social perils eg. riot civil commotion, strikers and locked out workers.
- (c) Perils of nature eg. storm and tempest, flood, earthquake and subterranean fire.
- (d) Miscellaneous perils eg. Aircraft and other aerial devices or articles dropped there from, bursting or overflowing of water tanks, impact by road vehicles and sprinkler leakage. (Hall C.E. 1985: 7/6).

The above policy is intended to avail cover for the insured against perils that are normally excluded under the fire commercial or industrial policy.

Industrial All risks cover is subject to many exclusions. Some of these include risks such as theft, fraud engineering risks, money, jewellery, glass and other fragile objects, computers and vehicles licensed for road use. These can be specifically included on payment of additional premiums. However, some may be covered by

use of other policies that are available in the general insurance business. about the risk that is known to one party should be known to the other.

2.40: The Insurance Contract:

2.38 The agreement between the two parties, the insurer and the insured is set out in a policy of insurance. This agreement may be defined as a contract whereby the insurer in return for a consideration, known as the premium, undertakes to indemnify the insured against financial loss which he may sustain by reason of certain defined property insured being lost, destroyed or damaged by fire, or other stated perils, within a stated period, the liability of the insurer being limited to a specified amount, called the sum insured. (Gamlan, E. et al 1991:4)

The essential requirements for a fire insurance contract are that there must be: Underwriting:

- (i) An unrevoked offer and an unqualified acceptance;
- (ii) No misrepresentation or concealment of material facts;
- (iii) Conformity by the subject matter with the law - for example, the insurance of property belonging to a person who is an enemy alien has been held to be illegal; S.J.
- (iv) Insurable interest;
- (v) Some consideration for the cover granted. (Gamlan E. et al 1991:5) Proposal Forms:
- (vi) Capacity to insure: Persons of unsound mind or minors may not effect a binding contract of fire insurance. (Gamlan, E et al, 1991:5). It should be appreciated, however, that

(vii) Utmost good faith: This requires that any information about the risk that is known to one party should be known to the other.

2.50: UNDERWRITING OF FIRE INSURANCE

The term underwriting is broadly used to denote the principles and practices concerning the acceptance or rejection of risks, the total amount of acceptance, and the amount of retention for insurer's own account and the treatment of the balance, the reinsurance.

According to Canar (1979), Underwriting is the process of sifting new proposals, of deciding whether or not the risk they outline are acceptable, and if so on what terms.

2.51: Objectives Of Underwriting:

The main responsibility of an underwriter is to:

- (i) Guard against adverse selection;
- (ii) Secure adequate volume of exposures in each class; and
- (iii) Guard against congestion or concentration of exposures that might result in a catastrophe. (Vaughan, E.J, 1989:100).

2.52: Proposals and Proposal Forms:

The request for insurance to be given or for premium to be quoted is known as a proposal and may be made orally or in writing (Gamlen, E et al, 1991:5). It should be appreciated, however, that

the proposal, consisting of the statements, either oral or written, made by the proposer, form the basis on which the policy is issued. The proposal form for fire insurance (appendix 5) consists of eight sections;

- (1) The proposers name, address, and occupation.
- (2) Construction of buildings, that is, materials used for construction of walls and roof. Number of storeys that the building has.
- (3) Use of the buildings - details as to whether the building will be occupied for residential or business purposes are sought. Insured is supposed to give details about machinery, if any, and the source of power.
- (4) Hazardous goods - disclosure of the type of hazardous goods and their quantity in the building is required. A list of what comprises hazardous goods is provided in the proposal form.
- (5) Adjoining buildings - If the building is attached to others, the construction and occupation of the attached building is necessary.
- (6) Additional perils - Fire insurance cover can be extended to include explosion, earthquake, bush fire, riot and strike, and malicious damage, upon payment of additional premium.
- (7) Insurance history - The insured is required to furnish details on previous insurance history.
- (8) Financial interest - Disclosure of companies, for example, mortgage which might have financial interest on the building or property is required.

Appendix 6 (Domestic Package proposal form), consists of the following sections:

- (1) Name, address and occupation of the proposer.
- (2) Buildings and their address.
- (3) Contents to be insured.

The following extensions to the policy are also provided;

- (4) Workmen's compensation, and
- (5) Personal liability.

It is usual practice for insurers to require a proposal form to be completed in connection with trade risks and it may be observed that a proposal form is also required for insurance on a private house, often termed as "domestic package" insurance.

All Risks Proposal

It requires the insured to fill his name, address and profession or occupation. It is intended to provide the proposer with an opportunity to insure his property and his family's property.

There is provision for insurance under 7 items namely:

- (i) Furs
- (ii) Watches
- (iii) Sports gear, field glass, guns, sticks, umbrellas, lampkit, portable radios.
- (iv) Weaving apparel and personal effects i.e clothing, toilet articles and pens.
- (v) Cameras, projects & accessories.
- (vi) Jewellery, personal ornaments, gold & silver articles.
- (vii) Household effects such as linen, books, clocks, china, glass, wireless sets.

Under each item, the insured is supposed to furnish details of serial numbers and make of the item plus its value.

The completion of a proposal form does not imply that the property is automatically insured; it is necessary for the insurers to consider the case, following which they will indicate their acceptance or otherwise. Many proposal forms bear a printed statement to the effect that the property is not covered until the risk is accepted and the premium paid.

2.53: Underwriting policy:

Underwriting begins with the formulation of a company's underwriting policy, which is generally established by the officers in charge of underwriting. The underwriting policy establishes the framework within which the desk underwriters make decisions. The

policy specifies the lines of insurance that will be written as well as prohibited exposures, the amount of coverage to be permitted on various types of exposure, the areas of the country or region in which each line will be written, and similar restrictions (Vaughan, 1989:101).

2.54: Underwriting Process:

To perform effectively, the underwriter must obtain as much information about the subject of insurance as possible within the limitations imposed by time and the cost of obtaining additional data. There are five sources from which the underwriter obtains information regarding the hazards inherent in exposure:

- (i) Application containing the insured's statements (proposal form). The questions on the proposal form are designed to give the underwriter the information needed to decide if he or she will accept the exposure, reject it, or seek additional information. The ultimate underwriting objectives are:
- (ii) Information from the agent or broker.
- (iii) Investigations: In some cases the underwriter will request a report from an inspection company that specialises in the investigation of personal matters. All the information is pertinent in the decision to accept or reject the application.
- (iv) Information bureaus; eg Police criminal or accident records.

2.55: (v) Under Physical examination or inspection. In case of life insurance, this is done by a physician while in property insurance, a physical examination on the premises is conducted by an agent of the insurer or company representative of the insurer. It involves

The underwriting process begins when a proposer (the Insured to be) proposes insurance either by writing or by visiting the Insurance Company. In most cases, the proposer fills a proposal form. When the proposal form has been completed, signed and dated, then the role of the Underwriter comes into play. The Underwriter will look for different factors depending on the class of insurance proposed (Munguti, 1992:20).

Underwriting is based on selection and rating. Selection implies that there are some acceptances and some rejections or that not all the proposed risks are accepted for insurance. Rating of insurance contracts is another specialized part of the underwriting process. The premium rates are calculated based on the experience in the underwriting process. The ultimate underwriting objectives are; the production of a large amount of premium income sufficient to maintain, and progressively enlarge an insurers company and the earning of a reasonable profit on the operations.

A general description of underwriting is then simply the selection and rating of risks which are offered to an insurer. undertaking to insure their clients' buildings and property against fire risk (Wells, 1992:4).

2.55: The Underwriting Practice: *underwriting:*

Underwriting practice is the process followed by Insurance companies in their selection and rating of Insurance proposals. It implies the measures undertaken by the insurance firms before an insurance proposal can be accepted and premiums set. It involves compliance by the insured with certain policy conditions before the insurer can accept a risk. The underwriting practice differs from firm to firm and there is no one generally accepted way of evaluating a risk. The underwriter uses policy conditions which are meant to impress upon the insured the seriousness with which insurers regard his or her risk, and to try to protect their business from adverse claims.

The degree of the risk will influence the underwriting practice adopted. If the degree of the risk is very high, the underwriter will impose many conditions to be adhered to by the insured. Generally, underwriters attempt to improve risks through taking underwriting measures. *example, rates are computed for each*

Due to the rapid increase in motor vehicle thefts in Kenya, a recommended anti-theft device is required as an underwriting measure when one is insuring his vehicle with an insurance company (Bennet 1992:3). In the same token, due to increased fire losses, good house-keeping practices, spacing of buildings and installation of fire extinguishing appliances are emphasized by Insurers before undertaking to insure their clients' buildings and property against fire risk (Wells, 1992:4).

2.56: Post selection or Renewal underwriting:

When a review of the experience with a particular policy or account indicates that the losses have been excessive, the underwriter may insist on an increased deductible at renewal or may decide that the coverage should not be continued and will decline to renew it, or even cancel it outright.

It should be noted that postselection underwriting is restricted by some laws which have been enacted requiring the insurer to furnish an explanation of the reason of cancellation or declination (Vaughan, 1989:103).

2.57: PREMIUM DETERMINATION:

A rate is the price charged for each unit of protection or exposure, and should be distinguished from a premium, which is determined by multiplying the rate by the number of units of protection purchased (Vaughan, E.J. 1989:96).

In life assurance, for example, rates are computed for each \$1000 in protection, while in fire insurance, the rate applies to each \$100 of coverage (Vaughan, E.J. 1989:96). Regardless of the type of insurance, the premium income of the insurer must be sufficient to cover losses and expenses. Theoretically, to obtain this premium income, the insurer must predict the claims and expenses. The final premium that the insured pays is called the "gross premium" and is based on the gross rate.

Gross premium is comprised of the pure premium (ie the part of premium intended to cover losses) and the loading (ie the part designed to provide for the expenses of operation).

In general the pure premium is determined by dividing expected losses by the number of exposure units. For example, if 10,000 vehicles generate Shs. 300,000 in losses, the pure premium is Shs. 30, Computed as follows:

$$\frac{\text{Losses}}{\text{Exposure units}} = \frac{300000}{10000} = \text{Shs. } 30$$

In loading, the various classes of expenses which provision must be made normally include:

- Commissions
- Other acquisition expenses
- General administrative expenses
- Premium taxes
- Allowances for contingencies and expenses (Vaughan, 1989:96).

In converting the pure premium into gross rate, expenses are usually treated as a percentage of the final rate, on the assumption that they will increase proportionately with premium.

The final gross rate is derived by dividing the pure premium by a permissible loss ratio. The conversion is made by the formula;

$$\text{Gross rate} = \frac{\text{Pure premium}}{1 - \text{Expense ratio}}$$

Using the Shs. 30 computed in the above example, and using expense ratio of 0.4;

$$\text{Gross rate} = \frac{30}{1 - 0.4} = \frac{30}{0.6} = \text{Sh. } 50$$

While the pure premium varies with the loss experience for the particular line of insurance (eg fire, motor, liability and theft), the expense ratio also varies from one line to another depending on the commissions and the other expenses involved.

In practice, here in Kenya, rates are determined by the help of the tariff rates which are then loaded.

2.57.1 Types Of Rates:

(a) **Class rates** - Refers to the practice of computing a price per unit of insurance that applies to all applicants possessing a given set of characteristics, for example, rates that apply to all types of dwelling of a given kind of construction in a specific city. According to Appannah (1987:15), construction is generally classified into three categories, the better construction warranting lower rates as shown by the following table:

Table 1: Table of class rates

	Class 1 eg reinforced roof of cement corrugated iron sheets	Class 2 eg metal sheeting over iron or timber framework	Class 3 Other construction
private house			
clubs			
cafes/hotels			
furniture dealers			

In establishing the classes to which class rates apply, the rate maker must compromise between a large class, which will

include a greater number of exposures and thereby increase the credibility of predictions, and one sufficiently small to permit homogeneity. Class rating is the most common approach in use by the insurance industry today and is used in life assurance and most property and liability fields.

(b) Individual rates - Sometimes it is deemed desirable to depart from the class approach and calculate rates on a basis that attempts to measure more precisely the loss producing characteristics of the individual. There are several basic individual rating approaches:

(i) **Judgmental rating** - Here the process of underwriting and ratemaking merge, and the underwriter decides whether or not the exposure is to be accepted and at what rate. This approach is used when credible statistics are lacking or when exposure units are so varied that it is impossible to construct a class.

(ii) **Schedule rating** - Makes rates by applying a schedule of debits and credits to some base rate to determine the appropriate rate for an industry exposure units. In commercial fire insurance, for example, the rates for many buildings are determined by adding debits and subtracting credits from the base rate, which represents a standard building. The debits and credits represent those features of a

particular building construction, that deviate from the standard.

(iii) Experience rating - The insured's own past loss experience enters into the determination of the final premium. Experience rating is superimposed on a class rating system and adjusts the insured's premium upward or downward, depending on the extent to which his or her experience has deviated from the average experience of the class (Vaughan, 1989:97).

2.57.2 Adjusting The Level Of Rates:

When rates are initially established for any form of insurance, the rate is by definition an arbitrary estimate of what losses are likely to be. Once policies have been written and the loss experience on the policies emerges, the statistical data generated become a basis for adjusting the level of rates.

Generally, insurance rates are influenced by the quality of fire protection available where the building is located, the type of building construction, the kind of activity conducted within the building, and the degree to which the building is exposed to losses originating outside it.

- (a) giving immediate written notice to the insurance company or
- (b) protecting the property from further damage;
- (c) separating damaged from undamaged property and furnishing an inventory of all property;
- (d) filing detailed proof of loss within 60 days of the loss. In many cases the duration for filing proof of loss is 15 days, please see condition 11; Appendix 3.

2.60: FIRE CLAIMS PRACTICE

2.61: Claims Conditions Found In The Standard Fire Policy;

A glance at the fire policy (appendix 3) indicates that upon the happening of certain specified events, the following conditions will apply:

(i) The insurer will pay to the insured (named in the schedule) the value of the property at the time of its loss or destruction or the amount of damage.

(ii) Action by the Insured:

The duty of the Insured is to observe good faith towards the Insurers. The Insured must take all reasonable measures to extinguish the fire or prevent it from spreading. He must not interfere with the Fire Brigade in its endeavors to do likewise. If Practicable, he must remove the property insured to a place of safety, and he must not obstruct other authorised persons trying to do the same.

In case a loss occurs, there are several obligations that must be met by the insured. Violation of any of these obligations may jeopardise the protection. These according to Green (1986:264)

include:

- (a) Giving immediate written notice to the insurance company or its agent;
- (b) Protecting the property from further damage;
- (c) Separating damaged from undamaged property and furnishing an inventory of all property;
- (d) Filing detailed proof of loss within 60 days of the loss. In Kenya the duration for filing proof of loss is 15 days, please see condition 11; Appendix 3.

(e) Submitting all evidence available to the insurer's adjuster to aid in determination of the amount of the loss as may be reasonably required.

The insured is required to give immediate notice of any destruction or damage, in normal practice, the usual method is by telephone to the agent or broker, who in turn passes the message to the insurer.

(iii) **Reinstatement:** (refer Appendix 3 Condition 14)

Reinstatement means the restoration of the property insured to the condition in which it was immediately before its destruction. Total loss is made good by rebuilding the premises or replacing the goods with similar goods.

At its option, the Insurer will reinstate, repair or replace such property or any part of it. Such payment or replacement shall not exceed the sum insured in respect to the item(s) stated in the policy schedule. According to Collins, liability is declared to be limited in respect of each item to the sum insured of that item and, in all, to the total sum insured (Collins, F.N. 1991:3/2). This is in line with the insurance principle of indemnity.

The preamble or operative clause of the policy provides for a monetary payment or for the reinstatement or replacement of the property in the event of loss. Whilst the option to reinstate is available, it is one which insurers very seldom indeed exercise. A monetary payment is much simpler and very seldom has any attendant complications.

(iv) Material Facts:

Insurance is a contract of utmost good faith between the two parties (the insurer and the insured). The object of insurance is not to make profit but to get the loss recouped. It is, therefore, necessary that the insured declares all material facts to the insurer and takes proper steps to protect the insurer's interest by minimizing the loss. His failure to do so may vitiate his claim against the insurer.

(v) Fraud: See Appendix 3 Condition 13

This condition states that if a claim is fraudulent in any respect or if fraudulent means are used by the insured or by anyone acting on his behalf to obtain any benefit under this policy or if any damage is caused by the wilful act or with connivance of the insured all benefit under this policy shall be forfeited. This condition emphasises and explains the implied one of the observance of utmost good faith in the making of claims.

(vi) Average: See Appendix 3 Condition 17

In Fire Insurance, the term "Average" refers to a percentage used to combat underinsurance. Where Under-insurance exists and Average applies, the insured who makes a claim under the policy is paid less than the amount he would have received if the insurance had been properly arranged, that is, for an adequate sum insured.

(vii) The operation of the condition of average can be shown by the following example;

Assume the following:

- Sum insured Shs. 15,000
- Loss Shs. 3,000
- Value of the property at the time of loss Shs. 18,000

The insurers liability is calculated as follows;

$$\frac{\text{Sum insured} \times \text{Loss}}{\text{Value}}$$

$$\frac{15,000 \times 3,000}{18,000} = \text{Shs. } 2,500$$

The insured bears Shs. 500.

If the policy carries an excess, this excess is deducted after the application of the average. It must not be assumed that the insurers can not be called upon to pay the full sum insured. If the property is totally destroyed, there will be a total loss under the policy and the insurer will be liable for the total sum insured.

(vii) **Subrogation:** See Condition 15 Appendix 3

Subrogation is a corollary of indemnity. Because of the link between subrogation and indemnity, an Insured is not entitled to recover more than he has lost. If he is fully indemnified by the third party, he has no claim against the insurers. If the insured is indemnified by the insurer, the subrogation condition requires him to ensure that insurers right of recovery from other parties (before or after a claim) are safeguarded.

(viii) **Arbitration:** If any difference arises as to the amount to be paid under the policy (liability being otherwise admitted), such difference shall be referred to an arbitrator to be appointed by the parties in accordance with statutory provisions.

Arbitration is a method adopted to decide differences between the parties to a contract and is not intended to usurp the functions of the courts.

Insurers consider arbitration desirable because of the following reasons:

- (a) It is private and therefore reduces publicity that would be involved in litigation.
- (b) It is less formal, disputes are settled more quickly and are often less costly than litigation.

The procedure in arbitration follows generally that adopted in litigation.

The above is just but a brief description of some of the conditions found in the Standard Fire Policy. The aim of the author is not to expound on all the conditions but rather to draw the reader's attention to their (conditions) existence, importance and application in Insurance.

Insurance is, indeed, subject to a number of fundamental conditions and principles which are presumed to apply even when there is no express stipulation in the contract, and these are sometimes described as implied terms. Insurers are not liable, for instance, to pay for losses which are caused by the wilful

misconduct of the insured. This rule clearly does not need to be explicitly stated in the policy in order to apply.

When notified of a claim, the first action of the insurer is to ascertain that the policy or policies, on the property affected are in force. ly and promptly, but it is equally important that the insurer repudiate unjust claims and avoid overpayment of them.

2.62 Claims Settlement Process

For small losses, a claim form (see sample - appendix 8) is sent to the insured for completion. This form requires information to be given as to the time and place of the loss, and the circumstances in which it occurred. The address of the property covered must be stated and questions are asked about the existence of other insurances, the nature of the insured's interest, and previous losses. The property in respect of which the claim is made must be identified, setting forth the purchase price of each article, its value at the time of the fire, the value of the salvage, if any, and the net amount claimed. For big claims, the loss adjuster may be engaged

2.62.1: The Role Of Loss Adjusters

Loss adjusters act on behalf of Insurers in the settlement of Fire and Accident losses. Whereas straightforward small claims are commonly negotiated and settled by the Insurer's in-house claims staff, in the case of larger claims the investigation, negotiation and settlement is generally placed in the hands of a professional loss adjuster.

An adjuster is an individual who investigates losses. He or she determines the liability and the amount of payment to be made. The loss adjuster also gives advice on adequacy of cover and risk improvement methods. It is obviously important that the insurer pay its claim fairly and promptly, but it is equally important that the insurer repudiate unjust claims and avoid overpayment of them.

The insurers after, notification of a loss which is likely to be serious, will immediately appoint an adjuster to deal with the matter (Gamlen et al 1991:133). The adjuster will be supplied with a copy of the policy, or policies, affected and will generally proceed to the place of the fire as soon as possible. This is necessary to enable him make inquiries into the cause of the fire and to take steps to protect the salvage, if any.

The loss adjuster surveys the damage and begins investigating the cause. He checks that the property damaged is covered by the policy and that all warranties have been observed, and sees that the salvage is protected. He also makes an overall estimate of the possible cost of the claim.

At the end of the whole exercise of loss adjustment, the insured learns to be more careful with not only reading the contract but also safeguarding his/her property against losses. The insurer is updated on the current developments of the risk exposures and is also furnished with the recommendations that should be followed to improve on the risk.

When the insurers pay a claim, the sums insured by the items of the policy affected are reduced by the amounts paid until next

renewal or expiry date. The insurers by making such a payment, have completed the contract to the extent of their payment (Gamlen, E et al, 1991:9). If a total loss is paid, the sum insured is reduced to nil. Insurers are liable for successive losses, provided there remains a balance out of which the loss may be made good.

The sum or sums insured under the policy may be reinstated by endorsement which will provide for the payment of a prorata extra premium from the date when such reinstatement is required until next renewal or expiry date. *vider to a greater extent than would be the case with a product. Atieno K.U (1987:3) notes that people often express dissatisfaction against the insurance industry in*

2.70: **MARKETING AND REINSURANCE OF FIRE INSURANCE** Kenya as far

According to Kotler, marketing is human activity directed at satisfying needs and wants through exchange process (Kotler, P. et al 1991:9). By and large, marketing in service industries was a neglected area until ten or fifteen years ago. (Irons, K.W.N, 1991:1/4). Irons (1991:1/6) states that it was not until about 1972 when insurance companies began to take an interest in marketing, although admittedly with little undertaking of it. Today, in many countries and companies, marketing is a key part of both the service and manufacturing industries. *eries market insurance to*

The Insurance market place refers more to the mechanism by which buyers and sellers come together, rather than a physical location (Dickson G.C.A 1991:8/1) the insurance market comprises of:

Sellers:- the insurance companies

Buyers:- the general public, industries and commercial business.

Middleman:- insurance brokers, insurance agents, and other insurance consultants, reinsurance brokers, surveyors, loss Adjusters and investigators.

According to Buss J.H (1992:7), customers do not buy products or services as such, they buy ways of satisfying their needs. He further notes that since it is difficult to evaluate services, the customer has to trust the provider to a greater extent than would be the case with a product. Atieno K.U (1987:3) notes that people often express dissatisfaction against the insurance industry in Kenya. This implies that customer trust is lacking in Kenya as far as the relationship between the insureds and the insurers is concerned. It would be to the advantage of the insurers to improve their public image because when customers find a service provider they can trust they usually stay with them.

Members of the public can arrange cover direct with an insurer. However, the vast majority of the premium income of insurers comes to them indirectly through the use of intermediaries of one sort or another. From the definition of marketing it would be misleading to say that intermediaries market insurance to buyers. The role of intermediaries is therefore seen in the selling rather than marketing of fire insurance.

the general law of agency does not allow him to receive a secret profit from a third party. (Dickson 1986:84). In Kenya, Agents are utilised most in soliciting life

2.71.1 The Role Of The Agent:

The prime duty of an agent is to bring his principal into a contractual relationship with another, and to stand in place of his principal in the performance of any functions covered or implied by the terms of the agreement. In insurance cases, the agents' function is usually to negotiate cover and terms, and in doing so he takes the place of the principal. However, the principal will be bound by actions of the agent, the legal doctrine being *qui facit per alium facit per se* (ie he who does something through another does it himself). (Dickson, G.C.A 1986:84). Insurers issue letters of appointment to part-time and full-time agents. The purpose of these agencies is to have the agent procure business for the company, collect premium and handle renewals and process policies. The general marketing strategy used by agents is not based on study but is rather adhoc and has in many ways become a tradition. Generally, agents tend to focus on their products/ services rather than their clients or at times their victim (Yinda L.W. 1994:12). This clearly implies that insurance agents have been following the selling rather than the marketing concept. As such there is need for thorough training of the agents so that they may be able to handle the insureds more professionally.

The historical practice within the insurance industry is for the agent to receive a commission from the insurers based on the premium for the contract; the general law of agency does not allow him to receive a secret profit from a third party. (Dickson 1986:84). In Kenya, Agents are utilised most in soliciting life

business. However, the same agents also do procure general business for their principal. Records in the Office Of the Commissioner Of Insurance show that there are 8024 registered insurance agents operating in Kenya as at the time of writing this project.

2.71.2 The Role Of Insurance Brokers:

These are full-time professionals who must be registered and act as agents of the insured and are remunerated by a higher rate of commission than agents (Dickson G.C.A 1986:86). In Kenya, Agents and brokers receive the same commission rate. By calling themselves "brokers" they are holding themselves to be experts in the field of insurance and have a higher duty of care to their principals than agents. They will generally have authority to issue cover for certain classes of insurance.

Brokers usually receive renewal documents from the insurance companies, and are authorised by the companies to collect premium on their behalf. The broker is required to settle with the insurer within a stated period and return renewal receipts for lapsed insurances. This means that the broker acts as an agent of the insurer in the collection of the premiums, although he is the agent of the insured in the arrangement and renewal of insurance (Peperett 1981:27).

A broker is entitled to enter into a private agreement with the insured in the giving of credit and the payment of the premium to the insurer. When the broking account with the insurer becomes due for payment, the broker will have to include payments on all

renewals he has arranged to pay on behalf of the insured whether or not he has been reimbursed by the insured.

In Kenya, we have one body to represent the profession and supervise the standing and operations of those permitted to call themselves insurance brokers. This body is the Association of Insurance Brokers (AIB) in Kenya. Records in the chairmanship of AIB show that the AIB has 47 members, to date there are 168 registered insurance brokers operating in Kenya.

Enquiries about registration requirements for brokers has revealed that professional knowledge of insurance is not called for when one is registering as a broker. All that is required is professional indemnity cover and a bank security for Ksh. 100,000. Any body meeting these conditions is eligible to be registered as an insurance broker in Kenya so long as he/she has registered with the registrar of companies. This has led to mushrooming of many broking firms run by people who are incompetent in most aspects pertaining to insurance matters and many are not able to advise the insureds. There are a few brokers who transact reinsurance business. Some of them are: Forbes Reinsurance brokers (K) Ltd. (an affiliate of Kabage & Mwiringi Insurance brokers) and Chancery Insurance brokers. Since reinsurance broking is not well established in Kenya, most insurance companies rely on the services of foreign reinsurance brokers such as J.B Boda (India), Minets (Uk) and Richardson Hoskem (Uk).

Treaty - sh. 100 million

Facultative - sh. 45 million

2.72: Reinsurance

Reinsurance has been defined by Vaughan (1989:119) as the insurance for the insurer. It is based on the same principles of sharing and transfer as insurance itself.

In a reinsurance transaction, the insurer seeking reinsurance is known as the "direct underwriter" or the "ceding company", while the company assuming part of the risk is known simply as the "reinsurer".

2.72.1 Reinsurance Contracts:

Facultative Reinsurance

Under this type of reinsurance, risks are considered individually by both parties. The reinsurer is therefore free to accept or reject the risk. Once accepted it can charge rates or impose conditions as appropriate to the risk (Dickson et al 1991:22/6). In Kenya this is adopted when the ceding company exhausts its total capacity which is the sum of its net retention plus the treaty retention. E.g assume company xyz has a net retention of sh. 4 million and has a surplus treaty of 25 lines, this means that the treaty capacity is sh. 100 million (i.e 25 lines multiplied by sh. 4 million) and thus the total capacity is sh.104 million. If such a company underwrites a fire risk of sum insured sh. 200 million the same risk will be spread as follows:

Kenya Re (25%) - sh. 50 million
xyz retention - sh. 4 million
Treaty - sh. 100 million
Facultative - sh. 46 million

company xyz will begin to shop around for other insurers that are willing to take a portion of the sh. 46 million of the outstanding risk in return for a portion of the premium.

The extent of administration required makes it expensive and for the most part, this type of reinsurance is restricted to large distinctive risks.

Treaty Reinsurance

In this case the treaty is written to cover a specific class of risk. The treaty stipulates the minimum retention level and the maximum capacity accepted by the reinsurer. When the cedant underwrites a risk, the reinsurer is obliged to accept the risk under the terms of the agreement.

2.72.2 Types of Reinsurance Treaties.

There are many ways of classifying reinsurance treaties, but

the most common classification is:

- (a) Proportional treaties which include:
 - Quota share treaty
 - Surplus treaty
 - Pools treaty
- (b) Non-proportional treaties which include:
 - Working excess of loss and/or risk excess of loss treaties
 - Catastrophe excess of loss
 - Stop loss reinsurance or annual aggregate excess of loss
- (c) Facultative obligatory treaty

2.80: FIRE PROTECTION AND PREVENTION: losses tend to have more

It is widely accepted that prevention is better than cure. This motto which applies to all facets of life, applies particularly to risks covered by insurance. Everyone agrees that fire losses, road accidents, loss or damage to property and equipment entail not only human suffering and tragedies, but also in most cases wastage and unnecessary depletion of wealth and resources, which can seriously affect the economy and hamper its growth. In fire losses for example, we have fire waste; which is defined by Gamlen as the absolute economic loss of wealth to the community caused by fire. When a fire occurs, a part of the national asset has vanished and to replace it, labor and materials must be used which would otherwise have been employed to erect and equip other buildings (Gamlen, E et al, 1991:135).

When a loss occurs, it is not only life and property that is endangered; there can be a number of consequential losses which insurance does not compensate adequately. For instance, a serious fire will not only damage buildings and equipment, but may also throw people out of work and cause the loss of production, profits and markets. Other firms may suffer loss through interruption of supplies. Where a private house is damaged by fire, which results to loss of life and destruction to property, the entire family and the occupants of the premises are rendered homeless and made destitute. They have to look for support and assistance from friends, charitable organizations and the Government (Irukwu, 1989:11-12).

In the industrial sector, fire losses tend to have more devastating effects on the economy especially in view of the resultant interruption in production and sometimes total loss of the capital invested in the industry or factory destroyed. In case of developing countries, industrial machinery and equipment have to be replaced through importation from abroad, thereby depleting the limited foreign exchange resources of the country concerned.

Thus when an insured transfers his risk to an insurer, this does not mean that he is completely protected from the aftermath of such occurrences or that his community is able to avoid the economic distress which can be caused by a fire loss. However there is need for a combination of loss prevention and insurance. Loss prevention avoids or reduces losses while insurance indemnifies what is not preventable; thus, neither (insurance nor loss prevention) can supersede nor replace the other.

Salvage takes place after a loss has occurred. It is profitable if the salvaged property is worth more than the cost of the salvage operation. Salvage is often undertaken by the community; in most cases it is profitable.

2.81 Forms of Fire Loss Prevention

Loss prevention action is composed of the following categories of measures: preventive, protective, and salvage measures. Preventive measures are of fundamental or structural nature. In most cases, they have to be taken into account in the planning phase, when building, rebuilding, fixing machinery layout, planning equipment, specifying processes and materials. They aim at obviating loss entirely. A fire loss for instance can be avoided by

the construction of fire resisting walls, fire break doors or shutters.

Protective measures are taken in advance before any loss occurs. They do not entirely eliminate loss, but limit its occurrence. Protective measures against certain risks are undertaken largely by the community, for example, the maintenance of fire brigades to combat fire. Such measures still leave plenty of room for individuals to supplement the community efforts by installing fire fighting equipment and warning or alarm devices and neighborhood watch. Insurers are very helpful in advocating the best ways and means of protection against loss. They sometimes undertake inspection services or surveys to ascertain the existence and adequate functioning of safety devices and to detect faults and weak points before they result in loss or damage. Automatic fire sprinklers are the most popular devices for minimizing fire risks.

Salvage takes place after a loss has occurred. It is profitable if the salvaged property is worth more than the cost of salvage. Salvage is seldom undertaken by the community; in most cases it is undertaken by professional organization at the request of the property owner or insurer. For instance, in the event of a fire, salvage action consists of clearing the water that was sprayed on the property to extinguish the fire, drying the floors, removing salvaged articles to safe premises, effecting temporary repairs and restoring the damaged property.

A study conducted in the united states over a ten year period found that the most frequent type of fire was electrical (23 per

cent of all fires); other causes of fire included tobacco smoking (18 per cent), heat caused by friction in industrial machinery (10 per cent), over heated materials (8 per cent), hot surfaces in such devices as boilers, stoves, and furnaces (7 per cent), burner flames (7 per cent), and combustion sparks (5 per cent). (Encyclopedia Britannica, 1991:790).

Mwiti (1989:16), notes that though electricity has become a very serious fire hazard, it is not to blame. It is therefore evident that electricity is a major cause of fire in Kenya as it is in US. Other causes of fire not mentioned above, include arson, spontaneous combustion, children playing with fires, storage of hazardous material, and welding and cutting.

The above causes of fire should be counteracted by the insured ensuring that specific measures are adopted to guard against fire outbreak and in case the fire occurs, to limit the extent of damage.

2.90: THE ROLE OF GOVERNMENT, INSURERS, INDIVIDUALS AND COMMERCIAL UNDERTAKINGS IN FIRE LOSS PREVENTION.

The prime responsibility to prevent loss obviously lies with the insured himself. In view of the destructive effect of fire on our national economy, it is of paramount importance that every citizen is mobilized and encouraged to play a positive role in combating the adverse effects of fire losses on our economy. We should all accept that we have a role to play in preventing fires in our homes, offices, factories, public places and other places of work and play. Our public awareness campaigns in this direction

should be almost like a crusade. The following are some of the efforts and actions that should be taken by each group:

2.91: The Government:

The Kenya Government has enacted appropriate laws and regulations to guard against property loss or damage. Such laws include:

The Penal Code Act which among other things, stipulates life imprisonment for arsonists.

The Factories Act which requires tidiness in the workplace and good housekeeping practices

Through the 8-4-4 system, the Government has introduced business and home science courses at all levels of education. Such courses like home science will help students learn safer techniques of handling fire in domestic use while business studies will introduce students to business courses including insurance (which will probably touch briefly on fire insurance).

Through the Insurance Act, the Government requires Insurance Companies to maintain sufficient reserves to meet their obligations (settle emergency claims). This way, the Government is endeavoring to ensure minimal delays in claims settlements, thereby reducing consequential losses such as loss of profits because of fire losses.

The government insurance supervisory body (Office Of The Commissioner Of Insurance) is concerned about the insurance companies' margin of solvency (Insurance Act, sec. 41), assessment

2.91.1 Government Supervision (Insurance Act, sec. 44), proper

The Government has always taken an interest in insurance activities and it is interesting to speculate why this should have been. The existence of the Insurance Act (1984) is evidence of the strength of feeling that insurance was an activity requiring some measure of supervision.

monitor, direct and guide it, the Government has through the Insurance Act established an Advisory Board selected representatives mainly from the

Why Have State Regulation?

The words control, supervision and intervention are being looked upon as interchangeable in this study. Reasons for the Government intervention in the insurance industry are tied to the nature of business. The main justification for state control is to protect the public. This is because the insuring public pay for insurance in advance (premiums), expecting insurance firms to provide services in the future. These insureds are concerned about whether or not the insurer will be able to pay claims if and when future losses occur. Also an insurance firm must be able to refund any unearned premium if customers decide to cancel insurance. The nature of the insurance business, then makes desirable some basis for assuring that insurers will be financially solvent so that they can keep their promises. To secure a financially sound insurance industry, and hence to ensure public protection, is the primary reason for regulation.

individually have a major role to play in this

The government insurance supervisory body (Office Of The Commissioner Of Insurance) is concerned about the insurance companies' margin of solvency (Insurance Act, sec. 41), assessment

of assets and liabilities (Insurance Act, sec. 44), proper investment of assets (Insurance Act, sec 48) and the premium rates charged by insurers (Insurance Act, sec 74 & 75) among other things.

To have a proper insight into the operations of the insurance industry to be able to monitor, direct and guide it, the Government has through the Insurance Act established an Advisory Board consisting of thirteen selected representatives mainly from the industry. The Chairman of the Board is a neutral appointee who is not an underwriter, broker or insurance agent. The Government is represented in the Board by The Commissioner of Insurance. (Micheu, M.K. 1990: 20). The functions of the Board mainly revolve around the formulation of standards in the conducts of the business as well as advising the Government on the matters concerning the industry. These includes premium rate, terms and conditions of policies in addition to the general operations of the Insurance Act. (Micheu, M.K. 1990: 20). Financially sound insurance industry, hence to ensure public protection, is the primary reason for regulation.

2.92: Individuals And Owners Of Property:

The responsibility of preventing losses can never be left to the Government alone. Individuals have a major role to play in this regard, especially because most fires are caused by individual careless and negligent actions. If every individual resolves to do everything possible, to avoid the type of carelessness that might

cause a fire loss, most of our problems in this area would be resolved. It is therefore the responsibility of each individual to support and respond to the public awareness campaigns geared towards creating individual awareness of the problems posed by fire and fire waste. It is pertinent to note that what an insured gets out of a claim is often much less than the actual loss he or she incurs as a result of fire.

The owners of commercial/industrial premises have taken a bold step towards minimization of sources of fire. This is seen by the presence of litter bins for collecting rubbish hence good housekeeping, presence of fire extinguishers and in some instances automatic sprinklers.

A number of major fires in offices, private houses and public places have been caused by careless smokers. Presence of 'No Smoking signs' warns smokers from smoking in dangerous places, such as, areas where flammable gas is stored, petrol stations and inside most factories.

There exist only one risk management group in Kenya at the moment, the Risk Management department of Kinnet ICDC.

2.93: Insurers And Reinsurers:

The primary role of the insurance industry is to indemnify the insured in the event of a fire loss. In addition, Insurers and Reinsurers contribute to the fire loss prevention measures. Insurers have a definite interest in loss prevention and must therefore be prepared to share responsibility in this field. They are particularly well equipped to discharge some of the functions involved because in the course of their daily activities they

develop considerable experience in analyzing hazards, settling claims and compiling relevant statistics. Perhaps the most effective way in which Insurance companies contribute to the reduction of fire losses is in the area of premium rates and rating. In fixing the premium to be paid by the insured under a fire policy, insurers provide for all adverse features to be penalized by the imposition of higher premium rates (through premium loading for bad fire risks). However, there is a limit. Some very hazardous risks will not be insured even if it is possible to charge a very high premium. Similarly, Insurers charge lower premium rates for good risks.

2.94: Risk Management:

The primary objective of any risk management and loss prevention program is the identification and evaluation of risks and the selection of the best method of dealing with such risks so as to avoid losses.

There exist only one risk management group in Kenya at the moment, namely, the risk management department of Minet ICDC Insurance Brokers (K) Ltd.

In addition there are Fire Security firms which supply and service fire fighting appliances. These firms include Dragon Fire Protection, Atlas Fire Security, Corona Enterprises, Trojan Fire Protection Specialists and Snowball Kenya Limited. These firms have employed experts who instruct their clients on the correct use of the available fire fighting equipments and their effectiveness.

CONCLUSION:

From the forerunning literature review, it can be concluded that fire insurance is the second largest class of general insurance business after motor insurance. It therefore contributes not only to the income of the insurers but has also promoted the economic growth (contribution to the GDP) and the welfare of the insureds through indemnification in event of fire losses.

The second conclusion is that fire insurance is provided vide fire industrial/commercial policy, domestic package policy and all risks policy. Fire commercial provides insurance for fire losses affecting commercial or industrial premises. Domestic package provides comprehensive cover for fire and other perils that might affect the private dwelling place of the insured. Finally, all risks policy provides cover against fire, theft, burglary and accidental damage to the insured items whilst in any premises or in transit within the specified territory.

The standard fire policy is the most popular policy in the insurance industry. It is followed by virtually all the insurance companies. The wording of the fire policy has not changed but coverage varies with extensions, conditions exclusions and warranties.

Thirdly, insurer's underwriting practices differ from one insurer to another. There is no one generally accepted practice in the fire insurance industry. Underwriters use policy conditions to impress upon the insured the seriousness with which they view the risk. Generally, underwriters attempt to improve risks by adopting

underwriting measures such as imposition of conditions, reduced coverage, introduction of deductibles or excesses and premium loadings.

The fourth conclusion is that fire insurance in Kenya is not marketed but it is sold to the insureds. The selling of insurance is done through insurance brokers, insurance agents and directly through the marketing departments of insurance companies.

Finally, it is evident that insurance is not the only solution to the problem of fire losses. There is need for all the players (insureds, insurers and the government) to direct their efforts towards fire loss prevention because no matter the level of compensation, the economy stands to suffer loss due to the fire waste following a fire outbreak. Towards this end, the Government should ensure that appropriate laws and regulations are strictly enforced and should provide the penalty for willful and malicious firing of property including reckless bush burning.

3.20. DATA COLLECTION METHOD:

The researcher used questionnaire and interview methods. By delivering the questionnaire in advance and following it up later with the interview, the researcher provided respondents time to look for the information required in the study. The questionnaires

3.00 RESEARCH METHODOLOGY:**3.10: POPULATION OF THE STUDY**

The population of interest in this study consisted of all insurance companies underwriting fire business (commercial and domestic) in Kenya by 1992. A list of these companies was obtained from the Office of the Commissioner of Insurance. By December, 1992, 38 companies were underwriting fire business. Out of the 38 companies 34 were studied because the other four were not operational by the year 1989 and the research required some historical data going back to 1989. The population of interest was therefore comprised of the 34 insurance companies appearing in appendix 1.

For each of the 34 companies, a questionnaire was administered. It was intended that the whole population be studied in the research but only a total of 28 respondents completed their questionnaires and it is this that were analysed for this project. The six respondents who were given the questionnaire but who eventually proved uncooperative were ignored from the analysis.

3.20. DATA COLLECTION METHOD:

The researcher used questionnaire and interview methods. By delivering the questionnaire in advance and following it up later with the interview, the researcher provided respondents time to look for the information required in the study. The questionnaire

(Appendix 2), was delivered to the executive of each company who was to be interviewed.

Following up the questionnaire with an interview enabled the researcher solicit information for unanswered questions and to explain to the respondent those parts of the questionnaire that were not clear to him or her (respondent).

The questionnaire (appendix 2) consisted of three sections intended to address three of the areas covered in this study. The three sections were used to collect data as follows:

Section 1: Data on fire underwriting, fire claims and types of policies offered for fire insurance and other services provided by insurance companies.

Section 2: Data on the underwriting factors that are considered important by the insurers.

Section 3: Information on reinsurance and marketing of fire insurance.

The questionnaire consisted of both open and closed ended questions. It was constructed by the researcher using literature survey of books, journals and newspapers found in the Lower Kabete Campus library, the Kenya Re, the College of Insurance and the Commissioner of Insurance Libraries.

3.21 Data Analysis Technique: An Overview of Factor Analysis

Factor analysis is a generic name given to class of techniques whose aim is to reduce data set. The single most distinctive

characteristic of factor analysis is its data reduction capability. Factor analysis helps the researcher to see whether some underlying pattern of relationships exists such that the data may be "rearranged" or "reduced" to a smaller set of factors or components that may be taken as source variables accounting for the observed interrelationship in the data. (Nie, H.N. et al, 1970: 209).

Factor analysis is thus, a technique of the analysis of interdependence where all the variables have an equal chance, and the analyst is concerned with the set of relationships among variables.

Factor analysis was used by use of secondary data (literature review) collected in the course of this study. The following are the findings that go toward meeting the second through third areas of the study.

This chapter treats data analysis and findings under four major sections. The first section seeks to determine the type of policies for fire offered to insureds by the insurers. It also attempts to identify the underwriting measures followed when offering insurance to proposers. The second section seeks to address the claims practice of the insurers, the conditions that insureds must fulfill in the event of a loss as well as the major causes of fire and measures that should be adopted to minimize these losses. Section four considers the reinsurance and marketing of insurance while the third section deals with the fire underwriting factors that are deemed important in assessing whether or not to accept a proposal for fire insurance.

4.00 CHAPTER FOUR:

4.10 DATA ANALYSIS AND PRESENTATION OF FINDINGS.

4.11 Data analysis:

The primary data in this study is summarised and presented by use of tables. Percentages and proportions are used in most of the said tables. Presented in this chapter are the findings that go toward answering issues that were raised in the objective of the study. Five areas were investigated to facilitate the achieving of the main objective of this study. The first and fifth areas were investigated by use of secondary data (literature review) collected in the course of this study. The following are the findings that go toward meeting the second through third areas of the study.

This chapter treats data analysis and findings under four major sections. The first section seeks to determine the type of policies for fire offered to insureds by the insurers. It also attempts to identify the underwriting measures followed when offering insurance to proposers. The second section seeks to address the claims practice of the insurers, the conditions that insureds must fulfill in the event of a loss as well as the major causes of fire and measures that should be adopted to minimise these losses. Section four considers the reinsurance and marketing of insurance while the third section deals with the fire underwriting factors that are deemed important in assessing whether or not to accept a proposal for fire insurance.

Section 1: Services offered:

Each of the respondents offered three or more of the forms of fire policies available in the Kenyan fire insurance market. As can be seen from table 2, all the respondents offered fire commercial/industrial, Domestic package and All risks policies. Twenty five per cent of the respondents offered industrial all risks policy. while computer and contractors all risks policy was provided by 10.7 percent of the respondents.

Table 2: Types of policies offered for fire risks.

Type of policy	Number of respondents	Proportion of respondents
Fire Commercial/Industrial	28	100%
Domestic Package (DP)	28	100%
All risks	28	100%
Industrial all risks	7	25%
Computer and Contractors all risks	3	10.7%

NB: Total number of respondents (N) = 28

It was further established that fire commercial/industrial registered the highest Gross Direct Premium written by all respondents from 1989 to 1993. The reasons attributed to the high premium income recorded from fire commercial/industrial are;

high sums insured, financiers force industries or commercial building owners to insure, fire risks in this class are higher, clients are more insurance literate than in other types of fire insurance and for those respondents using the tariff, rates applied are higher than those for DP and All risks Insurances. In addition, the scope of cover is narrow

and is widened by paying additional premium which increases the premium income of the insurer.

Premium determination

Table 3: Basis for calculating premium rates:

Basis	No. of respondents	Proportion of respondents
Experience based rates	19	67.9%
Subjective assessment	16	57.1%
Market rates	15	53.6%
Tariff rates	26	92.9%
Special rates	10	35.7%

N = 28

As can be seen from the above table Tariff based rates are the ones used by most Insurers. 92.9% of the respondents indicated that they use the tariff rates to calculate the premium rate to be charged. All the respondents pointed out that the tariff rates have been overtaken by events because they have not been revised since the dissolution of the tariff committee in the early 1970's. As such, the tariff rates are used hand in hand with other basis such as market rates, experience rates, subjective assessment and/or special rates. There is no one single base that can be used to arrive at the final rate. The second most popularly used is experience rates, followed by subjective assessment, market rates and special rates used by 67.9%, 57.1%, 53.6% and 35.7% respectively of the respondents.

Special rates are based on what previous insurers have charged, what the insurer offered the proposer previously, accompanying businesses, and claims experience of the proposer.

Discounts offered to clients

Table 4 shows that the most popular discounts are construction discounts, longterm agreement discount and fire extinguishing appliances discount, all of which are offered by 92.9% of the respondents.

Table 4: Types of Discounts offered.

Table 4: Discounts offered:	Number of respondents	Proportion of respondents
Nearness to fire brigade	10	35.7%
Construction discount	26	92.9%
Size discount	23	82.1%
Longterm agreement Discount	26	92.9%
Fire extinguishing Appliances Discount	26	92.9%
Special Discount	14	50%

N =28

The second most popular discount after the above is size discount which was offered by 82.1% of the respondents. Special discount was offered by 50% while nearness to fire brigade (or Area) discount was offered by 35.7% of the respondents. The main reason for the declining popularity of the area discount is attributed to the inefficiency of the city fire brigade services. Most respondents expressed fear that even a building directly

opposite a fire brigade station could burn down to ashes as the firemen prepare to go and combat the fire. This is so because in most cases, the fire engines are dry and have to be filled with water before proceeding to put off fire. The researcher feels that the area discount would regain its popularity if the services of fire brigade are overhauled and a drastic improvement on its response to fire alarm is introduced.

Regarding when the information sought in the proposal form can lead to the proposer being denied cover, most respondents cited the location of the proposer's property, construction materials used, and nature of occupancy as the leading indicators of the nature of the risk. Some respondents pointed out that they would not offer cover to a proposer whose building is within Mathare estate while others said they would decline to insure thatched (e.g. Makuti thatched hotels) buildings.

There is also the insurance and claims history of the proposer as well as the presence of fire extinguishing appliances.

From the analysis carried in Section one, it can be concluded that fire insurance is provided through Fire commercial/industrial, Domestic Package, All risks, industrial all risks and computer and contractors all risks policies. Fire commercial is the most popular policy in terms of the Gross Direct Premium written. Insurers offer various discounts to their clients. Most insureds get construction, longterm agreement and fire extinguishing appliances discounts. All discounts are given on merit.

Section 2: Claims experience

The second section sought to determine the fire claims practice. Among the issues addressed here are the causes of fire and the conditions that must be met by the insured when a fire loss occurs.

75 per cent of the respondents stated that they have received fire claims for losses whose causes are suspicious. The steps taken to guard against fraudulent claims include comparing information provided in the proposal form with that given in the claim form; appointing investigators, assessors and adjusters to research into the causes of the fire losses and the extent of liability among other things.

Table 5: Common Causes of fire

Cause	Number of Respondents	Proportion
Electrical fault	19	67.9%
Careless smoking	7	25%
Strikers or rioters starting fire	4	14.3%
Explosion of heating/cooking appliances	16	57.1%
Spontaneous Combustion	4	14.3%
Poor housekeeping	4	14.3%
Storage of Hazardous goods	4	14.3%
Arson	6	2.4%

N = 28

As can be seen from table 5, Electrical fault is the single biggest cause of fire in Kenya. 67.9% of the major fires (fires whose loss is above 2 million shillings) that have been reported

are caused by electrical fault. The second biggest cause of fire is explosion of either heating or cooking appliances. This has contributed to 57.1 percent of the major fire losses that have been reported to respondents. This cause of fire is most prevalent in Domestic buildings, although isolated cases are reported from industries and/or commercial premises.

Careless smoking and Arson which contributed 25 percent and 21.4 percent respectively are the third and fourth largest contributors to fire losses. Strikers and rioters, poor housekeeping, storage of hazardous goods and spontaneous combustion, each contributed 14.3% the major fire losses.

Table 6: conditions to be fulfilled when a loss occurs.

Condition	Number of respondents	Proportion
Inform insurers and complete a claim form	22	78.6%
Report to the police immediately	15	53.6%
Cooperate with insurer's agents	15	53.6%
Minimise further loss	14	50%
Call fire brigade	6	21.4%

N = 28

Respondents emphasised that the insured should follow all the conditions stipulated in the policy regarding a loss. First and foremost, when a fire breaks out, the insured should call the fire brigade immediately and report to the police. The insured should further undertake all possible measures to ensure that the extent

of loss is minimised. Any salvage must be safeguarded against further damage by water or bad weather and should be stored well to ensure it is not stolen. The insured should also report to the insurers as soon as it is reasonably possible.

As can be seen from table 6 above, when a loss occurs the insured must inform the insurers and submit a duly completed claim form as soon as possible furnishing particulars of the loss. 78.6% of the respondents indicated that it is paramount for the insurer to be informed about the loss as soon as possible. Another 53.6% of the respondents asserted that the insured is required to report to the police and complete a police abstract which is one of the documents that must accompany the claim form as evidence of loss. The insured is expected to cooperate with the agents of the Insurer. This view was supported by 53.6% of the respondents. The insured's cooperation is expected regarding provision of supportive documents/vouchers, payment of excess if applicable and premium payment in case of outstanding balances. The Insured is supposed to undertake all necessary measures to minimise losses when a fire breaks out. This was supported by 50% of the respondents. 21.4% of the respondents suggested that the insured should call the fire brigade immediately. Ordinarily, one would expect all the respondents to encourage their insured's to call fire brigade immediately. However as earlier noted in section one of the analysis, the popularity of the local fire brigade is dwindling away due to their inefficiency.

Regarding ways that can be adopted to ensure that fire losses are minimised, respondents suggested that the Insured Premises are supposed to have fire extinguishing appliances (FEA) installed.

Whenever insurers identified a risk that meets construction standards, is installed with recommended FEA as well as fire/smoke detectors and automatic sprinklers, they (insurers) recognised the insured's efforts through the provision of premium discounts.

The insurers responses were analysed using the spss/pot

Types of Surveys numbers were adopted to convert the responses into computer readable input. A weight of 5 was assigned to the

Table 7: Types of surveys conducted by insurers.

Survey	Sum Insured/claim	No. Respondents	Proportion
Pre-acceptance	50,000,000	27	96.4%
Follow-up or Resurveys	15,000,000	27	96.4%
Post Loss surveys	All losses	27	96.4%
Other surveys		7	25%

N = 28

Majority of the respondents (96.4%) confirmed that they do Pre-acceptance Surveys, Resurveys and Post loss surveys for sums insured of Sh.50 million, 15 million and for all claims respectively. Other surveys that are carried out include impromptu surveys to confirm the efficient working of FEA and/or sprinkler systems; and surveys on important or key risks. Some insurers (25%) have their own internal survey team which goes to survey all proposed risks upto a certain sum insured (say KShs.50 million).

For proposers whose sum insured is above Sh.50 million, the services of external surveyors are engaged.

Section 3: Factor Analysis

The 23 factors in table 8 were generated through a preliminary survey held with selected underwriters, guidance from my supervisor and discussions with other lecturers as well as fellow MBA students.

The insurers responses were analysed using the spss/pc+ package. Numerical numbers were adopted to convert the responses into computer readable input. A weight of 5 was assigned to the response 'very important', 4 for 'important' 3 for 'indifferent', 2 for 'less important' and 1 for 'unimportant'. Summary statistics for the responses are presented using the following tables.

at the respondents term as very important or important the following statements; q1, q2, q3, q4, q5, q6, q7, q8, q11, q15, q20, q21, q22, and q23. Thus on average, location of the building, construction materials used, activities taking place in the building, presence and servicing of fire extinguishing appliances are considered as important underwriting factors.

Further, storage of hazardous materials, housekeeping, previous fire losses, source of power, insurance history of the insured, perils to be covered and nature of the business in the surrounding premises are also considered as important underwriting factors. on average, the respondents found none of the factors to be less important or unimportant.

Table 8: Statements in the questionnaire; of the questionnaire;

1. Location of the building
2. Construction materials used
3. Activities taking place in the building
4. Presence of the fire extinguishing appliances (FEA)
5. Servicing of fire extinguishing appliances
6. Nearness to fire brigade
7. Storage of hazardous materials
8. House keeping practices of the insured
9. Presence of smoke and fire detectors
10. Premises accessibility by visitors/employees
12. Fire escape routes
13. Employees/tenants ability to use FEA
14. Fire drills for employees
15. Source of power eg. electricity, gas or boiler
16. Sum insured
17. Fire proof safe for important documents
18. Employee/employer relationships
19. Age of the building
20. Insurance history of the insured
21. Perils to be covered
22. Renewal refused by previous insurers
23. Nature of business in the surrounding premises

From the means in table 9, it can be inferred that the respondents term as very important or important the following statements; q1, q2, q3, q4, q5, q7, q8, q11, q15, q20, q21, q22, and q23. Thus on average, location of the building, construction materials used, activities taking place in the building, presence and servicing of fire extinguishing appliances are considered as important underwriting factors.

Further, storage of hazardous materials, housekeeping, previous fire losses, source of power, insurance history of the insured, perils to be covered and nature of the business in the surrounding premises are also considered as important underwriting factors. On average, the respondents found none of the factors to be less important or unimportant.

Table 9: Summary statistics of section 2 of the questionnaire;

<u>Variables:</u>	<u>Mean</u>	<u>Mode</u>
q ¹	4.29	5
q ²	4.96	5
q ³	4.71	5
q ⁴	4.07	4
q ⁵	4.04	4
q ⁶	3.46	4
q ⁷	4.85	5
q ⁸	4.32	5
q ⁹	4.93	4
q ¹⁰	3.18	3
q ¹¹	4.50	5
q ¹²	3.14	3
q ¹³	3.54	4
q ¹⁴	3.68	4
q ¹⁵	4.00	5
q ¹⁶	3.93	5
q ¹⁷	3.71	5
q ¹⁸	3.29	4
q ¹⁹	3.82	4
q ²⁰	4.18	5
q ²¹	4.79	5
q ²²	4.64	5
q ²³	4.36	5

The respondents were indifferent to the following factors, q⁶, q¹⁰, q¹² and q¹³. This implies that the respondents are not concerned about the following as far as their rating is concerned; nearness to fire brigade, premises accessibility by visitors, fire escape routes and employee/employer relationships.

A study of the mode of each statement, indicates that respondents deem important or very important 21 out of the 23 statements in the questionnaire (summarised in table 10 above). However, statements q¹⁰ and q¹² have a mode of 3 implying that the respondents are indifferent or unconcerned about proposers premises accessibility by visitors/employees and fire escape routes.

A casual look at the table reveals that most of the variables have high positive correlations. For example, variable q¹ and q², q³ and q⁴, q¹² and q¹³, q¹⁴ and q¹⁵, q¹⁴ and q¹³ and q²⁰ and q²² have high positive correlations. Variables 1, 2, 3 and 7 are weakly correlated with other variables. While the listing is not exhaustive, it suffices for the general appreciation of what the correlation matrix has done.

Table 10; Correlation matrix for respondents and eigen values:

	q ¹	q ²	q ³	q ⁴	q ⁵	q ⁶	q ⁷	q ⁸	q ⁹	q ¹⁰	q ¹¹	q ¹²	q ¹³	q ¹⁴	q ¹⁵	q ¹⁶	q ¹⁷	q ¹⁸	q ¹⁹	q ²⁰	q ²¹	q ²²	q ²³	Community:	Eigen	Eigenvalue	% of valuable		
q ¹	1.00																												
q ²	.07	1.00																											
q ³	.18	-.07	1.00																										
q ⁴	.16	.01	.17	1.00																									
q ⁵	.17	.01	.30	.82	1.00																								
q ⁶	.17	.26	.40	.39	.54	1.00																							
q ⁷	-.1	.47	-.01	.03	-.09	-.01	1.00																						
q ⁸	-.08	.07	-.17	.45	.37	.29	.15	1.00																					
q ⁹	-.17	-.01	.10	.18	.31	.45	.16	.61	1.00																				
q ¹⁰	.38	.03	.17	.31	.44	.29	.06	.25	.20	1.00																			
q ¹¹	-.12	.14	-.20	.11	-.03	-.12	.15	.15	.05	-.28	1.00																		
q ¹²	.27	.02	.26	.55	.54	.41	.12	.37	.36	.68	.04	1.00																	
q ¹³	.11	.10	.44	.59	.70	.44	.11	.27	.34	.49	.02	.64	1.00																
q ¹⁴	.02	.11	.05	.49	.50	.35	.06	.42	.35	.26	-.02	.41	.72	1.00															
q ¹⁵	-.07	-.17	-.23	.20	.13	-.03	.00	.52	.33	.10	.63	.27	.20	.22	1.00														
q ¹⁶	.15	-.01	-.13	.52	.48	.23	.06	.33	.25	.29	.20	.47	.40	.44	.22	1.00													
q ¹⁷	.23	.39	.13	.63	.60	.29	.07	.20	.06	.39	.00	.53	.70	.58	.12	.34	1.00												
q ¹⁸	.12	.04	.38	.19	.39	.67	-.22	.16	.26	.42	-.20	.48	.60	.45	-.05	.18	.37	1.00											
q ¹⁹	.53	-.03	.47	.21	.31	.37	.03	-.02	.09	.56	-.24	.48	.60	.36	.12	.07	.52	.55	1.00										
q ²⁰	.17	-.14	.29	.53	.46	.34	-.12	.19	.04	.37	-.07	.48	.61	.53	.08	.43	.36	.60	.37	1.00									
q ²¹	-.16	-.07	-.12	.15	.07	.04	.02	.06	.24	.05	.25	.33	.40	.43	.20	.43	.36	.25	.17	.16	1.00								
q ²²	.29	-.10	.45	.58	.44	.26	.08	-.10	-.12	.20	.00	.45	.54	.40	-.09	.28	.42	.29	.46	.65	.23	1.00							
q ²³	-.05	.10	.12	.25	.32	.56	.23	.41	.62	.14	.31	.41	.34	.36	.46	.32	.16	.29	.26	.06	.10	.04	1.00						

A casual look at the table reveals that most of the variables have high positive correlations. For example, variable q⁵, and q⁴, q⁹ and q⁸, q¹² and q¹⁰, q¹⁵ and q¹¹, q¹⁴ and q¹³ and q²⁰ and q²² have high positive correlations. Variables 1, 2, 3 and 7 are weakly correlated with other variables. While the listing is not exhaustive, it suffices for the general appreciation of what the correlation matrix has done.

Table 11; Factor analysis for the variable, communality and eigen values;

<u>Communinty:</u>	<u>Factor:</u>	<u>Eigenvalue</u>	<u>% of valuable</u>
q ¹ 1.00	1	7.39	32.1
q ² 1.00	2	3.03	13.2
q ³ 1.00	3	1.88	8.2
q ⁴ 1.00	4	1.67	7.2
q ⁵ 1.00	5	1.37	6.0
q ⁶ 1.00	6	1.30	5.7
q ⁷ 1.00	7	1.22	5.3
q ⁸ 1.00	8	0.95	4.1
q ⁹ 1.00	9	0.84	3.6
q ¹⁰ 1.00	10	0.72	3.1
q ¹¹ 1.00	11	0.63	2.7
q ¹² 1.00	12	0.43	1.9
q ¹³ 1.00	13	0.38	1.7
q ¹⁴ 1.00	14	0.26	1.1
q ¹⁵ 1.00	15	0.24	1.0
q ¹⁶ 1.00	16	0.18	0.8
q ¹⁷ 1.00	17	0.17	0.8
q ¹⁸ 1.00	18	0.11	0.5
q ¹⁹ 1.00	19	0.10	0.4
q ²⁰ 1.00	20	0.06	0.3
q ²¹ 1.00	21	0.04	0.2
q ²² 1.00	22	0.02	0.1
q ²³ 1.00	23	0.01	0.1

From table 11, the communality gives the percentage of each variable explained by the factor. In this case, it is clear that all the variables are significant in each factor because all communalities are 1. There are seven eigenvalues greater than one, thus 7 factors shall be extracted to explain the underwriting factors considered important by insurers. These are summarized in table 16 below. From the percentage of variable column, it can be inferred that variable q¹ explains 32.2% of the total variation. Variable q² explains 13.2% while variable q³ explains 8.2% of the total variation respectively and so on.

Table 12; Initial Factor matrix; rotated matrix;

	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7
q ¹	0.27	-0.44	-0.02	0.15	0.63	0.11	0.05
q ²	0.08	0.11	0.27	0.85	-0.11	-0.08	-0.10
q ³	0.37	-0.52	0.31	-0.81	-0.20	0.14	0.48
q ⁴	0.74	0.08	-0.31	0.07	0.08	-0.45	0.24
q ⁵	0.79	-0.01	-0.05	-0.04	0.04	-0.42	0.15
q ⁶	0.64	-0.05	0.53	-0.03	-0.18	-0.15	0.14
q ⁷	0.06	0.27	0.18	0.70	-0.03	0.12	0.10
q ⁸	0.45	0.61	0.18	-0.12	0.21	-0.32	-0.12
q ⁹	0.43	0.53	0.49	-0.23	-0.10	-0.01	-0.10
q ¹⁰	0.60	-0.21	0.16	0.01	0.49	0.04	-0.34
q ¹¹	0.01	0.63	-0.32	0.13	0.03	0.31	0.46
q ¹²	0.80	0.03	0.00	0.00	0.24	0.13	-0.05
q ¹³	0.88	-0.06	-0.06	0.06	-0.18	0.12	-0.01
q ¹⁴	0.73	0.16	-0.13	0.02	-0.27	-0.03	-0.24
q ¹⁵	0.26	0.68	-0.14	-0.23	0.34	0.32	0.17
q ¹⁶	0.57	0.30	-0.35	-0.02	0.06	-0.15	-0.12
q ¹⁷	0.71	-0.08	-0.22	0.40	-0.01	-0.01	-0.19
q ¹⁸	0.66	-0.27	0.29	-0.24	-0.27	0.16	-0.19
q ¹⁹	0.63	-0.42	0.15	0.03	0.22	0.48	-0.04
q ²⁰	0.68	-0.25	-0.28	-0.21	-0.12	-0.10	0.05
q ²¹	0.36	0.26	-0.40	-0.03	-0.38	0.44	-0.36
q ²²	0.59	-0.39	-0.39	0.09	-0.15	0.05	0.37
q ²³	0.49	0.50	0.44	-0.05	-0.01	0.18	0.27

The initial factor matrix, table 12 above, provides the loading of a variable on a factor. Thus factor 1 is heavily loaded by variables q⁵, q¹² and q¹³. Factor 2 is heavily loaded by variables q¹¹ and q¹⁵, while factor 3 is heavily loaded by variable q⁶. Factor 4 is heavily loaded by variable q² and q⁷ while factor 5 is heavily loaded by variable q¹. Factor 6 is heavily loaded by variable q¹⁹ and factor 7 is heavily loaded by variable q³.

It can be inferred from the matrix that variables q⁴, q⁵, q¹⁶, q²⁰ and q²³ load heavily on factor 1; variables q⁸, q⁹, and q²¹ load heavily on factor 2; variables q¹, q¹⁰, and q¹⁹ load on factor 3; variable q³ loads on factor 4 and so on. The implications of this is summarized in table 14 below.

Table 13; Final varimax rotated matrix;

	<u>Factor1</u>	<u>Factor2</u>	<u>Factor3</u>	<u>Factor4</u>	<u>Factor5</u>	<u>Factor6</u>	<u>Factor7</u>
q ¹	0.14	-0.22	0.75	0.10	-0.24	0.01	0.02
q ²	0.04	0.05	0.01	-0.04	0.00	0.20	0.76
q ³	0.11	0.06	0.14	0.86	-0.10	-0.12	-0.04
q ⁴	0.93	0.13	0.09	0.06	-0.05	0.12	0.04
q ⁵	0.82	0.31	0.17	0.17	-0.04	-0.07	-0.02
q ⁶	0.31	0.60	0.12	0.48	0.00	-0.23	0.14
q ⁷	-0.04	0.08	0.01	0.01	0.01	0.20	0.70
q ⁸	0.38	0.69	0.06	-0.35	-0.04	0.14	0.03
q ⁹	0.07	0.86	-0.02	0.00	0.16	0.07	0.01
q ¹⁰	0.26	0.24	0.78	-0.05	0.09	-0.19	-0.01
q ¹¹	0.06	0.03	-0.22	-0.04	0.08	0.86	0.16
q ¹²	0.47	0.32	0.54	0.14	0.24	0.13	0.03
q ¹³	0.58	0.25	0.29	0.37	0.47	0.01	0.11
q ¹⁴	0.55	0.30	0.07	0.05	0.54	-0.06	0.08
q ¹⁵	0.08	0.38	0.16	-0.21	0.12	0.76	-0.16
q ¹⁶	0.61	0.18	0.11	-0.22	0.28	0.18	-0.08
q ¹⁷	0.60	-0.01	0.36	0.05	0.38	-0.06	0.36
q ¹⁸	0.20	0.38	0.27	0.45	0.43	-0.34	-0.01
q ¹⁹	0.09	0.07	0.75	0.47	0.28	-0.02	0.01
q ²⁰	0.64	0.01	0.18	0.30	0.27	-0.08	-0.26
q ²¹	0.13	0.01	-0.03	-0.07	0.87	0.20	-0.01
q ²²	0.61	-0.30	0.16	0.54	0.18	0.11	-0.02
q ²³	0.09	0.74	0.07	0.25	0.05	0.38	0.17

The rotated matrix gives the revised initial factor matrix after it has been orthogonally rotated using varimax. It attempts to simplify the columns of the initial factor matrix by making all values close to either 0 or 1. (Kipngetch, J.K 1991: 46). This matrix presents the terminal solution of the factors. The loadings in a given row represents regression coefficients of factors that describe a given variable.

It can be inferred from the matrix that variables q4, q5, q16, q20 and q22 load heavily on factor 1. Variables q8, q9, and q23 load heavily on factor 2; variables q1, q10, and q19 load on factor 3; variable q3 loads on factor 4 and so on. The implications of this is summarized in table 14 below.

Table 14; Summary of the underwriting factors;

Factor 1 is composed of the following statements;

Presence of fire extinguishing appliances

Servicing of fire extinguishing appliances

Sum insured

Insurance history of the Insured

Renewal refused by previous insurers.

Factor 2 is composed of the following variables;

House keeping practices of the insured

Presence of smoke and fire detectors

Nature of the business in the surrounding premises.

Factor 3 is composed of the following variables;

Location of the building

Premises accessibility by visitors or employee

Factor 4 is composed of the following statement;

Activities taking place in the building.

Factor 5 is composed of the following statements;

Fire drills for employees

Perils to be covered.

Factor 6 is composed of the following statements;

Previous fire losses

Source of power e.g Electricity, gas and boilers.

Factor 7 is composed of the following variables;

Construction materials used Storage of Hazardous materials

Section 4: Reinsurance and Marketing

Reinsurance Arrangements

All the respondents asserted that they cede 25% of all direct business to Kenya Re according to statutory requirements.

The respondents have treaties with Kenya Re, Zep(PTA) Re and Africa Re for a minimum of 25%, 10% and 5% respectively for the balance of direct business that remains after Kenya Re gets her mandatory cession of 25%. However, these are minimums and

reinsurers may arrange to receive business over and above the minimum treaty arrangements.

When the capacities of the treaties are exhausted, Insurers resort to facultative reinsurance. Under this arrangement, the leading insurer invites other insurers to share in the risk according to their capacities and willingness.

Respondents also indicated that they do cede their businesses abroad. The reasons given for ceding abroad are;

Local reinsurance capacity is limited, Reinsurers of abroad settle claims faster than local ones, long experience and financial stability of reinsurers of abroad and by placing business abroad, there is the advantage of geographical spread of risks.

Methods of Getting New Business.

As can be seen from table 15 below, majority (71.4%) of the respondents use their agents and/or brokers to procure their fire business. The second most popular method is sponsoring games/sports such as word cup and golf competitions (21.4%). This is followed by Advertising in the Newspapers, Radios and TVs which is used by 17.9% of the respondents.

Policy Cancellations:

Over 89 per cent of the respondents have had fire policies canceled for one reason or another. Insureds tend to cancel their policies when their interests in the insured property is

Table 15. Methods of getting business.

Method	No. of Respondents Ranked 1	No. of Respondents Ranked 2	No. of Respondents Ranked 3	No. of Respondents Ranked 4	No. not using	Total
Sponsoring Radio or TV Programs	0(0%)	0(0%)	1(3.6%)	1(3.6%)	26(92.8%)	28 (100%)
Advertising in Newspapers/magazines	1(3.6%)	5(17.9%)	4(14.3%)	0(0%)	18(64.3)	28 (100%)
Sponsoring sports or games	1(3.6%)	6(21.4%)	2(7.1%)	0(0%)	19(67.9%)	28 (100%)
Use Agents/brokers	20(71.4%)	2(7.1)	0(0%)	0(0%)	6(21.5%)	28 (100%)
Use own marketing departments.	1(3.6%)	3(10.7%)	4(14.3%)	0(0%)	20(71.4)	28 (100%)

A large proportion (67.9%) of the respondents said they found stiff competition in the fire insurance business. This competition has forced insurers to adopt several techniques such as efficient claims settlement, giving discounts to the deserving insureds, maintaining good relationships with their Agents and Brokers and going rural through branch networks. Some insurers have also diversified into other services which they were not offering initially.

Policy Cancellations:

Over 89 per cent of the respondents have had fire policies canceled for one reason or another. Insureds tend to cancel their policies when their interests in the insured property is

terminated, for example, when they sell their property,. On the other hand, there are those who stop insuring when there is nobody else interested in the property. Cases of cancellation due to selling of property were reported by 35.7% of the respondents while 25% said insured's terminate their fire policies when their mortgage or loan is redeemed.

Table 16: Policy Cancellations

Reason	No. of respondents	proportion
Exorbitant premiums	5	19.9%
Unsatisfactory services	4	14.3%
Redeemed mortgage or Loan	7	25%
Selling of property	10	35.7%
New agents or brokers	6	21.4%

NB. N=26

Respondents pointed out that, occasionally, they were forced to cancel policies when insureds failed to pay premiums or had bad claims experience.

From the literature reviewed, it can be concluded that the Insurance Industry in Kenya Comprises of all the insurance companies, the reinsurance companies and the intermediaries. All these companies are registered with the Office of the Commissioner of Insurance.

Intermediaries include Insurance brokers, Insurance Agents, Consultants and reinsurance brokers which facilitate the selling and the underwriting process of the insurance companies. In the same category, we have loss Adjusters, surveyors and investigators

CHAPTER FIVE

5.00 SUMMARY AND CONCLUSIONS

The main objective of this study was to investigate and document the operations of the Insurance companies as far as Fire insurance business in Kenya is concerned. Among other things, this study was to come up with the rating factors considered by Insurers before accepting a fire risk, the underwriting and claims practice as well as the reinsurance and marketing of fire Insurance.

5.10 Conclusions:

From the research findings presented in chapter 4 of this study, several conclusions may be drawn. These are discussed in the light of the objective of the study.

5.11 The composition of the Fire Insurance Market

From the literature reviewed, it can be concluded that the Insurance Industry in Kenya Comprises of all the Insurance companies, the reinsurance companies and the intermediaries. All these companies are registered with the Office of the Commissioner of Insurance.

Intermediaries include Insurance brokers, Insurance Agents, Consultants and reinsurance brokers which facilitate the selling and the underwriting process of the Insurance companies. In the same category, we have loss Adjusters, surveyors and investigators

whose major function is to facilitate claims settlement and establish the extent of Insurance Liability. They also give advice to the insurers and the insureds regarding ways of risk improvement.

5.12 Types of Policies

According to the summary statistics highlighted in chapter 4 fire Insurance is offered through the fire commercial policy, Domestic package policy, all risks policy, Industrial all risks policy and computer and contractors all risks policies. Fire commercial/industrial is the most popular policy in terms of gross direct premium collected from 1989 to 1993. The reasons for its popularity include: High sums insured, financiers interest and Insureds knowledge of insurance.

Insurers offer a variety of discounts. These include construction discount, fire extinguishing appliances discount, long term agreement discount and size discounts. The said discounts are given on merit. It was further established that nearness to fire brigade discount is no longer offered because of the inefficiency of the city fire brigade.

From the analysis it was established that tariff rates are used as the basis of determining the premium rates. Most respondents asserted that the rates simply act as guides because they were designed in the 1970's and a lot of developments have taken place in the fire insurance business.

5.13 Claims

Insurers have received a few fraudulent claims. To guard against this, they appoint investigators, adjusters and/or surveyors. They also require the Insurers to report all losses to the police and complete a police abstract which accompanies the claim form send to the Insurers. Upon receipt of duly completed claims form, Insurers compare the information provided with the one in the proposal form. Any discrepancies may lead to suspicion warranting further investigations before the claim is settled.

5.14 Reinsurance and marketing

All the respondents reinsure 25% of their local business with Kenya Re. In their treaties 25%, 5% and 10% of the business is ceded to Kenya Re, Africa Re and Zep Re respectively.

Insurers do cede their business abroad because of geographical spread of risks, financial stability and long experience of abroad reinsurers, to mention but a few.

As far as marketing is concerned, the single most popular method of getting new business employed by most Insurers is Insurance Agents and/ or brokers. A few Insurers do advertise in newspapers, Televisions and radios while others sponsor sports/games such as the world cup and golf competitions. In house (direct) marketing through the marketing departments of Insurance companies is also employed to solicit new business.

5.15 Conclusions of the factor analysis

From the summary statistics, most insurers consider all the factors as important as far as their rating activities are concerned. However, they are indifferent as far as nearness to fire brigade, premises accessibility and employee/employer relationships considerations are concerned.

The correlation matrix, indicates a strong correlation between location of the building and presence of smoke and fire detectors. Activities taking place in the building and fire escape routes and employees/tenants ability to use FEA and fire proof safe for important documents.

The correlation matrix formed the basis of the next stage of the analysis, that is, the initial factor matrix which paved way for the final rotated matrix.

After the final varimax rotation, the factors were finally generated. The most important factor is the presence of fire extinguishing appliances (FEA). Buildings with well serviced FEA will attract a discount just as insureds with good insurance history. The vice versa will attract a loading or denial of cover.

House keeping practices of the insured featured as the next most important factor. This goes hand in hand with the nature of the business in the surrounding premises and the presence of fire and smoke detectors.

The third factor is the location of the building. Some areas are more prone to fire losses and/or burglaries than others.

Accessibility of the premises by visitors/employees explains the probability of an arsonists setting the premises on fire.

In summary, underwriters/insurers, consider the following factors as important in their fire ratings:

1. Presence of well serviced FEA
2. Housekeeping and nature of neighboring business
3. Location of the building and its accessibility by visitors/employees
4. Activities taking place in the building
5. Perils to be covered
6. Previous fire losses and source of power
7. Construction and storage of hazardous materials

5.20 Limitations of the study

The findings of this study should be interpreted in light of the following limitations:

- (a) This study was restricted to Insurance Companies that were operational as from 1989. This meant that new companies (about 4 in number) were excluded because they could not provide the required historical data.
- (b) Out of the targeted 34 Insurance Companies which were given the questionnaires, only 28 respondent. Thus the findings are based on 82.3% response rate rather than 100%. However, its possible to generalize the findings with very limited degree of biasness.

(c) The study, being an initial research, was purposely made too wide so as to cover as wide as possible the practice of fire Insurance. The findings are therefore not exhaustive but rather illuminative to the key areas of fire Insurance practice in Kenya.

5.30 Suggestions for further research

From the findings of this research, there is need for further research. A number of areas could be investigated:

First, a narrower scope of the fire Insurance practice in Kenya could be selected. One could for example embark on a study to investigate attitudes of insureds toward the underwriting measures adopted by insurers. Further, the extent of public awareness towards fire insurance, fire prevention and fire loss minimization could be looked into.

Second, a study could be carried out to find out the specific factors that makes fire clients favour one particular policy and not the others. Does it, for example have special advantages that are missing in the others. What can the insurers do to make the other fire policies as popular?

Finally, a study could be carried out incorporating the intermediaries (namely, insurance surveyors, insurance brokers, consultants and insurance agents), to find out their role and opinion as far as the fire Insurance practice in Kenya is concerned.

Appendix 1:

THE POPULATION OF THE STUDY.

1. Stallion
2. General accident
3. ICEA
4. Corporate
5. Gateway
6. Phoenix
7. Monarch
8. Intra Africa
9. Kenindia
10. Pan Africa
11. Occidental
12. Geminia
13. Fidelity Shield
14. Jubilee
15. Royal
16. Heritage
17. Concord
18. Provincial
19. Kenyan Alliance
20. Union
21. Lion of Kenya
22. AII
23. Cannon
24. ALICO
25. Kenya Orient
26. Trident
27. Cooperative (CIS)
28. Kenya National
29. United
30. Access
31. Blue Shield
32. Pioneer
33. Apollo
34. Madison

APPENDIX II

Dear Respondent,

QUESTIONNAIRE

I am a second year postgraduate student at the Faculty of Commerce, University Of Nairobi. In partial fulfillment of the requirement for the Degree, I am carrying out a management research project on the topic: FIRE INSURANCE PRACTICE IN KENYA. I kindly request You to provide the required information to the best of your knowledge by filling the questionnaire attached.

The information required is purely for academic reasons and will be treated in total confidence.

Your cooperation in this exercise will be highly appreciated.

Thanking You in advance,

Yours Sincerely,

Kuu, S. K.

Regarding the policy with higher GPI, could you give reasons for it's GPI being higher?

3. What type of information does your company need to know about a proposer in a fire or domestic package proposal form? Please provide specimen proposal forms and comment on how the information sought will affect acceptance or rejection of the proposal?

QUESTIONNAIRE

SECTION I:

1. When was your company established? Year _____
2. (a) Which of the following fire policies does your company offer? Please tick appropriately.
- | | |
|--|-----|
| (i) Domestic Package (DP) | () |
| (ii) Fire commercial/ industrial (FCI) | () |
| (iii) All risks | () |
| (iv) Any other? State _____ | () |

(b) State the gross direct premium income (GPI) earned from each of the above policies since 1989?

Year: GPI in Sh.'000 For DP GPI in Sh, '000 for FCI GPI for other

1989 _____

1990 _____

1991 _____

1992 _____

1993 _____

Regarding the policy with higher GPI, could you give reasons for it's GPI being higher? _____

3. What type of information does your company seek to know about a proposer in a fire or domestic package proposal form? Please provide specimen proposal forms and comment on how the information sought will affect acceptance or rejection of the proposer? _____

4(a). What does your company use as a basis for calculating premium rates? Tick appropriately and if more than one, rank according to importance (ie most commonly used should be given rank 1):

Basis:	Rank:
<input type="checkbox"/> Experience based rates	()
<input type="checkbox"/> Subjective assessment	()
<input type="checkbox"/> Market rates	()
<input type="checkbox"/> Tariff rates	()
<input type="checkbox"/> Others. Specify _____	()
<input type="checkbox"/> _____	()

(b) Which of the following types of discounts does your company offer?

Discounts:

- Nearness to fire brigade discount
- Construction discount
- Size discount
- Long term agreement discount
- Fire extinguishing appliances discount
- Others. Specify _____
- _____

(c) Please list the common instances in which your company has found it necessary to load premiums? (example, high number of fire claims from the insured) _____

5. (a) From your own experience, do you have cases where clients have lodged claims for fire losses whose causes are suspicious?
 Yes () No ().

(b) How do you ensure that one does not claim fraudulently?

6. Can you cite incidents in which your company experienced major fire claims (Exceeding Kshs. 2 million):

SECTION II:

Year: _____

Value of claim: _____

Cause of Fire: _____

9. Tick appropriately to indicate the level of importance that your company attaches to the following fire rating factors:

Key: 5 : Very important, 4 : Important, 3 : Indifferent, 2 : Less important, 1 : Unimportant.

- (a) Location of the building. _____
- (b) Construction materials used. _____
- (c) Activities taking place in the building. _____

7(a) After a loss has occurred, what conditions must be fulfilled by the policyholder, before and after lodging the claim? Please provide a copy of your claim form for fire (comm. or domestic).

- (d) Proximity to fire brigades. _____
- (e) Storage of hazardous materials. _____
- (f) Presence of fire extinguishers. _____
- (g) Presence of smoke and fire detectors. _____
- (h) Premises accessibility by visitors/employees. _____

(b) Suggest ways that can be adopted to ensure that fire losses are minimised:

- (i) Fire escape routes. _____
- (j) Employees/visitors training. _____
- (k) Source of power eg. Electricity, gas, boiler. _____

8. What type of surveys does your company conduct? Please tick appropriately and indicate minimum sum insured or value of claim, whichever is applicable in each of the following:

- | | |
|----------------------------|-----------------------|
| () Pre-acceptance surveys | Sum Ins/ Claim in Sh. |
| () Follow-up or resurveys | _____ |
| () Post loss surveys | _____ |
| () Others. specify _____ | _____ |

- (l) Nature of business in the surrounding premises. _____
- (m) Any other factors? state _____

SECTION II:

SECTION III

9. Tick appropriately to indicate the level of importance that your company attaches to the following fire rating factors:

Key: 5 : Very important, 4 : Important, 3 : Indifferent, 2 : Less Important, 1 : Unimportant.

	Unimportant		Very Important		
	1	2	3	4	5
(a) Location of the building.	1	2	3	4	5
(b) Construction materials used.	1	2	3	4	5
(c) Activities taking place in the building.	1	2	3	4	5
(d) Presence of fire extinguishing appliances.	1	2	3	4	5
(e) Servicing of fire extinguishing appliances.	1	2	3	4	5
(f) Nearness to fire brigade.	1	2	3	4	5
(g) Storage of hazardous materials.	1	2	3	4	5
(h) House keeping practices of the insured.	1	2	3	4	5
(i) Presence of smoke and fire detectors.	1	2	3	4	5
(j) Premises accessibility by visitors/employees.	1	2	3	4	5
(k) Previous fire losses.	1	2	3	4	5
(l) Fire escape routes.	1	2	3	4	5
(m) Employees/tenants ability to use FEA	1	2	3	4	5
(n) Fire drills for employees.	1	2	3	4	5
(o) Source of power eg. Electricity, gas, boiler.	1	2	3	4	5
(p) Sum insured.	1	2	3	4	5
(q) Fire proof safe for important documents.	1	2	3	4	5
(r) Employee/Employer relationships.	1	2	3	4	5
(s) Age of the building.	1	2	3	4	5
(t) Insurance history of the insured.	1	2	3	4	5
(u) Perils to be covered.	1	2	3	4	5
(v) Renewal refused by previous insurers.	1	2	3	4	5
(w) Nature of business in the surrounding premises	1	2	3	4	5
(x) Any other factors? state _____	1	2	3	4	5
_____	1	2	3	4	5

SECTION III

10 (i) Where does your company prefer to reinsure? Please tick appropriately and give reasons for your preference:

- () - Locally with Kenya Re () _____
- () - Regionally with Africa Re, Zep Re () _____
- () - Abroad (please specify reinsurer(s) & reasons) _____

(ii) What type of reinsurance arrangements does your company use? Specify (eg facultative etc) _____

11. In your opinion what can be done by the Government, The public and/or Insurance companies to improve the fire insurance business in Kenya? _____

12(i). How does the following rank as methods your company uses in getting new policyholders? Give most popular method rank (1).

<u>Methods:</u>	<u>Ranks:</u>
() Sponsoring radio or TV programs	()
() Advertising in N/papers, magazines etc	()
() Sponsoring sports/games eg Olympics, world cup	()
() Your agents or brokers solicit business from clients	()
() Others. Specify _____	()
() _____	()

APPENDIX 3

13. Do you have cases where policy-holders cancel or refuse to renew their policies with your company? yes () no ().

If yes, what do you think are the reasons:

- () Upon taking the policies, the policy-orders discover that they cannot afford the premiums.
- () Redeemed mortgages or bank loans.
- () Selling of property.
- () Insured appointing new brokers or agents.
- () Others. Specify _____

Thank You very much for your cooperation.

FIRE POLICY

In consideration of the Insured named in the Schedule herein paying to (hereinafter called the Company) the First Premium mentioned in the said Schedule

The Company agrees (subject to the conditions contained herein or endorsed or otherwise expressed hereon which Conditions shall so far as the nature of them respectively will permit be deemed to be conditions precedent to the right of the Insured to recover hereunder) that if after payment of the premium, the Property insured described in the said Schedule, or any part of such Property, be destroyed or damaged by Fire or by Lightning whether accompanied by Fire or not, at any time before 4 o'clock in the afternoon of the last day of the Period of Insurance named in the said Schedule or of any subsequent period in respect of which the Insured shall have paid and the Company shall have accepted the premium required for the renewal of this Policy, the Company will pay to the Insured the value of the property at the time of the happening of its destruction or the amount of such damage

PROVIDED THAT the liability of the Company shall in no case exceed in respect of each year the sum specified in the Schedule to be insured thereon or in the whole the total sum insured hereby or such other sum as may be substituted therefor by endorsement hereon or attached hereto signed by or on behalf of the Company

FIRE POLICY

In consideration of the Insured named in the Schedule herein paying to (hereinafter called the Company) the First Premium mentioned in the said Schedule

The Company agrees (subject to the conditions contained herein or endorsed or otherwise expressed hereon which Conditions shall so far as the nature of them respectively will permit be deemed to be conditions precedent to the right of the Insured to recover hereunder) that if after payment of the premium, the Property insured described in the said Schedule, or any part of such Property, be destroyed or damaged by Fire or by Lightning whether accompanied by Fire or not, at any time before 4 o'clock in the afternoon of the last day of the Period of Insurance named in the said Schedule or of any subsequent period in respect of which the Insured shall have paid and the Company shall have accepted the premium required for the renewal of this Policy, the Company will pay to the Insured the value of the property at the time of the happening of its destruction or the amount of such damage

PROVIDED THAT the liability of the Company shall in no case exceed in respect of each item the sum stated in the Schedule to be insured thereon or in the whole the total sum insured hereby or such other sum or sums as may be substituted therefor by memorandum hereon or attached hereto signed by or on behalf of the Company

Company shall not be upon this Policy so far as it relates to the property affected any such misdescription, misrepresentation or omission.

2. No payment in respect of any premium shall be deemed to the Company unless a printed form of receipt for the same signed by an Official or duly appointed Agent of the Company shall have been given to Insured.

3. The Insured shall give notice to the Company of any insurance or insurances already effected covering any of the property hereby insured and unless such notice be given and the particulars of such insurance or insurances be stated in or endorsed on this Policy by or on behalf of the Company before the occurrence of any loss or damage all benefit under this Policy shall be forfeited.

4. All insurance under this Policy

- (1) on any building or part of any building
- (2) on any property contained in any building
- (3) on rent or other subject matter of insurance in respect of or in connection with any building or any property contained in any building shall cease immediately upon any fall or displacement,
- (4) of such building or of any part thereof
- (5) of the whole or any part of any range of buildings or of any structure of which such building forms part.

PROVIDED that such fall or displacement is of the whole or a substantial or important part of such building or impairs the usefulness of such building or any part thereof or leaves such building or any part thereof or any property contained therein subject to increased risk of fire or is otherwise material.

ANY PROVIDED that such fall or displacement is not caused by fire loss or damage which is covered by this Policy or would be covered if such building range of buildings or structure were insured under this Policy.

In any action suit or other proceeding, the burden, of proving that any fall or displacement is caused by fire as aforesaid shall be upon the Insured.

5. (i) This insurance does not cover:

- (a) loss by theft during or after the occurrence of a fire
- (b) loss or damage to property occasioned by its own fermentation natural heating or spontaneous combustion (except as may be provided in accordance with condition 7 (f)) or by its undergoing any heating or drying process.
- (c) loss or damage occasioned by or through or in consequence of:
 - (1) The burning of property by order of any public authority
 - (2) Subterranean Fire
- (d) loss or damage directly or indirectly caused by or arising from or in consequence of or contributed to by nuclear weapons material
- (e) This insurance does not cover loss or damage directly or indirectly caused by or arising from or in consequence of or contributed to by ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. For the purposes of this Condition 5(ii) only combustion shall include any self-sustaining process of nuclear fission.

6. This insurance does not cover any loss or damage occasioned by or through or in consequence directly or indirectly of any of the following occurrences namely:

- (a) earthquake volcanic eruption or other convulsion of nature
- (b) typhoon hurricane tornado cyclone or other atmospheric disturbances
- (c) war invasion act of foreign enemy hostilities or warlike operations (whether war be declared or not) civil war
- (d) mutiny riot military or popular rising insurrection rebellion revolution military or usurped power martial law or state of siege or any of the events or causes which determine the proclamation or maintenance of martial law or siege.

Any loss or damage happening during the existence of abnormal conditions (whether physical or otherwise) which are occasioned by or through or in consequence directly or indirectly of any of the said occurrences shall be deemed to be loss or damage which is not covered by this insurance except to the extent that the Insured shall prove that such loss or damage happened independently of the provisions of this condition any loss or damage is not covered by this insurance the burden of proving that such loss or damage is covered shall be upon the Insured.

7. Unless otherwise expressly stated in the Policy this insurance does not cover

- (a) goods held in trust or on commission
- (b) bullion or unset precious stones
- (c) any curiosity or work of art for an amount exceeding £100
- (d) manuscripts plans drawings or designs patterns models or moulds
- (e) securities obligations or documents of any kind stamps coined or paper money cheques books of account or other business books computer systems records.
- (f) coal against loss or damage occasioned by its own spontaneous combustion.

any loss or damage occasioned by or through or in consequence of explosion but loss or damage by explosion of gas used for illuminating or domestic purposes in a building in which gas is not generated and which does not form part of any gas works will be deemed to be loss by fire within the meaning of this Policy.

(i) any loss or damage occasioned by or through or in consequence of the burning whether accidental or otherwise of forests bush prairie pampas or jungle and the clearing of lands by fire

8. Under any of the following circumstances the insurance ceases to attach as regards the property affected unless the Insured before the occurrence of any loss or damage obtains the sanction of the Company signified by endorsement upon the Policy by or on behalf of the Company

- (a) if the trade or manufacture carried on be altered or if the nature of the occupation of or other circumstances affecting the building insured or containing the insured property be changed in such a way as to increase the risk of loss or damage by fire
- (b) if the building insured or containing the insured property become unoccupied and so remain for a period of more than 30 days
- (c) if property insured be removed to any building or place other than that in which it is herein stated to be insured
- (d) if the interest in the property insured pass from the Insured otherwise than by will or operation of law

9. This insurance does not cover any loss or damage to property which at the time of the happening of such loss or damage is insured by or would but for the existence of this Policy be insured by any Marine Policy or Policies except in respect of any excess beyond the amount which would have been payable under the Marine Policy or Policies had this insurance not been effected.

10. This insurance may be terminated at any time at the request of the Insured in which case the Company will retain the customary short period rate for the time the Policy has been in force. This insurance may also at any time be terminated at the option of the Company on notice to that effect being given to the Insured in which case the Company shall be liable to repay on demand a rateable proportion of the premium for the unexpired term from the date of cancellation.

11. On the happening of any loss or damage the Insured shall forthwith give notice thereof to the company and shall within 15 days after the loss or damage or such further time as the Company may in writing allow in that behalf deliver to the Company.

- (a) A claim in writing for the loss and damage containing as particular an account as may be reasonably practicable of all the several articles or items of property damaged or destroyed and of the amount of the loss or damage thereto respectively having regard to their value at the time of the loss or damage not including profit of any kind
- (b) particulars of all other insurances if any

The Insured shall also at all times at his own expense produce procure and give to the Company all such further particulars plans specifications books vouchers invoices duplicates or copies thereof documents proofs and information with respect to the claim and the origin and cause of the fire and the circumstances under which the loss or damage occurred and any matter touching the liability or the amount of the Company together with a declaration on oath or in other legal form of the truth of the claim and of any matters connected therewith.

No claim under this Policy shall be payable unless the terms of this condition have been complied with

12. On the happening of any loss or damage to any of the property insured by this Policy the Company may

- (a) enter and take and keep possession of the building or premises where the loss or damage has happened
- (b) take possession of or require to be delivered to it any property of the Insured in the building or on the premises at the time of the loss or damage
- (c) keep possession of any such property and examine sort arrange or remove or otherwise deal with the same
- (d) sell any such property or dispose of the same for account of whom it may concern

The powers conferred by this Condition shall be exercisable by the company at any time until notice in writing is given by the Insured that he makes no claim under the policy or if any claim is made until such claim is finally determined or withdrawn and the Company shall not by any act done in the exercise or purported exercise of its powers hereunder incur any liability to the Insured or diminish its right to rely upon any of the conditions of this Policy in answer to any claim.

If the Insured or any person on his behalf shall not comply with the requirements of the

all benefit under this Policy shall be forfeited.

The Insured shall not in any case be entitled to abandon any property to the Company whether taken possession of by the Company or not

13. If the claim be in any respect fraudulent or if any false declaration be made or used in support thereof or if any fraudulent means or devices are used by the Insured or any one

acting on his behalf to obtain any benefit under this Policy or if the Insured or if the claim be made and rejected and an action or suit be not commenced within three months after such rejection or (in cases of an arbitration taking place in pursuance of the 18th condition of this Policy) within three months after the arbitrator or arbitrators or umpire shall have made their award all benefit under this Policy shall be forfeited.

14. The Company may at its option reinstate or replace the property damaged or destroyed or any part thereof instead of paying the amount of the loss or damage or may join with any other Company or Insurers in so doing but the Company shall not be bound to reinstate exactly or completely but only as circumstances permit and in reasonably sufficient manner and in no case shall the Company be bound to expend more in reinstatement than it would have cost to reinstate such property as it was at the time of the occurrence of such loss or damage nor more than the sum insured by the Company there on.

If the Company so elect to reinstate or replace any property the Insured shall at his own expense furnish the Company with such plans specifications measurements quantities and such other particulars as the Company may require and no acts done or caused to be done by the Company with a view to reinstatement or replacement shall be deemed an election by the Company to reinstate or replace.

If in any case the Company shall be unable to reinstate or repair the property hereby insured because of any municipal or other regulations in force affecting the alignment of streets or the construction of buildings or otherwise the Company shall in every such case only be liable to pay such sum as would be requisite to reinstate or repair such property if the same could lawfully be reinstated to its former condition.

15. The Insured shall at the expense of the Company do and concur in doing and permit to be done all such acts and things as may be necessary or reasonably required by the Company for the purpose of enforcing any rights and remedies or of obtaining relief or indemnity from other parties to which the Company shall be or would become entitled or subrogated upon its paying for or making good any or damage under this Policy whether such acts and things shall be or become necessary or required before or after his indemnification by the Company.

16. If at the time of any loss or damage happening to any property hereby insured there be any other subsisting insurance or insurances whether effected by the Insured or by any other person or persons covering the same property this Company shall not be liable to pay or contribute more than its rateable proportion of such loss or damage.

17. If the property hereby insured shall at the breaking out of any fire be collectively of greater value than the sum insured thereon then the Insured shall be considered as being his own insurer for the difference and shall bear a rateable proportion of the loss accordingly. Every item if more than one of the Policy shall be separately subject to this condition.

18. If any differences as to the amount of any loss or damage such difference shall independently of all other questions be referred to the decision of an arbitrator to be appointed in writing by the parties in difference, or, if they cannot agree upon a single arbitrator to the decision of two disinterested persons as arbitrators of whom one shall be appointed in writing by each of the parties within two calendar months after having been required so to do in writing by the other party. In case either party shall refuse or fail to appoint an arbitrator within two calendar months after receipt of notice in writing requiring an appointment the other party shall be at liberty to appoint a sole arbitrator and in case of disagreement between the arbitrators the difference shall be referred to the decision of an umpire who shall have been appointed by them in writing before entering on the reference and who shall sit with the arbitrators and preside at their meetings. The death of any party shall not revoke or affect the authority or power of the arbitrator, arbitrators or umpire respectively and in the event of the death of an arbitrator or umpire another shall in each case be appointed in his stead by the party or arbitrators (as the case may be) by whom the arbitrator or umpire so dying was appointed. The costs of the reference and of the award shall be in the discretion of the arbitrator, arbitrators or umpire making the award. And it is hereby expressly stipulated and declared that it shall be a condition precedent to any right of action or suit upon this policy that the award by such arbitrator, arbitrators or umpire of the amount of the loss or damage if disputed shall be first obtained.

19. In no case whatever shall the Company be liable for any loss or damage after the expiration of twelve months from the happening of the loss or damage unless the claim is the subject of pending action or arbitration.

20. Every notice and other communication to the Company required by these Conditions must be written or printed.

THE SCHEDULE

The Insured:

PROSPECTUS

The Property Insured:

Sum Insured

SECTION A-BUILDINGS

LOSS OR DAMAGE CAUSED BY

1. FIRE, LIGHTNING, THUNDERBOLT, EARTHQUAKE or VOLCANIC ERUPTION (including lightning caused by lightning rods) or SUBTERRANEAN FIRE.
2. EXPLOSION
3. RIOT AND STRIKE
4. AIRCRAFT or OTHER AERIAL DEVICE or any article dropped therefrom
5. BURSTING or OVERFLOWING OF A WATER TANK, APPARATUS or PIPE EXCEPT:
 - (a) the first \$25,000 in respect of each and every loss
 - (b) loss or damage whilst the buildings are left unoccupied.
6. THEFT ACCOMPANIED BY ACTUAL FORCEFUL AND VIOLENT BREAKING AND ENTRY INTO THE BUILDING EXCEPT:
 - (a) the first \$25,000 in respect of each and every loss
 - (b) loss or damage whilst the buildings are left unoccupied.
 Provided that during any period when the private dwelling house is left without an occupant, the insured shall be deemed to be absent from the beginning of the 21st consecutive day of such unoccupancy.
7. IMPACT WITH THE BUILDINGS by any road vehicle or animal not belonging to the insured or any member of his family normally residing with him.
8. STORM or TEMPEST (including Flood or Overflow of the sea) occasioned thereby.

EXCLUDING

- (a) the first \$25,000 of each and every loss.
- (b) Damage caused by Subsidence or Landslide, and
- (c) Damage caused by Storm or Tempest as regards any building in so far as such damage is caused by wind blowing through any window, door, external television and radio aerials, aerials, aerial fixings, masts and towers or any other structure or fixture attached to or on the building.

AND IN ADDITION

9. Additional Expense of Alternative Accommodation and loss of rent (not exceeding the sum insured) incurred in the event of the buildings being so damaged by any of the above perils as to be rendered uninhabitable.

SECTION B-CONTENTS

LOSS OR DAMAGE CAUSED BY

1. FIRE, LIGHTNING, THUNDERBOLT, EARTHQUAKE or VOLCANIC ERUPTION (including lightning caused by lightning rods) or SUBTERRANEAN FIRE.
2. EXPLOSION
3. RIOT AND STRIKE
4. AIRCRAFT or OTHER AERIAL DEVICE or any article dropped therefrom
5. BURSTING or OVERFLOWING OF A WATER TANK, APPARATUS or PIPE EXCEPT:
 - (a) the first \$25,000 in respect of each and every loss
 - (b) loss or damage whilst the buildings are left unoccupied.
6. IMPACT WITH THE BUILDINGS by any road vehicle or animal not belonging to the insured or any member of his family normally residing with him.

Total Sum Insured:

Period of Insurance: From the

day of

19

in the afternoon of the

day of

19

to four o'clock

First Premium

Renewal Premium

Policy Form No.

Due on

I hereby agree to pay the sum of day of 19..... on behalf of

DOMESTIC PACKAGE INSURANCESPROSPECTUS

Subject to the terms and conditions of the Company's usual form of policy. The insurance offered is based upon the fact that the buildings are occupied as private residences only and are not subject to abnormal hazard.

SECTION A-BUILDINGSLOSS OR DAMAGE CAUSED BY

1. FIRE, LIGHTNING, THUNDERBOLT, EARTHQUAKE or VOLCANIC ERUPTION (including Flood or overflow of the Sea occasioned thereby) or SUBTERRANEAN FIRE.
2. EXPLOSION
3. RIOT AND STRIKE
4. AIRCRAFT or OTHER AERIAL DEVICE or any article dropped therefrom
5. BURSTING or OVERFLOWING OF A WATER TANK, APPARATUS OR PIPE EXCLUDING
 - (a) the first Shs. 500/- in respect of each and every loss
 - (b) loss or damage whilst the Buildings are left unfurnished.
6. THEFT ACCOMPANIED BY ACTUAL FORCIBLE AND VIOLENT BREAKING into or out of the Buildings or any attempt thereat EXCLUDING loss or damage occurring whilst the Buildings are left unfurnished.
 Provided that during any period when the private dwelling house is left without an inhabitant cover against Theft is suspended from the beginning of the 31st consecutive day of such unoccupancy.
7. IMPACT WITH THE BUILDINGS by any road vehicle or animal not belonging to nor under the control of the Insured or any member of his family normally residing with him.
8. STORM or TEMPEST (including Flood or Overflow of the sea occasioned thereby) but

EXCLUDING

- (a) the first Shs. 500/- of each and every loss.
- (b) Damage caused by Subsidence or Landslip, and
- (c) Damage caused by Storm or Tempest as regards any buildings in course of construction reconstruction or repair (unless all outside doors, windows and other openings thereto are complete and protected against such perils), awnings, blinds, signs, external television and radio antennae, aerials, aerial fittings, masts and towers or other outdoor fixtures and fittings including gates and fences.

AND IN ADDITION:

9. Additional Expense of Alternative Accommodation and loss of rent (not exceeding 10 per cent of the sum insured) in the event of the Buildings being so damaged by any of the above perils as to be rendered uninhabitable.

SECTION B-CONTENTSLOSS OR DAMAGE CAUSED BY

1. FIRE, LIGHTNING, THUNDERBOLT, EARTHQUAKE or VOLCANIC ERUPTION OR SUBTERRANEAN FIRE.
2. EXPLOSION
3. RIOT AND STRIKE
4. AIRCRAFT or OTHER AERIAL DEVICE or any article dropped therefrom.
5. BURSTING or OVERFLOWING OF A WATER TANK APPARATUS or PIPE (EXCLUDING damage caused thereto).
6. IMPACT WITH THE BUILDINGS by any road vehicle or animal not belonging to nor under the control of the Insured or any member of his family residing with him.
7. STORM, TEMPEST, FLOOD EXCLUDING the first Shs. 500/- of each and every loss.
8. THEFT
 - (a) ACCOMPANIED BY ACTUAL FORCIBLE AND VIOLENT BREAKING into or out of the Building or any attempt thereat.
 - (b) In any other circumstances but EXCLUDING:
 - (i) Theft whilst the buildings or any part thereof are lent, let or sub-let.
 - (ii) Theft from any outbuilding not directly communicating with the private dwelling house or private flat mentioned in the Schedule.
 - (iii) The first Shs. 500/- of each and every loss.

Provided that during any period when the Insured's private dwelling house or private flat is left without an inhabitant cover against theft is entirely suspended from the beginning of the 8th consecutive day of such unoccupancy.

AND IN ADDITION:

9. Additional Expense of Alternative Accommodation and loss of rent (not exceeding 10 per cent of the sum insured) in the event of the private dwelling being so damaged by any of the perils specified above as to be rendered uninhabitable.
10. Damage to the buildings mentioned in the Schedule and/or landlord's Fixtures and Fittings therein for which the Insured is legally responsible as tenant and not as owner (but only if the private dwelling house or private flat mentioned in the Schedule be furnished and occupied) directly caused by Storm or Tempest (but excluding destruction or damage caused by Subsidence or Landslip), Bursting or Overflowing of Water Tanks, Apparatus or Pipes, Theft accompanied by actual forcible and Violent breaking into or out of the Buildings or any attempt thereat provided however, that this indemnity excludes the first Shs. 500/- of each and every Loss and shall not exceed in aggregate 10 per cent of the Total Sum Insured as stated in the Schedule.

PROPOSAL FORM

QUESTIONS TO BE ANSWERED BY THE PROPOSER

1. Name of Proposer (in full).....

 Postal Address.....
 Profession or Occupation.....
 Residential Address (at which the insurance is required).....
 Tel.No.....
 First Period of Insurance required -- From..... To.....(inclusive)

Please
 use
 Block
 Capitals

Note: Please give definite answers to each question—ticks or dashes are not sufficient.

2. Of what materials are the buildings constructed
 (a) Walls? ... 2 (a).....
 (b) Roof? ... (b).....

3. What is its height in storeys? ... 3

4. How are the outbuildings (if any) constructed
 (a) Walls? ... 4 (a).....
 (b) Roof? ... (b).....

5. Is any business, profession or trade carried out in any portion of the premises of which the residence forms a part? 5

If so, give particulars

6. Is the residence (a) a private dwelling house? ... 6 (a).....
 (b) a self-contained flat with separate entrance exclusively under your control? ... (b).....
 (c) rooms not self-contained? ... (c).....

7. Is the residence solely in your occupation? (including your family and servants) ... 7

8. Do you let the residence or have boarders? ... 8

9. Will the residence be left without an inhabitant: 9
 (a) for more than 7 consecutive days? ... (a).....
 (b) for more than 30 consecutive days? ... (b).....
 (c) if so, state period of unoccupancy.. ... (c).....

10. Are the buildings in a good state of repair and will they be so maintained? ... 10

11. Has any Company or Insurer, in respect of any of the contingencies to which the proposal applies:
 (a) Declined to insure you? ... 11 (a).....
 (b) Required special terms to insure you? ... (b).....
 (c) Cancelled or refused to renew your insurance? ... (c).....
 (d) Increased your premium on renewal? ... (d).....

12. Have you ever sustained loss from any of the herein mentioned perils? If so, give particulars ... 12

13. Have you any other policies in force covering any of the contingencies to be insured against? If so, please give particulars ... 13

14. In respect of Section "C" (All Risks)
 State within which Geographical area you wish cover to apply (a) Kenya Only.....

PROPERTY TO BE INSURED

APPENDIX 5

SECTION A - BUILDINGS

The Proposer's residence being a private dwelling house or private flat and all the domestic offices, stables, garage and outbuildings on the same premises and used in connection therewith, and the walls gates and fences around and pertaining thereto, including landlord's fixtures and fittings in the said buildings all situated as above.

(All the said buildings are brick, stone or concrete built with slate tile, concrete, asbestos or metal roofs except as specifically mentioned)

Sum to be insured.
(Full Value)

Total sum insured on buildings

Shs: _____

SECTION B - CONTENTS

All furniture household goods and personal effects of every description the property of the Proposer or of any member of the Proposer's family normally residing with the Proposer, and fixtures and fittings the Proposer's own or for which the Proposer is legally responsible, not being landlords fixtures and fittings, in the Buildings of the Proposer's residence.

The policy does not cover

- Property more specifically insured
- Deeds, bonds, bills of exchange, promissory notes, cheques, travellers cheques, securities for money, stamps, documents of any kind, cash, currency notes, manuscripts, medals, coins motor vehicles and accessories and live stock unless mentioned specifically herein.
- Any part of the structure or ceilings of the Buildings, wallpapers and the like or external television and radio antennae, aerials, aerial fittings, masts and towers.

No one article (Furniture, Household appliances, Pianos and Organs excepted) shall be deemed of greater value than 5 per cent of the Total Sum Insured on the contents unless such article is specifically insured:

Specify here any such articles of greater value : _____
than 5 per cent of the total sum insured on : _____
said contents: _____

Total sum insured on contents

Shs: _____

The total value of platinum, gold and silver articles, jewellery and furs will be deemed not to exceed one-third of the total sum insured on the said contents unless specially agreed. If the said value exceeds this proportion please state the total value of such property.

Shs: _____

SECTION C - ALL RISKS

DESCRIPTION

Each article must be described and its value stated. _____

Sum to be insured
(Full value)

Shs: _____

SECTION D - WORKMENS COMPENSATION

Please state the number of servants employed

For servants: _____ Stablemen: _____
Watchmen and Drivers: _____

SECTION E - LIABILITY (OWNERS)

If you are the Owner of the Residence do you wish to insure your liability for an Indemnity Limit of KE 25,000 ? _____

SECTION F - LIABILITY (OCCUPIERS)

If you are the Occupier of the Residence do you wish to insure your personal liability for an Indemnity Limit of KE 25,000 ? _____

DECLARATION

I do hereby declare that the above answers and statements are true, and that I have withheld no material information regarding this proposal. I agree that this declaration and the answers above given, as well as any proposal or declaration or statement made in writing by me or anyone acting on my behalf shall form the basis of the contract between me and the Company, and I further agree to accept indemnity subject to the conditions in and endorsed on the Company's policy. I also declare that the above total represents not less than the full value of the property, as above mentioned.

Signature of Proposer: _____

Date: _____

Agent: _____

PROPOSAL FORM FOR FIRE INSURANCE

IMPORTANT: All questions must be fully answered. A tick or dash is not sufficient

Full Name of Proposer.....
 Postal Address..... Profession or Trade.....
 Period of Insurance: From..... To.....
 First Premium.....

PROPERTY TO BE INSURED		Sum to be Insured Shillings	Rate
1	The Building.....storeys in height built of.....and roofed with.....situate I.R.....Plot No.....in.....Township/District. The Building is occupied by the insured as.....and by others as.....(if more than one House prepare a list).		
2	Household goods and personal effects of every description (except as mentioned below) whilst contained in the building described by Item No.....(Provide separate sum Insured in Each Building if more than 1 Building covered) NOTE—It is declared with respect to this item:- (a) No one Article (Furniture, Refrigerators, Wireless Receiving Sets, Pianos and Organs excepted) shall be deemed of greater value than five per cent of the Total Sum Insured or the Contents described in the Schedule, unless such article is specially insured as separate item. (b) That the insurance hereby excludes any articles specifically Insured whether by the Company or any other Insurer. (c) List of items to be specified:— (Attach a list if need be) 1..... 2..... 3..... 4.....		
3	Stock in trade consisting chiefly of.....whilst contained in the building described by item No..... 1..... 2..... 3..... 4.....(Attach a list if need be)		
TOTAL			

NOTE:— 1. Damage from Grass Fires is not covered under an ordinary Fire Policy but the policy may be extended to cover this contingency by the payment of an extra premium. Do you wish this extension?.....
 2. The ordinary Fire Policy covers loss by fire only and lightning. Fire Related Perils like Malicious Damage, Riot Impact damage, water damage etc. are not covered. The policy can however, be extended to cover these contingencies at an additional premium. Do you wish to have the Extension?.....
 3. When two or more Buildings are to be insured which do not communicate with each other separate sums must be placed on the Building and Contents of each respectively.

Agent..... at.....

QUESTIONS TO BE ANSWERED BY THE PROPOSER

1. Who is/are (a) the owner of the building(s)..... (b) the occupant(s) of the building(s).....	
2. How are the buildings lighted and heated	
3. Have you ever had a fire in these premises or elsewhere? If so, state full particulars Have you ever had a fire in these premises or elsewhere in partnership with or in conjunction with any other person or persons? If so, state full particulars.....	
4. Have you ever proposed to any company for Fire Insurance and been refused, either on your own account or on account of any firm or partnership, or in conjunction with any other person or persons?	
5. Are you at present insured in this or any other Company? If so, state full particulars.....	
6. Has any Fire Insurance Policy, effected by you or in conjunction with any other person, ever been cancelled by any Company before, or on expiry?.....	
7. Have you ever been bankrupt, insolvent, or made a compromise with your creditors?.....	
8. Is the Policy to be assigned to, or held by, any creditor, as collateral security? If so, by whom and for what amount.....	

The following questions MUST be answered in respect of risks OTHER than private dwellings 8 days in order

9. If there by any stove or furnace (other than a common Fire Place or Cooking Stove, set in Brick, with brick chimney) in the Building, or if Machinery of any kind be used therein, state full particulars If a Pipe Stove is used, state also:- (a) On what material the Stove is fixed..... (b) Whether pipe is carried into brick flue..... (c) Whether pipe is within nine inches of unprotected wood work.....	
10. Is any Process of Manufacture carried on? If so, state full particulars..... Is there any Steam, Gas Oil, or Electric Engine-Power used in the Building?..... For what purpose is such power used?.....	
11. Are goods or Merchandise of a hazardous description stored in the Building?..... Is there Oil or Petrol or Petroleum kept? If so, what quantity?.....	
12. Is the Building detached? If so, state distance to nearest Building, its construction and occupancy?.....	
13. How long have you conducted business (a) in these premises and (b) elsewhere? The full address of any former business must be given.....	(a) (b)
14. How often do you take an inventory of the business?.....	
(a) Do you keep a set of books showing a complete record of business transacted, including all purchases and sales both for cash and credit, together with the last inventory to the business (b) securely locked in a fireproof safe at night and at all times when the Warehouse or Store is not actually open for business?	(a) (b)

I/We declare the truth and correctness of the above statements and particulars and agree that this proposal and declaration shall be held to be promissory and form the basis of the contract between me/us and the Company.

Signature of Proposer.....

Date.....

CONTENTS

LOSS OR DAMAGE CAUSED BY

1. Fire, Lightning, Thunderbolt, Earthquake or Volcanic Eruption or Subterranean Fire.
2. Explosion.
3. Riot and Strike.
4. Aircraft or other Aerial Device or any article dropped therefrom.
5. Bursting or Overflowing of a Water Tank Apparatus or Pipe (excluding damage caused there to).
6. Impact with the Buildings by any road vehicle or animal not belonging to the Insured or to any member of his family normally residing with him.
7. Storm, Tempest, Flood (excluding the first Shs. 500/- of each and every loss).
8. (a) Theft accompanied by actual forcible and violent breaking into or out of the Buildings or any attempt thereat.

DOMESTIC PACKAGE INSURANCES PROSPECTUS AND PROPOSAL FORM

NOTE 1.

The Insurance will be subject to the terms and conditions of the Company's usual form of policy, a specimen copy of which will be sent on request. The insurance on both buildings and contents is based upon the fact that the buildings are occupied as private dwellings only, and are subject to no abnormal hazard.

NOTE 2.

Please ensure that you consult us prior to leaving the house for longer than 8 days in order that you may obtain advice on restrictions and cover.

SECTION A

BUILDINGS;

LOSS OR DAMAGE CAUSED BY

1. Fire, Lightning, Thunderbolt, Earthquake or Volcanic Eruption (including Flood or overflow of the Sea occasioned thereby) or Subterranean Fire.
 2. Explosion.
 3. Riot and Strike.
 4. Aircraft or other Aerial Device or any article dropped therefrom.
 5. Bursting or Overflowing of a Water Tank Apparatus or Pipe excluding:-
 - (a) the first Shs. 500/- in respect of each and every loss.
 - (b) loss or damage whilst the Buildings are left unfurnished.
 6. Theft accompanied by actual forcible and violent breaking into or out of the Buildings or any attempt thereat excluding loss or damage occurring whilst the Buildings are left unfurnished. Provided that during any period when the private dwelling house is left without an inhabitant cover against theft is suspended from the beginning of the 31st consecutive day of such unoccupancy.
 7. Impact with the Buildings by any road vehicle or animal not belonging to the Insured or any member of his family normally residing with him.
 8. Storm or Tempest (including Flood or Overflow of the Sea occasioned thereby) but EXCLUDING:-
 - (a) the first Shs. 500/- of each and every loss
 - (b) damage caused by Subsidence or Landslip and
 - (c) damage caused by Storm or Tempest as regards any buildings in course of construction reconstruction or repair (unless all outside doors windows and other openings thereto are complete and protected against such perils) awnings, blinds, signs, external television and radio antennae, aerials, aerial fittings, masts and towers or other outdoor fixtures and fittings including gates and fences.
- AND IN ADDITION
9. Additional expense of alternative accommodation and loss of rent (not exceeding 10 percent of the sum insured) in the event of the Buildings being so damaged by any of the above perils as to be rendered uninhabitable.

SECTION B

CONTENTS

LOSS OR DAMAGE CAUSED BY

1. Fire, Lightning, Thunderbolt, Earthquake or Volcanic Eruption or Subterranean Fire.
 2. Explosion.
 3. Riot and Strike.
 4. Aircraft or other Aerial Device or any article dropped therefrom.
 5. Bursting or Overflowing of a Water Tank Apparatus or Pipe (excluding damage caused thereto).
 6. Impact with the Buildings by any road vehicle or animal not belonging to the Insured or to any member of his family normally residing with him.
 7. Storm, Tempest, Flood Excluding the first Shs. 500/- of each and every loss.
 8. (a) Theft accompanied by actual forcible and violent breaking into or out of the Buildings or any attempt thereat
(b) Theft in any other circumstances but excluding:
 - (i) Theft whilst the Buildings or any part thereof are lent, let or sub-let
 - (ii) Theft from any outbuilding not directly communicating with the private dwelling house or private flat mentioned in the schedule or from any verandah thereto
 - (iii) the first Shs. 500/- of each and every loss
- Provided that during any period when the Insured's private dwelling house or private flat is left without an inhabitant cover against Theft is entirely suspended from the beginning of the eighth consecutive day of such unoccupancy.

AND IN ADDITION

9. Additional expense of alternative accommodation and loss of rent (not exceeding 10 per cent of the sum insured) in the event of the private dwelling being so damaged by any of the perils specified above as to be rendered uninhabitable.
10. Damage to the buildings mentioned in the Schedule and/or Landlord's Fixtures and Fittings therein for which the Insured is legally responsible as tenant and not as owner (but only if the private dwelling house or private flat mentioned in the Schedule be furnished and occupied) directly caused by Storm or Tempest (but excluding destruction or damage by Subsidence or Landslip), Bursting or Overflowing of a Water Tank Apparatus or Pipe, Theft accompanied by actual forcible and violent breaking into or out of the Buildings or any attempt thereat provided however that this Indemnity exclude the first Shs. 500/- of each and every loss and shall not exceed in the aggregate 10 per cent of the Total Sum Insured as stated in the Schedule.

SECTION C

ALL RISKS INSURANCE

Covers loss or damage to Jewellery, Gold and Silver Plate and other specified valuables caused by Burglary, Fire, Theft from Person, Loss in Transit or while travelling, accidental damage etc.

Principal exclusions are: - War, Civil Commotion, Wear and Tear, Depreciation and Damage due to Moth or by process of repairing, Restoring or Renovating.

SECTION D, E, AND F

WORKMEN'S COMPENSATION (SECTION D)

Covers your liability at Law including liability under Workmen's Compensation legislation in force in Kenya, Tanzania and Uganda in respect of Domestic servants employed at your private residence.

LIABILITY (SECTION E AND F)

Provides an Indemnity to you and members of your family, permanently residing with you, for legal liabilities arising from bodily injury or damage to property, occurring during the period of Insurance as a result of an accident up to a limit of K.Shs. 500,000/- for any one accident or series of accidents arising out of one event.

The Company will also pay all costs and expenses recovered from the Insured by any claimant and/or incurred with the written consent of the Company.

In respect of Sections D, E and F, the indemnity under the Company's standard form of Policy will not apply in respect of judgements which are not in the first instance delivered by or obtained from a Court of competent jurisdiction within the Republics of Kenya, Uganda and Tanzania."

1. HAS ANY COMPANY OR INSURER IN RESPECT OF ANY OF THE CONTINGENCIES TO WHICH THIS PROPOSAL APPLIES

(a) DECLINED TO INSURE YOU? _____

(b) REQUIRED SPECIAL TERMS TO INSURE YOU? _____

(c) CANCELLED OR REFUSED TO RENEW YOUR INSURANCE? _____

(d) INCREASED YOUR PREMIUM ON RENEWAL? _____

IF SO GIVE FULL PARTICULARS _____

HAVE YOU EVER SUSTAINED LOSS FROM ANY OF THE HEREIN MENTIONED PERILS? _____

IF SO GIVE PARTICULARS _____

2. PERIOD OF INSURANCE FROM _____ TO _____

DECLARATION

I do hereby declare that the above answers and statements are true, and that I have withheld no material information regarding this proposal. I agree that this declaration and the answers above given, as well as any proposal or declaration or statement made in writing by me or anyone acting on my behalf shall form the basis of the contract between me and the Company, and I further agree to accept indemnity subject to the conditions in and endorsed on the Company's policy. I also declare that the sums expressed in Section A & B represent not less than the full value of the property, as above mentioned.

Date _____ Signature of Proposer _____

The liability of the Company does not commence until the proposal has been accepted and the first premium paid.

PROPOSAL FORM FOR "ALL RISKS" INSURANCE

Note: Please give a definite answer to each question — ticks or dashes are not sufficient.

- 1. Name of Proposer (in full)
2. Postal Address
3. Residential Address
4. Profession or Occupation
5. First Period of Cover Required - From To Inclusive
6. In respect of the Property to be insured:
(a) Have you been insured previously against accidental loss?
(b) If so, please name the Insurer
(c) Has any Insurer ever declined to renew your Insurance?
7. (a) Have you had any accidental losses in the past 3 years?
(b) If so, please give the details
8. Do the amounts shown below represent the full value of the articles described?
9. State within which Geographical area you wish cover to apply (a) Kenya Only (b) Worldwide

SCHEDULE OF ARTICLES TO BE INSURED

Table with 2 columns: DESCRIPTION and SUM TO BE INSURED. Includes Section 1: Unspecified Personal Effects and Clothing... and Section 2: Valuable and Specified Articles... Total Sum Insured KE

DECLARATION

I do hereby declare that the above answers and statements are true, and that I have withheld no material information regarding this Proposal. I agree that this declaration and the answers above given, as well as any proposal or declaration or statement made in writing by me or anyone acting on my behalf shall form the basis of the contract between me and the Company, and I further agree to accept indemnity subject to the conditions in and endorsed on the Company's policy. I also declare that the above total represents not less than the full value of the property, as above mentioned.

Date

Signature of Proposer

ALL RISKS INSURANCE

PROSPECTUS

COVER is provided for Jewellery, Watches, Gold and Silver Articles, Photographic Equipment and other Personal Effects

AGAINST Accidental Loss or Damage, including Fire and Theft.

PRINCIPAL EXCLUSIONS:

(a) loss or damage caused by or resulting from

- (i) wear and tear (other than the loss of or damage to any article caused by wear and tear to a setting clasp or other fastening) gradual deterioration atmospheric conditions mildew moth vermin or insects
- (ii) any process of repair renovation cleaning altering or dyeing
- (iii) war invasion act of foreign enemy hostilities (whether war be declared or not) civil war rebellion revolution insurrection military or usurped power delay seizure confiscation abandonment or detention or destruction or requisition by order of any de jure or de facto Government or Public Authority
- (iv) earthquake subterranean fire riot or civil commotion or loot sack or pillage in connection therewith.

(b) loss or damage directly or indirectly caused by or arising from or in consequence of or contributed to by:

- (i) ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. Solely for the purpose of this Exception combustion shall include any self-sustaining process of nuclear fission.
- (ii) nuclear weapons material

(c) mechanical or electrical breakdown or derangement unless caused by accidental external means

(d) in respect of watches and clocks

- (i) breakage of glass
- (ii) damage caused by overwinding
- (iii) internal damage unless caused by accidental external means

(e) breakage of glass or other substances of brittle or fragile nature (other than camera lenses) unless caused by fire or thieves

(f) property despatched by any ship or aircraft in which the insured is not travelling at the same time

(g) money cheques travellers cheques or securities of money share certificates bonds promissory notes tickets stamps and stamp collections coin collections medals contact lenses micro corneal lenses business books books of account plans specifications blueprints moulds deeds bills of exchange documents of title to goods contracts or other legal documents or documents of any kind.

(h) theft of property from any unoccupied vehicle unless such vehicle is a private car with a completely self contained lockable totally enclosed luggage compartment or boot and unless the property is contained in the said luggage compartment or boot while securely locked.

NAME AND ADDRESS OF THE INSURER

CLAIM FORM FOR PROPERTY DAMAGE OR LOSS Applicable to Fire, Special Perils, "Home" Covers, Theft, All Risks, Money, Baggage and Glass

The issue of this form is not an admission of liability on the part of the Company.
All questions on this form must be answered in full.

Policy No.	1. RENEWAL DATE:	Date of payment of last premium:
Insured	2. Name	
	3. Address	Telephone No.
	4. Business or Occupation	
Circumstances giving rise to Claim	5. Date and time of loss	a.m./p.m. on 19
	6. Where loss or damage occurred	
	7. Describe fully how loss or damage occurred	
General Information	8. Type of premises involved	
	9. Were the premises unoccupied? Yes/No. If so, when were they last occupied?	
	10. Are the premises self-contained? If not, name of other occupants	
	11. Are you owner of premises?	
	12. Are you responsible for repairs?	
	13. Have you any suspicion as to parties implicated?	
	14. Is there any other insurance in force providing covers for this loss? If so, give particulars including Insurers name, address and Policy No.	
	15. Have you ever suffered similar loss or damage? If so, give particulars and whether claim was made on Insurers	
Complete in all cases involving THEFT UNLAWFUL AND VICIOUS DAMAGE MISSING ARTICLES	16. At the time of the loss what was the value of: a) the buildings?	b) all the property in the premises?
	17. When were Police notified?	
	18. Address of Police Station	
	19. What other steps have you taken to recover property?	
	20. Give full details of method of entry to premises	
	21. If alarm fitted, did it function properly? If not, give reasons	
Complete in all cases involving property in transit	22. Are guards employed? If so, name of firm	
	23. Starting point and destination of transit	
	24. Who was accompanying property lost?	
	25. If employees, state age and duties	
	26. Are they insured under Fidelity Guarantee Policy? If so, Insurers name, address and Policy No.	
	27. How often is this transit made?	
28. What is maximum ever carried at one time?		
Amount claimed	29. Kenya Shillings	Please refer overleaf for details.

I/we declare that I/we have not withheld any material information and that all statements made on this form are true to the best of my/our knowledge and belief and that articles and property described overleaf belong to me/us, and that no other person has any interest whether as owner, Mortgagee, Trustee or otherwise except as mentioned in the Policy.

Date Signed
(If Policyholder body corporate, title of person signing)

If claim is for irreparable damage or loss, list items below completing all columns (if Policy cover is on new reinstatement basis, the column for wear, tear and depreciation is not applicable). Supporting estimates for replacements may be helpful. In cases where reported to Police please furnish a Police report.

Full description of property	Where and when acquired	Replacement cost price	Deduction for Wear, Tear and Depreciation	Amount allowed for Salvage	Amount claimed
		<p>Let anyone in the world copy or copy or reproduction period is hereby declared void that the person herein per... of the... is a contract to pay of no effect during this period. In all... the... is charged to the insured.</p>	<p>... to the terms, conditions and limitations of this Policy.</p>	<p>... of endorsement... to allow cover to continue during periods of unavailability...</p>	<p>... that during the... of... (V)... below 100 degrees... APPENDIX 9</p>

that during the current
Mineral Spirit of liquid Fuel (vegetable
giving off inflammable vapour below 100 degrees Fahrenheit

APPENDIX 9

Endorsements to the conditions of unoccupancy in DP Policy.

Effective date 1st April 1980

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ANNEXURE "G"

Specimen form of endorsement for use under Section 'A' to allow cover to continue during periods of unoccu-

The Company having been notified that the within described Private Dwelling House or Private Flat
being left without an inhabitant therein during the undermentioned period, it is hereby declared
and agreed that Contingency 6 of Section A of this Policy shall not be suspended during this period,
in consideration whereof the undermentioned additional premium is charged to the Insured.

Period: From
To

Additional Premium: Shs.

Subject otherwise to the terms, exceptions and conditions of this Policy."

ANNEXURE "H"

Specimen form of endorsement for use under Section 'B' to allow cover to continue during periods of unoc-

The Company having been notified that the within described Private Dwelling House or Private Flat
is being left without an inhabitant therein during the undermentioned period, it is hereby declared and
agreed that the proviso forming part of Section B. 8 is deemed to be of no effect during this period,
in consideration whereof the undermentioned additional premium is charged to the Insured.

Period: From
To

Additional Premium: Shs.

Subject otherwise to the terms, exceptions and conditions of this Policy."

Section 7A

Section 8

BUSINESS	GROSS PREMIUMS						PAID LOSSES					
	1988	1989	1990	1991	1992	1992	1988	1989	1990	1991	1992	
Fire Industrial	512,210,476	458,258,308	624,482,940	720,310,900	787,283,737	191,432,704	510,948,896	320,778,496	277,354,812	277,354,812	214,050,131	
Investors/Owners	17,887,740	17,889,740	107,044,992	105,766,156	156,256,007	7,016,224	21,571,860	32,738,936	37,150,292	53,782,189		
SUM-TOTAL	530,100,176	562,785,112	731,527,932	826,077,056	943,540,544	198,448,928	532,520,756	353,517,432	314,505,204	267,832,320		
Burglary All Risks	114,002,232	119,017,968	134,478,472	150,074,604	198,444,477	54,892,512	61,457,944	111,770,312	125,388,223	151,381,094		
C.A.I.I.	49,253,144	37,733,424	48,217,708	50,473,820	65,184,514	14,680,268	16,160,608	22,644,180	45,160,468	37,267,375		
Explosion	44,278,684	33,403,608	55,517,684	63,882,368	59,924,101	11,391,364	13,104,600	9,515,028	8,703,116	17,850,434		
Fire/Life Guarantee	14,607,696	62,005,176	87,339,932	104,299,900	127,536,931	23,906,144	7,577,992	9,732,992	10,106,172	20,375,634		
Crises In Transit	21,459,016	27,174,536	37,013,292	35,186,476	56,241,915	6,822,244	9,658,220	18,611,944	16,164,972	23,478,595		
Livestock	509,308	7,762,228	7,781,556	1,498,663	2,336,169	131,324	4,753,044	4,233,116	1,192,000	2,549,970		
Personal Accident	251,047,376	237,635,228	325,403,192	370,348,268	462,751,347	123,619,552	120,199,556	166,268,452	250,919,528	251,954,971		
Personal Liability	9,228,316	10,923,776	14,536,736	13,761,412	462,751,347	3,656,468	1,064,712	1,070,820	572,384	642,137		
Motorists Compensation	232,981,280	243,428,224	315,121,444	313,023,700	345,111,910	65,548,812	69,382,322	96,851,756	133,164,812	137,572,750		
Public Liability	26,039,056	39,215,704	45,950,980	39,753,244	52,173,065	10,267,524	7,363,016	8,122,648	10,792,081	10,792,081		
Marine/Inlanders	6,650,324	11,750,560	7,833,404	9,686,020	9,712,915	3,957,200	2,020,552	3,667,244	6,603,892	6,603,892		
Travel	34,300,828	36,389,452	62,084,600	63,671,408	87,717,577	513,708	2,661,776	2,431,792	2,233,528	1,532,665		
SUM-TOTAL	847,140,512	804,102,164	1,166,925,000	1,241,686,480	1,507,243,152	338,284,320	329,967,608	401,077,016	619,234,504	673,571,428		
Marine Hull	8,147,304	15,554,452	22,046,952	20,740,900	34,834,751	1,032,116	3,766,348	5,290,932	2,660,600	3,139,415		
Cargo	209,436,608	216,024,648	235,956,572	247,677,580	280,857,961	62,943,956	85,377,748	78,958,304	112,087,660	122,625,173		
SUM-TOTAL	217,583,932	221,579,100	257,403,524	277,008,560	315,692,712	63,975,712	89,144,096	84,249,236	114,147,740	125,764,508		
Aviation Hull	99,194,334	89,430,140	102,270,976	68,807,935	49,510,233	14,293,348	67,550,409	20,305,792	41,102,364	55,855,135		
Personal Accident	18,460,336	6,166,797	10,013,180	14,697,584	19,560,251	1,454,204	225,103	775,188	1,002,000	11,404,729		
SUM-TOTAL	117,654,640	95,647,207	112,284,156	103,505,519	69,070,404	15,747,552	67,775,512	21,000,980	42,104,364	67,259,864		
Motor	1,393,794,024	1,593,335,932	1,881,970,592	1,946,988,232	2,352,412,716	856,486,672	1,101,360,764	1,393,454,076	1,746,413,712	1,746,413,712		
Goods TOTAL	3,106,273,344	3,073,529,515	4,150,611,204	4,435,065,847	5,137,959,608	1,452,675,404	1,987,094,644	2,121,206,028	2,403,445,888	2,800,641,912		
Aviation TOTAL	1,240,342	2,830,418	3,161,395	4,068,606	7,940,962	25,420,409	29,473,037	84,565,847	82,051,674	242,545,583		
MARINE	3,033,245	2,830,418	3,161,395	4,068,606	7,940,962	25,420,409	29,473,037	84,565,847	82,051,674	242,545,583		
ACTIVITY	18,764,763	73,885,172	47,008,468	39,622,146	139,629,478	127,271,994	233,069,416	299,652,133	442,805,862	1,458,508,432		
MOTOR	191,245,071	146,954,642	422,693,507	440,741,519	540,886,425	340,924,704	571,101,699	500,219,850	728,378,305	4,005,165,722		
FIRE	2,512,657	8,576,445	1,130,312	4,064,132	5,785,612	8,145,645	70,353,646	149,486,166	256,752,101			
BUSINESS	1976-84	1985	1986	1987	1988	1989	1990	1991	1992	TOTAL		

REPORTED OUTSTANDING LOSSES AS AT 31-12-92

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