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TIME FOR COOPERATIVES AND SACCOS TO REAP FROM RISK ADVISORY

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There are over 14,000 registered Co-operatives and more than 22,000 Savings and Credit Co-Operative Societies (SACCOS) in Kenya with 18 plus million members. Most of these entities have suffered from a myriad of problems arising from poor risk management, leading to huge financial losses. Some of these losses could have been avoided through professional advice from financial, investment, and insurance experts.

With proper insurance solutions, Cooperatives will be in a better position to mitigate some of the challenges that they face which negatively impact their balance sheet. SACCOS and Cooperatives handle a lot of cash from members, and this presents risks of theft, forgery, fraudulent transactions, and general infidelity of employees. The foregoing will apply where stocks are involved. However, with proper insurance and risk management practices in place, most of these risks can be eliminated or significantly reduced.

Another solution that may be beneficial to SACCOS and Cooperatives is Credit Life Assurance, which protects the institution against the risk of loss arising from the death of a member before completing repayment of their loan facility. This is important as it ensures that the balance sheet is protected from such imminent risks.

With proper management of funds, SACCOS and Cooperatives can generate excess funds which can be invested in various liquid assets that are easy to dispose of in case funds are required urgently. Currently, most of these institutions have tied their capital in the land which may be a challenge to dispose of compared to liquid assets.

The financial services industry in Kenya has evolved with flexible solutions that cater to most of the above risks that Cooperatives and SACCOS need to embrace to safeguard their assets. This can be through unbiased advice on the most appropriate insurance solution and on the most appropriate underwriter to choose. Insurance brokers have a global view of the markets and can easily give recommendations on appropriate insurance solutions.



In addition, insurance brokers can assist in managing the administrative paperwork required before insurance coverage can be put in place. Other value-added services that can be derived by using brokers include:

1. Managing the total cost of risk
2. Risk Management Advice
3. Benchmarking of cover and cost
4. Compliance Audits (OSHA, NEMA & Fire Audits)
5. Health Wellness Programs that promote preventative than curative approaches.

To demystify the scope of operation and the role of insurance brokers, it is important to note that brokers in Kenya are regulated by the Insurance Regulatory Authority (IRA) which has a strict set of rules that insurance brokers must adhere to. This entails the obligation to always act in the best interests of clients – in this case, in the best interest of Cooperatives and SACCOs, including individual members who seek the services of brokers. Brokers are also required to have professional indemnity insurance which gives comfort to the clients that in the event of wrongful advice, there's a policy to cover the resultant liability.

SACCOs and Cooperatives in the current economic uncertainty need the intelligence, navigation, and professional services of insurance brokers with profound knowledge and access to a large variety of insurance products.

Another role played by Insurance Brokers is in claims administration. A Broker assists the client to interpret the policy and advises the client on which policy would respond best to a certain claim situation. This includes assistance in the completion and submission of claims documentation, accompanying loss adjusters to the site, and pursuing the underwriter to ensure - where applicable - that repair authority is timely and follows through to the final settlement.

It does not cost more for SACCOs and Cooperatives to acquire the services of an insurance broker as their remuneration is derived from the premium paid to the insurance company.

Insurance products can be difficult to comprehend, hence there is a need to involve a professional Insurance Broker to help tailor solutions and assist in the interpretation of the policy and claims administration among other important functions.

Francis Maina | General Manager for Risk Solutions | Minet Kenya