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YOU'VE GOT SOMEONE ON THE INSIDE – A CLOSER LOOK INTO INSURANCE BROKERAGE

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What is the first thing that comes to your mind when you hear the word "broker"? A dealer…? A conman…? A middleman…? A business person…? Someone who just wants to take advantage of your ignorance…? The list goes on.

Although some of these labels thrown at brokers somewhat define us, insurance brokerage and brokerage in general remain one of the most misunderstood professions. If you have ever been stuck somewhere needing services from a bureaucratic form of organization then you know how valuable it is to have someone on the inside.

Insurance brokers are the "insiders" for you as far as insurance processes are concerned. They are in the business of giving people unbiased advice about what insurance is available and from which companies. They can furthermore arrange insurance coverage for you by handling the paperwork and by following all technical procedures required by insurers. You'd be surprised that, contrary to the thoughts of many, brokers seek to represent the insured rather than the insurers.

Insurance brokers in Kenya require an authorization and are regulated by the Insurance Regulatory Authority (IRA), who have a strict set of rules that insurance brokers must follow. This entails that brokers always act in the best interests of a customer.

JUST CUT OUT THE MIDDLEMAN

The proposed changes dubbed Insurance Act (Amendments) 2018 suggest a phase out of insurance brokers, thus cutting out the middleman. A fine was suggested to be charged to any party that receives a premium on behalf of an insurer. "No insurer shall assume a risk in Kenya in respect of insurance business unless and until the premium payable thereon is received by the insurer," the amendments read in part. "A broker or agent, also called intermediaries, shall not receive any premiums on behalf of an insurer. Any intermediary who contravenes this section shall be liable to a penalty of Sh1 million on each contravention, payable to the Policy Holders Compensation Fund" reads an article on standard digital dated 26th October 2018.

DO YOU REALLY NEED AN INSURANCE BROKER?

Insurance brokers have profound knowledge of, and access to a large variety of insurance products, enabling them to deal with a wide range of insurance companies directly. Insurance brokers are conscious of the benefits, exclusions and costs of competing policies which in turn places them at a better position to advice the insured and to secure exclusive deals. Their knowledge is furthermore based on experience that the insured may not necessarily have. Their experience of having worked with many different insurance companies makes them bound to know what works and what doesn't. They exist for the good of the insured and the yet to be insured. Their job is to find the right cover, the right insurer and to help you make and manage a claim.

Most businessmen are driven to show customers the products that the business finds profit in rather than what really meets the needs of the customer. Insurance brokers come in to save such a situation in the insurance setting. Since the insurance brokers have many insurances in their stock they can analyze the market and offer you the policy that best meets your needs and which does not just benefit the insurer.

Insurance brokers also help you to assess and manage your risks by crafting risk management strategies. For instance, they may offer wellness programs that involve check-ups and dietary advice that enable the insured to stay healthy, thus reducing the need for medical treatment and costs. They can also advise clients on how to reduce car insurance premiums by for instance lowering coverage on old trucks and vehicles, thus raising the deductible. In addition to advising clients, brokers can also assist with policy renewals and amendments if required.

The biggest hurdle in the insurance process is not signing for insurance; it's claiming for the insurance. When disaster strikes and the insured needs to claim for the insurance, the headache often starts. Procedures have to be followed and specific documents to be submitted. If the insured seeks the services of a broker, they'll have someone working on their behalf to bear that weight for them. Claiming insurance may for example require certain documents, which in the absence of a broker, one is likely to fail submitting because of their lack of knowledge. The broker, will inform you about the documents required and, in case of unintended disaster you've lost some of the required papers, a broker can assist as they often keep papers electronically.

THE COSTS INVOLVED

Using a broker does not have to cost more than going direct. Brokers are paid a commission by the insurance providers for selling their products, so you shouldn't need to pay any additional costs over and above the premium fee.

When acquiring insurance, people tend to rush into it without seeking advice and are often faced with the consequences of not looking into their schemes the way they should have. Insurance companies frequently take advantage of this lack of attention to details and in the long run, the insured ends up not getting any value for his money. Owing to the complexity involved in understanding your insurance, it is well advised to have someone on the inside that has your back. We at Minet are available for the benefit of the insured client.

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