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Business & Finance | May 2 - 8, 2006

Insurance needs credibility drugs

Interview

The Ugandan insurance industry has in the past two years seen renewed activity following entry by foreign players in the form of mergers and takeovers. As the new comers get a grip on the Ugandan market, Business & Finance's Muhereza Kyamutetera, asks Mr Alex Wanjohi, Managing Director, AIG Uganda, one of the industry's oldest players, what is the way forward for the industry.

The insurance industry in Uganda suffers from lack of innovation, with most dealing in traditional products like motor insurance. Is AIG any different?

Before I talk about our innovation, I should say that we are intensifying our efforts to pay claims more quickly because one of the biggest problems this industry has is credibility where the public tends to think of us as people who do not want to pay. We continue to strengthen our claims department, so that we can be able to pay claims more quickly.

I must however hasten to add that we also harbour the responsibility to make sure that we are not paying fraudulent claims.

We have also streamlined our operations and have transferred our assets to AIG Global, assets management, who are registered here with the Capital Markets Authority as fund managers and the reason we have done this is because we want to concentrate on our core business, which is writing premiums and paying claims. That is all we want to do in Uganda.

About product innovation, there is no mistake about it. We have new products that address new concepts like management liability insurance, which is a new product and another industry-first by AIG.

We are also into terrorism insurance. We are the only people who do that. There is a tendency to think that terrorism is all about Osama Bin Laden and is alien to Africa but nobody is safe from terrorism.

You remember what happened in Kenya and Tanzania. This is why we are saying that high-rise buildings and hotels should take this kind of cover.

Another area we are into is Trustee Liability insurance. This is for members of trustee boards. This protects them from any liability that arises out of decisions taken by these trustees.

Then we are going into a very new product, which is, kidnap and ransom insurance. If you have our cover and one of your family members is kidnapped for a ransom, we shall negotiate the ransom, pay it, meet any costs involved and even pay for any counselling and trauma treatment.

However, some of the products have not picked up very well because we think the market has not understood them very well calling for more education on them.

How serious is the problem of fraud in the insurance industry?

For a start, it is a paradox that we should be talking about fraud as an industry, when we ourselves are insurers of fraud but the truth is that we are also concerned about being defrauded. The insurance industry, the world over has attracted all sorts of fraudsters, tricksters, and con artists, name it and from AIG's perspective, the commonest act of fraud is people coming in to make false claims.



CREDIBILITY PROBLEM:
Mr Wanjohi

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Forex Rates

UNIT	BUY	SELL
USD	1825	1835
Pound	3300	3370
Euro	2295	2330
Kshs	25.3	25.8
Rand	240	300
Rates subject to change		

We also have organisations that are our clients and have been defrauded by their staff. Because of the high levels, of fraud, we are hiking fraud insurance premiums prices. We have decided that our price level for fraud insurance is inadequate.

What we are saying is that even after hiking the prices, if we are unable to contain the claims, it is also possible that fraud insurance could disappear in the market. Fraud insurance could be eroded.

We also have people who insure their vehicles and after a short while come to lodge fraudulent claims. when we do our investigations we find that things just do not add up and in that case we stop the payments.

There is a move by industry players to have the law on Third Party insurance revised. How much has been achieved?

We have not gone very far because as the insurers association, we now have a new board coming in and we hope these new guys are going to take it up. But let me say that we are looking at ways of changing the law to deal with the low limits that are set in the law. Besides our Third Party law does not provide for mandatory compensation in case of property damage. It only covers body injury. We would like it extended so as to be uniform with our neighbours.

Because the law does not cover property damage, this is why you see when there is an accident, you see people running away because they do not know how to replace the spoilt property. You have seen a small car hit an executive vehicle and then the guy fleeing because he knows he cannot pay for the damage. We need to avoid that situation such that if there is an accident, people get out and say, I have insurance, you have insurance, so let our insurance companies take care of this matter.

There is a belief that insurers are only after money and find excuses not to pay, leading people to believe that sometimes its not worth it to insure. How are you working to change this attitude?

That is one the reasons that our industry is not growing so well. Some of us take a lot of time in payment of claims while others waste a lot of time in finding reasons for not paying.

But this is something that can also be addressed from the demand side. The way you chose insurance is like the way you choose your bankers. You must take the same criteria when you are choosing your insurers. You need to even be more critical because unlike the bankers who are actually keeping your money, the insurers are carrying all your risks, so you should examine critically their financial strength and ability to pay.

You also have to find out whether they have competent and qualified staff to do the job. You also have to find out about their reinsurance partners. This is especially for corporate insurers because sometimes you find that the client to be insured is sometimes bigger than the insuring company itself and the only way this is possible is through reinsurance.

Then you also have to ask, do they have a right attitude to paying claims? This is hard to measure but individuals can ask from those that are knowledgeable or even from their peers.

Attitude is very important because the company may have the money and qualified staff but have a negative attitude to payment of claims. These should not be your insurers. As AIG Uganda, we believe that if an obligation suffices that we must meet a particular claim we then take it upon ourselves to pay in time.

The Kenyan insurance industry is doing brisk business. What can we learn from Kenya?

Looking at the Kenyan market, first of all, in terms of size, the Kenyan GDP is about \$15 billion while Uganda is about \$7 billion, so Uganda's economy is about half of Kenya but if you look at the premiums that are written, there is a very big disparity.

The Kenyan market has about \$400 million in premiums while Uganda has only \$55 million. In effect, the Kenyan industry is 7 times bigger and yet the Ugandan economy is only half of Kenya. So this shows you there is a problem with the Ugandan industry.

And Uganda's problems are many with most stemming from our history and the consequent lack of confidence in the industry. There has also been low participation by foreign players, because you know, new faces in the market bring in new ways of

looking at things. This has begun to change over the last two or three years and we are beginning to see new players coming into the industry.

Doesn't this pose a competition challenge?

No. We welcome diversity and competition. These new guys are going to breathe into us a new spirit of fighting because they are going to come and ask who is the leader here and they are going to want to overtake us and we cant let that happen.

That said, I do not want us to look at Kenya, as our role model. We should look at other more developed markets like South Africa and other western countries insurance industries. Using Kenya as an example, we will be setting our targets so low.

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