KENYA REINSURANCE CORPORATION

SENIOR MANAGEMENT WORKSHOP
MOMBASA BEACH HOTEL
5-8 JULY 1994

COMPILED BY:
Planning Division
Kenya Reinsurance Corporation
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SECTION 1

1. OPENING REMARKS

1.1 OPENING REMARKS BY FACILITATOR/CHAIRMAN

Professor G-C. M. Mutiso, the Facilitator/Chairman of the Workshop opened the occasion by welcoming all those present. He reiterated that his role was to co-cordinate the deliberations and assist the participants in coming up with tangible resolutions for the betterment of the Corporation's performance in general. He then invited the Managing Director to formally open the Workshop.

1.2 OPENING SPEECH BY THE MANAGING DIRECTOR

The Managing Director Mr. W. N. Mbote thanked Professor G-C. M. Mutiso for availing himself both as a Facilitator and Chairman of the Workshop. He proceeded to introduce him to the participants after which he elaborated on the objectives of the workshop namely

1.2.1 To review what has transpired since 1991 when the Senior Management held a similar Workshop last.

1.2.2 To determine whether the targets set during the 1991 Workshop have been achieved or not and the reasons thereto.

1.2.3 To project to the future after reviewing the Corporation's performance during the last 4 years taking into consideration the prevailing conditions which include stringent structural adjustment programmes, liberalization of the economy, the impending phasing out of the 25% compulsory cessions currently enjoyed by the Corporation over a 4 years' period, the requirement that the Corporation increases its paid up share capital from the present level of Ksh 150 million to Ksh 500 million by 1996, the inevitable privatization of Kenya Reinsurance Corporation, stiff competition from the newly incorporated reinsurance companies namely; East Africa Reinsurance Company Limited and Zep Re, major trade openings in South Africa following its independence, reconstitution of East African Community, political conditions within Africa and the world as a whole.

1.2.4 He further said that he was personally in favour of the withdrawal of the 25% compulsory cessions currently enjoyed by the Corporation so long as the Government accords the Corporation an opportunity to operate commercially in a level playing field with its competitors.

1.2.5 This would entail restructuring the organisation to include hiring the right calibre of staff who would be competitively remunerated.

He reiterated that withdrawal of the compulsory cessions without relaxing the present Government controls would be futile and to the detriment of the Corporation as a whole.

1.2.6 On diversification, he proposed to the participants that they should in their deliberations explore other alternative avenues in which the Corporation can invest. He singled out Zim-Re of Zimbabwe which has branched out to underwriting direct insurance business through one of its subsidiaries.

1.2.7 He proceeded to report that Kenya Re was one of the Parastatals earmarked for privatization by the Government and appealed to the participants to come up with recommendations towards realizing this goal instead of waiting for Government directives. Such recommendations should include floatation of shares to the public or Insurance Companies e.t.c.

1.2.8 He recorded is concern over the colossal underwriting losses that the Corporation continues to register in its core business in particular on Motor Insurance due to escalating car theft incidents and high court awards and requested the participants to come up with suggestions that would assist in changing the revailing scenario.

1.2.9 On Personnel, he recorded his satisfaction with the job evaluation exercise recently conducted by the Directorate of Personnel Management at the Corporation's request and reported that the Directorate was in the process of finalising the report which upon completion will bevailed to the

Management for deliberation and/or implementation as deemed fit.

He reported that the views so far gathered indicated that the Corporation was overstaffed hence there was need to review the staffing levels and determine whether the Corporation needs all the employees currently in the establishment or less.

1.2.9 He closed his address by appealing to the participants not only to be open and frank in their deliberations but also to come up with tangible resolutions that will assist the Corporation in realising its mission.

1.3 **The salient points were discussed and the following noted:-**

1.3.1 That Kenya Reinsurance Corporation being a non-strategic parastatal was bound to be privatised, hence the Management should embark on an exercise of determining how best to go about with the privatisation and advise the authorities accordingly instead of waiting for directives from the Government.

1.3.2 That the Corporation cannot be privatised in its present status hence there was need for enactment of an enabling statute by Parliament to facilitate the exercise.

1.3.3 That with the proposed phasing out of the 25% compulsory cessions over a 4 years' period, the next 4 years were critical for the Corporation in so far as its privatization, restructuring, staffing and future operations were concerned.

SECTION II

2. PRESENTATION BY PROFESSOR G-C.M. MUTISO TITLED "PRIVATIZATION, SURVIVAL AND EXPANSION OF KENYA RE: ENVIRONMENT ISSUES"

2.1 Professor G-C.M. Mutiso's paper titled "Privatisation, Survival and Expansion of Kenya Re: Environment Issues" copy of which was circularized to all participants was tabled.

2.2 Professor G-C.M. Mutiso then proceeded to elaborate on his paper and the following pertinent points were noted:-

2.2.1 That with the impending phasing out of the 25% compulsory cessions currently enjoyed by the Corporation over a 4 years period, there was every need for the Corporation to diversify its operations into other areas, e.g. floating a direct insurance underwriting company, if it were to survive in the already liberalised market economy.

2.2.2 That there was need to restructure the Corporation in order to increase its efficiency.

2.2.3 That Kenya Re's problem was primarily that of long term strategic planning which includes targeting the various age groups namely the currently economically active group (ages 30 to 64 years), the intermediate active group (ages 20 and 29 years) and the currently inactive group (ages 15 and 19 years) who form 11% of the population and will get into the market in the next 10 to 15 years. The targeting can be done through sponsorship of various activities within Schools, Colleges and Universities hence creating awareness of the organization and its products to them at minimal cost.

2.2.4 That under the current prevailing harsh economic conditions likely to improve at dismal growth rate in the next 4 years, it was imperative for the Corporation's survival that it engages in aggressive marketing coupled with efficiency and reduction in its operating costs primarily through cutting down on staff and shedding off non-performing assets. Possibilities of purchasing a company with existing direct insurance portfolio should also be explored.

2.2.5 That the performance of the Corporation in particular its profit margins as compared to other entities of a similar nature were below par and needed urgent boosting through aggressive marketing, improvement on efficiency and reduction in operating costs.

2.2.6 That the Corporation was generally over-staffed in particular in the lower cadre of subordinate staff and clerks in non-income generating Divisions, hence there was need for a thorough restructuring including retrenchment in order to bring the work-force to acceptable operational levels.

Coupled with this should be clearly defined performance outputs and penalties monitored regularly, with the services of those failing to meet the set targets dispensed with.

2.2.7 That there was a lot of office space wastage hence a need to reduce the currently available office space by 75%. With the reduction in staff and space, the consumables within the Corporation should reduce by 90%.

2.2.8 That there was urgent need for increasing income generated from investments through better returns, competitive rents and endeavouring to rent out properties to only those tenants who are willing to pay high rents. Likewise investigations should be done on financial instruments and those not performing terminated.

Diversification of investments should also be adopted in order to realize maximum returns. The Government should also be approached to grant Kenya-Re opportunity to diversify its investments.

Likewise Kenya Re should improve on debt collection through setting specific targets on daily, weekly, monthly and quarterly basis.

2.2.9 That the Corporation should commence aggressive marketing and set sales targets for each respective Manager. Coupled with this should be prudent underwriting and handling of claims.

2.2.10 That the Corporation should aggressively explore other avenues of diversification in particular acquisition of a direct underwriting insurance company as its subsidiary. Singled out is Kenya National Assurance Company Limited which is in dire financial straits and will inevitably need to be privatized. The proposal if adopted would prove to be attractive to both the Structural Adjustment Programme movers and the Government of Kenya since it will save them from double handling.

2.2.11 The Corporation needs to reduce the levels of its organisational chart through regrouping of departments and their functions hence creating a more democratic and efficient way of communication without unnecessary bureaucracy which in the long run proves to be a bottleneck. This adoption should tighten supervision and reporting levels hence allowing for daily, weekly, monthly and quarterly checks on performance. The on going computerization should facilitate the process even better.

2.2.12 That Kenya Reinsurance Corporation should adopt the policy of privatization through floatation of shares to the public in order to protect against privatization where large operatives end up buying the Corporation. This is also in keeping with the Government policy of distributing ownership to indigenous nationals. If this scenario is adopted, he proposed that 50% of the shares be floated in 1998 when it is anticipated that the 25% compulsory cessions will cease and the proceeds utilized in acquiring Kenya National Assurance Company Limited. The balance 50% shares would then be sold to the public within ten years.

2.2.13 That the Corporation should endeavour to acquire data on all insurance and reinsurance companies transacting business within the market including intermediaries. Likewise the Corporation should obtain data on staff establishment of each of the insurance companies in order to be able to compare each respective company's staff structure against its income vis-a-vis Kenya Re's, hence facilitating proper planning, setting of targets and remuneration levels including benefits in line with other companies.

2.2.14 That the Corporation should review its policy of investing immensely in real estate especially under the prevailing economic conditions where returns from such investments are not only dismal but take time to realise since buyers with ready cash are lacking. Costs of construction are also prohibitive leading to properties being overpriced, hence not attractive to would-be buyers.

Coupled with this should be stringent lending terms like those adopted by other financial institutions and banks.

2.2.15 That the Corporation should under the leadership of the Managing Director endeavour to charge the young upcoming Managers with the basic restructuring and long term planning since they are more aggressive and open minded, hence able to bring to the task creativity not found in the older Management.

2.2.16 That the Corporation should through its technical department explore opportunities of developing and introducing other attractive products within the market such as policies covering rental of houses, farm produce e.t.c.

2.2.17 That the Corporation should over and above all adopt an aggressive training programme that will ensure that it has the relevant calibre of employees at all levels in order to ensure efficiency to achieve its desired goals.

2.2.18 That the Corporation should expand its business transactions into the region since there are positive indications of developments within the regions resulting in eventual generation of insurance business.

2.3The salient points were discussed and the following noted:-

2.3.1 That with liberalization of the economy,stringent Structural Adjustment Programmes and the impending phasing out of the 25% compulsory cessions over a 4 years' period, privatization of Kenya Reinsurance Corporation was inevitable since it is a non-strategic parastatal.

2.3.2 That with the phasing out of the 25% compulsory cessions, it was imperative that the Corporation starts exploring possibilities of underwriting more facultative reinsurance business.

2.3.3 That there will be need to reduce the Corporation's establishment once the mandatory cessions are phased out since tasks performed by some of the Divisional staff will cease, in particular collation of data based on bordereaux submitted by the ceding companies.

2.3.4 That privatization of the Corporation under the Companies Act Cap 486 of the Laws of Kenya was not feasible in its present structure as stipulated under Section 129 of the Insurance Act Chapter 487 of the Laws of Kenya. Hence t there will be need for the Parliament to enact a law that will release the Corporation from Section 129 of the Insurance Act in order to facilitate its privatization.

It was **RESOLVED** that the Corporation security secretary should study and review the matter and come up with recommendations that will facilitate privatization of the Corporation for consideration by the Board of Directors and for onward transmission to the Government. The recommendations to include draft Memorandum and Articles of Association of the proposed public company.

2.3.5 That the Directorate of Personnel Management had at the request of the Management carried out a job evaluation exercise and that the Corporation was now awaiting their report on the findings and recommendations thereto.

On the strength of this, the participants unanimously agreed that they would consider the Corporation's over establishment vis-a-vis the recommendations therein taking into consideration the possibilities of reducing the workforce through retrenchment or otherwise.

It was however agreed that the Corporation was over established especially at subordinate and clerical levels hence need for restructuring.

2.3.6 That the Corporation was not only required to exercise control on its expenses but also to improve on its performance and efficiency in order to enhance its profit margin.

2.3.7 That the Corporation should embark on aggressive marketing and diversify its investments in order not only to enhance its portfolio but also spread risks.

2.3.8 That with the impending privatization there was need for the Corporation to revalue its assets in readiness for the exercise.

Meanwhile, it was **RESOLVED** that the Corporation should transfer its various assets currently registered under its subsidiary companies namely **WEDCO LIMITED** and **KENYA RE PROPERTIES LIMITED** in order to protect against ownership of such properties being transferred to some other individual upon selling of the two dormant companies by the Government.

2.3.9 That there was need to review the office space occupied by the Corporation with the primary objective of reducing the amount of space currently occupied and letting out the rest.

2.3.9 It was envisaged that with proper space management two floors were more than adequate for an operation such as ours.

2.3.10 That in the absence of commercialization of the Corporation it was not feasible for it to effectively compete with its competitors e.g. East Africa Reinsurance Company Limited, Zep-Re, Africa Re e.t.c., in a level playing field. In particular the participants singled out the low emoluments payable to staff as compared to what other competitors offer.

Stringent trading measures incorporated by the Government through the Insurance Act Chapter 487 of the Laws of Kenya and other controls thereto also hinder its operations.

Hence the participants **RESOLVED** that the Government should be requested to create an enabling environment within which the Corporation will be able to compete with its competitors on a level playing field without any incumbrances.

2.3.11 That the Corporation should create a Marketing and Business Development Division and set job targets based on well defined activities.

2.3.12 That the Board of Directors should as an incentive improve on those areas of the terms and conditions of service within its premise e.g. Pension Scheme, medical facilities - in particular facilitating credit facilities to the staff, other job enrichment exercises, such as provision of loans for acquisition of plots, shambas e.t.c. provision of staff canteen at subsidized rates, salary advances, merit awards, excellent communication to keep the employees fully abreast with the operations of the organization and provision of flowers for the sick.

2.3.13 That the possibilities of the Corporation having some Executive Directors be explored.

2.3.14 That the Corporation should adopt strategic planning with each Division being a profit centre hence setting its own targets, budgeting, controlling its finances and being debited for all its expenditures.

2.3.15 That the Corporation should endeavour to realise its Corporate mission which is **"to become an internationally recognized and successful reinsurer within the motto of providing reinsurance security worldwide".**

2.3.16 That the Corporation should explore ways and means of reducing its exposure on loss making business. Singled out was the motor vehicle insurance portfolio which continued to record colossal losses due to escalating motor vehicle theft incidents and high court awards.

2.3.17 It was noted that the Corporation was owed colossal sums of money by the market and **RESOLVED** that the participants should embark on aggressive debt collection exercise supplemented by stringent credit terms for defaulting debtors such as levying commercial interest rate on any outstanding sum of money owed.

SECTION III

3. JOB EVALUATION EXERCISE

3.1 The Facilitator and Chairman welcomed Mr. J.W. Wachira, Senior Assistant Director, and Mr. H. Ogega, Assistant Director, both from the Directorate of Personnel Management to the Workshop and asked them to address the participants on the Job Evaluation exercise they were undertaking.

Mr. J. W. Wachira, then proceeded to thank the Management and indeed the Corporation for inviting them to carry out a job evaluation exercise and the co-operation they were accorded. He reiterated the Directorate's appreciation for the confidence bestowed upon them by the Corporation by not only being invited to carry out the job evaluation exercise but also to participate in the workshop.

He then proceeded to make his presentation which comprised of a general overview and general observations as follows:

3.2 GENERAL OVERVIEW

3.2.1 Mr. J.W. Wachira reported that the Directorate of Personnel Management was invited to carry out a job evaluation exercise on behalf of Kenya Reinsurance Corporation in October 1993 but did not commence the exercise until February 1994.

The exercise, he reported, was based on terms of reference as presented by the Corporation and comprised inter alia, general interview with staff on their duties, how they viewed Kenya Re's performance and how best it could be improved including its staffing structure. He recorded his team's thanks to Mrs. M.W. Chege, the Liaison Officer who facilitated their work, the Management for the facilities accorded, and staff who participated in the exercise and turned it into a useful forum for discussion.

He reiterated that they were generally impressed with the participants for they not only avoided personalizing issues but were open about virtually everything including the fact that the Corporation was over-staffed. Based on the discussion, his team collected data which they were currently analysing, looking at Kenya Re in the past, present and future.

3.2.2 He proceeded to report that Kenya Re's past performance was excellent since the environment was conducive with no competition and guaranteed compulsory cessions.

He reiterated that with the liberalization of the economy and creation of a free market scenario with a future which is competitive both by default and design, adoption of a completely different approach in order to be able to survive was crucial.

He reiterated that competition was generally healthy since it increased productivity and urged the Corporation to venture into more areas of reinsurance beyond the 25% compulsory cessions in order to be able to compete effectively with other reinsurance companies within the market.

3.2.3 He said that the strategies for realizing this goal was re-organization coupled with redefining of the Corporation's objectives, stringent controls and diversification.

The strategies should include redefining the Corporation's own in-house structural adjustment programme more towards competition, efficiency and maximum productivity. In short the Corporation should be both introvert and extrovert.

He said his team had evaluated the organization as outsiders from top to bottom provoking comments and recommendations from within since the solutions are within and on that premise trusts that their report will be acceptable since its findings were generated from within the Corporation.

3.2.4 He reported that based on their findings, it was obvious that the Corporation was overstaffed and urged the Corporation to review their report upon presentation and explore possibilities of restructuring and retrenching on the basis of a package within the available resources.

The restructuring, he reiterated should entail examining the various functions, analysing and determining those that need to be grouped together. Functions that cannot operate together should not be integrated. He emphasised the need for examining the organization, defining its functions and then slotting people into it and not the other way round, otherwise one creates an amorphous organisation.

From the interview it was clear that staff morale was low.

3.3 GENERAL OBSERVATIONS - ORGANISATION STRUCTURE

Arising out of the interview the following observations were prevalent:-

3.3.1 Under Operations Department there are 6 Divisions whose overall objective is to underwrite reinsurance business. Their functions, it was noted were distinct from one another.

3.3.2 On Claims and Investigations Division however, a question arose as to why each respective operative Division could not handle its own claims. The consultants felt that being distinct as it were, there were possibilities of things going wrong if this was done.

3.3.3 On the role of the International Division, it was strongly felt that the other operative Divisions should in their own right be able to manage their own international portfolio in the classes of business that they transact.

3.3.4 With the impending entry of Kenya Re into the competitive environment there was need for well organized and aggressive Marketing and Business Development Division.

3.3.5 It was also felt that there was significant need for creating functional titles relating to distinct functions being performed by the holders since titles have inherent values.

He proceeded to report that the title of Assistant Supervisor and that of a Management Trainee vis-a-vis their grades caused confusion. In particular, concern was raised to whether the Management Trainees' post was over graded or whether they should enter at Grade 7.

3.3.6 On Management Services Department, it was noted that the Divisions listed below constituted the Department:-

Finance
Administration
Computer
Personnel

3.3.7 Under Finance Division, the consultants felt that the functions were specialized and not administrative hence it should be a Department in its own right reporting directly to the Managing Director.

3.3.8 Under Administration Division, it was felt that the Division was overloaded and proposed that possibilities of it being restructured be explored.

The restructuring to include creation of a fully fledged Security Services Section with the incumbent reporting directly to the Managing Director. The incumbent should be fully trained in security matters with capability of detecting frauds, intended thefts, thefts e.t.c. and carrying out investigations on behalf of Management to their satisfactory conclusion.

On Property and Administration, he observed the need to determine whether the two should remain under one Division or not and proposed that possibilities of separating the two sections be explored with eventual creation of a fully fledged Property Management Division to handle the Corporation's vast investment in properties.

3.3.9 He reiterated the need for reviewing the staffing structure with the express purpose of trimming it at subordinate level where there was obvious overstaffing. On supplies, he reiterated the need for the Section being staffed with the right calibre of personnel qualified, trained and experienced in supplies management supported by a well defined and established tendering system.

3.3.10 On Computer Division, he noted with satisfaction that the Corporation was in the process of installing a networking Computer System Unix DRS 3000.

He said that with the computerization, the Division will no doubt be thinned out with some of the staff being assigned to other Divisions. He reiterated that despite the reduction in the workforce the Division remains a special unit of the Corporation because of the important role that the Computer will be playing in the functions of the Corporation. Its role should therefore not be down played.

3.3.11 On Personnel and Training Division, he recorded staff's concern over the apparent indiscipline that was prevalent within the Corporation. Staff were generally demoralized and raised pertinent issues relating to their terms and conditions of service including training and mode of appraisal.

3.3.12 On the Corporation Secretary's Division, he reported that it played critical role within the Corporation in that it was the link between the Board and Management. Its other prominent function is provision of legal services to the entire Corporation.

3.3.13 The Public Relations Division is more or less the extension of the Managing Director's office and plays a major role of creating an excellent corporate image for the organization. It is therefore imperative that the incumbent portrays the image that reflects with the office of the Chief Executive, an objective that can best be realised by a person with full knowledge of the Corporation. In view of the importance of the functions of the office, the incumbent reports directly to and works closely with the Managing Director.

3.3.14 The Internal Audit Division is a universally accepted function though its role is at times confused with that of External Audit. Internal Audit per se is meant to be on continuous basis rather than historical as that conducted by external auditors.

Its primary objective is to monitor the operations of the organization and ensure that they abide with the procedures or come up with recommendations for improvement e.t.c. It should therefore not be regarded as a police function.

The incumbent should be someone conversant with accounting systems in general with support team of fully qualified and experienced accountants. In view of the specialized nature of his duties the Manager, Internal Audit, should continue to report to the Managing Director as at present.

3.3.15 Mr. J.W. Wachira recorded his concern over the relatively low calibre of staff who were left to handle enormous amounts of cash in the Corporation's out stations, such as Kisumu and urged the Corporation to look into the matter.

He also appealed to the Corporation to arrange for the repairing of the air-conditioning unit in the Mombasa Reinsurance Plaza and also to consider availing some form of communication system for the Security personnel assigned to Kisumu and Mombasa offices.

He further reported that the Clerk of Works assigned to Kisumu had suggested that the Corporation considers providing the station with some form of transport in order to facilitate easy and convenient movement between the station and the site.

3.3.16 On Pensions, it was noted that the Pension Fund Secretary handles and manages the Pension Fund on behalf of the Trustees who comprise of the Corporation Chairman, Managing Director, Deputy Managing Director and General Manager (MS).

He recorded the Staff's concern in particular their feeling that they were not well represented. It was noted that unionisable staff had also demanded representation in the Trust.

He said that concern was also raised over the Corporation's failure to avail the Fund's audited accounts to the contributors and in particular its reluctance to implement legal notice No. 70 of 1992 requiring those employees who have been in the organization's employment for 5 years and above to be entitled for 100% of their contribution and that of the employer inclusive of accrued interest upon resignation or leaving employment.

3.4 The salient points on the consultants' presentation were discussed and the following noted:-

3.4.1 That the Directorate of Personnel Management was in the process of compiling their Job Evaluation report and would submit it to the Corporation in the near future.

3.4.2 That with the impending phasing out of 25% compulsory cessions by 1998, it was likely that those Insurance Companies currently ceding business to Kenya Re may opt to cease hence the Corporation will be left with no alternative but to venture into treaty business. Under such scenario, it was strongly felt that each respective operational Division underwriting the various classes of business were in a position of handling their own treaty business directly hence ruling out the need for the International Division.

3.4.3 That it was apparent that the Corporation was over-staffed hence the need for restructuring the organization to reduce staff in particular at clerical and subordinate levels.

3.4.4 That there was an urgent need for establishing a distinct Marketing and Business Develpment Division charged with the responsibility of aggressive marketing and product development.

3.4.5 In view of the Corporation's heavy investments on properties, it was strongly felt that there was an urgent need for establishing a Property Management Division.

It was therefore **RESOLVED** that Administration Division be restructured by creation of Property Management Division charged with the responsibility of managing Kenya Re properties and supervising development of any new properties. The other administrative functions which are service oriented to be merged with Personnel, hence creating a Personnel and Administration Division. It was felt that this proposal would accord the Corporation maximum utilization of service oriented personnel and assist towards reduction of the workforce since some of the functions would be amalgamated.

3.4.6 The functions of the restructured Personnel and Administration Division would be inter alia:-

- Personnel Management
- General Administration of office services
- Stores and supplies
- Office organization and methods
- Training
- Staff welfare
- Other related administrative duties.

3.4.7 That the possibilities of expanding the functions of the Pensions Fund Secretary to include administration of other external pension funds at a fee be explored.

It was noted that a number of firms both public and private have enquired for the possibility of providing these services at a fee.

3.4.8 That there was an urgent need to review the terms and conditions of service of the Management Staff in line with those terms prevailing in the market in order to be able to retain the right calibre of staff.

3.4.9 That with the liberalization of the economy there was urgent need for the Corporation to be accorded status that will allow it to compete effectively with its competitors, i.e. East Africa Reinsurance Company Limited, ZEP-RE, Africa Reinsurance Corporation e.t.c. in a level playing field.

SECTION IV

DIVISIONAL REPORTS

4. FIRE AND ACCIDENT DIVISION

4.1 The Manager Fire and Accident Division reported that the Division comprises of two sections namely, Fire and Accident and had a total workforce of 39 employees.

He reported that the functions of the Division are to underwrite Accident, Fire, Bonds and Facultative reinsurance business. It also underwrites Direct Insurance primarily for the Corporation staff.

4.2 He reiterated that with the liberalization of the economy, commercialization and the impending phasing out of the 25% compulsory cessions, the Division will endeavour to increase its facultative line of business through aggressive marketing. To facilitate this, the Corporation should increase its retention capacity so as to be able to retain more business instead of retroceding. Hence retention limits will have to be reviewed upwards in line with the increased capital base.

He proceeded to report that the Corporation should strive to be another Munich Re through provision of various services to the Market such as technical advice, training, increasing capacity to cedants, and development of new products in the market.

4.3 The Corporation should also endeavour to improve and maintain good relations with the local market through forums, interactions and Public Relations. Efforts should also be directed towards developing direct insurance portfolio. He recommended development of a strong Risk Management team to service the Corporation and the Industry as a whole.

4.4 He proceeded to report that the Division wrote a total premium of Shs 1.19 billion in 1992 which was lower than that of 1991 due to stringent economic conditions.

On optional business, he reported that the Division realised a premium of Shs 900,000 in 1992. It could have done better with aggressive marketing.

Direct Insurance declined because many staff members opted to insure elsewhere due to new regulations on handling claims and unsatisfactory services and removal of Corporation's insurances.

4.5 He proceeded to report that he experienced the following constraints during the period under review:-

4.5.1 Loss of qualified and fairly experienced staff through resignations. A total of 8 employees had resigned.

4.5.2 Stiff competition from other reinsurance companies.

4.5.3 Delays in submission of returns by the ceding companies.

4.5.4 Delays in paying cedants and reinsures.

4.6 On the future of the Division and indeed that of the Corporation, he recommended that:-

4.6.1 The Division be restructured with the workforce being reduced by 50% to 18 employees.

4.6.2 Aggressive marketing be deployed with the express purpose of bringing in new business both from within the country and from the region.

4.6.3 Efforts be made to increase facultative business.

4.6.4 The Corporation's insurances which are generally profitable be insured internally instead of externally as is currently happening.

5. MARINE AND AVIATION DIVISION

5.1 The Manager, Marine and Aviation reported that the Division consists of two sections namely Marine and Aviation and has 14 members of staff.

Its functions are to underwrite compulsory cessions in respect of Marine Cargo, Hull and Aviation classes of reinsurance business. He proceeded to report that the objectives of the Division are:-

5.1.1 To improve the local market's underwriting standards and cargo claims handling abilities.

5.1.2 To improve on the quality of returns from the market.

5.1.3 To assist in minimising delays in processing foreign exchange applications.

5.1.4 To assist the local market in placement of facultatives either locally or overseas at the best possible terms.

5.1.5 To develop technical expertise in key areas locally through training.

5.1.6 Computerization in liaison with the Computer Manager.

5.2 He proceeded to report on the activities of the Division as follows:-

5.2.1 **Aviation**

The Division manages the Aviation Pool on behalf of the local insurance industry. The market was generally abiding by the stipulated rating guidelines.

He recorded his concern over those insureds who were arranging their aviation insurance covers directly with overseas reinsurers and reiterated that the matter had been brought to the attention of the Commissioner of Insurance.

5.2.2 **Marine Cargo**

The Division has assisted the market in improving on the rates although there are some underwriters who are still undercutting.

5.2.3 **Marine Hull**

The capacity has been increased from Shs 9 million to Shs 32 million.

5.2.4 **Returns**

Some ceding companies continue to submit their returns late though there has been some improvements. The problem is expected to sort itself out with the phasing out of compulsory cessions.

5.2.5 **Manpower Development**

One of the Division's member of staff has qualified as a Fellow of the Chartered Insurance Institute of U.K. (FCII). Two others are expected to complete their ACII examinations in 1994. Budgetary constraints adversely affected the Division's training programme.

5.2.6 **Premium Protections**

There has been a reduction on percentage growth.

5.2.7 **Manpower Projection**

The Division had anticipated to have 14 members of staff by 1994 but currently has 11. With the phasing out of the compulsory cessions the Manager proposed to reduce his work force by 2 per year ending up with 4 members of staff in 1998.He conceded that with the phasing out of the compulsory cessions and restructuring, the functions of the Division were likely to be merged with those of other operational Divisions.

6. LIFE DIVISION

6.1 The Manager Life Division reported that the role of the Division is to underwrite life assurance business as provided for under Sections 145 (i) and (ii) of the Insurance Act Chapter 487 of the Laws of Kenya. The Division also underwrites mortgage protection policies for the staff and those members of the public financed by the Corporation to purchase houses.

6.2 She proceeded to report that the Division also promotes growth and professionalism within the market. She reiterated that with the impending phasing out of treaty cessions, there was need to defend retention of the treaty cessions in order to reduce the amount of foreign exchange remitted overseas.

6.3 On the Division's past performance, she reported as follows:

6.3.1 Treaty Cessions

In 1992 the division realised a premium of Shs 4.12 million and in 1993 a premium of Shs 4.08 million a decrease of 10%. An improvement is expected in 1994.

6.3.2 Compulsory Cessions

In 1992 the Division realised a premium of Shs 46.24 million and 1993 a premium of Shs 64.3 million, an increase of 39%.

She proceeded to report that Kenya Re was the local leading reassurer with 95% of the treaties of 8 ceding companies.

6.3.3 Optional Business

In 1992 the Division realised a premium income of Shs 4.49 million and in 1993 Shs 5.10 million a 13.5% increase. Hence even with the phasing out of the compulsory cessions there is a base within which to build on.

6.3.4 Future Projections

With the liberalization of the economy and phasing out of the compulsory cessions, there was need for aggressive marketing targeting in particular international reinsures.

Possibilities of diversification into direct underwriting should also be explored. She reiterated the need for availing excellent training facilities for the market as a selling point.

Coupled with this should be production of brochures for use by the Division in marketing its services.

Computerization of the Division's operations in total should also be speeded up and the services improved in general. The Computer should in particular become more friendly and more accessible.

6.3.5 **Staff**

On staffing she proposed to reduce the workforce by 50% from the present 16 to 7 by 1998. The retained 7 staff should be well trained in both underwriting of life assurance and actuarial services.

6.3 **The salient points were discussed and the following noted:-**

6.3.1 That possibilities of expanding the mortgage protection policy to cover other developments other than the Corporation's be explored.

6.3.2 That life assurance has potential for development since it has not been exploited. Hence there is need to sensitize the public and create awareness in them through education, advertisement and aggressive marketing coupled with product development and competent network of agents.

6.3.3 That funds generated the from Life Fund should be invested in real estate properties.

6.3.4 That there was a possibility of the Corporation acquiring Life Assurance business from one of the leading local underwriters.

7. INTERNATIONAL DIVISION

7.1 The Manager International Division reported that the Division's role is:-

7.1.1 Administering and reviewing the Corporation's retrocession programme annually.

7.1.2 Underwriting and servicing of inward reinsurance business both local and foreign.

7.2 He reiterated that the objective of the Division was to ensure that the Corporation obtains a cost effective retrocession programme whilst maximising its retained premium income and safeguarding its capital base.

It should be noted that the Corporation's retained premium increased from 10% in 1987 to 25% in 1990 and todate. It does however optionally accept additional share of the risk over and above the 25% compulsory treaty share.

It in turn meets 25% of any claims arising therefrom and as a gesture of goodwill retrocedes approximately 50% of the business back to the back to the market in form of Quota Share Retrocession treaty.

On optional business it was noted that there was no growth since the Corporation had imposed a moratorium on international business.

7.3 MARKETING

7.3.1 The Division has embarked on aggressive marketing within the PTA and COMESA member states and has so far visited the following countries:-

Sudan
Ethiopia
Eritrea
Uganda
Sychelles
Mauritius
Malawi
Madagascar
South Africa

7.3.2 Efforts are to be made in other African States with the express purpose of tapping the market particularly in the Franco-phone countries.

He recommended that the Corporation should consider not only opening a contact office in the U.K. for marketing purposes but also operating in hard currency.

7.3.3 He proceeded to report that treaty business from the African region was generally very profitable. The matter was discussed at length and the participants conceded that French market was generally hostile and reserved. Communication was also a problem due to language barrier.

It was therefore **RESOLVED** that efforts first be directed to English speaking countries in Africa.

7.3.4 On marketing, he reiterated the need for one being fully abreast with the country he or she was visiting.

Otherwise, it was noted that there has been concentration at the top in so far as marketing is concerned with the visits being made basically by the Managing Director, General Manager (O) and Manager (International). It was recommended that marketing be spread out to other management staff.

It was further noted that, the retentions were very low vis-a-vis the Corporation's financial strength and it was recommended that they be increased substantially when redesigning the retrocession programme.

7.4 COST OF REINSURANCE

It was noted that the cost of reinsurance in 1992 was Shs 41 million compared to Shs 121 million in 1994 an increase of 200%. Gross written premium increased by only 30%.

7.5 STAFFING

The Division currently a has total workforce of 26 employees and proposes to reduce it by 50% to 14 employees by 1998.

8. CLAIMS AND INVESTIGATIONS DIVISION

8.1 The Manager Claims and Investigations Division reported that his Division's role was to prudently handle any claims arising from the reinsurance business ceded to the Corporation. The administration of the claims includes investigation where necessary and expeditious settlement of claims.

8.2 The functions of the Division are inter alia:-

- Claims Administration
- Investigation
- Collation of claims statistics
- Ensuring that the Corporation is credited with its rightful share of excesses and income generated from sale of salvages.
- Ensuring that all claims recoverable from reinsurers are advised to the respective reinsurers in time and remittance made to the Corporation where applicable.
- Liaising with the ceding companies with a view to improving the standard of claims handling and submission of returns.
- Ensuring that there is adequate reserving in respect of each outstanding claim.
- Risk Management.

8.3 He proceeded to report as follows on the constraints faced:-

8.3.1 **Reserving:**

The Corporation continues facing the problem of under reserving by ceding companies in an endeavour to protect themselves from being declared insolvent by the Commissioner of Insurance.

Some of the ceding companies do not also submit their returns in time while others submit returns with inadequate information. Efforts are being made to educate them on proper reserving through seminars the last of which was held in 1992. Another seminar is scheduled to be held in 1994.

8.3.2 **Recoveries**

Some reinsures are not willing to remit or most of the times delay remitting recoveries due to the Corporation.

8.3.3 **Salvages**

Failure by insurers to remit the Corporation's share of the proceeds realised from salvages.

8.3.4 **Loss Preventions**

Reluctance by insureds to implement the surveyors loss prevention recommendations. There is also an increase in arson cases primarily because of the prevailing economic conditions and dishonest insureds.

8.3.5 **Policies**

Defective policy documents that at times force the Corporation to settle claims that would otherwise not be settled except as a gesture of goodwill.

8.3.6 **High Court Award**

High awards made by the courts on third party personal injury claims.

8.4 STAFFING

On staffing he reported that the Division currently has a total establishment of 21 employees made up as follows:-

Manager	1
Deputy Managers	3
Senior Supervisor	1
Supervisors	2
Asst. Supervisors	3
Clerks	11
	21

He proceeded to report that with the phasing out of Compulsory cessions, computerization of the Corporation as a whole and restructuring, he will reduce his establishment by 52% retaining a total of only 10 employees for the run off. He further reported that the investigation section would be phased out by year 1998 when the 25% compulsory cessions are anticipated to have been phased out in total.

9. PLANNING DIVISION

9.1 The Manager reported that the Division has a total establishment of 17 employees. He proceeded to report that the Division was established in 1978. Its objectives are:-

9.1.1 To collect market statistics.

9.1.2 To prepare corporate plan outlining clear and achievable long term objectives.

9.1.3 To monitor actual performance against planned targets in the corporate plans.

9.1.4 To carry out research in areas of interest to the Corporation and the insurance industry as a whole.

9.1.5 Budget preparation

9.3 RECOMMENDATIONS

He recommended that the Division be allowed to play a much more important role in the Corporation's plans and setting of targets. The Division could also assist in feasibility studies and other related work.

In view of the nature of work that the Division is supposed to handle, it is supposed to be staffed with fairly high level staff but it has instead been turned into a dumping ground of indiscipline and incompetent staff since it is fairly remote from administration.

He further recorded his concern over the loss of staff to other Divisions since they found the work and the designations within the Division boring.

9.4 The presentation was discussed at length and it was reiterated that the Division played a crucial role in the Corporation. It was therefore a very important Division. The mistake was to place it under the Operations Department because its role is planning for the entire organization. Consequently, the participants conceded that in view of its importance as an integral planning unit for the entire Corporation its reporting line be shifted from Operations Department to the Managing Director's Office.

9.5 STAFFING

With the Computerization of the entire operations of the Corporation and impending restructuring, the Manager recommended that the establishment of the Division be reduced from the present 17 to 7 employees.

10. FINANCE DIVISION

10.1 The Chief Accountant reported that his Division is charged with the responsibility of managing the Corporation's finances generated from underwriting and other investment activities. The Division has a total establishment of 66 employees.

He proceeded to report that the primary objective of the Division was to safeguard the financial assets of the Corporation and maximise returns to shareholders through prudent management of the funds.

10.2 The other objectives are:-

10.2.1 Effective debtors and creditors management.

10.2.2 Adoption of prudent investment policies that not only safeguard the Corporation's assets but also realise maximum returns.

10.2.3 Strict adherence to the statutory requirements.

10.2.4 Systems improvement and development.

10.2.5 Computerization of the Division's entire operations.

10.2.6 Preparation of half yearly and Annual Accounts.

10.3 PAST PERFORMANCE AND CONSTRAINTS

On the Division's past performance he reported as follows:-

10.3.1 He reiterated his reservations over the Corporation's continuous heavy investment in real estate development and recommended that the matter be reviewed with a view to slowing down. He felt that funds tied on housing developments realised minimum returns as compared to other instruments of investments such as short term deposits. The funds are also tied for a long period of time.

10.3.2 The Annual Accounts for the years 1992 and 1993 have not been produced due to delays in submission and confirmation of returns by the market. Some ceding companies do not submit returns in time while others submit incomplete returns. The Division moves at the pace of other external forces e.g. auditors e.t.c.

10.3.3 The Government's withdrawal of the Corporation's exemption from remittance of income tax.

10.3.4 Stringent trading conditions following devaluation of the Kenya Shilling against the hard currencies.

10.3.5 High turnover of staff as a result of poor terms and conditions of service as compared to other Insurance and Reinsurance Companies within the market.

10.3.6 Delays in remittance of premiums by the ceding companies.

10.3.7 Increase in Claims as a result of high awards made by courts and escalating car theft incidents.

10.3.8 Failure in making recoveries from our reinsures.

10.3.9 Delays in computerization of the entire operations of the Corporation.

10.3.10 With the impending phasing out of compulsory cessions, cashflow realised from mandatory cessions is bound to drop to nil by year 1998. Hence the Corporation should explore other alternative sources of income such as facultative business.

10.3.11 Staff morale and indiscipline.

10.4 GENERAL OPERATIONS

On general operations of the Corporation he reported as follows:-

10.4.1 That the Corporation should transfer to its name two of its properties registered in the name of its two dormant subsidiary companies namely WEDCO LIMITED and KENYA RE PROPERTIES LIMITED in order to vest these assets to the actual owner who is Kenya Reinsurance Corporation. This will also protect against the properties being transferred to another individual upon selling of the said subsidiary companies by the Government.

The matter was deliberated on and it was RESOLVED that the Chief Accountant should effect the transfer in liaison with the Corporation Secretary.

10.4.2 That in terms of capital appreciation the shares portfolio of the Corporation was doing very well with a current market value of Ksh 320 million compared to the initial cost of Shs 49 million. Dividend payment has otherwise been low.

He recommended that the Corporation should enhance the current portfolio by acquiring more high performance shares. Disposal of the non-performing stocks should also be considered.

10.4.3 It was observed that short term investments were turning higher revenue when compared to property investments. This prompted a recommendation that we slow down on real estate development. A critical review on the rental property portfolio was also recommended considering the relatively low returns thereon.

10.4 4 The impending phasing out of compulsory cessions by 1998 will adversely affect the Corporation's generated cashflow. Hence the future looks very bleak unless the Corporation establishes alternative sources of income through aggressive marketing and diversification.

10.4.5 Aggressive debt collection efforts should be deployed in order to collect outstanding premiums owed to the Corporation. Penalties at commercial rates should be imposed on defaulters in order to encourage them to remit premiums on time hence availing the assents for investment.

10.4.6 With the reduction of staff, administrative costs will reduce as from 1996 and stabilize by 1999.

10.4.7 Prudent claims handling procedures should be enhanced in order to protect the Corporation against paying fraudulent claims.

10.4.8 Since international inward treaty business has continued to be loss making as shown below it should be approached with caution:-

1990 (Shs 14.8 million)
1991 (Shs 23 million)
1992 (Shs 11.3. million)

10.4.9 The newly introduced taxes namely corporate tax, training levy, overseas reinsurance tax and drought levy will inevitably drastically affect the dividend level.

10.4.10 Interest rates on mortgages be reviewed upward in line with the prevailing market rates.

10.4.11 Feasibility studies be carried out for each project that the Corporation intends to undertake and that it only undertakes those projects proved to be feasible and profitable.

10.4.12 That Managers should be extremely cost conscious.

10.5 The participants deliberated on the Finance Division's presentation and **RESOLVED** that the Corporation should explore alternative avenues within which to diversify in view of the impending phasing out of compulsory cessions. Coupled with this should be aggressive marketing.

10.6 The Managing Director reiterated that the impending phasing out of the Compulsory cessions should not be looked at negatively since it might turn out to be very advantageous to the Corporation. He reiterated the need to deploy prudent control measures that will realise maximum returns for the future.

10.7 On projects he reiterated that the Corporation will continue to invest on profitable project developments but after carrying out thorough feasibility studies in order to ensure that the Corporation's funds are not tied for unnecessarily long period of time. He reiterated that project investment assisted the Corporation in building a solid financial base for the future.

10.8 On staffing the Chief Accountant reported that he intended to reduce his present establishment by 45% employees to 36.

11. ADMINISTRATION DIVISION

11.1 The Manager (Administration) reported that the Division with a total establishment of 211 employees comprises of two Sections, namely, Administration proper and Property Development Management.

11.2 The functions of the Division are:

11.2.1 General Administration
11.2.2 Transport
11.2.3 Security
11.2.4 Printing
11.2.5 Purchasing and Supplies
11.2.6 Stores Control
11.2.7 Office organization and methods
11.2.8 Cleaning services
11.2.9 Messengerial services
11.2.10 Registry services
11.2.11 Property development and management
11.2.12 Maintenance and repairing of Corporation's Assets
11.2.13 Letting of properties and rent collection
11.2.14 Marketing and selling of Corporation properties

11.3 REVIEW OF PAST PERFORMANCE

11.2.1 Overview

Recession arising out of devaluation of the Kenya Shilling vis-a-vis the hard currencies towards the end of 1992 affected the operations of the Division adversely. The situation improved towards August 1993 with tighter internal controls. The 1994 budget was provided for adequately taking into consideration all the prevailing problems and should, with the stringent controls in place,suffice for the year.

11.3.2 Structuring

There was no change in the structure of the Division during the period under review.

11.3.3 Recruitment

The Division engaged the services of an Assistant Manager (Administration), a driver for the Managing Director, a messenger and 12 guards.

11.3.4 Marketing Section

In an endeavour to be self reliant and to ensure speedy selling of its various housing projects, the Division established a property marketing section charged with the responsibility of marketing and selling the Corporation's properties.

11.3.5 **Transport**

In an endeavour to improve on its transport, the Corporation acquired the following vehicles:-

- One Mercedes Benz car for the Managing Director
- Six peugeot 504 for the pool
- One Nissan Urvan microbus.

With the acquisition of the said vehicles, the Corporation intends to sell 7 of its old fleet of vehicles through tender.

11.3.6 **Computerization**

Various relevant control systems within the Division for efficient and effective operations are to be computerized.

11.3.7 **Projects**

Following the Corporation's decision to engage in real estate development in pursuit of the Government's Development Plan, its total value of assets in real estates totals to between Ksh 2.5 billion and Ksh 3 billion. It has completed the following projects:-

(i) **Nyali Housing Scheme**

45 Executive houses completed in 1992 at a cost of Kshs 90 million. The houses are being sold on mortgage basis save for 2 units converted into guest houses for the Corporation's Directors and Managers.

(ii) **Langata Housing Scheme - Bogani Road**

10 Executive Houses completed in 1993 at a total cost of Ksh 40 million. They are to be sold.

(iii) **Kisumu Housing Scheme**

A total of 185 units, a nursery school and a shopping centre at a total cost of Ksh 175 million completed in 1994. They are to be sold on mortgage basis.

(iv) **Ndege Road Project**

Construction of 7 executive houses was completed in 1994 at a cost of Ksh 38 million.

(v) **Managing Director's House**

Completed in 1992.

(vi) **Boreholes**

In an endeavour to solve water problems the Division has drilled 4 boreholes at the following places:-

- Ndege Road Property
- Bogani Road Housing Scheme
- Reinsurance Plaza
- Meru Housing Scheme

(vii) **Meru Housing Scheme**

Construction of 93 units at an estimated cost of Ksh 100 million is in progress

(viii) **Sports Complex - Nairobi South 'C'**

constrution is in progress at approximately Ksh 100 million. It is envisaged that the project will be completed by the end of 1994.

(xi) **Land acquisitions and manning programme**

The Corporation has acquired land as indicated below:-

- 25 acres for housing development in Kisumu
- 30 acres for housing development in Meru
- 22 acres along Mombasa Road for future development in Nairobi.
- 10 acres around Upper Hill area for future development in Nairobi.
- 5 acres off Mombasa Road for future development
- 13 acres near JKIA for future development
- 17.5 acres allocated by the Government in Shanzu, Mombasa.

11.3.8 **Sale of Properties**

Despite aggressive marketing, sales of our various properties have been slow contrary to anticipation. This has primarily been due to harsh economic conditions coupled with apprehension by would be buyers. However despite the economic constraints a total 36 units in Mombasa, 60 units in Eldoret and 13 units in Migosi, Kisumu have been sold. With the improvement of the economy, the sales are likely to improve.

11.3.9 Income from leased properties

It was noted that the Corporation currently earns a total annual income of Ksh 112.5 million from the leased properties as shown below:-

	Ksh
Reinsurance Plaza	36 million
Anniversary Towers	56 million
Kisumu Plaza	12 million
Mombasa Plaza	5 million
Plainsview flats	3.5 million
T O T A L	112.5 million

11.4 FEASIBILITY STUDIES

Feasibility Studies have been carried out for future developments and plans are at an advanced stage for development of housing units on the 22 acres along Mombasa Road plot and the Waiyaki Way plot.

11.5 CONSTRAINTS

Major constraints experienced during the implementation of the programmes were:-

11.5.1 Difficulties in importation of some of the building materials.

11.5.2 Escalating costs of materials as a result of devaluation.

11.5.3 Slow response by tenants and high rate of defaulting due to prevailing economic recession.

11.5.4 Slow response by house buyers coupled with high cost of borrowing.

11.5.5 Poor services from both the local authorities and Kenya Power and Lighting Co. Ltd.

11.5.6 Rising conveyancing costs as a result of review of Advocates Remuneration Order.

11.5.7 Lack of aggressive marketing.

11.5.8 Contractor's and Consultants' failure to abide by the Contractual obligations resulting in projects lagging behind schedule.

11.5.9 Pilferage and dishonesty by staff.

11.5.10 Over-pricing.

11.6 OBJECTIVES, TARGETS, STRATEGIES AND PERFORMANCE INDICATORS

11.6.1 The Manager (Administration) reported that forecasting growth and making long positive projections must be approached with caution and pragmatism. He reiterated that he intended to maintain the objectives as stipulated in the 1988 - 1992 Corporate Plan with more emphasis on prudent management, optimization of scarce resources, transparency, accountability, stricter controls in all avenues and above all aggressive marketing, trimming of the workforce and reorganization of the Division as a whole.

11.6.1 On annual basis, operation budgets will be prepared and monitor on monthly basis with all significant variances being investigated and explained. Debt control will also be consolidated with a debtors' aged monthly listing produced on routine basis for utilization in monitoring and controlling assets.

11.7 ORGANIZATION STRUCTURE

In an endeavour to exercise strict controls, it is proposed to strengthen both the Administration and Property sections by appointing Deputy Managers to head them hence reducing the Managers burdens and availing him time to deal with corporate and technical matters instead of normal routines.

Under proposals, Administration Section will handle general administrative matters including provision of essential services for the smooth operation of the organization.

Property section will deal with all property matters including management of properties, marketing, technical advice and supervision of construction works. The matter was discussed at length and it was RESOVLED that:-

11.7.1 The Division be restructured by establishment of a fully fledged Property Management Division.

11.7.2 The administration functions currently performed by the Division be transferred to Personnel Division hence creating a new Division to be known as Personnel and Administration Division.

11.7.3 The Security Unit be transferred to the Managing Director's Department after the appointment of a Security Officer with the incumbent reporting directly to the Managing Director.

11.8 MANPOWER REQUIREMENT

The proposed structure once implemented will necessitate strengthening of staff at Management and Supervisory level and streamlining of sections with a view to reducing the establishment at clerical and subordinate level. It is proposed that the establishment be reduced by 50% to 105 employees.

11.9 OFFICE ACCOMMODATION

With the impending restructuring of the Corporation, it is proposed to reduce the present office space utilization to 3 floors for optimum use and greater efficiency. The surplus office space will be leased out. The modalities are to be worked out in due course

11.10 TRANSPORT

It is proposed to purchase a bus to cater for sports and other activities upon completion of the Sports Complex.

11.11 COMPUTERIZATION

It is anticipated to computerize the Fixed Assets Register and Tenants Records during the plan period.

11.12 PROJECT

11.12.1 Waiyaki Way Housing Project

To commence in 1995

11.12.2 Mombasa Road Housing Scheme

To commence in 1995

11.12.3 5 Acre Plot - Off Mombasa Road

It is proposed to utilize the land in development of highrise flats for sale or rental at an appropriate time.

11.12.4 Proposed Housing Scheme at Shanzu, Mombasa

A feasibility study to be carried out in 1995

11.12.5 10 Acre Plot at Upper Hill

Feasibility study to be carried out in 1995 to determine the most suitable development and timing.

11.12.6 Valuation of Properties

It is proposed to value the Corporation's properties in 1994 to determine the market value and for lease renewal and insurance purposes.

11.12.7 Others

The Division is to consult the Pension Funds Secretary and the Life Manager on possibilities of investing their funds in real estates.

11.13 In conclusion the participants reiterated that in view of the Corporation's heavy investments in properties, a fully fledged Property Management Division be established and the administrative services hitherto performed by the Administration Division be transferred to Personnel Division with a creation of a new Division to be called Personnel and Administration Division.

11.14 Security Unit is to be transferred to the Managing Director's Department upon appointment of a Security Officer.

12. COMPUTER DIVISION

12.1 The Manager (Computer) reported that the Division has a total establishment of 17 employees. He proceeded to report that the role of the Division is:-

12.1.1 To develop and extend computer services to cover the entire Corporation's transactions.

12.1.2 To initiate and promote computer awareness and usage within the Corporation.

12.1.3 To manage the Corporation's computer systems.

12.1.4 To provide technical advise and be abreast with technological advancements in information processing.

12.2 He proceeded to report that the Corporation had in an endeavour to improve on its management information services acquired a DRS 3000 Unix Computer which is currently in the process of being installed and commissioned.

12.3 The new computer will facilitate local area networking and accord the users an opportunity to utilize the facility directly as opposed to going through the Computer Division. It will also accord the users an Email facility that will accord them instantaneous correspondence facility with respective users through computer and vice versa hence save on drafting and typing time and result in ultimate reduction of Secretarial services.

It will also accord the users the desired confidentiality.

12.4 Once the DRS 3000 is fully operational with the various softwares in place, it is envisaged that the Division will dispense with the services of at least 8 employees hence retaining 9 employees.

12.5 He proceeded to report that he was in the process of acquiring the relevant software including those on reinsurance which were being developed by J.B. Boda.

12.6 On training, he reported that plans were underway to conduct in-house training sessions for the respective users of the computer. He reiterated that external computer training will not achieve the desired goal hence the reason for adopting an inhouse training programme.

12.7 He proceeded to report that the Corporation's Computer analysts will be assigned to various floors and will be available to assist the users as and when requested.

12.8 He further reported that the computer will be accessed through a pass word known to the user and assured the users of confidentiality.

12.9 He encouraged the participants to utilize the computer in full once it has been commissioned and the software put in place.

13. PERSONNEL DIVISION

13.1 The Personnel Manager reported that the Division has a total establishment of 87 employees. She proceeded to report that the objectives of the Division are:-

13.1.1 To recruit and deploy staff as per Divisional requirements.

13.1.2 To accord staff relevant training that will enable them perform their duties diligently and efficiently.

13.1.3 To motivate staff with an endeavour to retaining a team of enthusiastic and innovative employees at all levels.

13.1.4 To manage the welfare of the Corporation staff through administration of medical schemes, sporting activities and other related matters.

13.1.5 To establish a prudent industrial relations unit that will ensure staff discipline.

13.1.6 To maintain good industrial relationship with the union and staff in general.

13.1.7 To co-ordinate annual staff appraisals and implement decisions therefrom.

13.1.8 To provide counselling services to staff.

13.1.9 To review the recruitment procedure in line with other organizations.

13.1.10 To carry out surveys on terms and conditions of service of other organizations for comparison purposes with those prevailing within the Corporation.

13.1.11 To provide personnel services to other Divisions/Departments.

13.1.12 To submit statutory returns e.g. NHIF, NSSF, Service Charge e.t.c.

13.2 CORPORATION'S ESTABLISHMENT

13.2.1 The total establishment of the Corporation is 540 employees. Recruitment has generally been slowed down with any arising vacancy being filled internally unless there is dire need for external recruitment. Meanwhile, the Corporation continues to experience high staff turnover due primarily to its poor terms and conditions of service as compared to other organisations transacting similar business locally.

13.2.2 The matter was discussed at length and the participants conceded that the Corporation was over established at clerical ad subordinate levels and that ways and means of reducing the staff be explored.

13.2.3 It was suggested that the Corporation adopts a staff reduction formula of 100 employees per year with effect from 1995 hence reducing the total establishment to 150 employees by 1998 when it is anticipated that the 25% compulsory cession will have been phased out in total.

13.2.4 On attrition she reported that the Corporation had lost a total of 18 professional staff through either retirement or resignation by June 1994.

13.3 CONSTRAINTS

The constraints experienced were:-

13.3.1 High staff turnover

13.3.2 Non improvement of the Management staff's terms and conditions of service.

13.3.3 Inadequate counselling of staff within the Divisional set ups.

13.3.4 Changes brought about by external factors.

13.4 STRATEGIES

13.4.1 To review the entire Corporation's manpower requirement vis-a-vis the impending phasing out of compulsory cessions and the proposed restructuring with a view to trimming to the establishment to acceptaable levels.

13.4.2 To improve on the indiscipline within the Corporation through deployment of stringent disciplinary measures and regular counselling.

13.4.3 To effect the proposed merger of Personnel and Administration Division and review the staff levels and the establishment as a whole.

13.4.4 To follow up the reviewing of the terms and conditions of service of the Management Staff with the relevant authorities.

13.4.5 To ensure that a staff disciplinary committee is established as recommended.

13.4.6 To see to the computerization of the Division's activities in particular medical claims in line with computerization of the Corporation's entire operations.

13.4.7 To review the Corporation training programme in line with the proposed re-organisation.

13.5 STAFFING OF THE DIVISION

13.5.1 The Manager proposed to reduce the total establishment by 25% to 60 employees prior to merging with Administration Division. The reduction will basically be on Secretaries, Clerks and Tea girls.

13.5.2 It was RESOLVED that stringent disciplinary measures be deployed coupled with establishment of a staff disciplinary committee.

13.5.3 It was reiterated that every effort be made to ensure that staff were well remunerated in order to protect against the Corporation losing some of its best well trained staff to the industry.

13.5.4 The overall structure of the Corporation is also to be reviewed in line with the proposed re-organization in order to reduce the staffing to the desired levels.

14. LEGAL DIVISION

14.1 The Corporation Secretary, reported that the Division has a total establishment of 9 employees. She proceeded to report that the Division's role was to handle legal matters on behalf of the Corporation and its two subsidiaries namely WEDCO LIMITED and KENYA RE PROPERTIES COMPANY LIMITED and to provide secretarial services to the Corporation's Board of Directors.

14.2 Mission

The mission of the Division is effective provision of legal counsel to the Corporation to ensure compliance with laws, regulations and procedures governing the Corporation's activities.

14.3 Functions and Objectives

The objectives and functions of the Division are complex and encompass inter alia:-

14.3.1 Handling all legal matters affecting the Corporation.

14.3.2 Providing secretarial services to the Board of Directors.

14.3.3 Ensuring that loans to members of public are secured in accordance with the Corporation's lending policy.

14.3.4 Ensuring that all staff mortgages are properly secured before disbursements.

14.3.5 Assisting in debt collection

14.3.6 Provision of legal counsel to the Corporation in liaison with external lawyers.

14.4 CONSTRAINTS

The constraints experienced by the Division are:-

14.4.1 Lack of land titles

14.4.2 Lack of adequate security

14.4.3 Slow court process in the event of legal redress

14.4.4 Lack of coordination between Administration, Finance and the Legal Division in respect of Property matters.

14.4.5 External interferences.

14.4.6 Delays at the office of the Commissioner of Lands.

14.5 TARGETS

14.5.1 To continue pursuing with Nairobi City Council and the Commissioner of Lands the issue of titles for Dandora and Umoja properties financed by the Corporation.

14.5.2 To ensure issuance of land titles for all properties being developed by the Corporation prior to implementation.

14.5.3 To assist in recovery of outstanding debts.

14.5.4 To continue providing legal counsel to the Board and the Corporation.

14.5.5 To work closely with all concerned for improved performance.

14.5.6 To improve the general performance of the Division and to ensure that the staff are computer literate.

14.6 STAFFING LEVELS

To be maintained at the level of 9 employees as at present. She reiterated the need of recruitment of an additional legal officer.

15. INTERNAL AUDIT DIVISION

15.1 The Manager (Internal Audit Division) reported that the Division has a total establishment of 11 employees.

15.2 He proceeded to report that the role of the Division was continuous internal audit of the various activities of the Corporation, constant review of the Corporation's accounting, financial and operational procedures with a view to improving on them in liaison with the respective Managers.

In view of the nature of its activities, it is noted that the incumbent reports directly to the Managing Director.

15.3 He proceeded to report that in an endeavour to improve on the effectiveness of audit function, he was arranging for his staff to be attached to the various Divisions and Sections within the Corporation so that they may be well versed with their operations. The staff are also to be trained on Computers and in particular the operations of the various systems being introduced. The Division was also planning the pre-audits of payments.

15.4 The Division was discussed at length and it was recommended that the Division should phase out the Clerical staff with professional and semi-professional auditors in order to increase efficiency. Ideally the Division should recruit its staff from qualified Accounting staff within the Finance Division who have diverse knowledge of the Corporation's operations.

15.5 Constraints

The Constraints experienced by the Division were:-

15.5.1 Delays by auditees in responding to queries

15.5.2 High staff turnover

15.5.3 Examination interferences in particular CII between the months of March to May and August to October.

15.6 Staffing

It was **RESOLVED** that the Division's establishment be reduced from the present 11 to 6 employees.

15.7 Upgrading

The proposal that the Division be upgraded to departmental level was not resolved. It was reiterated that since the Division reports directly to the Managing Director there was no fear of other Departmental Heads interfering with its operations due to its lower status.

16. PENSIONS FUND

16.1 The Pensions Fund Secretary reported that the Division has a total establishment of 4 employees. He proceeded to report that the objective of the Pensions Fund Unit is to enable the Corporation to attract and retain qualified staff through competitive benefits packages. The other objectives is to avail long term benefits to the employees upon retirement.

16.2 FUNCTIONS

16.2.1 Administration of the Pension Fund.

16.2.2 Ensuring that monthly contributions from both employees and employer are effected.

16.2.3 Maintaining accurate records and systems in respect of eligible personnel.

16.2.4 Ensuring that the fund assets records are accurate and the funds are safeguarded and invested in secure instruments.

16.2.5 Maintaining proper books of accounts and annual statements.

16.2.6 Ensuring that the books of account are audited annually and audited accounts circulated to members.

16.3 PAST PERFORMANCE

He reported that the Pension funds have generally been well invested. Hence should the Corporation opt to dispense with the services of some of its employees through the retrenchment exercise then the Fund which is solvent would be able to service such liabilities without looking for alternative financier.

16.4 CONSTRAINTS

The Fund Secretary reported the following constraints:-

16.4.1 Failure by the Trustees to meet regularly.

16.4.2 Failure to circularize audited accounts to members due to delays in signing them by the Trustees.

16.4.3 Trustees' reluctance to review the contributions upwards in line with the prevailing economic conditions.

16.4.4 Trustees' reluctance to review the Pension Scheme in line with Legal Notice No. 70 of 1992.

16.4.5 Lack of competent staff to handle pension matters.

16.5 RECOMMENDATIONS

16.5.1 That the employees contribution be reviewed upward to 7 1/2% of the basic salary and the employers 15% in line with the prevailing economic changes.

16.5.2 That the Trustees consider adopting and implementing Legal Notice No. 70 of 1992 which requires all registered Pension Funds to accord leaving employees who have been in their employment for 5 years and above 100% benefits. It was noted that the Corporation's current scheme only accorded 100% of the benefits to those employees who have been in their employment for 10 years and above.

16.5.3 The salient points were discussed and the participants reiterated that the Corporation should review its Pension Scheme in line with Legal Notice No. 70 of 1992. Likewise the participants recommended that the Corporation should review the level of its contribution to the scheme to 15% of basic salary. Employees are to be circularized with a view to increasing their monthly contribution to 7 1/2% of the basic salary.

16.5.4 The Managing Director undertook to look into the matter and raise it with the Trustees to the scheme and the Board of Directors.

16.5.5 The participants recorded their concern over the manner in which the Pension Fund was being managed by the Trustees and **RESOLVED** that they be accorded representation in the Board of Trustees. They further RESOVLED that the present Trustees be dismissed and fresh ones appointed.

16.5.6 With regard to circulation of the accounts, it was noted that audited accounts will be signed by the Trustees and copies circularized to members.

16.6 FUTURE PROSPECTS

The Pension Fund Secretary was authorized to explore ways and means of commencing to administer pension funds for other institutions at a fee.

Otherwise the participants conceded that pension funds administration is one area in which the Corporation could diversify into with the express purpose of administering other external pension funds at a fee.

16.7 STAFFING

In view of the intended diversification, it was RESOLVED that the unit be well staffed with competently qualified staff.

It was recommended that the present establishment be increased from 4 to 6 employees.

Meanwhile, the Corporation Secretary was requested to look into the trust deed vis-a-vis appointment of new Trustees. It was felt that the present trust deed as it were provided for the appointment of the trustees by the parent company.

SECTION V

17. CLOSING REMARKS BY THE FACILITATOR/CHAIRMAN

17.1 The Facilitator closed the session by thanking all the participants for their open and frank deliberations during the Workshop.

17.2 He stressed the need for urgent restructuring of the Corporation more so due to the liberalization of the economy, commercialization and impending phasing out of the 25% compulsory cessions. He reiterated that the Corporation was overstaffed and should endeavour to reduce its workforce to 150 employees by year 1998. This can be realised through adoption of a voluntary early retirement programmes in consultation with the relevant authorities.

17.3 He proceeded to observe as follows:-

17.3.1 **Marketing**

The Corporation should embark on aggressive marketing in order to be able to survive.

17.3.2 **Property Management**

The Corporation should establish a fully fledged Property Division charged with the responsibility of property development and management.

17.3.3 **Administration and Personnel Linkage**

That Personnel and Administration Divisions be merged since both are service oriented and the merger will realise optimum results and reduce costs.

17.3.4 **Profit Centres**

That each respective Division should be a profit centre. Divisional quantitative targets to be set.

17.3.5 **Future**

That the Corporation should embark on an exercise of determining the modalities of privatization of the Corporation including drafting of the Memorandum and Articles of Association.

The Personnel Manager should on the other hand review the establishment of the Corporation in line with the recommendation by the Directorate of Personnel Management. Debt Collection process and cashflow management should also be improved on.

17.4 GENERAL REMARKS

17.6.1 Participation was generally excellent though it was evident that some participants have not had serious management training. Kenya Re should develop a strategy for organisational development.He reiterated the need for more training in management team building.

17.6.2 He emphasised the need for continuous performance appraisal. Otherwise he said that the workshop was very enjoyable, extremely challenging and extremely satisfactory.

17.6.3 He concluded by reiterating that he did not consider it a good idea to draw conclusions and proposed that the Directorate of Personnel Management report be utilized in the next phase of the Workshop.

18. MANAGING DIRECTOR'S CONCLUDING REMARKS

18.1 The Managing Director thanked the facilitator of the Workshop Professor G-C.M. Mutiso for the excellent manner in which he conducted the Workshop. He noted that the paper by the Facilitator was very provocative but it at least accorded the participants an opportunity to review their performance vis-a-vis other players in the market.

18.2 He proceeded to report that he was satisfied and impressed with the participants contribution.

18.3 He reiterated the impending phasing out compulsory cessions and the liberalization of the economy and appealed to the participants to come up with tangible solutions that will assist the Corporation in enhancing its performance.

18.4 He appealed to the participants to take the withdrawal of the compulsory cessions as a challenge and look at the silver lining behind the cloud.

18.5 He emphasised his support for the withdrawal of the compulsory cessions since it had created a situation where the insurance industry looked down upon the Corporation as just a mere receiver. He reiterated the need for the Corporation to be accorded an opportunity to compete with its competitors in a level playing field through withdrawal of the various encumbrances currently imposed on it including review of the staff's terms and conditions of service.

18.6 He said that he would constitute the staff Disciplinary committee with immediate effect. He appealed to Managers to endeavour to cut costs.

19. CHAIRMAN'S CLOSING SPEECH

The Chairman's verbatim closing speech was as follows:-

Mr. Chairman, Managing Director, Ladies and Gentlemen,

It gives me pleasure to close this Workshop whose theme has been "Privatization, Survival and Expansion of Kenya Re during this era of economic recession."

I have in my short participation in the Workshop noted with appreciation the seriousness with which you have all been participating in the workshop.

Needless to mention, the workshop has been convened at a time when the nation is undergoing serious economic recession coupled with stiff Structural Adjustment Programmes.

It is therefore imperative that any projections and forward plans that you resolve to undertake are approached with caution and pragmatism coupled with prudent management taking into consideration all the matters raised by the Finance Minister, Hon. Musalia Mudavadi during this year's budget

Singled out is the proposed phasing out of the 25% mandatory cessions currently enjoyed by the Corporation over a 4 years' period. We have also been called upon to establish a more stable capital base by increasing our paid up capital to Ksh 500 million to be phased in over a 2 years' period.

It is therefore my sincere hope that you have during this Workshop come up with recommendations on the following:

(a) How best we will realise the income that we currently generate from compulsory cessions and will lose upon the phasing out of the mandatory cessions in whatever format.

(b) How we will raise our paid up share capital to bring it to the minimum Ksh 500 million capital base by year 1996.

(c) How the Corporation will survive during this era of liberalized economy and stiffer competition emanating from our competitors namely Africa Re, Zep Re, and the just incorporated East Africa Reinsurance Company Limited not to mention the rather aggressive foreigners who are in the process of flooding the market.

(d) How you recommend that the Corporation be re-organized vis-a-vis the prevailing harsh economic recession and the impending changes following the phasing out of the mandatory cessions.

(e) Diversification into other lucrative fields that may generate us more income. Retrenchment will no doubt be inevitable, in view of the prevailing economic conditions and the enforced Structural Adjustment Programmes.

We as a Board can assure you of our full support so long as your ideas and recommendations are not only constructive but for the betterment of the organisation and the nation as a whole taking into account our shareholders objectives.

I trust that you will not abandon whatever you have deliberated on here, and that you will not only consider them indepth but come up with a policy paper for further consideration of my Board.

Ladies and Gentlemen, with these few remarks, it is my pleasure to declare this Workshop officially closed.

Thank you.

APPENDIX I

LIST OF PARTICIPANTS

KENYA REINSURANCE CORPORATION
SENIOR MANAGEMENT WORKSHOP
MOMBASA BEACH HOTEL 5-8 JULY 1994

LIST OF PARTICIPANTS

FACILITATOR AND CHAIRMAN

Prof. G-C.M. Mutiso - Muticon Ltd.,

IN ATTENDANCE

Prof. S. H. Ominde	- Chairman,Board of Directors
Prof. D. K. Some	- Director
Mr. F. M. Nthuli	- Director
Mr. G. M. Pertet	- Director
Mr. O. M. Abdirahman	- Director
Mr. J. W. Wachira	-)Consultants
Mr. H. Ogega	-)Directorate of Personnel Management

PARTICIPANTS

Mr. W. N. Mbote	- Managing Director
Mr. V. S. M'Maitsi	- Deputy Managing Director
Mrs. G. S. Wakhungu	- General Manager(Management Services)
Mr. C. O. Makone	- General Manager(Operations)
Mrs. M. A. Otega	- Corporation Secretary/Chief Legal Officer
Mr. D. N. Waweru	- Chief Accountant
Mr. P. Bhoyyo	- Manager(Administration Division)
Mr. J. B. M. Mutia	- Manager(Planning Division)
Mr. G. O. Nandy	- Manager(Fire & Accident Division)
Mrs. A. R. Kihagi	- Manager(Life Division)
Mr. L. A. Mwiti	- Manager(Claims & Invest. Division)
Mr. J. M. Kebabe	- Manager(International)
Mr. S. O. Ochieng	- Manager(Computer Division)
Miss G. K. Ngala	- Manager(Personnel Division)
Mr. J. M. Rarama	- Manager(Internal Audit Division)
Mr. E. O. Rahedi	- Manager(Marine & Aviation Division)
Mr. B. O. Otieno	- Pension Fund Secretary
Mr. J. M. Waheire	- Deputy Manager (Computer Division)
Mrs. M. Chege	- Deputy Manager (Personnel Division)
Mr. C. M. Njoroge	- Deputy Manager (Inter. Audit Division)
Mr. J. M. Muritu	- Deputy Manager (International Division)
Mr. M. G. Tanu	- Deputy Corporation Secretary
Mr. M. K. Ngetich	- Deputy Manager(Claims &Invest.Division)
Mr. S. C. Mweni	- Deputy Manager(Claims &Invest.Division)
Mr. S. J. McAsila	- Deputy Manager(Claims &Invest.Division)
Mr. P. K. Itwerandu	- Deputy Manager(Planning Division)
Mr. E. A. Jumba	- Deputy Manager(Life Division)
Mr. S. R. Silamoi	- Asst Chief Accountant
Mr. J. F. Kinyua	- Ag. Asst. Chief Accountant
Mr. G. M. Mugunyu	- Asst. Manager(Fire & Accident Division)
Mr. P. K. Waitindi	- Asst.Manager(Marine & Aviation Division
Mr. A. O. Omita	- Asst.Manager(Administration Division and Secretary of the Workshop)

APPENDIX II

PROF. G-C.M. MUTISO'S PAPER

PRIVATISATION, SURVIVAL AND EXPANSION OF KENYA RE: ENVIRONMENT ISSUES.

MUTICON

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CHAPTER ONE: INTRODUCTION

This paper is written ~~form~~ from two key theoretical assumptions. First, that for Kenya RE to survive as an entity, it will have to keep some reinsurance business and get into direct business for in four years no body will mandatorily place reinsurance business with it. It is further assumed that it will have to be drastically reorganised to increase its efficiency. Therefore, the consultant raises issues and problems for which decisions must be made now to enable Kenya RE to continue in business. Other issues relate to long term strategic planning. The methodologies for identifying environment issues are partly from Organisational Development Theories, hence questions are put to the mangers of the organisation who ultimately must negotiate among themselves and agree on team answers. Over and above OD methodologies futurables methodologies which draws on extrapolation, subjective probability assessment and perception and imaging are drawn on. The consultant has taken part in futurables research to develop continent wide conclusions and is currently working on a group to produce regional scenarios covering East and Southern Africa.

The consultant's instructions were given in two meetings with the Managing Director before the budget. The paper has been restructured to take into account matters made more urgent by the budget, specifically that mandatory cessions, both policy and treaty, will probably be terminated in four years and the likelihood of the rates being reduced over the period.

Let me point out to the Kenya Re managers that what confront you is essentially a strategic problem. Strategic problems by their very nature do not imply certainty. Logically therefore, imaging possible solutions to them does not depend on certain answers. What the paper tries to do is to image pathways to finding a solution acceptable to you as a team. Of course if you as a group - notice not a team - or as individuals, create supposedly strategic solutions to the problems confronting Kenya RE, it will not survive and solutions will be found to its strategic problems elsewhere in society. Of course if you become or are a team, you can find ideal solutions to Kenya RE's strategic problems in frameworks beneficial to you individually and collectively. That is the logic of organisational development.

The paper is in four chapters. Chapter one is the introduction. Chapter two covers Kenya's current environment with specific subtopics on population; privatisation and national economic performance 1994 to 1997; Kenya Re's profitalisation for privatisation; structure of insurance industry; new Kenyans as managers and employees and a question whether there are new markets nationally. Chapter three presents arguments on where Kenya RE should expand to in the region and presents some selected indicative data on the countries of the region. Chapter four comments on possible international developments.

CHAPTER 2: KENYA'S CURRENT ENVIRONMENT

POPULATION

Although most businesses do not pay attention to it, a country's demographics are the most important issue in planning business both in the short term and the long term. Whatever future strategy Kenya Re will adopt, it is safe to assume its base, and therefore the bulk of its business and management staff, will always be in Kenya for at least 50 years.

According to UNDP 1994 estimates as shown in Table 2, Kenya's population was 8.3 m. in 1960. It is estimated to have been 25.3 in 1992 and to grow to 32.8 m. in 2,000 and perhaps 51 m. by 2012. The 1989 Kenya Government census data is found in Table 1. We will use this data for structural analysis for the projections do not give details. For example see the data in Table 14, the 1993 demographic and health survey, which different age group percentages. In any case, the population structure has not changed drastically in the last five years. In 1989 there were 21,452,992 Kenyans then. Of these 10,821,044 are women. Men are just about 200,000 less. How does the insurance industry target the majority women? How does Kenya Re target women particularly given that they are more concerned with family welfare and security and thus are more than likely to invest in insurance.?

More serious though, is the population's age structure. There is a sense in which the insurance industry is focused on the more active economic group. This is the age group between 30 and 64. It forms only 21% of the population. How many of them are currently insured? Those in above 65 years old generally form only 3% and are not likely to be economically active.
Those below this group, are likely to be either dependent for schooling is taking longer and marriage is being delayed or are just beginning to accumulate.

When those between 20 and 29, who form 16%, are considered, they are not likely to have much disposable income for they are starting families and trying to build capital. However, for the intermediate term, this group is the growth market. It must be introduced to insurance now so that as its disposable income increases, it can invest in policies.

Those between 15 and 19, who form 11% of the population, a will get in to the market in the next 10-15 years. How does Kenya Re target them now?. Perhaps there are no products to sell them. Why not sponsor school activities and competitions which will cost little money in all high schools and universities so as to sell the Kenya Re name now and collect on the advertising investment later?

In summary, planning short term and long term business expansion requires that clear thinking on targeting immediate expansion into the economically active 21%, intermediate (3-5 years) targeting of the 16 % without major disposable income now and beginning to recruit the 11% into insurance for it is clear they will not behave like the earlier two groups who up to now are basically traditionalist and invest basically in land and houses as security before thinking about insurance.

PRIVATISATION AND ECONOMIC PERFORMANCE 1994 TO 1997

In 1987, the consultant and other colleagues developed an African future scenario. It argued *inter alia* that the decade of the nineties would essentially be a decade of poor economic performance across the continent. This scenario was published locally as a book titled **BEYOND HUNGER IN AFRICA.** I comment it to you for although, as usual, we, local academics, were totally ignored, our scenario has come to be. Economic growth rate is not keeping up with population growth. The SAPs have led us to the deadly paths we identified and asked African governments to take evasive action. The economic situation has been made more dismal than we even thought then by the self inflicted inflation and the dictates of SAPs. A group of us intend to produce another scenario for the Eastern and Southern Africa region over the next year taking into account present realities.

Mudavadi tells us in the budget that our growth rate was 0.1% in 1993. It was 0.4% in 1992. He tells us it will improve. Annualized inflation has been double digit in the past two years. It is in this economic performance framework that privatisation is to take place. Although Mudavadi states that things will improve this year, one should take a conservative position in planning strategy for the future and state that perhaps we shall not see any growth which is higher than the population growth rate, 3.8% annually, until after 1977. The consultant projects that even then, the most optimistic scenario is that it will only be 2% points above population growth.

Several points need to be made from this conclusion. First, under this kind of economic performance over the next four years, disposable incomes will continue to shrink. **Therefore if Kenya Re wants to a. retain the reinsurance business it has now, under privatisation b. increase its market share in the reinsurance business and c. enter direct insurance, it has to get it from existing market shares of the other insurance companies. Second, the only way to increase market share is to organise for war to capture it. Business is war. The first internal concern is to reduce operating cost to survive the down turn of the next four years. Operating cost reduction is most efficaciously done by cutting staff, cutting overheads and increasing return on invested capital including shedding non-performing assets and perhaps, given present realities, buying a company with an existing direct insurance portfolio.**

PROFITALISATION OF KENYA RE FOR PRIVATISATION

The ultimate strategic objective of an organisation in the private sector, is to make profits to enable it to stay in the market place. This is different from strategic objectives of public institutions which could range all the way from welfare to profit. Clearly then one of the objectives of this workshop ought to be to clarify for yourselves the ultimate objective of Kenya Re given that it has to be privatised in four years.

It is no secret that Kenya Re is not particularly profitable now even with current statutory protection. It is not clear that it is privatisable at the current level of profits. Its underwriting deficits have grown from Ksh. 62,564,338 in 1990 to Ksh. 112,777,505 in 1991 and to Ksh. 129,361,367 in 1992 according to various Annual Reports. It is expected that there will be a really dramatic jump on underwriting deficits in 1993.

Ratios of premiums written to personnel and investment income to personnel are shown in Table 11 and Table 12 respectively. Although both ratios have been growing, the ratio of net profits to personnel have not. Kenya Re net profits over the past ten years, as shown in Table 13., have not shown systematic growth but are spastic. Although in absolute terms they have grown spastically from Ksh. 62 million to Ksh. 94 million, the ratio of net profits to personnel has dropped in the same period from 298,068 to 157,496. Put another way each employees has contributed less to net profits as the years go by.

In comparison one should look at Africa Re data on the ratio of net profits to personnel from data in its 1993 Report of Accounts. Its 1993 net profit is Ksh. 202,944,000 and there were 116 workers giving it a ratio of 1,749,517. **In other words, each worker in Africa Re contributed Ksh. 1,749,517 towards its net profit. For Kenya RE to achieve the African RE ratio in 1992, it would have had only 54 employees!**

Kenya Re cannot survive privatisation, ruled in the budget as necessary in the next four years, with staff generating such low profits. It should be clear that there will not be subvention from the GoK if the SAP dictates on reducing GOK deficit are to be achieved.

For Kenya Re, privatisation further means that nobody will give it premiums mandatorily within four years. It is probable that policy and treaty cessions will be reduced to 20% in 95/95, 15% in 95/96, 10 % in 96/97 and 0 in 97/98. This means that from calendar year 1998, it is mandatory that Kenya Re plan some income not based on cession. It has to go out and earn it. It is then clear that it has to plan its survival and implement that strategy before the four years are over.

From a strategic planning point of view, plans must be made in year one (calendar year 1994) so that the organisation has three years to convert, A VERY SHORT TIME. The logic is simply that if the plan is not made in year one, there will be no business development to carry the organisation in year four when it ceases to get mandated premiums. Arising from this conclusion then is the issue of the elements to be put into the emergency strategic plan. These are outlined below not comprehensively but as sign posts to what must begin to come out of this workshop for in the logic of OD, the responsibility for designing the future of an organisation lies with the organisation's team.

a. Staff

Without treading on presentation to be made later, it is clear that many staff will have to be laid off for they are not productive. There are too many subordinate staff, clerical staff and non-income generating departments which need drastic shrinkage. Out of 600 or so people, perhaps the target for the organisation should be to end up with just about 100 or so, a 70 to 80% cut in personnel by the end of year two.

The mechanism for executing this can be the GOK SAP supported retrenchment programme mainly. Other mechanisms are normal retirement, management retirements for non-performance especially on the future planning which some will resist or have no capacity for; reorganisation; and voluntary request for retirement.

The leaned staff will need to be enabled to work more efficiently by setting specific performance outputs and penalties monitored on daily, weekly, monthly and quarterly basis. Those who do not achieve them should be dropped to allow more qualified staff for future tasks to be hired.

b. Space Utilisation

There is to much space wastage in Nairobi Headquarters and presumably in the other offices. The consultant walked the floors unknown. Space use is more generous than even for very profitable multinationals and other very profitable local companies. To increase income there is need to shrink consumed space and to rent the rest. The target maybe to cut space use to only 25% of current space by end of year two.

c. Reduction in Consumable Costs

If staff and space are cut as suggested, then normal consumables should be cut about 90%.

d. Increasing Income from Investments

The issue here is to get better returns from investments and to collect debts better. Specific targets on daily, weekly, monthly and quarterly basis should be set. If not met, the manager and the unit team should be retired to create space for more relevant and better performing staff. For the immediate future, there is surplus office space in most Kenya towns. It may not be possible to increase rentals drastically but this should be targeted to all lease renewals. More paying clients, not GOK, should be sought. Investigation on financial instruments should be made and those not performing terminated. Discussions with GOK should be held to seek diversification of the investment portfolio from now on. Most important is debt collection. Performance has to improve for on privatisation, the statistic on debt collection weighs heavy in the evaluation of the stock.

e. Increased Efficiency in Premium Writing and Claims Collection

The issue here is to get more efficient writing of premiums and collection of claims. Specific targets on daily, weekly, monthly and quarterly basis should be set. If not met, the manager and the unit team should be retired to create space for more relevant and better performing staff.

f. Buying a Company with Direct Insurance Portfolio

In the four years, the tasks of planning privatisation and shrinking staff and increasing efficiency, will keep the organisation so busy that perhaps it will make sense to buy a company with direct insurance portfolio rather than build up direct national business from scratch. The logic is simply that Kenya Re is known for reinsurance. It will have to build up a name in direct business if it does not buy a name. Can it survive in the future concentrating on reinsurance work only? If the answer is no, it has to get into direct insurance business. If this is so why not buy National Assurance, get government to retire its debt and use the name to get into general insurance?

True, Kenya National Assurance is in dire financial straits, staff is overblown and return per capital invested is dismal. Its attractions are that it will need to be privatised. It can get remission from government on some debt. From a policy point of view creating one ex-government company to handle both direct insurance and reinsurance is attractive to SAP movers and GOK for it will save double handling. The phasing for a takeover of Kenya National Assurance should be to allow the next two years for reorganising Kenya RE for it among other things. However, the policy decisions to allow this should be negotiated now.

g. Management Conversion and Organisational Development

Modern management theories (1980s and 1990s) stress that the more efficient organisations are less hierarchically structured. This leads to easier consultation, group planning and decision making, more frequent targeting and quick business adjustments as well as more democratic management behaviour. This implies that Kenya Re will need to reduce the levels of its organisational chart and regroup departments and functions. This will tighten supervision and reporting to allow daily, weekly, monthly and quarterly checks on performance. Ongoing computerisation ought to facilitate this.
The shrunken staff will need to get training in organisational development, including team building, where all levels are trained in taking collective decisions and sanctions and abolishing the existing layering and small kingdoms which do not get management supervision on frequent planned basis.

h. Kenya Re Privatisation Modality and Timing

In the consultant's view, this should be by selling shares to as a wide public as possible so as to prevent back door privatisation where large operatives will buy it. This view is based on general interpretation that the 36 non- government insurance companies and 53 insurance brokers are essentially owned by individuals or companies on the main. There is not firm data on this for the studies of ownership are lacking but even the companies quoted in the stock exchange have large concentrations of shares by some few owners according to discussions the consultant has held with brokers mainly.

There also is a publicly stated GOK objective to distribute ownership to nationals, especially indigenous ones. the best execution of this policy so far was the privatisation of KCB. A widely held portfolio has also the other advantages of limiting individual shareholder policy input. The model of share offering should be to sell GOK shares in small lots to individuals. If it is decided not to privatise totally at one go -a desirable objective- then those individually held shares and the government ones should earn dividends equally without the peculiar blocking of some shares done in KCB privatisation.

It is proposed that 50% of the shares be offered to the public in 1998 when cession business will be ending for it is doubtful that companies will agree to continue with cessions if Kenya RE is private. These share sale funds can be used to acquire Kenya National assurance. The remaining 50% of shares should be sold to the public within ten years.

STRUCTURE OF THE INSURANCE INDUSTRY

Ownership.

There is limited data on the industry available publicly. Limited data provided by Kenya Re in **UNDERWRITER**, MAY, 1993 shows that there are 38 insurance companies and 53 insurance brokers. This data since companies like Munich Re and Swiss RE are missing from the company list and the consultant knows of about ten brokers who do not appear and they have been in the market. It is understood that Kenya Re attempted in 1983 to compile a list showing companies and brokers and their ownership. It was not completed for the data at the Registrar of Companies was incomplete given the usual missing files. In any case this data is totally dated.

It would have been useful to know exactly how many companies and brokers are in the market, the structure of ownership in terms of individuals, companies, locals and foreigners. Kenya Re, working from its data, the Commissioner of Insurance and the Registrar of Companies, Tax Department can get this data officially. The consultant recommends that this be pursued vigorously for the data is required in the refining of the privatisation and acquisition strategies.

Employment

The useful data on employment should be on company basis so as to allow Kenya Re to compare the staff structure and income per different types of staff structures so as to facilitate planning, setting up of targets and renumeration levels, benefits etc. In the time of the consultancy, it was not possible to collect this data.

Premiums By Type, Demographic, Income and Region

This type of data is important in strategising future business. Part of the data can be generated from Kenya Re files by tracing sources of premiums. It is expected that it will be availed in the conference. Such data will allow Kenya Re to establish areas of focus given the other companies operations, strengths and weaknesses across types of premiums, populations, regions and incomes.

For Kenya Re itself, in 1990, 1991 and 1992 the top four sources of premiums were Motor, Accident, Fire and Marine.
Between 1990 and 1991 and 1991 and 1992 the growth rates by sector are as follows:

	1990-1991	1991-1992
International Business	52%	-60%
Marine	25%	-7%
Life	22%	10%
Accident	15%	7%
Fire	10%	19%
Motor	3%	21%
Aviation	-5%	31%

Given the 1993 drastic economic downturn, it is important that growth rate data for that year be processed as soon as possible to show how such dramatic downturns affect particular premiums. This and other data should be used to plan resource allocation by premium sector.

Although it is rational to see these sub-sectors as the bulk of the industry into the foreseeable future, it does not necessarily mean that on privatisation and loss of cessions, Kenya Re focuses on these. Data needs to be generated to show what sub-sectors are more profitable. For example, Munich Re has created a market for itself in informatics (computer hardware, media and software). Are there niches for Kenya Re?
What is the basis of allocating resources across premium sectors within Kenya Re? Given the recurrent problems of motor insurance, should resources be allocated to it? What proportion of resources (money and personnel and space and equipment)? What should be the resource allocation basis across premium sectors? Current volumes, growth potential, return per employee, return per shilling invested or ease of management?

THE NEW KENYANS AS MANAGERS AND EMPLOYEES

One of the crucially hard decisions, for the management of Kenya Re too make now, to plan how to induct the new Kenyans into all levels but especially management. New Kenyans is not elegant terminology, but, sociologically and psychologically, it is exact. In **ISSUES IN CONSTITUENCY STRATEGIC PLANNING** by the consultant, orienting the current Parliament, these Kenyans were described as follows:

"This Parliament and the ones to come is confronted by different Kenyans from those of the past. We, Kenyans, are different. We are young. It is estimated that only 8% of the national population is above fifty years old! This is to say that only a tiny minority of the nation has an adult experience of pre-independence. Only about 24% of the nation's population is above 30 years old. This is to say that more than three quarters of the national population has been born since independence!

...

We are Kenyans and do not have our development reference on tribes. We aspire to modernity. Our leaders are many for development cannot just be economic. Some are dancing stars. Others are athletes. Still others are religious leaders. Some are bankers, teachers, pimps, farmers, rugby players, engineers and so forth. We are not locked into seeing leaders only in Kenya. For us a mwanasiasa is a contradiction in terms for one has to have a profession. For us political leadership is what one does to fulfil community obligations and not an occupation. We look for solutions to specific personal and community development problems. Jobs and inflation are currently priorities. For us the legislator is just one of the many in society who are in leadership positions and not necessarily the supreme leader. We are aware that the old folk do not share our vision of poly leadership for development."

The key objective of this quotation was to underscore that the new group is extremely disdainful of political authority unlike the obedient older generation. One needs to add that they are not just young but more educated, equally disdainful of authoritarian leadership, at home and work, and they verbalise their views strongly. They increasingly are footloose in employment behaviour, moving from job to job on the basis of conflicts with authoritarian bosses and for little improvements in their incomes. They market skills ruthlessly. They are the future and one ignores them at great corporate peril whether in the political or corporate arena.

These attributes are desired by modern managements elsewhere but are generally anathema to most Kenyan managers who belong to the pre-independence socialisation system which is not only authoritarian but also puts premium on personal loyalty and in situations of insecurity, tribal. There must be developed a human resources development strategy within Kenya Re whose primary objective is to involve these new Kenyans. Elements of what this must include are defined by Mario Risch, of the Swiss Insurance Training Centre, in a better way than this consultant can. In his paper to the 21 st. African Insurance Conference, titled **HUMAN RESOURCES DEVELOPMENT: A VISION FOR THE 21ST.CENTURY,** he writes as follows:

"Many strategies lack visionary force which instills commitment. Vision indicates what a company stands for. It reveals the singularity, the future path and the intrinsic values. A vision

to their home areas to be counted during census. A more probable estimate is closer to 40%. If this is so, the industry will have a bigger urban market than has been in the past thirty years to exploit. Since urban populations consume insurance products at a higher rate than rural ones, then there is room for general industry expansion to cover the urban houses, motor vehicles and perhaps life for these populations will begin to become generically urban and not the split personalities of the bulk of current population caught between the village and the city.

Having said this though, one points out that the products will have to be changed to get into mass markets. There is some data which argues that expansion of insurance in US did not take place until the urban poor got targeted by products which they could pay for on weekly or monthly basis. Are there unexploited mass retailing techniques of insurance not developed for the urban middle and poor classes for the Kenya market?

Targeting Renters

Increasingly not many Kenyans are to own their houses particularly in urban areas. Are there products for renters to be developed? Products to finance rental of homes over and above household good insurance, sectional titles? Offices? Business premises? This will be needed for the economic expansion whose basic character will be informal rather than the old formalised large businesses.

Targeting Rural Elites

Rural elites ; coffee , tea, dairy and horticultural smallholders; rural centres' traders and teachers are likely to do very well as terms of trade shift in favour of farmers given the SAP dictates. What products are targeted to them?

CONCLUSION

The next few years will show dismal economic performance. Although this can be seen as problematic, it is not necessarily so if Kenya Re drastically cuts personnel, operating costs, collects premiums and debts more efficiently and plans systematically to privatise, introduces new products and above all recruits and train relevant managers.

CHAPTER THREE: REGIONAL ENVIRONMENT ISSUES

POPULATIONS OF REGIONAL COUNTRIES

According to UNDP 1994 estimates as shown in Table 2, Kenya's population was 8.3 m. in 1960. It grew to 25.3 m. in 1992 and is expected to grow to 32.8 m. in 2,000 and perhaps 51 m. by 2012. This data shows that Kenya is ranked number six if the 1992 populations of the countries in the region are compared.

The region is defined as the countries which Kenya currently trades with and thus could be targets of probable international expansion for Kenya Re activities.

The population of the countries are ranked as follows:

1. Ethiopia	53.1 m.
2. Zaire	40 m.
3. South Africa	39.9 m.
4. Tanzania	27.9 m.
5. Sudan	26.7 m.
6. Uganda	18.7 m.
7. Mozambique	15.1 m.
8. Zimbabwe	10.6 m.
9. Malawi	10.3 m.
10. Angola	9.9 m.
11. Somalia	9.3 m.
12. Zambia	8.6 m.
13. Rwanda	7.5 m.
14. Burundi	5.8 m.
15. Lesotho	1.8 m.
16. Namibia	1.5 m.
17. Botswana	1.3 m.
18. Mauritius	1.1 m.
19. Swaziland	0.8 m.
20. Djibouti	0.5 m.
21. Seychelles	0.1 m.

Kenya is in the high population group. This gives it a large population for Kenya Re to develop its business base. It is noteworthy that the highest population country in the region is Ethiopia, followed by South Africa, Zaire, Tanzania and Sudan. Below Kenya's population is Uganda, Mozambique, Zimbabwe, Malawi, Angola and Somalia.

It is not realistic to see Kenya Re competing in South Africa and Zimbabwe or in their proximate markets for many reasons, among which is the very rich and well organised insurance industry controlled from Johannesburg. Contrary to the newly fashionable bush intellectualism that South Africa will be the saviour of the region, the consultant's view is that South African businesses, insurance industry included, are a threat to many regional businesses. South African is a voracious industrial power with the attendant efficiency of modernity and scale. It is precisely this that is lacking in the business culture of many of the businesses in the region. South Africa intends to take over regional businesses. The consultant explored this issue for two months in South Africa in 1993.

If one does not believe in the ravenous nature of South African business, they should ask the fruit juice sellers in Kenya. The very efficient South African juice businesses can land and deliver a litre of orange juice in Nairobi at about 50% of the cost of Kenya produced juice basically because Kenyan farm produce collection system is inadequate and juice makers are only small scale operations not capable of taking advantage of economies of scale. East African transporters are now aware that South African trucking industry is quoting at 60% of the local companies' per kilometre tonne costs. The explanation is basically managerial and scale. Witness also the acquisition of the Windsor group and attempts to gobble Yahya Towers. Until the region increases business efficiency, including scale of operations, it can not compete with South Africa. However, it is expected that Kenya Re can compete for the markets of the other enumerated countries subject to increasing its organisational efficiency.

The francophone oriented countries like Djibouti, Rwanda, Burundi and Zaire present peculiar language and business orientation to France and Belgium which will make business development there problematic. Witness France sending troops to Rwanda and the attendant refusal to get the peace brokerage organised by Kenya. There should be limited interest on these markets by Kenya Re for Kenya is a significant outlet to their external trade. These countries will have a population of 68 m. in 2000, the planning need is to get French speakers into Kenya RE and to initiate expansion to these areas slowly based on volume of existing business.

The consultant recommends that regional expansion priority interest be into Ethiopia, Tanzania, Uganda, Mozambique, Angola, Sudan, Somalia, in this order. This judgement is based on contiguity, business opportunity, language, and population initially. The combined population of these nations in 2000 will be 190 m. This added to the Kenya population of 32.8 m. will give a total population catchment for the eight countries of 223 m.

Having narrowed down the choices of countries for regional expansion, below we present data to assist Kenya Re to establish targeting in terms of countries and products. The reader should note that data for the other regional countries not recommended is presented in the same tables to allow the Kenya RE to investigate them if it so wishes. Commentary though is limited to the eight countries. It should be noted also that data on Kenya is included in all the ranked tables to allow ease of comparison.

There perhaps will be some who would have wished to get trend data. This is possible given time but the consultant's position is that the most current data allows Kenya Re to make the basic long term strategic decisions and subsequently process trend data perhaps in parallel with operational decisions.

GDP REGIONAL COMPARISONS

Absolute populations alone are not sufficient grounds for making arguments about business development. Clearly other variables as we detail hereunder are relevant. If one ranks real GDP per capita, the following ranking, from 1991 data, as shown in detail in Table 7 emerges.

Kenya	1,350
Sudan	1,162
Uganda	1,036
Angola	1,000
Mozambique	921
Somalia	759
Tanzania	570
Ethiopia	370

From this data, if priorities are set, based on assumptions that countries with higher GDP per capita also have probability of having higher disposable incomes, then countries like Ethiopia would have to take a back burner to the countries which seem to have higher GDP per capita. However, if ease of market entry, opportunity and lack of major competition are considered, it may be wise to consider Ethiopia seriously.

REGIONAL URBANISATION

The rate of urbanisation has been seen as one of the key variables in the growth of consumption of insurance products. The growing regional urbanisation is shown in Table 3. Of the eight countries chosen for possible business expansion, the percentage of population urbanised by 2000 are ranked as follows in descending order:

Tanzania	47%,
Somalia	44%,
Mozambique	41%,
Angola	36%
Kenya	32%
Sudan	27%
Ethiopia	17%
Uganda	14%

The point of this data is to show that although the bulk of the populations of these countries are rural, significant numbers are expected to live in the urban areas in less than ten years. For the region as a whole it is safe to say that half of the populations will be urban within thirty years. Four of the top countries will get half of their populations urbanised within 20 years. Consequently, although one could argue for initial orientation to insurance products for agricultural related employment below as the major strategy now, it must be balanced by an insurance products strategy oriented to urban based populations within ten years.

EMPLOYMENT BY SECTOR REGIONALLY

Table 4 shows that populations of the countries selected above are moving away from subsistence to employment. The percentage of total population employed is shown ranked as follows:

Mozambique	55%,
Tanzania	47%,
Uganda	45%
Ethiopia	41%
Angola	41%
Kenya	40%
Sudan	35%
Somalia	29%,

In the same table, women in employment as a percentage of total employment is shown and ranked as follows:

Mozambique	48%,
Tanzania	48%,
Uganda	41%
Ethiopia	41%
Kenya	40%
Angola	39%
Somalia	39%,
Sudan	29%

It is clear then that women have become part and parcel of the labour force. Given their concerns for security of the family and that studies show that they invest in family welfare more systematically then male employees, it should be clear that there ought to be products tailored to them in all countries even though given Sudan's brand of fundamentalism, perhaps their entry to the labour force will be slower. Perhaps the major limitation to women entry into the labour force is their education. Table 10 shows that in all the regions countries women are less educated than men.

It is extremely hard to project data on employment by sector - agriculture, industry and services - and the consultant has only limited data for the future. Data shown in Table 5 shows employment in agriculture for the years 1990-1992 ranked as follows:

Ethiopia	88%
Uganda	86%
Tanzania	85%,
Mozambique	85%,
Kenya	81%
Somalia	76%,
Angola	73%
Sudan	72%

The balance of the employment is shared by industry and services, with services perhaps growing faster than industry. Significantly Somalia, Angola and Sudan show the highest percentage of people employed in industry and services. Such people are a market for insurance services. Given that these economies will are to begin spending on reconstruction, they become more attractive business prepositions.

COMMUNICATION IN THE COUNTRIES OF THE REGION

Indices of communication are important for not only planning consumption of insurance products but also for showing pathways to advertising as well as interaction patterns which put a spin on advertising and/or create personal communication. Table 6 shows interesting data on communication although the data year is 1990 and fairly drastic growth on communication channels is taking place in the countries ranked. Radio is perhaps the mass communication instrument per excellence in Africa. The rank for number of radios per 100 people is as follows

Ethiopia	19
Sudan	25
Kenya	13
Uganda	11
Mozambique	5
Angola	6
Somalia	4
Tanzania	3

The second important communication media is newspapers. The rank for number of daily newspapers per 100 people is as follows:

Sudan	2.4
Kenya	1.5
Angola	1.3
Tanzania	0.8
Mozambique	0.6
Somalia	?
Uganda	0.2
Ethiopia	0.1

Clearly unless one will only be targeting urban populations, utilising the daily press will reach very few people compared to radio.

Phones in a country are important for business operations. The rank for the number of telephones per 100 people is as follows.

Kenya	1.5
Angola	0.7
Mozambique	0.6
Tanzania	0.5
Sudan	0.3
Uganda	0.3
Somalia	0.2
Ethiopia	0.1

Other communication data on tvs, post offices and motor vehicles is presented in the same table. It is offered as a baseline to Kenya Re planners of business expansion in these countries.

LITERACY IN THE REGION

Of more interest are the levels of literacy among adults for studies show that literacy has a direct impact on consumption, insurance products included. The rank for adult literacy is as follows:

Kenya	70.5
Tanzania	55.0
Uganda	50.5
Ethiopia	50.0
Angola	42.5
Mozambique	33.5
Sudan	28.2
Somalia	27.0

In general it can be concluded that the countries with better communication seem also to have more adult literacy and as is shown in Table 7 also more years spent in school.

TECHNICALISING THE REGION

In development theory, technicalising society comes out of investment in education, technology, science and the proportions of technicians and scientists who are involved in research and development work. Countries in the region have not systematically collected data on these issues. The limited data easily available is offered in Tables 8 and 9, to be a baseline for Kenya Re. The increases in technicalisation ought to signify increases in innovation and industrialisation leading to demand for products so oriented.

Out of the two tables, attention is drawn to Table 9 showing that countries are investing in education. From Table 8 attention is drawn to the following rank of science graduates as a percentage of total graduates.

Angola	45%
Uganda	26%
Kenya	24%
Ethiopia	24%
Mozambique	21%
Tanzania	20%
Somalia	13%
Sudan	3%

It is interesting that Angola, Uganda, Ethiopia and Mozambique whose development was slowed by internal turmoil have clearly set to produce the scientists needed. Given their good natural resources base, this augurs well for the long term development and thus reinforces the need for Kenya Re to pay attention to possible business in these countries.

LIFE EXPECTANCY IN THE REGION

Life expectancy is of crucial concern to developing insurance instruments. The following rank shows life expectancy in countries of the region. On the whole there is not much spread particularly if one notes that the countries with lower life expectancy had wars in the past two decades and this may be shaping this data.

Kenya	58.6
Tanzania	51.2
Sudan	51.2
Mozambique	46.5
Somalia	46.4
Ethiopia	46.6
Angola	45.6
Uganda	42.6

CONCLUSION

The UNDP annually develops an index called the human development index which compares all sorts of variables on the well being of the people of many countries. In a way this is seen as an improvement over the comparisons based on gross national product. In this index Kenya, in 1994 is ranked 125. The rank for the other regional countries is as follows:

Human Development Index	Country
60	Mauritius
83	Seychelles
93	South Africa
87	Botswana
117	Swaziland
120	Lesotho
121	Zimbabwe
125	**Kenya**
127	Namibia
138	Zambia
140	Zaire
148	Tanzania
151	Sudan
152	Burundi
153	Rwanda
154	Uganda
155	Angola
157	Malawi
159	Mozambique
161	Ethiopia
163	Djibouti
165	Somalia

In this index Kenya is ranked eight among the twenty two countries of the region.

Given the data presented above, which compares Kenya with other countries in the region, it is the consultant's view that the eight countries offer a large population base as an undifferentiated base for long term business development. However, it should be clear that the actual business base should be in Kenya, for the next twenty years, given the fact that the business was initiated here, and the favourable demographics. During this time, Kenya Re should plan to expand regionally so as to edge business bets. Probably Mozambique and Angola will present the best bets for quick expansion for there will be many opportunities and the South African and Zimbabwe firms will not really have comparative advantage there. To try and get this market, Kenya Re needs to recruit Portuguese speakers now to begin to develop it.

There should be major efforts made to expand in to the contiguous countries of Tanzania, Uganda, Sudan, Ethiopia and Somalia. Similarly, Rwanda, Burundi and Eastern Zaire utilise Kenya for fairly extensive trade. These markets should be expanded.

It is important that a group of young, innovative and highly aggressive managers be charged with the strategic planning for this expansion now. Perhaps they should be a task force under the Managing Directors Office to facilitate their total freedom in planning and implementing their plans. They can be drawn form the existing operating divisions. Such efforts should be used for identification of the future management team.

CHAPTER FOUR: GLOBAL ENVIRONMENT ISSUES

HOSTILITY TOWARDS KENYA

One of the realities of international existence for Kenyan businesses now is the fact that the international community has decided that Kenya is next to international pariahs. They claim we deserve this given our lack of democratisation and corruption. Whatever one thinks of the merits of this attitude, it is there. It is not likely to go away for Kenya has been personalised, in the eyes of international opinion makers, to be the current government and the holders of power. Since there is every probability that the same group will be in power for the next eight or nine years, it is not likely this attitude will go away.

The impact of this in terms of Kenya Re's strategic interests is simply that it may limit how much business it can do with international organisations or outside the region. It will be an issue if Kenya Re wants to raise funds internationally or get international contracts or get international shareholders. These are not idle questions for from a purely business point of view it may be useful to raise cheaper funds for some of the activities it plans. It is doubtful it can raise funds as the private reinsurance company has just done. On the other hand, if it reorganises and privatises to become more profitable, it may overcome this environmental huddle.

DONOR DEVELOPMENT FUNDS IMPACTS

It is a fact that donors are not giving Kenya as much funding for development as was the case up to three years ago. This has direct impact on the wider economic performance of the country and indirectly to premiums.

Donor funding is increasing very fast for Uganda, Tanzania , Mozambique and Angola. If for no other reason, insurance of projects should interest Kenya RE in these countries. In the long term, many donors are interested in the development of natural resources of these countries, especially in Mozambique and Angola, and this becomes another reason why attention should be paid to them.

Pressures to privatise are afoot in the region. This opens niches to be exploited in insurance in all the countries as donor funds go to the private sector of these countries as part of official development assistance.

ENDING OF INTERNATIONAL RECESSION

There is partial evidence that the international economy is beginning to get out of the slump of the middle nineties. Several think tanks argue that international demand will be as buoyant as it was in the fifties in the next five years. This means that there will be demand for a lot of Africa's primary commodities although the mix may change. For Kenya we can look forward to increased sales of horticulture, tourism (if the perceived instability is erased), tea and coffee.

For the Tanzania, there will be major expansion in the tourism industry, horticulture (Kilimanjaro area has been receiving more investors than Kenya, including Kenyan business which are moving there, over the past five years mainly driven by cheaper landing and fuel costs at Kilimanjaro Airport), forest resources, possibly gas, oil and coal. One should note in passing that the Tanzania road infrastructure has been modernised in the past five years and electronic communication is to be privatised and modernised in the next few years with external resources. This should lead to a boom for which there will be insurance needs.

The international trading system is changing and perhaps the long term consumers of the primary products will in the net fifteen years be all Asian. Note first that the main bilateral aid giver to Kenya is Japan. It is yet to match its role in aid in trading. There is some evidence that the Five Tigers and Japan buy primary products from Kenya and the region,s countries from European middlemen and thus the statistics do not show a proper reflection of their purchases.

Since these economies are growing faster than those of the West, who are mainly investing in unified Germany, Eastern Europe, former Soviet Union and China in that order, it is important that organisations like Kenya Re begin to build bridges to Asian countries. Japan, Taiwan, Korea, Hong Kong, India, Singapore and China should be of interest. They will be looking to set up extracting industries in the region to get natural resources. This should give room for insurance products.

LACK OF RESOURCES FOR REGIONAL INTEGRATION INSTITUTIONS

Given the end of the Cold War, interest in Africa in general has waned. Witness how the genocide in Rwanda and the simmering wars in Angola, Liberia, Sierra Leone, Sudan and Somalia are now not important. It is not likely then that there will be money spent on creating investments which serve more than one country as was the case before. This means that the major investments in regional infrastructure especially power, roads and telecommunications will have to be financed within African resources. This opens a new area for investments by the African insurance industry for other continents insurance industries have been significant actors in financing infrastructure geared to increasing industrialisation. This means that Kenya Re should as a matter of urgency set up to participate in regional financing institutions as part and parcel of its going regional. It can be useful for Kenya for in the next ten or so years the country will not have enough electricity and it will have to buy it from either Uganda, Tanzania and in the long run Zaire and Mozambique.Is there room for investing in infrastructure in these countries to serve Kenya? In 1970s in a course at the University of Nairobi, the consultant used to teach that our future energy will have to be imported for local generating capacity is three to four times more expensive than countries in the region simply because we do not have good power dam sites. Nothing has changed yet.

KENYA AS HOLLAND: A SERVICE ECONOMY

By way of conclusion, the consultant would like to end this paper with an idea that is increasingly attractive to those who image the future. This is the idea that Kenyan businesses should think of the country as a potential Holland. The logic is simply that the country like Holland, has very few natural resources compared to neighbours like Tanzania, Uganda, Sudan, Ethiopia, Mozambique, Angola, Zimbabwe and Zambia. Second, the country and the population has invested in education so much that it is ahead of the region in human resources development, including business persons. Third, its communications infrastructure, including international airport and seaport, is not bad other than the current problems with maintenance of the ports, telephones and roads. Its location is ideal for servicing not only the proximate region but the rest of the continent. These variables make it attractive as a service center for the region and to some extent Africa. This is so recognised by South African businesses that they intend to set up in Kenya for regional trade. Witness the oil company seeking to build up oil refining and products business here although their South African plant is new. This fact was even recognised by Rhodes during the last century and is internalised in the Lonrho long term strategic plans. Other Western international companies have recognised this for a long time.

It therefore seems to those who are into futurables that an attractive scenario is to build on these attributes and to make the Kenyan economy the premier service economy for the region. This is the role Holland plays in Europe.

Of course a few public policies have to be rationalised in terms of freeing banking, creating a totally convertible currency, improvements in infrastructure maintenance, privatisation of telecommunications and increasing the number of Kenyan who are internationally multi-lingual. These are possibles.

In this context, Kenya Re can image its future for if Kenya , the service center, takes off, one fantastic growth industry, again like holland, will be insurance. This is a positive future, what remains is for you managers to image what you can do about it after reorganising.

I thank you.

muticon/kenya-re
27/6/94

TABLE 1: KENYA POPULATION BY SEX, AND SINGLE YEARS OF AGE 1989.

AGE	MALE	FEMALE	TOTAL	% (TOTALS)
All Ages	**10,631,948**	**10,821,044**	**21,452,992**	**100**
WP	**14,745**	**10,514**	**25,259**	**0.12**
Under 1	406,896	401,127	808,023	
1	339,376	332,431	671,807	
2	395,398	394,426	789,824	
3	394,036	390,479	784,515	
4	376,154	371,373	747,527	
0 - 4	**1,911,860**	**1,889,836**	**3,801,696**	**17.7**
5	395,411	385,214	780,625	
6	348,483	346,501	694,984	
7	329,640	324,319	653,959	
8	337,055	339,833	676,888	
9	333,644	330,346	663,990	
5 - 9	**1,744,233**	**1,726,213**	**3,470,446**	**16.18**
10	357,543	349,798	707,341	
11	275,086	278,519	553,605	
12	313,294	305,357	618,651	
13	275,792	274,273	550,065	
14	282,836	278,494	561,330	
10 - 14	**1,504,551**	**1,486,441**	**2,990,992**	**13.94**
15	269,650	269,966	539,616	
16	245,138	250,199	495,337	
17	220,209	218,091	438,300	
18	251,041	258,524	509,565	
19	192,343	204,573	396,916	
15 - 19	**1,178,381**	**1,201,353**	**2,379,734**	**11.09**
20	239,353	287,546	526,899	
21	169,477	186,922	356,399	
22	167,132	194,079	361,211	
23	151,695	168,826	320,521	
24	162,237	176,508	338,745	
20 - 24	**889,894**	**1,013,881**	**1,903,775**	**8.87**

AGE	MALE	FEMALE	TOTAL	
25	200,811	226,741	427,552	
26	159,798	169,319	329,117	
27	143,298	150,582	293,880	
28	147,157	171,309	318,466	
29	131,674	129,789	261,463	
25 - 29	**782,738**	**847,740**	**1,630,478**	**7.60**
30	201,347	223,216	424,563	
31	100,167	88,635	188,802	
32	116,759	107,777	224,536	
33	86,462	80,646	167,108	
34	79,235	75,684	154,919	
30 - 34	**583,970**	**575,958**	**1,159,928**	**5.41**
35	135,682	138,973	274,655	
36	84,689	83,106	167,795	
37	91,439	85,160	176,599	
38	75,553	80,878	156,431	
39	73,742	70,070	143,812	
35 - 39	**461,105**	**458,187**	**919,292**	**4.29**
40	129,214	145,211	74,425	
41	64,206	57,014	121,220	
42	70,638	60,346	130,984	
43	55,663	52,669	108,332	
44	48,337	49,199	97,536	
40-44	**368,058**	**364,439**	**732,497**	**3.41**
45	86,451	92,893	179,344	
46	49,925	54,950	104,875	
47	49,169	46,172	95,341	
48	49,381	52,051	101,432	
49	46,296	47,496	93,792	
45-49	**281,222**	**293,562**	**574,784**	**2.68**
50	84,509	99,672	184,181	
51	33,647	33,061	66,708	
52	42,127	36,524	78,651	
53	38,463	33,936	72,399	
54	37,239	37,553	74,792	
50-54	**235,985**	**240,746**	**476,731**	**2.22**

AGE	MALE	FEMALE	TOTAL	
55	49,426	47,783	97,209	
56	37,091	33,396	70,487	
57	32,376	30,596	62,972	
58	31,147	33,903	65,050	
59	29,037	35,574	64,611	
55-59	**179,077**	**181,252**	**360,329**	**1.68**
60	58,490	74,910	133,400	
61	26,114	28,158	54,272	
62	24,539	23,356	47,895	
63	20,689	20,217	40,906	
64	20,715	21,350	42,065	
60-64	**150,547**	**167,991**	**318,538**	**1.48**
65	35,358	37,645	73,003	
66	16,079	14,234	30,313	
67	22,821	18,555	41,376	
68	19,755	21,830	41,585	
69	19,715	24,778	44,493	
65-69	**113,728**	**117,042**	**230,770**	**1.08**
70	35,819	43,011	78,830	
71	16,813	17,486	34,299	
72	11,193	12,367	23,560	
73	7,845	7,962	15,807	
74	11,324	10,435	21,759	
70-74	**82,994**	**91,261**	**174,255**	**0.81**
75	26,922	23,401	50,323	
76	9,221	8,693	17,914	
77	8,529	7,090	15,619	
78	10,914	9,788	20,702	
79	11,036	11,536	22,572	
75-79	**66,622**	**60,508**	**127,130**	**0.59**
80+	**82,238**	**94,120**	**176,358**	**0.82**

SUMMARY

65 - 80+	3%
30 - 64	21%
20 - 29	16%
15 - 19	11%

TABLE 2: DEMOGRAPHIC PROFILES OF KENYA AND HER NEIGHBOURS

HDI RANK		1960	ESTIMATED POPULATION (MILLIONS) 1992	2000	POPULATION DOUBLING DATE (AT CURRENT RATE)
161	Ethiopia	24.2	53.1	67.2	2014
140	Zaire	15.3	40.0	51.0	2013
93	South Africa	17.4	39.9	47.9	2020
148	Tanzania	10.2	27.9	35.9	2012
151	Sudan	11.2	26.7	33.2	2016
125	**Kenya**	**8.3**	**25.3**	**32.8**	**2012**
154	Uganda	6.6	18.7	23.4	2014
159	Mozambique	7.5	15.1	19.4	2015
121	Zimbabwe	3.8	10.6	13.2	2014
157	Malawi	3.5	10.3	12.6	2012
155	Angola	4.8	9.9	13.1	2010
165	Somalia	3.8	9.3	11.9	2013
138	Zambia	3.1	8.6	10.7	2015
153	Rwanda	2.7	7.5	9.8	2011
152	Burundi	2.9	5.8	7.2	2015
120	Lesotho	0.9	1.8	2.2	2019
127	Namibia	0.6	1.5	2.0	2013
87	Botswana	0.5	1.3	1.7	2015
60	Mauritius	0.7	1.1	1.2	2060
117	Swaziland	0.3	0.8	1.0	2017
163	Djibouti	0.1	0.5	0.6	2014
83	Seychelles	*(.)	0.1	0.1	2075

* (.) Less than half the unit shown.

SOURCE: Human Development Report 1994.

TABLE 3: GROWING REGIONAL URBANIZATION

HDI RANK		URBAN POPULATION (AS % OF TOTAL) 1960	1992	2000	POPULATION PER KM^2 1980-90
161	Ethiopia	6	13	17	..
140	Zaire	22	29	46	..
93	South Africa	47	50	66	..
148	Tanzania	5	22	47	..
151	Sudan	10	23	27	..
125	**Kenya**	**7**	**25**	**32**	**1,590**
154	Uganda	5	12	14	..
159	Mozambique	4	30	41	..
121	Zimbabwe	13	30	35	..
157	Malawi	4	12	16	..
155	Angola	10	27	36	..
165	Somalia	17	35	44	..
138	Zambia	17	42	59	..
153	Rwanda	2	6	11	..
152	Burundi	2	6	7	..
120	Lesotho	3	21	28	..
127	Namibia	14	29	35	..
87	Botswana	2	27	43	..
60	Mauritius	35	41	43	3,800
117	Swaziland	4	28	46	..
163	Djibouti	63	86	85	..
83	Seychelles	..	..	..	..

SOURCE: Human Development Report 1994.

TABLE 4: REGIONAL EMPLOYMENT AND WOMEN IN LABOUR FORCE

HDI RANK		LABOUR FORCE (AS % OF TOTAL POPULATION) 1990-92	WOMEN IN LABOUR (AS % OF TOTAL LABOUR FORCE) 1990-92
161	Ethiopia	41	41
140	Zaire	37	36
93	South Africa	38	39
148	Tanzania	47	48
151	Sudan	35	29
125	**Kenya**	**40**	**40**
154	Uganda	45	41
159	Mozambique	55	48
121	Zimbabwe	41	48
157	Malawi	43	51
155	Angola	41	39
165	Somalia	29	39
138	Zambia	32	29
153	Rwanda	46	54
152	Burundi	53	53
120	Lesotho	46	44
127	Namibia	29	24
87	Botswana	33	38
60	Mauritius	41	30
117	Swaziland	24	34
163	Djibouti	..	..
83	Seychelles	44	43

SOURCE: Human Development Report 1994.

TABLE 5: REGIONAL EMPLOYMENT BY SECTOR

HDI RANK		PERCENTAGE OF LABOUR FORCE IN					
		AGRICULTURE		INDUSTRY		SERVICES	
		1965	1990-92	1965	1990-92	1965	1990-92
161	Ethiopia	86	88	5	2	9	10
140	Zaire	82	71	9	13	9	16
93	South Africa	32	13	30	25	38	62
148	Tanzania	91	85	3	5	6	10
151	Sudan	81	72	5	5	14	23
125	**Kenya**	**86**	**81**	**5**	**7**	**9**	**12**
154	Uganda	91	86	3	4	6	10
159	Mozambique	87	85	6	7	7	8
121	Zimbabwe	79	71	8	8	13	21
157	Malawi	92	87	3	5	5	8
155	Angola	79	73	8	10	13	17
165	Somalia	81	76	6	8	13	16
138	Zambia	79	38	8	8	13	54
153	Rwanda	95	90	2	2	3	8
152	Burundi	94	92	2	2	4	6
120	Lesotho	91	23	3	33	6	44
127	Namibia	..	43	..	22	..	35
87	Botswana	88	28	4	11	8	61
60	Mauritius	37	16	25	30	38	54
117	Swaziland	..	74	..	9	..	17
163	Djibouti	..	..	..	..	..	..
83	Seychelles	..	..	..	..	..	..

SOURCE: Human Development Report 1994.

TABLE 6: COMMUNICATION PROFILE

HDI RANK		DAILY NEWSPAPERS (COPIES PER 100 PEOPLE) 1990	RADIOS (PER 100 PEOPLE) 1990	TVs (PER 100 PEOPLE) 1990	POST OFFICES (PER 100,000 PEOPLE) 1991	PHONES (PER 100 PEOPLE 1990-92	MOTOR VEHICLES (PER 100 PEOPLE) 1989-90
161	Ethiopia	0.1	19	0.2	..	0.3	0.1
140	Zaire	..	10	0.1	1.3	0.1	..
93	South Africa	3.5	30	9.7	..	13.1	12.8
148	Tanzania	0.8	3	0.2	3.7	0.5	0.3
151	Sudan	2.4	25	7.1	..	0.3	..
125	**Kenya**	**1.5**	**13**	**1.0**	**..**	**1.5**	**1.2**
154	Uganda	0.2	11	1.0	..	0.3	..
159	Mozambique	0.6	5	0.3	1.6	0.4	..
121	Zimbabwe	2.1	8	3.0	2.8	3.0	3.5
157	Malawi	0.3	22	..	..	0.5	0.3
155	Angola	1.3	6	0.6	0.7	0.7	1.6
165	Somalia	..	4	1.2	..	0.2	..
138	Zambia	1.2	8	3.1	..	1.2	..
153	Rwanda	(.)	6	..	..	0.2	0.2
152	Burundi	0.4	6	0.1	0.6	0.2	0.4
120	Lesotho	1.1	7	0.6	..	1.2	..
127	Namibia	15.3	17	2.1	..	6.0	..
87	Botswana	1.5	12	1.6	12.8	5.0	3.6
60	Mauritius	7.4	36	21.7	9.4	6.8	5.7
117	Swaziland	1.3	16	2.1	8.3	3.2	6.7
163	Djibouti	2.0	8	5.2	..	3.1	..
83	Seychelles	4.6	46	8.7	7.1	14.3	7.6

SOURCE: Human Development Report 1994.

TABLE 7: LIFE EXPECTANCY, ADULT LITERACY, SCHOOLING AND ADJUSTED REAL GDP

HDI RANK		LIFE EXPECTANCY AT BIRTH (YEARS) 1992	ADULT LITERACY RATE (%) 1992	MEAN YEARS OF SCHOOLING 1992	ADJUSTED REAL GDP PER CAPITA USD 1991
161	Ethiopia	46.4	50.0	1.1	370
140	Zaire	51.6	74.0	1.6	469
93	South Africa	62.2	80.0	3.9	3,885
148	Tanzania	51.2	55.0	2.0	570
151	Sudan	51.2	28.2	0.8	1,162
125	**Kenya**	**58.6**	**70.5**	**2.3**	**1,350**
154	Uganda	42.6	50.5	1.1	1,036
159	Mozambique	46.5	33.5	1.6	921
121	Zimbabwe	56.1	68.6	3.1	2,160
157	Malawi	44.6	45.0	1.7	800
155	Angola	45.6	42.5	1.5	1,000
165	Somalia	46.4	27.0	0.3	759
138	Zambia	45.5	74.8	2.7	1,010
153	Rwanda	46.5	52.1	1.1	680
152	Burundi	48.2	52.0	0.4	640
120	Lesotho	59.8	78.0	3.5	1,500
127	Namibia	58.0	40.0	1.7	2,381
87	Botswana	60.3	75.0	2.5	4,690
60	Mauritius	69.6	79.9	4.1	5,211
117	Swaziland	57.3	71.0	3.8	2,506
163	Djibouti	48.3	19.0	0.4	1,000
83	Seychelles	71.0	77.0	4.6	3,683

SOURCE: Human Development Report 1994.

TABLE 8: REGIONAL HUMAN CAPITAL FORMATION

HDI RANK		SCIENTISTS AND TECHNICIANS (PER 1,000 PEOPLE) 1986-91	R & D SCIENTISTS AND TECHNS. (PER 10,000 PEOPLE) 1986-89	TERTIARY GRADUATES (AS % OF CORRES. AGE GROUP 1987-90	SCIENCE GRADUATES (AS % OF TOTAL GRADUATES) 1988-90
161	Ethiopia	..	..	0.2	24
140	Zaire	..	..	0.2	27
93	South Africa	..	..	..	..
148	Tanzania	..	..	0.1	20
151	Sudan	0.4	..	0.4	3
125	**Kenya**	**1.3**	**..**	**0.2**	**24**
154	Uganda	..	..	0.1	26
159	Mozambique	..	..	0.0	21
121	Zimbabwe	..	..	0.5	12
157	Malawi	..	..	0.1	23
155	Angola	..	..	..	45
165	Somalia	..	..	..	13
138	Zambia	4.4	..	0.2	10
153	Rwanda	0.2	0.2	0.1	25
152	Burundi	..	0.6	0.2	31
120	Lesotho	..	..	0.7	5
127	Namibia	..	..	..	..
87	Botswana	1.2	..	0.6	3
60	Mauritius	15.9	3.4	0.7	26
117	Swaziland	..	..	0.7	16
163	Djibouti	0.1	..	..	4
83	Seychelles	..	3.8	..	..

SOURCE: Human Development Report 1994.

TABLE 9: REGIONAL EDUCATION IMBALANCES

HDI RANK		SECONDARY TECHNICAL ENROLMENT (AS % OF TOTAL SECONDARY) 1988-91	TERTIARY NATURAL AND APPLIED SCIENCE ENROLMENT (AS % OF TOTAL TERTIARY) 1990	TERTIARY STUDENTS ABROAD (AS % OF THOSE AT HOME) 1987-88	PUBLIC EXPENDITURE ON EDUCATION (AS % OF GNP) 1960	1990
161	Ethiopia	0.5	40	17	0.8	4.8
140	Zaire	27.4	..	15	2.4	0.9
93	South Africa	..	..	1	3.0	..
148	Tanzania	..	62	31	2.1	5.8
151	Sudan	4.1	21	27	1.9	..
125	**Kenya**	**1.6**	**32**	**17**	**4.6**	**6.8**
154	Uganda	2.5	22	10	3.2	2.9
159	Mozambique	6.0	60	11	..	6.3
121	Zimbabwe	1.7	27	8	0.5	10.6
157	Malawi	2.4	25	14	2.1	3.4
155	Angola	5.9	40	30	0.3	..
165	Somalia	..	..	10	0.9	..
138	Zambia	2.8	29	14	1.6	2.9
153	Rwanda	..	26	38	0.3	4.2
152	Burundi	12.8	40	19	2.4	3.5
120	Lesotho	3.6	..	11	3.2	3.8
127	Namibia	1.9	17	..	..	4.7
87	Botswana	4.6	22	24	2.7	8.4
60	Mauritius	1.4	29	..	3.0	3.7
117	Swaziland	1.4	36	12	..	6.4
163	Djibouti	15.9	..	..	..	3.3
83	Seychelles	29.0	..	..	..	8.5

SOURCE: Human Development Report 1994.

TABLE 10: HUMAN CAPITAL FORMATION

HDI RANK		ADULT LITERACY RATE (AS % OF AGE 15+) TOTAL 1992	FEMALE 1992
161	Ethiopia	..	..
140	Zaire	74	63
93	South Africa	..	..
148	Tanzania	..	..
151	Sudan	28	13
125	**Kenya**	**71**	**60**
154	Uganda	51	37
159	Mozambique	34	21
121	Zimbabwe	69	61
157	Malawi	..	..
155	Angola	43	29
165	Somalia	27	16
138	Zambia	75	67
153	Rwanda	52	39
152	Burundi	52	42
120	Lesotho	..	..
127	Namibia	..	..
87	Botswana	75	66
60	Mauritius	80	75
117	Swaziland	..	..
163	Djibouti	..	..
83	Seychelles	..	..

SOURCE: Human Development Report 1994.

ADDENDUM

CORRECTIONS

1. Table of Contents:
   - This page should be numbered 2.
   - Section I - Second line should read "Facilitator/Chairman".

2. Section I - Opening Remarks - Should be numbered 3.

3. Page 4 - 1.2.8, first line should read "... recorded his concern..."

4. Page 8 - 2.2.14, fourth line should read "... returns from such ..."

5. Page 10 - Second line should read "It was Resolved that the Corporation Secretary ..."

6. Page 21 - 4.5.4 should read "Delays in paying cedants and reinsurers".

7. Page 25 - The Salient points ... should be numbered 6.4 and sub-sections 6.4.1, 6.4.2, 6.4.3 and 6.4.4.
   - 6.4.3 should read "That funds generated from the life funds ..."

8. Page 26 - 7.2 third paragraph third line should read "... the business back to the market ..."

9. Page 30 - 9.3 second paragraph fourth line should read "... the business back to the market ..."

10. Page 33 - 10.4.5 last line should read "... availing the assets for investment".

11. Page 39 - 11.6.2 second line should read "... prepared and monitored on ..."
    - 11.7 fourth line should read "... the Manager's burdens..."

12. Page 45 - 13.4.1 fourth line should read "... to trimming the establishment to acceptable levels".

13. Page 55 - 18.2 second line should read "... with the participants contribution".

----------------X-------------

Kenya Reinsurance Corporation

25 YEARS OF EXCELLENT REINSURANCE SERVICE AND SECURITY

Kenya Re

Reinsurance Plaza
P.O. Box 30271
Telephone 332690
Telegrams KENYARE
Telex 22046
Telefax (254 2) 339161
Nairobi Kenya

FACSIMILE TRANSMISSION

To: Name ATT: PROF. G.C. MUTISO

Company MUTICON LTD. Dept

Fax No. 860771 City NAIROBI Country KENYA

From: Name MR. J.M. MUTIA Dept PLANNING Date 6/5/96

No. of pages 3 Page 1

MESSAGE

RE: SENIOR MANAGEMENT WORKSHOP

The Corporation is planning to hold a Senior Management Workshop which will also include Directors of the Board on 4 - 7th July 1996. The actual duration of the Workshop will be two days, i.e. Friday and Saturday 5th and 6th July, 1996 respectively.

The objective/theme of the Workshop is "Enhancing Kenya Re's Productivity through change of staff attitude". Areas expected to be covered include:-

- Change of management culture to suit the dictates of the private sector by promoting a commercial attitude in the management of the Corporation's affairs in preparation for privatisation.

- develop a sense of commitment, loyalty and belonging among members of staff of the Corporation.

- re-orient the entire staff to look at profits as result of conscious management actions that involve all and develop a results based reward and punishment system.

- develop an appropriate corporate image within the organisation.

Kenya Reinsurance Corporation

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Nairobi Kenya

FACSIMILE TRANSMISSION

To: Name

Company Dept.

Fax No.: City Country

From: Name Dept. Date

MESSAGE

No. of pages Page 2

- develop strategies for revenue generation and effective cost controls.

- continuous corporate restructuring

- look at effective strategies for the development of human resources.

- look at ways of developing effective marketing strategies.

- develop effective tools of internal conflict resolution and management of stress levels within the corporation.

As background information please note that the Corporation held another Senior Management Workshop in July, 1994 and from the recommendations of that workshop the Corporation has:-

- carried out a successful voluntary staff retrenchment exercise and 183 members of staff out of a work force of 520 opted to retire.

- undertaken internal restructuring to increase efficiency.

- initiated privatisation of the organisation which it is hoped will be finalised by end of this year.

...../3

Kenya Reinsurance Corporation

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Nairobi Kenya

FACSIMILE TRANSMISSION

To: Name

Company DELOITTE & TOUCHE Dept.

Fax No.: 448966 City NAIROBI Country KENYA

From: Name J.M. MUTIA Dept. PLANNING Date 6/5/96

MESSAGE No. of pages 3 Page 1

RE: SENIOR MANAGEMENT WORKSHOP

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- develop a sense of commitment, loyalty and belonging among members of staff of the Corporation.

- re-orient the entire staff to look at profits as a result of conscious management actions that involve all and develop a results based reward and punishment system.

- develop an appropriate corporate image within the organisation.

...../2

Kenya Reinsurance Corporation

Reinsurance plaza
P.O. Box 30271
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Telefax: (254-2) 339161
Nairobi, Kenya

13th March, 1996

Prof. G.C. Mutiso
Managing Director
Muticon Ltd.
P.O. Box 14333
Nairobi

Dear Prof. Mutiso,

RE: CHANGING KENYA RE MANAGEMENT CULTURE FOR PRIVATISATION

This is a follow up to the Senior Management Workshop the Corporation held in Mombasa in 1994. From the recommendations of the workshop the Corporation has:-

1) carried out a successful staff retrenchment exercise and reduced the staff by 183. The Corporation currently has 331 staff.

2) undertaken internal restructuring

3) initiated privatisation of the Corporation which it is hoped will be finalised in 1996.

One of the recommendations of the workshop was that before privatisation, the Management culture of the Corporation needs to be changed from that of a Government Parastatal to that of a private company which is geared to minimising costs and generating maximum income for the shareholders.

I believe you are aware that with effect from 1st January 1996, compulsory policy cessions are being phased out by 5 per cent every year to cease altogether by January 2000. These cessions have been the main revenue base for the Corporation. It is therefore time alternative ways of compensating this loss are found.

Management has decided to hold a two days' Seminar/Workshop, starting with Senior Management and Directors, whose objective is to try and change the management culture of the Corporation before privatisation. Although initially only senior management are supposed to attend, I will propose to Management that all levels of management staff be involved.

...../2

As this will be a participative seminar, I feel the number of participants should be kept as small as possible. I therefore propose as follows:-

1) Directors and Senior Management - 25 parctipants

2) Deputy and Assistant Managers - 20 "

3) Senior Supervisors - 28 "

4) Supervisors - 32 "

5) Assistant Supervisors - 26 "

There may also be need for the rest of staff to have some sort of induction but this will be discussed if there is need.

Since you know the Corporation well from your experience during the last Senior Management Workshop, I am writing to ask you to give us proposals, topics to be covered and costings for our consideration. The dates for the Seminars have not yet been agreed upon but I am thinking scheduling them for May/June/July 1996.

Please be as comprehensive as possible.

Yours sincerely,

J. B. MUTIA
PLANNING MANAGER

BOARD PAPER NO.

INSURANCE (AMENDMENT) REGULATIONS 1995 EFFECTS OF THE REMOVAL OF COMPULSORY CESSIONS TO THE CORPORATION

Pre-amble

The Board will recall the recent measures taken by the Government to liberialise the Insurance Industry vis a vis The Insurance (Amendment) Regulations 1995. These regulations which came into effect on 1st January, 1996 have the effect of reducing the 25% policy compulsory cessions of life and general business previously enjoyed by the Corporation by a rate of 5% every year thereby ceasing to apply on 1st January, 2000.

The withdrawal of these policy cessions on life and general business will have a profound effect on the revenue base of the Corporation. For the sake of clarity, it has to be borne in mind that the Corporation will continue receiving the compulsory legal cessions of 25% on all treaty business written or renewed in Kenya as has been the case in the past. This cession is similar to the one given to Africa Re (5%) and P.T.A. Re. (10%) and is strictly on treaty or reinsurance business only.

In the following paragraphs hereunder, Management has done an analysis on the effects of the removal of the 25% policy cessions on the revenue generation of the Corporation:-

(1) Non-Life Cessions Premium Development

Non-Life cessions principally relate to the Fire, Accident, Marine, Motor classes of insurance.

1.1 Actual Premium Growth 1990-94

Over the last four years, the market Gross Premium has grown by an average of 8.75%, and the Corporation's writing of this business at 25% share has seen its own gross income rise steadily from KShs.1,037,652,801

.../2

79.2%

(KShs.821,994,413 Net of Commissions) in 1990 to KShs.1,861,204,708 (KShs.1,473,037,731 Net of Commissions) in 1994. L79.14% ∴ Comm. 21%

Appendices A(i) to A(iii) tabulate this growth, broken down per class of business for each of the consecutive years.

1.2 <u>Projections of Premium Income 1995-2000</u>

Following the commencement of the phasing out of compulsory cession on policy business in 1996 by 5% p.a. to scheduled extinction by the year 2000, the gross premium income under these cessions are projected to peak in 1995 at around KShs.2,039,798,350 (KShs.1,613,943,700 Net of Commissions) to zero by the year 2000. L79.12% ∴ Comm. 21%

We have used a rather conservative growth rate of 10% over this period to make this forecast, and it is conceivable that the actual growth rate could tend towards the 15% mark, going by tentative actuals for 1995, which Finance Department are presently crystallizing.

Appendix B(i) shows the growth of the non-life market premium written in Kenya. These are 100% Gross Market projected figures for the years 1995-2000. There is a significant growth from Shs.8 billion for 1995 to Shs.13 billion projected for the year 2000.

On the same page, the Corporation's share is similarly projected on a gross basis from 1995-2000. It will be observed that the trend moves in declining amounts from Shs.2 billion in 1995 to Shs.597 million in 1999 to zero in the year 2000. The Corporation will by 1st January, 2000 move out of policy cessions and thus stands to lo~~o~~se considerable revenue emanating from these legal cessions which will have been phased out per the legal notice No.365 of 1st December, 1995.

Appendix B(ii) shows the Corporation's expected written premium Net of Commissions. This is the actual premium ceded to the Corporation. From 1995 with a written net premium of Shs.1.6 billion, this goes down to Shs.472 million in 1999 and eventually to zero in the year 2000.

Appendix C is an attempt to illustrate in graphic form the effects of the removal of the policy cessions for the period 1995-2000.

1.3 Implications of Drop in Compulsory Cession Premium Income

It should be noted that the drop from over Kshs.2 billion to zero in a space of 4 years is fundamental one, more so as it involves cash that, unlike treaty premiums, is payable up-front, well ahead of claims. As these are the monies that the Corporation has hitherto depended upon for both short and long-term investments, the implications to the Corportion's growth in the future are far reaching.

The immediate situation however is not as bleak as it may seem, as the Corporation still stands to re-capture some of this business in the following ways:-

(i) More inward local facultative business will definitely become available to the Corporation as a result of the compulsory cessions business falling back progressively over the next 4 years to the market companies, who predictably will not be able to retain the same in full for net account.

As these companies' automatic facilities become exceeded, the Corporation can certainly look forward to receiving more than its present level of facultative reinsurance business, this growing over

For this to be achieved however, the Corporation will need to simultaneously seek and negotiate for enhanced levels of cover for such facultative writing. Presently, the Corporation's limit of acceptance of any on facultative risk stands at US$500,000. To facilitate growth of this portfolio through the underwriting of economical slices of this type of business, the Corporation must purchase cover of upto US$2,000,000 per any one risk, within the next 4 years.

(ii) In the long-term, the Department can move viably into the following areas:-

- creation of a special Risk Management Unit to provide technical surveys and loss prevention/ adjustment services to the market to earn professional fees.

- provision of rating, and other professional services to the market for a fee.

However, these latter strategies, along with other fundamental proposals will among other things be subject of the Board Paper on Privatisation, where full amplification will be accorded to each item specifically.

(2) Non-Life Cessions
<u>Claims Development</u>

Using statistical regression methods based on past experience as relates to premium volume written, it is possible to forecast to some extent the expected claims volumes for the years 1995 and thereafter. The development of both paid and outstanding risks is shown in Appendix D which shows the result when net premium ceded as against incurred claims. Of particular significance is the effect on year 2000, where the net premium receivable by the Corporation moves to zero on policy cessions. There will be considerable strain on resources as other sources of revenue will have to be called upon to settle payable claims for business written prior to the year 2000.

Appendix E shows the development of incurred claims upto the year 2005.

PHASING OUT OF COMPULSORY CESSIONS - LIFE BUSINESS

1.1 Quota Share/Policy Cessions

Following the the phasing out of policy cessions effective January, 1996, the premium income under these cessions is projected to drop from KShs.90.6 million in 1995 to Zero by the year 2000. (see table 1a)

1.2 Treaty Cessions

Premium income under local treaties, foreign treaties and mortgage business is projected to increase from KShs.27.4 million in 1995 to KShs.68.25 million in the year 2000. (See table 1a). This represents annual growth rate of 20%. The projections are based on the following factors:-

(i) Most of the cessions phased out by fourteen companies under policy cessions will be recaptured in the foreign treaties in which the Corporation participates 25%.

(ii) Most of the cessions phased out by the seven companies where the Corporation participates 85% will be recaptured under local treaties.

(iii) All new policies by both companies which reassure with foreign reassurer and/or the Corporation will cut into the foreign treaties and local treaties where the Corporation participates 25% and 85% respectively.

(iv) All the premium income resulting from the Mortgage projects undertaken by the Corporation e.g. staff loan scheme and public financed mortgages will be retained by the Corporation.

1.3 Claims Projections

The claims projections upto 1994 are actual. As it is portrayed by table II - actuals, the claims figures keep flactuating. This is because some Life claims are intimated late and thus settled in subsequent years. Some life policies where the reassurance is on risk basis mature and the Corporation does not participate on maturities. The claims projections after 1994 are for comparison purposes. The growth rates assumed are 20% and 10% for policy cessions and treaty cessions respectively.

1.4 Observation

The phasing out of compulsory cessions will result the life premium income dropping from KShs.118 million to KShs.68 million by the year 2000. This represents 46% decrease in the gross premium income. New strategies need to be put into place to reverse this trend.

1.5 Proposed Strategies

(a) Marketing

i) Aggressive marketing within the local market with a view to:-

- take over foreign treaties currently with foreign reassurers.
- write new treaties for the new and emerging products being developed.

(ii) Aggressive marketing within Africa and particularly the COMESA and PTA region with a view to:

- write inward treaties with direct writing companies.

- write inward retrocession treaties with other Life reassurers in the region.

CONCLUSION

Consequent to the above, it therefore follows that the Corporation has to re-invent itself by adopting measures aimed at restructuring its operations on across the board basis. This is particularly so if the Corporation is to be privatised and compete in a liberalised environment. The Corporation has a strong and excellent foundation and resources to operate in a competitive environment. The asset base is strong and comprehensive and the availability of inhouse qualified and experienced personnel resources is second to none in the Kenyan market. Management is confident that with the above resources, the profitability of the Corporation will be enhanced even further as the Corporation moves away from 'compulsory' business into 'selected writings'. In conclusion, the removal of the policy cessions has to be seen in the above light.

The Board is hereby invited to note and consider the above.

W.N. MBOTE
MANAGING DIRECTOR

MARKET GROSS PREMIUMS (NON LIFE CLASSES) APPENDIX A(i)

ACTUALS 1990 - 1994 - FIGURES IN KENYA SHILLINGS

	1990	1991	GROWTH RATE %	1992	GROWTH RATE %	1993	*GROWTH RATE %	1994	GROWTH RATE %
FIRE	731,527,932	865,077,056	18.26	893,540,544	3.29	1,401,759,968	56.88	1,409,466,316	0.55
Accident	1,165,925,000	1,241,686,480	6.50	1,507,243,152	21.39	2,026,757,124	34.47	1,977,750,000	-2.42
Marine	257,403,524	277,808,560	7.93	315,692,712	13.64	431,930,848	36.82	535,002,680	23.86
Aviation	112,784,156	103,505,519	-8.23	69,070,484	-33.27	48,010,196	-30.49	27,370,284	-42.99
Motor	1,881,970,592	1,946,988,232	3.45	2,352,412,716	20.82	3,280,410,544	39.45	3,495,229,552	6.55
TOTALS	4,150,611,204	4,435,065,847	6.85	5,137,959,608	15.85	7,188,868,680	39.92	7,444,818,832	3.56

	AVERAGE* GROWTH RATE OVER PERIOD
Fire	7.37
Accident	8.49
Marine	15.14
Aviation	-28.16
Motor	8.75

*1993 Abnormal Growth on '92 Excluded this growth due to 2 Major Devaluations In The Year).

APPENDIX A(ii)

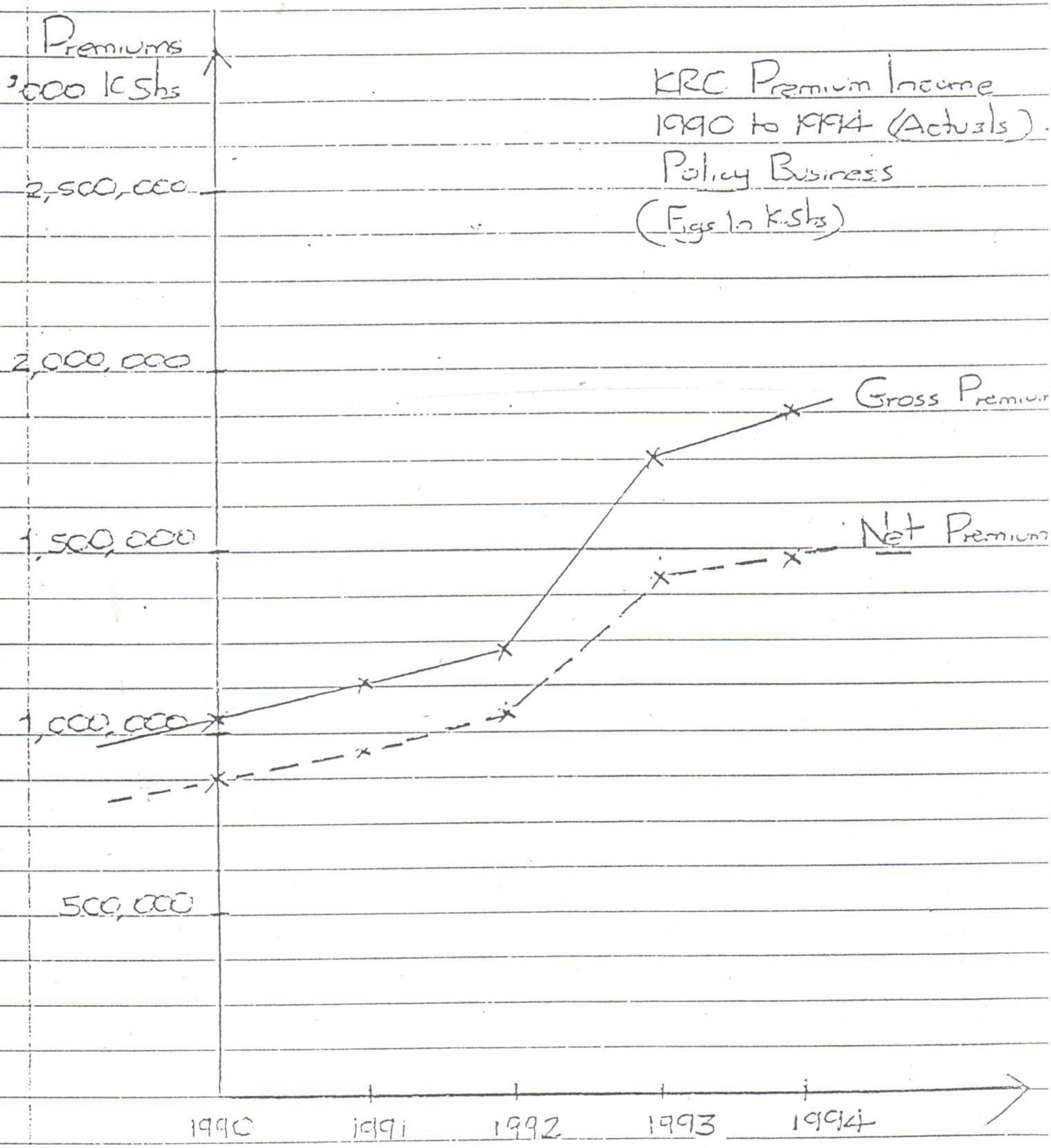
KRC COMPULSORY 25% SHARE OF MARKET GROSS PREMKUMS - (NON LIFE)
ACTUALS 1990 - 1994 (KSHS)

	1990	1991	1992	1993	1994
Fire	182,881,983	216,269,264	223,385,136	350,439,992	352,366,579
Accident	291,481,250	310,421,620	376,810,788	506,689,281	494,437,500
Marine	64,350,881	69,452,140	78,923,178	107,982,712	133,750,670
Aviation	28,196,039	25,876,380	17,267,621	12,002,549	6,842,571
Motor	470,492,648	486,747,058	588,103,179	820,102,636	873,807,388
TOTAL	1,037,652,801	1,108,766,462	1,284,489,902	1,797,217,170	1,861,204,708

KRC COMPULSORY 25% SHARE OF MARKET NET PREMIUMS (NON-LIFE) -(NET OF COMMISSIONS)
ACTUALS 1990 - 1994 (KSHS

	*Commission Charged (%)	1990	1991	1992	1993	1994
Fire	30	128,017,388	151,388,485	156,369,592	245,307,994	246,656,605
Accident	25	218,610,937	232,816,215	282,608,091	380,016,961	370,828,125
Marine	20	51,480,705	55,561,712	63,138,542	86,386,170	107,000,536
Aviation	15	23,966,633	21,994,923	14,677,478	10,202,167	5,816,185
Motor	15	399,918,750	413,734,999	499,887,702	697,087,241	742,736,280
TOTALS	N/A	821,994,413	875,496,334	1,016,681,405	1,419,000,533	1,473,037,731

Appendix A(iii)



MARKET GROSS PREMIUM (NON-LIFE) - ASSUMED GROWTH RATE - 10%

	1995	1996	1997	1998	1999	2000	2001
Fire	1,550,412,947	1,705,454,242	1,875,999,660	2,063,599,633	2,269,959,596	2,496,955,555	2,746,6
Accident	2,175,525,000	2,393,077,500	2,632,385,250	2,895,623,775	3,185,186,153	3,503,704,768	3,854,0
Marine	588,502,948	647,353,243	712,088,567	783,297,424	861,627,166	947,789,882	1,042,5
Motor	3,844,752,507	4,229,227,757	4,652,150,534	5,117,365,587	5,629,102,146	6,192,012,360	6,811,2
TOTAL	8,159,193,402	8,975,112,742	9,872,624,011	10,859,886,419	11,945,875,061	13,140,462,565	14,454,5

KRC COMPULSORY SHARE OF MARKET GROSS PREMIUM (NON-LIFE)

	1995	1996	1997	1998	1999	2000	2001
KRC Share	25%	20%	15%	10%	5%	-	-
Fire	387,603,236	341,090,848	281,399,949	206,359,963	113,497,979	-	-
Accident	543,881,250	478,615,500	394,857,787	289,562,378	159,259,307	-	-
Marine	147,125,737	129,470,648	106,813,285	78,329,742	43,081,358	-	-
Motor	961,188,127	845,845,551	697,822,580	511,736,559	281,455,107	-	-
TOTAL	2,039,798,350	1,795,022,399	1,480,896,601	1,085,988,642	597,293,751	-	-

APPENDIX B(ii)

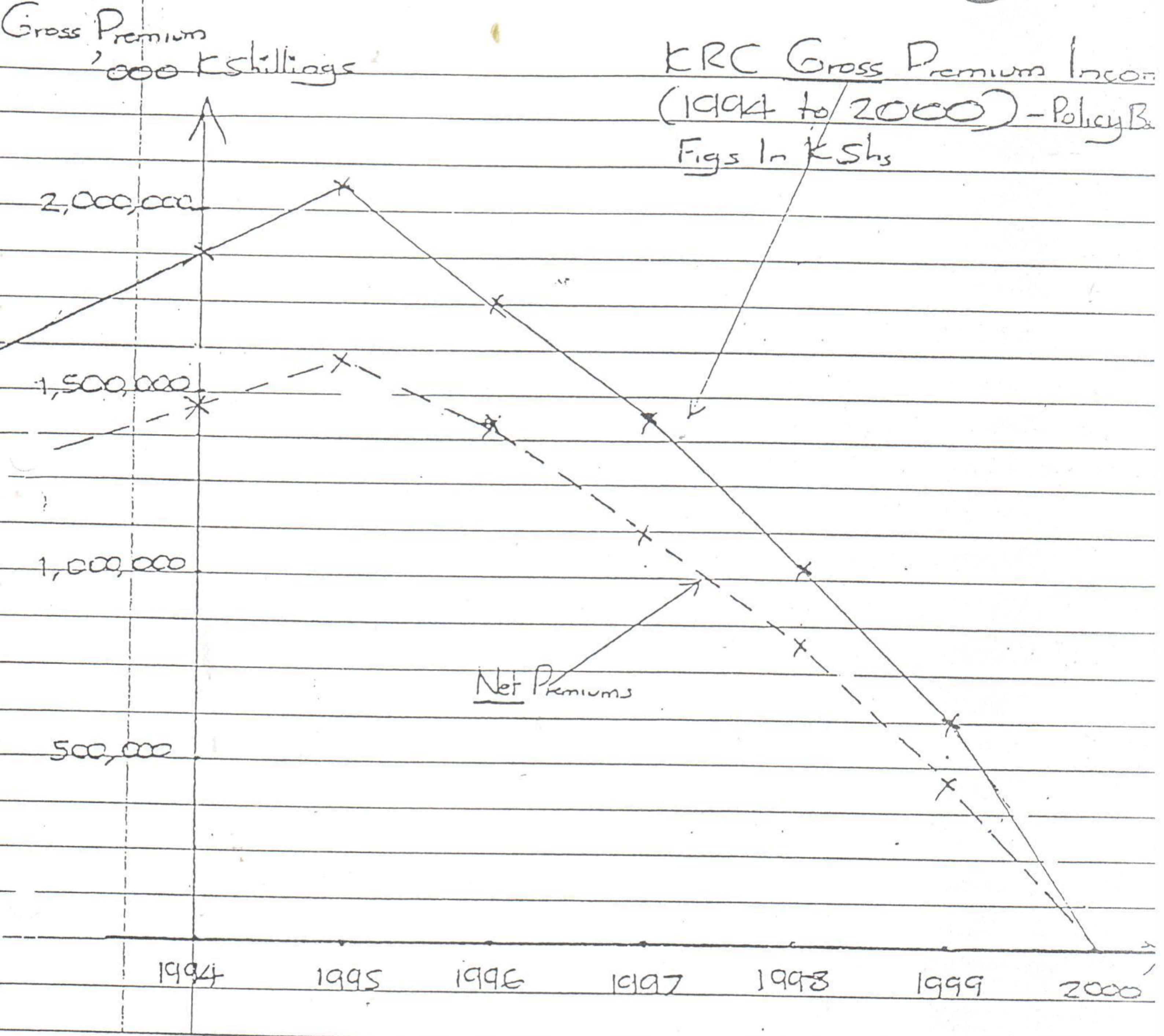
KRC COOMPULSORY SHARE OF MARKET NET* PREMIUM (NON-LIFE) - KSHS

	1995	1996	1997	1998	1999	2000
KRC Share	25%	20%	15%	10%	5%	NIL
Fire	271,322,265	238,763,594	196,979,964	144,451,974	79,448,585	-
Accident	407,910,937	358,961,625	296,143,340	217,171,785	119,444,480	-
Marine	117,700,590	103,576,518	85,450,628	62,663,794	34,465,086	-
Motor	817,009,908	718,968,718	593,149,193	434,976,075	239,236,841	-
TOTALS	1,613,943,700	1,420,270,455	1,171,723,125	859,263,628	472,594,992	-

*Net of Commission, i.e.

Fire	30%
Accident	25%
Marine	20%
Motor	15%

Appendix C


Gross Premium
'000 Kshillings
KRC Gross Premium Incom
(1994 to 2000) - Policy Ba
Figs In KShs
2,000,000
1,500,000
1,000,000
500,000
Net Premiums
1994
1995
1996
1997
1998
1999
2000

APPENDIX D

FACULTATIVES

ACTUALS 1993 & 1994 (FIGS IN KSHS)

	INWARD		OUTWARD	
	1993	1994	1993	1994
Fire	2.8 mln	27.0 mln	61 mln	104 mln
Accident	2.6 mln	2.6 mln	36 mln	22 mln
Marine	47 mln	0.095 mln	6.5 mln	7.4 mln
Aviation	1.6 mln	0.53 mln	4.4 mln	1.08 mln
TOTALS	54.0 mln	30.225 mln	107.9 mln	134.48 mln

APPENDIX D (i)

INWARD FACULTATIVE PROJECTIONS 1995 - 2001
ASSUMED GROWTH RATE - 20% (FIGS IN KSHS)

	1995	1996	1997	1998	1999	2000	2001
Fire	32.4 mln	38.9 mln	46.6 mln	60.0 mln	67.2 mln	80.6 mln	96.7 mln
Accident	3.1 mln	3.7 mln	4.5 mln	5.4 mln	6.5 mln	7.8 mln	9.3 mln
Marine	0.1 mln	0.14 mln	0.17 mln	0.20 mln	0.24 mln	0.3 mln	0.4 mln
Aviation	1.9 mln	2.3 mln	2.7 mln	3.3 mln	3.9 mln	4.7 mln	5.7 mln
TOTALS	37.50 mln	45.04 mln	53.97 mln	68.9 mln	77.84 mln	93.4 mln	112.1 mln

NB - The Assumed Growth Rate of 20% p.a. presumes that the already increase capacity of the Inward Treaties XL, presently standing at US$500,000 per any one risk, will continue to expand over the next 4 years to reach say, US$2,000,000 per any one risk, by the year 2000; and that as local companies retain more and more business over the next four years their need to offload extra liability facultatively will progressively increase.

APPENDIX E

KRC SHARE OF NON-LIFE COMPULSORY CESSIONS PROJECTIONS

(KShs '000)

	Net Premium	Incurred Claims	Balance
1995			
Fire	271,322	135,126	(136,196)
Accident	407,911	286,192	121,719
Motor	817,010	1,069,008	(251,998)
Marine	117,701	53,777	63,924
Total	**1,613,944**	**1,544,103**	**69,841**
1996			
Fire	238,764	173,423	65,341
Accident	358,962	388,272	(29,310)
Motor	718,969	981,118	(262,149)
Marine	103,577	66,616	36,961
Total	**1,420,272**	**1,609,439**	**(189,157)**
1997			
Fire	196,980	168,853	28,127
Accident	296,143	378,039	(81,896)
Motor	593,149	955,260	(362,111)
Marine	85,451	64,861	20,590
Total	**1,171,723**	**1,567,013**	**(395,290)**
1998			
Fire	144,452	161,385	(16,933)
Accident	217,172	361,321	(144,149)
Motor	434,976	920,528	(485,552)
Marine	62,664	61,992	672
Total	**859,264**	**1,505,228**	**(645,962)**
1999			
Fire	79,449	141,771	(62,322)
Accident	119,444	317,412	(197,968)
Motor	239,237	796,337	(557,100)
Marine	34,465	54,454	(19,989)
Total	**472,595**	**1,309,974**	**(837,379)**

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	Net Premium	Incurred Claims	Balance
2000			
Fire	0	95,345	(95,345)
Accident	0	213,483	(213,483)
Motor	0	539,4511	(539,451)
Marine	0	36,624	(36,624)
Total	**0**	**1,184,903**	**(1,184,903)**
2001			
Fire	0	82,454	(82,454)
Accident	0	184,620	(18,462)
Motor	0	466,472	(466,472)
Marine	0	31,761	(31,761)
Total	**0**	**765,307**	**(763,307)**
2002			
Fire	0	54,322	(54,322)
Accident	0	121,670	(121,670)
Motor	0	307,315	(307,315)
Marine	0	520,834	(520,834)
Total	**0**	**504,141**	**(504,141)**
2003			
Fire	-	26,130	(26,130)
Accident	-	58,415	(58,415)
Motor	-	147,674	(147,674)
Marine	-	10,000	(10,000)
Total		**477,219**	**(477,219)**
2004			
Fire	-	-	
Accident	-	20,940	(20,940)
Motor	-	92,395	(92,395)
Marine	-	-	-
Total		**113,335**	**(113,335)**
2005			
Fire	-	-	-
Accident	-	13,000	(13,000)
Motor	-	70,000	(70,000)
Marine	-	-	-
Total		**83,000**	**(83,000)**

APPENDIX F

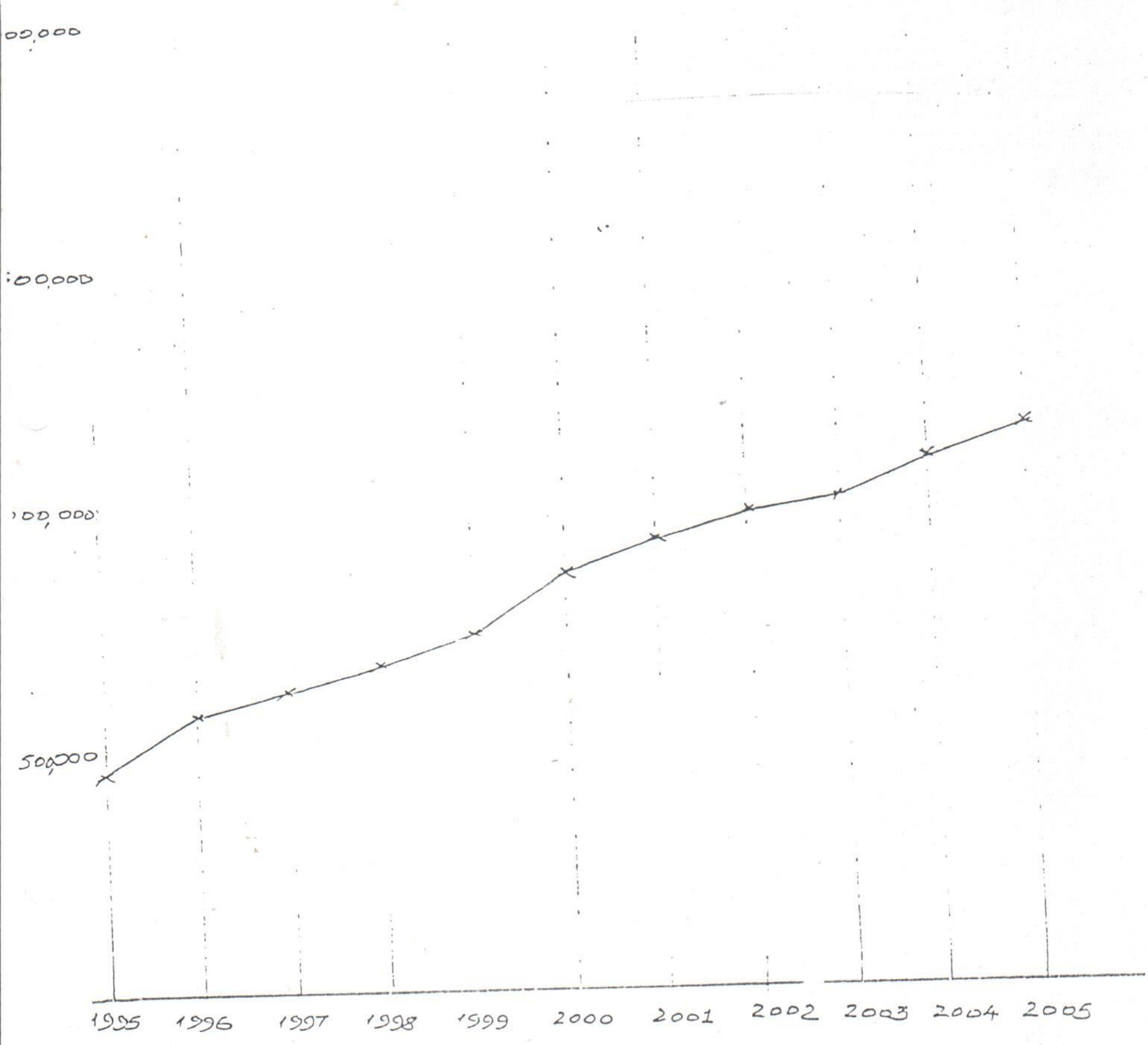
ACTUAL INWARD TREATY PREMIUMS (LOCAL & INTERNATIONAL)

	1991	1992	1993	1994
EXTERNAL	88,901,350	35,893,848	72,338,050	51,535,198
LOCAL	239,089,600	262,248,110	275,691,482	405,872,108
COMBINED	327,990,950	298,141,967	348,029,532	457,407,306

PROJECTIONS TREATY PREMIUMS (LOCAL & INTERNATIONAL)
(MILLIONS IN KSHS)

	1595	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
EXTERNAL (TTY)	26	42	54	65	73	86	98	110	118	130	145
LOCAL (TTY)	460	520	570	620	670	720	770	820	870	920	970
OPTIONAL (TTY)	NIL	-	5	10	15	20	25	30	35	40	45
COMBINED	486	562	639	695	758	826	893	960	1023	1090	1160

PROJECTED GROSS PREMIUMS - LOCAL & INTERNATIONAL '000 SH.



LIFE PREMIUM/CLAIMS PROJECTION 1995 - 2005

APPENDIX G

(a) LIFE PREMIUM INCOME (TABLE I)

(IN MILLIONS KSHS)

	ACTUALS					PROJECTIONS											(%Growth)
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	%
Treaty Cessions	5.90	8.10	10.18	10.70	22.86	27.40	32.90	39.40	47.40	56.90	68.25	81.90	98.30	111.95	141.95	169.85	(20%)
Q/S Cessions	26.60	34.70	46.24	64.30	86.30	90.60	72.50	54.00	36.00	18.00	-	-	-	-	-	-	(-20%)
TOTAL	32.50	42.80	56.42	75.00	109.16	118.00	105.40	93.50	83.40	74.90	68.25	81.90	98.30	117.95	141.50	169.85	

(b) LIFE CLAIMS (TABLE II)

	ACTUALS					PROJECTIONS											% Growth
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	%
Treaty Cessions	2.96	4.02	12.69	9.82	9.30	10.25	11.25	12.40	13.60	15.00	16.50	18.10	20.00	22.00	24.10	26.50	(10%)
Q/S Cessions	3.48	12.10	18.68	22.95	32.00	36.00	29.00	21.60	14.40	7.20	-	-	-	-	-	-	(-20%)
TOTAL	6.44	16.12	31.37	32.77	41.30	36.25	40.25	34.00	28.00	22.20	16.50	18.10	20.00	22.00	24.10	26.50	

(c) TABLE (a) & (b) COMBINED (TABLE III)

	ACTUALS					PROJECTIONS										
	1990	1991	1992	1993	1994	1995	1996	1997	1993	1999	2000	2001	2002	2003	2004	2005
Premiums	32.50	42.80	56.42	75.00	109.16	118.00	105.40	93.50	83.40	74.90	68.25	81.90	98.30	117.95	141.50	169.85
Claims	6.44	16.12	31.37	32.77	41.30	46.25	40.25	34.00	28.00	22.20	16.50	18.10	20.00	22.00	24.10	26.50
Net Premiums	26.06	26.68	25.05	42.23	67.86	71.75	65.15	59.50	55.40	52.70	51.75	63.80	78.30	95.95	117.40	143.35

TABLE 11: RATIO OF PREMIUMS WRITTEN TO PERSONNEL 1982-1992

YEARS	PREMIUMS WRITTEN	PERSONNEL	RATIO PW/P
1982	405,192,862	210	1,929,490
1983	482,671,356	290	1,664,384
1984	543,572,082	310	1,753,458
1985	597,254,144	352	1,696,745
1986	647,982,502	376	1,723,358
1987	792,445,607	413	1,918,754
1988	899,373,321	419	2,146,476
1989	1,089,683,626	483	2,256,074
1990	1,347,358,355	503	2,678,645
1991	1,504,245,205	540	2,785,639
1992	1,652,601,724	600	2,754,336

TABLE 12: RATIO OF INVESTMENT INCOME TO PERSONNEL 1982-1992

YEAR	INVESTMENT INCOME	PERSONNEL	RATIO II/P
1982	38,150,579	210	181,669
1983	41,427,698	290	142,854
1984	45,147,333	310	145,637
1985	59,762,387	352	169,780
1986	79,333,962	376	210,995
1987	90,091,667	413	218,140
1988	113,296,257	419	270,397
1989	125,394,852	483	259,617
1990	158,021,348	503	314,158
1991	196,697,449	540	364,255
1992	223,859,514	600	373,099

TABLE 13: RATIO OF NET PROFITS TO PERSONNEL 1982-1992

Year	Net Profits(NP)	Personnel(P)	Ratio NP/P
1982	62,594,241	210	298,068
1983	41,487,466	290	143,060
1984	46,068,014	310	148,606
1985	41,894,562	352	119,018
1986	48,639,443	376	129,360
1987	54,509,816	413	131,985
1988	40,769,822	419	97,302
1989	51,328,493	483	106,270
1990	95,457,010	503	189,775
1991	83,919,944	540	155,407
1992	94,498,147	600	157,496

TABLE 14: KDHS HOUSEHOLD POPULATION BY AGE, RESIDENCE AND SEX 1993

Age Group	Urban Male	Urban Female	Urban Total	Rural Male	Rural Female	Rural Total	Total Male	Total Female	Total Total
0-4	13.6	13.5	13.6	17.2	15.4	16.3	16.7	15.2	15.9
5-9	10.8	14.0	12.4	18.3	17.9	18.1	17.2	17.4	17.3
10-14	9.6	11.1	10.3	17.1	16.5	16.8	16.0	15.8	15.9
15-19	8.4	10.9	9.6	11.5	9.1	10.2	11.0	9.4	10.2
20-24	10.2	16.2	13.1	6.5	7.6	7.1	7.0	8.7	7.9
25-29	11.9	11.4	11.7	4.5	6.1	5.3	5.6	6.8	6.2
30-34	11.4	8.1	9.8	4.6	5.2	5.0	5.6	5.6	5.6
35-39	7.6	4.7	6.2	3.3	4.0	3.7	3.9	4.1	4.0
40-44	5.2	3.2	4.2	3.3	3.4	3.4	3.6	3.4	3.5
45-49	4.2	1.7	3.0	2.7	2.3	2.5	2.9	2.2	2.5
50-54	2.4	2.4	2.4	2.1	3.7	3.0	2.2	3.6	2.9
55-59	2.2	0.9	1.6	2.1	2.3	2.2	2.1	2.1	2.1
60-64	1.2	0.6	0.9	2.1	2.4	2.2	1.9	2.2	2.1
65-69	0.5	0.4	0.4	1.5	1.5	1.5	1.3	1.3	1.3
70-74	0.4	0.5	0.4	1.3	1.0	1.1	1.2	0.9	1.0
75-79	0.1	0.2	0.1	0.6	0.6	0.6	0.5	0.6	0.5
80+	0.2	0.2	0.2	0.8	0.7	0.8	0.7	0.6	0.7
Missing/Not Known	0.3	0.0	0.2	0.4	0.2	0.3	0.4	0.2	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	2673	2529	5202	15616	17406	33022	18289	19935	38224

Source: Demographic and Health Survey 1993. CBS.

muticon/kenya-re
27/6/94

ADDENDUM

CORRECTIONS

1. Table of Contents:
   - This page should be numbered 2.
   - Section I - Second line should read "Facilitator/Chairman".

2. Section I - Opening Remarks - Should be numbered 3.

3. Page 4 - 1.2.8, first line should read "... recorded his concern..."

4. Page 8 - 2.2.14, fourth line should read "... returns from such ..."

5. Page 10 - Second line should read "It was Resolved that the Corporation Secretary ..."

6. Page 21 - 4.5.4 should read "Delays in paying cedants and reinsurers".

7. Page 25 - The Salient points ... should be numbered 6.4 and sub-sections 6.4.1, 6.4.2, 6.4.3 and 6.4.4.
   - 6.4.3 should read "That funds generated from the life funds ..."

8. Page 26 - 7.2 third paragraph third line should read "... the business back to the market ..."

9. Page 30 - 9.3 second paragraph fourth line should read "... the business back to the market ..."

10. Page 33 - 10.4.5 last line should read "... availing the assets for investment".

11. Page 39 - 11.6.2 second line should read "... prepared and monitored on ..."
    - 11.7 fourth line should read "... the Manager's burdens..."

12. Page 45 - 13.4.1 fourth line should read "... to trimming the establishment to acceptable levels".

13. Page 55 - 18.2 second line should read "... with the participar contribution".

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the next four years and beyond, as projected in our Appendix D(i).

(ii) Some of the premium to be henceforth retained by the market will ultimately be trafficked out to local companies' treaties, on which the Corporation's 25% mandatory participation remains undiminished.

Taking into account normal market treaty premium growth, the Corporation stands to write increased premiums as a result of the foregoing.

Please refer to International Division projections per Appendix F).

(iii) At the present moment, the Corporation cedes premiums on its outward facultative account. This out-go, (see Appendix D), standing at KShs.107.9 million in 1993 and KShs.134.5 million in 1994, arises whenever the Corporation's automatic treaty capacities are exceeded by its compulsory writings on large (listed) risks.

Naturally, as our compulsory cession percentage declines over the next 4 years, most of these risks' sums insureds will fall within our automatic arrangements, obviating need for any out-go, hopefully within the next 2 years or so.

Elimination of this substantial annual out-go can be considered as a saving by the Corporation.

1.4 Proposed Strategies

(i) In the short-term the Corporation can make up for the potential loss in direct premium income by aggressive marketing within the Kenyan market and in Africa generally with the view to maximising acceptances of inward facultative business, whose performance todate remains fairly attractive.