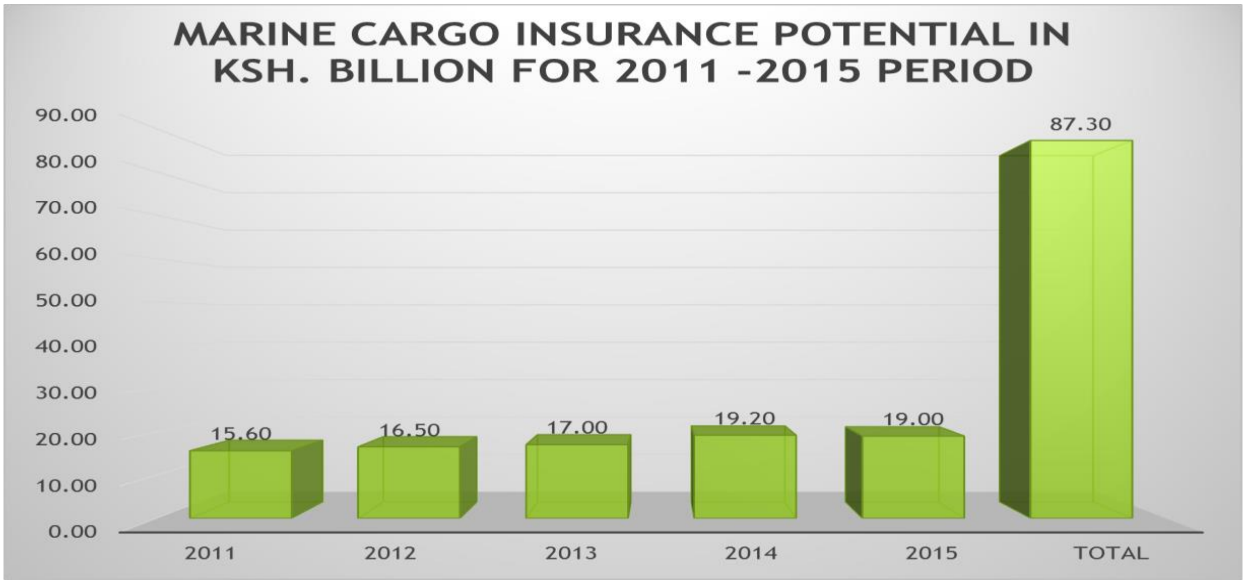
ISCOS SECRETARIAT

MARINE CARGO INSURANCE CAN BOOST REGIONAL ECONOMIES

The majority of shippers in the region (importers and exporters) import goods on Cost, Insurance and Freight (CIF) and export on Free on Board (FOB) basis. The practice is detrimental to the economies and denies local insurance a huge sum of money in the sub-sector as well as a conduit for capital flight through inappropriate use of INCOTERMS for imports and exports. Most importers and exporters do not want to be involved and engage much in the process of moving cargo from origin to destination hence creating jobs and worth to economies abroad.

It is estimated that between 2011 and 2015, the potential value of marine cargo insurance in the in ISCOS Member States was around US$ 4.08 billion. The big question is how much of this was underwritten by local insurance companies? Our laws are clear, that marine cargo insurance should be procured locally. Why are these laws not implemented? Why should we continue enriching our trade partners abroad leaving our own insurance companies starving? Is it not the time for each ISCOS Member State and other States in the region to act and salvage the much needed foreign currency being exported through offshoring marine cargo insurance covers? At least one member State have taken such a practical bold step and will be good if more countries follow the suit for the betterment of our economies and our people.

It is estimated that during the period between 2011 and 2015 Kenya alone lost about 87.30 Billion Kshs of the potential marine cargo insurance as shown in the chart below. The implementation of section 20 of Insurance Act in Kenya will see the country adding more than Ksh.20 billion to the GDP from marine cargo insurance premiums annually.



The chart below shows that in ISCOS member States, for the past five years from 2011 to 2015 the marine cargo insurance potential was about US$ 4.08 billion of which less than 10% were underwritten by local insurance companies despite the laws prohibiting placing local businesses to non-locally registered insurance companies.

ESTIMATED MARINE CARGO INSURANCE OUTLAY IN ISCOS MEMBER STATES IN US$ MILLION FROM 2011 – 2015 PERIOD

		2011	2012	2013	2014	2015	TOTAL
KENYA	IMPORTS	175.76	195.14	196.93	220.88	192.82	**981.53**
	EXPORTS	86.58	91.89	87.49	91.67	88.77	**446.4**
TANZANIA	IMPORTS	134.21	140.59	150.30	152.29	176.47	**753.86**
	EXPORTS	56.82	66.57	52.95	68.46	70.25	**315.05**
UGANDA	IMPORTS	67.57	72.53	69.81	72.88	66.34	**349.13**
	EXPORTS	25.91	28.29	28.89	27.14	27.20	**137.43**
ZAMBIA	IMPORTS	86.13	105.66	121.94	114.47	99.36	**527.56**
	EXPORTS	108.01	112.38	127.13	116.25	104.85	**568.62**
TOTAL		**740.99**	**813.05**	**835.44**	**864.04**	**826.06**	**4079.58**

The laws are clear, but due to reluctance in implementing the laws our economy has continued to suffer from capital flight to other economies through procuring marine cargo insurance from offshore insurance companies. Below is what the laws in our member states say:

SN	Member State	What does the law say?
1	**The Republic of Kenya**	**Section 20, The Insurance Act, Cap. 487, Laws of Kenya** (1) No insurer, broker, agent or other person shall directly or indirectly place any Kenya business other than reinsurance business with an insurer not registered under this Act without the prior approval, whether individually or generally, in writing of the Commissioner (4) A person who contravenes the provisions of the subsection (1) or (2) shall be guilty of an offence and liable to a fine not exceeding ten thousand shillings or to imprisonment not exceeding one year or to both. (5) A policy or contract of insurance or reinsurance effected or renewed in contravention of subsection (1) of section 19, or subsection (1) of this section, shall not be invalid, void or unenforceable solely on the grounds of that contravention.
2	**The United Republic of Tanzania**	**Marine Cargo Insurance is regulated under The Insurance Act, 2009 which states:** 133 (1) The Minister shall, by regulations, direct that any or all insurances effected by Tanzanian residents or Tanzanian resident companies of any class or classes shall be placed with Tanzanian insurers. (2) Where a class of insurance required to be placed with a Tanzanian insurer is not available to a person seeking insurance, that persons may place that insurance with a non-resident insurer provided that- (a) he obtains the prior written approval of the Commissioner; and (b) he complies with the provisions of section 140. (3) Nothing in this section shall affect the requirements of, and the provisions of any foreign currency laws for the time being in force in Tanzania or control exercised by the Bank of Tanzania.

		134. Any general insurance business policy effected by a Tanzanian resident or Tanzanian resident company, other than an insurer registered under this Act, with any non-resident insurer shall be effected through the offices of a Tanzanian registered insurance broker.
3.	**The Republic of Uganda**	**Marine cargo insurance is governed by CHAPTER 213, part I OF THE INSURANCE ACT. It states that:** (1) No person, other than a person licensed to operate under this Act, shall use the word “insurance”, “assurance” or “reinsurance” or any derivations in English or any other language as part of his or her business name. (2) No person, other than a person licensed as an insurer under this Act, shall issue any insurance policy on: ▪ persons who at the time of effecting a contract are residents of Uganda; ▪ goods or assets situated in Uganda; ▪ ships, aircraft or other vehicles registered in Uganda; and ▪ goods imported from other countries except personal effects and donation
4	**The Republic of Zambia**	**In Zambia it is governed under Part XIII The Insurance Act, 1997, The Laws of Zambia states:** GENERAL PROVISIONS 120. (1) All assets, liabilities and interests situated in Zambia shall be insured with insurers licensed under this Act. (2) Not withstanding subsection (1), where a particular type of insurance is not available locally, the Registrar shall approve the placing of such insurance outside Zambia on such terms and conditions as the Registrar shall think fit. (3) This section shall not apply to reinsurance business. (4) Any person who fails to comply with the provisions of this section shall be guilty of an offence and shall be liable, upon conviction, to a fine not exceeding fifty thousand penalty units or imprisonment for a term not exceeding three months or both.

The benefits of procuring marine cargo insurance locally cannot be overemphasized, they include:

- It is easy to authenticate correctness of the insurance policy
- Opportunity to negotiate for better rates and terms
- Settlement of claims is easy
- Avoid losses through remittance and exchange rates
- Creation of jobs
- Enhancement of government tax base
- Goods are covered from origin to destination

It is high time, that the Insurance Acts are implemented in full so that the much needed foreign currency paid abroad through marine cargo insurance is retained in our economy.