



CENTRAL BANK OF KENYA

30TH INSURANCE INSTITUTE OF KENYA (IIK) ANNUAL CONFERENCE 2015 Intercontinental Hotel, Nairobi

Opening Remarks by Dr. Patrick Njoroge

Governor of the Central Bank of Kenya

October 23, 2015

As Prepared for Delivery

Good morning! I am very pleased to join you at this auspicious occasion, the 30th Annual Conference of the Insurance Institute of Kenya (IIK). I am particularly grateful to the IIK for inviting me, and I would like to commend the IIK's Executive Council for organizing the conference. This is a useful forum to discuss pertinent issues relevant to the insurance industry, as well as the broader financial sector and the economy at large.

The theme for this year's conference "*Enhancing Stakeholders' Value for Sustainable Business*" is very timely, as it resonates with the evolving global dynamics. At the outset, the subject of sustainability has increasingly gained importance in modern-day business the world over—businesses can no longer consider themselves successful if they do not take into account the environmental and social impact of their activities. It is also clear that businesses prosper as the society and the environment they operate in also prosper.

More recently, the importance of another aspect of sustainability was captured in Goal 8 of the *United Nations Sustainable Development Goals (SDGs)* that were launched last September, which is "*to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.*"

Of particular relevance is the critical issue of achieving sustainable financing, as countries strive to attain and sustain positive economic outcomes. To this end, one of the targets for Goal 8 of the SDGs is to strengthen the capacity of domestic financial institutions to foster greater access to banking, insurance and financial services. For Kenya, these policies are elaborated in Vision 2030, our development blueprint, with the aspiration of a vibrant and globally competitive financial sector that promotes high level of savings to finance Kenya's investment needs, which is in turn informed by the objectives of enhancing financial stability, efficiency and accessibility to all Kenyans.

Ladies and Gentlemen, we are all aware of the transformative change that has been witnessed in Kenya's financial and economic landscape, with increased financial inclusion driven by the mobile-banking revolution. Access to financial services had increased from 27.4 percent in 2006 to 66.7 percent in 2013. This increase is testimony to the success of the reforms and initiatives implemented by the players in the financial sector. The Central Bank of Kenya too, in partnership with financial sector players, has facilitated these reforms and initiatives to enhance financial stability, efficiency, and access. But much more remains to be done.

A natural question at this forum is whether a similar transformative change can take place in Kenya's insurance sector. What constrains such a change? For instance, can ways be found to expand access to affordable insurance services, or provide more innovative contracts that are more suitable for different segments of the population? Or for different types of risks? How can we shorten the time it takes to make payments to claimants? **Ladies and Gentlemen**, I want to challenge you to a greater vision, to innovations in the insurance sector that will be truly transformative.

It is encouraging to note that Kenya's insurance sector has experienced rapid growth over the past decade, which is likely to continue over the medium term. However, there has continued to be low penetration rates and low uptake of insurance products over the years. The FinAccess Survey for 2013 showed that only about 7 percent of adults in Kenya access insurance products, even as the World Bank trumpets the insurance sector in Kenya as one of the more developed

in Sub-Saharan Africa. One factor that has contributed to this low access is poor perceptions and lack of awareness of the existence and importance of insurance products. The lack of suitable, affordable and accessible insurance products is seen as another constraint. The insurance industry also faces a particularly acute challenge of reaching the lower-income groups.

For the balanced development of the financial sector, financial literacy and consumer protection are also essential. Consequently players in the insurance industry have a responsibility to educate consumers on the importance of insurance services and the alternative products. Although consumer education does not translate immediately to the bottom line, it is critical for the sustainable growth of businesses and the industry.

Finally, I must emphasize that the resilience of our financial sector is attributable largely to the invaluable collaboration between the private and public sector over the years. These collaborative efforts have been critical in facilitating key reforms in the pensions sector, insurance industry, the capital markets, SACCOs, and the banking sector. The Central Bank of Kenya and the other financial sector regulators, will continue working with the private sector to ensure that the sector remains stable, efficient, and accessible.

The growth potential and opportunities for the insurance industry are vast. We can also embrace a greater vision that supports innovations in the insurance sector that can be truly transformative.

With these remarks, **Ladies and Gentlemen**, I declare the 30th Annual Conference of the Insurance Institute of Kenya officially opened. I wish you all fruitful deliberations.

Thank you.