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3RD SESSION * 8TH PARLIAMENT

REPORT BY THE SPEAKER'S COMMITTEE ON
COMPREHENSIVE MEDICAL AND GROUP PERSONAL
ACCIDENT INSURANCE SCHEME FOR MEMBERS OF
PARLIAMENT

NAIROBI

14TH DECEMBER, 1999

PREFACE

The Speaker's Committee is established under Standing Orders No.150(1) which states: **inter alia**,

- (1) There shall be a Select Sommittee to be designated the Speaker's Committee comprising Mr. Speaker as Chairman, the Minister for the time being responsible for Finance, the Minister for the time being responsible for Public Administration and not more than ten other members nominated by the House Business Committee at the commencement of every Session.**
- (2) The Speaker's Committee shall consider, advise, and report on all matters connected with the welfare of members of the National Assembly and its staff.**

Pursuant to this mandate the Speaker's Committee during its meeting on 30th July, 1996 appointed a Sub-Committee to explore ways and means of underwriting a comprehensive medical insurance scheme for Members of Parliament.

The Sub-Committee was given the following mandate:-

- (a) To solicit for necessary information on the medical insurances schemes available in the market.**
- (b) Advise the Speaker's Committee on the possibility of seeking the services of an Insurance Consultant to recommend the most suitable insurance cover.**

The Members of the Speakers Committee are as follows:

The Hon. Francis ole Kaparo, E.G.H., M.P., (Chairman)
The Hon. Chrysanthus B. Okemo, E.G.H., M.P.
The Hon. Julius ole Sunkuli, E.B.S., M.P.
The Hon. Noah K. Ngala, E.G.H., M.P.
The Hon. Andrew Kiptoon, E.G.H., M.P.
The Hon. Gideon M. Ndambuki, E.G.H., M.P.
Prof. The Hon. S.K. Ongeru, E.G.H., M.P.
Col. (Rtd) The Hon. Ronald J. Kiluta, M.P.
Dr. The Hon. Abdulahi I. Ali, M.P.
The Hon. Matere Keriri, M.P.
The Hon. Gor Sunguh, M.P
The Hon. Gitobu Imanyara, M.P.
The Hon. Moses N. Muhia, M.P.

THE ESTABLISHMENT OF A COMPREHENSIVE MEDICAL AND GROUP PERSONAL ACCIDENT INSURANCE SCHEME FOR MEMBERS OF PARLIAMENT

INTRODUCTION

The above subject matter was discussed during the Speaker's Committee meeting held on Thursday 4th November, 1999 and deferred for the next meeting scheduled for Thursday 11th November, 1999 to enable Members familiarise themselves with the issues involved and the Minister for Finance report on the progress so far made in the implementation of the proposed schemes, more so with regard to the funding aspects. It was therefore, agreed that all the available materials on the said proposed schemes be made available to the members to go through.

The Honourable Members of Parliament are a Special Occupational Category from the insurance point of view. As Political Leaders, the Members engage in all functions and activities in the cause of representing their people and this entails frequent travelling that considerably enhances the risk and exposure to accidents.

In addition, Members shoulder heavy financial commitments, responsibilities and expectations such that accidental injury or death would have serious financial consequences to the member, the family, business interests and the estate. No doubt, several members are also the key persons in the income-generating activities and other investments of their families.

This proposal is for an appropriate Personal Accident Insurance that would adequately compensate the losses that may arise from the accidental injury or death of a member.

THE DETAILS OF THE SCHEME

1. Currently, there is no Group Personal Accident Insurance Scheme for Members of Parliament. A contributory Group Personal Insurance Scheme which was managed by the Treasury to provide cover to all Members ceased after the collapse of Kenya National Assurance Company Limited (KNAC) in 1996. Under this Scheme, Cabinet Ministers, Assistant Ministers and Backbenchers were covered to a maximum of Kshs.400,000.00, Kshs.300,000.00 and Kshs.250,000.00 respectively, in case of death or permanent total disability. Representations made to the Omolo Okero, Dr. Julia Ojiambo and Dr. Odongo Omamo Committee urged for the enhancement of these benefits to a maximum of Kshs.1 million, with a consequential rise in the annual premiums for each level.

2. Currently, Members of Parliament are reimbursed hospital expenses through the budget provisions made for **ex-gratia** payments. The cost for the Exchequer of this facility in 1997/98 was about Kshs.7.6 million. This includes reimbursement of the costs of medical treatments abroad for Members of Parliament.
3. The Speaker's Committee has for sometime now, been exploring ways and means of underwriting a comprehensive Group Personal Accident Insurance Scheme and Medical Scheme for Members of Parliament and their families.
4. A market survey by the National Assembly from some reputable insurance brokers indicated that it is possible to underwrite a comprehensive insurance cover for Members at reasonable premiums.

The cost of the two policies, that is, Group Personal Accident Insurance Policy and Medical Insurance Policy, to each Member would cost between Kshs.28,004.00 and Kshs.123,329.00 annually. The detailed cost and benefits are as follows:-

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MEDICAL INSURANCE POLICY SCHEME

This would cover in-patient, out-patient and doctor's fee; emergency, dental and optical medical expenses. The cost and benefits would be as follows:-

- (i) The cost of in-patient only to each Member would be between Kshs.3,509.00 and Kshs.39,555.00 with the annual benefits ranging from Kshs.100,000.00 to Kshs.1 million;
- (ii) For both out-patient and in-patient, it would cost between Kshs.7,095.00 and Kshs.89,023.00, with annual benefits ranging from Kshs.50,000.00 to Kshs.500,000.00;
- (iii) For emergency which is assumed to include air evacuation it would be between Kshs.300.00 and Kshs.3,000.00;
- (iv) For dental expenses, it would be between Kshs.2,000.00 and Kshs.3,150.00 with benefits limited to Kshs.10,000.00; and
- (v) For optical expenses, it would be between Kshs.1,250.00 and Kshs.2,500.00 with benefits limited to Kshs.10,000.00.

5. From the above estimates, the total annual cost (premium) will range from Kshs.6.24 million to Kshs.27.5 million depending on the options chosen from 224 Members of Parliament.
6. The Cabinet, early this year, through a Cabinet Memorandum prepared by the Minister for Finance and the Minister of State responsible for Cabinet and Directorate of Personnel Management considered and approved the following recommendations to be implemented as soon as practicable with regard to the proposed Comprehensive Group Personal Accident Insurance Scheme and Medical Insurance Scheme:-
 - ▶ That the proposed scheme should be contributory and compulsory for all Members of Parliament, each one of whom will be required to sign a letter of irrevocable authority to allow the Accounting Officer (Clerk of the National) to make deductions from Members' salaries and allowances for the entire life of that particular Parliament.
 - ▶ The issue of extending insurance coverage to Members' families should be left optional to those who would be interested.
 - ▶ That any insurance company that would be willing to underwrite the scheme should do so without Government involvement and consideration should be given for the National Assembly to deal directly with the insurance firm, once identified.
 - ▶ That the proposed Comprehensive Insurance Scheme should be "Earnings-related" instead of flat rates.
 - ▶ That the current allowances used for purposes of computing Members' pension benefits should be applied for determining what should constitute Members' earning for insurance.
 - ▶ That the proposed medical cover should take into account all aspects of Members work environment, pressure of work, life style, job requirement, e.g. no upper age limit, etc, in order to underwrite a realistic scheme within minimum qualification limitations.
 - ▶ That the existing contributory Group Personal Accident Insurance Scheme and the National Hospital Insurance Fund should be studied to avoid duplicity, if the proposed new Scheme comes into being.

7. The estimated cost and benefits under the proposed schemes, apply to Members only and their dependants are not included.
8. A number of expected difficulties in operating the above schemes have been cited.
9. Since the proposed schemes will be 100% contributory by Members of Parliament, the Treasury will not be required to make a budgetary allocation for the same other than the normal provision for salaries and allowances for the Members.
10. Section 15(1) of the National Insurance Fund Act (No.9) of 1998 provides as follows:-

"15(1) Subject to this Act, any person -

- (a) who is ordinarily resident in Kenya;
- (b) who has attained the age of 18 years; and
- (c) whose total income, whether derived from salaries or self-employment, in the immediately preceding month, was not less than such amount as the Board, in consultation with the Minister, may prescribe, shall be a contributor to the Fund".

The above Section therefore makes it mandatory for all Members of Parliament to be contributors to the National Hospital Insurance Fund. The above-proposed medical insurance policy scheme will be over and above what is provided for under the N.H.I.F. scheme.

11. Among the recommendations approved by the Cabinet is that any insurance firm that will be willing to underwrite the scheme should do so without Government involvement and that consideration should be given for the National Assembly to deal directly with the insurance firm, once identified.

I. GROUP PERSONAL ACCIDENT SCHEME

(a) SUM ASSURED

The Capital Sum payable under the Policy in the event of accidental loss of life, within 365 days after the date of an accident, is set at the equivalent of five (5) years emoluments of a Member (this shall be Kshs.10,622,000).

(b) PERSONAL TOTAL DISABLEMENT, DISMEMBERMENT, LOSS OF SIGHT OR HEARING

The Continental Scale

Where accidental injury does not result in loss of life but the insured suffers any one of the losses on the schedule below, the policy will pay percentages to the insured:

Continental Scale Schedule of Benefits

<u>Description of Permanent Disablement</u>	<u>% of Capital Sum</u>	<u>Amount Kshs.</u>
Loss of:		
both hands	100%	10,622,000/-
Both feet	100%	10,622,000/-
Sight in both eyes	100%	10,622,000/-
One hand and one foot	100%	10,622,000/-
One hand and sight in one eye	100%	10,622,000/-
One foot and sight in one eye	100%	10,622,000/-
Complete and incurable insanity	100%	10,622,000/-
Complete and incurable paralysis	100%	10,622,000/-
Loss of:		
Arm or hand	50%	5,311,000/-
One leg or one foot	50%	5,311,000/-
Sight in one eye	50%	5,311,000/-
Thumb	15%	1,593,000/-
Index Finger	10%	1,062,200/-
Any other finger	5%	531,100/-
Big toe	5%	531,100/-

Any other toe	3%	318,660/-
Hearing in both ears	40%	4,248,800/-
Hearing in one ear	10%	1,062,200/-

If more than one loss above arises, the percentage are added together but cannot exceed 100% of the Capital Sum.

(c) **WEEKLY INDEMNITY**

A weekly compensation of Kshs.30,000/- per week is offered and shall be payable where accidental injury prevents the Member from attending in any way to the normal duties of his/her occupation. This benefit is payable up to a maximum period of 104 weeks.

A partial weekly benefit for a maximum period of 13 weeks would also be payable where accidental injury partially prevents the Member from attending his/her duties.

(d) **ACCIDENT MEDICAL EXPENSES REIMBURSEMENT**

The policy would pay for medical expenses up to Kshs.500,000/- for the treatment of the injuries insured against. This benefit will supplement any other medical scheme through which a Member may also be drawing benefits from.

THE UNDERWRITER

This Group Personal Accident Insurance is specially arranged with the Insurance Company of East Africa Limited (I.C.E.A.).

A total of thirteen (13) Accident Underwriting companies were invited to quote to insure the 224 Members on a 24 Hours Worldwide basis. Responses received were as below given the Total Insurance Volume as:

<u>Name of Underwriter</u>	<u>Premiums Quoted</u>	<u>Rate</u>	<u>Annual Premium per Member</u>
1. Blue Shield Ins. Co.Ltd.	6,067,480/-	0.255%	27,087/-

2.	Apollo Ins. Co. Ltd.	6,198,259/-	0.261%	27,671/-
3.	I.C.E.A. Limited	6,662,118/-	0.280%	29,742/-
4.	Kennindia Ass. Co. Ltd.	6,729,856/-	0.283%	30,044/-
5.	Alico Kenya	9,172,184/-	0.385%	40,947/-
6.	The Monarch Ins.Co.Ltd.	10,385,984/-	0.437%	46,366/-
7.	Stallion Ins. Co.Ltd.	10,741,857/-	0.451%	47,955/-
8.	Pan Africa Ins.Co.Ltd.	11,052,160/-	0.465%	49,340/-
9.	Intra Africa Ins.Co.Ltd.	16,660,254/-	0.700%	74,376/-
10.	Corporate Ins.	Declined Group Risk		-
11.	Kenyan Alliance Ins.	Declined Group Risk		-
12.	British American Ins.	No Response		-
13.	Phoenix Ins. Co. Ltd.	No Response		-

On considering the lowest three quotations, I.C.E.A. Limited is recommended on the basis of the size of their business, their known underwriting practices, claims services and an assets base of Kshs.9.4 Billion as at 31st December, 1998.

In addition, I.C.E.A. Limited agreed to extend coverage to Age 70 next birthday and to include "riots, strikes, civil commotion and assault".

The Committee negotiated the following insurance cover:

SUMMARY OF COVER Death of or bodily injury caused by violence.

SUM ASSURED & BENEFITS PER PERSON:	A.	Death	Kshs.10,622,000/-
	B.	Permanent Total Disablement (on Continental Scale)	Kshs.10,622,000/-
	C.	Weekly Benefit (Max 104 Weeks)	Kshs. 30,000/- (Per week)
	D.	Accidental Medical Expense Reimbursement	Kshs. 500,000/-

NUMBER	Constituency Members	210
	Nominated Members	12
	Ex-Officio Members	2
	Total Membership	<u>224</u>

TOTAL INSURANCE VOLUME	Death and PTD	Kshs. 2,379,328,000/-
	Weekly Benefit	Kshs. 6,720,000/-
	Medical	Kshs. 112,000,000/-

BASIS OF COVER: 24 Hours

GEOGRAPHICAL AREA: Worldwide

- EXTENSIONS:**
1. Include Riot, Strike, Assault and Civil Commotion
 2. Age limits 18th to 70th birthdays
 3. Include Amateur Football/Soccer
Mountaineering, rugby, basketball and netball
 4. Motor cycling up to 250cc
 5. Payment on account Clause

The benefits were calculated as follows:-

The Monthly Emoluments of members was taken at the average of Kshs.177,033.30 and Capital Coverage sought for the equivalent of 5 years (60 months) emoluments, i.e. Kshs.10,622,000/-. The Kenya Civil Service Group Personal Accident Insurance is currently also based on five times Annual Earnings, and it is common practice to provide this level of coverage to Parastatal employees and in many Private Sector Insurance Schemes in Kenya.

The weekly indemnity has been suggested at approximately three quarters (3/4) of the Actual Weekly Emoluments as follows:-

$$(0.75 \times 177,033 \times 12) = 30,640/35$$

This was conveniently rounded down to Kshs.30,000/- per week.

The Medical Expense Reimbursement has been suggested at Kshs.500,000/- to be a reasonable support to any comprehensive scheme for Member's Medical which may also be in place.

We specifically request extension of cover to include riots, strikes, assault, civil commotion, football, etc for Age Limits 18 to 70.

The annual premium quoted for each member by the three lowest companies are as follows:-

1. Blue Shield	Kshs.27,087/-
2. Apollo Insurance	Kshs.27,671/-
3. I.C.E.A. Limited	Kshs.29,742/-

Recommendation of the Committee:-

On the basis of the size of the business relative to the Personal Accident Portfolio written by the three lowest underwriters, and on the basis of the respective underwriting practices and claims services, we recommend the National Assembly G.P.A. be placed with I.C.E.A. Limited (Insurance Company of East Africa Limited).

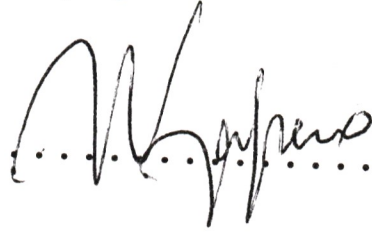
Total Annual Premium 224 Members Kshs.6,621,180/-

Annual Premium Per Member Kshs.29,742/-

II. COMPREHENSIVE MEDICAL COVER

The Committee further recommends that a Comprehensive Medical Scheme be arranged with a reputable Health Insurance Company.

CHAIRMAN:


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DATE:

... 14.12.99

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