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# INTERNATIONAL CO-OPERATIVE ALLIANCE

Regional Office for East & Central Africa

ICA SEMINAR ON

## RISK MANAGEMENT/INSURANCE IN CO-OPERATIVES

NAIROBI 10th-15th JANUARY 1972

REPORT ON THE PROCEEDINGS

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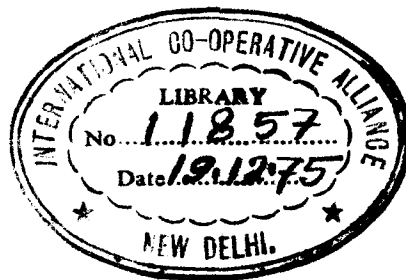
Regional Office for East & Central Africa  
Box 946 - MOSHI - Tanzania

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"RISK MANAGEMENT/INSURANCE IN CO-OPERATIVES"

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C O N T E N T S

	<u>Page</u>
Foreword .....	(i)
Main Report .....	1 - 12
Resolutions .....	13 - 14
<u>Lectures:</u>	
"Considerations for a Built-in Insurance Service within the Co-operative Movement"	15 - 26
"Protection & Loss Prevention in Marke- ting Co-operatives" .....	27 - 31
<u>Country Papers:</u>	
Tanzania .....	32 - 39
Kenya .....	40 - 42
Uganda .....	43 - 46
Ghana .....	47 - 51
Mauritius .....	52 - 53
Group Reports	54 - 62
<u>Appendices:</u>	
Seminar Programme	
List of Participants	

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(i)

F O R E W O R D

As owners and caretakers of assets of various nature, Co-operative Organisations have a great responsibility towards the members, of protecting these assets against losses. As in other business organisations therefore, Insurance is a vitally important aspect in the management of Co-operative Societies.

In its basic objectives, Insurance is in a way similar to Co-operative practice in that they both share the principle of mutual help. It is a relationship inviting a study of the possibilities of integration. As the Co-operative Movements of Africa have continued to grow and expand their business activities in recent years, so have their needs for the various insurance arrangements been increasingly felt.

In recognition of these felt needs, the ICA Regional Office for East and Central Africa organised a Regional Seminar on Risk Management in Co-operatives, which was conducted at the Co-operative College of Kenya, Nairobi, from 10th to 15th January, 1972. The Seminar, which was planned and run in collaboration with the ICA Insurance Development Bureau, as well as several local experts from within the region, provoked such lively and useful discussion on some of the urgent current problems of insurance, that it was decided to compile the deliberations in the form of this book.

It is hoped that as a result of the information and new knowledge gained at the Seminar, and also the awareness for Insurance that has been created, the Co-operative Movements of Africa will in future be able to organise Insurance for their Societies in a manner most beneficial to their members. As will be seen from the report, the Insurance needs of the countries vary according to the stage of development reached by each Movement. For example, some countries require arrangements on an agency basis for a start, while others are considered ready for the formation of a national Insurance Society.

M A I N R E P O R T

ICA SEMINAR ON RISK MANAGEMENT/INSURANCE IN CO-OPERATIVES

SUMMARY OF PROCEEDINGS

1. OPENING The seminar was officially opened by Mr. Peter Nyakiamo of the Barclays Bank, Queensway, Nairobi on Monday 10th January. He was introduced by Mr. Justus Oluoch, Principal Secretary, Ministry of Co-operatives and Social Services.

2. COUNTRY PAPERS

2.1 Tanzania: A paper on insurance in Tanzania was presented by Mr. Mhina and later discussed by the Seminar. It was noted that all insurance for co-operatives (other than Saving and Credit Societies) was handled by the country's national apex organisation, the Co-operative Union of Tanganyika (CUT) acting as an agent of the National Insurance Corporation of Tanzania (N.I.C.). The N.I.C. was charged with the underwriting of all insurance business in the country from the time the business was nationalised in 1967.

The balance of commissions earned after all the expenses of the Insurance Department had been paid, was distributed so that 50% went back to member organisations, as a bonus on their premium payments, and 50% was retained by CUT as revenue.

2.2 Kenya: A paper on insurance in Kenya was presented by Mr. Castren. It was noted that the Kenya National Federation of Co-operatives had, from 1970, been acting as an agent to the Kenya National Assurance Association. The Agency had handled insurance business worth Shs. 49,000.-, earning the Federation a Commission of about 8,000.- It was noted however that this agency needed more support from the Federation's member organisations. At the moment only 3 out of 31 member unions were patronising the KNFC agency.

It was further noted that the Nordic Project in Kenya was about to complete a survey on co-operative insurance in the country, and an Insurance Manual was under preparation. The survey would enable the KNFC to reorganise its insurance agency more firmly and effectively. A Nordic advisor would be attached to the KNFC with a Kenyan counterpart to understudy him.

After discussing the Kenya paper, the seminar made the following recommendations:-

- 2.2.1 All co-operative unions be actively encouraged to support the KNFC insurance agency by patronising its services.
  - 2.2.2 The co-operative movement in Kenya should not only think in terms of an agency, but that the possibility of forming an Insurance society at an early date be also considered.
- 2.3 Uganda: The Uganda paper was presented by Mr. Rugira who outlined his experience in starting an insurance agency and the problems encountered - especially in persuading unions to join. He further revealed that according to a survey made by the Insurance Department of the Uganda Co-operative Central Union, it was considered opportune to start an insurance co-operative society in the country. Preparation of the draft bye-laws for the proposed society would be completed at the end of February, 1972.

The main setback had been the Insurance Act which required amendment before co-operatives could be allowed to write insurance. This problem was however expected to be overcome soon. Other problems associated with lack of finance and expertise were foreseen.

### 3. PROBLEMS OF INSURANCE AS SEEN FROM THE BUYER'S POINT OF VIEW:

A paper was presented by Mr. Mafabi, Manager, Bugisu Co-operative Union, Uganda, from which the following points were noted by the seminar:-

- 3.1 Although the 'legal language' used in writing insurance policies was too technical to be understood by a layman, its use could not be avoided as it was the same language used in courts in case of disputes. To overcome this problem the seminar recommended that:
  - 3.1.1. Managers of Co-operatives should undergo more training in the field of insurance.
  - 3.1.2. Insurance manuals be produced in simplified language outlining the various policies and their implications.

...../3..

3.2 Co-operatives were sometimes suffering at the hands of Stock Insurance Companies which had little regard for the insureds interests as they were mainly interested in making profits. This problem could only be overcome through an insurance business owned and run by the Co-operatives themselves.

3.3 Fidelity Guarantee: This type of insurance should be made available, and it should be made a condition of employment by the Societies that any new employees whose duties involve the handling of money be appropriately bonded. In addition, they should be required to produce suitable guarantors.

3.4 Should a Co-operative Insurance Society be formed in any country, Fidelity Guarantee insurance should not be written to begin with, and in case it is taken up later, strict built-in safeguards should be made in order to minimise the number or severity of claims.

4. PROTECTION AND LOSS OR ACCIDENT PREVENTION IN MARKETING CO-OPS:-

A paper on this topic was presented by Mr. Rugira, Insurance Manager, Uganda Co-operative Central Union. He emphasized that it was vitally important for business organisations (insurance companies included) to have some kind of loss or accident prevention programme. Entrepreneurs usually wanted to run their business unimpeded by losses or accidents, and even insurance Companies were pleased to have no claims. Mr. Rugira gave a number of examples in which losses and accidents in Marketing Co-operatives could be protected. He touched upon the use of fire extinguishers, spacing of building, protection against personal accidents, workmen's compensation and public liability insurance in factories and workshops, etc. He also dealt with petrol stations owned by co-operatives, ginnery and factory operations, fraud, money insurance etc.

The seminar was convinced that protection and loss prevention was one very sure way of Risk Management effectively supplementing an insurance policy.

5. PROTECTION AND LOSS PREVENTION IN SAVINGS AND CREDIT SOCIETIES:-

Mr. C. Compton, Assistant Vice President, (International Operations) CUSA Mutual Insurance Society, presented a lecture which dealt with some practical ways of preventing embezzlement. Mr. Compton pointed out that unlike marketing Co-operatives where there were a myriad of ways



in which accidents and losses could be prevented, there were only a few main ones in which losses could be guarded against in Savings and Credit Co-operatives. He gave the following three examples as the main lines of protection in which Savings and Credit Co-operatives were interested:

- a member dying without repaying the society's money (loan)
- a member dying without leaving money for his family
- embezzlement

The dangers of each of the foregoing were explained, and on embezzlement he suggested the following effective controls against it:-

- a) Separation of duties so that no one person had complete access to, or responsibility for money or property without corresponding control by another person.
- b) Surprise audits by superiors or outside accountants
- c) Bonding and guarantors
- d) Rotation of duties and compulsory leave.

Other means of preventing embezzlement were discussed in the seminar; these included double lock systems on safes and strong rooms and adequate remuneration for managers and cashiers in order to reduce the temptation of embezzlement.

5.1 Group work Following Mr. Compton's lecture the seminar was then divided into four groups which discussed effective ways of preventing losses caused by personal accidents, fire, theft, and measures to be taken to prevent embezzlement of funds in Savings and Credit Societies.

## 6. FUNCTIONS OF INSURANCE

6.1 Mr. W. Fitzpatrick, Assistant to the President, "Nationwide Inc." gave a lecture in which he described the functions of insurance as the provision of a remedy to an individual or organisation in case of loss. He gave three ways in which a loss could occur:

- damage in case of life (due to old age, disability etc.),
- damage to property or loss of it,
- damage from an action or failure to act.

Mr. Fitzpatrick explained the functions and uses of insurance and the way premiums were determined. He also elaborated on the difference between insurance and gambling, pointing out that in the former the risk of a loss was always there up to the time insurance was bought when the risk was then removed; whereas in gambling there was no risk until one placed the bet. Gambling was therefore the exact opposite of insurance.

Mr. Fitzpatrick also explained the meaning of the terms "insurance interest", "uninsurable risks", the theory of probability; and discussed different classes of property insurance, liability insurance, life and health, Motor (which combines property, liability, life and health insurance), Marine (which was the oldest form of insurance) and Multiple line insurance. Livestock and many other types of insurance were also touched upon by the lecturer.

6.2 Functions of Insurance  
(a theoretical outline)

Mr. Castren gave a theoretical outline of the functions of insurance. Speaking of Insurance in Co-operatives he drew the attention of the participants to the scematic circulation system which indicated that funds could be retained within the Co-operative Movement for its growth.

7. COUNTRY REPORTS (II)

7.1 Mauritius:

Mr. Fulena, Co-operative Education Secretary, Mauritius Co-operative Union, presented a short paper in which he highlighted the problems of Insurance in the Island. It was noted that although there did not exist any form of co-operative insurance in Mauritius, the need was very much felt - especially in Marketing Co-operatives and in Savings and Credit Societies.

7.2 Ghana

Mr. Adzosee, Secretary, Ghana Co-operative Transport Association, presented a paper on Co-operative Insurance in Ghana in which he elaborated on the proposed Insurance Society in his country.

8. NEED OF INSURANCE IN SAVINGS  
AND CREDIT CO-OPERATIVES

Mr. Alfred Lanza, Coordinator, Latin American Programme, League Life Insurance Group, who presented the lecture started by explaining the similarities and characteristic elements prevalent in both Savings and Credit Societies "pool" and insurance "pool".

These were:

- Savings and Credit Societies created capital in the same way as insurance concerns.
- There was a common feature of solidarity as insurance concerns paid out claims from other people's money; Savings and Credit Societies lent out other people's money.
- In both cases, the law of large numbers and probability came to bear, as also the principle of spreading the risk.

Dissimilarity in the two was that in the insurance pool there was warranty capital, reinsurance and the premium, whereas in the Savings and Credit pool there was only the savings of the members.

Group insurance and its advantages over individual life were also explained.

Mr. Lanza then touched upon the various problems caused by the death of a member of a savings and Credit Society, after which it was generally agreed that insurance seemed to be the only answer to such problems. He dealt briefly with claims, life savings and group life insurance policies.

9. NEEDS AND COVERAGE IN  
MARKETING CO-OPERATIVES

The lecture which was presented jointly by Messrs Rugira and Mhina started by mentioning that the aim of insurance from the earliest times had been to provide some mitigation of loss suffered by the few due to perils and disasters to which all are subject, by spreading over the losses to many. This was done by collecting premiums from many people and using them to pay losses suffered by the unfortunate few.

The extremely important part played by insurance in a country's economy was stressed as an absolute necessity in any business undertaking whether it be Co-operative or otherwise.

The lecturers then dealt in a simple, non-technical manner with the main classes of Insurance in which Co-operative societies were likely to be interested in connection with the running of their business. They set out briefly what the various classes of policy covered and what they did not. They also explained what the manager of a Marketing Co-operative was expected to do so as to ensure that his Co-operative's Insurances were arranged satisfactorily. "

10. COVERAGE FOR SAVINGS  
AND CREDIT SOCIETIES

The lecture was shared between Messrs Compton and Lanza.

10.1 Mr. Compton covered:

- Loan Protection Insurance
- Life Savings Insurance
- Group Life Insurance
- Package or Protection Insurance which covered Bonding on:
  - Position Basis
  - Blanket Form
  - Bond Guarantee.

10.2 In a lecture entitled "Prescriptions and Recipes" Mr. Lanza gave an account of how Co-operative Insurance Societies were started in South America. This account was geared to enlightening those African countries intending to start Insurance Societies on the problems they were likely to meet and how to go about them

11. PACKAGE INSURANCE  
FOR CO-OPERATIVES

11.1 - Swedish Experience

Mr. Hans Dahlberg, Assistant Secretary, I.D.B. presented a lecture which dealt mainly with the advantages of Package Insurance in the light of the Swedish experience. These advantages were summarised as follows:-

- the policy holder was well protected ;
- due to low administrative costs, the premium was relatively low;
- the simple nature of the policy made it easy to market;
- risk levelling was possible because of the large number or exposure units.

Mr. Dahlberg further explained that this policy covered several risks and left no holes in the insurance requirements of a family or organisation.

## 11.2 Israel Experience

Mr. M. Nusbaum, Managing Director, "Hassneh" Insurance Company of Israel, presented a paper in which he outlined the application of package insurance policies in the Moshav and Kibbutz in Israel.

11.3 It was agreed by the seminar that some form of package policy was necessary for both marketing Co-operatives and savings and Credit Societies.

## 12. ORGANISATION

A lecture was given by Dr. Karl Reichel, Insurance Advisor to the Government of Uganda, who discussed in detail the considerations for establishing a 'built-in' Insurance Service within the Co-operative Movement. He dealt mainly with:-

- Features of Co-operative Insurance
- Prerequisites and procedure for establishing Co-operative Insurance
- Different types of insurance carriers and
- Problems and procedures after establishment.

### 12.1 Review of Dr. Reichel's Lecture:

- 12.1.1. Participants explored ways of starting Co-operative Insurance Societies in their own countries. They noted that whereas, to some great extent, an Insurance Society could easily be started in Nigeria, Ghana, and Uganda, at the moment it was not very easy in other countries.
- 12.1.2. In Kenya they were only at the stage of compiling statistical data. It was noted however, that they would have no problems of advancing once these statistics were ready.
- 12.1.3 The position in Tanzania was that the National Apex organisation was already running an Insurance Department on an agency basis. It was felt that this agency could be improved upon if, on the long run, arrangements were made with the authorities concerned to develop it into a full Co-operative Insurance Society.
- 12.1.4. The position in Mauritius was found to be a bit premature, but the participant from the island welcomed the idea of an Insurance Society in his country when the right time came.
- 12.1.5. The position in Zambia was a bit difficult as the existing insurance Act did not provide for the establishment of Co-operative Insurance. The seminar was informed however, that there were intentions to persuade the government to review this matter and that a positive outcome was anticipated.

### 12.2 Fidelity Guarantee

In order to ensure a minimisation of thefts, embezzlement etc.,

thereby reducing the number of claims arising from such cases, and also make it more convenient for prompt settlement of claims, the seminar suggested that guarantees should be made on those in positions where such claims arose.

The Departments of Co-operative Development were asked to assist in this matter.

13. REINSURANCE.

The lecture was given by Mr. Walter Rittner, President, "Volksfürsorge" (West Germany) who explained that Reinsurance as a form of risk management was an agreement between two or more insurance companies among which the risk of loss was spread over. In this way the risk or loss was spread and a disproportionately large loss under a single policy did not fall on one company only. An insurance company accepting a large risk generally reinsured a portion of the risk with one or several other companies.

He outlined the various types of reinsurance arrangements as follows:

- 13.2 Stop Loss Reinsurance: Excess reinsurance against all loss incurred, after the reinsured's aggregate loss on a line reached a specified amount, or after the loss ratio reached a specified figure.
- 13.2 Surplus Reinsurance: Reinsurance of amounts over a specified amount of insurance retained by the reinsured carrier, the reinsurer contributing to the payment of losses in proportion to its share of the total amount of the insurance.
- 13.3 Automatic Reinsurance: A reinsurance arrangement under which risks written by the reinsured (an insurance company) were automatically reinsured by the reinsurer as written, subject to the conditions agreed upon in the treaty.
- 13.4 Facultative Reinsurance: This was a treaty under which risks may be submitted to the reinsurer for acceptance or rejection, but when accepted they were reinsured in accordance with the terms of the treaty.
- 13.5 Quota-share Reinsurance: This was an arrangement whereby a reinsurer accepted a share of the risk or risks of an insurance company, the two - i.e. the insurer and the reinsurer sharing all losses and expenses as agreed.

After discussing the above in detail, Mr. Rittner then touched on Co-operative reinsurance. He pointed out that within the International Co-operative Alliance there was an Insurance Committee, within which was a sub-committee called the Reinsurance Bureau. The functions of this Bureau were to develop a reinsurance market for Co-operative Insurance Societies and help new societies place their

reinsurance at more favourable terms, as well as giving them technical advice and reinsurance facilities.

#### 14. THE ROLE OF THE INSURANCE DEVELOPMENT BUREAU (IDB)

14.1 Mr. Klas Back, Chairman/Secretary of the Insurance Development Bureau gave a lecture in which he outlined the history of the IDB. He pointed out that the ICA had several Auxiliary Committees of which the Insurance Committee was one.

Established in 1922, with headquarters at the Co-operative Insurance Society in Manchester, England, the Insurance Committee was the forerunner to all other committees.

Its membership was open to all Co-operative Insurance Societies and at the moment there were about 60 members from 25 countries. Its objectives were:

- joint investigation
- exchange of information, and
- establishment of international co-operative relations on insurance matters.

#### 14.2 Reinsurance Bureau

A Reinsurance Bureau was established in 1949 to strengthen international co-operative relations especially in helping the smaller and newer societies derive the benefit of skills in underwriting from the more experienced member societies.

#### 14.3 The Insurance Development Bureau

In 1963 an Insurance Development Bureau was set up to meet requests from developing countries on how to start and run their own Co-operative Insurance Societies. The Bureau had no funds of its own, and, although it was charged with the great task of supervising a programme of assistance in the development of Co-operative Insurance in Africa, Asia and Latin America, its work was conducted through the good offices of the large Co-operative Insurance Societies on individual and collective efforts. It was not until very recently that the Bureau was granted some funds for conducting insurance prospects surveys and for administering scholarships for training in Insurance. Mr. Back classified the activities of the IDB as shown below and also explained the role played by the Bureau in those fields.

- 14.3.1 Undertaking feasibility studies of Co-operative insurance prospects and advising the Co-operative movements on the suitability or otherwise of establishing insurance operations.
- 14.3.2 Providing technical assistance to new Insurance co-operatives by providing guidance, experts to work for initial periods and loan guaranty for borrowing capital.
- 14.3.3 Conducting training through seminars, individual scholarships etc.

14.3.4 Publishing informative material on insurance suited to Co-operatives in developing countries.

14.4 Technical Assistance

Mr. Back mentioned the loan guaranty fund established in 1963 to cover the credit risks of loans granted to Co-operative Societies in developing countries for raising the necessary capital for their operations.

He also spoke of "All-Nations Incorporated" - a company set up by Co-operatives in the United States in 1966 to guarantee loans granted to Co-operatives in the developing countries for starting Insurance Societies.

Mr. Back further pointed out that as members of IDB came from large Co-operative Insurance Societies who had experience in many fields of Insurance, IDB had the type of people required in conducting feasibility studies, writing bye-laws, and organising the desired Insurance Societies. These could, in some cases, be loaned out for short periods to give technical assistance or carry out various assignments. He however emphasized the need for co-operation among the large Insurance Co-operatives as the IDB often experienced difficulties in getting the right people at the right time owing to problems faced by these experts which are related to office and domestic commitments, language and duration of absence.

14.5 Training

Mr. Back pointed out that although the IDB had been granted a scholarship fund to sustain the training efforts, members should follow the example of the Co-operative Insurance Society (CIS) in Manchester and Nationwide in the USA which had hitherto given pre-service and in-service training to insurance employees from developing countries.

14.6 Publicity

The task of disseminating technical information on insurance so as to promote the idea of Co-operative Insurance among co-operators, trade unions and governments - especially in the developing countries was undertaken by the Bureau. A brochure in English, French and Spanish portraying the activities of the IDB and ICA Insurance Committee was published and distributed widely.

A monograph on Co-operative Insurance with information on how to start new Societies, different forms of Insurance and other technical information was also produced. Apart from these, a variety of other booklets on different aspects of insurance were produced by the Insurance Development Bureau.

14.7 Summing up

In summing up his lecture, Mr. Back intimated that with the rapid growth of Co-operative Movements in many parts of the world, the need for Co-operative Insurance - especially



life insurance was bound to assume a great importance in the future. He observed that in some of the African countries represented in the Seminar, there were bright prospects for establishing Co-operative Insurance Societies. It was because of these prospects and the IDB's unquestionable willingness to help them that its members were present in the seminar.

14.7 A Discussion on Mr. Back's Lecture:

Answering a question raised by a Ugandan participant as to whether IDB could extend technical assistance to Uganda in the fields of reinsurance, finance and training, Mr. Back pointed out that needs differed from one country to another and that each case had to be considered separately. He pointed out however, that if the same need was felt by other countries represented in the Seminar, it would be much easier for the IDB to handle it on a regional basis.

This was followed by a discussion by the Seminar which led to a unanimous agreement that technical assistance in the field of insurance was very much needed in each country represented in the Seminar. The Seminar consequently requested the IDB to provide an insurance expert who would be attached to the ICA Office in Moshi (See Resolution One, Page 13).

Mr. Back promised to bring up this matter when the Insurance Committee met in Rome on the 16th January, 1972.

15. CONCLUSION

In concluding the seminar, Mr. Rugira read out a summary of the proceedings of the seminar and the resolutions passed therein.

17. CLOSURE

The Seminar was formally closed by Mr. Dan J. Nyanjom, Regional Director, ICA Regional Office for East and Central Africa.

In his closing address, Mr. Nyanjom thanked the participants for the keen interest they had shown during the seminar. He hoped that they had all benefited from what they had learnt, and that they would be putting into practice the knowledge they had gained from the seminar. He looked forward to a steady development of Co-operative Insurance Societies springing up all over Africa in the near future.

Mr. Nyanjom also paid tribute to the resource persons - namely Mr. Castren from Kenya, Mr. Mhina from Tanzania, Mr. Rugira and Dr. Reichel from Uganda.

R E S O L U T I O N S

RESOLUTIONS PASSED BY THE ICA SEMINAR ON  
RISK MANAGEMENT/INSURANCE IN CO-OPERATIVES

We the participants representing five African countries and the Island of Mauritius attending the ICA Seminar on Risk Management/Insurance in Co-operatives do hereby RESOLVE as follows:

RESOLUTION ONE

- \* We REQUEST the Insurance Development Bureau to provide an Insurance Specialist who shall be attached to the International Co-operative Alliance, Regional Office for East and Central Africa in Moshi, Tanzania, and render his services to the member countries of the Regional Office.
- \* We further REQUEST the said ICA Regional Office for East and Central Africa to persue the matter further as there is now an urgent need for such an expert as evidenced by the Seminar.

RESOLUTION TWO

- \* We unanimously REQUEST the International Co-operative Alliance Regional Office for East and Central Africa to compile and distribute to its members, a Co-operative Insurance Operating Manual.
- \* We further REQUEST the said ICA Regional Office for East and Central Africa to look into the possibility of making available to its member countries, Co-operative Insurance Model Bye-laws which these member countries can use as a guide in drafting their own Bye-laws when forming Co-operative Insurance Societies.

RESOLUTION THREE

- \* We REQUEST the International Co-operative Alliance Regional Office for East and Central Africa to arrange for the provision of training in the field of Co-operative Insurance which is so urgently needed by the member countries.

RESOLUTION FOUR

- \* We REQUEST the International Co-operative Alliance Regional Office for East and Central Africa to encourage each of its members countries to establish either an Insurance Department within the national apex organisation or a Co-operative Insurance Society.
  
- \* We further REQUEST the ICA Regional Office for East and Central Africa that where necessary, it advises the Co-operative Movement concerned to approach their Government with a request to revise the existing Insurance Acts so as to provide avenues for the establishment of a Co-operative Bureau, or Society as the case may be.

Nairobi, 15th January, 1972

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L E C T U R E S

Contents of a Lecture given on 14th January,  
1972 in Nairobi by Dr. K.E. Reichel at the  
ICA-Seminar on Risk Management/Insurance in  
Co-operatives on

"Considerations and Steps to be taken to  
establish a "Built-in" Insurance Service  
within the Co-operative Movement."

1. CO-OPERATIVE INSURANCE

The lecturer commenced the talk by pointing out that all Insurance schemes are essentially Co-operative. In Insurance, Co-operation or combination is necessary in order to assure a large number of exposure units to make the law of large numbers effective.

All principles of Insurance apply also to "Co-operative Insurance." However, Co-operative Insurance in contrast to Insurance in the general sense bears three distinguishing marks:-

Co-operative Insurance

- 1) shall operate exclusively for the benefit of the people insured, shall serve the public, and shall therefore not aim at a profit. Appropriate proportions of the arising profits shall be returned to those who are contributing to it i.e. to the policy holders.
- 2) must be linked to progressive, democratic, popular Movements, and, in particular, to Co-operative Societies in other fields of enterprise.
- 3) shall invest the funds i.e. the technical and other reserves arising as by-product of rendering Insurance protection, in activities which promote the interest of the policy holders and in development and further expansion of the Co-operative Movement.

The Lecturer then laid stress on 4 further objectives of Co-operative Insurance:

- 1) The Co-operative Movement comprises large groups of people, organized in various Societies. The arrangement of protection to these groups, in particular in respect of the contingencies in life, suggests itself, also as far as the law of large numbers, the basis of Insurance, is concerned.

- 2) The existence of large groups makes it readily possible that Societies and its members may insure each other at the lowest possible cost.
- 3) Co-operative Insurance is able to pay special attention to the particular needs and protection which Co-operatives require (i.e. loan protection for savings & credit unions; cattle Insurance schemes etc.)
- 4) Co-operative Insurance provides opportunities to get in contact with the general public outside the Movement and to spread the Co-operative idea by virtue of its favourable terms of Insurance.

## II. PREREQUISITES FOR ESTABLISHING A CO-OPERATIVE INSURANCE CARRIER

A feasibility study has to be carried out. Such a study has to reveal that:-

- 1) first of all, there must exist a Co-operative Movement and/or trade union Movement, at a certain strength, to sponsor or support the establishment;
- 2) there must be a "feeling" of the leaders of the Movement for real need and feeling of responsibility towards such a newly established Insurance Society;
- 3) The sponsors must be aware of the situation in the Insurance market in the country concerned and its potential, the organisation and practices of the existing Insurance carriers; the kind of policies issued including its terms; whether there exists a **tariff** or rating organization; they should also be aware of the operating financial results of Insurance companies in the country concerned (Insurance statistics;)
- 4) There should be available at least a few persons with good knowledge of the principles and practice of Insurance. Facilities as to training in Insurance and whether personnel could be loaned out at the initial stages should be taken into consideration.

## III. FIRST STEP TOWARDS ESTABLISHMENT.

The sponsors, including available persons with experience in Insurance, have to set up an Insurance Bureau (or Insurance Committee) which shall have the aim:-

- a) to carry through the project;
- b) to review the present situation under which each Co-operative may have made its own arrangement with an Insurance carrier, most likely through Insurance agents or brokers.
- c) to carry out a survey, compile statistics, estimate all types and the total Insurance business of the Co-operatives (Societies & unions) in terms of amount insured and premiums paid;
- d) arrange the Insurance cover of Co-operatives in one of the 4 possible ways:-

INSURANCE BUREAU

concludes agreement with	negotiates Insurance cover at most favourable terms with	establishes	establishes
Insurance Carrier =)	Several Insurance Carriers	Co-operative Insurance Society which reinsures 100% of all risks +)	Co-operative Insurance Society and reinsures only part of risks o)
(1)	(2)	(3)	(4)

- =) could be considered as an agency
- + ) in cases where under the existing Insurance legislation of the country a Society cannot easily be registered as an Insurance carrier
- o) however, some types of Insurance may be completely reinsured

The ultimate aim of the Co-operatives is, of course, arrangement (4) It should be pursued with all strength. However, circumstances in a country may deem it advisable to adopt one of the 3 other methods first before establishing the Co-operative Insurance Society.

It is obvious that the disadvantages of method (1) will be the advantages of arrangement (4).

IV. DISADVANTAGES OF AN "AGENCY"

1. In most cases, an agreement will have to be made with an Insurance carrier that does not observe the Co-operative principles and might have been established for the purpose of making profit for the shareholders.



- 2) An "Agency" is not flexible, it has to follow the practices and rules of the Insurance carrier in the spirit of take it or leave it
- 3) It is unlikely that the Insurance carrier will develop special Insurance schemes only and particularly needed by Co-operatives
- 4) An "Agency" is often not aware of the underwriting practices and financial results of the Insurance carrier and whether the premiums, which the Co-operatives pay, are adequate or excessive
- 5) Although Co-operatives are greatly contributing to the "funds" of the Insurance carrier, an appropriate portion... of them will certainly not be invested in the Co-operative Movement.

The only advantage of arrangement (1) would be the payment of a commission on all Insurances channelled through the co-ordinating Bureau. It is however very questionable whether this commission will be commensurate to the contribution to the profit of the Insurer by the Co-operatives.

#### V. TYPES OF INSURANCE CARRIERS

The lecturer dealt thereafter with the 3 different types of Insurance carriers:-

- a) Proprietary carrier
- b) Co-operative carrier
- c) The Government as Insurance carrier

He pointed out that proprietary carriers are Insurers organized for profit and described the most important unincorporated one, the Underwriters at Lloyds' of London. The incorporated proprietary carriers, the capital stock companies, dominate the property Insurance business of the world; its capital fund and paid-in surplus are subscribed by the stockholders, operating losses are paid out of capital and surplus, which in the final analysis belong to the stockholders,

On the other hand, Co-operative carriers are insurers organized on a non-profit basis by members who offer Insurance to one another at cost. The incorporated Co-operative carriers are similar to "Mutual Insurance Companies" These are owned by the customers. The voting control in a mutual company is in the hands of the policyholders who correspond in many ways the stockholders in stock companies. When a mutual company makes an operating profit, a part of it is usually divided in form of policy dividends among the Insureds. The rest is used to strengthen the financial position of the company by building up surpluses (voluntary reserves.) Should there be a loss, the policyholder sustain it through lower dividends, assessments or reduced surpluses.

The lecturer pointed out also that in practice, however, there seems to be little difference between the methods of control in a stock Insurance company and in the big mutuals, because stockholders and policyholders are widely scattered and therefore, do not often attend general meetings, but leave the control in the hands of a few officers and directors who have a majority of votes by virtue of holding proxies. However, this is not necessarily true in smaller Co-operative Insurance carriers. Here the policyholders more often will exercise their privileges of attending annual meetings and voting on company policy. After having dealt with variations and similarities among Insurance carriers, he lectured on the role of the Government as Insurance carrier. He cited various cases where the commercial Insurance carriers are not interested in assuming the risk, but where coverage is badly needed by the public. Thus, in some countries, governmental carriers render protection to farmers against crop failures resulting from perils of nature, and Life Insurance to members of armed forces, and provide a system for the Insurance of bank deposits and of the accounts of savers in government savings banks and loan associations, apart from coverages for death, disability, sickness, old age, unemployment, which fall under social Insurance.

#### VI. THE ESTABLISHMENT OF A CO-OPERATIVE INSURANCE SOCIETY

How to establish a capital stock company? Usually, two legislations are to be applied: The Companies Act under which the legal entity is established and, thereafter, the Insurance Companies Act under which the incorporated company has to be registered for obtaining the permission to carry on Insurance in the country concerned. The question arises whether in respect of a Co-operative Insurance society the Companies Act can be replaced by the Co-operative Societies Act? Before dealing with this question, the lecturer outlined the objectives and purpose of any Insurance legislation and stressed, in particular, the necessity for it. Such necessity has for various reasons long been recognised in the past and Governments of developing countries are now to an ever increasing extent aware of the fact that only by an insight into and supervision of the Insurance business, which is made possible by an appropriate Insurance supervisory legislation, the national Insurance market can be developed and set on a technically sound basis.

Developing countries have adopted from former colonial powers Insurance legislations with modifications, recommended by outsiders, and are now realizing that these Insurance acts are in most cases not tailored to the needs of the country. Amendments are difficult to be carried out because Governments of developing countries have not yet got officials with specific knowledge in Insurance.

Most legislations in developing countries of Africa, are modelled after the British Insurance Act which does not put emphasis on supervision.

The lecturer stressed then on two important requirements in these legislation for obtaining the permission to carry on insurance business:

- 1) requirements as to capital
- 2) legal form of the applicant.

As to the latter, the mentioned legislations permit only two forms:

- a) a Company incorporated under the Companies Act, or
- b) an Association of Underwriters formed and organised in a similar way as Lloyds of London.

The second form is really out of consideration; during the last 300 years hardly any association of underwriters has successfully been set up on the model of Lloyds. Significantly, probably all Insurance legislations in force in developing countries do not contain provisions which would allow an Insurance carrier on a Co-operative basis to participate in rendering protection to the public. In other words, there are no provisions to the effect that either a Co-operative Society or a company incorporated on a mutual basis can be registered as an Insurance. It is certainly not the intention of Governments of developing countries to exclude Co-operative carriers from transacting Insurance business. The setting up of a mutual Insurance Company, which has no share capital, requires special provisions in the legislation which - as pointed out - are not existing. For this reason and for the time being the only way for the Co-operative Movement to establish a built-in Insurance service is to form a Co-operative Society as Insurance carrier. The by-laws have to contain satisfactory provisions for the control of the Society by the policyholders: individual members, Co-operative Societies, or Unions or trade union associations.

During the last 20 years in three Asian countries with British - based legislations 3 Co-operative Societies have been established under the Co-operative Societies Act and thereafter registered under the Insurance Companies Act.

In this connection, the lecturer pointed out that in most developing countries the existing Insurance legislation will soon be revised because the respective Governments are now paying much greater attention to establishing an efficient national Insurance market.

To this effect steps are being taken of reducing the amount of Insurance transacted in the local Insurance market through branch offices and agencies of foreign Insurance companies.

The lecturer is of the opinion that a well-reasoned request to the authorities in charge of regulating or supervising Insurance will be favourably considered if such request emphasises the advantages to the public and the national economy by permitting and registering indigenous carriers on a non-profit basis as Insurers.

In the meantime, the Insurance Act may be amended by defining "Company" not only as a company incorporated under the Companies Act but also including a Society registered under the Co-operative Societies Act.

#### VII. CAPITAL REQUIREMENTS

The lecturer explained the role of the capital in the Insurance business: its function as guarantee. Apart from the capital authorized in the By-laws, there is the capital subscribed by the shareholders which in Insurance may or may not be fully paid-up. The role which the capital plays in the financial structure of Insurance companies is different from that of other businesses. While in other businesses, the share capital is the initial working capital, he pointed out that for Insurance carriers the capital has merely a guarantee function and must therefore not be used as working capital. The share capital of a Co-operative Insurance Society will therefore have quite a different function as the share capital of other Co-operative Societies.

He explained this further by saying that the price of Insurance is supposed to be sufficient to cover the accepted risk, but the premiums are based on averages and the proper working of averages requires concurrence of large number of risks.

This is indispensable in order to smooth out as much as possible the fluctuations of risks and to obtain an even claims experience. Until a company is well established such great numbers are not yet in existence, and a certain financial guarantee is necessary to secure the fulfilment of the company's obligations in all circumstances.

He explained, since mutual Insurance companies have no share capital, such a company must have a guarantee fund, also called a foundation fund, when commencing to carry on Insurance business, again for providing a fair safeguard against adverse fluctuations of risks, particularly, as long as the law of large numbers is not fully operative. Such fund may be amortized or reduced to the extent as voluntary reserves arise and are built up out of the forthcoming Insurance transactions.

On the question how the amount of share capital is to be raised, he pointed out several possibilities for obtaining this guarantee capital: It could be contributed by:

- a) Co-operative Societies/unions
- b) trade union associations
- c) individual members as membership fee

or could be obtained by way of loans.

The amount of guarantee capital required for Insurance transactions is usually proscribed by law. The lecturer pointed out its relationship to the retention capacity of the Society to be established: the higher the guarantee capital, the higher the amount of risks which can be retained by the Society and, consequently, the higher the profit or loss. At this instance he stressed the importance of reinsurance facilities. He said that at a later stage of operations the capital may or may not be increased; anyhow it would lose some of its significance to the extent as the Society is able to build up voluntary guarantee reserves from its surplusses.

VIII. PROBLEMS AND PROCEDURES AFTER ESTABLISHMENT

It will probably not be difficult to persuade all Co-operatives to entrust the handling of their Insurance cover to the newly established Society since they have a share in it. It is evident that at the outset only a part of this rather diversified cover can be carried on by the Society. The risks which the Society cannot assume at the beginning have to be passed on to another Insurance carrier or may be fully or to a very large extent re-insured with another company. Since the Society can by no means start with Insuring all classes and types of risks at the outset, the question arises which are the classes of risks to begin with? Here, the statistics compiled on the Insurances of the Co-operatives together with loss ratios will give information. A modest beginning is advisable. The activities of the Society should gradually be extended after experience has been gained.

The question arises whether the present need for Insurance by the Co-operative Movement will be sufficient to justify the establishment of an Insurance Society. Here, we have to bear in mind not only that this need will increase with economic development but also that it reflects merely the need of the Societies and unions, but hardly the desire for protection of the vast number of individual members of the Societies. This suggests the introduction of life Insurance in a specific form. In view of the present standard of living of the majority of the members, emphasis has to be placed - at the beginning at least - on protection rather than savings. He mentioned family group life and loan protection policies to begin with and pointed out that in developing countries non-Co-operative Insurers at present approach a different and restricted class of people who are able to combine substantial savings with Insurance protection.

He explained thereafter some of the characteristics in the operation of life Insurance (mortality table; determination of profit) and said that the problems encountered therein will often be quite different from those to be solved in the non-life Insurance field and required actuarial assistance.

A decision has to be made whether or not the Society shall follow the tariff rates in the market or grant the same Insurance cover even from the outset at somewhat lower rates. The lecturer pointed out the extensive preparatory administrative work which will become necessary before being able to act as an insurer and mentioned, among others, drafting of forms for applications, cover notes and policies, classification of risks, determination of premium rates, arrangement of re-insurance cover; of course, he admitted, a lot of this administrative work may be adopted - with necessary modifications - from commercial Insurance carriers operating in the market. One problem, with which a newly established Insurance enterprise is heavily confronted with, will fortunately not arise, at least at the outset; the establishment of an agency force. The Co-operative Societies in different parts of the country will be the first agents of the newly formed Co-operative Insurance Society.

#### IX. MANAGEMENT AND STAFF

In this regard, the lecturer recommended the preparation of an estimate of anticipated results of the envisaged operations during the first three years including an estimate of the administrative expenses involved. Problems as to office space and equipment have to be considered. Even although at the beginning only a few persons will be required by the Society, very important questions arise immediately:

- a) Is there a qualified person available who can take over the management at the beginning?
- b) Can a qualified person be recruited from an existing private Insurance company?
- c) Can at the initial stages a qualified person be loaned from outside?
- d) Is there any technical advice available?

The matter of training of personnel in Insurance operations has to be tackled already at the outset,

#### X. CONCLUSION

The lecturer dealt finally with the probable relationship of a newly formed Co-operative Insurance Society with the existing Insurance carriers in the country established on a commercial basis. He said that for reasons of competition such an establishment might not be particularly favoured by them. It would be hard for the Co-operative Insurance Society to attract the attention and goodwill of the public if the existing Insurance carriers were financially strong, technically well-established and experienced. He pointed out however, that, in developing countries that is not often the case.



He concluded his lecture by advising the Co-operatives to start on a small scale, not to be too ambitious and that a small Insurance carrier must not necessarily be uneconomical. Gaining of experience and thereafter gradual extension of activities are essential. He is confident of the great potentialities of extending activities in insurance in developing countries by indigenous companies operating solely in the interest of the policyholders.

PROTECTION AND LOSS PREVENTION IN MARKETING CO-OPERATIVES

by: - E. RUGIRA (UGANDA).

It is vitally important both to any Insurance company and a well organized Insured, to have some kind of loss or accident Prevention programme; for with, or without Insurance, any firm needs to protect itself against the occurrence of losses. When a loss occurs, the firm suffers in various ways. They may have to close the business for an indefinite period of time thus losing raw materials, revenue, and at times experienced employees etc.

It is therefore important for organizations like the Co-operative for our main concern, to have some kind of protection or loss prevention measures.

Invariably, Insurance companies are keen to see that no accidents happen. Even if they have to pay big sums of money, which many companies actually do pay in loss Prevention Programmes, this is done in the hope and true spirit of Insurance that a small certain amount paid out (in a loss - Prevention Programme) is better than an uncertain large amount that could be paid out in a claim where no proper measures were taken to prevent an accident. Some Insurance companies do allow special discounts to Insureds maintaining accident and loss prevention programmes. For example a non smoker may have special discount applied against his Life Assurance rate. A teetotaler or an occasional drinker may have some discount allowed on his/her Motor Insurance Premium. In these examples, both parties, the Insured and the Insurance company have something to gain.

Some Special examples of loss and Accident Prevention Measures in Marketing Co-operatives:

In Uganda for example, we have Cooperatives engaged in the cotton ginning and coffee processing industries. Both these activities can be highly hazardous. Insurance Companies have extinguisher warranties instituted in the policies, but this is not enough unless the Insured has it in mind, to prevent accidents.

On several occasions, a fire extinguisher has been found to be out of order, or in an obscure corner, not charged, or even a wrong type kept for use. On the other hand you may find that there isn't anyone who knows how to use the fire extinguisher. Workers must be taught how to operate them.

We in Uganda have tried to find as many ways as possible in which accidents could be minimised. At the same time, we have also taken it upon ourselves in the Insurance Department, to advise Unions, wherever possible, in siting where certain buildings should or should not be erected.

In fire rating a ginnery premises as an example, buildings within 40 feet of the main ginnery building are rated the same as the ginnery itself even if such buildings were used for safer purposes like a library or bicycle shed. We therefore advise Unions to save money on premiums and minimise the risk of a fire from the main ginnery building spreading to a godown or vice versa by not building within that distance. This also applies to the other processing plants like coffee factories, Groundnuts processing plants, tobacco factories etc.

Cotton: (a) in transit - 3 persons to accompany the lorry. All insured against - personal accidents;

(b) (i) In stores not to be filled to the top of the store - avoid possible spontaneous fires.

(ii) Stores built so that water won't go through vents.

(iii) No smoking.

(iv) No burning grass and no grass within 50 feet from store.

(v) a watchman day and night.

(vi) A full store not kept for a weekend or more than two days.

Employees: (a) in Ginnery.

(i) No one to do double shift as dosing and accidents could result.

(ii) No drunken employees.

(iii) No pot holes or torn floors

(iv) All motors or sharp equipment to be protected. Strict adherence to factory regulations.

(v) No oils or water to make slippery floors.

(vi) No smoking inside ginnery buildings.

(b) In Coffee Processing:

(a) All warned to exercise utmost care in walking as loose coffee barries could cause one to fall. Others, same as in ginnery.

Advised to stay masked.

Petrol Stations:

We have a few Co-operative petrol stations and we advise employees:

Spill no oils or greases on premises. No smoking, keep out of approaching vehicles. Advise customers to turn off engine and extinguish lights (if at night).

Groundnut Factory:

Keep floor clear of groundnuts beans. Important to dispose of husks elsewhere than at premises, otherwise at a distance of about 50 metres, and watch the wind when burning husks. In seed multiplication plant, employees warned of chemicals applied to seed and no children allowed in plant.

Coffee Factory Operations:

Disposal of husks as for groundnuts. Preferably, husks be supplied free.

Poultry Factory: In one Poultry Co-operative Shop, special boots are worn to stop employees slipping on wet floors. Employees cutting themselves at work (accidentally of course) in the slaughter rooms have their wages cut at month ends.

Fraud: We have given advice on selecting employees, overtime, rotation of duties, compulsory vacations, surprise checks, regular audits etc.

Money: On cash in-transit, we have given several alternatives in the way of money movements.

Examples: No regular day or hour; change vehicles; do not appear too suspicious; don't let everyone know that it is pay-day tomorrow.

No money transits on bicycles or at night. No large sums to be left in safe over weekends or holidays. All safes at buying centres (P. Society Stores) to be cemented, two keys held by different persons etc.

Workshops:

Electrical work, welding, carpentry etc. must be carried out on proper premises with adequate protection.

Loss and Accident Prevention Measures need not be over stressed as any Co-operative Manager will see that minimising or removing inconvenience or interruption in production and distribution is a fundamental requirement in any business.

I therefore urge all Co-operative Organisations to consider this matter very seriously, not in the light of what it may cost them, but what it would save them, premium-wise, inconvenience-wise, financially or otherwise.

PROBLEMS OF INSURANCE AS SEEN FROM THE INSURANCE BUYERS'

POINT OF VIEW - By A.G. Mafabi

The problem starts from the time a buyer decides to buy an Insurance. The explanation given by the seller is more of a business-like rather than a service. The buyer then enters the contract because of the attractive words or conditions attached to the policy.

The problems are made worse by the wording of Insurance Policies. There are so many complicated phrases in Insurance Policies which appear to be misleading, and for the buyer to read the policy, by the time he reads the last paragraph of the document he will have lost the meaning of the first paragraphs.

As a result of the above the buyer learns the conditions of the Insurance Policy better at the time of claiming and especially when the claim is dishonoured.

Another problem arises from the fact that there has been no courses for Co-operative workers in Insurance business (even in our school syllabuses) to enable the workers to cope up with the Insurance language or phrases. This causes suspicions to the Insurance buyer because he does not know how and where the premiums payable are worked and based on.

Problems arise in so many different policies of Insurance but just to quote a few the problem rise more in the following policies:-

1. Fidelity Guarantee To have a claim honoured in this policy it is stated that the employee concerned must be convicted in a Court of Law, even if there is a clear evidence that cash is missing from a safe or Box. The employee concerned has also to defend himself by all possible methods exposed to him. The result is that the Society involved becomes the loser.

This Policy covers cash only but does not cover stocks: It must be borne in mind that there are fictitious losses of stocks.

11. Workmen's compensation - Conditions under this policy are not quite clear. Sometimes policies do not cover what the law of the land requires and as a result instead of paying the claim direct as it is indicated in the policy, advocates do come in and the problem is made worse to the Society or insurance company concerned.

111. Fire Insurance - This policy sometimes misleads the buyer. The buyer thinks that fire policy covers everything: building and the contents thereof. The buyer realises this at the time when he undergoes risk.

IV. Life Insurance or Assurance - The buyer of this Insurance is always at risk. Sometimes he is not sure if he would continue paying for the policy i.e. an employee who loses employment would lose his premiums so paid.

V. Cases connected with Insurance claims - Societies have lost a lot of money and are still losing, because of the present method of handling Co-operative cases concerned with theft, embezzlement etc. Societies should be protected against dishonest employees.

VI. Delays in settling claims: The causes of delays in settling claims are partly due to the Insurance buyers delay in submitting their claims. But where this is not the case what causes the delays? Is it because head offices of Insurance Agents have been overseas or there are some other causes!!!

VII. Group Insurances:(in Pension Schemes) - These as stated from the opening paragraphs, are not clear and even the charges are exorbitant.

There are so many other problems open to the Insurance buyer, that if the Co-operative Insurances are to be established to serve the Insurance Buyers, serious consideration should be taken to ease these problems:-

- a) The I.C.A. should be advised to arrange Insurance courses for Co-operative workers to enable them to interpret the Insurance language.
- b) Plain language understandable by an able reader should be used in drafting the Insurance Policies, and conditions attached to the policies should be made clear to the buyer and should embody the requirement of the Law of the Land to avoid further expenses to advocates.
- c) Certain policies should be combined i.e. workmens compensation and Personal Accidents etc. or since risks of Societies are well known why not work out one Policy to cover all Society risks.

C O U N T R Y R E P O R T S

INSURANCE FOR CO-OPERATIVES IN  
TANZANIA - BY G. MHINA

1. INTRODUCTION: Many of us know something about Insurance. This Seminar will give us the opportunity of understanding what each of the 3 East African countries do to the Co-operative Movement as a whole on the subject of Insurance for the Co-operatives.

2. WHAT IS INSURANCE AND WHY SHOULD WE INSURE

A simple and clear definition is that Insurance is a means of securing losses through a contract of Insurance arranged and agreed upon between the buyer of an Insurance policy and the Insurance. It would be impossible to do without Insurance, just as banking and other services are essential. Insurance is now a world-wide business and you will never miss the word if you travel anywhere in this world.

The main aim of Insurance is to make provision against the dangers which beset human life and dealings. Those who seek it endeavour to avert disaster from themselves by shifting possible losses on to the shoulders of others who are willing, for money or some other consideration, to take the risk of them and in the case of Life Assurance they can assure to those dependent on them a certain provision in case of their death or provide a fund out of which their creditors can be satisfied. When uninsured loss happens, it falls heavily on you (or your family if unfortunately you die) or on your firm, but if you have Insurance in force the risk is spread.

3. HOW TO BUY AN INSURANCE POLICY

A desirous policy buyer first arranges the buying of a policy with the Insurer through



a document known as a Proposal Form which he is required to complete fully and declare on it that what is stated on the form is moral and should be taken as the basis of the contract. He then hands the form to the Insurers who in turn, suggest to him the price of the said contract. The policy buyer then arranges to pay a contribution to the Insurer called a premium, into a pool, out of which those who suffer loss are compensated.

4. EXISTING ARRANGEMENTS IN TANZANIA

In Tanzania Insurance is the monopoly of the state and that no one else is allowed to insure risks. Our Government had thought for a long time on the market and it was not until February, 1967 when the business was nationalised. The State Insurance Company is known as the National Insurance Corporation of Tanzania which started business in 1964 selling all types of covers including of course Life Assurance Policies. As a matter of interest, the first Life Policy was sold to the Head of the Head of our State His excellency President Julius K. Nyerere.

HOW THE CO-OPERATIVE UNION OF TANGANYIKA LIMITED BECAME AGENTS FOR ITS MEMBERS

In 1964 the then Minister for Commerce and Co-operatives Mr. J.S. Kasambala directed all Co-operative Organisations to support their sister Organisation (COSATA) by purchasing all their requirements through it. As a further assistance to COSATA and the development of the Movement as a whole, he also directed that Insurance Department of COSATA should be exclusive Agent to all Co-operative Insurances. When COSATA was nationalised in 1967 and ceased to act as a Co-operative Organisation, the Honourable D.M.N. Bryceson, Minister for Agriculture and Co-operatives revoked these directives and directed the Co-operative Union of Tanganyika to place its Insurances as an Agent of the National Insurance Corporation of Tanzania to the best advantage of the Co-operatives whom it represents.

Immediately thereafter, the Co-operative Union of Tanganyika appointed Messrs Rahim Agencies as Insurance Representatives on behalf of the Movement and it was then necessary to transfer all Insurances from COSATA's Agency. Between October, 1967 and 14th November, 1968, Messrs Rahim Agencies on servicing Insurances of the Co-operatives earned Shs. 152,255/60 as commission. This was felt to be uneconomical and C.U.T. decided to have a department responsible for handling Insurances to avoid payment of commissions. It was not until the 19th November, 1968 when this department started with an office in Dar es Salaam only. Seven new branches have now been opened at Regional Union Offices.

As it is, the main objectives of establishing the Insurance Department of the Co-operative Union of Tanganyika are:-

- (1) If Insurance business is rationalised, there will be uniformity in both rating structure and scope of cover so that Unions will pay equal rates of premium
- (2) A collective bargaining on behalf of all Co-operatives can result in reduction of premium rates and obviously Union and Societies will benefit from these reduced rates
- (3) Commission earned from premiums collected will help in the development of the Movement as a whole
- (4) Not to allow room for middlemen to canvass Insurance business from any Co-operative Body.  
Experience has proved that farmers are now happy with the set-up since we opened these branch offices because they can easily get their Insurance requirements at their areas. In the past, they had to take a longer time in receiving proper services on their demands but now this is not the case though there may be few exceptions. Settlement of claims is now limited to at least 2 months as compared to 6 months before.

##### 5. GENERAL MARKETING SITUATION

In Tanzania a good number of people understand the importance of Insurance and this has even opened the eyes of the Co-operatives. Unions value Insurance very seriously and they have in fact, bought various types of covers to protect them against losses. Our records indicate that in the majority of cases the following policies have been sold to the Unions:-

##### (a) MARINE OPEN COVER

This is a very important section of business whereby goods

of every description worth thousands or millions of shillings are insured against the risks of total loss, by total loss of the goods carrying vessel or any other type of conveyance or by fire damage and any other peril insured against. This class has involved the Unions to lodge many claims with the National Insurance Corporation due to lack of adequate security in the goods carrying vehicles, schooners and the like, but nevertheless, these were settled by the National Insurance Corporation.

(b) CASH INSURANCE

Money belonging to the Unions for the purpose of buying crop or payment of salaries or any other business whilst in transit between the Union's office and the Bank or Post Office including cash held in a Securely locked safe and/or strongroom or any other receptacle is insured against the risks of Fire and Theft during the non-business hours. Under this class loss of the money through fraud or dishonesty of employees is not covered. Experience has shown that many claims have been recorded by the Unions some as fraudulent but all the same our National Company has exercised sympathy with the farmers and had them settled.

(c) FIDELITY GUARANTEE INSURANCE

Do you realise that theft can occur from within as well as by intruders without? Any businessman should understand that his staff may rob him by dishonesty and if money is stolen by manipulating the books it may happen for a lengthy period before discovery and cause an exceptionally heavy loss than the occasional burglary. Fidelity Guarantee Insurance provides the necessary protection. Under a commercial fidelity guarantee, the relationship between the Insurer and the employees is that of pure guarantee. In a pure guarantee it is not necessary to disclose facts which may be material to the validity of an Insurance guarantee, unless and until a request is made by the guarantor.

Unions have actually lost a lot of money through fraud and dishonesty of their employees who stole or misappropriated funds and stocks. The National

Insurance Corporation are these days treating acceptance of any proposal form for this class with consciousness and it is not easy to get insured because the claims record under this section has been very discouraging, but nevertheless the National Insurance Corporation treats each proposal on its own merits.

(d) MOTOR INSURANCE POLICIES

These consists of:-

- (1) Those vehicles used by individual for social, domestic and pleasure purpose including carriage of members of the staff and samples
- (2) Goods carrying vehicles which are known as Commercial Vehicles including Buses, Taxis, Tractors etc.
- (3) Motor Cycles.  
Under motor Insurance, the following covers may be granted:-

(1) Comprehensive Insurance Cover

This is a cover from which a policy holder is indemnified against:-

- (a) Total loss or damage to the vehicle
- (b) Liability to Third Parties and other legal benefits. In other words, Comprehensive Insurance provides full cover.

(2) Third Party Cover

This is a cover giving compensation and/or idemnity to the Third Party other than the policy holder.

(3) Ordinance Only Cover

Benefits to pedestrians against bodily injury or death to them through accident caused by the policy holder.

(e) FIRE INSURANCE

Unions have bought fire policies in order to protect their property such as:-

- (1) Crops in Godown/Stores/Offices/Shops
- (2) Foodstuffs in trade in their shops, godowns etc.

- (3) Buildings and property therein including machinery, plant, utensils, trade and office furniture fixtures and fitting etc.

Under this class the Unions are idemnified against loss or destruction of their property by fire and lighting and if so desired, the cover may be extended to include the risks of strike and riot, earthquake and other special perils such as Flood, Tempest, Explosion, Impact, Hail Snow etc.

(f) BURGLARY INSURANCE

This is a cover under which the property of the policy holder such as stock of foodstuffs or any other goods is Insured against the risks of Burglary and House-breaking. Practically LARCENY is not covered under the local burglary policy. May I explain here the meanings of BURGLARY, HOUSEBREAKING OR LARCENY:

Burglary:

Means breaking and entering into a dwelling house or any other premises between 9 p.m. and 6 a.m. with intent to commit felony.

Housebreaking:

The breaking and entering of any dwelling house or any other premises within the curtilage thereof and occupied therewith, or any shop, warehouse, office etc. and committing a felony during the daytime.

Larceny:

Is stealing without the consent of the owner, fraudulently and without a claim of right made in good faith, taking and carrying away anything capable of being stolen with intent to converting the stolen goods into ones own use.

(g) PERSONAL ACCIDENT INSURANCE

This class of Insurance is designed to provide for payment of compensation according to a fixed scale in the event of death or injury by accident or incapacity following the accident. The grant of this cover is voluntary there is no ordinance making it necessary to Insure. According to our records, all Unions have bought policies on behalf of their employees or Committeemen.

(h) WORKMEN'S COMPENSATION INSURANCE

This is a compulsory Insurance in East Africa and that all government have issued Acts or Ordinances directing all employers to insure their workmen against accidents and diseases sustained by the employees under contract of service where such accidents or diseases arise out of and in the course of the employment. Every Union or Society has Insured its employees against the risks mentioned above.

(i) LIFE ASSURANCE

Many of us may wonder why we term this class as "ASSURANCE" instead of INSURANCE. It is good to know the difference between the 2 words.

INSURANCE: Is a contract of indemnity under which Insurers guarantee the payment of a certain event (loss).

ASSURANCE: This is not a contract of indemnity instead it is a saving for old age or saving for your dependants.

LIFE ASSURANCE: is grouped into 2 main types

(a) WHOLE LIFE CONTRACTS

Under this cover, the sum assured is not payable until the Assured's death. The policy is designed to save the dependants of the policy-holder and not the buyer.

(b) ENDOWMENT LIFE CONTRACTS

This provides for the payment of the sum assured after an agreed term of the policy-holder in case he survives till maturity date or on earlier death. These are not the only contracts - there are some others such as Educational Life Contracts. Short Term Contracts, Child's Deferred Assurances - means of starting a child out in life with a substantial 21st or 25th birthday present or alternatively a life assurance either whole life or endowment.

6. PROBLEMS EXPERIENCED

According to our plans so far, Unions are expected to contact this office or any of our Branches up-country for their

Insurance requirements including claims. Some of our clients have been very Co-operative and others have not particularly on the question of claims. Each class of Insurance has a limited period during which a claim should reach the NIC's Headquarters and in case of failure to do so, many claims are either declined or take a considerable long period before they are settled.

(a) MOTOR CLAIMS

In case a vehicle is involved in an accident, the Insured is required to immediately report the happening to the National Insurance Corporation of Tanzania Limited.

Dar es Salaam cases must be reported within 24 hours of the happening and those of up-country are limited to 7 days. A claim form, Police report and Estimates of the repairs should also be forwarded to them in time so that they may arrange for their Assessor to examine the vehicle involved in the accident and authorise the Garage to repair it or otherwise.

(b) WORKMEN'S COMPENSATION CLAIMS

These should be reported immediately to the National Insurance Corporation followed by:-

- (1) Claim Form
- (2) Medical Report
- (3) Labour Officer's Assessment for the amount payable.

(c) FIRE AND OTHER THEFT CLAIMS

A claim form is necessary plus the Police report for the alleged loss. You will therefore note that if procedure is followed there will be no cause for delay in settlement of any claim by the Insurers.

To end this article, our Agency has the responsibility of suggesting to the Unions which are important Insurance covers that they should buy. There are some risks that one may insure against and pay premiums annually and at last find that for a good number of years he has reported no claim and this is a waste.

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REPORT ON CO-OPERATIVE INSURANCE IN KENYA

CO-OPERATIVE INSURANCES IN THE PAST

Before year 1969 there was no centralisation for Co-operative Insurances, every Society and Union placed their few Insurances through private agents and brokers to various Insurance Companies. There were at least 20 Companies involved in the Insurance business of the Co-operatives of Kenya.

Insurance activities as a whole were at their early stage and the volume of business was in correlation to the activity of Insurance Companies and brokers.

Neither KNFC nor the Department of Co-operative Development had any proper information on the Insurance coverages of the Co-operatives. Nobody seemed to give any attention to the Insurance questions within Co-operatives.

START OF CENTRALISATION

It was in May 1969 when it was decided by KNFC's members Unions that KNFC should take steps to establish an Insurance Agency for the centralisation of Co-operative Insurances.

In September 1969 the first contact between KNFC and Insurance Development Bureau of ICA (IDB) took place at Hamburg during the ICA Congress and the discussions for the necessary actions for the Development of Co-operative Insurance system were held.

Following the recommendations of IDB a questionnaire was sent out to the Unions by KNFC to be filled up with the relevant information on their present Insurances and also on potential needs. Unfortunately the response was rather poor and slow on the Unions' side.

In early November 1969 the Swedish Folksam team visited also KNFC while touring East Africa. They met with the representatives of KNFC, Department of Co-operative Development and discussed further steps of the Development and some recommendations were also given. KNFC started the negotiation with Kenya National Assurance Company Ltd., which is mostly owned by the Kenya Government, in order to establish an agency on commission basis.

Later in May 1970 KNFC approached the Nordic Project for Co-operative Assistance to Kenya for a Nordic Adviser specialised in Co-operative Insurance to start the running of the Agency and to make plans for the future.

Meanwhile, 3 out of the 31 Unions placed their Insurances through this new Co-operative Agency.

Schedule No. 1 shows the business placed through KNFC as on the 30th November, 1971.

Early 1971 the Nordic Project finally employed Nordic Insurance Adviser, who arrived in Nairobi in April - 71. He was however, seconded to the Development Planning Division of the Department of Co-operative Development, because it was found more useful for him to carry out the necessary Insurance Survey as a Departmental project rather than to work it out while in KNFC.

Since May, 1971 a wide and comprehensive Insurance Survey has been conducted by the Nordic Insurance Advisor within the Marketing Co-operative Unions and it is now conducted also within the Settlement Societies.

Intermediate summary figures are shown in schedule No.2 **Simultaneously** there have been lots of correspondence with the Unions with special view for the centralisation of Co-operative Insurances.

All along the Survey it has been found that there is lack of knowledge and understanding of basic facts about insurances among the staff of Co-operatives. That is why it was of utmost importance to put an Insurance Manual for Co-operatives under production, but unfortunately it has not yet been completed and published. This Manual will be used as a handbook in Societies and Unions as well as a textbook for various courses at the Co-operative College.

The Co-operative College has already given much more time to the Co-operative Insurance activities during AEM-I and II and Certificate Courses.

There has also been discussions on the special Insurance coverage for Savings and Credit Societies, Loan Protection and Life Savings Insurances. So far, there are no coverages for them, but these will be urgent problems to be solved in the near future.

SCHEDULE NO.1 CO-OPERATIVE INSURANCES PLACED  
THROUGH THE AGENCY OF K.N.F.C. LTD.  
30. 11. 1971

TYPE OF INSURANCE	SUM INSURED shs.	PREMIUMS shs.	COMMISSION shs.
FIRE	7,578.340.00	30,007.85	6,001.50
WORKMEN'S	1,694.522.00	5,490.20	798.30
MOTOR VEHICLE	173,000.00	8,881.00	888.00
BURGLARY	6,000,000.00	630.00	63.00
PUBLIC LIABILITY	200,000.00	3,260.00	326.00
GLASS	3,967.50	522.00	78.00
TOTALS	15,708,829.50	48,902.05	8,171.15

## CO-OPERATIVE INSURANCE IN UGANDA

By E. Rugira

### Background to the Co-operative Movement

The Uganda Co-operative Movement now in its 26<sup>th</sup> year has grown stronger and larger year after year. Today, there are close to a million members operating through some 25 strong District Unions. There are over 1800 Co-operative Societies in towns and villages carrying on business in buying, processing, marketing and distribution co-operatively; of major economic commodities like cotton, coffee, tobacco, produce etc. Others are in the ranching, fishing, handicraft, consumer shops, thrift and loan, vegetable marketing, petroleum selling, diary, poultry and transport business.

These various Co-operative Unions have, at different locations, insurable assets such as office buildings, ginneries, coffee factories, godowns, vehicles, stocks of coffee, cotton, tobacco, produce, etc. They also require Insurance on their money (in transit and in safes), various goods in transit, employees, products, various liabilities etc.

### Insurance in the Co-operative Movement

Previous to 1966, the various Co-operative Organisations placed their Insurance business with different companies in the country. There was no bargaining at all and it would be difficult for a Central Union to know or have details of Insurances taken and/or the premiums paid or losses suffered.

In 1966 efforts were made to centralise all operations of Insurance in the Co-operative Movement, but this move was not very effective due to lack of cohesion among Co-operative Unions. It was decided also, that a person properly trained in Insurance operations be appointed to run the Office within the Uganda Co-operative Central Union (UCCU). The only one person trained in Co-operative Insurance was engaged in other duties at a District Union and could not be released. The UCCU therefore decided to train their own person. One person was sent to the U.S.A. for a two-year course in Business Administration with Insurance as a major subject. He also took Co-operative courses at the International Co-operative Training Centre in Madison.

### I.C.A. Recommendations

Further consultation was made with the Insurance Committee of the I.C.A. which had earlier made some recommendations. The recommendations were that in view of the accumulation of fire risks associated with the products of the various Co-operative Unions, it was not considered advisable initially to contemplate the formation of a Co-operative Insurance Company based purely on this extremely hazardous business. This advice was also influenced by the lack of demand from private individuals for the classes of domestic Insurance which in other countries help to provide a wide portfolio of business.

It was further recommended that all Co-operative business be channelled through an agency under the auspices of the UCCU so that the commission from such business could be accumulated and perhaps form the basis of a fund to be utilised when the formation of a Co-operative Insurance Society became a practical proposition. Statistics would be kept which would be of great value when plans are being formulated. In the meantime, experience would be gained by the staff in the Insurance Section (Agency).

At that stage, we would then think again as to whether we were ready to start a Co-operative Insurance Society in Uganda.

#### The Present - 1968-71

In July, 1968, the ICA recommendations above were immediately adopted. An Agency was started and has been in operation since then. Of the whole number of District Co-operative Unions, only two are still outside the Agency. Quite a number of the Primary Societies are also out of the Agency either because they are not members to any District Union, or there is no Insurance available for their type of operation.

All our Insurances are placed with the National Insurance Corporation and our Agency now has a Manager, two assistants, one of whom is now in the USA doing a course in Insurance, and five clerical staff.

Figures for the various lines of Insurance we carry, the premiums charged and also the commission earned are shown hereunder. There are other assets which have recently been acquired by Co-operatives for which policy issues have not been completed yet and therefore, these figures do not reflect an up-to-date picture of our Insurances. Claims records too, are not up-to-date as most claims were settled directly with the insured and therefore, the amounts assessed or paid were not available to us. This procedure is however being changed not and an up-to-date account of all premiums and claims is being kept.

#### What Next?

At present, more than 1,800 Co-operative Societies are extending all kinds of activities over Uganda and a Co-operative Bank is in operation. The Insurance requirements, in particular those of the Co-operative Unions are manifold.

As the claims experience appears favourable and further expansion of the Insurance requirements is anticipated, and in consideration that the profit should go to the Co-operative Movement, it is our intention to transform the present Insurance Department at the UCCU at the beginning of 1972 into a fully fledged Co-operative Insurance Society. To this proposed Society at the beginning of 1972, only a selected part of the present general Insurance cover shall be transferred.

It is further intended to carry on from the outset, Life Insurance on a group basis, thereby taking advantage of the organisation of the Movement. The issuing of Loan Protection and Family Group Policies for example, is envisaged.

The Bye-Laws of the proposed Society are at present being drafted by the Insurance Department Manager with the assistance of the United Nations Insurance Advisor to the Government of Uganda.

Schedule 1 (a)

Premium Collected and Commission Earned for the  
Period July 1st 1969 - June 30th 1970

	<u>LINES OF INSURANCE</u>	<u>PREMIUM</u>	<u>COMMISSION</u>
1.	Commercial vehicle	68,584.55	6,837.90
2.	Private vehicle	64,166.70	6,167.45
3.	Fire	720,650.65	144,731.95
4.	Workmen's Compensation	10,898.55	1,502.00
5.	Marine (Goods in transit)	168,591.90	33,015.20
6.	Cash in Transit	281,094.70	29,781.60
7.	Burglary	10,150.00	2,030.00
8.	Personal Accident	30,459.90	5,730.90
9.	House Owners & House Holders	6,446.20	1,077.35
10.	Public Liability	4,635.25	912.05
11.	Fidelity Guarantee	85,083.05	17,502.65
12.	Motor Cycle	507.00	17.90
13.	Plate Glass	139.70	27.95
14.			
	TOTAL	<u>1,451,408.15</u>	<u>249,334.90</u>

Schedule 1 (b)

Premium Collected and Commission Earned for  
the period July 1st 1970 - April 30th 1971.

	<u>LINE OF INSURANCE</u>	<u>PREMIUM</u>	<u>COMMISSION</u>
1.	Commercial Vehicle	121,207.00	4,796.25
2.	Private vehicle	181,435.30	5,500.45
3.	Fire	346,268.95	69,089.65
4.	Workmen's Compensation	88.15	8.80
5.	Marine	400,598.00	74,117.10
6.	Cash in Transit	74,175.00	14,516.25
7.	Burglary	9,550.60	1,910.20
8.	Personal Accident	23,349.15	3,559.80
9.	Houseowners & Householders	4,728.60	910.00
10.	Public Liability	3,575.00	715.00
11.	Fidelity Guarantee	49,884.00	976.80
12.	Motor Cycle	614.70	28.30
13.	Plate Glass	260.00	52.00
	TOTAL	<u>1,215,734.45</u>	<u>176,180.70</u>

Schedule 2 - Fire Insurance - Sums Insured

	<u>SUM INSURED</u>	<u>PREMIUM</u>
On Ginnery and/or Coffee Factory Buildings	31,583,721.00	
On Plant and Machinery & Other Equipment	44,560,094.60	
On Godowns and Stores	22,670,635.05	
On Dwellings and Labour Lines	9,247,300.00	
On Offices	4,443,808.00	558,600.00
TOTAL	<u>109,273,260.00</u>	<u>558,600.00</u>

Schedule 3

Sums Insured and Premiums on Different Classes

<u>Class</u>	<u>Sum Insured</u>	<u>Premium</u>
Fire on Cotton Stocks	804,000,000	245,487
Fire on Coffee Stocks	16,350,000	-
Fire on Produce & Others	9,660,000	166,041
Money	477,300,100	164,450
Marine on Cotton Stocks	175,675,000	203,103
Marine on Coffee Stocks	181,050,000	100,881
Marine on Produce & Others	17,700,000	24,835
Motor Commercial	1,533,915	75,093
Motor-Private & M/Cycles	940,500	33,578
Burglary	21,344,150	23,921
Public Liability	10,600,000	20,075
Fidelity Guarantee	110,289,000	88,945
Personal Accident	14,966,000	30,437
Houseowners & Householdors	1,724,056	4,113
Workmen's Compensation	10,326,023	28,158
TOTAL	<u>1,853,459,644</u>	<u>1,109,027</u>

Schedule 4

Total Sums Insured and Premiums Payable on Fire and Others Classes

	<u>Sum Insured</u>	<u>Premium</u>
On Fire - Buildings, Plant and Machinery	109,273,260	558,600
On all other Classes	<u>1,853,459,644</u>	<u>1,109,027</u>
TOTAL	<u>1,962,732,904</u>	<u>1,667,627</u>

\* NOTE: The figures shown in the schedules shown above have greatly been revised to include amounts for one large Union and two large Tobacco producing Unions, and therefore, the total sums insured should go up to about Shs. 1,970,000,000 and the premium to about Shs. 2/= m.

Kampala, Uganda  
November 1971

PROPOSALS TO FORM A CO-OPERATIVE INSURANCE

SOCIETY IN GHANA - By E. Adzosii

1. SPONSORSHIP:

- A) Ghana Co-operative Produce Marketing Societies, Unions; Marketing Association;
- B) Ghana Co-operative Transport Societies, Unions and Associations;
- C) Ghana Co-operative Distillers Societies, Unions and Associations;
- D) Ghana Co-operative Poultry Farmers Societies, Unions and Associations;
- E) Ghana Co-operative Fish Marketing Unions, Societies and Associations;
- F) Ghana Co-operative Tailoring Societies, Union and Associations;
- G) Ghana Co-operative Credit Unions and Mutual Assistance Associations and Societies;
- H) Ghana Co-operative Cattle Societies, Unions and Association;
- I) Ghana Co-operative Alliance.

The address of the above mentioned Co-operative Societies is:  
c/o P O Box 2068,  
A c o r a.

- i) A) The initial capital would consist of entrance fees share capital subscribed by members, building lands and farms.
- B) Such Co-operative Insurance Society would rely on technical aid to be concerned with the management and underwriting. In addition the technical officers forming the Management would be responsible in training the officers required to work in the Insurance Society.

2. THE MARKET:

- A) Yes, a general survey has been made, pending the Insurance of a feasibility report.
- B) The potential volume of business would consist of buildings owned by the entire Co-operative Societies and individual members, cocoa in transit and in warehouses pending transportation from inland to the ports; (it is estimated that the Co-operative Societies handle about 45% of the country's cocoa produce) motor vehicles, life Assurance of members, Workmen's Compensation for employees of about 50,000 in number, Public Liability Insurance in respect of the entire Co-operative Societies, Buildings and Group personal accident policy for senior staff, etc.



c) At present, the Co-operative Societies are only insuring their motor vehicles with the State Insurance, although there is potential liability in respect of goods - in - transit Insurances, buildings Insurances, Fidelity Guarantee, Group Life Assurances, Workmen's Compensation and Employers' Liability Assurance, etc., but such Insurances have not been taken by the Co-operative Societies. It is believed that Motor Insurances have been favourable but at the time of writing, we cannot support this statement with figures. The Motor Insurance are at the moment placed with State Insurance Corporation through the intermediary of the Ghana Co-operative Transport Association.

i) The following are the types of Insurances which could have been arranged on behalf of the Co-operative Societies, but which have not yet been taken:-

Fidelity Guarantee,  
Fire and burglary in respect of the  
Co-operative Societies' properties,  
Term Assurances on Loans,  
Agricultural and Farm Insurances,  
Workmen's Compensation,  
Employers' Liability,  
Third Party Insurances and  
Group Personal Accident Insurances.

ii) The Motor Insurance which is the only Insurance the Co-operative Societies have arranged attracts a premium income of about N 800,000.

iii) With proper re-Insurance arrangements the Co-operative Insurance Society can reasonably aspire to take over almost all the different types of Insurances as outlined above.

iv) Life Assurance,  
Fidelity Guarantee,  
Farm and Agricultural Insurances,  
Fire in respect of buildings and contents,  
Fire and Burglary Insurances in respect of  
buildings belonging to the Societies and  
individual members.

v) This is true but the civil servants and utility workers in this country would still have to be educated to become more Insurance conscious.

### 3. Economic Conditions, Legal requirement and Legal climate:

i) Third Party Motor Insurance Act, 1958 which makes it compulsory for any motor vehicle owner to have Insurance cover against injuries to third parties.

The Workmen's Compensation Act, 1963, also creates the need for Insurance.

- ii) One Company may write all lines of business provided such Company is able to comply with the requirements of the Insurance, Act, 1965 and its subsequent Regulations of 1966.
- iii) For a domestic Insurer, the minimum capital requirement is N 1,000,000 and in case of a mutual company the amount prescribed shall be a surplus of assets over liabilities of not less than N 1,000,000. Out of the above capital or assets' requirement, N 100,000 Ghana Government Securities must be deposited with the Bank of Ghana.

For a non-domestic Insurer, the minimum capital requirement is N 1,500,000 or paid capital of N 200,000 where the gross premium is not less than N 2,000,000.

For a mutual non-domestic Insurer the assets over liabilities should be in excess of N 1,500,000 or surplus assets of not less than N 2,000,000. In case of a non-domestic Insurer Ghana Government Securities of N 200,000 is required.

- iv) In Motor Insurance and Workmen's Compensation the local Insurance Companies operate on tariff basis.
- v) Subjects to the approval of Capital Investment Board and Bank of Ghana interest payments or repatriation of Capital of foreign investments can be allowed.
- vi) Remittance of re-Insurance premiums can only be allowed by the Bank of Ghana under the country's exchange control regulations.
  - a) There is a possibility of having changes in the present laws to make Co-operative Insurance practical. Already approaches have been made to the authorities concerned viz: Commissioner of Insurance, Minister of Trade and Minister of Finance and Economic Planning to relax the present capital requirements which by international standards are to high.

#### 4. FORM OF ORGANISATION:

It is estimated that the total capital assets should be in the region of about N 500,000. Out of this  
15% will be allocated to Life Assurance,  
35% will be allocated to Motor Insurance,  
25% will be allocated to Fire & Accident Insurances  
15% will be allocated to Marine & Inland Transit Insurance  
and 10% will be allocated to Administrative expenses.

- ii) The services of an experienced underwriter would not be available from the onset. The new company would have to depend on qualified and experienced Underwriters from Overseas if possible on technical aid basis.

- iii) Would rely on the International Co-operative Alliance Insurance Committee to provide the right personnel to take over the duties of management and underwriting during at least the first five years of the operations of the new company. Insurance Inspectors, Accountants, Administrators and general clerical personnel are available locally; there is also a possibility of attracting some local men who are already holding managerial posts in some local Insurance Companies. Whatever be the case, 2 Technical Officers would have to be imported to take care of the management and underwriting of the new company. Such Technical Officers would also have to train the local personnel to take over eventually.
- iv) The new company would have to join the tariff Association as far as motor and Workmen's Compensation Insurances are concerned; the sponsors of the project are familiar with the market rates of premiums ruling in the country and are prepared to take these rates as a basis but would have to underwrite judiciously by applying most economical rates in the best interest of the policy-holders and the Company which is to be formed.
- v) Motor ...Comprehensive Cover in respect of private cars and new trucks.
- Third Party Fire & Theft and Act Liability Cover for haulage trucks and passenger vehicles.
- Fire & Accident .... in the respect of Buildings and their contents.
- Workmen's Compensation, Employers Liability, Group Personal Accident, Public Liability, Marine, Inland transit Insurances.
- Life Assurance for the employees and members of the Co-operative Societies.
- vi) a) Fire and Burglary Insurances, in respect of Buildings and their contents are scattered all over the country. It is estimated that the largest single fire risk would be about NØ5,000,000 eg. Co-operative Union Warehouse situated at Kumasi consists of buildings valued .. .. NØ 2,000,000  
With contents mostly cocoa valued .. .. NØ 2,000,000  
Present Annual Motor Insurance Premium is .. NØ 800,000.
- Limits of Indemnity for Third Party Liability Insurance would be about NØ50,000 any one accident.
- b) The sponsors, we believe, are in the process of preparing a feasibility report. Such a report would show the retention limits and treaty re-insurance arrangement which would have to be made.
- vii) The market growth and budget forecast would have to be reflected in the feasibility report.
- viii) For the time being we understand that all the Co-operative Insurances are placed through various societies who have individual agency connections with the State Insurance, it is the view of the Sponsors that a Co-operative Insurance Broking Company should be established. Such a Broking Company would have to attend to the placing of all the Co-operative Insurances with the local Insurance Companies. By so doing

the Broking company would in a short period know the local Insurance Market well as far as rating, underwriting, terms and conditions of various Insurance covers are concerned.

GENERAL REMARKS:

Before the early sixties there were about thirty - three Insurance Companies operating in this country. This number has been reduced to nine due mainly to Foreign Exchange Control restrictions and recent heavy capital requirements. Consequently, the Insurance Market capacity has reduced considerably; this is evidenced in high incidence of external re-insurances. In the Commissioner's report of 1966 it is stated that 50% of gross premium income in respect of fire Insurances was re-insured abroad. In that same year about 90% gross premium income in respect of Marine & Aviation business was re-insured abroad. In 1967, 48% of Fire business was ceded externally whilst about 86% of Marine & Aviation Insurances was placed abroad. (1968 & 1969 figures are not yet available). From the 1966 and 1967 figures, it goes without saying, that quite apart from the potential Co-operative Insurances yet untapped, there is a room for one or two Insurance Companies in the country. In view of the present exchange control restrictions it will be advisable to have a domestic Insurance Company with 100% Ghanaian capital.

At present moment there is only one domestic insurer, i.e. the State Insurance Corporation and, in the absence of any other domestic insurer, the State Insurance Corporation is overpatronised by the State Corporations, Government Agencies and Departments and therefore the Corporation which was established in 1962 has emerged as the largest insurer in the country.

Similarly a Co-operative Insurance Society, if formed, would also have a reasonable Volume of business from the existing Co-operative Societies for a start, but before such a Company can be formed, it is strongly recommended that all efforts should be made to approach the Government to reduce the heavy capital requirements which by international standards are very high. For obvious reasons the Sponsors of this new Company must also make it a point to have a good management to run the Company.

MAURITIUS

Country Paper prepared for the I.C.A. Seminar on Risk Management/Insurance in Co-operative held at the Co-operative College of Kenya, Langata, 10th to 15th January 1972.

The Present Position.

Up to now Co-operative Insurance has not been introduced in Mauritius, though considerable interest has been shown of late in the subject.

The most important Co-operative sector in the Island is in the field of agricultural credit. The bulk of the loans issued to sugar cane growers are for short-term periods (1 year), repayable after the harvest.

Below is a comparative table showing relevant available particulars during the past five years.

<u>Years</u>	<u>Total Members</u>	<u>Members taking loans</u>	<u>Loans Issued: Rupees</u>
1965	11,735	5,921	7,009,446
1966	12,212	6,280	6,787,761
1967	12,550	5,958	6,267,037
1968	12,835	6,090	6,035,351
1969	13,162	6,384	6,266,230

Difficulties encountered on the death of a member.

On the death of a member, his estate, according to Mauritian law, is divided equally between his heirs. In case the deceased member was in receipt of a crop loan from the Society, the normal practice is:-

- i) get the heirs to become members of the Society;
- ii) get the parties concerned to appoint one of them with the necessary power of attorney to transact, in their names, business with the Society.

In cases of this nature no difficulty is experienced by the Society.

However, there are cases where the heirs, unable to agree among themselves, claim each their individual share which results in splitting the estate. It takes a lot of persuasion to get the new heirs to settle with the Society.

Sometimes one particular heir would decide to buy out all the other heirs. By the time this process is completed he is left with hardly any cash and, therefore, he tends to default on his repayment to the Society.

Cases have also arisen in which, because of violent disagreement, the heirs have gone to Court and, in the meantime, have abandoned the farm thereby delaying repayment of loans outstanding, if any, to the Society.

The need for crop loan Insurance.

To obviate all those difficulties, there is a need to cover all loans insured by an Insurance to ensure prompt settlement of all outstanding loans on the death of a borrower.

The Mauritius Co-operative Union is interested in finding out what is the best course to be adopted in order to reach this objective.

Other Insurance needs.

Of late there is a body of opinion which feels that credit sales in Co-operative Stores should also be insured in order to minimise losses to Stores Societies in case of death.

It is not yet clear what form such a type of Insurance should take and the views of the Seminar on such a subject could prove most helpful.

.....

G R O U P R E P O R T S

GROUP REPORTS

REPORT FROM GROUP No. 1

GROUP MEMBERS: Messrs: Adzosii           Ghana  
                          Mbole            Kenya  
                          Njiru            Kenya  
                          Mhina            Tanzania  
                          Ishengoma       Tanzania  
                          Nitho            Uganda  
                          Nyndwoha        Uganda  
                          Chella           Zambia

SUBJECT:            "How to Prevent Loss"

1. Fire Cover

- 1) Fire Extinguishers
- 2) Fire Motors & Water
- 3) Having a solid group of Fire Brigade
- 4) Separating Buildings to the reasonable distance of say 30 - 40 ft. apart.
- 5) Not to store highly inflammable articles such as spirit, Petrol, Karosene.
- 6) Training of Co-operative Staff or the preventives.
- 7) No Smoking signs.
- 8) Avoiding of piling up of ofals, and clear Burn ofals at a reasonable distance.
- 9) Regular Instructions of Extinguishers & Electrical Installations

2. Life and Personal Accident

- 1) To Insure self against accidents and Life.
- 2) To see to it that machinery dangerous to human life are properly fenced/covered or protected.
- 3) Knowledge of any machine one is working with
- 4) To avoid infectious diseases by taking preventives
- 5) To avoid over driving/dosing smoking (Dangerous drives)

3. Theft and Embezzlement

- 1) To Insure against theft and Embezzlement adequately.
- 2) To distribute labour to different employees
- 3) Proper control (regular checks)
- 4) To have employees engaged in handling of cash/stock and financial documents guaranteed by different persons for a particular sum of money before employment.



- 5) Security guard during transit by officials of Co-operatives between offices and the bank or buying posts etc.
  - 6) Cash in the office to be securely locked in a safe or strongroom.
  - 7) Keys not to be handled by one man.
  - 8) To employ a watchman (Armed)
  - 9) Movement of cash to be strictly confidential/secret.
  - 10) Cash to be carried in union's vehicles special for the purpose other than those of haulage contractors.
  - 11) The limit indicated under an Insurance policy not to be exceeded.
  - 12) Cash to be kept in fire-proof and bullet-proof safes.
  - 13) Safes should be double locked and the room where cash is kept must be fitted with burglary alarm devices.
4. Motor Accident
- 1) To obtain adequate coverage
  - 2) To keep regular maintenance record/service of the vehicle. Vehicles not to be driven by Learner-Drivers.
  - 3) To drive according to speed limits as required by law.
  - 4) Not to drink when you are engaged in driving.
  - 5) To have proper driving and road licences.
  - 6) To keep regular tyre rotation and see to it that your tyres are not worn-out or torn.

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REPORT FROM GROUP No. 2

SUBJECT: "Things to be done to Prevent Accidents"

GROUP MEMBERS:

Messrs:	Tabase	Ghana
	Koske	Kenya
	Kobia	Kenya
	Castren	Kenya
	Nghomano	Tanzania
	Kabuijamu	Uganda
	Mafabi	Uganda
	Mwale	Zambia

1. Fire

a) Constructural Fire Prevention

- 1) Inflammable materials
- 2) Sprinkles systems
- 3) Right type of extinguishers
- 4) Proper Installation and Layouts and wiring of electricity
- 5) Location of the Building should not be near hazardous buildings
- 6) Lighting conductors
- 7) Fire-beltting the building

b) Contents of the House

- 1) Good order and tidiness in and outside
- 2) Location of extinguishers, sprinkler systems and sand buckets
- 3) No Smoking signs in hazardous places
- 4) Careful storage of highly inflammable materials separately.
- 5) There must be security i.e. guards or watchmen

c) Local fire brigade - training

11. Life and Personal Accidents

- 1) Good health habits
- 2) Good conditions of service
- 3) Proper tools, equipment, service and Guarding of the machinery
- 4) Proper skill through training and proper allocation of workers
- 5) Through cleanliness of the premises with non-hazardous materials
- 6) Regular Medical check-up and treatment.
- 7) General compliance of Factory Act.

III. Theft and Embezzlement

- 1) Careful Appointment of Employees.
- 2) Proper control measures.
- 3) Security and Good Conditions of service.
- 4) Proper bonding and Guarantors.
- 5) Proper Accounting.
- 6) Regular and surprise checks
- 7) Mutual Trust (Not to be misused or not overdone)
- 8) Proper Division of Labour
- 9) Strict Regulations in Banking
- 10) Proper storage of stocks and cash
- 11) Proper watch and other security measures

IV. Motor Accidents

- 1) Proper service and good condition of vehicles
- 2) Safety belts and helmets
- 3) Proper security measures
- 4) Avoid overloading
- 5) No overspeeding
- 6) No Drunkenness when driving
- 7) Careful Testing and appointment of drivers
- 8) Fire extinguishers in every vehicle
- 9) Abide with the Highway code of Regulations

REPORT FROM GROUP NO. 3

PRESENTED BY:-	Mr. Danquah-Younge	Ghana
	Mr. Mfinanga	Tanzania
	Mr. Mwaikoke	Tanzania
	Mr. Masiye	Zambia
	Mr. Wagunyanya	Uganda
	Mr. Otundo	Kenya

Protection and Loss Prevention

Fire

- 1) Fencing should be done in non-inflamable materials and the surroundings should be cleared regularly.
- 2) There should be restrictions on fire carriers.
- 3) All highly inflammable materials should be safely stored away from fires.
- 4) All petrol tanks must be underground.
- 5) Night watchmen should be instructed not to make fires near buildings with inflammable contents.
- 6) Farming Societies should avoid hipping or mulching their farms with inflammable materials.
- 7) Proper and regular maintenance of all machinery in factories.
- 8) Employment of skilled and trained personnel particularly mechanics, electricians etc.
- 9) Install lightening arrestors on all buildings.
- 10) "No smoking" signs should be placed so that they can easily be read.

Life and personal accident

a) Life

- 1) Smoking should be controlled and eventually stopped
- 2) Excessive drinking must be discouraged.
- 3) Insurance companies should give attractive rebates on Insurance premiums to non-smokers and teetotallers.
- 4) Physical exercises should be encouraged to keep the body healthy.
- 5) The number of drinking places should be limited.
- 6) To keep the body fit, balanced diets should be encouraged.

b) Personal Accident

- 1) Excessive drinking brings about accidents, so it should be controlled.
- 2) People should not drive if they have poor eye-sight.
- 3) Proper and regular maintenance of motor vehicles.
- 4) Proper care and safety of firearms.
- 5) Ensure the proper factory safe-guards are installed.
- 6) Avoid unnecessary long working hours.
- 7) Social facilities should be provided at places of work eg. canteens, transport for workers at night etc.
- 8) Where there is no public transport, shifts should be so arranged that workers do not leave late at night.

Theft and Embezzlement

- 1) Proper and careful vetting of applicants before recruitment.
- 2) Avoid nepotism by ensuring that selection is carried out by a panel of interviewers.
- 3) Salaries should be commensurate with qualifications and responsibilities.
- 4) Only properly trained and qualified people for appropriate jobs should be employed.
- 5) Continuous training on the job should be provided.
- 6) Incentive schemes and adequate fringe benefits should be provided.
- 7) Proper and regular internal control systems should be instituted.
- 8) Employ qualified external Auditors.
- 9) Use anti-theft devices eg. bullet-proof vehicles, radio call installations on vehicles etc.
- 10) Employ armed escorts
- 11) Carry defensive weapons while on guard.
- 12) Use safes and strong rooms securely fixed for keeping cash and important documents.

Motor Accidents

1. "If you drink don't drive, if you drive don't drink."
2. Install tacho-graphs on vehicles. These record speeds, unnecessary long stops, rough driving, unnecessary deviations en route and time of arrival at the agreed point.
3. Use speed controllers on vehicles.
4. The motor vehicles should be road worthy
5. Employ qualified and experienced drivers with clean permits.
6. Where possible late driving at night should be avoided.
7. Long journeys should be by shifts.
8. Overloading should be avoided.
9. Vehicles should be comprehensively insured and licensed.
10. The alcohol doctor should be brought into use.

Measures to prevent embezzlement

1. Better and effective control through regular and surprise audits by the supervisory committee.
2. Provision of safes and double lock system.  
(Strong rooms)
3. Bonding and guarantors
4. Provision of Fidelity guarantee Insurance.
5. Annual leave must be made compulsory.
6. Registration of pass books which must be kept effective.
7. Cash receipts must be in triplicate to enable the members, the Society and the Head Office to Keep one.
8. Cheque system and operation on a payroll deductions should, where possible, be introduced. Cash payments should be discouraged where possible. Where cash payments system is allowed to operate, there must be cash vouchers which must tally with the cheque value before the signing authorities lend their signatures.
9. Registration of all accounts documents & Proper records should be insisted on; and any cancellation should be initialled by the Secretary/Treasurer and accepted by the owner of the account.
10. All collections should be banked in the Society's accounts within 24 hours where possible.
11. The salary of the Treasurer or Manager should be high enough to prevent any temptation to embezzle.

12. When the Treasurer or Manager obtains a new cheque books, he must give a thorough check to ensure that all leaves are there.
13. Education of members designed to increase their knowledge and responsibilities and duties should be encouraged.
14. The postings in the general ledger must be true reflection of the sum total of the individual ledgers.



A P P E N D I C E S

PROGRAMME FOR ICA SEMINAR ON RISK  
MANAGEMENT/INSURANCE IN CO-OPERATIVES  
Monday, 10th to Saturday 15th January, 1972.

AM	PM
SUNDAY 9th	ARRIVAL OF PARTICIPANTS
MONDAY 10th	<u>COUNTRY REVIEWS</u> 1400 Country Reviews II, III, IV (Papers by Messrs Rugira, Musundi; and Castren)  11.00 (Tanzania paper by Mr. G. Mhina)
TUESDAY 11th	<u>PROTECTION AND LOSS REVENTION</u> 1400 - 1530 In Marketing Co-ops. (Mr. Rugira)  1530 - 1630 In Savings & Credit Societies (Mr. Compton)  1630 - 1730 Group Work
TUESDAY DAY 12th	<u>FUNCTIONS OF INSURANCE</u> a) Insurable Interests b) Theoretical Outline Messrs Fitzpatrick and Castren
WEDNES- DAY 12th	<u>NEEDS OF INSURANCE</u> 1400 - In Marketing Co-operatives Messrs Rugira & Mhina)  1530 In Savings & Credit Soc. (Mr. Lanza)  1730 Plenary Session (Group Reports)
THURS- DAY 13th	<u>COVERAGE</u> 0830 - 1030 For Marketing Co-operatives (M/s Rugira & Mhina)  1100 - 1230 For Savings & Credit Soc. (M/s Lanza & Compton)
THURS- DAY 13th	<u>COVERAGE</u> 1400 - "Package Insurance" for Co-operative Societies (Mr. Dahlberg)  1530 - Package Insurance cover for Agricultural Co-ops. in Israel (Mr. Nussbaum)  1630 - Possibilities of introdu- cing an African Model.  Discussion
FRIDAY 14th	<u>ORGANISATION</u> a) Agency or Society (Dr. Reichel) b) Reinsurance (Mr. Rittner) c) The Role of IDB (Mr. Back)
SATUR- DAY 15th	SUMMING UP EVALUATION RESOLUTIONS CLOSURE
	OPEN

ICA SEMINAR ON RISK MANAGEMENT/INSURANCE IN CO-OPERATIVES  
CO-OPERATIVE COLLEGE OF KENYA, LANGATA, 10TH- 15TH JAN.72

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