RAB response to IRA's Insurance Amendment Regulations 2025 on mandatory reinsurance cession to Kenya Re

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The Insurance Europe Reinsurance Advisory Board (RAB) welcomes the opportunity to provide comments to the IRA's Insurance (Amendment) Regulations 2025.

The RAB notes IRA's intention to increase cessions to the Kenya Reinsurance Corporation from 20% to 25%, effective January 1st, 2026. **The RAB would kindly invite the IRA to reconsider this increase.**

While the IRA mentions the objective to strengthen domestic risk and capital retention within the Kenyan insurance market, this may have unwanted effects. Counter-intuitively, mandatory cessions can undermine rather than strengthen both local insurers and reinsurers. These restrictions would introduce non-prudential incentives into reinsurance purchasing decisions and hinder, rather than boost, the development of local reinsurance capacity.

Kenyan insurers are best placed to ensure that the reinsurance arrangements they enter into are subject to appropriate controls and risk management. The RAB considers that the decision to purchase reinsurance should not be based on the geographical location of a reinsurer, but on **a prudent assessment of the reinsurer's financial strength, credit ratings, business expertise and experience**.

Full access to cross-border reinsurance has tangible benefits for any domestic insurance industry, consumers and the wider economy. In order to deliver to its full capacity, the reinsurance industry relies on an open global reinsurance market. Professionally managed and well-capitalised (re)insurance companies that are subject to risk-based solvency requirements should be able to operate in open markets worldwide, as these are a prerequisite for reinsurance to fulfil its social and economic function of efficiently transferring and globally diversifying risks and promoting the resilience, recovery and continued growth of national and global economies.

Furthermore, the proposed increase in mandatory cessions to Kenya Re represents a departure from the internationally accepted regulatory principles discussed above. These principles are particularly advocated by the International Association of Insurance Supervisors (IAIS). By mandating reinsurance placements based on geography rather than risk profile or financial strength, the regulation risks undermining such principles. Such measures may also complicate Kenya's alignment with global supervisory frameworks, potentially affecting cross-border co-operation, equivalence assessments, and the attractiveness of the Kenyan market to international reinsurers.

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Therefore, in RAB's view, **increasing cessions to Kenya Re, as foreseen in the Insurance Amendment Regulations 2025, is unlikely to bring the intended regulatory effect**.

Insurance Europe's Reinsurance Advisory Board (RAB) is a specialist representative body for the European reinsurance industry. It is represented at chairman and chief executive officer (CEO) level by the seven largest European reinsurance firms: Gen Re, Hannover Re, Lloyd's, Munich Re, PartnerRe, SCOR and Swiss Re, with Insurance Europe providing the secretariat.

Through its member bodies, the RAB represents more than 50% of total worldwide reinsurance premium income. The RAB promotes a stable, innovative and competitive market environment. It further promotes a regulatory and trading framework that facilitates global risk transfer through reinsurance and other insurance-linked capital solutions.