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## CLARIFICATION

Our attention has been drawn to allegations in a motion tabled in the Nairobi City County Assembly on 20th February 2020, that AAR participated in procurement and delivery of medical insurance services to Nairobi City County without following the laid down public procurement procedures. We take this earliest opportunity to provide our position on these allegations.

1. In 2015, AAR participated in a competitive bidding process to provide medical insurance cover to Nairobi City County which saw the award of a two-year contract for the period 2015/2016 and 2016/2017. This was communicated through a notification of award letter (Ref: NCC/SO/Min.32-44/32/cnm/814/2015) dated 25<sup>th</sup> June 2015.
2. The annual policy issued for the period 2015/2016 (being the first year of contract) was at a total cost of Kshs 692,538,611 (Six ninety-two million, five hundred and thirty-eight thousand, six hundred and eleven only)
3. In the second year, i.e. financial year 2016/2017, following staff additions and inflation, the premium issued was Ksh 847,323,854 (Eight hundred and forty-seven million, three hundred and twenty-three thousand, eight hundred and fifty-four). The cover expired on 30<sup>th</sup> June 2017.
4. Due to the impending election of August 2017, the procurement process had not been actualized and this exposed the county staff to medical expenses. Therefore, the County requested for a three months extension through a letter dated 29th June 2017(NCC/JP/ITEM NO.26/2016-17/fn/485/2017) to avoid exposing staff members. A short cover was provided at cost of Kshs 326,391,369 (Three hundred and twenty-six million, three hundred and ninety-one thousand, three hundred and sixty-nine) to secure 100% of the medical (insured) benefits for all the staff and their families.
5. After elections, just before the new government was properly constituted to initiate a new procurement process, the county requested for a further three months extension starting from 1<sup>st</sup> October to 31<sup>st</sup> December 2017, to avoid exposure to staff members. This was communicated through a letter dated 18<sup>th</sup> September 2017 (Ref: NCC/PSM/HRM/3/21/315/2017). The cost of this second extension was Kshs 326,395,233 (Three hundred and twenty-six million, three hundred and ninety-five thousand, two hundred and thirty-three) to secure 100% of the medical (insured) benefits.

6. Before expiry of the second extension and through a competitive process, AAR was awarded the tender for the period 1<sup>st</sup> January to 31<sup>st</sup> December 2018 through a letter dated 21<sup>st</sup> December, 2017 at a price of Ksh1,062,123,010 (One billion sixty-two million one hundred and twenty-three thousand and ten shillings only) and executed for a period of one year.
7. Currently, AAR is providing insurance cover to the County for the period 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2020, at a contractual sum of Kshs1,320,709,041 (One billion, three hundred and twenty million, seven hundred and nine thousand, forty-one shillings) for a period of one and half years.

We wish to point out that population variation is not the only cause for premium variation. Following the tender awards, premiums during the period and at renewal were adjusted to take into account the scope of insurance, the family size advised by the County, the loss ratios of the scheme, the hospital panels provided, medical inflation during the period and the period of insurance (short periods are more expensive from a risk valuation basis) among other factors.

We reiterate that our relationship with the County has existed over the years as demonstrated above and under various administrations. All contracts have been awarded through a public and open tender process. In addition, this issue has been canvassed in the courts in the matter of Peter. A. Imwatok (MCA) v Nairobi City County & 9 others [2018], where it was dismissed as lacking in merit.

AAR Insurance is a professional insurance provider and conducts its business in a legal manner and as per the provisions of the insurance Act Cap 487 and other guidelines set by the Insurance Regulatory Authority.

**NIXON SHIGOLI,**  
**MANAGING DIRECTOR**