



LSK SACCO BENEVOLENT FUND PROPOSAL (LOANS AND DEPOSIT COVER)

INTRODUCTION

1. In the LSK Sacco Annual General Meeting in 2015, members passed a resolution mandating the LSK Sacco Management Committee to come up with an appropriate benevolent scheme that will cover member loans and deposits.
2. LSK Sacco now proposes a benevolent fund cover that will cover all member loans and deposits.
3. Currently the Sacco insures member loans only and the cover pays the PRINCIPAL amount outstanding in the event of a member passing away or becoming totally disabled.
4. Every member with a loan pays a premium of 0.25% of the loan amount issued that covers the loan for its entire period.

OBJECTIVE OF THE SCHEME

To help distressed persons, spouses, children and other dependants in the event of death or total permanent disability of a LSK SACCO member.

BENEFITS OF THE SCHEME

1. **Outstanding principal loan** is paid by CIC Insurance Co. Ltd
2. An equivalent amount of deposits saved with the Sacco is also paid by the insurance company
3. A last expense cover of Kshs 50,000
4. Free cover limit- No medical examination
5. New members' deposits paid within the year of cover are automatically covered.

MEMBERSHIP TO THE SCHEME

1. Scheme benefits will be available to members with minimum deposits of Kshs 10,000.
2. Members with loans will pay 0.25% of the loan issued that will cover the loan for its entire duration.
3. A member qualifies to benefit from the deposits cover scheme upon contribution of Kshs 1,200/= per year.
4. There is no medical requirement i.e. free cover limit
5. The scheme is proposed to commence automatically on 01/01/2018 with 1st deduction of Kshs 1,200/= on 31/12/2017.

ILLUSTRATION 1: MEMBER WITH DEPOSITS ONLY

Member XXX has deposits of Kshs. 2,000,000 and has no loan with the Sacco. The member has paid Kshs 1,200 for the current year to cover his deposits.

If member XXX passes on:

- a) The Sacco will on behalf of the member claim from the Insurance Company Kshs 2,050,000 calculated as follows:**
 - i. Kshs 2,000,000
 - ii. Kshs 50,000 as last expense cover

- b) The Sacco will pay to the beneficiary Kshs 4,050,000 calculated as follows:**
 - i. Kshs 2,000,000 received from the insurer
 - ii. Kshs 2,000,000 as deposits held by the member with the Sacco
 - iii. Kshs 50,000 as last expense cover

ILLUSTRATION 2: MEMBER WITH AN UP-TO-DATE LOAN

Member XXX has deposits of Kshs. 2,000,000 and a loan balance of Kshs 2,500,000. The loan is currently up-to-date.

If member XXX passes on:

a) The Sacco will on behalf of the member claim from the Insurance Company Kshs 4,550,000 calculated as follows:

- i. Kshs 2,000,000 equivalent deposits
- ii. Kshs 2,500,000 loan balance (which will clear the outstanding Loan)
- iii. Kshs 50,000 as last expense cover

b) The Sacco will pay to the beneficiary Kshs 4,050,000 calculated as follows:

- i. Kshs 2,000,000 received from the insurer
- ii. Kshs 2,000,000 as deposits held by the member with the Sacco
- iii. Kshs 50,000 as last expense cover

ILLUSTRATION 3: MEMBER WITH A LOAN IN ARREARS

Member XXX has deposits of Kshs. 2,000,000 and a loan balance of Kshs 2,500,000. The loan is in arrears of Kshs 500,000 (*Note: Arrears must not exceed 3 instalments*).

If member XXX passes on:

a) The Sacco will on behalf of the member claim from the Insurance Company Kshs 4,050,000 calculated as follows:

- i. Kshs 2,000,000 equivalent deposits
- ii. Kshs 2,000,000 expected loan balance (which will clear the outstanding Principal excluding arrears)
- iii. Kshs 50,000 as last expense cover

b) The Sacco will pay to the beneficiary Kshs 3,550,000 calculated as follows:

- i. Kshs 2,000,000 received from the insurer
- ii. Kshs 1,500,000 as deposits held by the member with the Sacco after clearing loan arrears of 500,000 not covered by the insurer.
- iii. Kshs 50,000 as last expense cover

ILLUSTRATION 4: MEMBER WITH ZERO DEPOSITS

Member XXX has no deposits or loan with the Sacco.

The member has also not contributed Kshs 1,200 for the current year to cover his deposits'

If member XXX passes on:

- a) **The Sacco will on behalf of the member claim from the Insurance Company Kshs 50,000 calculated as follows:**
 - ❖ shs 50,000 as last expense cover
- b) **The Sacco will pay to the beneficiary Kshs 50,000 calculated as follows:**
 - ❖ Kshs 50,000 as last expense cover

ILLUSTRATION 5: MEMBER WITH A LOAN BALANCE BUT ZERO DEPOSITS

Member XXX has Zero deposits because the loan has been offset from the deposits leaving a loan balance of Kshs 1,500,000 which is defaulted.

If member XXX passes on:

- a) The Sacco will on behalf of the member claim from the Insurance Company Kshs 50,000 last expense cover.
- b) The Sacco will not pay any amount to the beneficiary :
- c) Loan Balance
 - ❖ **Defaulted loan of Kshs 1,500,000 will remain outstanding and due from the member.**

CLAIM PROCESSING

In case of a claim the beneficiary will provide to the Sacco the following documents;

- i. A copy of deceased national identity card.
- ii. Original death certificate / burial permit (death claim)
- iii. Physician certificate (disability claim).

The Sacco on receipt of the above documents will lodge a claim with the insurer on behalf of the member and additionally provide the following documents;

- i. Loan application form (if there was a loan)
- ii. Proof of membership
- iii. Deposit and loan Statements

CLAIM PROCESSING CONT.....

Upon payment of the claim by the insurance, the Sacco will clear outstanding principal loan(s) if any with the funds received from the insurer and pay to the beneficiary a last expense cover of Kshs 50,000 in case of death and 2 times of deposits covered if any.

EXCLUSIONS

1. Members who have attained 80 years at entry;
2. Members who have attained age 75 for total permanent disability;
3. Members whose death or total permanent disability was;
 - i. Self-inflicted within the first six months from the effective date of coverage;
 - ii. Active risks of war (whether war be declared or not), civil war, mutiny, riot, insurrection, rebellion, revolution, terrorism, military or usurped power.
 - iii. Participation in any criminal act.
 - iv. Indulgence in alcohol or drugs not prescribed by a registered medical practitioner.
 - v. Racing, hunting and hazardous sports.

EXCLUSIONS CONT.....

- iv. Aviation other than as a fare paying passenger traveling on a scheduled flight of a recognized airline except while in the course of duty.
- v. Loans granted contrary to the loaning guidelines, rules and regulations as may be set by the relevant authorities from time to time, Acts of Parliament and anything repugnant to public policy;
- vi. Loan balances arising from default in loan repayment as agreed in the loan agreement form;

CONCLUSION

The scheme will enhance and protect members' deposits as well as settle members' loans upon death or disability. The scheme will also give members peace of mind knowing that their dependants will benefit in case of their death or permanent disability.