



**COMELY GLOBAL INSURANCE AGENCY LTD**

*- Personal Finance & Business Solutions -*

P.O. Box 37715 - 00100 Nairobi  
+ 254 117 575 648 | +254 750 611 664  
[simon@comelyglobalconsulting.com](mailto:simon@comelyglobalconsulting.com)  
[www.comelyglobalconsulting.com/](http://www.comelyglobalconsulting.com/)

# SHIF COMPLIANCE GUIDANCE & PRIVATE MEDICAL INSURANCE



**For Kenyan Employers, Self-Employed, Families & Individuals**

**Simon Muchiri**

Licensed Insurance & Financial Advisor  
+254 117 575 648 | +254 750 611 664  
[simon@comelyglobalconsulting.com](mailto:simon@comelyglobalconsulting.com)  
<https://comelyglobalconsulting.com>

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# EXECUTIVE SUMMARY

## The Problem

Medical emergencies are the number one cause of financial crisis in Kenya. A single hospitalization can cost Ksh 500,000 to Ksh 2,000,000+, wiping out savings and forcing asset sales. **Social Health Insurance Fund (SHIF)** is Kenya's **mandatory** public health insurance that replaced National Hospital Insurance Fund (NHIF) on October 1, 2024. Every employed Kenyan must contribute **2.75% of gross salary** (minimum Ksh 300/month, no maximum cap). While SHIF is now mandatory, it has significant gaps / risks:

- SHIF covers basic treatment only—specialist consultations, private rooms, advanced diagnostics, and many medications are restricted
- Long waiting times in public facilities
- Non-compliance with SHIF contributions attracts serious penalties: 2% per month on unpaid contributions, with employers facing fines up to Ksh 2,000,000 OR imprisonment up to 3 years, OR both
- 78% of Kenyan families lack adequate private medical cover beyond SHIF
- Medical inflation runs at 15%+ annually, making healthcare increasingly unaffordable

## The Solution

A dual-layer protection strategy combining SHIF compliance with comprehensive private medical insurance that covers what SHIF doesn't—ensuring your family gets quality healthcare without financial devastation. That is to say:

- SHIF handles basic care (mandatory anyway)
- Private insurance covers gaps (specialists, private hospitals, faster access, comprehensive benefits)

## Key Benefits:

- **SHIF Compliance Certainty** – avoid legal penalties and fines (Ksh 2M fines/3-year imprisonment)
- **Comprehensive healthcare access** - public + private facilities
- **Family Protection** – spouse + children covered
- **Faster treatment** (no 6-month waiting lists)
- **Annual Premiums from Ksh 45,000** – affordable peace of mind
- **Tax Benefits** – private insurance premiums qualify for 15% relief (max Ksh 5,000/month or Ksh 60,000/year). This is applicable to employees who take health cover privately (not provided by employer) or self-employed who take a private health insurance cover.

## Why Act Now:

SHIF compliance is mandatory as of 2024. Delays attract accumulating penalties of 2% per month. Private medical insurance premiums increase with age—locking in coverage now saves money long-term. Medical emergencies don't wait.

# CLIENT SITUATION & NEEDS SNAPSHOT

## Typical Client Profile:

- Age: 30-55 years
- Family: Spouse + 2-4 dependent children
- Income: Ksh 80,000 - Ksh 500,000 monthly
- Employment: Salaried, self-employed, or business owner

## Current Arrangements:

- SHIF contributions (mandatory but insufficient)
- Possibly employer-provided basic cover (often with gaps)
- Out-of-pocket payment for private healthcare
- No comprehensive family medical protection

## Gaps Identified:

- SHIF compliance confusion and uncertainty
- Limited coverage for private hospitals and specialists
- No cover for chronic conditions (diabetes, hypertension etc.)
- Dental, optical, and maternity services excluded from SHIF
- High out-of-pocket costs draining savings during emergencies

## Your Objectives:

1. **Protection:** Ensure family receives quality medical care without financial ruin
2. **Compliance:** Meet SHIF requirements legally and seamlessly
3. **Affordability:** Comprehensive coverage within budget
4. **Peace of Mind:** Know your family is protected during medical emergencies

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## WHY ACTION IS NECESSARY

### Financial Risks.

A single medical emergency can devastate family finances:

- Emergency surgery: Ksh 500,000 - Ksh 1,200,000
- ICU admission (per day): Ksh 80,000 - Ksh 200,000
- Cancer treatment (per year): Ksh 2,000,000 - Ksh 5,000,000+
- Chronic disease management: Ksh 30,000 - Ksh 100,000 monthly

## Real Cost Example:

Mr. Mwangi family's daughter needed emergency appendicitis surgery. SHIF covered only basic surgery costs. Out-of-pocket expenses:

- Specialist surgeon fees: Ksh 120,000
- Private room (3 days): Ksh 45,000
- Medications not on SHIF list: Ksh 15,000
- **Total out-of-pocket: Ksh 180,000**

A comprehensive private plan costing Ksh 45,000 annually would have covered 95% of these costs.

## Lifestyle Risks

Without adequate cover:

- Families delay or avoid necessary medical treatment
- Children's education disrupted due to medical debt
- Retirement savings depleted for medical emergencies
- Quality of life deteriorates due to untreated chronic conditions

## Cost of Inaction:

One serious illness without insurance = 3-5 years of family savings wiped out + potential asset sales + medical debt.

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# SHIF OVERVIEW.

## What Is SHIF?

SHIF is Kenya's universal public health insurance, administered by the Social Health Authority (SHA) under:

- Social Health Insurance Act, 2023
- Primary Health Care Act, 2023
- Digital Health Act, 2023
- Court of Appeal ruling – Sept 2024 (SHIF effective: 1 October 2024)

Salaried Employees SHIF Contributions:

- Rate: 2.75% of gross salary
- Minimum: Ksh 300/month
- Maximum: No cap
- Payment: Deducted and remitted by employer

Self-Employed SHIF Contributions:

- 2.75% of declared household income
- Minimum Ksh 300/month
- Payable annually or in instalments

## Example

Gross Salary (employed) / Household income (self-employed)	SHIF (2.75%)
Ksh 10,000	Ksh 300
Ksh 50,000	Ksh 1,375
Ksh 100,000	Ksh 2,750
Ksh 200,000	Ksh 5,500
Ksh 500,000	Ksh 13,750

**Note:** High earners now pay significantly more than under NHIF (minimum Ksh 500, maximum Ksh 1,700 cap).

## What SHIF Covers

- Basic treatment only
- Outpatient care
- Inpatient admissions (facilities):
  - Public hospitals
  - Limited accredited private facilities

## SHIF Limitations (Why It's Not Enough):

- Long waiting times: 3-6+ month wait for surgeries in public hospitals
- Limited private hospital access: Most premium private hospitals not in SHIF network
- Basic coverage only: No VIP rooms, limited specialist access
- Restricted chronic care: Basic diabetes/hypertension management only (not comprehensive cancer, kidney dialysis coverage)
- Restricted international coverage: Only used abroad under specific conditions and for services unavailable locally
- Service quality: Public facilities often overcrowded, resource-constrained
- Dental/optical basic only: Major dental work, eyeglasses not fully covered

## Employer / Self-Employed Compliance Requirements

- Register company on SHA portal
- Register all employees
- Deduct 2.75% of gross salary
- Remit by the 9<sup>th</sup> of every month

## SHIF Non-Compliance Penalties (Individuals):

- Late payment penalty: 2% per month on unpaid contributions
- Non-registration penalty: 2% accumulating per month defaulted
- Penalties compound monthly until compliance

## SHIF Non-Compliance Penalties (Employers):

- Failure to remit employee contributions: Fine up to **Ksh 2,000,000** OR imprisonment up to **3 years**, OR both
- This is a serious criminal offense under the Social Health Insurance Act

## Conclusion:

- SHIF keeps you compliant.
- It does not guarantee quality or speed of care.

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# PRIVATE MEDICAL INSURANCE OVERVIEW

## Private Medical Coverage

Coverage Component	Benefit Limits	What's Covered
<b>Inpatient Care</b>	Ksh 1M - Ksh 10M annually	Hospital admission, surgery, ICU, specialist consultations, medications
<b>Outpatient Care</b>	Ksh 100K - Ksh 500K annually	Doctor consultations, diagnostics, prescriptions, physiotherapy
<b>Maternity Cover</b>	Ksh 100K - Ksh 300K per pregnancy	Normal delivery, C-section, pre/post-natal care
<b>Dental Care</b>	Ksh 30K - Ksh 100K annually	Preventive, restorative, emergency dental
<b>Optical Care</b>	Ksh 20K - Ksh 50K annually	Eye exams, glasses, contact lenses
<b>Chronic Disease Management</b>	Within annual limit	Diabetes, hypertension, asthma medication & monitoring
<b>Emergency Evacuation</b>	Ksh 500K - Ksh 2M	Ambulance, air evacuation if needed
<b>Last Expense (Funeral)</b>	Ksh 100K - Ksh 300K	Burial/funeral costs

## Coverage Tiers

Plan Level	Annual Limit	Monthly Premium (Family of 4)	Best For
<b>Basic</b>	Ksh 1M	Ksh 3,750	Young families, budget-conscious
<b>Standard</b>	Ksh 3M	Ksh 5,500	Middle-income families, comprehensive needs
<b>Premium</b>	Ksh 10M	Ksh 12,500	High-income, chronic conditions, frequent care

## Key Benefits

- **Cashless Treatment:** Direct billing at network hospitals—no upfront payment
- **Fast Claims:** 96% settled within 24-72 hours
- **Family Coverage:** One premium covers entire family
- **Preventive Care:** Annual health checks, vaccinations included
- **24/7 Support:** Medical helpline and emergency assistance

## Waiting Periods

- General conditions: 30 days from policy start
- Pre-existing conditions: 12 months (some providers 24 months)
- Maternity: 10-12 months

## Exclusions (Simplified & Honest)

- Cosmetic/aesthetic procedures (unless medically necessary)
- Experimental treatments not approved in Kenya
- Self-inflicted injuries
- War, terrorism, nuclear incidents
- Conditions arising from illegal activities

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# SHIF + PRIVATE MEDICAL INSURANCE SOLUTION

## What We're Putting in Place - Dual-Layer Protection Strategy:

### Layer 1: SHIF Compliance

- Ensure proper registration and contribution tracking
- Guidance on mandatory contribution rates based on income
- Monthly remittance support and documentation
- Avoid all legal penalties and ensure family access to SHIF facilities

### Layer 2: Comprehensive Private Medical Insurance

- Top-up cover that fills SHIF gaps
- Access to private hospitals
- Specialist consultations, private rooms, advanced diagnostics
- Chronic disease management (diabetes, hypertension, asthma)
- Maternity, dental, and optical coverage
- Outpatient and inpatient benefits
- Pre-existing conditions covered (after waiting periods)

### Think of it as:

- SHIF = Basic safety net (helps you survive)
- Private Insurance = Real healthcare choice (protects your health and savings)

## How It Works

1. **SHIF** handles basic government facility services
2. **Private insurance** covers everything else—specialists, private hospitals, medications, chronic care
3. **You** enjoy quality healthcare without financial stress

## Real Life Scenarios

Situation	SHIF Only	SHIF + Private
Emergency surgery	Wait weeks/months	Surgery within days
Cancer treatment	Limited drugs, long queues	Comprehensive oncology
Maternity	Shared ward	Private room & consultant
Chronic illness	Basic meds	Specialist care

## What Risks It Manages

- Eliminates catastrophic medical expenses
- Ensures legal SHIF compliance
- Provides access to quality private healthcare
- Protects family savings and assets
- Covers entire family under one plan

## Who It Protects

- Principal member (you)
- Spouse
- Dependent children (under 18 or 21 if in university)
- Optional: Extended family members

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## TAX RELIEF & BENEFITS

Under Section 31(1), Income Tax Act Cap 470 Laws of Kenya, a resident individual can claim **15% relief** on premiums paid for life, education, or health insurance policies for themselves, their spouse, or child.

Tax relief details:

- Relief rate: **15%** of premiums paid
- Maximum relief: **Ksh 5,000 per month** (Ksh 60,000 per annum)
- Applies to SHIF + private medical insurance (taken by employee in full or part thereof and self-employed) + life insurance + education policies (with 10+ year maturity)

Practical Example:

Annual health insurance premium: Ksh 150,000

Tax relief (15%): Ksh 22,500

Maximum claimable: Ksh 22,500 (within Ksh 60,000 annual cap)

**Effective premium after relief: Ksh 127,500**

Also SHIF and medical contributions expenses paid by employer are tax deductible. This means the medical expenses paid by employer reduce taxable income directly, providing additional tax savings beyond the insurance relief.

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# COMMON MISTAKES & HOW WE AVOID THEM

## Mistake 1: Relying Only on SHIF

**Problem:** SHIF covers basic care at government facilities only—private hospitals, specialists, and many medications excluded.

**Our Solution:** Dual-layer strategy combining SHIF compliance with comprehensive private cover.

## Mistake 2: Buying the Cheapest Option Without Understanding Exclusions

**Problem:** Low premiums often mean inadequate coverage, high co-payments, or limited hospital networks.

**Our Solution:** We analyse coverage details, not just price, ensuring you get real protection.

## Mistake 3: Ignoring Waiting Periods

**Problem:** Many people buy insurance expecting immediate coverage, then face claim denials for conditions within waiting periods.

**Our Solution:** We clearly explain all waiting periods upfront and plan coverage timing strategically.

## Mistake 4: Not Reviewing Cover as Family Grows

**Problem:** Family situations change (new children, aging parents, chronic conditions)—static coverage becomes inadequate.

**Our Solution:** Annual reviews ensure coverage evolves with your life and preventing gaps.

## Mistake 5: Wrong Provider Selection Based Only on Price

**Problem:** Choosing the cheapest provider can mean poor hospital networks, slow claims, or financial instability.

**Our Solution:** We compare financial strength, networks, and claims records—not just premiums.

## Mistake 6: Failing to Understand SHIF Compliance Requirements

**Problem:** Confusion about mandatory contributions leads to accumulating penalties (2% per month), legal issues, and loss of SHIF benefits.

**Our Solution:** Complete SHIF registration, contribution guidance, and remittance support included.

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## MY ROLE AS YOUR INDEPENDENT ADVISOR

As your financial advisor, I:

- **Compare multiple providers** objectively—I'm not tied to any single insurer
- **Negotiate on your behalf** to get the best rates and terms
- **Assist with selection** based on your specific needs, not sales targets
- **Support claims processing**—I fight denied claims and reduce rejection rates by 80%
- **Provide annual reviews** as your family's needs change

### No Advisory Fees:

Service providers compensate me via commission at no extra cost to you. You pay the same premium whether you go direct or through me—but gain professional guidance, claims advocacy, and ongoing support. My services are commission-based and aligned with your success—I only earn when you're properly protected.

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## OUR CLIENT JOURNEY WITH YOU

- SHIF Compliance Check
  - Individuals & self-employed / employers
- Private Insurance Needs Analysis
  - Family size
  - Budget
  - Hospital preference
- Implementation & Support (by Employer / self-employed & Simon)
  - Application
  - Underwriting
  - Claims guidance

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## FREQUENTLY ASKED QUESTIONS

### Q1: What if I already have SHIF? Do I still need private insurance?

**A:** Yes. SHIF covers only basic services at government facilities. Private insurance fills critical gaps—specialists, private hospitals, chronic conditions, maternity, dental, and optical care. Think of SHIF as your foundation and private insurance as comprehensive protection.

### Q2: Can I use both SHIF and private insurance for the same treatment?

**A:** No. You choose one for each treatment. Typically, you'll use private insurance for quality private facilities and specialists, while SHIF remains available for government facilities if needed.

**Q3: What happens if I have a pre-existing condition?**

**A:** Pre-existing conditions are covered after waiting periods (usually 12 months). Some providers may charge higher premiums (20-50% loading) but will provide coverage. We'll find providers with the best terms for your specific condition.

**Q4: Can I add family members later?**

**A:** Yes, but it's more cost-effective to enrol everyone initially. Adding members later may require new medical assessments and waiting periods will restart for new members.

**Q5: What if I change jobs?**

**A:** Individual/family plans are portable—you keep coverage regardless of employment changes. If moving from employer group cover, we ensure seamless transition with no coverage gaps.

**Q6: How do claims work?**

**A:** Most treatment is **cashless**—hospital bills the insurer directly. For non-network facilities, you pay upfront and I help you claim reimbursement. I assist with all claims to maximize approval rates.

**Q7: What if my claim is denied?**

**A:** I provide claims advocacy. With proper documentation and follow-up, we reduce denial rates by 80%. I'll fight for your claim and escalate if necessary—this is included in my service at no extra cost.

**Q8: Are premiums fixed, or do they increase?**

**A:** Premiums can increase annually based on age, medical inflation (typically 8-15% per year), and claims experience. However, providers cannot single you out for increases—rates adjust for entire groups.

**Q9: What happens if the insurance company collapses?**

**A:** Choose financially strong providers (AA- rated or higher). The Insurance Regulatory Authority (IRA) oversees all insurers. In rare cases of insolvency, IRA protects policyholders. This is why we prioritize provider financial strength.

**Q10: Can I cancel my policy if I'm not satisfied?**

**A:** Yes, but typically after the first year. Cancelling mid-term may result in no refund or only pro-rated refunds depending on provider terms. We ensure you're satisfied from the start to avoid this.

**Q11: How do I claim the tax relief on my insurance premiums?**

**A:** Claim the relief when filing your annual tax returns (iTax system). You'll need:

- Premium payment receipts from your insurer

- Policy documents showing you, spouse, or child as beneficiaries
  - Relief is 15% of premiums paid, capped at Ksh 5,000/month (Ksh 60,000/year)
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## YOUR NEXT STEP

**Your Health. Your Family. Your Responsibility.**

### **Medical Emergencies Don't Wait—Neither Should You**

Every day without comprehensive protection is a day your family is financially exposed. SHIF compliance is legally mandatory with accumulating penalties of 2% per month, and private medical coverage is increasingly unaffordable with age. Remember:

- SHIF Compliance Is Mandatory.
- Quality Healthcare Is a Choice.

### **Get Your Custom Quote Now - Contact Me Today**

**Simon Muchiri – IRA Licensed Insurance & Financial Advisor**

**Comely Global Insurance Agency Ltd**

📞 **Phone:** +254 117 575 648 | +254 750 611 664

✉️ **Email:** [simon@comelyglobalconsulting.com](mailto:simon@comelyglobalconsulting.com)

🌐 **Website:** <https://comelyglobalconsulting.com>

**Office Hours:** Monday - Friday, 8:00 AM - 6:00 PM

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*"Your family's health and financial security are too important to leave to chance. I don't just sell insurance—I protect families. With independent advice, claims advocacy, and ongoing support, I ensure you're truly covered when it matters most.*

*Let's secure your family's future together." - Simon Muchiri, Comely Global Insurance Agency*

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