AKI
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CHANGING TIMES

THE EVOLUTION OF INSURANCE


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WHAT'S
YOUR
PLAN

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DECEMBER 2024

Editor's Note

Philosophers, poets, generals, CEOs Presidents and strategists have all tried to make sense of change.

Darwin, Aristotle, Mandela, Sun Tzu, Obama, Marcus Aurelius, Epicurus, Jack Welch and plenty of other smart people have all applied their intelligence and charisma to the question and idea of change.

For this edition of the AKI newsletter, we decided to add our names to this list because this business, this industry is changing before our very eyes, and it is vital to our present and future to develop a good understanding of what is happening and how it affects what we do everyday.

We have chosen to start the edition by exploring a dangerous question. We have always assumed that the low penetration rate is the market's fault but what if, insurers are a part of the problem?

Other questions we are trying to answer through this edition are how exactly technology and climate change are affecting underwriting and customer service.

What about people? Today, across the insurance industry we have four generations in the workplace: from boomers to Gen Zs. Winnie Pertet discusses how to harness this melting pot to create progress.

We also look at change from the perspective of things that perhaps should change. One of the things at the top of that list is improving how insurance companies communicate with consumers. Stella Gatogo argues we can be simpler and more humane in our consumer interactions.

In this issue we also address new developments particularly the roll out of IFRS17 and the Social Health Insurance. Naturally, as the final edition of 2024 we reflect on the change we saw this year and try to predict what 2025 will bring for insurers in Kenya.

And in our book review we give you insights into the timeless art of debate and how to win arguments.

Happy Holidays.

JOURNAL NEWS

Apollo Group dominates AKI Sports

2024 Apollo Group emerged the overall winners of the 2024 AKI Sports Competition. ICEA LION and CIC Group took second and third positions respectively.

Played over a season of five weeks, 28 companies participated in various disciplines including football, basketball, netball, and volleyball, darts, badminton, table tennis, swimming and track and field events.

Kenya Women in insurance graduate first Mentorship cohort

The Inuka Mentorship program by Kenya Women in Insurance graduated its first cohort of 29 ladies in October 2024.

The six-month initiative paired five C-suite executives with upcoming professionals to help them cultivate the skills, attitude, and aptitude needed for high-level roles.

Surveys have shown that while women are well-represented at entry and middle levels in insurance, fewer occupy senior positions, often due to unseen barriers. The second cohort will begin in January 2025 and is open to members only.

Interested participants can sign up at www.kwiin.co.ke.

4th edition of future leaders of insurance a success

Isaac Mwangi from Sanlam won first place in the 2024 Future Leaders of Insurance competition. Now in its fourth edition, 2024 contestants presented 195 ideas for judging. Over 800 ideas have been submitted in all editions, a testament to the value of the competition.

Previous winners have benefited from recognition and career growth within their companies, others have been involved in developing and testing the products they pitched in the competition, while others moved to other companies outside the industry.

Future leaders of insurance is an initiative of the Association of Kenya Insurers to engage young people within member companies. Contestants are challenged to develop innovative products targeted at young people that leverage technology. Started in 2020, this initiative builds on the reality that the median age of Kenyans is 19 meaning that insurance product development for this age group is essential for the future of the insurance industry.

The state of Bancassurance in Kenya

The Association of Kenya Insurers released findings from a study on the state of the bancassurance market in Kenya. The study showed the channels' gross written premium grew from KSH 19.5 billion in 2019 to KSH 35 billion in 2023, representing a 79.4% growth.

Represented by 24 licensed agencies, the channel's market share grew from 8.4% to 10% during the same period.

While bancassurance experienced strong growth in premiums, claims also surged from KSH 6.5 billion to KSH 14 billion during the five-year period. The loss ratios in non- life insurance rose from 43.9% to 52% between 2019 and 2023, compared to an industry average of 67%. Motor insurance is the most popular non-life insurance product commanding 58.6% of the total premium collected, while credit life/mortgage insurance leads the life insurance products at 62.9% of the total premium collected.

Bancassurance refers to the agreement between a bank and an insurance company through which the bank sells the insurance product of the concerned insurance company to its customers.

The full report is available on the AKI Website www.akinsure.com

Inaugural African Conference for Women in Insurance held

The Africa Insurance Women Association (AIWA) held its first-ever conference in November 2024, in Lagos, Nigeria. Established in 2023 during the African Insurance Organization (AIO) Conference in Algiers, AIWA was recognized as an AIO Associate body at their Annual General Assembly.

250 delegates from 16 African countries met to discuss industry trends and challenges. Speakers emphasized the complexity of current market dynamics, highlighting women's unique ability to manage such challenges and the need for innovation and strategic re-engineering for long-term industry sustainability.

AKI unveils first ever guidebook on retirement benefits sector in Kenya

The Association of Kenya Insurers unveiled a first-of-its kind guidebook on the retirement benefits sector in Kenya. The publication is a comprehensive resource that focuses on the legal framework, products, taxation and governance of retirement benefits schemes. The publication targets scheme administrators, trustees, members of pension schemes and anyone interested in planning for retirement.

Life Insurance companies are licensed as Approved Issuers offering the Deposit

Administration product which accounts for 36% of the total written premiums in the life insurance business. The publication was developed by a team of seasoned pensions administrators from various insurance companies that serve as members of the Retirement Benefits Committee at AKI.

The publication is available on the AKI Website. Guidebook on Retirement Benefits Sector in Kenya

The Association has also developed other guidebooks and videos for consumer education. They are available here https://www.akinsure.com/consumer-information

THE ENEMY WITHIN

HOMEMADE BARRIERS TO INSURANCE PENETRATION

By Jacqueline Ochieng

Are you seated? You might want to grab a seat.
For years the insurance sector has pushed the idea that Kenyans are not receptive to insurance and financial protection services. What if this narrative is wrong? What if the insurance sector is not the solution but a part of the problem?

Insurance penetration in Kenya has declined progressively over the years to an all-time low of 2.4%. Given that, it may surprise you to know that there is, paradoxically, a high demand for risk protection services among the Kenyan population. A Digital Insurance Research carried out by ICEA LION in 2023 revealed that Life Insurance benefits rank as a top priority need for many Kenyans.

So, where is the disconnect?
The answer is simple – many people actually subscribe to some form of protection mechanism just not formal insurance services. Many Kenyans belong to informal community groups like Chamas, Merry-go-round, alumni, welfare groups, etc. Such groups typically have one mandate in common, among others – to provide reprieve to its members in case of adversity.

People would rather grasp at the straw solutions provided by informal nondescript outfits than seek insurance services backed up by professional expertise and contracts. Why? The reality is the way the industry behaves, intentionally or unintentionally, creates barriers that discourage insurance uptake. Shattering these barriers would cause an upsurge in insurance usage.
What are these barriers?

Demographic Profiling
There is an unwritten rule that governs sales in insurance; it's called the "perfect profile" of an ideal insurance buyer. This is an employed, middle-class, middle age, family person. It is easy to validate this fact by visiting a shopping center or mall where insurance companies like to pitch tents to sell their services. As soon as the sales agents spot and profile such an individual, they quickly pounce.
One cannot fault insurance agents because this demographic profile narrative is passed across many insurance companies.

While there is nothing fundamentally wrong with such targeting, it leaves out a multitude of Kenyans who need and want insurance services and cannot easily access them. In Kenya, only 16.9% of the populations are grouped as middle class and a paltry 9% have full-time formal employment.

Such statistics highlight the exclusivity of insurance services that leave out significant segments of the population that need and want insurance services. Insurance companies must figure out outreach to the excluded population and adopt strategies to reach them.

Product Value Proposition
The reality is there is minimal product differentiation among insurance products in Kenya. Underwriters are literally selling the same basic product to consumers. New product releases are likely to vary the target group, accessibility mode, customer experience, etc., rather than the product features. The latest fad among insurance companies is to launch products for SMEs or low-premium retail products. A close look at the product features reveals little to no adjustment on its structure.

While it's noble to have lower-premium products, it is imperative for insurance companies to create a unique value proposition for higher uptake of insurance. If the only adjustment to a product is the premium paid, it only creates a product with an inferior benefit which will not be attractive to someone seeking solid protection services. The value proposition is lost to the prospective buyer who will revert to their informal means of seeking a cushion from life adversities.

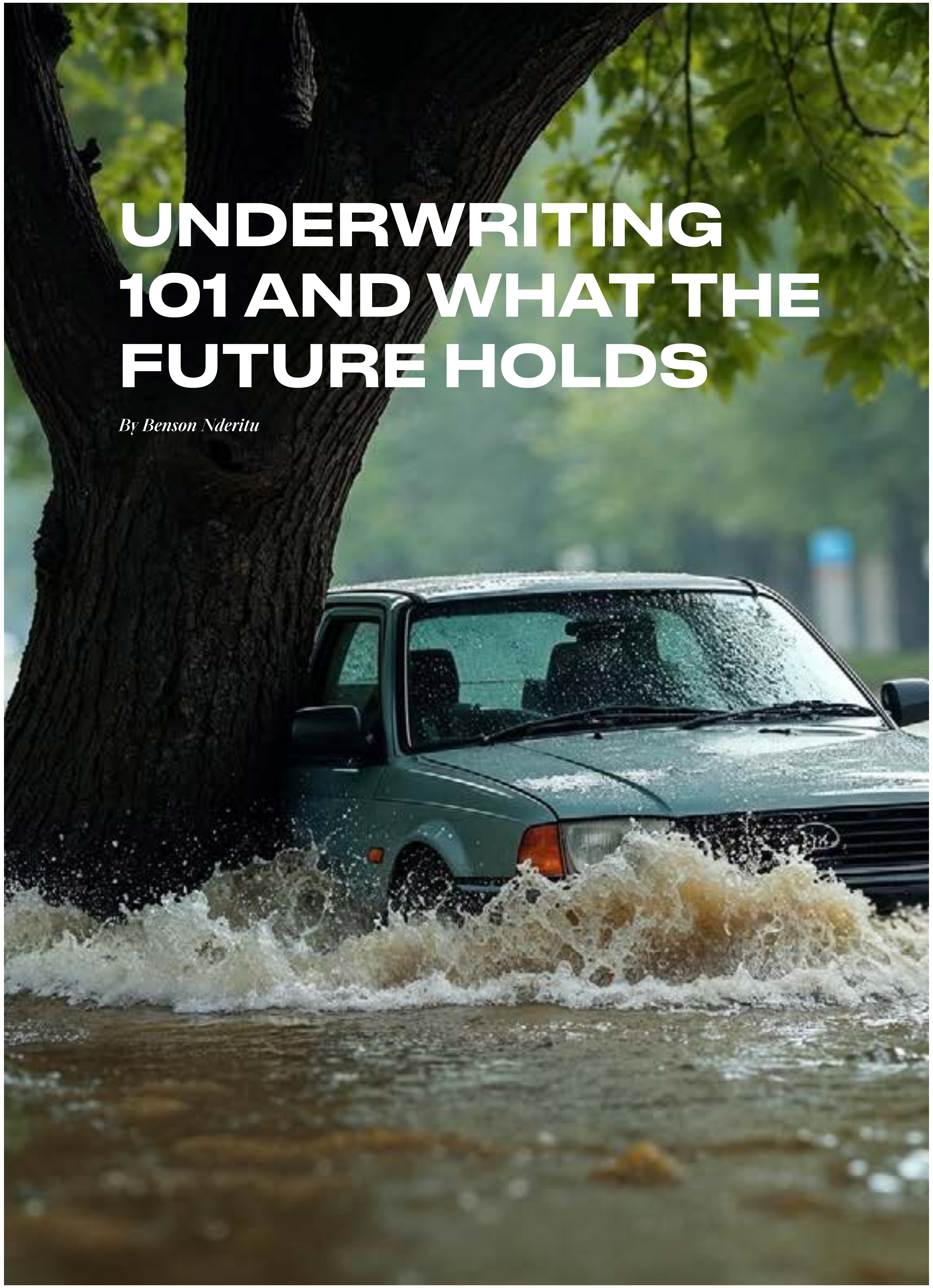
Creating a unique value proposition is a journey which starts with studying prospective insurance users' needs and developing products that fits the needs. To do this, insurers must be ready to debunk legacy insurance culture and take user needs as their north star. The developed product should then be tested in the market and only launched when the users give it a thumbs up.

Product Accessibility
Product accessibility is a critical success factor for any product in the market and it is more imperative for low-demand products like insurance. Insurance in Kenya relies mostly on agent distribution. Records from IRA (2022) reveal Kenya has 11,400 agents and 176 brokers serving the industry. This number is inadequate to distribute insurance to the population that needs the services. The gap makes product accessibility a major barrier of insurance distribution in the country.

Insurers must explore alternative distribution channels like e-commerce, mobile phones, retail outlets, etc. The physical engagement needed to sell insurance in its current from does not support the modern, busy lifestyles of people. Consumers are continuously demanding products they can access easily through their mobile devices or platforms they visit frequently. Such products must enable instant buying and close of sale.

Overcoming these insurance barriers requires purpose and intent by underwriters. For some companies it may involve changing their business model to win the future. Many factors that have held constant for the insurance industry over the years are slowly dissipating and there has never been a time like the present to re-write the rules of insurance.

The writer is the Head of Research & Partnerships at ICE LION Group



UNDERWRITING 101 AND WHAT THE FUTURE HOLDS

By Benson Nderitu

As an underwriter, I have learnt to set aside time at every family gathering for insurance consultation. The issues discussed include:

- Explaining to nieces and nephews that underwriter is different from Undertaker (WWE wrestler) and I am not good at fighting
- As an underwriter, I have learnt to set aside time at every family gathering for insurance consultation. The issues discussed include:
- Explaining to nieces and nephews that underwriter is different from Undertaker (WWE wrestler) and I am not good at fighting
- Why is motor insurance so expensive?
- The need for comprehensive cover over third-party liability,
- Why does one relative pay a rate of 5% while the other pays a rate of 7%?

Despite my best efforts to explain, I always often leave every family gathering with a sense of failure. My audience always questions the basis of insurance pricing or my continued insistence on the need for non-compulsory insurance products.

At least the wrestling answers seem to get the job done!

What is underwriting?

Underwriting is the process through which an individual or an institution takes on financial risk for a fee. Underwriting involves assessing the level of risk each applicant and assigning a price to it. This explains why rates differ across different regions, among individuals. Underwriting is not "one size fits all."

Necessary Education and Skills

Every underwriter needs core skills to carry out their work effectively. These include:

- **Analytical skills** – underwriters must review data presented, assess the level of risk and the probability of loss. This assessment helps to determine the correct price. The pricing must ensure there are adequate funds to settle claims, cater for administrative expenses and deliver a profit.

- **Technical skills** – insurance involves large volumes of data. It is crucial to have the ability to use underwriting software and data analysis tools. These help simplify data into digestible chunks for faster decision making.

- **Communication skills** – insurance involves selling a service. The lack of tangible goods means an underwriter needs to properly articulate the service being sold, its benefit to the consumer and sell the promise of speedy compensation in the event of a claim.

To gain these skills underwriters undergo both professional and academic training. Underwriters are drawn from different academic backgrounds. These include Bachelor of Commerce, actuarial science, statistics and mathematics. In addition, there are professional courses offered by the College of Insurance and the Chartered Insurance Institute in the UK. The associate diplomas offered focus solely on insurance and enable specialisation in specific classes.

The Future of Underwriting

There is a "changing of guard" in the Kenyan insurance scene with many experienced underwriters retiring or nearing retirement. The new generation of underwriters have big shoes to fill to ensure there is no knowledge or capacity gap. The future of underwriting will encompass the traditional underwriting rating methodologies with new technology and customer centric products. Several factors will play a big role in underwriting in the future:

- **Big data and predictive analytics** – Data is readily available now. Big data is a game-changer for the insurance industry and will lead to effective predictive analytics. The data may predict customer behaviour, aid in setting prices customers will be happy to pay, review performance trends per class over a period and optimize the underwriting process. Underwriters will use predictive analytics to aid in decision making. This will remove subjectivity from the underwriting process.

- **Automation and artificial intelligence** – AI has taken the world by storm and is changing almost all professions. In underwriting, AI simplifies risk modelling, data forecasting, claims handling, contact centre support, generation of quotations with an abundance of possibilities in the pipeline. AI thus leads to automation of the underwriting process and improves efficiency. This will allow underwriters more time to focus on complex cases and allow more face-to-face time with brokers and potential clients.

- **Customer-centric products**

Insurance buyers are more enlightened with a lot of information available on the internet. The demographic of the customer is varied with each segment having varying needs. The channels used to sell insurance should provide ease to the potential customer. The younger generation would prefer digital access to proposal forms and motor certificates. There are requests for non-traditional insurance products such as stand-alone mobile insurance, medical cover for terminal diseases only. These products require review of the market and an understanding of the customer needs. For continued progress of the insurance sector, underwriters need to tailor their products to the market needs rather than the traditional "one size fits all" product offering.

- **Increased collaboration**

Underwriters need to collaborate with actuaries, data analysts, IT professionals and marketers to come up with optimum pricing for existing products and create new products as per market need. Underwriting has evolved and pricing is now a collaborative effort with minimal subjectivity.

In 2024, underwriting is on the precipice of big change. Improved technologies, an abundance of data, changing customer expectations and increased competition have made the industry ripe for disruption. But the future is bright for those willing to innovate and foster a culture of continuous learning in this dynamic environment.

The writer is an Assistant Manager, International Business at Kenya Reinsurance Company

KENYA'S SOCIAL HEALTH INSURANCE

What contributors and other stakeholders can expect.

By Catherine Bosire

In the last week of October 2024, Kenyans woke up to a deduction of 2.75% on their pay slip in favour of the Social Health Insurance Fund. Disgruntlement and questions about the value and tangible benefits of this fund quickly took center stage and continue even today.

Let's put this perspective. Meet Alex, a 33-year-old research assistant who earns Kes. 50,000. Every month he will contribute Kes. 1,375.00, every year this will amount to Kes. 16,500.00. For this annual contribution Alex can purchase an inpatient private health insurance plan with limits of about KES 300,000 that includes medical and surgical expenses, treatment for congenital, chronic or non-chronic conditions, doctor and specialist charges, radiology and lab expenses, bed charges and prescription drugs amongst other benefits.

The trillion-dollar question for Alex and all Kenyans is: what can SHIF deliver?

Under the Social Health Authority Funds, Alex and his family will have access to a primary healthcare fund at level 2 – 3 facilities i.e. dispensary or clinics, health centers, maternity homes and sub-district hospitals. They can access outpatient services like consultation, laboratory services, radiology and prescription drugs as well as ear, oral and eye health services, mental health, preventative care screening, rehabilitation, maternity, inpatient care, burial expenses among other benefits.

Should Alex require care at a higher-level facility, he will be referred to level 4 to 6 facilities like district, provincial or national hospitals - public faith-based and private facilities. Here, Alex and his family can access benefits like outpatient, inpatient, maternity, surgical services, non-communicable diseases (NCD) screening, rehabilitation, cancer management, dialysis services and transplant amongst other benefits.

And that's not all, Alex and his family can also access the Emergency, Chronic and Critical Illness Fund (ECCIF) upon referral or depletion of the SHIF fund. He will access this care at level 4 to 6 facilities for benefits like chronic and critical illnesses complications, emergency services like heart attack, major trauma including burns and any serious injuries that are life-changing amongst several other benefits.

Despite the generous benefits, Alex is concerned if the 2.75% will deliver value and whether healthcare facilities will provide quality?

Let's consider the bigger picture. Alex has parents with medical conditions and has to frequently send money home. He also contributes to medical and/or burial expenses of friends and relatives. Alex is also often one medical bill away from poverty. He has no health insurance from his current employer. This is the story of many Kenyans.

Making health insurance compulsory demands that every household contributes into the social health insurance fund, and everyone can access the same benefits defined above. Alex may not need to send money home for medical expenses if his parents can also contribute to the fund which is determined by a means testing instrument.

Kenya's social health insurance is aimed at fulfilling the Universal Health Coverage (UHC) mandate, which ensures everyone can access quality healthcare without financial hardship. Various

countries across the world have various forms of financing healthcare including payroll tax. In the USA employers and employees both contribute 1.45% to Medicare. An additional payroll tax applies for employees above a certain income threshold. France and Japan also use payroll tax as one of the means to fund their UHC agenda. However, these countries are also seeking out other forms of financing as they have a large retiring population which is reducing the pool of healthcare financing through payroll tax. Ethiopia is also in the process of setting up their social health insurance for the formal sector with a payroll tax of 3% of the gross income of employees. Payroll tax to finance healthcare is not unique to Kenya.

What does this mean for Kenya's private insurance sector?

A well-managed Social Health Authority (SHA) could positively impact Kenyan households by providing accessible healthcare nationwide. Success could prompt private insurers to redesign their product offerings. Unlike the private sector, which primarily uses fee-for-service payment models to healthcare service providers, the government's tariff/payment models allow diverse payment structures that prioritize health outcomes over service utilization. This shift may push private insurers to embrace similar models, where outcomes—not expenses—drive value. In addition, while SHA has enabled online registration for members, many private insurers still rely on manual paperwork, highlighting a ripe area for modernization.

Ultimately, SHIF's implementation will disrupt the healthcare market demanding agility and innovation from all stakeholders.

But only if it works.

The writer is a Health Consultant at Wingspan Consultants

WHERE DID YOU GET MY NUMBER?

DATA PROTECTION LESSONS FOR BUSINESSES

By Lynn Obwanda

It's a cloudy morning. Nekesa has just made a cup of coffee, her phone pings. It's a text message: *'Ile pesa tuma kwa hii number'.* She does not recognize the number; the annoyance ruins her coffee and clouds the rest of her day.

Many of us have received such texts or even marketing texts that make you wonder how the individual or business got your number. Our personal information can be found in Banks, Insurance companies, hospitals, online shops, online eateries, public buildings etc. and it can be accessed by anyone. How can we protect ourselves from rogue individuals' or companies using our personal information for commercial use or for crime? How can your business ensure it is not mishandling customer information?

The Data Protection Act (DPA) exists to protect individuals from infringement of their personal information and guide companies on how to handle customer data.

Does the law work? Let's look at complaints filed at the Office of the Data protection Commission (ODPC) and see what we can learn.

COMPLAINT 1
(Fine: 500,000)

Two individuals separately went for tests at a medical laboratory, later they began receiving promotional texts from the laboratory. They tried the opt out prompt in the text but that did not work. They later filed a complaint with the ODPC. The medical laboratory admitted to sending promotional messages and that the opt out prompt had not been functional for a while. On investigation by the ODPC, they found out that even at the time of investigation, the opt out prompt was not still functional. Further, the ODPC found that the medical laboratory had not informed the clients that their personal data would be used for marketing.

The laboratory argued that by signing the lab request form, the client had consented to receiving the promotional messages. The ODPC dismissed this argument because the purpose of the lab request form was limited to receiving laboratory services only and not direct marketing.

The medical laboratory also blamed their IT service provider for not fixing the opt out function. The ODPC noted that they did not have a data sharing agreement with the said service provider which was a further violation of the Data Protection Act. The Commission ruled in favour of the complainants and awarded compensation.

COMPLAINT 2
(Fine: 250,000)

A client with a bank in Kenya filed a complaint with the ODPC, alleging that the bank shared their personal information to third parties without lawful basis. In 2021, the client obtained a loan facility for a car and the bank also facilitated motor insurance cover that was renewable annually. In 2023 and 2024 she received calls from two different individuals who had her phone number and car details informing her that her insurance cover was due for renewal. One of the third parties even requested her to share her logbook as the bank portal had an issue with access. Two days after this call, she received an email from the bank informing her that her insurance cover was due. At this point, she informed the Bank that she had received several phone calls from different people about her insurance cover and sought to know who the individuals were.

Later, the client found out that the individuals who had called her were neither employees nor agents of the bank. Once the complaint was filed with the ODPC, the bank admitted that the individuals were former employees who had stopped working with them in 2021. On investigation, the ODPC found that the Bank did not fulfill its data protection obligations under the Data Protection Act and awarded the complainant compensation.

Since enactment of the DPA various individuals have filed complaints to the ODPC due to personal data breach by companies. The infringements range from use of personal data for marketing without consent, sharing personal data without consent, identity theft as a result of leaked personal data etc.

Where the cases have been proven as above, the ODPC has meted out serious fines, creating a growing realization that data compliance has financial and reputational risks.

The question is what measures companies should then put in place to safeguard those risks. From the two cases we have seen above, there are several measures as envisaged in the Data Protection Act that companies can put in place to ensure compliance.

Where a company collects data directly as in the first case of the medical laboratory, it should comply with the data protection principles for example, collecting only the necessary data required for a specific purpose and using it for that specific purpose only. If the medical laboratory wanted to market themselves to their clients, then they should have notified them that they would use their personal information for direct marketing and asked for their consent. They should have also provided a visible, clear and functional opt out mechanism.

In the case of the medical laboratory where customer information was shared with third parties, there should have been a data sharing agreement detailing how the personal data collection, processing and storing with adhere to the data protection principles.

The banking case exemplifies how companies must take responsibility for consumer data and take deliberate actions to safeguard the same. Companies should have policies for data privacy and confidentiality and train employees how to handle personal data. Companies should also have policies that identify foreseeable internal and external risks to personal data in the possession or control of the business.

Further, companies must develop safeguards against the identified risks including making efforts to pseudonymize and encrypt personal data. Encryption of data is vital where many individuals have access to the data. A business ought to create different access levels to personal data for employees. Employees should only handle the personal data relevant to their work.

There are several safeguards in the DPA and regulations that companies can put in place to avoid the penalties, fees and reputational risks that will result from non-compliance.

The writer is the Legal and Statutory Manager at AKI.

References from https://www.odpc.go.ke/determinations/

CITIATION COMPLAINT 1- ODPC CPMPLAINT NO. 0916 OF 2024 Januaries Robert Kioko and another Vs Metropolis Star Lab Kenya.

CITIATION COMPLAINT 2 – ODPC COMPLAINT NO.1178 OF 2024 Rose Wambui Muigai VS NCBA BANK PLC

LEADERSHIP

Stella Njunge is the CEO and Principal Office of NCBA Insurance company and she believes in leading from the front.

> Leadership, to me, is about setting the example while ensuring the team progresses together. I listen actively and believe everyone holds the potential for greatness. To nurture this, I assign challenging tasks to test growth and capacity. My approach ensures accountability, encourages growth, and drives us to achieve collective success.

On her career journey

How would you describe your career journey? I would describe it as eventful and rewarding, impacted by great leaders who offered me their support and advice.

Have you always wanted to be CEO? Yes. From an early age I would watch news on TV and greatly admired the finesse with which business leaders executed their roles. I found them quite inspirational. I also have family members who were successful in their farming and business enterprises who acted as early role models for me.

Can you share a defining moment in your career that changed your trajectory? While working in Liberty Life Insurance Limited, I was offered an opportunity to take on a new role as the GM Retail (I was working in Finance then). It was an expansive role covering sales, operations as well as customer service. Very different from Finance and Accounting roles that I had held until then. That move greatly impacted my experience and exposed me to situations that tested and grew my skills.

What habits have you adopted to help you balance professional demands and personal life? Keep learning, work hard, value people.

What's the best piece of advice you've received in your career? This was from the then Head of Africa for Liberty Life, Stuart Wenman, "Take up challenges and execute them well."

Stella Njunge (holding mic) speaks during a CEO panel session at a young professional's forum organized by AKI.

L-R- Louisa Wandabwa, Director of Strategy and Chief of Staff at NCBA Group, Mr. John Gachora, Group CEO, NCBA Group and Stella Njunge, CEO NCBA Insurance.

On Leadership

How would you describe yourself as a leader? I lead from the front but insist that the team moves along with me. I listen, and believe that everyone has the potential to become a great leader, and I challenge them to achieve this. Delegation is key and I will assign difficult tasks to test capacity and growth potential. I am not always democratic, and I insist that team members go the extra mile for the team.

What keeps you up at night as a business leader? With the rapidly changing environment, the need to be agile and responsive in aligning strategic priorities, their execution, whilst finding balance to take care of the interests of all stakeholders.

What would you say are the top three skills a professional has to embrace today to succeed? One must be able to communicate well, there is no substitute for this. Being visionary will enable you chart a successful strategy for the business and leadership will help you achieve the vision.

What are you doing to shape future leaders within your organization and the wider community? We have a talent pool who are selected and are part of a leadership development plan. In addition, they are given assignments designed to challenge them to grow and broaden their skills.

On the Industry

What do you see as the most significant trends shaping the insurance industry today? I will group them under five headers.

A. Legislation and Regulation; There are always new regulations coming into play with the latest being Data Privacy Regulations. Our industry collects and holds massive data and underwriters have to ensure that the statutory requirements on data privacy are met.

B. Technology and AI; Technology and automation developments positively impact service delivery and customer experience, by shortening service turnaround time and enhancing the overall customer experience. Underwriters and business partners are making huge investments in this area. There is already use of AI, robotics and data analytical tools in claims adjudication and in operation cycles. Digitization of customer journeys to the extent of offering customers and business partners the opportunity to self-serve on company websites and portals are new initiatives targeted to attract the digitally savvy clientele, and support business partners.

C. The rise of fintech and micro insurance companies addressing the bottom of the pyramid is an area where underwriters have invested in product and system development, with various firms running initiatives to access funding to support these developments that ultimately have a social impact on society.

D. Conversations on sustainability and climate change raising awareness on the need for companies to become good corporate citizens.

E. The change in demographics where the average age of the customer is reducing, presents various risks and opportunities. The industry is conducting research into new products and channels targeting this segment.

Diversity, equity and inclusion (DE&I) have been shown to improve a company's performance, are there any efforts you have made towards this balance? Yes, I am a firm believer of the positive impact of DE&I on business. We look out for diverse talents and where possible onboard them into open roles. We have in place employee resource groups, that champion the cause of DE&I and keep the conversations alive on key issues.

If you had a magic wand, what is the one thing about the insurance industry you would change? The negative image and perception of this important industry.

On being Stella

What are your passions outside the office? I love reading, enjoy travelling and spending time with the family
What brings you joy? There is nothing like the satisfaction of achieving a challenging goal.
What helps you unwind? Old school music and watching a good action movie
What grounds you? My values.

In Closing

Would you encourage a student who just sat their KCSE exam to pursue insurance as a profession? I would ask them to join this industry which is key to the finance sector, as it directly impacts corporations, SME's, and individuals' security and success, by transferring and managing risk. Why? This is an important industry that is underrated and, in some instances, misunderstood. We need to attract talent and keep informing / educating the general public on the key role of Insurance.

Parting shot? We must innovate, simplify and educate to remain relevant.

EMBRACING MEGATRENDS:

Paving the Way for Sustainable Insurance

By Ngari Francis

Insurance leaders are grappling with a rapidly shifting landscape shaped by global social, environmental, and economic trends. Climate change is disrupting claims and litigation, while new technologies are transforming traditional operations. Inflation affects premiums, investments, and risk decisions, while geopolitical tensions and resource scarcity challenge critical supply chains that are crucial for Motor, property and health insurance. Demographic shifts, such as retiring Baby Boomers and tech-savvy Gen Z consumers, demand fresh approaches to engagement. Additionally, urbanization, evolving values, and the rise of megacities present complex challenges that require innovative strategies to future-proof the industry.

Megatrends are transformative global forces shaping business, society, and personal lives over decades. They encompass social changes like shifting behaviours and values, environmental challenges such as climate change and resource scarcity, technological advancements, and economic factors like inflation and policy shifts. These trends are interconnected, influencing one another and global initiatives like the Sustainable Development Goals (SDGs). Understanding their intersections is critical for addressing long-term impacts and preparing for the future.

Let's explore some of the major megatrends relevant to the insurance industry.

Climate change is causing loss and damage in all parts of the world through wildfires, droughts, floods, and hurricanes. Insurers urgently need to adopt risk-based pricing models that reflect the true cost of climate risks. The transition to zero emissions requires insurers to reassess risk models and develop new products, aligning portfolios with a low-carbon future by 2050.

Technology is crucial for sustainable development. Emerging technologies like Big Data, Blockchain, Smart contracts, quantum computing, 3D printing, IoT, AI, Bioengineering, VR/AR, 5G, autonomous transportation, and robotics will revolutionize business operations and processes. Insurers must also deal with cyber security and data protection responsibilities caused by the sectors adoption of technology. Solutions such as cybersecurity and drone insurance, showcase how insurers can create new solutions to match the evolution of tech.

Megacities are urban centres with populations exceeding 10 million. They are emerging in Kenya, fuelled by devolution, infrastructure investments, and urban migration. It is estimated that by 2050, two-thirds of the global population will reside in cities, with 43% of this shift expected by 2030. The resulting growth in satellite towns like those around Nairobi pose challenges in planning, sustainability, and inclusion. Sustainability and smart cities are closely tied to this trend. Kigali exemplifies this with its Rwanda Green Fund initiatives in green building and renewable energy. Insurers can support these efforts by offering coverage for green technologies and promoting sustainable urban solutions.

Compliance, regulation, and transparency are everywhere. In an era where every data point is crucial for decision-making, managing the immense daily data generated is vital. Sustainable financial regulation has evolved to enhance transparency and precision, to address greenwashing concerns.

By 2050, the global population is expected to grow by 2 billion. Due to lower fertility rates and higher life expectancy, the **population of the aged will increase.** In developed countries strained pension systems, higher healthcare costs, and changing family structures have resulted from this reality. Insurers in Kenya need to align their strategic thinking with an ageing population in mind.

Consumer behaviour is shifting from quantity to quality, reflecting a growing emphasis on sustainable and responsible consumption. In transportation, eco-friendly options like bicycle rentals are rising in most cities and e-mobility is also growing fast. In the beauty sector, eco-friendly products are grabbing market. Generation Z, prioritize sustainability and responsible consumption, favouring eco-friendly brands and are willing to pay more for them.

Litigation around **public participation, solidarity and disclosure** of material information by companies is on the rise. This highlights the importance of transparency and the role of society in governance. Additionally, the demand for equal opportunities through diversity, equity, and inclusion is particularly prominent in Europe and the USA. These elements are essential for societal progress, and insurers need to take note.

This list is not exhaustive, as megatrends will continue to reshape industries critical to the insurance sector. Ignoring these social, environmental, economic, and technological shifts poses significant risks for insurers.

These trends are poised to influence customer behaviours, values, and product preferences over time. To address these challenges and build resilience for the future, insurers should focus on bridging human resource skill gaps by investing in training programs centred on Corporate ESG (Environmental, Social, and Governance) principles and sustainability within their organizations.

The writer is a Climate Change , ESG and Sustainability specialist at Geminia Insurance

2025 THE OUTLOOK FOR INSURANCE

By Peter Mwangi

2024 tested our resilience. From devastating climate disasters to shifting political landscapes, the world faced unprecedented challenges. In Kenya, these effects were felt deeply—floods and the rising cost of living forced families to make difficult choices. 2024 was a wake-up call for the insurance sector, urging a rethink about how we respond to crises.

Before we look at 2025 lets revisit lessons from 2024.

The Impact of Climate Change on the Insurance Sector

This year, we saw the devastating effects of climate change firsthand: extreme weather, floods, wildfires—events that have disrupted lives, businesses, and entire communities. In Kenya, these impacts have hit especially hard, with floods displacing thousands and destroying homes. For many, the question isn't just about compensation, but about rebuilding a future where such crises don't wipe them out.

Take, for example, the small business owner in Nairobi whose shop was destroyed by flooding. While insurance might cover the physical damages, how can it go further to help the owner rebuild, adapt, and prepare for the next storm? This is where innovative solutions, like Index-Based Insurance, come in. Tied to measurable climate conditions such as rainfall levels or temperature, this type of coverage offers faster payouts, allowing individuals to recover quickly.

But the question remains: how can we, as an industry, create insurance that not only covers damage but empowers communities to adapt to a changing world? It is time to see insurance not just as compensation, but as a tool for resilience.

Geopolitical Instability and Its Ripple Effect

2024 was also marked by geopolitical tensions that rocked global markets and local economies. From the war in Ukraine to regional conflicts and political instability in Kenya, businesses and individuals alike have been left scrambling. Rising cost of living and political unrest have added pressure to an already strained system.

For insurers, this has meant a rise in business interruptions and political violence claims. But it also offers an opportunity. How do we build more flexible, adaptable insurance products that address both local and global uncertainties? This is not just about risk coverage—it's about providing peace of mind in times of chaos.
As we head into 2025, we know that the unpredictability of geopolitics will continue to impact us. But with the right products, we can help businesses and individuals navigate these uncertain waters with more security and confidence.

Technological Disruption: A Catalyst for Change

Technology made major strides in 2024: Artificial Intelligence (AI), block chain, and automation—are fundamentally reshaping the insurance industry. AI is transforming claims processing, risk assessment, and even customer engagement, while blockchain offers enhanced transparency and security in transactions.

In Kenya, the insurance industry is starting to explore these technologies, but data security challenges and ethical considerations around automation. Still, these innovations open the door for more personalized, accessible products like mobile and micro-insurance, which can make coverage available to underserved populations.

The future of insurance lies in its ability to adapt to these technological advancements while ensuring that they serve the needs of all customers—especially the most vulnerable.

2025: Opportunity in the Face of Challenges

While 2024 tested our resilience, 2025 presents an opportunity to innovate and transform the insurance landscape. As climate change accelerates, geopolitical risks remain high, and technology continues to disrupt the industry, there is a growing need for insurance products that address the full spectrum of emerging risks.

In Kenya, we must prioritize inclusive insurance solutions—especially for rural areas where access to coverage is still limited. By leveraging digital platforms and mobile solutions, we can make insurance more affordable and accessible for low-income households. This isn't just about offering coverage—it's about ensuring that insurance reaches every corner of society.

With growing partnerships between local and international stakeholders, 2025 could be the year we make significant strides toward a more inclusive, resilient insurance ecosystem in Kenya.
The insurance sector faces significant challenges, but also immense opportunities. Climate change, geopolitical instability, and technological disruption are complex issues, but they are also catalysts for innovation and growth. We must turn these challenges into opportunities.

So, what will you do to make a difference in 2025? Will you plant a tree, join a protest, or invent the next big thing? The future is in our hands. Together, we can transform the insurance industry into one that not only compensates but empowers, supports, and builds resilience for all communities—today and for generations to come.

The writer is a Research Officer at the Association of Kenya Insurers

HARNESSING THE POWER OF MULTIGENERATIONAL WORKFORCE IN THE INSURANCE SECTOR

By Winnie Pertet

"Great leadership understands the value of different perspectives, and in a multi-generational team, each generation brings a unique piece of the puzzle to solve the challenges of tomorrow." — **Simon Sinek.**

The modern insurance workplace is a melting pot of several generations, each bringing unique perspectives, experiences, and expectations. We are experiencing an unprecedented convergence of four generations—Baby Boomers, Generation X, Millennials, and Generation Z—all working side by side.

This diverse multigenerational workforce creates challenges, particularly around communication, collaboration, and alignment.

The ability to navigate this complex generational dynamic is critical for success in this competitive industry. This article provides practical strategies for fostering harmony and unlocking the potential of a diverse multi-generational workforce.

Understanding the Generational Landscape

Each generation in the workplace today has been shaped by the cultural, economic, and technological conditions of their formative years. Leaders need to understand these generational characteristics to address their unique needs and strengths effectively:

Baby Boomers (1946–1964): The Boomers grew up during a time of economic growth and societal change. Known for their strong work ethic, loyalty, and institutional knowledge, they value face-to-face communication and hierarchical structures. Many Boomers in the insurance industry hold leadership positions, bringing decades of experience and valuable institutional knowledge.

Generation X (1965–1980): Often called the "sandwich generation," Gen X employees are known for their adaptability and pragmatism. They grew up as technology emerged and often act as a bridge between Boomers and younger generations. They are skilled problem-solvers who value work-life balance and autonomy in their roles. They also value results over process.

Millennials (1981–1996): As the largest segment of the workforce today, Millennial prioritize purpose and alignment between their personal values and those of the organization. Collaborative by nature, they seek and thrive in environments that offer frequent feedback, growth opportunities, and technology-driven solutions.

Generation Z (1997–2012): Digital natives to the core, Gen Z employees are entering the workforce with fresh perspectives. They value authenticity, diversity, inclusivity, mental well-being and meaningful work. Flexibility and technology integration are non-negotiables for this group.

This mix means that at any given time, an insurance company might have employees whose career experiences range from manual claim processing to AI-powered underwriting systems.

Strategies for Multigenerational Success

Managing a multigenerational workforce requires more than a one-size-fits-all approach. To harness the power of generational diversity, leaders must adopt strategies that encourage collaboration, address differences, and create an inclusive culture:

1. Communication Styles
Employees like to be heard and to be engaged. Great leaders ensure to keep their employees "in the know". Effective communication is foundational. While Baby Boomers may appreciate in-person meetings and formal memos, Millennials and Gen Z thrive on quick, real-time, digital communication. Creating a culture that values clear, respectful, and adaptable communication ensures no one feels left out.

2. Cross-Generational Collaboration
Establish mentorship programs where senior employees share institutional knowledge. Reverse mentorship from the younger employees offers insights into emerging trends and technologies. These partnerships can foster mutual respect and drive innovation.

3. Benefits and Rewards
The one-size-fits-all strategy in rewards and benefits is obsolete. Leaders can offer flexible benefits that cater to the diverse needs of employees. Boomers may prioritize retirement planning, while younger employees might value mental health resources and career development programs. A customizable program demonstrates organization's commitment to overall employee well-being.

4. Inclusive Culture
Inclusion is about creating a sense of belonging where all employees feel valued, regardless of their background or generation. Celebrating milestones across age groups—from retirements to first job anniversaries can unify the workforce. Leaders should ensure equal opportunities for growth and recognition.

5. Training and Technology
Technology is transforming the insurance industry, but adoption rates differ among generations; tech savvy millennials and GenZs seek continuous training and opportunities for innovation.

6. Purpose and Impact
Great organizations have an inspiring purpose. Millennials and Gen Z are particularly driven by purpose. Companies should highlight their societal contributions, such as protecting lives, enabling financial security, and supporting disaster recovery. Linking individual roles to broader organizational impact can inspire all generations.

7. Implement Flexible Work Arrangements
Flexibility is now a common demand across generations. Offer hybrid work models that allow employees to balance personal and professional responsibilities effectively.

Unlocking the Business Potential of Generational Diversity

A harmonious multigenerational workforce delivers tangible benefits to insurance organizations including:

Innovation: Diverse perspectives foster creativity and innovative solutions.

Customer Insight: A workforce that mirrors the generational diversity of its clientele is better equipped to understand and serve customer needs

Staff engagement and retention: Employees who feel valued and included are more likely to remain loyal to their employer

Organizational Agility: A workforce that leverages the experience of all generations is better equipped to navigate industry disruptions

Future-Ready Workforce: Cross-generational knowledge sharing ensures that critical skills and institutional knowledge are passed down, safeguarding organizational resilience.

In the insurance industry, where trust and relationships are paramount, the ability to unite a multigenerational workforce is more than an HR initiative—it's a leadership imperative. The question is not whether multigenerational workforces can coexist; it's how leaders can leverage their diversity to create a more agile, innovative, and successful organization. The answer lies in embracing generational differences, aligning them with shared goals, and building a culture where all generations thrive.

The writer is a HR Expert at Serian Consulting Limited

AUTOMATION OR HUMAN CONNECTION: CRAFTING THE IDEAL CUSTOMER EXPERIENCE

By Emily Were

In today's evolving insurance landscape, striking the perfect balance between cutting-edge automation and human touch is a challenge for most insurers. I say it is also an opportunity. As an experienced Client Officer in the industry, I have witnessed firsthand the transformative power of technology, as well as the enduring value of personal connections. Finding the equilibrium between the two is a necessity for insurers who seek to thrive in the digital age while maintaining the trust and loyalty of their customers.

The latest Ipsos Global Trends data for 2024 reveals a fascinating dichotomy in the African market, particularly in Kenya. While consumers are increasingly embracing digital advancements and the conveniences they bring, there remains a strong desire for personalized, human-centric interactions.

The statistics paint a clear picture. According to the Ipsos Global Trends 2024 survey, a staggering 90% of Kenyans agree that they are prepared to pay more for a better customer experience. This figure is significantly higher than the global average of 63%, highlighting the immense value that Kenyan consumers place on quality service. However, the same survey also reveals that 82% of Kenyans feel that customer service is becoming too automated and impersonal. This paradox underscores the need for a balanced approach in the insurance sector.

The key lies in strategic implementation. Automation is not a replacement for human interaction, but a tool to augment and enhance it. For instance, AI-powered chatbots can handle routine inquiries and policy information requests, freeing up human agents to focus on more complex, emotionally charged situations like claim processing or policy adjustments. This approach allows for quick, 24/7 service for simple matters, while ensuring that when customers need empathy and nuanced understanding, they have access to well-trained, empathetic human representatives.

Moreover, by analyzing customer behavior and preferences, insurers can tailor their offerings and communication strategies. This might mean sending targeted policy recommendations based on life events, or proactively reaching out with relevant information before a customer even realizes they need it. But even this approach requires a human touch, to interpret this data and craft personalized solutions that truly resonate with individual customers.

Claims processing is another critical area where the balance between automation and human interaction is paramount. While automated systems can streamline the initial claims submission process, quickly verifying policy details and flagging potential issues, human intervention is necessary for assessing complex claims or dealing with distressed customers. A compassionate claims adjuster can provide reassurance and clarity in ways that no automated system can match.

Training and empowering staff is vital in this new paradigm. Customer-facing employees need technical knowledge but also require emotional intelligence and problem-solving skills. Insurers must train staff to leverage automated tools effectively without losing the personal connection with customers. This hybrid approach allows for efficient service delivery that builds trust and loyalty.

It's also worth noting that different customer segments may have varying preferences when it comes to automation versus human interaction. The Ipsos data shows some interesting demographic trends. For instance, 88% of Kenyans aged 55-74 are willing to pay more for better customer experience, compared to 85% of those aged 16-24. This suggests that while younger, tech-savvy customers might prefer digital-first solutions, older demographics or those dealing with complex insurance products value face-to-face interactions more.

A flexible approach that allows customers to choose their preferred mode of interaction can go a long way in enhancing satisfaction across diverse customer bases.

The income factor also plays a role, with 87% of high-income Kenyans willing to pay more for better service, compared to 82% of low-income individuals. This highlights the need for insurers to offer tiered service options that cater to different market segments while maintaining a high standard of customer care across the board.

The future of customer experience in the insurance industry is not a choice between automation and human contact, but an artful blend of the two by leveraging technology to handle routine tasks and provide data-driven insights, while reserving human interaction for moments that truly matter

The author is the Senior Research Manager at Ipsos in Kenya

BRIDGING THE INSURANCE COMMUNICATIONS GAP

By Stella Gatogo

For years, David paid his insurance premiums faithfully, trusting that he would be covered in emergencies. Then the unthinkable happened- a fire broke out in his workshop, and he needed financial help to rebuild. But as David sifted through his policy documents, he realized he didn't understand half of what he had signed up for. As he attempted to make a claim, frustration set in, he found himself helpless in the face of complicated jargon and endless paperwork.

David's story is one of many instances where a simple question or reassurance could have made all the difference. Across Kenya, countless policyholders share David's struggle: hindered by fine print, frustrated by complex terms and feeling deserted. This communication gap between insurers and clients erodes trust, impedes satisfaction, and undermines the true value of insurance. Closing this gap will help clients and strengthen the sector.

Insurance is about providing security. Yet when customers encounter unclear policies or confusing processes, that sense of security evaporates. Many Kenyans seek simplicity in financial matters, but insurance documents are often dense and difficult to understand. When people experience crises, they are left to navigate complex claims and feel frustrated rather than supported.

A recent AKI survey found 27% of respondents lacked a clear understanding of their insurance products at purchase, causing dissatisfaction and policy confusion during claims and policy enforcement. This highlights a pressing need for insurers to use clear, direct language. Customers need guidance to make confident decisions, not jargon that leaves them feeling misinformed. Simplifying communication is a barrier we must break down to ensure customers can confidently rely on their policies.

Language matters

Insurance doesn't need complexity. Customers aren't looking for legal jargon or intimidating terminology, they want clarity. Imagine explaining policies as you would to a friend or family member. By adopting accessible language, insurers can empower customers to make informed choices, fostering transparency and loyalty.

Taking a conversational approach to policy descriptions, FAQs, and customer communications could make insurance more approachable. For instance, terms like "exclusions" could be rephrased as "what's not covered," while "deductibles" might simply be "your share." These adjustments are more than cosmetic; they help build an industry where customers feel respected and understood.

Leveraging Digital Platforms

In an increasingly digital world, Kenyan insurers have an untapped opportunity to connect with customers. Social media, customer portals, and SMS alerts can clarify policies and respond to common questions. Timely, clear reminders about renewals, claim processes, or policy changes can make a big difference for clients who may otherwise feel disconnected.

By using platforms like WhatsApp, USSDs, insurers can interact with customers directly, answering questions in real time. A monthly FAQ post on social media, for example, could address common concerns and improve customer awareness. Embracing digital communication isn't just convenient, it enhances transparency and shows customers that their concerns matter.

Humanizing the Insurance Process

Insurance is ultimately about people, yet too often, interactions feel transactional. Behind each claim and query is a person facing a life challenge or need. This is where empathy is essential. Customer service representatives, as the first points of contact, have a unique opportunity to foster trust by treating every interaction as a chance to help and inform.

A customer-friendly approach goes beyond clear language. It also means reassuring policyholders with patience and understanding. By prioritizing compassion over bureaucracy, insurers can turn an often-intimidating claims process into a more reassuring experience. Imagine if David, from our story, had felt supported rather than lost in paperwork. This level of care not only builds loyalty but establishes the insurance industry as a trusted partner in times of need.

Leading by Example

Kenyan insurers are adopting digital tools to streamline claims processing. For example, CIC Insurance Group offers a digital claims portal for easy claim initiation and tracking, while the AKI has launched a Claims Registration App for motor insurance, enabling users to register claims via smartphones or USSD codes, enhancing accessibility and transparency. These initiatives provide clarity and reinforce the idea that transparency can improve customer satisfaction.

Additionally, training customer service teams in empathy and emotional intelligence has been shown to create stronger client relationships. Customers who feel valued are more likely to trust their provider and stay loyal over time.

Clear and empathetic communication is more than an ideal, it's the bridge that connects insurers and customers in meaningful ways. By simplifying language, addressing pain points, and using every available channel to provide transparency, Kenya's insurance industry has the chance to make a profound impact, one policy at a time. Ultimately, customers may not remember every term, but they'll remember how they felt—respected, understood, and supported.

PR and Communications Officer, Insurance Institute of Kenya.

A NEW ERA BEGINS:
HELLO IFRS17

At the end of 2023 the insurance sector bid farewell to IFRS 4, a reporting standard that the industry had used since 2004.

The reasoning was simple -IFRS 4 no longer met the needs of a growing insurance industry and after years of extensive research, consultation, and refinement, the International Accounting Standards Board (IASB), in May 2017, introduced IFRS 17 to replace IFRS 4.

IFRS 17 is ground breaking: it considers the unique nature of the insurance business and seeks to transform how insurance companies account for their contracts which will make financial statements more transparent and comparable.

The concept of current fulfilment value in IFRS 17 requires companies to measure insurance liabilities in a way that reflects their obligations and expected profitability more accurately.

IFRS 17 became effective on 1st January 2023. As the first year of reporting ends, it is clear that industry players need more time to understand and incorporate IFRS 17 in their business-as-usual processes.

To understand the challenges arising from the implementation of IFRS 17, AKI partnered with Deloitte to conduct a survey involving CFOs, project managers and other management personnel who influenced or pioneered the implementation of IFRS 17 across AKI member companies.

The survey revealed that many organizations struggled to align internal reporting formats with statutory templates and required substantial data cleansing and validation to meet the standard's granular data demands.

A scarcity of competent employees and limited internal experience, exacerbated the problem, forcing some firms to rely on external consultants to meet deadlines.

For companies that overcame these challenges, early and comprehensive training initiatives for cross-functional teams was critical, they helped develop a thorough understanding of IFRS 17 criteria within the firm.

Additionally, gaps in internal expertise or technology were often addressed by regular workshops and up skilling sessions to improve internal knowledge.

Organizations that prioritized strategic collaboration and policy development generally achieved better alignment with the standard, though costs and resource demands were still significant.

IFRS 17's impact on strategic decision-making within organizations has been mixed. Some companies report increased clarity in financial performance and profitability of portfolios, but many still face challenges, especially with board and management comprehension of IFRS 17 metrics.

The standard's data requirements have helped some organizations better understand their risk profiles, evaluate the impact of reinsurance, and adjust pricing policies to avoid loss-making contracts.
Additionally, the enhanced disclosure and focus on the bottom line have improved target setting, performance evaluations, and risk management strategies.

For some companies, IFRS 17's complexity still limits its integration into decision-making processes thus despite IFRS 17's improved data accuracy and transparency, some companies are still adapting to its strategic planning and performance monitoring implications.

In the long term, IFRS 17 is expected to drive greater transparency and standardization in financial reporting for the insurance industry, allowing for improved comparability of financial statements across jurisdictions.

This enhanced clarity could shift the industry's focus from top-line growth to more sustainable profitability, reducing practices like undercutting and emphasizing quality in business acquisition.
Many experts believe that IFRS 17 will support better risk and investment strategies due to its granular reporting, though it may also introduce cost and complexity in data management.

Investors and analysts will gain a clearer view of profitability, but the added complexity might create challenges interpreting financial performance accurately.

Although the standard could lead to increased volatility in financial statements, ultimately it aligns accounting practices more closely with economic realities, which will help investors to better assess the financial health of insurance companies

A survey by AKI in partnership with Deloitte

By Murtaza Fazlehussein

Imagine you're at a restaurant trying to decide between three desserts.

Dessert A looks amazing and guarantees a delightful taste, but if it's not available, you get nothing.
Dessert B is a tempting option that guarantees a delicious treat, but there's a chance it might be too expensive or unavailable.
Dessert C presents a reliable selection—it may not impress, but it adequately satisfies your sweet cravings.

From a rational perspective, one might be inclined to choose option A or B due to their potential for higher rewards. The logic might suggest that opting for an average Dessert C is unwise.

However, some might still choose option C. This choice might seem odd, and you could think it's a mistake, but it happens more often than we realize.

This decision-making scenario reflects common real-life situations, even in areas such as insurance. When faced with complex choices—such as selecting an insurance policy—individuals often do not weigh every detail. Instead, they tend to go with what feels familiar or follow the recommendations of their agent and family members. This behavioral phenomenon is known as "bounded rationality."

Take, for example, a family looking for health insurance. They might get overwhelmed by all the options. During the search maybe they hear a friend praise a specific company or complain about a bad claims experience with another company. Ultimately, they may choose the cheaper option because it aligns with their instincts, even though better coverage alternatives exist.

Under different circumstances the same family may make a different decision due to the influences of others, memory or mood. Insurance decisions are not just about numbers and facts; emotions, social pressures, and personal experiences play a big part in our choices. Understanding that people often value perceptions over facts and calculations can change how we communicate and advice consumers. We can help them find clarity in the chaos. Policies, are not just about the hard numbers; it's also how the choices make people feel.

Insurance Agents help clients navigate these feelings by assisting them in conducting a risk assessment, for instance, to better understand their coverage needs and offering relatable examples that guide people to make choices that truly benefit them instead of going with what feels comfortable.
Cognitive biases profoundly influence how individuals perceive the value of insurance, often leading to choices that diverge from traditional rational models. Understanding these biases is essential for insurers, policymakers, and financial educators in designing products and educational programs that better align with consumer needs.

Cognitive Biases in Insurance

Cognitive biases related to insurance can be categorized into three primary types: biases that reduce perceived value, those that increase perceived value, and context-dependent biases that shift perception in either direction.

Biases that reduce perceived value

- **Excessive discounting** leads individuals to prioritize immediate benefits over long-term advantages, causing them to undervalue insurance and hesitate to pay premiums despite the potential of future losses.

- **Optimism bias** further complicates this. Many people believe they are less likely to face negative events than others. This mindset decreases the perceived need for insurance and undermines risk management principles, resulting in potential customers underestimating their vulnerability and opting out of necessary coverage.

Biases that increase perceived value

Certain biases can increase the perceived value of insurance, leading individuals to buy more coverage than is rational.

- **Loss aversion** refers to the idea that people feel the pain of loss more intensely than the pleasure of gain. This can lead to over-insurance, with individuals willing to pay premiums to avoid the emotional distress of losing something valuable.

- **Emotional attachments** to loved ones and belongings also increases the perceived need for insurance, often resulting in excessive purchases driven by feelings rather than rational analysis.

- Additionally, **superstition** can drive demand, as some people buy insurance with the belief that doing so will prevent unfortunate events—a form of superstitious thinking that reflects an irrational hope for protection beyond actual risk management.

Context-Dependent biases

Context plays a crucial role in how individuals assess the value of insurance.

- The **Availability heuristic** often comes into play, where individuals judge the likelihood of risks based on how readily examples come to mind. For example, after a major flood or drought, people may overestimate the probability of similar events, which can lead to increased demand for insurance. Conversely, risks that feel distant or unfamiliar are often downplayed, resulting in underinsurance against common risks.

- **Regret aversion** complicates decision-making. The desire to avoid future regret may drive individuals to over-insure for minor risks while under-insuring against potentially severe risks. Ideally, people would assess their insurance needs based on probabilities, but emotion often clouds this judgment.

- **Threshold effects** can complicate insurance demand. People might ignore risks beneath a certain threshold while overemphasizing very low-probability high-impact events. For example, one may disregard a 1% chance of a home burglary as negligible while fixating on a 0.1% chance of a rare flood, leading to a disproportionate focus on insuring against extreme risks while neglecting more common threats.

- **Overconfidence and the illusion of control** also influence insurance buying behaviors. Many people feel confident in managing risks they consider controllable (like avoiding car accidents) and are more fearful of risks they view as uncontrollable (such as aviation disasters). This belief might lead some people to opt for inadequate car insurance.

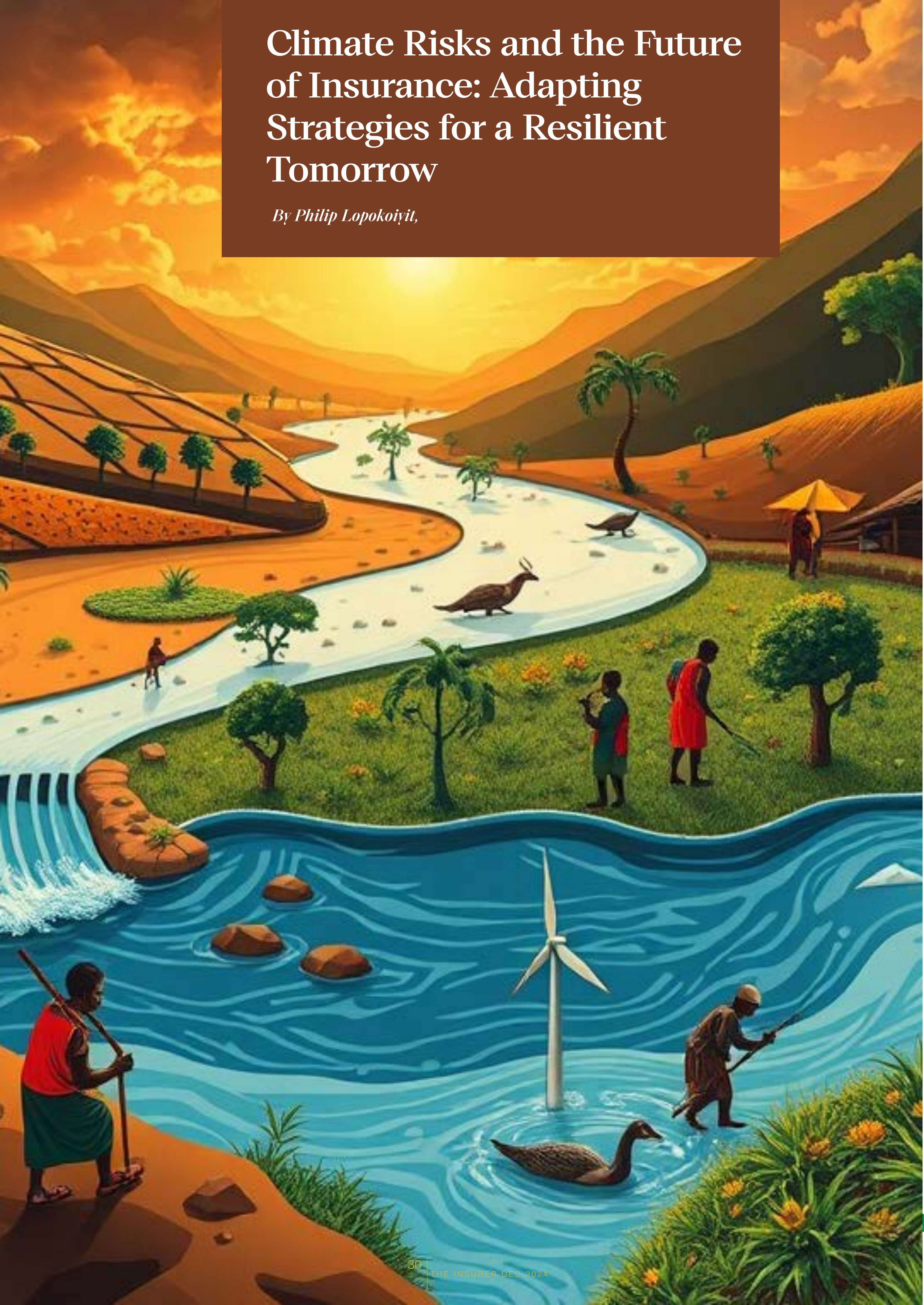
These biases reveal why actual insurance demand may differ significantly from the predictions of rational models like Expected Utility Theory (EUT). Traditional models assume that individuals assess risk, value, and utility objectively, yet these biases show that personal perceptions and social influences often lead to different behaviors. Recognizing these factors is essential for insurance providers, policy designers, and financial educators who aim to align insurance products with consumers' true needs and preferences. For insurance providers and policymakers, understanding these influences is crucial for crafting products that resonate with consumers. By addressing cognitive biases like excessive discounting and over-optimism, insurers can better meet the genuine needs of their customers. Additionally, educating consumers about emotional and social drivers behind their insurance decisions can lead to healthier financial outcomes.

In conclusion, understanding cognitive biases related to insurance can create opportunities to frame choice better and enhance consumer education initiatives. This awareness can lead to insurance solutions that not only meet consumers' financial protection needs but also resonate with their real-life perceptions and preferences, creating a more trusting and effective insurance marketplace.

The writer is a Senior Associate at Busara

Climate Risks and the Future of Insurance: Adapting Strategies for a Resilient Tomorrow

By Philip Lopokoiyit,



The cost of climate inaction globally is billions of dollars and rising. Climate change is no longer a distant threat; it is here, disrupting lives and livelihoods with unprecedented intensity. Global damages from climate-related disasters have surpassed hundreds of billions of dollars creating significant protection gaps that demand attention from the insurance sector and other stakeholders.

This global reality is mirrored in Kenya, where the impacts of climate change are evident in the recurrent droughts and floods that have hit our country. Climate risks are profoundly altering the insurance landscape, testing its capacity to respond.

At this critical juncture, the role of insurers transcends balancing books or settling claims. We are uniquely positioned to drive resilience, innovation, and empowerment for communities facing an uncertain future. By embracing strategic collaborations, pioneering innovative products, and adopting sustainable practices, the insurance industry can transform climate risks into opportunities, ensuring a more resilient tomorrow for both global and local communities.

Rising Challenges of Climate Risks

The increasing frequency and severity of climate-related events such as floods, droughts, heat waves, and storms are profoundly impacting the insurance landscape. Locally, reports from Kenya's Insurance Regulatory Authority (IRA) reveal that insurance claims resulting from floods alone rose to Ksh 5 billion in recent years. These events present unique challenges, including heightened financial pressure on insurers and the risk of some disasters becoming uninsurable.

The growing intensity of catastrophes also threatens to exhaust reinsurance capacities. This, compounded by transitional risks from economies turning towards greener energy, creates a delicate balancing act. For regions where energy access challenges persist alongside abundant untapped fossil fuel reserves, these shifts present an opportunity to craft tailored strategies that balance climate resilience with sustainable economic growth.

Innovative Solutions for Climate Risk Management

While the risks are daunting, the evolving climate landscape presents opportunities for innovation and collaboration. Advanced mechanisms like parametric insurance coupled with collaboration with key stakeholders have revolutionized claims processing, offering rapid payouts triggered by pre-agreed thresholds.

A notable example is Kenya's Drought Resilience Impact Venture (DRIVE) initiative which involves a consortium of primary insurers with support from Reinsurers. This has provided index-based livestock insurance (IBLI) for pastoralists in the region. To date, this initiative has insured over 80,000 livestock across 12 counties, enabling communities to access timely resources for fodder and water during droughts.

Similarly, collaborative platforms for risk pooling, such as regional initiatives under the Nairobi Declaration on Sustainable Insurance (NDSI), showcase the power of shared resources. These platforms enable insurers to share learnings, build capacity on sustainable insurance and deliver the development of relevant products to address climate risks.

Geothermal Energy Insurance

Kenya's energy sector highlights the intersection of innovation and climate risk insurance. Geothermal energy, a reliable and clean alternative, offers immense potential but faces high upfront costs and significant drilling risks. As the lead underwriter for geothermal projects, ICEA LION together with partners have developed tailored insurance products to address these challenges.

The Geothermal Well Output Insurance protects against insufficient aggregate megawatt (MW) capacity in multi-well drilling programs, covering drilling costs and equity over flexible policy periods. By de-risking early-stage geothermal projects, this product has attracted private investment and contributed to a projected 20% increase in Kenya's geothermal output. This aligns with the broader objectives of the NDSI, which envisions $14 billion in climate cover impacting 1.4 billion people in Africa by 2030, as announced during COP 27 and followed through at COP 28 with the announcement of the Africa Climate Risk Facility (ACRF) which arose from an ideation process with key stakeholders.

Embracing ESG Principles in Climate Insurance

The integration of environmental, social, and governance (ESG) principles into climate risk insurance is imperative. Insurers must take the lead by quantifying physical risks to develop sustainable pricing models that accurately reflect the financial impacts of severe weather events. Additionally, supporting industries in their transition to greener energy through tailored products and strategic partnerships is essential in fostering a low-carbon economy.

Promoting resilience requires collaboration with stakeholders to de-risk climate projects, ensuring they are both viable and impactful. Furthermore, encouraging innovation through alternative risk transfer mechanisms will enhance local market capabilities, paving the way for more effective and inclusive climate risk solutions.

Together, we can secure a future where resilience becomes the norm and that is a future worth insuring.

Phillip is ICEA LION Group CEO, Chair of NDSI (Nairobi Declaration of Sustainable Insurance), Board Vice Chair of PSI (Principles for Sustainable Insurance

GENDER DIVERSITY AND EMPOWERMENT IN INSURANCE:

BUILDING A RESILIENT FUTURE

By Njeri Jomo

The first cohort of INUKA Graduands pose for a picture during their graduation. Inuka is a group mentorship programme under Kenya Women in Insurance.

Historically, men have dominated the global insurance industry, especially in leadership roles. Across the world, women hold about 23.3% of board positions, with even fewer in C-suite roles. This lack of gender diversity limits the fresh perspectives essential for innovation, inclusive decision-making, and effective service of a diverse customer base.

In Africa, the momentum for gender diversity is growing, propelled by policy shifts and an increasing understanding of the resilience and performance benefits of diverse teams. However, systemic barriers and cultural expectations continue to pose challenges. Women's representation in leadership roles varies widely across the continent, with many African countries, including Kenya, facing gender imbalances in their workforces.

Kenya has seen progress: women hold around 36% of board seats across sectors, surpassing the global average. Yet, in Kenya's insurance sector, women remain underrepresented in senior positions, facing obstacles like unconscious bias, limited mentorship, and a lack of support for work-life balance.

How can Kenya's insurance industry foster gender diversity and empowerment? A focus on equity over tokenism and taking actionable steps toward a fairer and more inclusive sector.

Tokenism is a superficial or symbolic effort to include women, often just to avoid criticism or meet diversity quotas. It focuses on numbers rather than on the quality of experience or the fairness of opportunities. Equity, by contrast, is about creating a fair and level playing field. It involves recognizing and dismantling barriers that prevent women from accessing equal opportunities. An equitable workplace empowers women not only to be present in leadership roles but to have the resources and respect they need to make meaningful contributions.

Here are some practical steps to enhance gender diversity and empowerment.

- **Implement Mentorship Programs:**
  Structured mentorship initiatives connect emerging female professionals with experienced leaders, fostering career development. Programs like KWIIN's Inuka Mentorship Programme guide women toward senior roles, helping them navigate industry challenges and build confidence.

- **Promote flexible work policies:**
  Flexible options, such as remote or hybrid work and flexible start times, support work-life balance, making it easier for women to thrive professionally while managing family commitments. Flexibility also helps retain top talent, benefiting the organization overall.

- **Address unconscious bias from both genders:**
  Unconscious bias training, structured decision-making, and open dialogue can help everyone recognize and reduce biases that affect hiring, promotion, and daily interactions. For example, structured interviews and clear promotion criteria can help ensure decisions are fair and objective.

- **Facilitate networking opportunities:**
  Building connections with other women in insurance provides a support network. Groups such as Kenya Women in Insurance and other groups, events and platforms offer spaces for sharing experiences, finding mentors, and expanding professional networks.

- **Provide leadership development training:**
  Access to training in strategic decision-making, negotiation, and personal branding prepares women for leadership. For those in management, creating an environment where learning is encouraged can pave the way for women to step confidently into higher roles.

- **Establish clear diversity metrics:**
  Setting measurable diversity goals and tracking progress ensures accountability. By monitoring representation in hiring, promotions, and leadership, companies demonstrate their commitment to equity. Regularly reporting on these metrics keeps diversity initiatives transparent and effective.

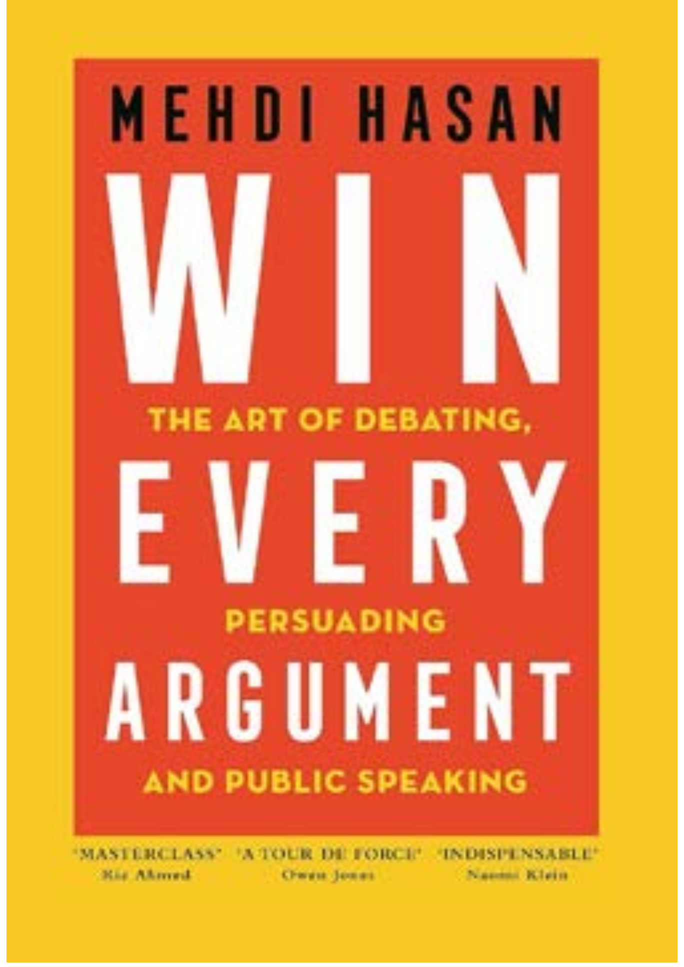
In building a culture that values merit and fairness, Kenya's insurance sector moves closer to a resilient, innovative, and inclusive future, one where both men and women are empowered to contribute fully to the industry's success.

The writer is the CEO of Jubilee Health Insurance and the Vice President of Kenya Women in Insurance

Mehdi Hassan's Win Every Argument:

The Art of Debating

Book Review by Mugambi Mutegi



Persuasion is both an art and a science and Mehdi Hassan, the seasoned journalist and renowned debater, offers compelling and practical advice in this book to ensure you exit the debating stage triumphant, not crestfallen, ruminating over what you should have said and why you fell short.

Early on, he acknowledges that debating has a bad rap, to the point of being labeled pointless and blamed for everything undesirable, from "political polarization to marital breakdown." Arguments, Hassan notes, enable us solve problems, discover truths, consider alternative ideas, and hasten us towards common understanding, albeit begrudgingly in some instances. Arguments and debates, undertaken in good faith, should be fun, not fractious.
The French essayist Joseph Joubert noted: "it is better to debate a question without settling it than to settle a question without debating it" and "the aim of argument, or of discussion, should not be victory, but progress."

However, intrinsically, we all desire to be victorious. That's where Hassan's book delivers as a handy cheat code. First he emphasizes the centrality of audience learning as an enabler of successful arguments, especially when facing a skeptical crowd. You need to get inside the heads of your audience; research the attendees, confirm the crowd size, map out the demographics expected, including age and gender. Be agile since you may need to adapt the same message for dissimilar crowds. Do not lie, adapt.

A key takeaway is to connect with your audience immediately you get on stage. Pay attention to the quality of your first sentence; it must be relatable and impactful, inviting your audience to perk up and listen, even when they had dismissed you before taking the mic. Starting your message delivery with a personalized and succinct story, a provocative question, or a strong opening one-liner will quickly grab their attention. Charm them into submission, but choose your words carefully.

Hassan also argues, and I agree, that facts do care about feelings; you may have all the facts lined up, but if you want to reel people in with your pitch or presentation, make them care by appealing to their hearts, not just their heads. Ethos (the character and credibility of the speaker), pathos (human feelings and emotions), and logos (logic, reason and facts) all matter in the persuasion game.

He also emphatically insists on bringing "receipts" to the debate. Facts are stubborn, they say. Your audience "want to know that you can back up your claims and contentions. They want to see you do so with actual, and not 'alternative' facts." If you are going up against someone, dredge up their past comments on the topic, anticipate their arguments based on historical evidence and prepare your rebuttals. It also gives you the chance to "set a booby trap"; egging on your adversary along one line of argument, then tripping them up by bringing up their previous comments and position on the same issue. Well timed zingers, delivered when your opponent is on the back foot can be fatal for your opponent. Challenge their claims, challenge their character, and their credentials, but be weary of the counterattack.

Hassan argues that listening during debates, is half the battle. Winning an argument is not only about speaking well, but being able to listen keenly to your opponent. Remember there is a difference between hearing people and listening to them. The latter requires you to absorb, process and comprehend what the other party is saying. Unfortunately, when it comes to debating, many of us are guilty of hearing your opponent, waiting for our turn to speak. Open your ears before opening your mouth.

The book continues to discuss types of debaters, their characteristics and antidotes, as well as offer guiding notes on best to deliver your lines, including the powerful impact of repetition. Confidence is everything, Hassan adds, while advocating for the importance of constant practice.

Buy the book!

JOKES

Why did the actuary want to be buried in Jerusalem?

Higher rate of resurrection.

....

The boss of a Life Insurance company storms down the hallway, fed up with the antics of one of his employees.

He bursts into a side office and finds the insurance agent smiling to himself. He doesn't even know what he did wrong.

The agent looks straight as his boss and says "Hello sir! How are you today?" in a cheery voice.

“What is wrong with you?!" the boss fires back, “I can handle you eating my lunch, I can deal with all of the policies you've flubbed over the years but how—in God's name, how!—how can you issue a life insurance policy to a man who is one hundred and twelve years old ?”

"Uhm, but, sir", the agent shifting his papers around "I, uhm, I applied all the statistical tests. I was stringent, proper, specific.

I did my research, there shouldn't be an issue. Um, I had evidence. Oh, there it is: according to my research, not a single 112-year-old man has died in the last five years."

....

An adjuster is someone whom, if you fall down a 100-foot hole, throws down a 51-foot rope and says they're meeting you more than halfway.

....

‘I'm a walking economy, you know’
‘How so?’
‘My hairline is in recession, my stomach is always in inflation, and these two together bring me into a deep depression’.

....

How do actuaries say goodbye? A: “We’ll see you in the long run!”

....

A doctor, an engineer and an actuary are debating which is the oldest profession. The doctor says God created Eve from Adam's rib which is surgery. The engineer argued before that God created order from chaos which is a feat of engineering.

"But," asked the actuary "who created chaos."

What is Combined Business Insurance?

It's a policy designed to cover multiple liabilities such as public liability, employer's liability, personal accident, and business interruption. Simplify your insurance needs with one comprehensive policy.

Combined Business Insurance Cover

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