AKI
ASSOCIATION OF KENYA INSURERS

THE INSURER

JOURNAL OF THE ASSOCIATION OF KENYA INSURERS

VOL 23 DECEMBER 2020

CONTENTS

Editor's Note

ARAM KABORO

The initial COVID-19 related video footage from China featured robots delivering meals to patients in a hospital: Later, more footage would emerge of the robots sanitising hospital wards, controlling traffic on the streets, others doing door-to-door delivery of groceries. This was intended to minimise human-to-human contact as a way of checking the spread of the virus and it redefined the nature of work.

The pandemic may soon be 'beaten'. Already, vaccines with high efficacy against the virus have been developed and immunisation initiatives are being launched in Europe. Nevertheless, the nature of work will never be the same again. The pandemic has ushered in a new normal in doing things.

Thanks to innovation in technology—most of them spurred by the pandemic—we are entering an era of proficiency in most of our daily engagements at work. Post-COVID-19, it may not be obligatory to be physically present at the workplace; Working from home is becoming the norm and with the essential self-discipline it will be more feasible as one will not have to contend with disruptions—such as morning traffic snarl ups and uncompromising work schedules—that eat into man hours and are known to cause depression in some workers. This shift comes with a silver lining, many jobs will be lost, but other types of jobs including gig-work will be on the rise.

Long before COVID-19, digital technology had already laid ground for disruption in almost all facets of human life. A case in point is acquisition of basic necessities. Currently—with a smartphone—you can order all the groceries you need from the comfort of your bed and have them delivered at your doorstep by the motorbike rider you have instructed through the same gadget as long as you have installed the appropriate apps—most of which you download at no cost. You need not go to a bank either; mobile money platforms enable you to transact across the board while corporate board meetings can now be held through apps such as Zoom.

In this issue we look at the requisite strategies that the industry needs to develop—including engaging the millennials more—to remain afloat. It's time conventional Insurance took a backseat; it's Out-of-the-box time.

Read on, and while at it, and as you enjoy your Christmas and New Year, remember COVID-19 is still with us: Don't lower your guard.

INSURANCE AND COVID-19

The art of the possible

By James Norman

As we experience the second wave of COVID-19 globally, the uncertainty we are still facing is; how much longer will the pandemic last? Insurance has been resilient in adapting to this prolonged disruption through early adoption of business continuity plans and critically, effectively pivoting to remote/digital environments.
Insurance was well prepared because of its agnostic nature—incidents, calamities and accidents occur even in a pandemic. All these they may have new dynamics, but risk remains constant.

In the short term, the goal was to avoid end-to-end delays in service provision across underwriting new risks and claims, while in the long term, the goal is to sustain efficiency and healthy combined ratios to drive re-investment and protection.

Success comes from agility, innovation, and culture. Many insurers in Africa and other emerging markets have started the digital transformation journey so they were well placed with homeworking/ remote tools such as self service portals to log claims, maintain telephone notifications, USSD technology, and utilisation of video conferencing tools and other communication channels.

Maintaining internal communications and contact to avoid digital fatigue and externally maintaining real-time contact with Policyholders and service providers is critical. Changes have included flipping claims, fast tracking and utilising remote tools to optimise the customer experience doing away with unnecessary questions and touchpoints that in a pre-COVID-19 landscape slowed things down and created frustration/confusion.

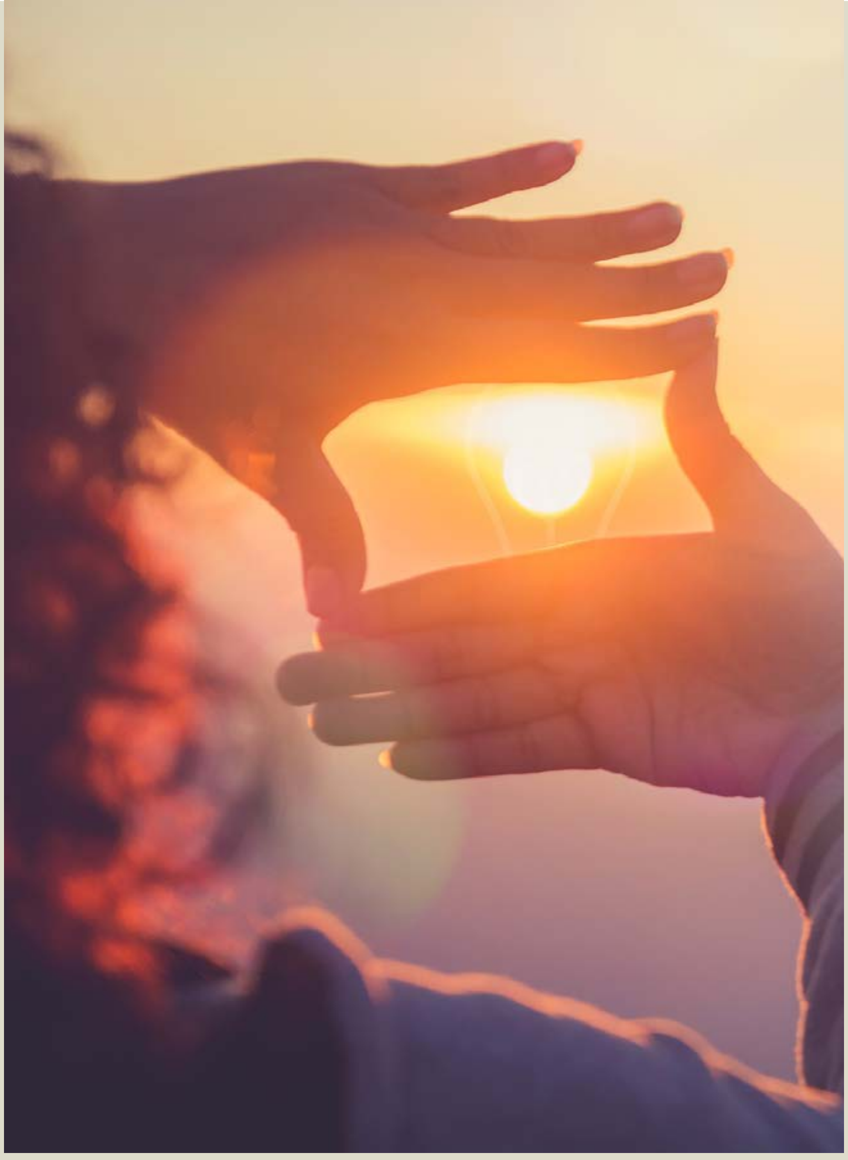
These changes are underpinned by marrying technology with the best human capital—technical skills and soft skills; using video images and photos only to adjust claims requires deep expertise and experience of a claims assessor to ensure the right outcome (people may be more eager to negotiate claims faster and with less fractious negotiations, but that is not an invitation to under settle a claim as this breaches the spirit of conduct risk), balancing speed, fairness and fraud risk validation. We are also seeing the rise of data science as analytics and data led strategies become paramount.

Globally, the process review and pivot mean re-examination of why insurance exists and a renewed appetite to be more customer centric. This has created a rapid rise of better soft skills; at the heart is empathy and understanding, with patience, stakeholder management, and better communication.
In 2021 and going forward, there will be change; supply chains will shrink as insurers rationalise, cut costs and define new processes, loss ratios will drop in some classes like motor but spike in others, like business interruption, cyber, trade credit, Employer Liability claims versus employers.
Some pivotal questions at the top of the mind across boardrooms globally will be:

- Will there be a third wave and a permanent shift to home-working and digital management, with fewer physical interactions?
- Will protection gaps be exacerbated? Insurance, particularly in an emerging market is a luxury, so insurers must create ways to hold penetration, density and policies.
- How will global payers strategically position? We will see a rise in rates; will there be more consolidations, more Mergers and Acquisitions, withdrawal from territories/classes and such?
- Sustained digitisation means more ambition and courage to invest in technology, external partnerships, risk management, grab talent.

Do not take the foot off the gas with maintaining new and better levels of trust, unlocking information asymmetry and financial inclusion; it counts more than ever, and we have seen the art of the possible in 2020.

The writer is an insurance professional services executive, currently working in London. You can follow his Africa thought leadership via the website- www.jamesnorman.org.



ASSESSING COVID-19 IMPACT FOR FUTURE PLANNING

By Isaac P. Ng'aru

May you live in interesting times," the Chinese invoke what is supposedly a blessing at New Year. While the COVID-19 era could, indeed, qualify as interesting, the jury is still out on whether these times carry blessings or the contrary.

Against a background of an economic downturn exacerbated by this global pandemic, the first challenge to insurers concerns remaining afloat. Going by the resurgent waves across the globe, it is still not clear how much longer this pandemic will last. Even with the development of a vaccine, we still don't have a clear end in sight.

The impact of the pandemic on our insurance industry is yet to be calibrated and projected to provide a guide to insurers for the simulation of future events. True, we have had glimpses of some of the effects of COVID-19 on the industry, but it is necessary to ascertain the threat it poses to insurance companies and the measures insurers have in place to protect their companies. It is also critical to establish the level of preparedness and expectations of both insurers and re-insurers.

The Insurance Regulatory Authority initiated such assessment which has been helpful. Statistics from the Regulator show that there was marginal growth in non-life insurance at 0.2 per cent while life insurance grew by 8.2 per cent during the April- June 2020 period. This performance was better than expected but should not lull us into false complacency. That said, much more assessment and analysis of a number of variables should be undertaken with speed to establish the status as this will guide how the industry moves forward.

In other markets, it has been noted that the pandemic could cause losses across a variety of business lines. In an analysis published in May 2020, PwC suggested that companies should "update loss recognition testing models, reassess volatility and make additional provisions for adverse circumstances in anticipation of increased claims and pressure on liquidity and solvency". Even in Kenya, much the same sentiments have been expressed by KPMG, Deloitte and EY in similar analyses.

COVID-19 has challenged insurers to strike a balance between legacy systems, practices and processes as they look to the future of distribution, talent and technology. The virtual workforce phenomenon necessitated by Ministry of Health Guidelines created operational and business continuity challenges for insurance players. They had to make an abrupt and unplanned transition to a remote working environment and a further investment in digital tools and training. But thanks to enhanced and increased use of technology, most companies reported a smooth transition. Moreover, productivity, including marketing and sales, have not been adversely affected.

This pandemic has reminded us that leadership matters most in moments of extreme stress. Taking charge in this environment means fully understanding and prioritising stakeholders' needs, involving employees, and leading with credibility. Going forward, the industry leadership will need to focus on reviewing and updating crisis management plans and take steps to continue operations with little disruption to clients, in particular, whose trust must be won. Adaptive and moral leadership—doing what is right not what is easy—will determine how insurers effectively respond to this crisis and others that the industry may confront in the future.

The challenge of managing as well as quantifying loss during the pandemic involves seeking solutions, networking and seeking advice from professionals. Equally, recovering from the pandemic will take the unified collaboration of several stakeholders including Government agencies. The watchword is remaining agile and resilient. In their report titled "Shaping the new reality", KPMG sums it up well: "New reality involves adapting to the new ways of working. The unprecedented changes will become the new normal. To remain relevant, insurers will need to retain an interactive approach to position their business in order to thrive and empower themselves for new reality".

The debate on how insurers should respond continues to rage. No doubt, the industry will pick some gems from the COVID-19 crisis, such as enhancing the initiatives in the technological and digital space. Happily, most companies remain optimistic of surviving the pandemic and are hopeful of a successful bounce back. Good luck—we all need it.

The writer is the lead consultant with Ng'aru & Associates. He is also the Founder & Executive Director of Insurance Information Bureau.

THE REINSURANCE OUTLOOK; 2020 AND BEYOND

By Hope Murera

Just when the industry was getting ready for a return to "normal", the world has, once again been hit by a major disruption from the second wave of COVID 19. At this point, it is difficult to estimate the duration of this new wave, especially in Africa. For most companies, the priority has now shifted from office return plans to working on contingency measures to cushion companies from the extended impact of the pandemic. Companies must now consider prudent ways of managing their resources while ensuring customer satisfaction, staff productivity and engagement. Now—more than ever before—is the time to be close to the customer.

Globally, capital markets have been volatile, yielding lower investment returns and preventing companies from achieving their 2020 projected earnings. With the lower investment income over the last 12 months or so, the industry will need to shift its focus to technical underwriting for profitability and move away from reliance on investment income to remain afloat. The core reinsurance business must make the money. This is a tough call.

It goes without saying that reinsurance pricing is going to increase, based on the hit from COVID-19 related losses, together with other natural catastrophes such as floods, hurricanes, earthquakes and cyclones.

The hardening market will make things worse than they already are. The low insurance penetration in the continent—which on average stands at less than two percent—will not help matters. Insurance uptake in the coming 12 months may improve marginally given high infrastructure-driven economic growth in our region, but it is more of a "wait and see" situation.

Reinsurers will be under more scrutiny from credit rating agencies, as business conditions continue to be more difficult. During the 2021 renewal season, the wordings of reinsurance contracts will likely tighten with exclusion on pandemic cover in most cases making business even tougher for the direct insurer who is likely to pass on the higher reinsurance costs to the customers.

Despite the disruption caused by the COVID-19 pandemic, we are still hopeful that things will—to a certain extent—return to where they were before. However, we do know that even as we look forward to that normalcy, there will be some aspects of our industry that will change forever. We need to be cognizant of this fact and start working on ways to make us adaptable to the new normal.

The writer is the CEO of ZEP Re

OUTSIDE LOOKING IN; A RETIRED INSURANCE EXECUTIVE'S TAKE

By Hazel King'ori

He went to school to study civil engineering, but the universe had other plans. He rose through the ranks and managed, in the course of his career, to lead two publicly listed insurance firms. He ranks human relationships higher than work milestones.

The sub-editor, Hazel King'ori had a conversation with Mr. Tom Gitogo, former Group CEO, CIC Group about his views as a former insider, now outsider looking in.

Who is Tom?

I am a Village boy who came to the city of many lights and conquered it without godfathers but with sheer raw ambition.

You are a trained Civil Engineer, how did you find yourself in insurance?

Though I studied civil engineering, I (accidentally) realised that I was keen on leadership and management. I happened to read Lee Iacocca's autobiography, he was a mechanical engineer and was the CEO of Ford Motors in the 60's and later Chrysler in the 1980's. What struck me was that you could be an engineer and a CEO. So I got determined to become a manager and a leader.

Nature played in my favour and it so happened that PricewaterhouseCoopers (PwC) had started to recruit from the engineering class not just from the Bachelor of Commerce class as was the tradition. I was recruited and I underwent a management trainee programme here and in their London office. While there, I got interested in financial services - banking, fund management and insurance. That was the beginning of my journey.

Your LinkedIn profile reads, 'been there done that', what have been the highlights of your career journey so far?

The shift from engineering to financial services was the first highlight for me. Leading two listed insurance companies (Sanlam and CIC) is definitely a highlight too. However, the most significant highlight for me is the strong working relationships I have developed over time with progressive and ambitious staff members, clients and other stakeholders—seeing them grow to achieve their potential and aspirations in life and not just in their career. For example, I worked in Britam 15 years ago and to date I still get invited by former colleagues to mark milestones in their life that I encouraged them to pursue. The same case goes for clients, other colleagues from my tenure at Pan Africa Life, now Sanlam

There is an untapped mass market for insurance, what do you think stops insurers from claiming a slice of the wallet?

We have wrongly assumed that the same products that worked well in the UK will work here if we lowered the premium. In my view, we have to learn from what telecoms and some banks have done—simplify contracts, use technology and affinity groups to distribute, like cooperatives for example. Underwriters have to engage focus groups on the ground to establish the kind of insurance product they would pay for. Products shouldn't be developed in the office without input from the intended customers.
I also think the average age of underwriters is higher than it should be. Younger underwriters are not being tapped enough in product innovation. They are more comfortable with technology which is critical in futuristic insurance products.

Rather than go it alone, strategic alliances with organizations that have already cracked the mass market should be seriously considered in growing micro insurance.

Micro insurance regulations are out. Do you think this class of business could answer the insurance gap in the country?

Definitely. The micro sector is the backbone of our economy as that is where the majority of our population lies. But it calls for different thinking. Micro insurance works with simplicity and volumes, so technology will be critical in distribution to large numbers and bring down "per-policy" (especially distribution) costs to make it viable. The micro customers want to pay one premium that will cater for all their insurance needs. That is why I think the regulator got it right by making micro-insurance a separate class of business available to both life and general underwriters to develop products without an additional license.

COVID-19 has thrown us all off. How would you rate the response of the industry to the pandemic? In terms of visibility, customer service and relevant products?

The pandemic no doubt caught many people off-guard, not just the insurance industry. The responses showed that sometimes SMEs in a developing economy such as ours can cope better in uncertain times than multi-billion dollar enterprises in the first world! The key lesson for me was that adaptability and agility is a very important competence that organisations must develop to cope with future crises.

In my opinion, the insurance industry in Kenya was slow, totally unprepared. There was an un-informed rush by some to say to the media that COVID-19 related medical claims would not be covered. This came

across as uncaring which people unfortunately will remember.
However, I like the way the response has evolved over the months; almost all serious underwriters now have online customer service portals, improved customer communication and more accommodating premium payment terms. I have also seen fairly innovative ideas come up now, like pay-as-you-drive car insurance covers given driving patterns have significantly changed during COVID-19. A number of medical underwriters now say they will cover COVID-19 to a certain amount, this wasn' t there before. This is an opportunity for insurance companies to keep up that pace of innovation.

What does leadership mean to you?

Leadership means many things. For me, what stands out is being decisive while nurturing and encouraging others to grow and achieve their potential. Offering a helping hand where necessary and being a guiding beacon, a sounding board. But it also calls for standing with your team and taking responsibility when something doesn' t work out as planned; not blaming them if indeed they did their best.

Human capital, this is critical to any business. What more can be done to grow and improve talent in the insurance industry?

Although this has improved, insurance was not seen as a choice career by many graduates. I think insurance companies must actively go into universities and sell graduate trainee opportunities (a bit like what audit firms do). And when they join, there should be an attachment programme where they are assigned to seniors in various departments say over the first year so that they can learn all aspects of the business. We tried this at CIC Group and in my view the graduate trainees will be very strong insurance leaders in days to come.

Is mentorship something you advocate for? Did you have a mentor in your career? Do you mentor others?

Mentorship is very crucial for the success of young aspiring individuals to grow in their career and in life. When you are younger, you have the energy but not the experience, so the combination of energy guided by a more experienced hand results in better success. I have had different mentors at different stages of my life and I can unashamedly say that it has contributed to my success. That is why I happily mentor others to date!

It is good if you can access and talk to your mentor, but you can also silently learn from someone whose trajectory you admire.

What will insurance look like in 2025?

I am willing to bet that out of the top 10 profitable insurance companies in 2025, one does not exist today. Companies like Snapchat, Airbnb, and Uber did not exist a decade ago, but are a force to reckon with today.

Those companies that are comfortable and willing to fully embrace technology from end to end are the ones that will thrive. They will offer convenience to their customers such as being available 24-7. I am also willing to bet that by 2030, maybe the biggest insurance company will not have a building in Upper Hill (chuckles). Brick and mortar will not be necessary then.

How do you spend your time now that you are not in active employment?

As a busy CEO, you hardly have time to do your own things, be with family or even have meaningful rest. I now rest, play golf and read all manner of books and autobiographies. I meet people for meaningful catch-up sessions that are not rushed and this is very refreshing for me. I am currently reading "Developing the Leader within you by John C. Maxwell" and have started on "A Promised Land by Barack Obama".

Do you have any regrets?

Not really – but perhaps I should have given some people less airtime. To the young, I would like to say this – discipline is key to your success. Start investing early and you can thank me later!

LET'S TALK ABOUT TRUST

By Njeri Jomo

Insurance has always been built around trust. Our consumers take out an insurance policy with us buying into a promise that in the unlikely event that whatever risk they are insuring against did occur, we as the insurer would "have their back" by paying the claim as promised. As a result, they would benefit from peace of mind knowing that their risks have been managed.

For life insurance, the peace of mind of the insured is that their family will be taken care of after they are gone; for disability insurance peace of mind is that if they become disabled, they still get an income; in health insurance, peace of mind is that they will not have to decide between a critical medical procedure and food on the table.

Still the question begs; can one have peace of mind without trust? Once our consumers insure with us, do we inspire trust and therefore peace of mind?
The insurance industry has overtime experienced various challenges key among them that of poor public perception, one of the reasons that have led to low penetration levels. The main reasons often cited for failure to purchase insurance covers are that;

- Insurance is too expensive,
- They overheard negative talks on insurance or know of someone who had a bad experience,
- No good understanding of insurance due to jargon, hidden clauses and small print,
- Lack of information about insurance products available
- Lack of trust in insurance companies.

These reasons result into negative perception of insurance which then inform consumer purchase patterns. Whether it is the allegations of fraud or mis-selling, or of unscrupulous individuals seeking to defraud an unknowing consumer, the feeling most consumers have after purchasing insurance is not one of peace. Those who have benefited from insurance exist but may not speak out as often. Besides, it takes just one negative case to damage public perception of the industry.

Where then is the opportunity? While there is no single solution or quick fix to building trust, there are opportunities focused on improving consumer experience therefore enabling insurers to begin fostering trust with existing and prospective consumers. These include;

• **Simplified Products and Communication;**
while terms like sum assured, lien scale, excess or premium are common for insurance professionals, they are not obvious for our consumers. If consumers do not have a clear understanding of the insurance products being offered to them, trust will continue to be an issue. The language we use needs to be clear, written in plain language and transparent. Without this, misunderstanding and confusion can occur and further result in suspicion and mistrust.

• **Leveraging on technology to create superior consumer experiences;**
from the first time the consumer engages with you, it should be an experience that projects reliability, competence and sincerity. Today's digital solutions provide insurers with a multitude of ways in which to become more transparent right from;

- o Easier access to policy documents and information, make policy documents, underwriting criteria, and disclosures available online.
- o A seamless self-serve user experience for purchase as well as service.
- o Flexibility in product customisation. Instead of a pre-packaged, one-size-fits-all approach to products and product bundling, give consumers the ability to modify plans according to their perceived needs.

• **Hook products that introduce consumers to experience insurance;**
once they come on board, treat them right and give them a reason to stay every single day. The more they have a good experience, the more they trust us. Mobi-loans are the banking industry's hook product. What should that be for insurance?

• **Shorter term opportunities for 'Moments of Truth';**
for a typical life insurance client, the moment of truth on the promise will either be on death or policy maturity which is often anywhere between five years to 25 years. This takes away the opportunity to make a positive impression as well as referral business. Should we then, consider creating opportunities for 'moment of truth' sooner allowing clients to test the promise and as a result continuously build trust, for example a component of the benefit available in six months, one year?

• **Real versus perceived value;**
people want their insurer to understand what is important to them. We as insurers are often very good at telling the world what we do, but do we really understand what our consumers really want or need? Most insurance products available for sale offer real value from the eyes of the insurer. For example; a product with various death benefits offers protection for their loved ones. Do they offer real value based on the consumer's perception? Product design, features and packaging should consider the consumer's perceived value of choice and seek to strike a balance between real and perceived value.

There can be no peace of mind without trust. Consumers want to be able to trust that their insurer will be there when they need them and act in the consumer's best interest rather than their own. There is an obvious dividend to be gained from building trust with consumers and creation of any uplift in consumer trust. Deliberately developing trust could very well be that competitive edge.

The writer is the Head of Retail Products at Britam Life Assurance Co Ltd

HISTORY LESSONS ON THE FUTURE OF INSURANCE

The insurance industry has a rich history of striving and thriving from destructive disasters and pandemics

By Jacob Ochola

For centuries, the world has experienced catastrophes and viral outbreaks of dissimilar magnitude. However, the global nature and scale of the COVID-19 crisis is challenging for insurers considering its gloomy aftermath that depicts loss of lives and livelihoods, disrupted economies and upset business sectors across the world. Hence the question: How will this crisis affect and shape the insurance industry?

Though with varying degrees of certitude, historians argue that one may make inferences about the future from past events. In our case, the insurance industry has a rich history of striving and thriving from destructive disasters and pandemics. Hereunder, we reflect on how historical events have affected insurance supply and influenced demand.

On September 2, 1666, a devastating fire ripped through London. There were few recorded deaths, but estimates put the destroyed property value at £10 million (Ksh.217 billion). From the ashes of this tragedy rose an unlikely development: The world's first property insurance policies. Insureds were given a metal plate—which they attached to the outside of their houses so that the insurance company's firemen knew which houses were insured, and in the event of a fire they would attempt to reduce the loss of those insured by fighting the fire.

Similarly, the 9/11 bombings created adequate capacity for terrorism risks, and the industry has since developed unique offerings that range from personal to business covers.

Another interesting area of history is on pandemics. Some of the most devastating pandemics have been:

CENTURY	NAME	DEATHS
1347 - 1351	(Black Death) Bubonic plague	200 million
1665		100 million
1520	Small pox	56 million
1918-1919	Spanish Flu	40 - 50 million
1981 – Present	HIV/AIDS	25 – 35 million
2019 – Present	Covid-19	1.69Million

These, and other natural disasters like the Australian bushfires, catastrophic hurricanes, flooding and earthquakes are known to capture the attention of both government and the public, leading to an increase in risk perception. In fact, existing empirical results provide evidence of a positive correlation between catastrophes and insurance demand. In spite of this, both insurers and reinsurers have responded by imposing coverage restrictions as a way of minimising their exposure, prompting the formation of (re)insurance pools and structured catastrophe bonds as alternative risk transfer instruments. An example is the World Bank's "Pandemic Bond" (Pandemic Emergency Financing Facility) which was launched in 2018 to provide funds to low-income countries facing a large-scale disease outbreak. This bond, worth $195.84 million, is amongst the first pre-event insurance for pandemic risks and was recently cashed-out following the COVID-19 outbreak.

By considering the market's reaction to the above historic events, we can hypothesise that the prevailing crisis will affect the industry. However, given its atypical impact, it is debatable whether pandemics can be covered through a traditional insurance model. In these initial stages, experts are stressing that state involvement is inevitable and government pools are likely to emerge. These pools will definitely provide a fertile ground for insurers to work with government to find innovative insurance products structured under public-private partnerships.

The intensified awareness of pandemic risks is also expected to spark demand driven innovation. We are likely to see wider health insurance policies, payment and income protection covers that respond to pandemic related unemployment, and pandemic-triggered business interruption covers along with others.

The overall acceleration of digital transformation and internet transactions has catalysed the industry's move online. For example, insurers will shelve their legacy systems in favour of multifunctional IT systems. Ultimately, this will improve the industry's ability to assess and manage risks, boost customer experience through operational efficiency and increase shareholder value.

Despite the negative economic impact of the crisis, the disruption of traditional business models could open up new market opportunities for insurers. As industries restructure and adopt remote working, discerning insurers are likely to uncover blue oceans for themselves. In addition, criminals seem to be taking advantage of the general uncertainty and disrupted approval chains as people work remotely, which has caused new waves of social engineering fraud/cyberattacks. Because of this, the industry could experience a surge in demand for computer crime policies and other "dormant" business covers.

It is incumbent upon every insurer to take advantage of this rare opportunity. Motivated by the intensified demand for insurance, insurers could use the crisis to develop relevant offering as well as reinvent themselves. For the agile, there will be some bountiful opportunities ahead and the chance to leave a legacy.

The writer is an Assistant Manager for Business Development (Commercial Lines) at ICEA LION General Insurance.

By Hazel King'ori

ARE INSURERS ADDRESSING THE GIG ECONOMY RISKS?

With a few clicks and scrolls on my mobile phone I can; hail a taxi; I can book a vacation; I can shop for my weekly groceries; I can order my favourite meal; I can order for furniture; I can bank and thankfully I can also buy insurance.

Welcome to the digital-shared-gig economy. Digital in that, it uses technology to reach and transact with customers; shared in that, these are platforms that have crushed the barriers of entry into industries that would have otherwise required massive capital investment; and gig economy in that, some of the people behind these businesses are freelancers supporting themselves with part time jobs (gigs) they would otherwise not have access to.

Meet Mike and Mercy. Mercy is 23 years old, has a high school certificate; she wakes up at 4am and goes to Marikiti where she buys groceries in bulk, she cleans and packages them for sale on her online grocery shop. She has hired the services of a boda boda rider to deliver the packages to her customers. By 11am she has sold all her goods. She has lunch and at noon activates her taxi hailing app to get taxi ride requests. She ferries customers around Nairobi till 8pm when she returns home and is asleep by 10pm. And this is her schedule for six days of the week. Mike—her husband—is 25 years old, has a diploma as a beautician. He has enlisted his services on several online platforms where he gets most of his jobs. Weekends are his busiest. Twice a week, he teaches a two-hour nail technology class at his former college. Together, they make a decent living and are able to pay off the car loan. They are saving towards buying a plot of land where they can do some farming and build a house to live in and also rent out to paying guests. They plan to have children in five years.

These two people present a common gig-worker profile. That the future of work will be driven by the digital economy is not in doubt. With a majority young, educated and digital-savvy population coupled with minimal opportunities in the formal sector, the gig economy is set to grow. A January 2020 research by Mastercard estimates that in 2019, the total size of the Kenyan gig economy was $19.7 billion employing 5.13 million workers in six key sectors: agriculture, manufacturing, trade and hospitality, construction, transport and communications, and community, social and personal services. The study showed that income from gig work fluctuates and a majority (65 per cent) earn anywhere between Ksh.10, 000 to Ksh.30, 000 per month

Gig workers in Kenya are most frustrated by fluctuating income and financial planning suffers as a result. When asked for their top three desired perks, the study found that loans, instant payments and insurance topped the list. These same challenges are faced by gig workers globally and the benefits most sought after include: Insurance (health, life, disability, personal accident), financial services (savings, tax support, retirement benefits, salary advance), education (professional training, personal finance education), and perks (paid leave, cashback /discounts).

Other risks that gig workers face include personal accident, loss in revenue due to sickness, temporary or permanent disability, delayed or incomplete payments and economic volatility. The COVID-19 pandemic has shown us that the informal sector bears the brunt of an economic downturn.

How can insurance respond to the gig economy and the risks faced?

Assessment by Micro Save Consulting shows that most traditional products provided by insurers are not adequate to serve the needs of gig-workers.

The solution then lies in a cover that is:

- On demand and can be flexible based on availability of gig work
- Is digitally delivered based on the worker's usage patterns
- Is affordable and dynamically priced. The flexibility of gigs demands a dynamic pricing model where the gig workers may split and pay premium across the predicted number of gigs
- Is pooled, based on a peer-to-peer model that covers a pre-determined number of workers at any given point of time.

Post COVID-19, the gig economy and gig work is going to become more important, challenges notwithstanding. Insurers need to develop products that will address the informal sector through dynamic micro insurance products.

The writer is the PR, Research and Education Manager at AKI

References:

1. How informal youth workers in the gig economy can be insured. Micro Save Consulting, May 2020

2. Mercy Corps / Genesis Analytics. Towards a digital workforce: Understanding the building blocks of Kenya's gig economy. August 2019.

3. The Gig Economy in East Africa: A gateway to the financial mainstream. Mastercard, January 2020

LEVERAGING ON THE MILLENNIAL MIND SET AT THE WORKPLACE

A lot has been said and written about millennials including how to engage them in the work place. Millennials (Those born between 1980 and 2000) now form a large percentage of people in the workplace.

Are millennials really any different from past generations?
Every generation differs and this is shaped by the environment in which they grow and are exposed to. Millennials' use of technology clearly sets them apart. They have grown up with internet, computers, smartphones and technology. They are more at ease and have better grasp of a key business tool (technology) than more senior workers.

Millennials behave differently too. This is a generation that has grown up with one or two working parents and have witnessed the negative impacts of global economic crisis on individuals and families. They therefore place more emphasis on their personal needs than those of the organisation for which they work. This could explain the reason they change jobs often.

They are uncomfortable with rigid corporate structure and desire a flexible approach to work. They expect rapid career progression and regular feedback. They want to feel that their work is worthwhile and their efforts are being recognised. In short, what millennials want in the workplace differs from anything that has gone before and this has contributed to the 'generational workplace crisis.'

WHAT CAN EMPLOYERS DO?

1. Understand millennials:
This is a particularly important starting point. Millennials are as ambitious, if not more, than previous generations. They do want to work albeit differently. With this common ground and end goal in mind, changes to how it is achieved can be negotiated.

2. Adopt your organisational processes:
Processes and policies can be adopted to match the employee demographic. This starts from the recruitment process. Organisations must be comfortable to adopt internal processes to technology to ensure high productivity and efficiency.

3. Provide opportunities to learn:
Millennials want to experience as much training as possible and organisations risk losing talent if they fail to engage millennials with development opportunities.

4. Allow faster advancement:
It is important to understand the personal and professional goals of millennials; they don't think of career advancement in terms of seniority and time of service. They value results over length of service so for example rotational assignments can give them a sense that they are moving towards something and gaining a variety of experiences.

5. Feedback, feedback and more feedback:
Millennials want to know how they're doing and are unlikely to be satisfied with an annual review. Give honest feedback in real time and highlight positive contributions.

6. Be mentors, not bosses:
Millennials are frustrated by transitional and rigid structures of authority. They need their leaders to be approachable, to encourage and guide them. Leaders earn the respect of millennials through their professional prestige and the consistency of their actions, not through some innate sense of respect for the established hierarchy or obedience of authority.

7. Learn from millennials:
Remember that millennial employees are likely to be able to relate to millennial customers and will also form an increasing part of the customer base themselves. Involve them in product development, distribution, marketing, strategy.

8. Expect millennials to leave:
They are ambitious, they want to grow and experience different things, their attrition rate is higher than past generations and this should be factored in talent planning.

9. Create a strong company culture:
Not many millennials dream of joining insurance. That is a challenge to the industry to create company cultures that will resonate with young people's ideals. Having millennials highly engaged in the work force will in turn translate to the industry churning products that are in tune with their peers' lifestyle.

FUTURE INSURANCE LEADER 2020;

Darryl Ole ursin

AKI recently held a competition to find the best young minds in the insurance industry. The “Future of Insurance Leader 2020” competition was centred on fresh and innovative ideas to encourage the youth to purchase life insurance. Mr. Darryl Ole Ursin of UAP Old Mutual was crowned the winner.

Darryl talked to The Insurer about his thoughts on how insurers should engage millennial as employees and consumers.

Who is Darryl?

I am a millennial who is passionate about using my Actuarial skills and knowledge to increase the number of Kenyans protected from insurable risks. I am a strong believer in products fit for the market, the multiplier effect of innovation and the power of including people in financial discussions early in their lives.

You bagged the top prize in the Future Leaders in Insurance competition. What was your pitch about?

The product I pitched is an evolving unit-linked insurance solution open to individuals over 18. The idea focuses on adapting to the circumstances of millennials and starting insurance cover as early as possible.

To make payments affordable and flexible, small payments (between Ksh. 5-20) are made to a unit fund from the policyholder’ s mobile money / bank account. Additional payments can be made voluntarily.

Life insurance premiums will come from the Unit Fund. This has a minimum per cent (e.g. 15%), which can be increased if desired. The benefits are only decided on after three to seven years of premium collection, from a variety of life products, (Critical Illness, Term Insurance) with payment coming from the Premium Fund. This way, insurance conversations start early, and the policyholder feels no pressure. This element of choice should improve lapse experience considerably. Every few years or on certain milestones (such as first child), the policyholder purchases further protection. The product evolves with need, as millennial-insurable interests change over time. The unit fund is redeemable at intervals with choice on risk appetite. Management of fund and benefits should be accessible from an app.

Why do you think millennials will purchase your proposed product?

Its power comes from having the flexibility to cover a wide variety of insurable interests, and integrating a savings solution in an affordable package. It leverages the future of the financial services market, which is looking to have increased use of non-cash transactions through banking apps and mobile money payments. This is an area where millennials have a degree of familiarity, confidence and trust when compared to traditional insurance agents and insurers.

What would be your desire be for your winning proposal?

I would like insurers to take up the idea—and similar others—and utilise it to escalate uptake of insurance among millennials.

Why do you think millennials are not interested in life insurance?

A depressed job market has limited the ability of the youngest generations to spend beyond bare necessities. Younger generations are expected to care for previous generations, relegating individual protection as a priority. We need more financial education and inclusion, as an insurance culture is a positive feedback loop. Witnessing impact in the formative years (for example a critical illness benefit catering for fees while mother recovers from surgery) boosts later receptiveness to insurance. Past generations did not have this culture, with their journey just beginning.

There are many naysayers and doubters about such competitions out there, what made you submit your proposal?

I have a desire for impact. AKI is a highly respected association so participating in the competition means that what one presents is taken in high regard and one gains credibility.

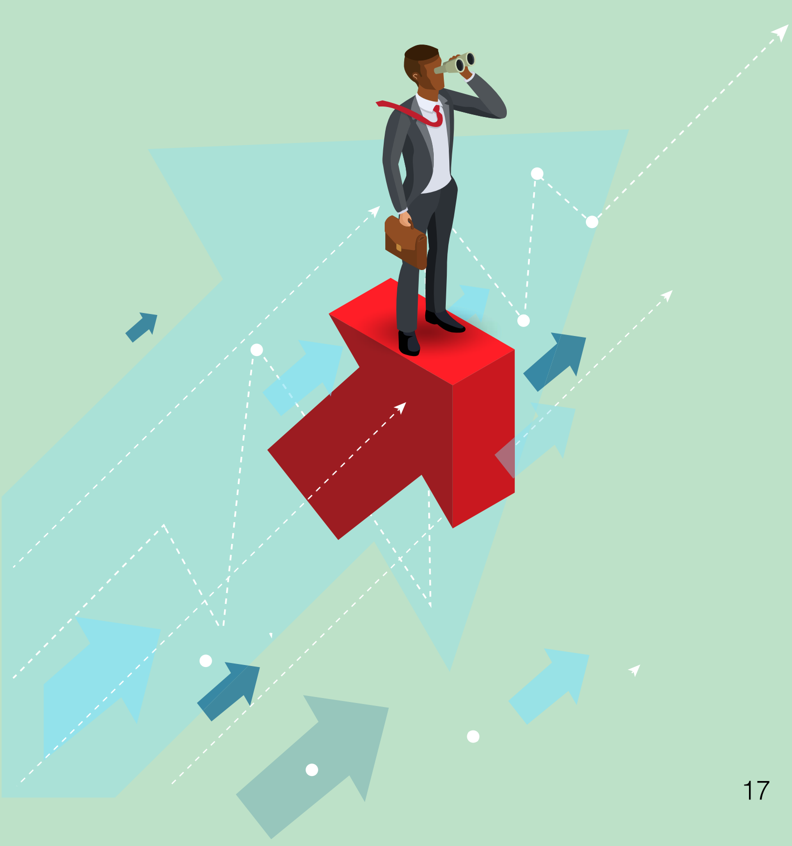
What role do you currently play at UAP Old Mutual? Do you have any growth plans?

I work in Actuarial, with a focus on General and Health Insurance. On growth, I am focusing on upping my technical game and since I am only one year old in the industry, I intend to continue the walk towards being an Actuarial Fellow.

To the CEOs reading this, how would you advise them to better engage the young people in their organisations to get better results?

They should watch our presentations once more and react to them. The CEOs should seek ideas from us and make more use of our generation. They should also look for ways to develop products that not only speak to us but also reach us. This can be done through utilisation of technology.

The future of insurance is digital. Some insurers have adapted well, but for growth of industry, all must embrace this future.



SETTING A RETIREMENT GOAL

By Arth Shah

It is helpful as part of retirement planning to target a replacement ratio and monitor, on a regular basis, whether you are on track to achieve this.

With retirement, the focus should be on the end goal. The end goal will depend on the kind of lifestyle you wish to live at retirement and this will vary from person to person. Generally speaking, in retirement you would want to maintain the same standard of living you had when you were working.

Planning for retirement is not a one day affair. The earliest one is able to start saving for retirement through a retirement benefits scheme is at the age of 18 years. The earlier you start the more you will benefit from the compounding effect on your savings. The concept behind compound interest is that the money earned from interest on your savings or investments is reinvested and it earns further interest. In simple terms, it is “Interest on Interest” or “Making money on your money”. That said, it is never too late to start saving for retirement.

When you learn more about retirement planning and setting goals, you will come across the term, ‘Replacement Ratio’. Let me explain this term with an example, if you earn Ksh100,000 per month then you retire and start earning Ksh60, 000 per month from a pension, your replacement ratio is 60 per cent. So a replacement ration is your income after retirement as a ratio of your income before retirement. This is a tool used to gauge your way to a healthy retirement.

So what is the best replacement ratio to maintain the same living standard? The recommended replacement ratio rate is between 60 to 80 percent. Based on a survey of more than 65,000 Kenyans in salaried employment carried out by Zamara, on average, members of retirement schemes are only achieving replacement ratios of 34 per cent. This means that even Kenyans who are able to belong to a retirement fund are retiring with insufficient savings.

It is helpful as part of retirement planning to target a replacement ratio and monitor, on a regular basis, whether you are on track to achieve this. There are tools that you can access to enable you to do this. However, if you are looking for a magic number then it would be saving between 15 and 20 per cent of your monthly salary consistently until retirement. Remember, the earlier you wish to retire, the more you need to save.

Another factor which impacts retirement goals is the extent to which you preserve your retirement savings along the saving journey. Under Kenyan legislation, on leaving the service of your employer before retirement, you may access a significant portion of your retirement saving, your full contribution plus 50 percent of your employers contribution with interest. Doing this has a very detrimental impact on achieving your target replacement ratio.

There are different types of retirement schemes that one can belong to. These include pension schemes (with the main objective of providing a regular income/pension in retirement) and provident funds (with the main objective of providing a lump sum in retirement). Employers can set up voluntary plans for their employees or individuals (employed or self-employed) can choose to join one of the many individual personal retirement plans in Kenya.

As important as the saving (or accumulation) phase is, there is need to carefully select the benefit options that one will receive in retirement. In a provident fund, an individual may take everything as a lump sum, whereas in a pension scheme up to a third of the retirement savings may be taken as cash and the balance has to be taken in the form of a pension.

There are typically three options available for a pension: Buy an annuity (that provides a regular income), invest into an income drawdown plan (that allows you to receive a regular income while your savings pot remains invested) or a combination of either of these options. A lot of people end up making poor choices on how they take their benefits in retirement because they do not take or are unable to access sound advice for this part of the retirement journey.

No journey is easy, you will find challenges along the way including along the savings journey for a comfortable retirement. COVID-19, being an example that has brought about lay-offs and forced individuals to cash out their savings or stop saving into their retirement pot. Nevertheless, if you keep your eye on the ball (your target replacement rate), there is a good chance that you can navigate towards a comfortable retirement.

The writer is the Team Leader, Research and Development at Zamara Kenya

IS WORKING FROM HOME WORKING?

By Joyce Kanuri

COVID-19 has swept through society and the effects of this novel virus have forced us to rethink the traditional mode of working. Work has become something you do not necessarily somewhere you go.

Working from home is a relatively new concept. Many people are not able to manage their time. Some people take advantage of an unsupervised environment and performance monitoring and work less hours, while others work extra-long hours and experience burn outs. This leads to the next concern of having a work-life balance.
Has working from home helped people achieve a work/life balance? Yes and no.

On the positive, working from home has helped to increase work/life balance by allowing most employees to merge their personal and professional lives. With family taking more of an interest in what one does and being more supportive, this has increased some people's performance since they are better able to cope with any workplace stress through the help of their support systems. In addition, people are working at their own personal optimal rate thus ensuring that they are more productive.

On the downside, working from home has blurred the boundaries between working hours and personal time. Less time is spent on activities such as commuting to work which frees up additional hours, which some employees plough back into their work. Due to an increase in working hours, some employees are experiencing burnout. This is leading to mental health issues with some employees experiencing stress anxiety, fear and loneliness.

The concept of working from home may be the new norm. However, not all jobs can be done from home. Some jobs require an employee to be physically present at the work place. They may also require face to face contact between an employee and customers. In both cases, those working remotely or at a physical location, organisations must ensure productivity of staff. They must also ensure that their staff performance is evaluated through setting clear targets. Organisations can achieve this by having frequent scheduled meetings, ensuring performance mile stones are set and empowering staff to perform with a deeper sense of ownership in the success of the organisation. Further, organisations should encourage innovation and team work even while their employees work from home. This can ensure that productivity does not suffer.

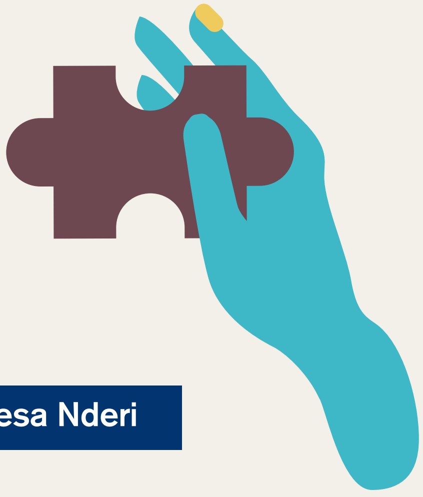
So what does the near future workplace look like? Organisations will be forced to adapt to "hybrid model", a mix of working from home and working on site. COVID-19 has accelerated a trend that may have taken years but is already happening with most organisations opting for employees working on alternate days in the office and at home. It has reduced commuting time where an average of two to three hours is lost in commuting every day. The reduction of expenses of purchasing office wear is also a plus to some. At the same time, it has forced employers and employees to embrace technology to enable them work remotely and has reduced office space and overhead costs.

With a hybrid model employees and customers will continue to enjoy the social capital invested over the years and support from colleagues and team work will not fade away. We may see new opportunities and openings for freelancing work. There may also emerge a 'gig economy' for those with skill and want the freedom of working remotely. On the flip side organisations will also consider their core roles and outsource some jobs where employees may be paid for hours worked as opposed to monthly salaries. Review of organizational policies will incorporate issues of support given on business related expenses, internet bundles, connectivity, laptops, the data security and privacy, flexible working hours and overtime, meeting expectations online meetings and dress code.

Where and when work gets done, will be determined by what makes the most sense to drive the highest levels of productivity and engagement. Whether working from home is your cup of tea or not, this may be the future of the work environment.

The writer is a HR consultant and a certified trainer at the National Educational Services

Supporting people with mental health problems



By Teresa Nderi

Mental health in most African societies is a taboo topic, not to be discussed. Historically, the term mental health sparked an image of severe illness while in fact, the term also refers to common conditions like anxiety and depression.

Over the last few years, we have seen more and more people admit to have suffered or suffer from mental health issues. This has made the discussion around and managing mental health issues more informed.

The World Health Organisation describes mental health as "a state of well-being in which the individual in his or her own abilities, can cope with the normal stresses of life, can work productively and fruitfully, and can contribute to his or her community." Someone who is not able to do all the above is said to have a mental illness and needs to get medical attention.

Taking care of an individual battling with mental health issues is never easy. However, here are some helpful tips for any care giver and family members supporting mental health patients;

- **Learn all you can about the condition that your loved one is living with.** When dealing with a mental illness, the last thing you want to bring to the table is ignorance. Understanding the causes, symptoms and how to treat the condition will make your caregiving experience a lot easier. You will not have many unknowns as you are already aware of what to expect. It will also help you somehow understand and imagine what your loved one is going through.
- **Encourage the individual to seek treatment.** While some people don't understand that they are unwell, past experiences—including being discriminated against, losing their job, spouse or their place in society—may make individuals reluctant to seek help. It can be frustrating if the person you are caring for does not want to get help. Instead of using force, talk to them about how they feel and their reason for not wanting to seek medical help. Explain to them that you are worried about them because they seem unlike themselves and you want to help them. Do not try to challenge their ideas, instead assure them that you understand what they are saying and convince them that it is important to visit a doctor.
- **Help them keep track of their doctors' appointments and treatments.** Remind them to take their medications. If you spend a lot of time around them, you will be in a position to keep track of how the individual is responding to medications; note behavioural changes as well as arrest any new symptoms in time. These can be reported to the doctor during the next appointment and will aid in charting a treatment plan.

- **Encourage independence and self-reliance.**

Individuals with a mental illness experience a profound loss of control over their life and they can be overly dependent on their caregivers. They may start depending on you to do things that they can do themselves. Give them more chances to make decisions and do somethings on their own. This will help in encouraging and cultivating their confidence. It will also help relieve and take away some pressure from you.

- **Try to be as supportive and as understanding as you can.** Sometimes these individuals will find it therapeutic to just talk about what is bothering them and to know that they have a listening ear. Ask them questions about how they feel and if they are not feeling great, enquire if there is anything you can do to assist.

- **Encourage a healthy lifestyle.** Most individuals with mental illnesses do not want to be engaged in any form of physical exercise. If it were up to them, they would lay curled up in bed or a couch all day. However, you can help with day-to-day activities such as exercise, proper nutrition, healthy sleeping habits, decision making and problem-solving.

Being present and supporting an ill person is never easy. As the caregiver, you can expect to experience a range of emotions from despair, anger, helplessness, and resentment. However, one day when you look back, you will be glad that you stayed and held the person's hand. The individual will also be grateful that you were there in their darkest times.

The writer is an online advocate for the Inclusion of People with Intellectual Disabilities

ASSOCIATION OF KENYA INSURERS

Did you enjoy the articles in this edition? What would you like to see more of/ less of?

We appreciate your feedback.

If you would like to contribute to the next edition write to hazel.kingori@akinsure.com

Contact us

AKI Center

Mimosa Rd, Muchai

Drive off Ngong Rd

0709640000

www.akinsure.com

AKIKenya

AKI_Kenya

AKI Kenya

AKI Kenya