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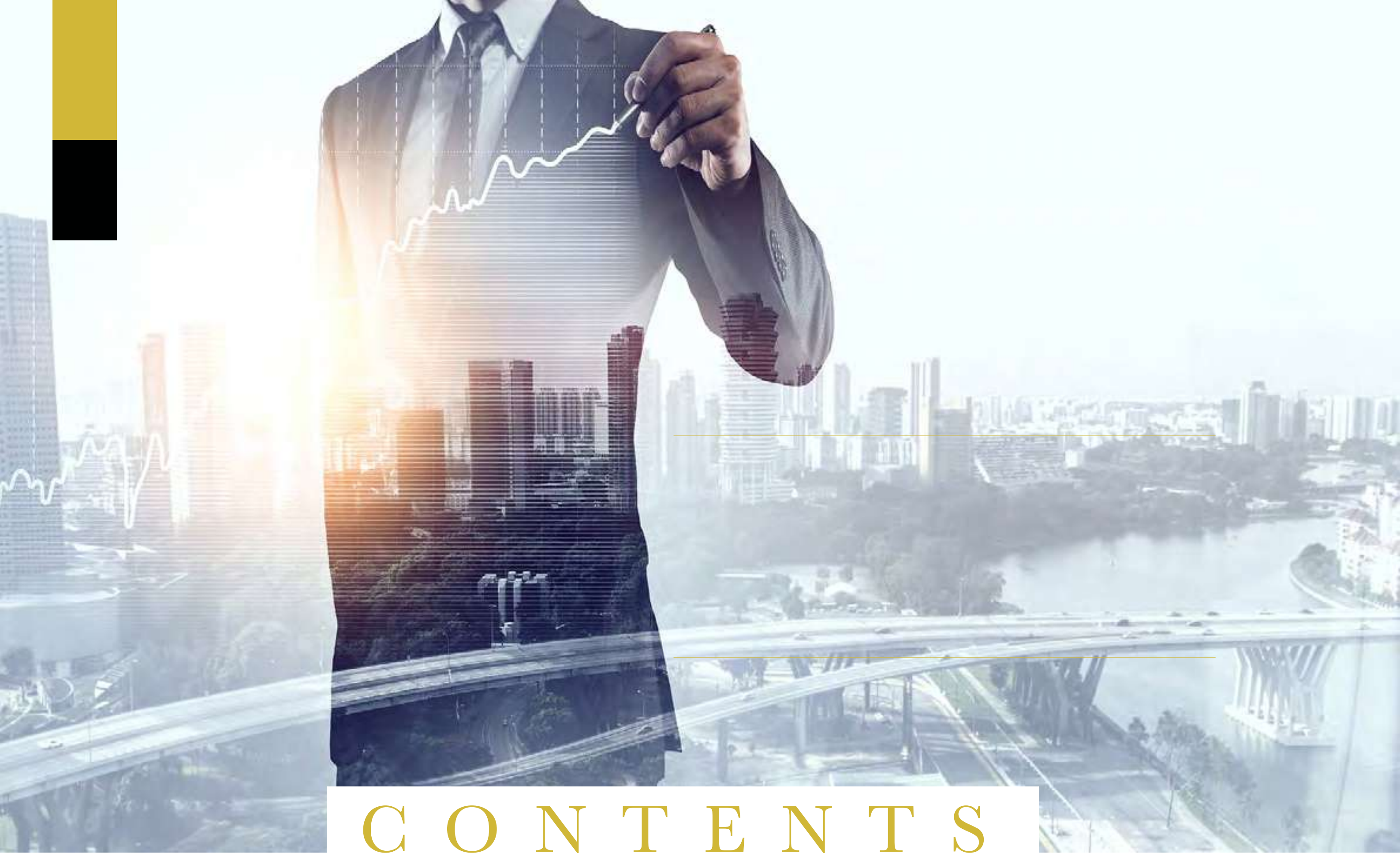
RE-MODELLING

INSURANCE PRODUCTS



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RE-MODELLING
INSURANCE PRODUCTS

VISION

To be Africa's Leading Insurance Association.

Mission

To Provide, Promote and Champion Excellence in the Kenyan Insurance Industry.

Core Values

Integrity, Quality Service Delivery, Flexibility, Innovation, Professionalism, Teamwork.

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> **"THE BALANCE OF POWER IS SHIFTING. THERE IS A GREATER NEED FOR INSURERS TO REACH OUT TO THE CUSTOMERS, BUT IN A VERY DIFFERENT FORM, ESPECIALLY WITH THE GROWTH OF DIGITALISATION."**

EDITOR'S NOTE

Kenya's Insurance is one of the best performing in Africa. Nevertheless, at three per cent penetration, the industry has more ground to cover to favourably compare with insurance in the developed world. Players in the field have been making efforts to up their game but they still have to work harder. It is vital to always keep abreast with the dynamics of the market and hence the title of this issue: Remodelling Insurance.

Technology is today viewed as the greatest game changer in all facets of our lives. On this front, Kenya can be singled out as being one of the countries that has achieved a lot in technological advances. Take mobile money for instance; this is a first that is being replicated the world over; and it was developed in this country. If insurance has to move to a higher level, the players in the industry have to leverage technology to take services to the market. We now rely on our gadgets, especially those hand-held, to research and make buying decisions. Insurers have to consequently offer their services online as opposed to making physical cold calls to reach out to customers.

As communities advance, activities also get transformed. For instance, ceremonies that have in the past been societal are fast becoming individual issues. Take burials for example; families have now to make decisions on how and when to inter their loved ones and more so how much to spend on the 'ritual'. This is an affair that can be quite costly and woe unto those who may not be well endowed financially. That said, the insurance industry does have a product in the market to cover funerals. Funeral Insurance, as Pauline Gathuri reveals in this issue is "…an affordable insurance policy, with a benefit that typically ranges from Ksh.50, 000 to Ksh. 1,000,000 and pays out within 24-48 hours to cover funeral costs." This is a cover that any realistic individual should have.

There is a new generation in town: The millennials. These are the people born between 1980 and 2000 and they are growing to be a bigger percentage of the working population. They present a formidable market segment that needs to be tapped into. They can be challenging to work with but as Juliet Gateri points out, "It is in the best interest of their managers to support the goals and expectations of this group and leverage their strengths."

According to Central Bank of Kenya's National Economic Survey, 98 per cent of all businesses in Kenya are SMEs. They create about 30 per cent of our jobs annually. Find this and other statistics in Abel Kabiru's article in which he also emphasises the need for insurers to address the insurance needs of the SME sector.

The articles we have touched on above are just some of the many that make this issue a great read. Savour the well-researched pieces, enjoy your Christmas and I believe that 2018 will be a great year.

RE-ENGINEERING INSURANCE; WHAT WILL IT TAKE?

By Sunny Bindra

Insurance, as it is run today has a retinue of problems. The products are complex and difficult to explain.

The insurance industry has been running along nicely for decades now, using the same business model; charging premiums by insuring risks and investing the cash collected. This is almost over in Africa: Change is now taking centre stage.

There is a fundamental reason why insurance must change, and it is something that lies at the heart of the customer experience. Global studies show that only around a quarter of insurance customers actually trust their provider. Three out of four do not think their insurer will live up to its promises. This is a fatal flaw and the reason the sector is ripe for disruption.

Most of us pay massive premiums over the totality of our lifetimes to date but will, in all likelihood, only make claims a handful of times. And when we do, again in all likelihood, we will find the insurer falling woefully short.

Insurance as it is run today has a retinue of problems: The products are complex and difficult to explain; they are repeatedly mis-sold and oversold, taking advantage of poor consumer awareness and understanding; pay-out terms are hidden behind arcane jargon and most problematically, there is little differentiation of people who are prudent from those who are bad risks and likely fraudsters.

This situation cannot continue. You cannot have a relationship that is so broken at its core and expect to carry on as usual. But carry on we have, because customers have had few options.

Demographics and technology make change in Africa inevitable.

If you are an African reading this, you know very well about demographics. Just look out of the window and it is pretty much guaranteed that in any group of people you will be gazing at a majority are young folks. What we sometimes forget is that this is a unique situation in today's world—we have the young people while the rest of the world is ageing fast. By 2050, Africa will have a billion people under the age of 18, 40 per cent of all youngsters in the world.

Informal surveys suggest that most of the youth in employment only buy the policies required by law—like motor insurance. Or they get medical insurance if their employer pays the premiums; they may see the risks, but they don't believe in the solution offered.

Is this not an existential problem? The youth are insurers' core market, but what will happen if it (market) needs to be forced or financed to buy your product? And does the fact that people would rather take their chances with life than with you not cause you to take a pause?

Now to the technology part of the equation. Globally, billions of dollars are quietly pouring into 'InsurTech' firms; those agile start-ups eyeing the foregoing drawbacks using technology to upend the industry. And a lot of those start-ups have their eyes on Africa.

At the heart of this disruption is the Smartphone, the computer/camera/locational device/sensor. Combine that with the number of 'digital native' youngsters in your future African market, and you can all see what is coming.

The digital start-ups may be giving us a taster. They are expanding reach by offering quick and simple products via mobile phones; they are using algorithms to analyse risk very differently, using the new data streams created by the digital revolution; they are offering pay-as-you-go protection, where customers insure their activities as they occur; they are creating peer-to-peer risk-pooling systems; they are monitoring individuals' track record via smart devices and offering lower premiums if they are revealed to be low-risk clients. And of course they will do away with the endless form-filling and re-proving of identity: In one future digital transaction, you will get assessed and approved and your biometrics will be recorded for future reference. Your mobile computing device will in fact be where most customer relationship management will take place.

So what is traditional insurance going to do about this?

Those insurers that are steeped in tradition and captive markets will find it difficult to absorb new technology into workplaces. They will strain to understand the tech-centred young African customer and the intricacies of data-driven risk analytics. Most importantly, they will lack the vision and leadership to understand that a certain world has passed and a new one is in the making. And so they will continue to hope that the old market of captive customers and forced purchase continues to thrive.

If you are willing to lead the change, there is still everything to play for. There are three things you must get right in order to survive—and thrive—in the new insurance game:

- You have to fix what is broken in the user experience; that is where the fundamental problem lies. Map out your typical customer's journey, and identify the worst pain points. Combine human warmth with technology to make key processes quicker and smoother. Rebuild trust. Strengthening your bond with customers is the best defence against disruption. If you don't do this, you risk becoming a feature, not a product; insurance could become just an add-on hidden in someone else's relationship with customers, and in someone else's pricing.

- Get seriously up to speed with the new technology. You must learn everything there is to know about mobile, context-driven insurance and data analytics. Even so you will probably not be able to do this on your own using existing talent. You will have to attract fresh and innovative minds to work with you and new-blood executives in your workforce. And you will have to collaborate with new technology providers and enter into innovative partnerships.

- Be willing to take some risks, burn some old things and invent some new ones. That means experimentation. There are no sure-fire ways forward; there are no formulae that promise success. Strategy in a disruptive era essentially consists of a series of small bets. Some will pay off; many will not. Mistakes and missteps will happen. Learning will come, but messily and not always on time. That is fine, but it must be fine with your leaders and your board.

At the end of the day, it is a leadership issue. This is a time for courage; the timid will not make the leap across the chasm. It is also a time to instil hope and guide the people across.

Sunny Bindra is a renowned business advisor, writer, educator and public speaker

DEVELOPING WINNING PRODUCTS; INNOVATION TO ACTIVATION

By Nancy Matimu

Winning products win the hearts of customers not of the developers'. If you do not enter a dreaming state with your product you have not reached the height of intimacy and you should not expect customers to do so either. The success of a product is always directly proportional to the strength of the customer insight.

The quality of the insight determines the extent to which your product connects with the customer. This is because an insight relates to both the heart and mind. Great products sell themselves as they are able to connect with the customer both emotionally and functionally. Getting the insight right is always the hardest job in innovation and product development. Often we make the mistake of thinking that the greatest innovation requires a lot of resources, investment and genius minds. No. It is the simple everyday innovations that connect with the customer's aspirations and motivations.

To crack the right customer insight you must spend time with them; listen to them, watch their body language and reactions. Look for moments when their face lights up or their energy drops. The process of understanding the customer has everything to do with these cues. The quality of the conversation is only as good as the quality of the stimulus (qualitative research tool) that guides the conversation. A good research company will help you develop the right stimulus. Do not delegate this stage as a product developer, sit in as many of these conversations and listen to pick cues that help you form a pattern that lands you at understanding the customers correctly. You soon begin to see what stands between the customer and their needs. It is at this point that you start to see pointers as to what you can do to address this tension. This is the beginning of a great product.

> *"An idea will remain dormant until you convert it into something customers can use."*

Everyone involved in the making of a product needs to be involved in this insight generation process. To launch a great product, all the critical persons involved in making the product should sit in the customer focus groups where cues and patterns are picked to land at a great insight together. The insight is what lies beneath the superficial.
A great product is developed through a series of stages; it starts with the insight generation process. Once you land at a great core, ideas begin to form. This stage—often referred to as the ideation stage—gives rise to multiple thoughts that are screened for relevance and impact using a predefined criteria; those that score the highest progress into the concept development stage. Often, we have the temptation to jump at the first idea and not follow the rigour of generating multiple relevant options. A lot of the times we are always surprised that the least attractive of all ideas is the one that sells the most, because it connected at emotional and functional level and also met the financial and customer satisfaction criteria. An idea will remain dormant until you convert it into something that customers can use. At this point you convert the idea into functional elements—what the product will do, how the customer will go about using it, why you feel it will be better than what they are used to and better than what the competition or anyone else has to offer including substitute products and finally what the customer is willing to pay for it. This lands you at the value proposition which must be tested for feasibility on emotional, functional and financial parameters. It is at this stage that you develop a business case showing returns against investment. It is no use having a great product that does not have any returns, whether at a customer satisfaction level or financial returns level.

Once you have a concept, you must take it to the same customers that sat in your focus groups in the insight generation stage. Get them to engage with the concept and share their views on whether it is addressing their aspirations and motivations and if so, whether the proposed price is value for money. This stage may take several repetitions and may entail numerous reviews with the target customer. It is the design phase of product development. If you get the design wrong even with a great insight your end product will fail. Once the design is refined and approved by the developer and the target customer, then you can proceed and develop the product and follow through with a series of tests of your internal capability to deliver and support the product.

Before taking the product into the market for commercialisation you must pilot it with a control group in a real life setting (not testing). This allows you to test the functionality, emotional connection and ability to support the product in a live state in the market. It is only after a successful pilot that you should launch commercially and amplify the product visibility through branding and communications to create awareness generate interest through demand stimulation and drive conversions through active sales.

Having a great product and not marketing it right is akin to having a great seed, planting in the best soil and depriving it of light

Whilst a great product will ordinarily sell itself it is the pace at which you want to capture maximum value from the market that influences your go-to-market decisions. A great product name is a start but how well you launch and activate in the market will determine the level of visibility your product gets within the target segment. It is important that you create maximum visibility, which in turn will generate awareness.

Customers must relate to how the product works for them and how they can get it. This level of awareness is what will generate demand. Often, we design beautiful advertisements yet they do not communicate well enough to generate demand. What do you want the customers to do (call to action) once they have seen the advertisement? Any demand stimulation advertisement that has no call to action has just wasted all its marketing efforts. You can achieve a high share of voice but no sales due to as small a detail as lack of a strong call to action in your advertisements. Activating right is important. What use is it to quietly have the best product? Customers will pick what has been served. As they compare similar products in the market, their attention will be drawn to those products with the best and most attractive features but it could easily stop at just that if the product is overpriced and not differentiated. Price right and call out the differentiation to help the customer make the decision to pick on your product over the competition.

Having a great product and not marketing it right is akin to having a great seed, planting in the best soil and depriving it of light. Products survive for as long as they continue to be relevant through continuous improvement and innovation. They thrive on great marketing through effective branding and communication.

Nancy Matimu is the Head of Home & Content at Safaricom

OF INSURANCE AND ENTREPRENEURS; THE PITFALLS AND REMEDIES

By Joram Mwinamo

Start-ups face a different set of challenges from growing or established companies; insurers need to design specific products for each stage of growth of an enterprise

While insurance is all about managing risk, by nature, entrepreneurs are not risk averse people. They quit lucrative jobs to go into uncharted territories. They leave or avoid the comfort of employment because they are seeking a challenge to overcome.

Managing risk is not a top priority to entrepreneurs neither is it at the forefront of their minds especially in the formative years of building their businesses. To an entrepreneur, a risk is just another challenge to overcome. If an employee falls sick they will just hustle and pay the hospital bill out of compassion. Of course, this approach is expensive and not sustainable because as their businesses grow, the impact of the risks they face can become catastrophic if not well managed. Dreams can be turned into ashes after many years of building a company. There is a local Kenyan company, whose factory burnt down twice before they became convinced that it was more prudent to take up insurance. The other strategy that an entrepreneur will adopt in managing risk is prayer and faith—the belief that their property or business will be divinely protected.

Why then won't entrepreneurs prioritise insurance to transfer the risk?

Most insurance products have inflexible pricing; they are priced in a manner that is not flexible enough to fit into the entrepreneur's cashflow situation. Many agents do not educate the entrepreneur that services like insurance financing exist. Many SMEs may not have lumpsum amounts to pay but can afford smaller monthly payments that can fit into their budgets: Therefore, Products that are tailored in this cashflow scenario would move a lot faster within this segment.

In Kenya today, the threshold of many corporate insurance packages is above the number of employees that SMEs have. Many insurance companies begin with a minimum of 10 employees for a company to qualify for corporate or group insurance packages. Many SMEs will have less than 10 employees in their formative years, until they perceive steady growth. Some SME owners come together as two or three companies to form critical mass and then apply for insurance as one entity. If there are products that can be tailored and priced for groups of five to ten, then these would be more readily acceptable to SME owners.

Another way of encouraging SMEs to take up insurance is to develop graduated insurance pricing. When SMEs are unable to afford insurance because of pricing, they become desensitised to it over time and will resist taking it up even when they begin to grow into large enterprises that can afford it. If insurance companies had ways of enabling SMEs to buy graduated insurance products—starting with lower amounts and tailoring packages that grow with their businesses—it would ensure that they always have a level of risk mitigated and do not remain exposed. It would also allow the SMEs to begin to educate themselves about the concept of insurance and which packages or products work best for them.

Relationship building remains paramount. Many SMEs view insurance agents as 'hit and run mercenaries'. They see agents as people who are not interested in building a relationship cultivating trust and also not interested in getting to know the business owner intimately enough to offer products that are relevant and well priced. Many insurance agents on the first meeting will seek to know the income levels of the entrepreneur without having built trust and rapport. With time, the agent may not pass on discounts or benefits to the client that may be due to them which builds mistrust when the client finds out that they are qualified for some loyalty discounts or incentives. Many agents do not take time to candidly advise the client of all possible insurance products available and their pros and cons. Many SME owners will only see their relationship managers when it is time to renew their policies. Many changes can occur in an SME within a year. The changes can entail growth or contraction of the business. Keeping up with the changes can allow an insurance agent to keep advising the client on the appropriate insurance packages. Every agent should seek to become a trusted advisor to SME owners and a whole world of opportunities will open up. Many SME owners have multiple businesses, investments, assets or a network that can be lucrative for referrals. However, an entrepreneur will not make these additional pockets of value known to someone who they do not trust.

To some extent, it seems that insurance products are not designed with the SME in mind. SMEs are not a one-size-fits-all category. Start-ups face a different set of challenges from growing or established enterprises. Insurance companies need to design specific products for each stage of growth of an SME, rather than assume that all the existing corporate products can be reshaped to address the needs or challenges in the sector. There are hundreds of thousands of SMEs in Kenya and if you count unregistered or informal businesses and 'side-hustles', the number shoots up to about 1.8 million according to the latest SME survey done by the Kenya National Bureau of Statistics. This is a segment that holds a lot of promise for any insurance company that spends time trying to figure out how management of risk can be tailored for those who embrace risk and do not necessarily avoid it. The insurance company that cracks this, will open itself up to a world of opportunities for growth.

Joram Mwinamo is the Managing Director of Wylde International Ltd

THE LAST RESPECT; CASE FOR FUNERAL INSURANCE COVER

By Pauline Gathuri -Mbugua

While most people do not like to think about dying, it is—unfortunately—the only guarantee in life. Death and burial are not topics one wants to dwell on too often. However, this is a reality that every person will at some stage go through so we may as well take a look at funeral insurance.

Traditionally, the purpose of death rituals in Africa are to ensure that the deceased is properly put to rest so his spirit is at peace and he can take his place among the protective ancestors. The rituals are as much a mourning as they are a celebration of the role of the dead. In some communities, the "right" burial ensures that the spirit does not remain to haunt and exert power over the living, but instead rests in peace and protects the family. This belief comes from a common African concept that life and death are on a continuum of existence, with death seen as just another state of being. In death, the whole person still exists but now inhabits the spirit world and he can be reincarnated into several people. A popular belief is that if the deceased is not buried "correctly," or if a person lived a life of dishonor, his ghost can remain as a part of the living world and wander around and cause harm. In addition, witches, sorcerers and those considered undeserving in society may be denied a "proper" burial. In this way, they are denied the honor of being part of the community of ancestors, a place highly valued in African beliefs.

According to the CIA World Factbook six of the ten countries with the highest death rates are in Africa. In Kenya, the death rate is about 6.7 per 1,000 people a year which compares favourably with the global death rate of 7.8 per 1,000 people for the year 2016.
Funerals are of great cultural importance in sub-Saharan Africa and they can be elaborate and costly affairs. Relatives will travel from far to attend, and the cost of catering for them for several days can be substantial. Often there is also a strong component of 'conspicuous consumption', and a sense of shame if the family of the deceased cannot afford an elaborate funeral. In some communities, the importance of funerals is ahead of births, graduations and weddings. The extravagance can be seen from pre-burial preparations, the mourning, fanciful coffins, and commemorative events which can last for weeks. It is estimated that the average expenditure on a funeral is in the range of 15 times a monthly household income. This is in contrast to the more private and quieter death rituals in modern Europe and other Western countries.

Consequently, the need for a funeral insurance cover should be regarded as a vital expense in everyone's life. The history of funeral insurance is closely related to that of funeral associations. In modern day sub-Saharan Africa, the most common way to take out funeral insurance has been to join a funeral association. The primary function of these groups is to pool the risk associated with the death of members or their close relatives by using members' contributions to organise funerals.

In modern day sub-Saharan Africa, the most common way to take out funeral insurance has been to join a funeral association

No amount of money can take your place. However, a funeral insurance cover can go a long way to minimize the financial drain on your loved ones.

It is important to understand the purpose of a funeral policy and how it differs from other types of insurance. Like any other insurance policy, the policyholder determines the type of package they desire and premiums are paid pegged on the benefits in the cover. Funeral Insurance cover pays out benefits that range from Ksh50,000 to ksh1,000,000. Upon demise of the policyholder, the insurance company pays the claim to the appointed beneficiary within 24-48 hours of receiving notification and relevant documentation. Funeral insurance is one of the cheapest forms of insurance. It can cost as low as Ksh.100 per month. The premium is calculated at roughly 1.5 per cent of the total cover. For example, a cover of Ksh100, 000 will attract a premium of Ksh1, 500 per year or Ksh125 per month—this works out to less than Ksh4.50 per day. Depending on your budget and preference, various service providers have different benefits. Premiums can be paid monthly, quarterly, half-yearly or annually depending on the agreement with Insurer.

Everyone needs funeral insurance. No amount of money can take your place, however, a funeral insurance cover can go a long way to minimise the financial drain on your loved ones. Most funeral plans include full family protection, but it usually only extends as far as covering your immediate family (your spouse, your children, your parents). It can be purchased as a stand-alone product or as part of life insurance (personal or group). You can have discussions with your insurer if you need the protection extended to other members of your extended family.

Funeral cover benefits are not restricted to burial expenses. The moment a funeral insurance policyholder passes away, their beneficiaries may use the funds in any way they see fit. It can also be used to settle loans, debts or any other bill or expense.

Premiums for funeral cover must be kept up-to-date otherwise the cover will cease.

Pauline Gathuri Mbugua is the Senior Manager – Life Insurance Business at the, Association of Kenya Insurers

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INSURANCE AND TECHNOLOGY; THE OBTAINING TRENDS

By Eunice Maina

Customers across most businesses increasingly want self-service and control in their buying decisions. Thanks to technology—and especially the internet—customers are buying what they need with little if any in-person consultation.

Going by the aforesaid, is the industry equal to the task of leveraging technology to take insurance to the people?

Africa's large untapped insurance markets require innovative solutions. Insurers eager to expand their market penetration beyond their traditional market segments need to understand the importance of reach, access, affordability, simplicity, flexibility and scalability. Deloitte regards digital innovation as a key to unlocking new markets. The adoption of digital technology enables insurance companies to reduce the cost of servicing clients, to tailor products to the needs of specific market segments, and to streamline internal processes. In order to successfully apply and leverage innovative technology along the insurance value chain, technology needs to be embedded into a digital mind-set that focuses on agility, collaboration and flexibility.

Currently, several trends—many of which are either technology-related or technology-driven—are disrupting the insurance industry across the globe and are enabling insurers to remain relevant and competitive. Some African insurance companies are following suit and embracing these global tendencies in the face of a challenging and complex market environment.

Insurers are discovering the multiple benefits that the wealth of information available from sources such as social media is delivering

Some of the notable trends that have been identified are an increased use of Internet of Things (IoT) by insurance companies and the use of Big Data to improve customer service and claims processing. There is also an increasing demand on cyber insurance, the emergence of Peer-to-Peer insurance, and a growing focus on mobile applications for interaction between insurers and their customers.

Today's customer uses the internet to research insurance companies, source quotes and to check for the best deals. On the contrary, research shows that most insurance purchases are still happening via telephone or through in-person interaction. That said, insurers are coming around to the fact that customers prefer online interaction, and are realising the need to adapt their systems accordingly. There is already a move towards progressive simplification of legacy systems to remove the barriers that hinder insurers from offering multiple touch points and a consistent and seamless customer experience. Legacy system transformation has been slow in Africa due to perceived high costs and lengthy implementation timelines. However, many are quickly realising that the longer they wait, the more customers they risk losing, adding to their lag behind competitors.

As the trend for connected and smart devices continues to grow, IoT is fast becoming a transformational driver in insurance industry. The possible applications of connected devices across the industry are extensive and have the potential to revolutionise claims processing, product pricing and fraud detection. Connected home technologies are enabling people to stay in touch with things like their home security systems, which is reducing risk for insurers who offer home insurance. Wearable technology is enabling health insurers to keep real-time tabs on the health and wellbeing of their customers, again mitigating risk.

Several auto insurers have implemented new models based on vehicle telematics. Great strides have been made towards the manufacture of connected and driverless cars. Though still in the test phase, these vehicles will reduce the risk of accidents and thus motor insurance premiums will also decrease. Industry projections shows that motor insurance premiums will go down significantly in the next 10 years due to customer behaviour changes and manufacturing advancements in the industry.

Further, the growing mobile trend, particularly in Africa, is making possible the use of mobile applications, not only to smoothen insurer and customer interaction, but also to track a multitude of things.

We are witnessing the biggest impact in the use of Big Data. Insurers are discovering the multiple benefits that the wealth of information they hold combined with publicly available information from sources such as social media is delivering. Using this information, they are able to tailor their products based on customer preferences and even offer customised reward programs, increasing sales and customer retention significantly. It is also enabling easier and more streamlined claims processing, as information is recorded, and centrally stored and accessed.

Another trend, linked to big data, that is increasingly being adopted is virtual computing. Many insurers are actively using or implementing virtual computing for operational flexibility, function standardisation, cost savings, scalability and business agility. Small to mid-market insurers have been seen as early adopters of virtual computing services, which is enabling the ability to deliver faster claims, policy and billing services.

Insurers are facing an all-time low customer retention rate, backed by growing customer demand and rising concerns about cyber-crime. By not capturing and extracting data accurately, insurers are not able to assess their business positioning and the associated business risks fully—including security breaches. Insurers are being forced to make operational changes which will enable them to make better use of their data, for the purpose of retaining business and staying ahead.

Insurers in Kenya need to embrace these trends and looking at more innovative ways they can attract and maintain customer retention. They must remain up-to-date and very interactive with what is happening, and even explore radical game changing-technology such as blockchain.

It is time for this industry to look at how to shape business culture to fully leverage digital technologies and to unlock new opportunities.

Eunice Maina is the Founder and Managing Partner of Bismart

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BANCASSURANCE IN KENYA; THE POTENTIAL AND BENEFITS

Courtesy of the concept, banks will benefit from lower income volatility, while insurers could obtain additional capital to bolster their solvency levels.

Insurers use multiple channels to distribute their products and services to different consumer segments. The main channels have been agents and brokers and more recently banks, through bancassurance. It has been over a decade since bancassurance made its debut in Kenya with the awarding of the very first insurance agency license to a bank in 2004. Bancassurance is simply the offering of insurance products by banks, and as per banking regulations, banks can only act as agents of insurance companies and not underwriters or providers of insurance.

In the Kenyan market, bancassurance has great potential for a number of reasons including the fact that consumers trust banks more than they trust insurance companies and this increases likelihood of purchase. Banks have stronger e-commerce capabilities and valuable consumer information. Banks are far more accessible and present across the country compared to insurance companies, agents and brokers. Current insurance penetration is about three per cent, while banking services penetration is at 75 per cent, meaning eight out of every 10 Kenyans are banked. Given these reasons, partnering with banks to sell insurance becomes natural business progression, further the cross-selling of banking and insurance products ought to bring economies of scale, synergies and realise higher revenues.

How does bancassurance work?
There exists various models of bancassurance that have been adopted across the globe. Distribution Partnership (where the bank simply acts as an intermediary offering products of more than one insurance company); Strategic Alliance (where the bank sells insurance for only one insurance company), Joint Venture (where the bank and the insurer establish a jointly owned insurance company or distributor) and Integrated Bancassurance (where the bank owns the insurer or the insurer owns the bank, either directly or through a shared holding company or parent company). A survey conducted by AKI on the state of bancassurance in the country between September and November 2017 found that the Distribution Partnership model is the most popular in Kenya compared to Strategic Alliance and Joint Ventures, with few cases of Integrated Bancassurance models. This model is considered attractive to the banks as the risk is absorbed by the insurer and the bank offers a one-stop shop solution to bank clients. Across the globe, Europe and Middle East have successfully embraced bancassurance. For the last 20 years bancassurance has boomed in Italy, Spain, France, Belgium, Netherlands and Luxembourg. In the Middle East, Lebanon leads the pack in penetration. All Lebanese banks are tied up with an insurance company and every branch across the length and breadth of the country provides insurance services. In the United Arab Emirates bancassurance is well entrenched and insurance products are bundled and cross-sold along with retail banking products, sales agents are increasingly being employed by banks to concentrate on bancassurance activities to increase revenue.

What is in it for the players?
For bancassurance to be successful, all parties must benefit including the banks, insurance companies, the consumer and the regulatory bodies. For insurance companies, bancassurance is an avenue to expand their customer base, reduce overreliance on traditional distribution channels and lower distribution costs. Banks on the other hand, get an additional revenue source and at the same time improve their financial services offering which in turn helps with customer retention. Consumers will

enjoy greater access to financial services, cheaper insurance products (given that distribution costs will have reduced) and simplified payment methods.

Insurance and banking are sub-sectors in the overall financial sector and this somewhat eases the cross-jurisdictional regulations. The ability of financial institutions to diversify into other sectors could help lower the level of latent systemic risk. Banks will benefit from lower income volatility, while insurers could obtain additional capital to bolster their solvency levels. This makes both banks and insurance companies more stable and safer for consumers and a boon to the regulators.

How can we grow this distribution channel?
Innovation, Customer Experience and Digital Disruption are the current buzz words around insurance products and distribution. Bancassurance is one of those distribution channels that responds to the three buzz words. All the ingredients are in place to grow bancassurance as a vibrant distribution channel in Kenya. The country's economy is growing meaning there are increased insurable risks; technological advancement is fast paced; Kenyan consumers are always on the lookout for convenient services and value-for-money products; and finally, a regulatory environment that is keen on supporting industry development. The market survey also provided insights on some critical things the need to be set right to catalyse bancassurance growth:

- Training of bancassurance agents is critical as they interact directly with consumers to explain how the insurance products work. Mystery spot checks during the survey period revealed some agents had very poor knowledge of the products and struggled to explain and communicate with consumers.

- Banks are generally keen on ensuring their customer service is positive and valuable. For bancassurance to gain traction, the same customer service ethos should be applied to insurance customers.

- The survey unearthed an interesting perception where some customers believe that acquiring insurance through the bank will be more costly as opposed to the usual insurance intermediaries. This is a perception that can easily be altered through awareness campaigns on bancassurance and how it works.

- Banks and insurance companies hold valuable customer information. This data may mean nothing however, if it is not cross-shared and analysed to provide consumer insights that will inform more tailored products to consumer's needs.

Article developed by the AKI Research Team

INSURANCE DELIVERY TODAY; AN APPRAISAL

By Lilian Onyach

Structuring of financial products will always remain critical as it triggers a natural instinct to save and invest for a rainy day.

Insanity is doing the same thing over and over again and expecting different results, so goes the cliché. Within the local insurance sector, this may ring true for the well-grounded traditional focus on insurance products and services delivery. We have in more ways than one maintained time tested distribution, product designs and customer service standards. However, the season is now ripe to reimagine insurance delivery. The season to wake up and smell the coffee in as far as delivery and distributions channels are concerned is now with us.

Reading through the Insurance Regulatory Authority Strategic Plan 2013-2018, the regulator provides a good appreciation of the need to reimagine insurance products delivery to meet contemporary needs. The Plan outlines strategic goals which include; Promoting consumer education and protection, promoting an inclusive, competitive and stable insurance industry and offering quality customer service. These goals present an opportunity to revolutionalise the sector but must also be collectively owned by the players, regulator and related stakeholders—including the brokerage cluster.

On one end, the foundation and pillars for growth have been well set particularly with the recent legislative updates. For example, the recent enactment of the Insurance (Amendment)Act, 2016 provides a good foundation to guarantee a stable insurance industry. The application of Capital Adequacy instead of margin of solvency in line with risk-based capital requirements will provide a good safeguard for poorly funded companies that have previously served to erode consumer confidence.

Still on the recently enacted laws, the introduction of Takaful in the Insurance Act realm provides an avenue to mainstream the delivery of such products which remain critical to meeting the needs of our Islamic market base and beyond. The introduction of Takaful in the Insurance Act further serves to bring clarity to the term Takaful. The insertion of a new section, 19A, which provides for the licensing of Takaful insurance business and further empowers the Cabinet Secretary to make regulations in respect to licensing and supervision by the Authority of persons carrying on Takaful insurance business provides a good regulatory anchor to further enhance the credibility of insurance services and products.

The contemporary consumer has in more than one way embraced an almost intermediary free lifestyle largely due to technological advancements. Unlike in the yesteryears, we are now facing a tremendously independent and literate consumer.

The insurance consumer who we are all seeking to bag is reflected well on the domestic tourism front. He/she is the consumer who has recently discovered the efficiency of an online booking system for his holiday needs. The consumer who opts to use Travel Advisor among other online and social portals to compare experiences leading to his purchase decision. From the comfort of his office or house, this consumer explores various options for holiday packages available online at his disposal and proceeds to make a choice and payment

for the same in record time. For tourism players who are still not clear about such prospects, the market is proving to be extremely daunting. Traditional solutions no longer seem to work and prospects continue to dwindle. Yet, for tourism players alive to the opportunities and realities of the new generation consumer, business is thriving and on prosper mode. The same is true of insurance players who have taken a moment to re-engineer their delivery based on the realities of a contemporary consumer. This is the consumer who is more likely to buy his cover online, pay online, expect; nay, demand for online customer service and perhaps even online settlement for his claims. On the face of it, it all sounds exciting and perhaps even cheaper to deliver. However, the demands for a contemporary consumer present real challenges that require massive technical and human capital investments to deliver a pleasant experience.

From the Information Technology engines required, to the contact centres and with it, the customer executives; delivery of insurance products to a contemporary consumer is a daunting task that requires an institutional revamp. This revamp must however be seen in the context of organisational sustainability efforts to serve the new age consumer who is getting more and more dynamic if not demanding. For us in the insurance sector, it means reimaging a future where we enable people to live their best possible lives. This we can do by acknowledging that we need to go beyond the way we talk about insurance to a factor of money and finance. Insurance products are financial products and need to be packaged and structured to meet market needs.

Structuring of financial products will always remain critical as it triggers a natural instinct to save and invest for a rainy day.

Beyond the structure, we must strive to make sure that products talk to younger, tech-savvy generations. Products that keep them engaged and interested, not just in the finances but also the economy in general and how local and offshore macro-economic events impact on their savings and investments. For example, for millennials, time is ripe for us to structure products that also speak to their motivations which may be very different from older generations. For a millennial, the latest iPhone or their laptop may be the most cherished possession for which we may easily use as our gateway to trigger an insurance product purchase. Bundling products of such cherished possessions alongside a comprehensive motor vehicle insurance cover may also work wonders. A simple desktop study will confirm that 90 per cent of Kenyans with a comprehensive motor vehicle cover do not hold home insurance, yet they all have houses where they park the insured vehicles. This simple insight confirms that all stakeholders stand to gain by bundling such complementary covers.

On the human capital front, due to the changing social environment and demands on the person of the contemporary human resources, is also an aspect that needs attention. We now have to work with youthful but exceedingly talented colleagues who ascribe to modern dressing and communication standards. For the millennials, a suit and tie may not amount to their ideal dress code. They may prefer open plan setups and recreation areas with pool tables, Wi-Fi hotspots among other amenities that bring out the best in them. Nurturing the youth in an environment conducive to factors that stimulate their intellectual capabilities can provide very positive returns.

Lilian Onyach is the Regional Head of Marketing & Corporate Communication- Sanlam (Emerging Markets)

THE SME SECTOR; ARE WE SERVING IT RIGHT?

By Abel Kabiru

Without engaging target demographics in product development, there will always be a mismatch and uptake will remain low

The insurance industry has been in existence in Kenya for more than a century. Yet, the combined penetration for both General and Life insurance is less than three per cent with the former leading on account of mandatory covers like motor vehicle insurance. The industry registered a 13.4 per cent growth, which saw total assets grow from Ksh.466 billion in 2015 to Ksh.508 billion in 2016. Life business contributed 37 per cent representing Ksh.74billion while General business contributed 63 per cent representing Ksh.123 billion. In 2016, the whole insurance industry registered a total profit after tax of Ksh.10.6 billion. However, this is less profit than what Kenya's third biggest bank (Cooperative Bank whose profit after tax was Ksh.12.7 billion) made.

The industry—which for the longest time has remained unchanged—is grappling with external disrupting factors that are forcing it to change rather fast. In the past, Insurance revolved around four main aspects: product design; pricing and underwriting; distribution and administration; and claims management. Conventional insurance has always relied on policy premium income and asset management to remain afloat. However, the interconnectedness within the various demographics targeted by insurers has seen them compare products, prices and value across different jurisdictions. Further, customers have become more discerning, owing to education, travel and exposure. So a client who travels frequently or has lived abroad and had taken up insurance will expect a similar value proposition from a Kenyan underwriter. Technology-backed convenience plays a crucial role here.

The uptake of insurance, especially among the masses, has not failed due to absolute lack of disposable income. Even at the lowest cadres of the economy, utilising a small premiums-large volumes model would contribute significantly to the industry. Even the poor—with the right incentive—can spare money from their meagre earnings. The widely accepted drawbacks are in packaging, pricing and the framing of the value proposition, which need to be devoid of small print, often interpreted as mischief by customers.

According to Central Bank of Kenya's National Economic Survey, 98 per cent of all businesses in Kenya are SMEs. They create about 30 per cent jobs annually, contribute three per cent to the GDP and in 2014, 80 per cent of the 800,000 jobs created in the year came from the informal sector dominated by SMEs. Yet, insurance uptake by this demographic remains low, only complying with the mandatory covers like motor vehicle and WIBA.

The Kenya National Bureau of Statistics (KNBS) Survey 2016 indicates that 400,000 micro, small and medium enterprises do not celebrate their second birthday. Fewer reach their fifth birthday. Forty six per cent die in their first year and a total of 2.2 million micro and SMEs have shut down in the last five years. It is important to interrogate the main causes of failure, and what role insurance companies would have played to pre-empt a majority of these failures. Some of these small businesses died due to inability to get back on their feet after incidences of theft, fire, delayed payments and harsh economic conditions—like this year's pre and post electioneering period. However, majority of underwriters have underserved the SME market with their products complement. Most insurance companies embark on product development first, then seek a market later. They engage in push marketing for products which they think are suitable for certain demographics, including SMEs. But without engaging them integrally in product development, there will always be a mismatch and uptake will remain low.

Most SMEs grapple with cashflow issues, growth and sustainability challenges, business development and inadequate professionalism. Can underwriters come up with products and services to address these issues? Yes. But it will take serious innovative thinking and close collaboration with the target market. They would have to blaze a trail in virgin grounds. Truth be told, most underwriters do not want to do that—"it's too much work." The trend is to imitate each other and undercut massively. The few that come up with genuinely innovative products take too long to gain traction and return on investment and that discourages others.

With technology, insurance companies can not only customise products to snugly fit different demographics; they can actually develop customised solutions for individual companies. For example, 44.9 per cent of the population is ranked as middle class. These are directors or senior employees in most SMEs. Seventy per cent of the population is under 35 years, meaning they are techno-savvy with significant disposable incomes. But are insurance companies effectively offering better value propositions to this demographic? Not really. Instead, these young entrepreneurs and 'hustlers' splash their money on new cars, fun, excursions, holidays and other forms of consumerism. When catastrophe strikes, they take a fatal business hit because they were not insured or were underinsured.

What to do?

Insurers need to offer need-based insurance solutions that meet customer requirements. Majority of SMEs will not have insurance as a priority. This is a matter of perception and concerted efforts by underwriters would work to change this. They need to see insurance as an enabler to their business' sustainability, not as a cost.

Insurers should endeavour to create products that are comparable with other financial savings instruments. Cashflow is still an issue and any proposition that rides on generally accepted products will be an easy sell.

There is need for technology solutions that empower customers, facilitating the making of informed decisions and providing a smooth buying experience. Technology allows customers in the SME market, to compare prices, attributes and benefits without undue pressure by salesmen. Innovation is the order of the day in the distribution channel. Insurers need to have a multi-channel distribution network driven by technology, which would make buying insurance products a simple and easy process. SMEs can choose between buying from an agent, a bank through bancassurance or online. Insurtechs, an offshoot of Fintech, are digital start-ups which aim at simplifying and improving access to insurance products. In Kenya, mostly act as distributors or comparison sites (aggregators) for various insurance companies while some are subsidiaries of insurance companies. With the integration of technology like Artificial Intelligence, blockchain and drones entering the insurance mix, the sector should rethink its model. Insurtech provides an effective medium for targeting and reaching more SMEs in Kenya. World Insurance Report (October 2017) by Capgemini and Efma, found out that customers are seeking more digital touch-points for convenience. Thirty one per cent of customers relied on Insurtech solutions—either exclusively or in combination with an established insurance company.

Insurers need to create a complete user interface through the phone where the entire transaction can be initiated, transacted and concluded over the phone. McKinsey report shows that companies using analytics are able to grow market share, invest in solutions that interpret consumer behaviour, detect fraud and even predict the future. What are the trends in our biggest demographic and what can we deduce from their past behaviour in order to predict what the future might hold? Barring any regulator-induced consolidations, the number of players will continue to grow. Global insurance brands like Allianz and Prudential have in the last 24 months begun operations in Kenya—either as greenfield operations or through acquisitions. Further, banks such as Barclays are making forays into the industry through Bancassurance. This therefore means that the market is not stunted. Growth is possible in all segments of the economy. As the competition gets stiffer, insurance CEOs will need to ask themselves some hard questions.

How can underwriters win in a crowded hypercompetitive market? How can they re-orient their business models to be proactive, innovative and collaborative? How do they attract, satisfy and retain the growing demographic of customers that are more enlightened, exposed, are quick to compare prices and are demanding world-class service? Customer-centricity will play a crucial role in differentiating the various players in the market but are they willing, and ready to change?

Abel Kabiru is the Managing Director of Enhanced Performance and Innovation Centre in Nairobi

WORKING WITH, AND MANAGING MILLENNIALS

By Juliet Gateri

The generation expects to have the option to adjust their work schedule to fit their life rather than the other way around

In most workplaces they are regarded as "the difficult breed". They are perceived to be "independent and stubborn" and they seldom conform to 'old school' nay conventional norms. Most organisations are still having a hard time incorporating them into the system; but you shelve them at your own peril.

The millennials are the generation born between 1980 and 2000 and they are growing to be a bigger percentage of the working population. They—despite their behaviours being widely frowned upon—really do want to accomplish great things and contribute to the organisations they work for. It is in the best interest of their managers to support those goals and leverage their strengths.

To get the best from the millennial employees, managers must understand them and adapt their management style accordingly. Here is how:

• They like working in groups
Millennials often do tend to want to work in groups. But do not let that make you think that they are unable to make decisions on their own. While they value the input of a diverse group, they are still able to make decisions at work without the constant input of others. The positive side to this is that better business decisions will be made through a group of people providing a variety of input.

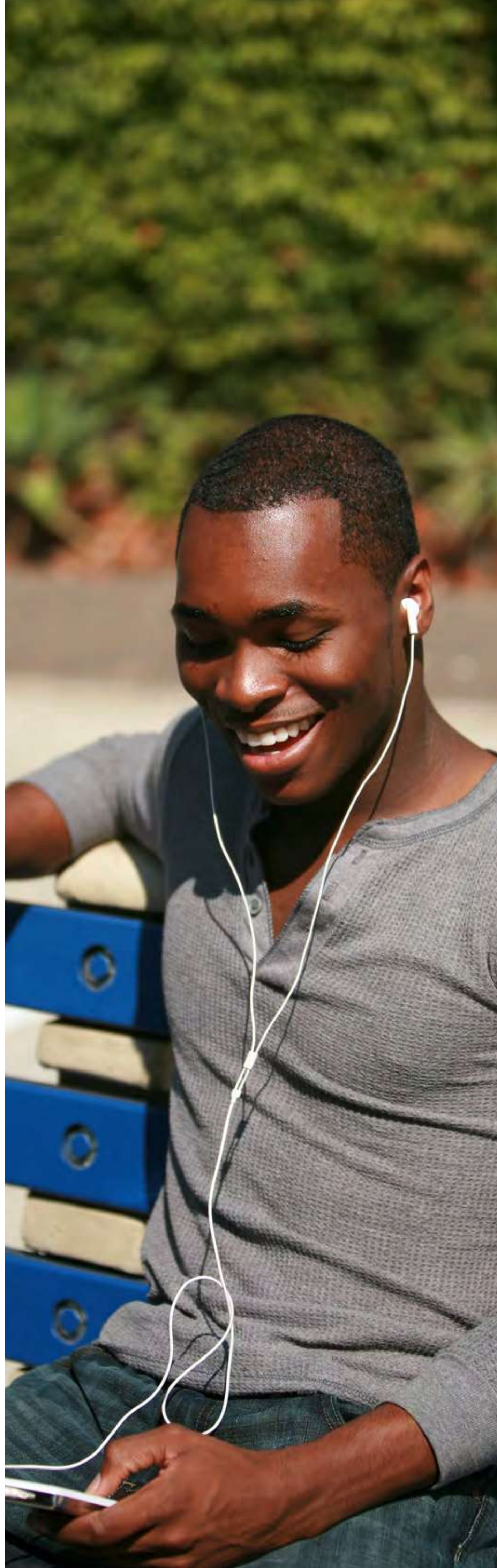
• Desire for feedback
They constantly require feedback, at the beginning of the project, mid-level and at the end of the project: They desperately want to get praise along the way for motivation—and also they can integrate that feedback into the final product. This level of feedback meets their need to always be learning and growing, but there is another reason they desire more frequent (and sometimes instant project-based) feedback: They grew up with the internet and social media, and are more familiar with instant gratification and instant feedback than previous generations. As a manager it is best to consider building in additional sessions for brainstorming and feedback.

• Need for recognition
One of this generation's most distinctive features is the need for others' approval. It can be hard for managers who did not grow up in the "everyone gets a trophy for participation" era to offer frequent praise, especially if that praise is for small things. Although not all actions should be recognised equally, some form of acknowledgement produces better overall team performance. When the highest performers on a team are recognised for their actions, it creates a spill over effect motivating other team members to achieve higher levels of performance.

• Do not disconnect the digital real estate
Junior millennials (those born in the nineties) are very adept at technology. Facebook, Twitter and Instagram are a daily part of their life—and work, as well. They simply cannot comprehend an unconnected life—so much so that they would turn down a job that denied them access to social networks.
Companies should not hinder the use of technology and social media. In fact, they should take advantage of it to help build competencies across the entire organisation. Millennial employees stand out for having skill with technology. Not only are they adept at using technology, but they prefer it. No other generation has grown up steeped in technology like the millennials have, and so what is seen as optional for older generations is natural for millennials.Rather than sticking with what might seem outdated, millennials will try to inject updated technology and workflows. It will seem more efficient to them even if older employees prefer the "way it's always been done."

• Unconventional work places
Traditional workplaces thrive on formal environments and reporting structures. Millennial employees do not work well with structures, they prefer open work spaces compared to cubicles, working on a free schedule or working from home compared to eight-to-five schedules. It is important for organisations to set conducive work environments and structures that can accommodate the millennials. Let them design their own work hours even if it is once a month, organizations can set up a block of time when all employees should be in the office, but letting each employee determine how early they will come in and how late they will stay on either side of that block of time. Having a more linear reporting structure means that, millennials do not have to wait as long to be the director of a department and manage a team because the ladder is shorter, the learning curve is higher and the achievement of status and impact is much faster. This enables employees take on more responsibilities, feel more impactful and see how they are contributing to the company's mission.
Millennial workers will sacrifice pay if it means that they have a better work and life balance. This means that millennials expect to have the option to adjust their work schedule to fit their life rather than the other way around. They prefer more vacation time (unlimited, if they can get it) and the ability to work outside of the office. It is important to encourage them to pursue outside projects and interests to prevent burnout and negative feelings directed towards their position in your company.

• They are motivated differently
Millennials are motivated by a sense of progress, the opportunity to be creative and a sense that what they are doing matters. The best way to manage this expectation is by explaining to them the vision of your business. This is not a generation just happy in any eight-to-five type of job. They want to know that their work matters in the bigger scheme of things. By explaining and illustrating the vision for your business, you help them understand how they fit into that plan other than just punching in and clocking hours. As a business, you can also create programs and opportunities for them to give back to the community. This might be through time off to participate in charity events—through company-sponsored events or through a matched donation plan to the organization of their choice. Millennials want to feel that they are doing something to help others. They want to work for a company that has a reputation for caring about people and important causes or at the very least allows them to be active in supporting those causes themselves.



• Create clear opportunities to grow
Millennials are looking for new opportunities and challenges. This is often misunderstood as constant need to be promoted without putting in the necessary work. In actuality, millennials view professional development opportunities as one of the most attractive qualities an employer can have. Millennials want to own a project, run with it and make a real, measurable difference.

• Provide opportunities for learning and development.
Millennials, especially "junior millennials", have grown up in a culture of immediacy and surrounded by stimuli. They are impatient, eager for new experiences, and they thrive on short-term goals with visible results. Managers must help them identify opportunities to develop new skills. For example, managers can maintain millennials' attention by frequently assigning new and different projects or temporary positions within the same company. In conclusion, today's younger workers are here to stay. They present both a challenge and an opportunity to organizations. Older managers have the opportunity to tap into the millennial talent market, learn more about the world today and make sound business decisions.

The millennials are the generation born between 1980 and 2000 and they are growing to be a bigger percentage of the working population.

Juliet Gateri is the Founder and Director of Alternate Doors Consulting, a Human Resource Solutions Company

STIRRING INSURANCE; THE ESSENTIAL INGREDIENTS

By Naomie Kemei

Insurance companies need to provide strong transactional competencies that are consistent across all the chosen distribution channels

A company's success in business depends not only on the revenue it generates but also the value that it provides for its customers. Indeed the revenue generated will be a direct result of the successful creation of value to an organisation's clientele. In the effort to create value and generate revenue, an organisation must create effective distribution channels. These channels come with costs—which sometimes hamper many organisations' ability to effectively reach the customer. The insurance industry is not an exception to the aforesaid.
Insurance penetration the world over has been quite low over the years: In Kenya it has marginally grown and is now at about three per cent (AKI 2016 Industry Report). Ineffective customer interaction is one of many factors that hinder marketing and closure opportunities in the insurance industry. Insurers that will outline and implement tailor-made solutions to the identified challenges are those that will successfully win and retain their customers. A business's effective touch with the customer will depend on their ability to coin an appropriate approach in respect of each of following key aspects of customer interaction:

• The products
Product development in an organisation is the effort to offer to customers the best of itself and this must take into consideration the customers' expectations and views as well as their past experiences with similar products. A company must clearly identify what the target market is, the needs of that market and the benefit of the product, market intelligence on the current gaps, how it will fit into the market and what competitive edge it has over products from the competition. The product design approach must enable personalisation and allow for development of tailored value propositions so as to identify new product offerings. Insurance products must be relevant to the needs and the times of its customers.

• Effective market segmentation
Demographic segmentation is the most used as age, occupation, gender, and income among others play a significant role in any consumer purchase decisions. The young population, for example, will require insurance products that will protect their most valued possessions. Some insurers have attempted to penetrate that market using this strategy and the gains made remain to be evaluated.
Behavioural segmentation divides the population on the basis of their behaviour, usage and decision making and in this, it would be clear that the younger population will be looking for information online whilst the older population are more likely to use more conventional ways. In framing the value proposition for Education policies for example, the product is ultimately for the benefit of the children but the decision makers are the parents and this will be the key audience in any efforts that a company sets out to carry. Insurers must therefore understand what informs the parents' decision to invest in such a policy and design it to meet a majority of their considerations.
Psychographic segmentation uses lifestyle of people, their activities and interests to determine the product that will appeal to that segment. Selling insurance to members of a Golf club will call for a different approach to that of say an ordinary investment or welfare group. Insurers must understand their customers' interests, values and language if their products will be of relevance.
Geographic segmentation divides people on the basis of their location. Most companies will consider where to set up regional or international branches and offices on the basis of the business potential of the various areas.

• Technology and digital tools
Today, every business' life and potential to succeed is pegged on its ability to leverage on technology. Currently about 60 per cent of shoppers 'touch' a digital channel

at least once throughout their shopping journey. Insurers must therefore find new ways to engage customers efficiently and effectively with personalised expedient service and consistency which will raise customer satisfaction. Today's customer is looking to use their phone or computer in making comparisons on what is available at the click of a button. The business that will meet the need at the click of a button will bag the customer.
The success of an insurer in reaching the customer will consequently lie on the ability to utilise technology and digital tools whilst maintaining a human touch in the process so as to inspire confidence in the brand, enhance loyalty and create passionate brand ambassadors thereby increasing its profitability.

• Exceptional customer experience
An exceptional customer service is created by going beyond and above the expectations of a customer thereby creating a lasting impression and an unforgettable experience. This will ensure customer satisfaction which is a good means to achieve customer loyalty. A loyal customer will tell others about you. Customers view their interaction through different personalities and different players, but they all have a common need for exceptional service that informs their decisions and keeps them coming back. Insurance businesses need to provide strong transactional competencies that are consistent across all the chosen distribution channels. This means that regardless of the channel picked by a client, the first customer service representative—and any other representative of the organisation that they interact with—must keep to brand standards and meet the customer's expectations, whether face to face, on the phone or online interaction.

• Distribution channels /strategic partnerships
Goods and services can only get to the customers where there is an effective distribution channel. The stakeholders in distribution channel play a pivotal role in the success of those efforts. Strategic partnerships are therefore beneficial in any successful venture because those partners are better trusted or have more proximity to the customer. Partnerships will accord the business the exposure and awareness needed and will get products to their areas of control and influence. They will enable the businesses to expand distribution channels and clearly envisage customer interactions.
Bancassurance is a good case of beneficial strategic partnership in insurance. This arrangement is profitable for both companies in that banks earn additional revenue, while insurance companies are able to expand their customer bases without having to expand their sales forces.

• Feedback from the customers
When a customer-centric approach guides the development of products, it means that customers' priority needs or desired features are considered and will be catered for. The feedback will be widely varied and will range from the suitability of the product to affordable pricing as well as the desired service delivery levels.
Implementing customer feedback in the product development or distribution process and the customer service levels means better connection with the clientele and thus the advantage of leveraging on that responsiveness.
Identifying what drives customer satisfaction and translating it into operational performance improvements requires deep customer insights, solid analytics, and modelling the most important customer journeys, with cross-functional ownership and multichannel, end-to-end management.
Insurance business dynamics and the needs of policyholders and distributors are rapidly changing. Consequently, insurance companies have to ensure that they put up by differentiating their products, reaching new customers and making the most of their valued staff to create the kind of experience they want to create.

Customers also want real-time service and documents after the sale in order to be up-to-date with their policy covers and risk management measures. Insurers thus have to speed up their claims processes and any after sales service.

There is a significant relationship between product distribution and customer satisfaction and insurers must effectively cater for the former and ultimately they will achieve the latter. Insurers must come out of their cocoons to create the ultimate online customer experience, build trust and not lose the person-to-person feel that customers crave.

Naomie Kemei is the Claims Manager at Pioneer General Insurance Co. Ltd

ONLINE SAFETY; THE DOS AND DON'TS

By Vincent Ngundi

Most hotspots do not encrypt information and therefore data transmitted from your phone to whatever site is unsecure.

According to the Communications Authority of Kenya (CA), more than 80 per cent of Kenyans have access to the Internet—thanks to the continued fall in the price of smart phones as well as the widespread availability of the handsets. Despite being a wonderful and transformative resource, access to the Internet has its hazards some of which we explore here.

• Identity Theft
This happens when an imposter obtains pieces of personally identifiable information such as national ID numbers and bank account details in order to pose as someone else. Such information may be used to obtain credit or services as someone else. They may also provide false identification to the police, creating a criminal record in the person's name.

• Blackmail
Blackmail occurs when a person obtains private information about someone else and uses it to ask for money and other favours while threatening to disclose the private information they hold. The information may be collected through phishing as described in identity theft.

To mitigate against identity theft and blackmail, be wary of the personal information you disclose online or anywhere else regarding yourself. If the information is not necessary, do not give it out. Personal details such as street name, house number, mobile phone number, national ID number, bank account details, and mobile money PIN and such can be used to blackmail innocent online users. Ensure that you have an antivirus software running on your computer to alert you when accessing a site that is flagged as malicious or block download of viruses that masquerade as safe applications. Carefully examine links attached to emails that request for personal information to ensure that they are from a legitimate source.

• Online Shopping Scams
During the Black Friday(a practice that is gaining popularity worldwide where goods are sold online at highly discounted prices) frenzy of 2016, someone was so excited about the awesome deals from one of the online shopping sites. They ordered items in bulk and paid online, but the items were never delivered and a follow up a few days later showed that the site no longer existed: Attackers create fake shopping sites that resemble the legitimate ones and use them to defraud buyers. It is important to check and confirm the originality of the site you are buying from by inspecting the link on your browser and reading reviews from previous customers. A shopping site that has no reviews is suspicious. Most fraudulent sites will have a name that is close to the original site but is slightly different. For example, a spoofed eBay site may read "ebays.com" instead of "ebay.com". Always ensure you use a secure payment service while paying for your goods. A secure service will have 'https' at the beginning of the link, which means that data on your bank card and PIN are transmitted securely.

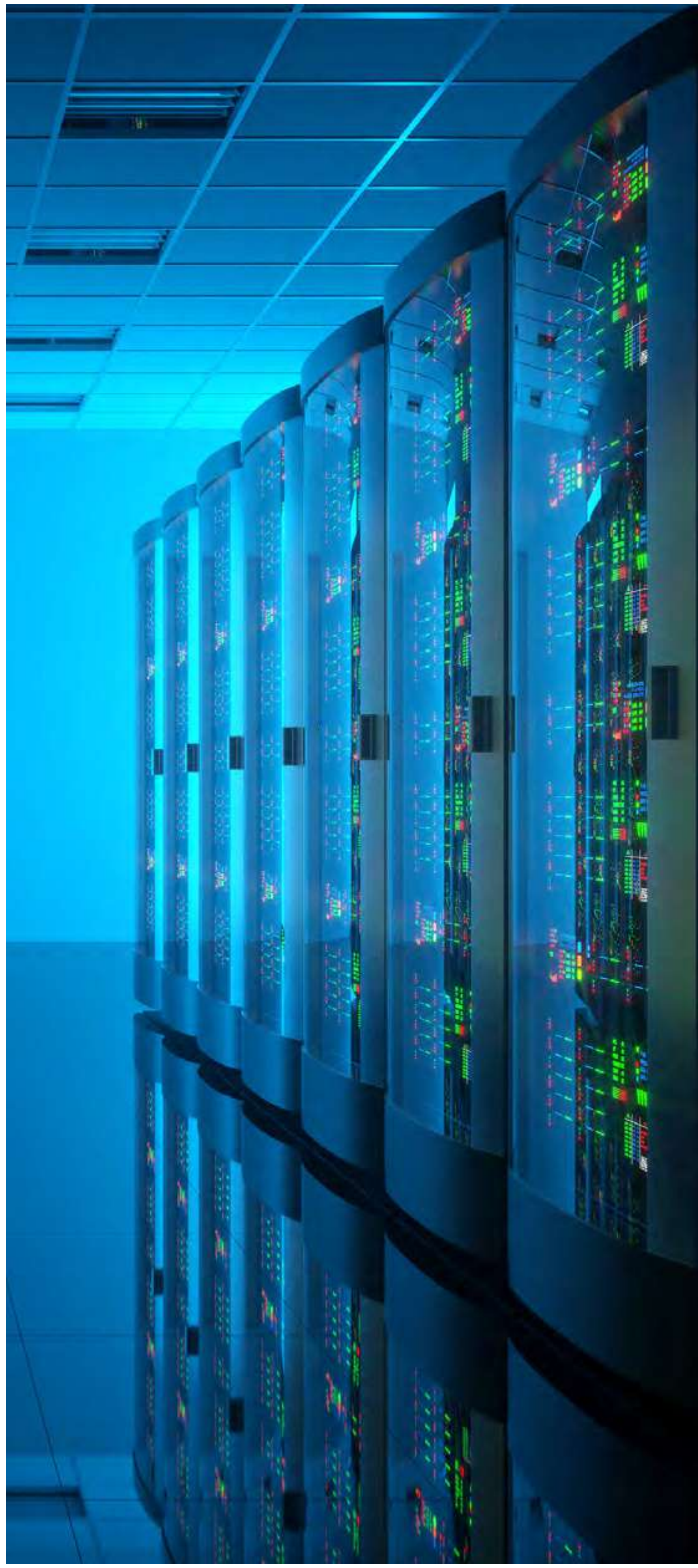
• Cyber Bullying
The sad case of the 30-year-old Kenyan lady who committed suicide in May 2017 was linked to cyber bullying after disclosing a defilement incident that happened to her three-year-old daughter. Her cry for help on social media quickly turned into trolling and bullying, which contributed to her suicide.

Children, especially during the holidays, have smart phones and other gadgets at their disposal all day long. Be sure to monitor what your kids are doing online and put in place proactive measures to enhance their online safety. For instance, restrict your children to accessing content that is filtered for child-use such as Kiddle, which is Google for kids. Know who your kids are connecting with online, advise them not to divulge too much information about themselves or their family. Set rules for online activity.

• Caution when using Public Wi-Fi
How thoughtful and convenient is it when your favourite restaurant provides free Wi-Fi? You should know that most of these hotspots do not encrypt information and therefore data transmitted from your phone to whatever site is unsecure. Do not conduct your online or mobile banking from such hotspots, bank details are sensitive data. Only use them for data you do not mind being in the open.

• Unexpected Rewards
Do not click on links you did not expect to pop up on your browser window or entertain emails informing you that you have won a prize for a competition you did not participate in. Thanks to the Internet, criminals have managed to profile online users; they will study your online behaviour, craft links that pertain to things you like such as weight loss programs or offers on that electronic gadget you wanted so badly, and send them to you. This is called social engineering and is used to gain information from you that will be used to further steal from you.

• Use of Common Passwords across Different Platforms
Passwords can be a pain to remember, but still, it is important that your email password is not the one you use to authenticate on all other social sites or the password you use for your online/mobile banking. Ensure to use different passwords that are not easy to crack. Names of your loved ones, pets, favourite musicians and such are easily guessable. Try using something random such as the first letter in every word of a sentence.



Say, "I love chicken wings and eggs and bacon" becomes "ILCWAEAB". Then again, throw in random letters and characters to add on to its complexity and it therefore becomes "!ILCWAEAB56".

Vincent Ngundi is the Head of Cyber Security at the Communications Authority of Kenya

FROM MINOR TO MAJOR; THE RUNGS IN BUSINESS REMODELLING

Entrepreneurs have more ideas than they have time for; making a decision to make a decision is the hardest thing for them to do

By Aram Kaboro

Entrepreneurs are dynamic. A progressive business owner will one day rise and decide to venture into a new enterprise and 'dump' what he has been doing for years. On the other hand, they may decide to re-launch or expand to attract more/new customers: You must have come across a restaurant in town that has closed doors but to open with new décor and menu: Most of what used to be clothing shops in Nairobi two decades ago have now been converted into business stalls trading in a myriad of consumables. Dynamism is vital in commerce but should be adopted with caution.

To most business owners who have spent years or decades and colossal sums of money building their brand and developing a client base, bringing it down to reinvent your business probably seems like a far-fetched risk; and if you do it haphazardly, it probably is. But there are many reasons to tweak your business model—or to try out a whole new one—that make perfect sense. If you do it thoughtfully, it could be the best business decision you ever make. However, reinventing your business should take one smart step at a time. And here is how:

• Know When to Make a Change

Many factors can push a small-business owner toward reinvention—it may be a need to spend more time with family. The market may have changed. The economy may have reshuffled your customer base. You may be bored. All these are legitimate reasons for change. But you need to be practical, too. Any change involves risk. If you are—for instance—paying school fees and have a steady cashflow, you may have to hold reinvention for a while.

• Decide What You Want

After the decision is made to change, you need to decide what type of change is necessary to meet your goals. Once you decide there is something you can do better, you need to decide whether to make a little tweak or a major overhaul. It is a matter of looking at your core competencies and sticking with what you are best at.

Entrepreneurs have more ideas than they have time for. The absolute first stage is deciding to cut off all those other ideas and focus on one. Making a decision to make a decision is the hardest thing for entrepreneurs to do.

The easiest way to figure out what to change—and at what magnitude—is to work backward. Are you chiefly interested in reducing the hours you spend in the business? Once you have clarity on your goals and values, you have a compass to guide you and help you decide which ideas are good and which are brilliant.

• Follow the Plan

The next step is something every business owner should be experienced at—making and following a business plan. You need to act as if you are starting from scratch. You need to think it through thoroughly, figure out who the competition is, how you are going to beat them and what the costs are. Often it is necessary to share your plans with other business owners. Entrepreneurs tend to rely on intuition a lot, but you need to make sure other people think your plan is a good idea.

• Make the Switch

During the transition, you will likely be running two businesses at once as you phase out the old business model and ramp up the new one. Sometimes reinvention means running two businesses simultaneously for almost a year. It is overwhelming, and business owners are often so excited about the new model, they want to quickly let go of the old model. It is not fun.

The solution is to create a detailed exit strategy. Allow time to negotiate new leases, bring on new employees or train current employees. Be transparent through the whole process with suppliers, customers, employees and—most important—your family. Give everyone notice that changes are coming, when they will happen and what it means for them.

• Mentor and Manage

Even those committed to sticking to their business plans can start to deviate. Bring in outside help. Business owners sometimes need people to bounce things off of to keep them from going off in unwise directions.

If you chose to reinvent your business always assess what you love about it, what is working and what brings you and your clients' success and results. Also, pay serious attention to what is no longer working, what you have outgrown, and what your clients do not seem to need or want anymore. Only when you have done this business assessment will you be in the right frame of mind to determine what shape your business reinvention will take.

Your business reinvention needs to be justified, strategic, and executed in such a way that it does not cause too much turmoil in the business or your life. Nevertheless, taking the cues from the foregoing, can reinvent your business in distinct and powerful ways that cause a huge shift in your delivery of services, income stream, target market, or visibility as an expert. After all, as the adage goes; a change is as good as a rest—sometimes.

Aram Kaboro is this Journal's Consulting Editor

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LIFE STAGES AND DEPRESSION; THE DYNAMICS

By Julie Githiri-Goko

A report released by the World Health Organisation (WHO) in February 2017 revealed that more than 300 million people, or over four per cent of the global population, were living with depression in 2015; an 18 per cent increase over a 10-year period. The organisation's Corresponding data released in the same report found that anxiety disorders—which cover a range of conditions, including post-traumatic stress disorder and obsessive compulsive disorder—affected more than 260 million people, which represented more than three per cent of the global population.

Depression has strong leanings on certain life stages. Historically, the transition through the life stages had been seamless, with one gravitating on to the next. However, recent studies have shown that the evolution of life stages are historical constructs shaped by the interaction of cultural, demographic, economic and institutional factors. Therefore, experiences will vary depending on class, ethnicity, gender and historical period. Life stages such as infancy, childhood, adolescence, adulthood and old age are developmental phases which individuals pass over in the course of their lifespan and each comes with its own biological, psychological, and social characteristics. The contemporary notion of adolescence, for example, consists of a biological component involving pubertal physical changes, rapid physiological growth and sexual maturation; a psychological component involving drastic mood swings, inner turmoil, generational conflict and a quest for identity; and a social component which involves the shifting social experience, institutional treatment and cultural definition of adolescence (Mintz, 1999). In addition to the varying experiences, modern day life stage transition is strenuous as it encompasses the loss of unmet expectations, stress and financial pressure. As a result there has been an increase in the number of depression cases.

Unwittingly, human nature tends to lean towards 'fear-avoidance' as a way of coping with some life situations

Depression is a Mental Health illness that negatively affects how you feel, the way you think and how you act. Its definition is multi-layered by terminologies such as chronic, clinical and situational among others. On analysis, its characteristics include feelings of severe despondency and dejection. Typically one might also have feelings of inadequacy and guilt which is often accompanied by lack of energy and changes in appetite and sleep.

The figures by WHO show that depression was increasing worldwide and now was the leading cause of global mental and physical disability. Dan Chisholm, Health Systems Adviser in WHO's Department of Mental Health and Substance Abuse, and a lead author of the report, noted that depression was a disorder that can affect anyone, at any point in their lives. The report found the prevalence rates for depression peak among older adults, affecting two per cent more women than men between the ages of 55 and 74. However, across all age groups,

it said depression was 1.5 times more common among females than males. Breaking a widespread misconception, Chisholm said the disorders were not diseases of the rich or the affluent. He said more than 80 per cent of these conditions were present in low-and-middle-income countries. He said that depression around the world was rising mainly because the world's population was growing and aging, particularly in developing countries.

When the various life stages and feelings of depression collide, the combination is distinct and may leave the individual in deep psychological turmoil. Take the example of retirement, an expected life stage which, for most, occurs at old age. The possible loss of identity, routine, economic status and freedom can generate feelings of depression which might be situational given its presentation, but nonetheless can still be experienced as difficult and overwhelming.

The psychological impact of depression tends to be rather subtle. Changes in personality and emotional interaction might be observed. Personal insecurities can be influenced by decreased income and poorer health.

Depression can be experienced by most regardless of gender. It illustrates the importance of taking time to observe the current life stage and monitor stress levels being experienced. This can reduce the likelihood of psychological upsets. Incorporating positive coping strategies such as exercise, a balanced diet and active support networks are also useful tools.

Although there are known, effective treatments for depression, fewer than half of those affected in the world (in many countries, fewer than 10%) receive such treatments. Barriers to effective care include a lack of resources, lack of trained health-care providers, and social stigma associated with mental disorders. Another barrier to effective care is inaccurate assessment. In countries of all income levels, people who are depressed are often not correctly diagnosed, and others who do not have the disorder are too often misdiagnosed and prescribed antidepressants.

The burden of depression and other mental health conditions is on the rise globally. A World Health Assembly resolution passed in May 2013 has called for a comprehensive, coordinated response to mental disorders at country level.

Types and symptoms

Depending on the number and severity of symptoms, a depressive episode can be categorized as mild, moderate, or severe.

A key distinction is also made between depression in people who have or do not have a history of manic episodes. Both types of depression can be chronic (over an extended period of time) with relapses, especially if they go untreated.

• Recurrent depressive disorder

This disorder involves repeated depressive episodes. During these episodes, the person experiences depressed mood, loss of interest and enjoyment, and reduced energy leading to diminished activity for at least two weeks. Many people with depression also suffer from anxiety symptoms, disturbed sleep and appetite and may have feelings of guilt or low self-worth, poor concentration and even medically unexplained symptoms. Depending on the number and severity of symptoms, a depressive episode can be categorized as mild, moderate, or severe. An individual with a mild depressive episode will have some difficulty in continuing with ordinary work and social activities, but will probably not cease to function completely. During a severe depressive episode, it is very unlikely that the sufferer will be able to continue with social, work, or domestic activities, except to a very limited extent.

• Bipolar affective disorder

This type of depression typically consists of both manic and depressive episodes separated by periods of normal mood. Manic episodes involve elevated or irritable mood, over-activity, pressure of speech, inflated self-esteem and a decreased need for sleep.

During periods of depression and adaption to the existing life stage one has the opportunity to engage the skills of a psychological health professional. For most, this option is broached with trepidation, and is thus avoided, whilst for those who have depleted their personal capacity to cope, the opportunity to get professional help is a welcome relief.

Julie Githiri-Goko is a Psychodynamic Psychotherapist and Psychosexual therapist

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BURGLARY; SECURING YOUR HOME

By Tony Sahni

A survey by the private security industry in Kenya has noted a 32 per cent increase in crime targeting residential areas

The festive season is here again. Most of us are going on holiday and this mostly means we go away from our usual abodes—work places and even where we stay. Unfortunately, this is the season when wrongdoers especially burglars- get down to work.

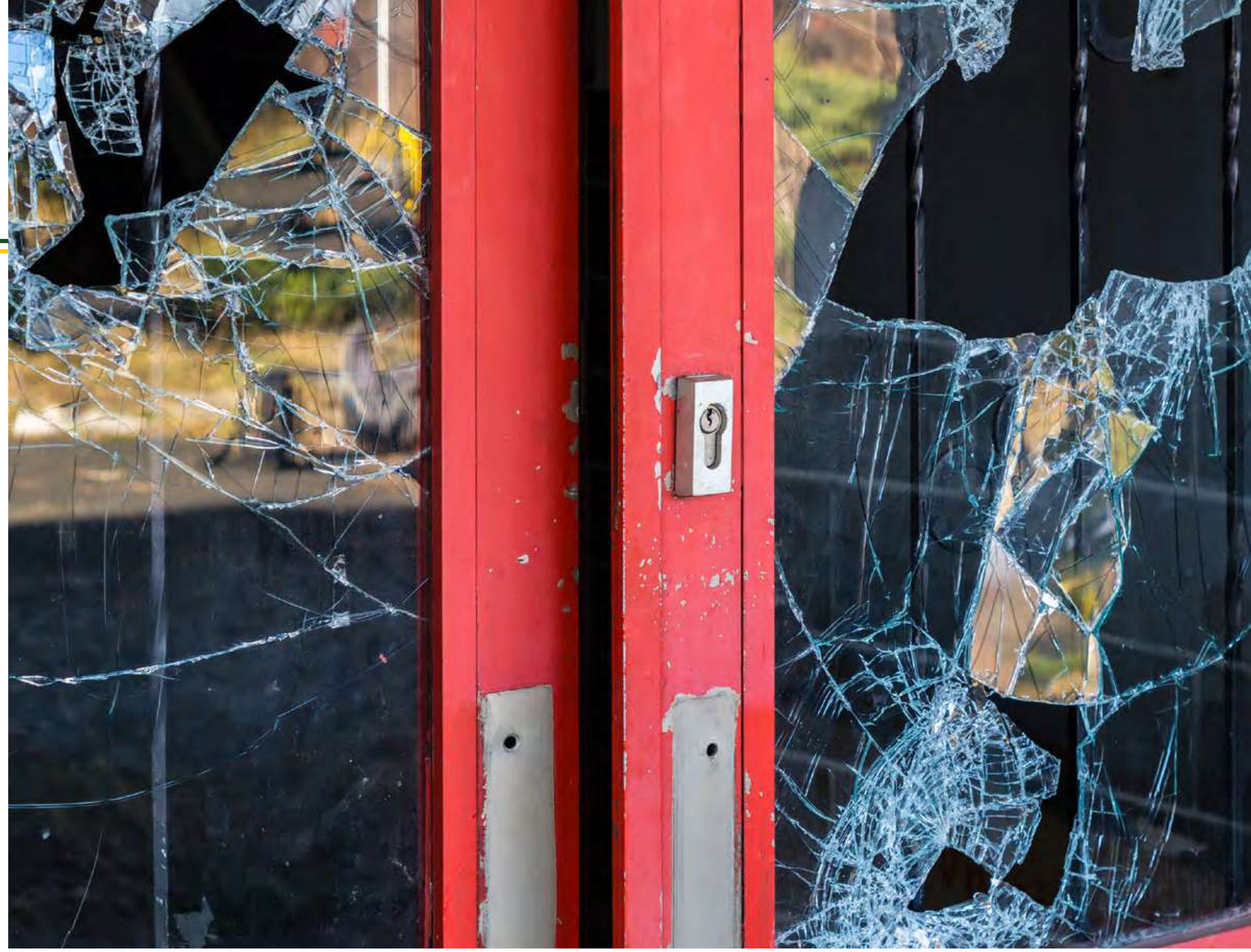
Burglary is when a person forcibly enters a home with the intent to commit a theft or some other type of crime. It is worth noting that they do not have to commit the crime for their invasion to be considered a burglary. Most burglars are not out there robbing people just for fun, it is usually based on desperation of some kind that drives them to do it, and that of course makes them a frightening encounter. Understanding burglars is not too difficult. They have a limited number of strategies behind their actions, and understanding those strategies will make your home safer.

Burglars employ dysfunctional expertise in their practice. This refers to an ability to think outside the box. They look like normal people, but inside their minds, they are always calculating as they run their errands, constantly making mental notes of what properties are valuable and when they will be empty. Over time, this mental note-taking becomes a habit, something that is automatic and second-nature. This dysfunctional expertise translates to choosing the most appropriate property to target. They do not spend extra time weighing up the pros and cons of each property; they can simply refer to their mental notes, memory and learned cues from previous burglaries.

A survey by the private security industry in Kenya has noted a 32 per cent increase in crime targeting residential areas across the country between July and September 2017. Breaking this down further, theft and armed robberies comprised 13 per cent of this activity.In Nairobi, 21 per cent of the activity happened in residential areas, with theft and armed robbery making up 37 per cent of the crimes committed. The stand-out crime trends included house burglaries—particularly while the occupants were away—and armed robberies targeting owners as they pulled up to their residences.
With this in mind, keeping our homes safe has never been more important. We often are lulled into a false sense of security simply because we have never been attacked before, and this is a perception we must overcome. A holistic security system should allow you to do five things: Deter, Detect, Deny, Delay and React.

• Deter
You should seek to make your home as undesirable a target as possible. Any burglar would hesitate to break into your house if your compound is well lit and manicured, because this denies them the cover of darkness or bush. The presence of visible systems such as an electric fence and security lights in your yard will also put criminals off. Something else you should consider is getting a guard dog. Lastly, make an effort to keep your valuables out of sight, and watch how you dispose of packaging after buying expensive electronics. This will also make your home less of a target.

• Detect
Any criminal who is not deterred will need to be detected in good time. Identifying a potential threat early is critical when it comes to apprehending a suspect and asset recovery. The best means of detection has always been through technology. An intruder alarm system linked to motion lights and sensors would be an ideal place to start. Vibration sensors and magnetic contacts can also be used to trigger an alarm should an intruder attempt to break a window or find their way past your front door.



• Deny
This involves putting physical barriers in place to deny unauthorised persons entry into your home. This could be as simple as having a manned gate at the entrance to your estate, where you could leave clear instructions as to who can be allowed to get to your house when you are not home.
Access control mechanisms also come into play here, particularly in large gated communities with multiple residential blocks. A PIN or access card system, or a video intercom system at the entrance to each block would suffice to keep intruders out.

• Delay
Should a thug still be able to slip past, you should now call for help and focus on delaying their progress as security agencies respond to the threat. The delay time should be proportionate to the estimated response time by your emergency service provider, thus increasing the intruder's chances of being caught.
Having multiple locks on your front and rear doors is an excellent delaying tactic. However, also bear in mind that a lock is only as good as the door frame that it is fitted on to.
Another measure would be to ensure all your windows have security latches.

• React
In an ideal scenario, any situation would not need to escalate to this level. However, an efficient alarm response service provider should guarantee you help within five to eight minutes of a threat being detected.
A burglary is a violation of privacy and can easily cause psychological damage, regardless of the extent of damage to the home and the value of the stolen items. Even if someone were to break into your home and take something from your kitchen counter, it is really no less unnerving than if they took more.

Among the consequences of a break-in, we can identify anxiety as a huge repercussion, as well as the inability to sleep, or the paranoid fear of it happening again. Also there is the compulsive desire to move to a new location.

There is a great need for the private security and insurance sectors to partner for their clients' benefit. Such an alliance would perhaps see home owners rewarded for investing in private security by being given discounts on insurance policies. This then encourages clients to insure their possessions, affording them an extra layer of insulation against the risk of loss through theft.

Remember, our security is a collective responsibility.

Tony Sahni is the Group Managing Director, Securex Agencies LTD

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