AKI
ASSOCIATION OF KENYA INSURERS

THE KENYA INSURER

Journal of the Association of Kenya Insurers

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DISRUPTION IS HERE TO STAY

MISSION, VISION & VALUES

OUR MISSION

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

OUR VISION

To be Africa's Leading
Insurance Association.

OUR CORE VALUES

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

About AKI

The Association of Kenya Insurers (AKI) as it is known today has existed in various forms since 1950s.

Before 1960

Prior to 1960, the Insurance Industry was composed of five (5) independent Associations each with its own chairman and constitution, The Associations were;

- The Fire Association of East Africa
- The Marine & Aviation Association of East Africa
- The Accident Association of East Africa
- The Motor Association of East Africa
- The Life Offices Association of East Africa

1960 to 1977

Insurance Association of East Africa and Life Offices Association of East Africa

In February, 1960, four (4) Associations [Fire, Marine and Aviation, Accident and Motor Association] were merged to form one body referred to as the Insurance Association of East Africa which catered for General Insurance Business. The Life Offices Association of East Africa remained to promote Life Insurance Business.

1978 to 1987

Council of Kenya Insurers

Local incorporation of Insurance companies began in 1978 following the Collapse of the East African Community in 1977. The Insurance Association of East Africa and the Life Office of East Africa were merged to form the Council of Kenya Insurers (C.O.K.I) which was officially registered on 27th July 1979 and existed for a decade.

1987- to date

The Association of Kenya Insurers

The Association of Kenya Insurers (AKI) was established in 1987 as an independent non-profit making consultative and advisory body for insurance industry. The Association was registered under the Societies Act, Cap 108 in January, 1988. In January, 1988 the AKI Constitution was ratified and adopted by members. The Association currently has 51 members.

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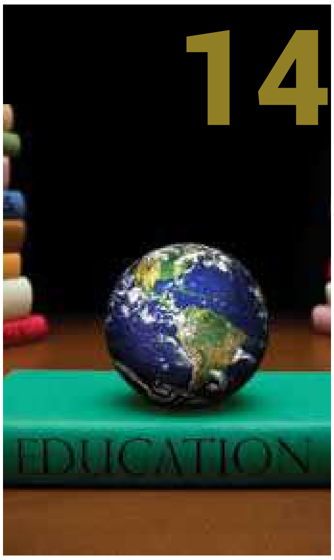

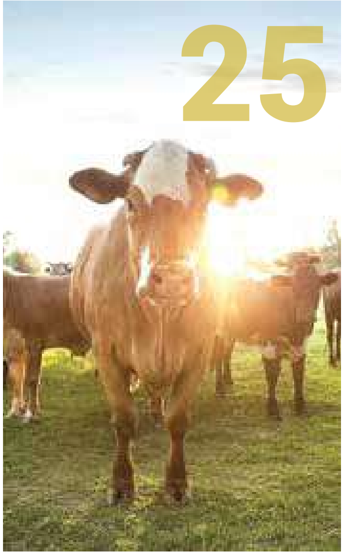

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EDITOR'S NOTE

Atop the newly laid Standard Gauge Railway, Madaraka Express 'docked' at Syokimau on May 31 this year. On board the train was the President and Deputy President accompanied by senior Government officials and other Kenyans from all walks of life. This maiden 'voyage' elicited reactions across the board. Passengers were happy that now travelling to or from Mombasa by rail will take about five hours unlike by bus that takes over eight hours. Most road transporters (read bus companies) have already felt the pinch as their business slows down. This is what disruption—our theme for this issue—is all about; it is double edged.

In this Disruption issue, we have a good read in articles that address what is obtaining in this industry besides human interest pieces that are informative and educative.Marine Insurance which is the talk of the industry is well documented by Alfred W. Musungu who observes that "Marine insurance is a special class with limited experts well versed in maritime trends and with a wealth of experience."He calls on insurers to invest in digital platforms that will enable them conduct the business seamlessly. In giving insights into Index Based Livestock Insurance, Maina Waruru describes the cover as a first for the industry and reveals that, Governments and development agencies in West Africa's Sahel and the dry lands of southern Africa are seeking help from Kenya on how to adopt it.

Renowned banker Dr.James Mwangi is on board this issue too and points out that insurers should disrupt or be disrupted.He notes that "One of the things that the insurance industry needs to note is the change of the consumer. Over 60 per cent of Kenya's population is aged below 24 and if the insurance industry does not have a product for this age group then it has missed the market." This is good counsel from a 'not-so' different industry. This resonates with James Norman's opinion that, "Disruption is here to stay. It poses fundamental questions and many will wonder if the industry will be 'uberised' by new entrants, partnerships and models."

Business is all about customers.How you handle them will make or break you.You have keep track of their feelings and the reactions that emanate from how you handle them. Lucy Kiruthu gives us a raft of trends that impact customer experience today and how to implement them.Her Advice is, "Be intentional about meeting the needs of all your customers, create positive experiences, listen to what they are saying and use data to make better decisions."

I have touched on just a few of the articles that make this issue a great read. Go on and enjoy them plus the many other equally well-researched pieces.

Aram Kaboro.

Marine Insurance in Kenya; the genesis and obtaining status

Marine insurance must take full advantage of IT and lead the way in scaling the treacherous waves of the digital world.

By Alfred W. Musungu

Marine insurance traces its origins in the Greek and Roman maritime law. Separate marine insurance contracts were developed in Genoa and other Italian cities in the 14th century, spread to Northern Europe when premiums varied with intuitive estimates of the variable risk presented by seasons and pirates and climaxed with Edward Lloyd's coffee house in London in late 1680s.

For starters, marine insurance forms part of the blue economy and its objective is to indemnify the insured against losses incidental to a marine adventure. It is a special insurance contract of indemnity, which protects against physical and other losses to moveable property and associated interests as well as against liabilities occurring or arising during the course of either sea voyage or airfreight transit.

In Kenya, marine insurance is traceable to late 19th Century when the British based insurance companies appointed agents—initially in Mombasa—to transact business on their behalf. Then, Kenya had little or no industries to speak of, and it therefore follows that only the very simple risks were written. As industries developed and large agricultural farming evolved, so did insurance business pick up and with time, the agents converted into full-fledged local branches of British companies. In the 1950s, a number of local branches teamed up to form a specialist office to underwrite marine insurance under the name of Joint Marine Office (JMO).

Fast forward to 2016, the directive by Treasury through the Finance Act, 2016 to KRA to enforce Section 20 of Cap 487 of the Insurance Act generated enormous interest and enthusiasm among stakeholders as they positioned themselves to scramble for the estimated Ksh.20 billion anticipated marine premium pie. Insurers led the way, with companies that have no history of underwriting Marine launching aggressive marketing campaigns to position themselves for the kill and risking the danger of excessive exposure by offering cover on standard Institute Cargo Clauses for cargoes that instead require special clauses. For instance, the ideal clauses for bulk cargo are Institute Bulk Clauses (grains, cereals and fertilizer) or Institute FOSFA Clauses (oils).

A stakeholders committee that included Kenya Revenue Authority (KRA), the Association of Kenya Insurers (AKI), Insurance Regulatory Authority (IRA), Kenya International Freight and Warehousing Association (KIFWA), the Intergovernmental Standing Committee on Shipping (ISCOS) arranged for stakeholder forums. They used these forums to address concerns raised by key consumers of marine insurance that included Kenya Association of Manufacturers (KAM), Shipper's Council of Kenya and East Africa Grain Council.

One of the key propositions was that marine business be transacted through a common digital portal accessible to all marine underwriters. This was hailed as a first in this region and made a lot of sense since for the sake of enforcement of this directive from Treasury; KRA required that the Marine

Insurance Certificate form part of the basic documentation necessary for clearance of imported cargo through Customs. It went a little further and required that purchase of Marine Certificate and lodging with the National Single Window be done through the common digital platform. The challenge then was that prior to this, AKI had encouraged its members to develop digital portals and to transact marine business. Some companies invested heavily on their platforms and launched them.

As a solution to the common online platform currently offered by Kentrade is sought and agreed upon by stakeholders, the question then is how do you interface the consumers' unique needs with the standard Marine covers uploaded on an internet based and non-interactive digital platform? Does the internet portal replace the traditional Marine underwriting specialist? Moreover, what does this portend for competition in the market?

Traditionally, marine insurance is offered under various Institute Cargo Clauses that are standard and should be easy to provide as a package. These mainly comprise Institute Cargo Clauses (A), which is the most comprehensive and provides an all risks cover. Institute Cargo Clauses (B) and (C) cover named perils, which mainly comprise major perils like fire or explosion or vessel being stranded, grounded or overturning or derailment of land conveyance. However, the challenge of offering standard covers on the digital platform is that the risk exposure levels are not uniform but vary depending on nature of goods, the mode of packaging, voyage routing, origin/destination port and value of interest insured. All these factors form the underwriting considerations for premium rating and certainly these cannot be pre-determined with accuracy and uploaded on a digital portal. Marine insurance is a special class with limited experts well versed in maritime trends and with a wealth of experience sufficient to not only accept or reject certain risks but also rate them appropriately. The marine underwriting technician still holds a pivotal role in assessing and rating risks and must work tirelessly behind the digital platform to monitor what enters insurers' books.

Insurance companies should move along this line by not only developing digital platforms but also going a step further by investing in company specific computer applications that can be installed into laptops, tablets and mobile phones from which marine policies can be purchased using virtual payment facilities like M-pesa. With the enforcement of Section 20 of the Insurance Act as it relates to Marine from January 1, 2017, the opportunities in retail are enormous. Vessels docking at Mombasa Port carrying thousands of used Japanese motor vehicles previously shipped on Cost, Insurance and Freight (CIF) basis now require local marine insurance. Most importers of such vehicles are individuals and mostly have no time to visit brokers or insurers to purchase marine insurance making a mobile application ideal for this segment.

“The marine underwriting technician still holds a pivotal role in assessing and rating risks and must work tirelessly behind the digital platform to monitor what enters insurers' books.”

Considering the special nature of marine insurance, finding an IT developer who can tailor a digital solution is not easy. They have to be guided on available covers, classes of products and the rates to apply. This means that if an insurer does not have a strong and experienced marine team, the solution they may develop could be counterproductive and expose them to bad risks.

Marine Insurance is a relatively conservative class of insurance and the rates are secretive and largely depend on the underwriter's intuitive capabilities and experience. As they say, there is very little new business going round; what happens is that old business circulates. The competition among marine underwriters is therefore cutthroat, manifested through premium undercutting. In such an environment, exposing your premium rates, tailor-made clauses and exceptions developed over a long time through experience and personal intuition on a digital platform accessible by everyone, including competitors, can spell doom for a niche.

Like with all internet-based businesses that are fraught with hacking and fraud, marine insurance will not be immune to such schemes. Marine insurance forms part of the international logistics business chain and although digital platforms will guarantee maximum revenue collection for the taxman from imports and full declaration to insurers; meaning premiums collected will be commensurate with the landed values of cargo, the faceless nature of digital clients helped by lack of previous experience pose the realistic danger of fraud by declaring what does not exist and/or inflating claims against the basic insurance principle of Utmost Good Faith and Indemnity.

Technology does not come cheap either. It is expensive to conceptualise, develop and operate an interactive and real-time internet portal. Since KRA requires single access into the national single window system, it is likely that a third party will be contracted to harness company specific portals and provide an access link. Effectively, other than broker and agent's commissions, another intermediary will be created and when you factor in the initial IT solution development costs, marine premiums could be eroded further.

"The marine underwriting technician still holds a pivotal role in assessing and rating risks and must work tirelessly behind the digital platform to monitor what enters insurers' books."

Nonetheless, the benefits of technology far much outweigh the challenges and with the world having become a global village, focus should now be on social media platforms, deployment of drones under Cargo Surveillance Unit (CSU) to monitor inland cargo transit and operating vessel tracker applications. Marine insurance must take full advantage of IT and lead the way in scaling the treacherous waves of the digital world.

Alfred W. Musungu is the Managing Director, Oceanic Marine Surveyors Kenya Ltd

Emerging Distribution Channels; the challenges and opportunities

To adapt to today's rapidly evolving, consumer-centric culture, insurers need to continually upgrade their operating systems, business models, and value proposition

By Tom Gitogo

Disruption is a natural part of the business cycle, especially in this age of fast-paced technology. No business model is so perfect that it cannot be improved on – or eventually replaced. The ultimate example of disruption involves Apple, which made everything from CD's to Blackberry devices practically obsolete. Disruption is also evident in the world of social media, with the most famous example being Facebook's displacement of Myspace.

Music and social media are natural breeding grounds for constant disruption, but these are by no means the only industries in which this evolution takes place. Disruption is rampant in insurance, as is evident from the transformation the industry has undergone during the past decade.

A shift is underway in the insurance industry. Disruptive change is putting pressure on traditional sales and distribution models. Insurers have an opportunity to proactively position themselves as disruptors rather than trying to defend their legacy business and distribution models.

Extensive disruption in the insurance industry is forcing insurers to devise new distribution models to serve their customers better and extend their markets. The traditional nature of many insurers' operating models means they are threatened by digital technology across the value chain.

The digital revolution is felt to be a threat by many in the insurance industry, especially following the increase of innovative new entrants and the rapid rise of comparison websites.

Some of the new channels of distributions causing a major disruption include:

- Social Media

Social media platforms such as Facebook, LinkedIn, and Twitter have witnessed rapid growth over the last few years. Many of these platforms have matured, and feature entrenched functionalities that better help businesses to reach out and interact with their target audience base.

With the rise in penetration of smart phones—with enhanced social media applications—more customers have these platforms with them wherever they are. Social media is recognised as a growing wonder for the insurance industry. Customers are increasingly using social media platforms to obtain sales-related advice from their friends, family and other contacts, and gain feedback on various products and services, including those in the insurance domain. Customers are also having some of their insurance related queries resolved by sharing their concerns publicly on these platforms, pushing companies to respond.

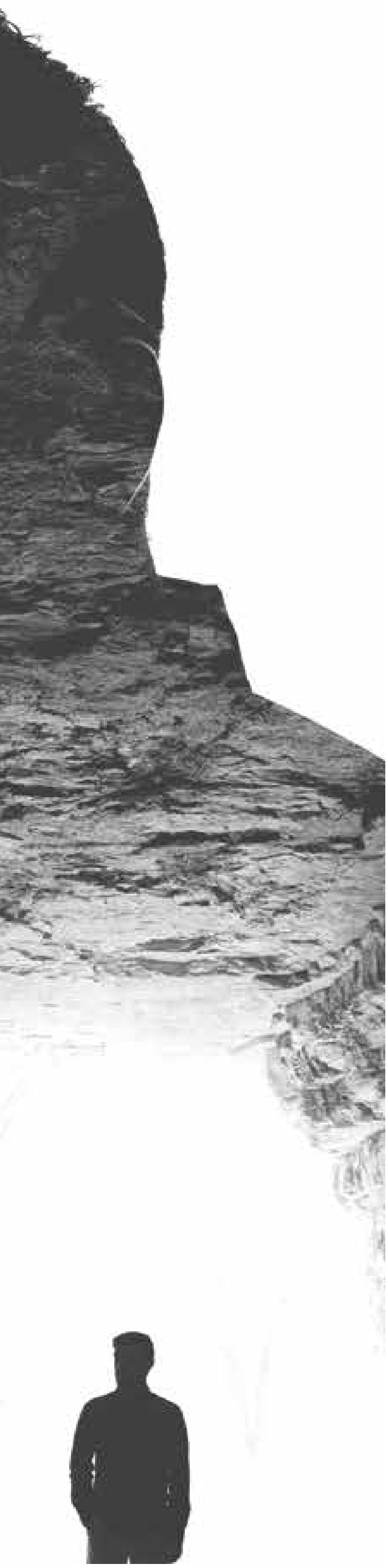
Insurance companies are now expected to have a presence on social networking sites. Social media channels have significant applicability to the insurance industry and are likely to have a long-term impact on how insurers gain and react to feedback from the marketplace. However, there is still a need for further understanding regarding how this channel can be best leveraged to engage with customers and how to address any potential concerns that may arise—such as miscommunication and regulations.

The initial focus of insurers' social media strategies has been aimed at low-level communication and marketing of new products and services. While many insurers now relate social media to a mass marketing tool, there are many other uses as well including: Gaining customer feedback, resolving queries in real-time, providing product updates, and a source of information for insight generation and fraud investigation. Social media platforms along with the online channels can also help remove geographical limitations that agents face when serving their clients.

The channel can also be used when launching media campaigns, education and new products.

- Use of internet

Majority of the Kenyan population now has access to the internet through computers, mobile phones and other hand-held devices. Customers now use these devices to easily obtain information and updates on insurance products and services.



Lack of proper distribution networks in the developing economies has forced insurers to come up with innovative ways to leverage the mobile and internet channels to sell their products and also to better attract the millennial generation customers. Making insurance product information available online increases transparency of the costs associated with each policy. The online channel is attracting both insurers and customers and is expected to have a long-term impact on how information is gathered and how products are sold. Brokers and agents are now demanding better internet and mobile channel functionalities from insurers to increase their ease of doing business.

With the rise in penetration of the internet, there has been a gradual change in customer preferences around buying insurance products. Customers currently use the internet primarily to research and compare various policies, view policy details, make policy changes, pay premium bills, and contact agents/brokers.

Customers are now using platforms such as "Value comparison websites", an online intermediary that helps customers to choose a policy based on value rather than price. It lists policies based on factors that determine how well they could meet customers' needs. Price comparison websites make customers find insurance quickly and makes them more price sensitive—this makes low cost insurers gain more market share.

ESignatures, initially moped upon by lawmakers for its perceived poor cyber security and the consequences of having important legal information stolen, are becoming new norm. The advancement of technology has pushed insurers and the laws governing insurance companies to catch up with the times and start using eSignatures as part of their daily work. eSignatures makes life much easier for insurers' by creating seamless digital transactions for customers. This makes closing sales quicker, are more secure and traceable than paper and can be easily integrated into already existing business processes.

Policyholders demand easy online access, but they also desire a virtual experience comparable to online retail browsing. Today's consumers possess greater control over their insurance plans and unfortunately, this often leads to confusion. The adoption of eCommerce principles used by major online retailers may help to ease this confusion, thereby transforming the process of obtaining insurance into a more enjoyable shopping experience.

The online channel can also be leveraged to provide claims management and related services to customers. Products that have achieved high market penetration and for which there is intense competition within the industry—leading to lower profitability—are more likely to be the ones that can be sold online. While developing an online portal, insurers should make sure that the portal works as an integrated part of the whole multi-channel distribution network.

What steps should insurers consider taking?

Insurers need to be sprightly to prosper in a rapidly changing business environment. To adapt to today's rapidly evolving, consumer-centric culture, and increasingly technology-driven economy, insurers need to continually upgrade their operating systems, business models, and value proposition in 2017 and beyond. They should also consider undertaking an ongoing, holistic transformation of products, services, legacy systems, and business processes to drive growth, bolster efficiency, improve customer experience, and head off emerging competition.

Potential steps include:

- Develop new products to meet emerging coverage needs in a sharing, connected economy
- Expand digital distribution and virtual service to cut costs and gain competitive advantages
- Enhance cyber risk management to stay ahead of evolving threats and comply with new regulations
- Treat technology modernisation as a journey rather than a final destination
- Deepen client engagement beyond renewals and claims while differentiating with additional services

The single most important change that an insurer should make to thrive through these emerging channels causing disruption is to clearly understand the evolving needs of customers and stay ahead of competitors in advancing technologies towards satisfying these emerging needs. Insurers have to keep up with developments, disruptions and trends no matter how rapid the pace is. "Let's wait and see what happens" will not be an option.

Tom Gitogo is the CEO, CIC Group

Disrupt or be Disrupted;

the future of insurance beyond 2020

Insurers have to be bold, audacious and daring to be disruptive. When disruption happens, adjust and adapt.

By Dr James Mwangi, CBS

The Kenyan economy is growing and this brings with it extensive opportunities for the insurance industry. The mega projects that the government has embarked on such as the Standard Gauge Railway, Airport expansion, Lamu Transport Corridor Project, oil and gas exploration, energy projects, road construction projects and more people with disposable income are some of the viable opportunities that insurance has to grow. But the question is, are we ready to take on these big risks? Do we have the manpower and skills to do so?

The insurance industry will propel the Kenyan economy to the next level: Banks' funding is short-term and thus cannot support long-term projects. Most of Kenya's infrastructure projects are supported by international and bilateral funding because local banks cannot mobilise long-term funding to support them. Insurance, and in particular Life insurance has long-term funding which can be used to support infrastructure projects in the country.

Insurers have to remove barriers that make insurance inaccessible to the consumer. This may mean rethinking the insurance business model by reviewing the procedures and processes not as insurers, but as consumers of insurance products. Only then, will the industry start to understand the pain points of the consumer. One of the ways these barriers can be broken is by expanding the

2020

Insurance companies should partner with banks as third parties and take advantage of their wide agency network to increase access and convenience to customers.

distribution channels and this can be done through third parties. Insurance companies should partner with banks as third parties and take advantage of their wide agency network to increase access and convenience to customers. This 'decorporatisation' will reduce operational and fixed costs and may have the overall effect of making insurance more affordable.

Insurance penetration in Kenya is currently at three per cent. This is a niche market—the mass market of 97 per cent remains untapped. One of the things that the insurance industry needs to note is the change of the consumer. Over 60 per cent of Kenya's population is aged below 24 and if the insurance industry does not have a product for this age group then it has missed the market.

Insurance transformation will be more about understanding the customer and less about capital levels. There is a need to put the customer at the core of what insurers do, understand what they are looking for and know how to please them. Insurance products are largely the same. The only thing that will make one company stand out from another is the level of service delivery. How you make customers feel determines how they feel about your product hence the need to create an emotional connection.

Leveraging on technology and technological innovation will increase access and enhance customer experience. The insurance industry needs to understand and make use of mobile technology, cloud computing, big data and social media to move to the digital era.

The insurance industry needs to innovatively solve existing challenges that customers face especially on premiums and products. Kenyans consider family, friends, SACCOs, Chamas, land and others as insurance. These are the greatest competitor to insurance and therefore as an industry there is need to offer a better option.

Another critical element that will propel the industry forward is the regulatory environment. The insurance regulator should amend regulations to adopt to the changing business environment. Inadmissibility of information technology (IT) costs as assets denies insurers the opportunity to leap into the digital era.

The financial services industry may soon be under one regulator, the Financial Services Authority (FSA). When this happens, players in the financial services industry will be able to cross-sell each other's products without regulatory hindrances. Discussions on the FSA Bill are ongoing and will bring together the Insurance Regulatory Authority (IRA), Capital Markets Authority (CMA), Retirement Benefits Authority (RBA) and the SACCO Societies Regulatory Authority (SASRA).

The insurance industry must disrupt itself. The effect of Uber on taxi business should serve as a pointer on this front. Insurers have to be bold, audacious and daring to be disruptive and when disruption occurs, adjust and adapt.

Dr. James Mwangi is the Group Managing Director and CEO Equity Group and also the Chairman of Kenya Vision 2030. He was the guest of honour at the AKI Agents of the Year Awards held on March 3, 2017 and made a detailed and informative presentation in line with the theme of the Awards ceremony: 'The Future of Insurance beyond 2020'.

In 1994 Equity Building Society entered the banking industry and its books were in the red. Their losses were higher than their deposit base, capital and loans book making them technically insolvent.

The Equity Building Society started disrupting the Kenyan banking industry since 1994 when the banking penetration was at four per cent. The disruption has been consistent over the last two decades and today over 75 per cent of Kenyans are banked.

Equity Bank as at March 2017 had 11.4million customers and an asset base of Ksh.492Billion. The bank which operates in six countries, Kenya, Uganda, Tanzania, South Sudan, Rwanda and Democratic Republic of Congo (DRC), is globally recognised for its soundness and performance.

The Youth and Insurance; do we have what they need?

Despite being price conscious, Millennials are not willing to sacrifice quality, they are willing to pay more for better

By Peter Mwangi

A quarter of the Kenyan population comprises the youth aged between 20 and 34 years. These are people born approximately between 1983 and 1997. They are known as Generation Y, abbreviated Gen Y and popularly referred to as Millennials. This is the demographic cohort between Generation X and Generation Z.

These 12 million Kenyans are about to become the most important customers. Despite many of them being unemployed and having little or no money, they are the next big spenders. And while many are still climbing the income ladder, this group's size and age range highlights its long-term purchase power.

Millennials are the most underinsured generation and this presents a great opportunity to the insurance industry. Insurers' future success depends heavily on their ability to attract Millennials. Their buying strength will—within only a few years—exceed that of the previous generations. Insurers should therefore start signing up and retaining these youthful customers.

However, to sell insurance to Millennials, insurers need to understand them to deliver relevant products and services using communication channels appropriate to them.

Millennials have grown up in an era of technology; they recognise that tech tools are powerful assets in virtually every aspect of their lives. They love staying up to date with the latest technology and they are looking for better service through digital channels. They are constantly perusing Facebook, Twitter, Instagram, and Snapchat. It is how they share and get information; they collaborate and cooperate with each other and with brands.

Millennials are more educated than the previous generation and they love to keep learning and bettering themselves; they spend a lot of time researching topics online. When they make a purchase they are already well informed on the item. They love brands that understand them and have offerings that can help them on their journey.

Millennials are no longer passive consumers of media; they want on-demand choice and expect interaction with organisations and brands. They are keen to co-create and interact with brands but they have to feel they are getting something out of it.

For brands that can harness this power, they will benefit from lots of social currency. They define the great advertising that they love as subtle, authentic and impressive—they like seeing a real effort to relate to them.To this generation, great advertising is when brands make an effort to relate to them. They are motivated by brands that talk about passions beyond their product. These brands must however be genuine, funny, beautiful or clever but above all, well understood.

This generation is coming of age in the most uncertain economic environment making them price conscious; their affinity for technology is also reshaping the retail space. With product information, reviews and price comparisons at their fingertips, Millennials are turning to brands that can offer maximum convenience at the lowest cost. But despite being price conscious, Millennials are not willing to sacrifice quality, they're willing to pay more for better.

In order to reach out to this demography, insurers need to:

- Invest in Technology

Insurers should stay up to date technologically. Statistics show that as at December 2016, 89.7 per cent of Kenyans had access to the internet and 99 per cent of them accessed it through the mobile phone.

Insurers therefore need to optimize their services and products on mobile so they can be easily accessed; they should create mobile apps where a few clicks will result in insurance transactions. Millennials expect to be able to "visit" their financial professionals and their accounts from anywhere and at anytime, virtually or electronically, "24/7".

The underwriting process should be made fast and easy by allowing people to apply and make payments and changes online. For in-force policies, Millennials need to be able to evaluate their policies, check updates and increase or decrease the coverage or structure more easily.

- Engage in Social Media

In order to be relevant to Millennials, insurers should keep their social media outlets active at all times; start conversations that will engage by talking about topics that interest them. Insurers should listen to them, understand them and value their input into a solution and act in their best interest.

- Build Loyalty and Trust

To attract Millennials, insurers need to be seen as a trustworthy resource working in the best interest of their customers. Millennials are looking for someone they can trust, relate to, converse with and learn from; someone with good online presence and whose previous interactions can be evaluated with good referrals.

Insurers should focus on relationship building with Millennials, be looked upon as a partner to help them rather than an advisor telling them what to do.

- Communicate and Advertise Effectively

Insurers know Millennials are a difficult audience to reach, and so the need to expand their communications options and still retain the traditional channels for those who prefer face-to-face meetings.

The market does not necessarily have to come up with new products for the Millennials. What needs to change is how the products and services are communicated. Insurance products need to be marketed and not sold as is the norm.

Insurers need to communicate transparently and honestly in a way that helps Millennials understand how their services are making a difference in their everyday lives with all the facts.

Insurance is extremely important and, as we know, typically the younger you purchase protection products, the more affordable they are. Millennials need to learn more about risk products and be given recommendations tailored to them in the context of their overall financial plan.

- Simplify Information

Millennials are sceptics and are likely to view insurance brokers as shady salespeople. To squash these fears, insurance companies should provide full details about all of their insurance options and available policies on their websites. Millennials can therefore read up on the policies before going to the broker's office, or they can complete the insurance application online.

Insurers should also continually learn the Millennials unique circumstances then provide them with multiple winning options, of how insurance fits into their overall financial strategy and the importance of risk mitigation and saving from an early age.

- Value-based Pricing

Millennials are price-sensitive. Insurers need to make it very clear what they are paying for; a solid fee structure and service package is key for this group.

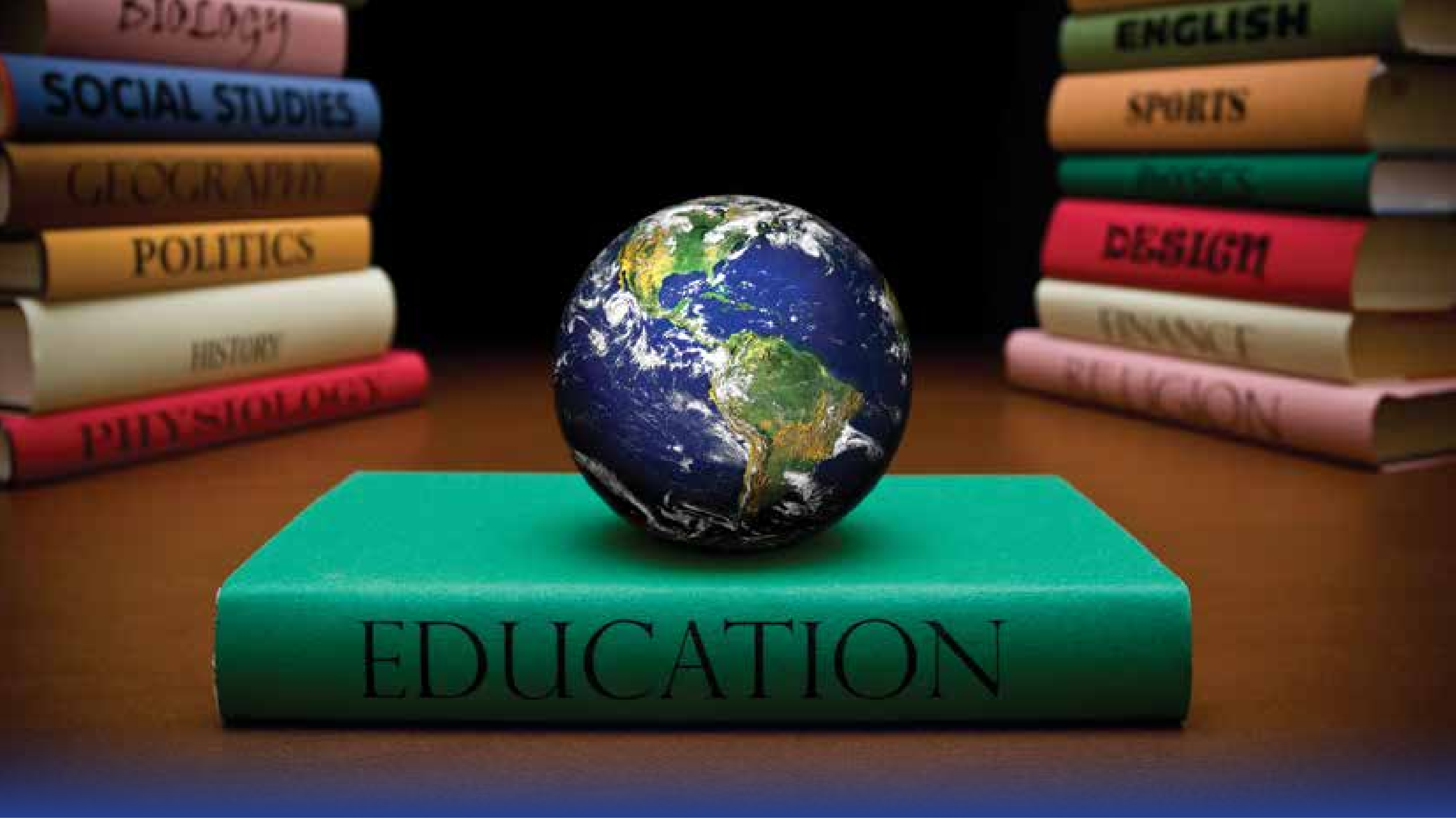
Millennials are a very significant segment that can boost insurance penetration in the country due to their influence and population. Insurers have an opportunity to create a foundation and build loyalty to provide insurance coverage throughout their lifetime by establishing relationships with them.

In order to build this loyalty, Insurers should portray themselves as youth friendly - social, fun and safe place for young people—by driving conversations around money, personal finance as well as other major topics like negotiating salary, buying a home, planning for a family, and saving for retirement: Giving them advice on how to manage and budget their money about spending, budgets and investing that can help them create their own personalised approach to managing their money.

Peter Mwangi is a Research Officer at Association of Kenya Insurers. The article is based on an information paper developed for AKI members

Ref:

- http://www.worldometers.info/world-population/kenya-population
- https://populationpyramid.net/kenya/2017
- http://ca.go.ke/index.php/statistics



Disruption in Education; a boost for financial literacy

We are moving from a rigid and prescriptive curriculum with limited flexibility to one that is flexible with opportunities for specialisation

By Dr. Obudho Omondi

Kenya's Vision 2030 accentuates the importance of science, technology and innovation. However, the current curriculum does not provide deliberate policies, appropriate pedagogical approaches and sufficient resources to lay a strong foundation for the development of these skills. In addition, innovative, vocational and technical skills considered important for meeting the demand for skilled labour and the country's goal of industrialisation, are not well catered for in the mainstream curriculum.

The foregoing has necessitated the ongoing transformation of our education sector that promises to reinvigorate various spheres of our economy including the way we do business. A taskforce headed by Prof. Douglas Odhiambo was, in 2015 tasked with realignment of the Kenyan education system to be in line with the new constitution and considering the changing realities the world over. The taskforce identified several factors that were ailing the current system such as content relevance and delivery, quality to match global competitiveness to address challenges in the 21st century and retention and transition rates at various levels among others. The report recommends alignment of the curriculum with the aspirations of Vision 2030.The taskforce recommended an integrated curriculum, which is structured to ensure knowledge, skills and competences acquired, provide both vertical and horizontal coherence. What students study in one level of education should adequately prepare them for the next stage of learning besides ensuring the knowledge acquired cuts across different disciplines.

Sessional Paper No. 2 of 2015 on Reforming Education and Training in Kenya" places education at the centre stage of the country's human and economic development. It recommends reforming the Education and Training Sector to provide for the development of the individual learners potential in a holistic and integrated manner, while producing intellectually, emotionally and physically balanced citizens. The prevailing education situation in the country is that learners are geared more towards better performance in the national examinations at the expense of gaining knowledge; knowledge that can help them grow into, responsible citizens who can not only rely on white collar jobs but, also create jobs while upholding the right attitude. A case in point is where non-examinable subjects are relegated and not taught in favour of those that are examined at the end of the primary or secondary school cycle. Teachers concentrate on the examinable ones to ensure learners post impressive grades and elevate their schools to the national limelight. In the long run, we shall have bright students but some may lack the requisite character to take them places.

The proposed reforms in our education system promise a major paradigm shift from the present that we are stuck in to a more robust one. The new curriculum—being piloted in 470 schools—focuses more on competencies as opposed to content. We are moving from a rigid and prescriptive curriculum with limited flexibility to one that is flexible with opportunities for specialisation. It is a shift from summative assessment and completion, to a balance between formative and summative assessment—with emphasis on excellence. It lets children enjoy learning while giving prominence to our national values and cohesion, while enhancing parental engagement through community service learning.

The Basic Education Curriculum Framework (BECF) is the outcome of extensive stakeholder engagement, a national needs assessment study, deliberations from a national curriculum reform conference and a number of comprehensive benchmarking studies.

Business studies at junior secondary level will be offered as an integrated subject laying emphasis on entrepreneurship, financial education, record keeping in business and ICT in business. This will equip the learner with the communication, critical thinking, problem solving and creativity competencies considered necessary for their personal life and business in general. The subject is critical at this level of education, evidenced by the KICD Needs Assessment Report and the Kenya Vision 2030. The study of business studies at junior secondary level will be underpinned by theories such as instructional design theory, Vygotsky's social-cultural theory, Gardner's multiple intelligences theory, Piaget's theory of cognitive development, descriptive accounting theory, normative accounting theory and Schumpeter's innovation theory.

> **“We are moving from a rigid and prescriptive curriculum to one that is flexible with opportunities for specialisation”**

The new curriculum underscores seven core competencies that learners will acquire across all levels of basic education. These will include:

- Communication and collaboration; to enable learners interact and express themselves in corporation with the others to complete a given task.
- Self-efficacy; to enhance learners' belief in themselves about their capabilities to perform tasks or assignments that will change and transform their lives.
- Critical thinking and problem solving; to help learners use logic and evidence to arrive at conclusions.
- Creativity and imagination; to help learners have the ability to form new images and sensations in their mind and to turn them into reality.
- Citizenship; to create a sense of belonging and attachment to one's nation.
- Digital literacy; to equip learners with knowledge skills and behaviour necessary to effectively and safely use a wide range of digital content and devices.
- Learning to learn; to equip the learners with the ability to pursue and persist in learning.

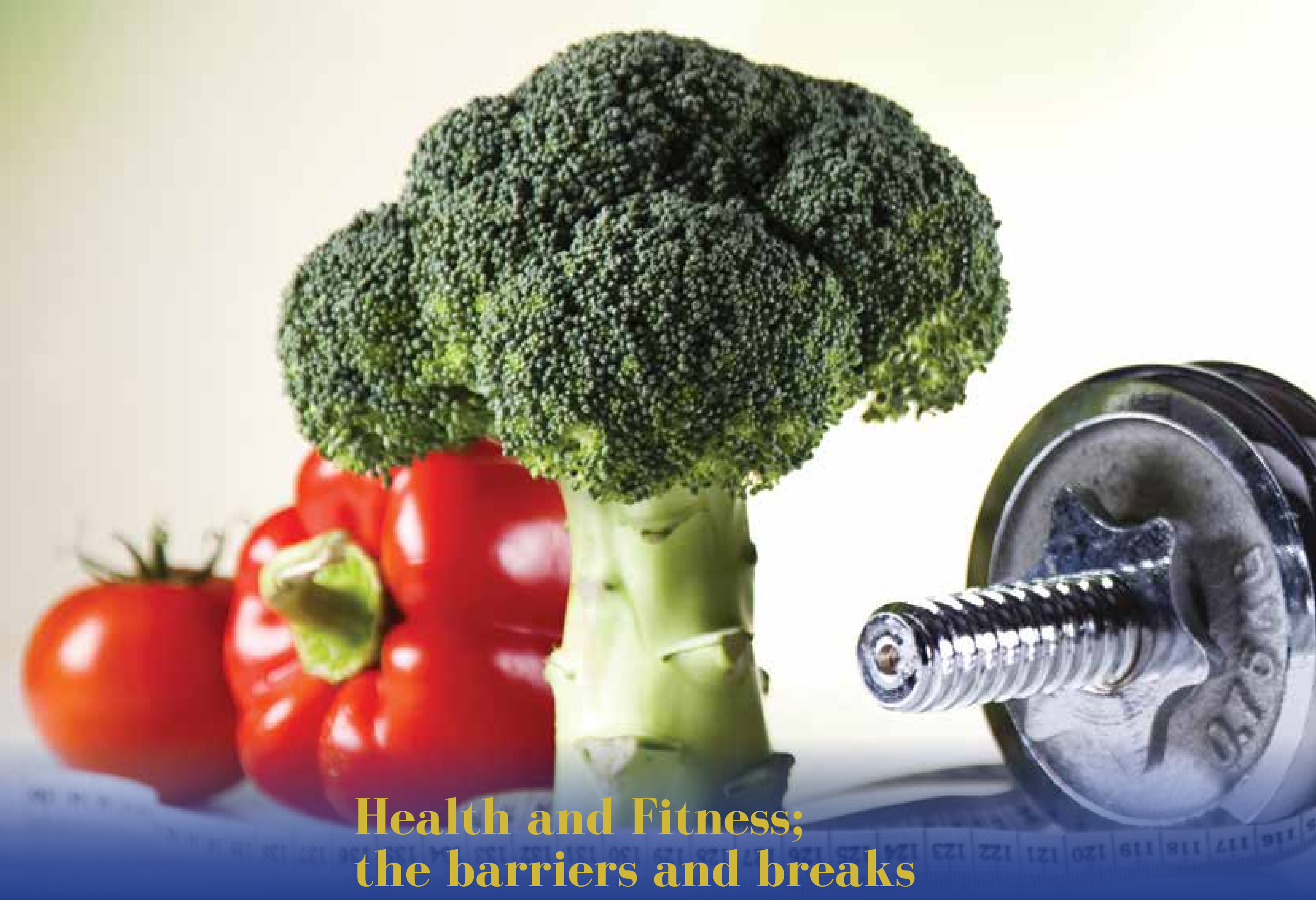
These competencies will be level-based in the three tiers of the new curriculum namely; early years, middle school and senior school. The early years will comprise two years of pre-primary schooling and grades one to three. Middle school will be comprised of grades four to nine; that is three years of upper primary and three years of junior secondary. Senior school will comprise grades 10 to12 and will also house the pathways for specialisation. There are three proposed pathways: Arts and Sports, Humanities and Science Technology, Engineering and Mathematics (STEM). This will enable learners specialise early and choose their career paths in good time. This will have a positive impact in the world of work as specialisation will impart some vocational skills in selected trade areas at senior secondary.

Business studies at secondary level will equip the learner with the five key competencies deemed critical for the course globally. These include:

- Business skills; Knowledge and skills necessary for success in business
- Communication in a business environment; Methods, technology, and standards involved in communication within and between businesses
- Digital literacy; the ability to use digital technology, communications tools, and/or networks to access, understand, manage, integrate, evaluate, and create information.
- Financial literacy; the ability to read, analyze, manage, and communicate financial information for personal and professional purposes.
- Ethical, moral, and legal considerations in business; the understanding and/or determination of social and environmental consequences

An informed critique of the proposed curriculum is critical. In the end, we will be able to give our children an improved version of the current system that has been widely criticised for being a burden to the learners. If well implemented, it will equip the youth with the requisite skills to fit in this ever changing world.

Dr. Obudho Omondi, PhD is the Deputy Director TVET, Kenya Institute of Curriculum Development



Health and Fitness; the barriers and breaks

You do not have to go to a gym to get fit; you can get a productive workout session in your house

By Shiverenje Simani

Health and fitness go hand in hand. Making healthy choices and keeping fit is a way of life and should not be looked at like a life sentence. Keeping fit and healthy habits is a major ingredient in the recipe for a long and happy life. A strong and healthy body, mind and soul should be at the top of your priority list, otherwise how will you enjoy the money you work so hard for?

A healthy and fit individual is not only an investment to him/ herself, but to everyone else they are connected to from current to future generations. When you are fit and healthy you are able to experience more, see more, and are therefore more experienced in a wider variety of fields. This somehow makes you an authority who is looked up to for support and advice.

Time

'I don't have time to go to the gym; my work hours are irregular and I can't find time to work out; I'm too busy', are excuses that will keep you from living a healthy lifestyle. Many of us have managed to convince ourselves that we do not have enough time in a day to work out because we are 'too busy'. So what you are saying is for the 24 hours you have in a day you cannot make 30 minutes to work out? That is you cannot make 30 minutes in your day to partake in a physical activity that will help prolong your life expectancy, make you stronger, healthier and happier? This is a false belief. There are very many opportunities in a day for you to get in a 30 minutes workout. You can wake up 35 minutes earlier; you can take 30 minutes out of you lunch break or 30 minutes after work (at home or in the gym). You do not have to go to a gym to get fit; you can get a very productive workout session in the house too. It is all about the effort you put in the time you have. Stop making that excuse and make time.

Age

'I'm too old; it's too late for me to start'. This is another excuse people use to go easy on themselves. You are never too old to start working out. Of course you won't be as agile, quick, strong or fast as a younger person but you're not competing with them. The point is to compete with yourself to become the best version of you. So toss that excuse card in to the trashcan, get on your feet and start moving.

Nutrition

'I eat one meal a day and I'm still adding weight; I only eat fruits and vegetables; I don't eat carbohydrates'. Eat a well balanced diet. This means you eat carbohydrates, fats, vitamins and proteins every day. Eat

a balanced diet that is tailored to your goal. Consult a professional who is able to customise a meal plan according to your individual needs. Eat small meals more regularly to help boost your metabolism with the above in mind. Do all of the above: Eating a bowl of fruits for breakfast and again for lunch doesn't make you healthy; in fact you're doing yourself more harm than good. As much as fruits have vitamins and fibre, they have no protein and are packed with sugars and carbohydrates. Maintaining a high sugar diet over time will inevitably lead to weight gain and may also lead to other health complications such as diabetes. Consult a professional to advise on the best meal plan for you.

Mindset

As it is said, thoughts become things: The law of attraction. The same way you may hope to attract a suitable partner or a fat bank account is the same way you actively have to also attract good health and fitness. The above cannot be enjoyed without good health. You have to want it bad enough, be positive about it, set a goal and work towards it. You have to be willing to show up, workout and follow up after with proper nutrition.

Bad 'habits'

- Stress, depression, lack of sleep, drugs, junk food and polluted environments. Stress: Exercise is a good way of releasing stress and flooding the body with the feel good hormone, endorphins, which leaves you with a much more positive out look to life.
- Depression: Physical activity will help get your mind occupied with something else other than what is causing you pain. You may also find yourself interacting with other people and opening up may help get you out of the gutter.
- Lack of sleep: Regular exercise and a balanced diet may help the body establish a routine and that will help you attain a regular sleep pattern. Also, you will probably be too tired from a full day of mentally exercising your mind at work and your body with a workout.
- Junk food: Stay away. It really has no place in your body; it is mostly mental, emotional and comfort eating. It does your body no good.
- Polluted environments: Try and keep your living and work place as clean as possible. It all starts with you. That paper that missed the basket and you left it on the floor, or that peel you threw on the road. Think about what you are doing and the long-term cumulative effects it will have then action.

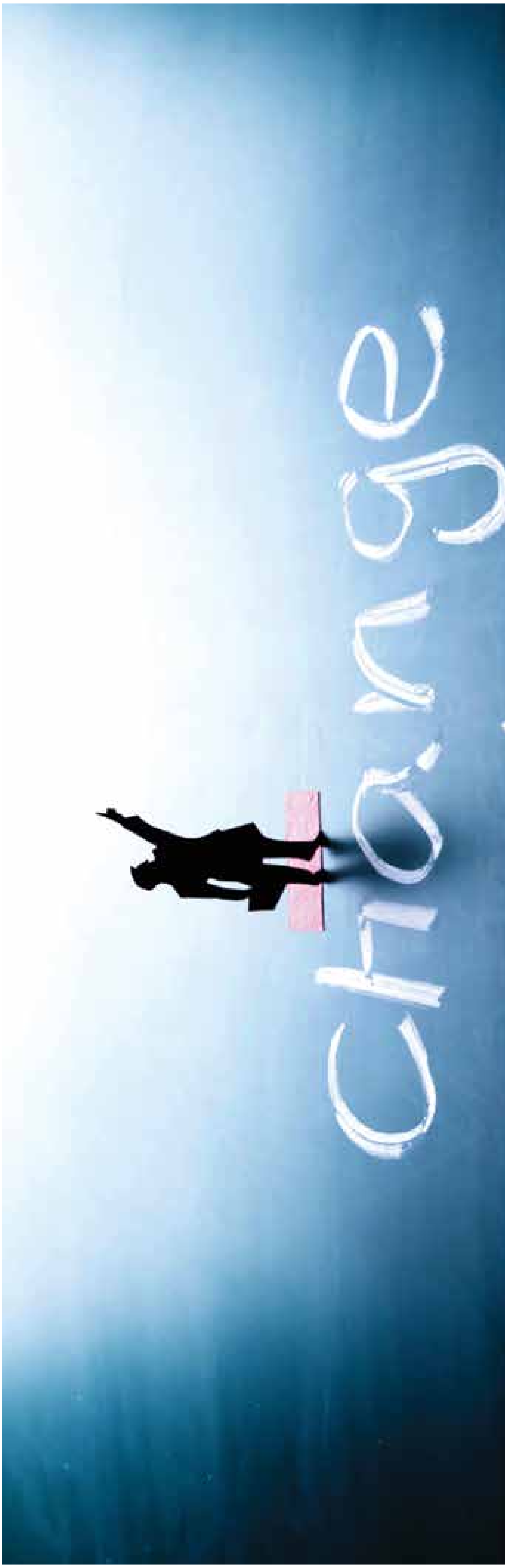
Fitness and health is a way of life. Make it a priority rather than looking at it as a task. If you set out 6pm to 6.30pm as your workout time then set it in your diary as important as you would set a meeting with an investor. It not a time that can be pushed around, you only get one shot. No one needs to know you are going to workout, but make it known you have an important meeting at that time. The rest is all you. That is a proven strategy that works. Prioritise your health and fitness.

Shiverenje Simani is the Managing Director, Fitness Trainer and Lifestyle Coach, JustGymIt Fitness and Nutrition.

Embracing Change at Work; a candid talk

"If you do not create change, change will create you " Unknown

By Irene Mureithi



The beauty of a butterfly is revealed through the change process known as Metamorphosis. Change is a powerful tool for corporate and personal growth. Change can be scary at first and many people resist it because of the fear of the unknown. The corporate environment is volatile, change happens on a daily basis as businesses strive to maintain a competitive edge while strategising for larger market share. Learning how to embrace change at the work place is a key to success and happiness.

Benefits of embracing change:

- Change makes you think: Many years ago when I was a switchboard operator in a certain bank, I read a book that revolutionised my inner world and ultimately ushered me from the bottom: The actual switchboard room was at the basement of a 25 storey building, the headquarters of the bank. I hated the idea of being at the bottom and I was determined to find out the kind of thinking skills that the bank CEO—who sat at the upper floor enjoying a beautiful view of the city—practiced. In my quest to move from the bottom, I realised that I could teach myself how to be a better thinker after I read John Maxwell's book "Thinking for a Change". I made my move from the basement to the banking hall—which was a floor higher—and I was given more responsibilities.

My thinking journey provided me with opportunities to advance my career. I encourage employees to think like the CEO even when they are at the bottom of the ladder because thinking is free and it empowers you to take charge of your inner world. This paradigm shift is needed today as organisations go through various changes triggered by global factors, no one should feel like a victim, even when people have to go home because of restructuring, the ability to think is one of the greatest assets that each individual possess. Thinking empowers you and liberates you to unlock your human capital. When you embrace thinking for a change you avoid the blame game which can be very toxic and unproductive at the workplace.

- Personal strategic plan: An organisation is successfully when there is a strategic plan that gives direction to its vision and daily activities. Restructuring is a great opportunity for an organisation to achieve greater efficiency and profit and to adapt to a changing market. With all the benefits that accrue from this process, nothing causes more fear and anxiety in the corporate corridors than the thought of restructuring. Employers are faced with the difficult task of relaying news of restructuring to employees who are fearful of change and especially when it involves job cuts. Restructuring is guaranteed to happen several times within the lifetime of any organisation as part of business change. No one will be employed forever. From time to time employees will leave an organisation for different reasons. The fear of the unknown that creates resistance is based on the fact that many employees don't operate their lives from a personal strategic plan that should clearly outline their personal vision and mission in life.

Work is a key part of our lives and having clear goals about our finances, work, health, relationships, learning and development, fun and recreation should help each person to have a well-documented personal strategic plan. When this is in place, one can fully plug into the corporate strategic plan of the organisation and fully enjoy the change that comes with different seasons since this will already be part of their personal strategic plan. I had the joy of handing in my resignation letter from the Bank at the age of 33 because I had a clear vision of what I wanted to do with the rest of my life having worked in the banking industry for 10 years. Many of my colleagues who did not embrace the idea of personal development and writing a personal strategic plan, found themselves in a tight spot having to deal with "forced change" several years down the line. Retrenchment can be heart-breaking yet one has an opportunity to plan their resignation. There are three 'R's that every employee should embrace; "Restructuring", "Resignation" and "Retirement".

No strategic plan is cast on stone be it personal or corporate. You adjust accordingly as life unfolds. Empower yourself to embrace change through the power of corporate and personal strategic thinking and planning, which must be documented in a three to five years strategic plan.

- Emotional Intelligence (EI): Research has proved that EI accounts for 80 per cent of a person's success while IQ (Intelligence Quotient) accounts for only 20 per cent. This has been proved over and over at the workplace hence the emphasis on soft skills at the workplace. Every human being has a rational mind and an emotional mind. The emotional mind is 24 times stronger than the rational mind and this explains why highly educated people sometimes make irrational decisions. When I worked in the banking industry, the wave of the pyramid schemes hit the nation and even seasoned bankers who advice others on solid investments lost money to the pyramid schemes which were fuelled by the emotion of greed. We all experience positive and negative emotions. The most powerful positive emotion is love. Loads of money revolves around this powerful emotion especially on certain days such as Valentine's Day and other holidays. Fear is the most paralyzing negative emotion. Have you ever been afraid of something that actually never happened? Is it a question of "False Evidence Appearing Real"? Change arouses different emotions in different people. The level of self-awareness has a direct correlation with the level of emotional intelligence. This explains why some people embrace and thrive in the constant change at the work place and in life while others shrink and shy away from change.

It is all in the mind because as a man thinks so is he. Negative thoughts produce negative emotions that can lead to depression, suppression and oppression of the inherent power in every human being. There are people who have thrived in very difficult situations simply because they embraced change and made lemonade out of life lemons. Positive thoughts produce positive emotions such as joy and hope. Hope is a powerful emotion that can help us embrace change. "The Audacity of Hope" was once given as a powerful speech which later was turned into a book and paved way to national prominence for the former president of the United States, Barrack Obama.

Cultivate positive thoughts and emotions and reap the amazing rewards of a life that is open to change. Stars don't struggle to shine, rivers don't struggle to flow and you should allow yourself to free flow in the midst of constant change. Treat your life and work as a garden and plant quality mental seeds so that you can enjoy a quality harvest of the "Happiness Advantage" in the midst of rapid global change.

Irene Mureithi is the founder, Personal Development Institute

Customer Experience; the winning trends

Innovation has been necessitated not only by technological advancements that have disrupted the marketplace but also by the changing consumer behaviour

By Lucy Kiruthu

Today, the market place is a battlefield. It has in it many players. The players are both customers and companies that provide customers with products and services they need. Companies are working hard to win the hearts of the customers. However, only those companies playingin a manner that creates and delivers a remarkable value are likely to win the hearts of the customers. This kind of value makes the customer feel good. The value is embedded in the overall customer experience: A customer who finds value in the service or product is willing to share their positive experiences with others.

The customer experience is considered a major basis for winning in the marketplace.Today's customers are different from those of yesteryears andthey are more informed than ever before; they are also smarter and know their rights. In addition, they are more demanding yet less forgiving and above all, they are choosy. With switching costs from one service provider to another falling sharply, these customers are able to freely switch service providers as they so desire. Customer loyalty is at an all-time low. Customers are using multiple service providers where one would have been sufficient. They have Motor insurance with one company, Medical with another and Life with yet another. They hold multiple accounts with different banks and shop at different supermarkets. As such, companies hoping to survive into the future must keep up with the winning trends in the customer experience battlefield to win these customers.

The customer experience battle is being fought on many fronts. In many organisations, the focus today is on customer retention. A key question in the minds of many forward-looking business owners and corporate executives is; how can we retain our existing customers and the new customers we acquire? For retention to be a reality, evaluating the overall customer experience from end to end is crucial. This overall customer experience needs to be regularly transformed to meet the rising customers' expectations. At the centre of this customer experience transformation globally is innovation. In 2014, Gartner Incorporation predicted that by 2017, 50 per cent of consumer product investments will be redirected to customer experience innovations and this is evident today. Innovation has been necessitated not only by technological advancements that have disrupted the marketplace but also by the changing consumer behaviours.

This article focuses on four insights on the current trends in the customer experience:

- The Digital Customer

The customer today is moving away from face-to-face interactions. This digital customer no longer wants to visit a company to receive a service or to purchase a product and does not like to make telephone calls. The digital customer prefers to text, they like to chat, they tweet and post updates on Facebook and on Instagram, they are online and they use their mobile phone. In addition, the digital customer is happy with self-service, they can comfortably place their order online without any extra help. They want to be able to contact organisations via multiple channels.

Many companies are nowfocusing on digitalisation as a winning strategy that is driving the transformation of the customer experience. They are keen on becoming easy to do business with and they are making the online and mobile customer experiences painless. Making products and

services accessible online and via the mobile phone is at the centre of this trend.

- Customer Experience as the new Marketing Trend

A positive word of mouth is today the strongest form of marketing. Therefore, customer experience is the new marketing trend and organisations are spending more and more to create positive customer experiences that will get customers talking.

Organisations are also making their adverts more customer focused. Unless our marketing efforts are focused on adding value to the customer experience, these efforts are doomed to fail.

- The Voice of the Customer

The voice of the customer is louder than ever before. Customers are sharing their feedback online. Unhappy customers are shouting online when the service or product does not meet their expectations. If I want to go to a restaurant today or book a hotel, I first read the online reviews. Customers are helping each other by reviewing businesses after an interaction. Any potential customer finds these reviews useful. On the other hand, many businesses are keenly following this feedback, responding to those that need a response and taking corrective action as desired. Smart businesses are learning from the mistakes that their competitors are making. Only those companies that are proactive in creating and delivering outstanding experiences stand out all the time.

To take advantage of the voice of the customer, it is crucial to have a system of capturing customer feedback after every interaction. It is also important to deal with complaints before they explode. Smart businesses do not wait for a customer service issue to trend online before they take action; they act immediately.

- Use of Data Analytics in Decision-making

Use of data to enhance how businesses operate is another winning trend. Collection of data and the use of market intelligence have made inroads across many industries. Today, many companies have an organised and systematic way of collecting useful data and analysing it. They are interpreting the data in order to inform important business decisions. In the arena of customer experience, there is data thatcan help understand consumer behaviour in particular what customers need, how they feel about the services or products they are receiving, their preferences and their spending habits among other aspects of their interactions. Use of data in decision-making is helping organisations identify opportunities to improve their customer experiences. For example, if data from your telephone call management system shows that customers are waiting too long before their calls are attended to, do something to reduce the wait time. If your hospital management system shows that customers are taking too long to be served at the pharmacy, take corrective action. Customer data can also be used to identify peak times and hence inform staff scheduling. Every business needs to identify its data needs and collect data to inform decision-making.

The foregoing four trends currently have the greatest impact on customer experience. Therefore, if you are considering transforming your business and taking it to the next level, think about the overall customer experience in light of these four tends. Be intentional about meeting the needs of all your customers, create positive experiences, listen to what they are saying and use data to make better decisions. We need to play to win. Let us aim to make our customers' journey painless by taking steps towards the right direction. We cannot serve customers the same way we did ten years ago.

Lucy Kiruthu is a Management Consultant and Trainer connect via twitter @KiruthuLucy

Actuaries; their role in dynamic insurance

In most jurisdictions, actuaries play a statutory role where they independently assess various aspects of an insurer's practices and performance

By Seth Chengo

Insurance is about promises. In exchange for premiums collected today, an insurer makes a promise to settle a claim in the future, in the event one arises. In the recent past, we have seen the 'promises' offered by insurers increase to mirror the sophistication of insurance consumers.

Flexible products that are tailored to different customer needs are constantly emerging in the market. Insurers are increasingly taking advantage of technological advancements and changing consumer tastes and preferences in order to grow their businesses. Take the example of Admiral, a UK based insurance company that specialises in car insurance. In an attempt to maximise sales, it targeted young inexperienced drivers on Facebook, offering a discount to drivers who allowed it to access their private Facebook accounts. Despite the unsuccessful attempt by Admiral last year, we are increasingly seeing insurance products being offered through new distribution channels, including social media. Traditional products and distribution channels are under threat, with insurers being forced to innovate or become obsolete.

Times have also changed in Kenya. Gone are the days when bank accounts were restricted to a few wealthy citizens. The introduction of platforms, such as M-pesa and a host of web applications, has enabled people to transact without ever leaving the comfort of home. Whereas we have made great strides in enhancing financial inclusion in Kenya, there is a general feeling that more can be done on the insurance front. With the current relatively low insurance penetration level of 2.98 per cent (Swiss Re sigma report No 2/2016), there is scope for growth in the insurance sector off the back of disruptive technologies and initiatives.

With the changing global trends in technological advancements and disruptive technologies, how can insurers make the most of these platforms to improve insurance awareness and penetration? How can insurers design products that will meet changing customer needs and still remain financially sound? How can insurers charge a fair price reflective of the emerging risks being underwritten? How can insurers make the most of the available opportunities by leveraging on available expertise, including actuaries?

Actuaries as Drivers of Innovation

Actuaries measure and manage risks, making financial sense of an uncertain future. Whereas risks are often viewed in light of possible downside exposure, actuaries can assist insurers in converting some of these risks into opportunities. Combining their analytical and business-oriented skill sets, actuaries are best placed to help insurers cope with and maximise on the emerging technological trends.

Central to the roles of an actuary, is the design of profitable products that are able to meet changing consumer needs. Actuaries are able to assess the viability of a given product and advise on possible changes based on market and product analysis. An example based on our local industry is the development of index-based agriculture and livestock insurance products. Through a partnership between the government, insurers, reinsurers and multinational organisations, livestock and agriculture insurance products

continue to be rolled out across several counties in Kenya. At the heart of this innovative product is a team of actuaries who provided technical support in the design and implementation of this product. Using data collected from satellites and weather stations, actuaries were able to design products that addressed the needs of farmers across the country.

With the onset of big data, actuaries can not only help insurers to design relevant products but can also help in the efficient distribution of these products. Most insurers sit on tons of data, including customer details and preferences, data which can have significant commercial value. It is often the case that insurers have several legacy systems that are hardly integrated, with each system dealing with different products and/or lines of business. Actuaries can help identify opportunities to cross-sell different products to existing customers by analysing available data, including customers' age, gender, profession, insured assets, tastes and preferences. Claims underwriting is also another area where an insurer can benefit from big data, pre-screening claims to identify any fraudulent or erroneous claim. An insurer that maximises on data analytics is likely to reap handsome returns in the short to medium term.

Pricing of products can also be a key differentiator when selling insurance products. Actuaries can maximise on innovative technologies to ensure that prices charged are reflective of risks being undertaken, leading to competitive pricing structures. A good example of this is the introduction of telematics where the cost of one's motor insurance policy is pegged on the usage of one's vehicle. Pay-As-You-Drive and Pay-How-You-Drive motor products are increasingly becoming common in certain jurisdictions, where insurance is pegged on how far you drive or how safely you drive. An electronic gadget fitted into one's car transmits information to the insurer about the distance covered and the safety of the driver. Based on this, an insurer can provide favourable insurance rates to safe drivers and/or short distance travellers. Another example would be reducing medical insurance rates for policyholders who have enrolled to a gym. The use of actuaries to price such innovative products will lead to increased insurance penetration as products will closely match the needs of consumers and rates charged will appear more equitable.

Enhancing Confidence

With the emergence of disruptive technologies in insurance, traditional insurance practices are under threat as insurers seek to maximise on the changing social and economic environment. Sadly, these developments also bring to the fore new risks and challenges that were previously not envisaged. For example, a system glitch could lead to unprecedented losses as was observed at Knight Capital, where a loss of USD 440 million was experienced due to a software glitch that lasted a few minutes. A similar hit in the local insurance space could ultimately lead to contagion, which is likely to significantly reduce insurance uptake.

Apart from helping insurers maximise on opportunities arising from disruption, actuaries are equally responsible for maintaining the financial health of insurance companies. Actuaries are specialists at managing and minimising risks, thereby protecting shareholder value and promoting policyholder confidence. In most jurisdictions, actuaries play a statutory role where they independently assess various aspects of an insurer's practices and performance to ensure that each insurer remains financially sound despite the changing economic and technological environment.

One fundamental area of practice for an actuary is determining the amount of assets that should be kept aside today to settle future uncertain claims. Factoring in the changing products and customer demographics is no easy task, especially since actuaries strive to achieve comparability among insurers. Actuaries' roles in the preparation of financial information has also been accentuated by the introduction of IFRS 17—an international accounting standard on insurance contracts with a mandatory effective date of January 1, 2021. This accounting standard requires insurers to apply standardised actuarial modelling techniques to quantify their insurance contract liabilities. For insurers to thrive in a dynamic environment, financial performance must be consistently and contemporaneously monitored by actuaries.

Actuaries are also responsible for assessing the risk profile of insurers and advising on the level of capital required. We have seen insurers take up bigger risks locally, including increased exposure to large construction and infrastructure projects. Actuaries can advise insurers on the optimal level of risk to retain, pointing out cost-effective ways to transfer excess risk to third parties, including through reinsurance and hedging arrangements.

Actuaries are also involved in the development and implementation of governance frameworks including enterprise risk management, asset liability matching and investment policies among others. These governance frameworks ensure that management and the board of directors keep abreast of emerging risks in a dynamic environment.

Actuaries can drive opportunities while managing emerging risks. In Kenya, we currently have over 30 qualified actuaries who are working locally and are passionate to develop a strong and robust insurance industry. It is high time we maximise on their skill set as we disrupt the 'status quo' and strive to build stable, trusted local insurers.

Seth Chengo is a Resident Actuary, Alexander Forbes Financial Services - East Africa and he is a member of The Actuarial Society of Kenya (TASK). The views and opinions are those of the author and do not necessarily represent the views and opinions of Alexander Forbes and TASK.

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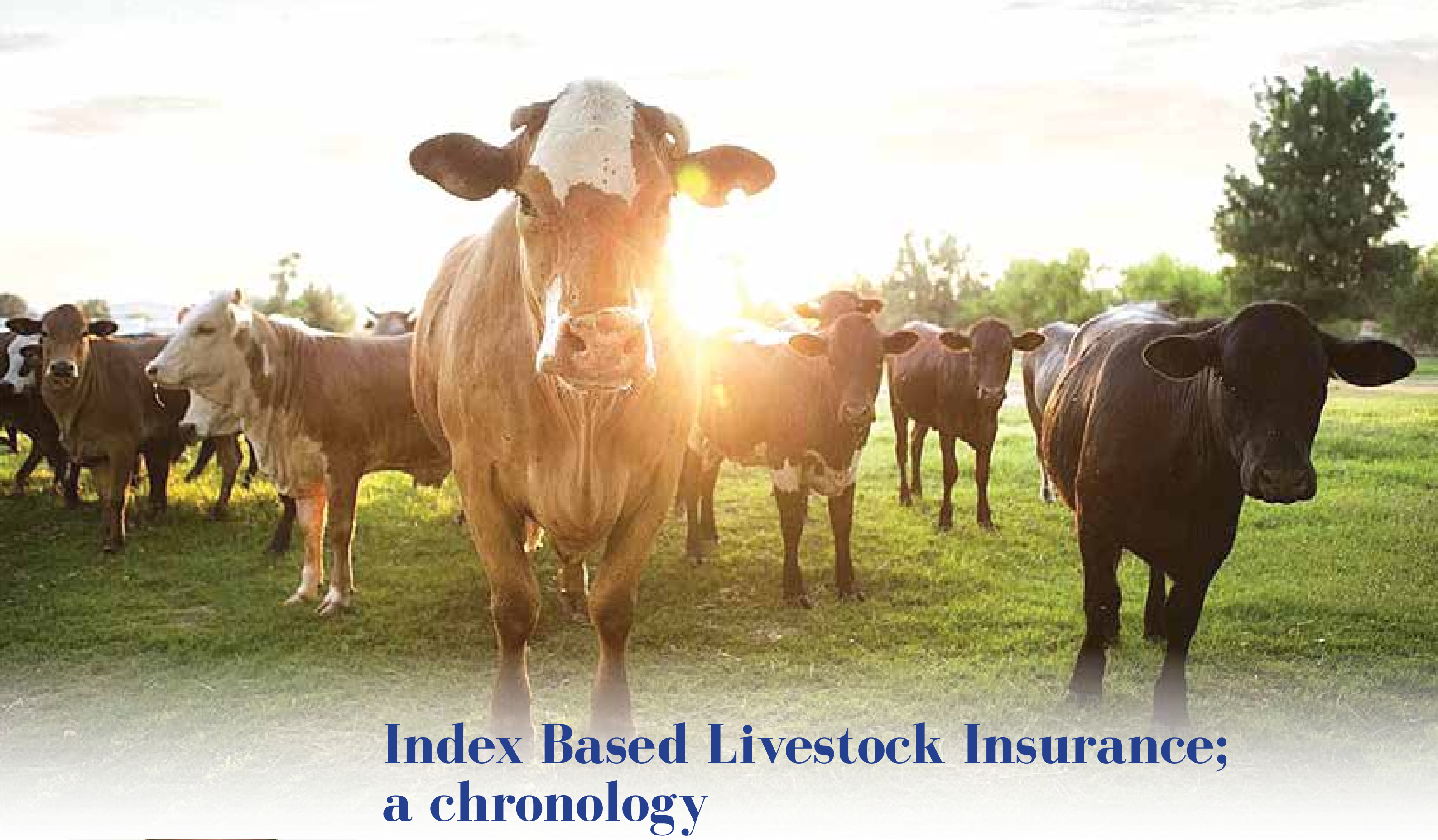

Index Based Livestock Insurance; a chronology

So far about 16,000 households in Kenya and southern Ethiopia have benefited from this innovation

By Maina Waruru

On the evening of October 12, 2016 agriculture experts, scientists, researchers and development activists gathered in Des Moines Iowa, United States, to honour one of their own for coming up with an innovation the world's agriculture and development community felt was by all means revolutionary. The man of the evening was Kenya's own Dr. Andrew Mude an agriculture economist who works at Nairobi-based International Livestock Research Institute (ILRI).

Dr. Mude, a 40 year old economist had earlier in the year been named the 2016 winner of the Norman Borlaug world food prize in application of field research , an equivalent of Nobel prize in the world of agriculture for inventing the world's first Index-Based Livestock Insurance (IBLI) earlier in 2009. Remarkably, the insurance product was targeted at some of the poorest farmers in the world and to who even the word insurance itself was alien.

Besides being feted during the night where he delivered a speech on his passion for seeking solutions for sustainable livestock keeping across the world, Dr Mude went home with a US$ 10,000 cheque in award money, an equivalent of Ksh. 1 million.

The feeling then—as it is now—was that inventing livestock IBLI was a noble idea if for nothing else, the fact that it was targeted at helping pastoralist communities in northern Kenya who year after year incur huge losses occasioned by deaths of livestock owing to frequent droughts.

While it took the world community years to take notice of the invention, the first step towards IBLI was made in 2009 when Dr. Mude and his team at ILRI conceived the idea of cushioning herders against losses resulting from increasingly frequent droughts—partly blamed on effects of a changing climate.

The idea was (and remains) using satellite generated images/data to monitor the state of vegetation in northern Kenya—thus the term index—as opposed to sending scouts to monitor the state of the foliage in the semi-arid region.

Pay-outs were to be made based purely on the changes in the colour of vegetation from green to brown, indicating drying vegetation as opposed to compensation based on the number of animals dead, and irrespective of whether animals had died or not.

"With the use of satellite-generated data it will be easy to measure the greenness of the vegetation and ascertain that animals were indeed dying from lack of pastures", says the inventor.

Satellite data on the condition of pastures is obtained free of charge using a feed on computer from free-to use US Government's National Oceanic Atmospheric Administration.

With most of the paper work done and completed at conception stage, it was time to test the idea; first talk to herders, recruit a number then bring on board insurance companies for purposes of piloting the idea. So in 2010 on board came UAP insurance

company and Equity bank as local partners and with funding from the World Bank and the United States Agency for International Development (USAID), the UK Department for International Development (DFID), the Rockefeller Foundation and in partnership with US-based Cornell, Wisconsin and Syracuse universities as partners the pilot project was launched. Marsabit County—one of the most arid regions in Kenya and where livestock deaths have become a routine occurrence—was chosen as the location for the pilot.

By 2012 the pilot project had managed to enrol about 2500 farmers in most of northern Kenya. During the same year, a drought was experienced in northern Kenya and parts of Ethiopia leading to deaths of thousands of animals. At this stage ILRI, decided to pilot the scheme in Ethiopia as well.

In southern Ethiopia region neighbouring Kenya, ILRI piloted the insurance that according to Brenda Wandera—then an IBLI project development officer—had the initial target of 2,700 farmers. Back in Kenya, the insurance had been expanded to the entire northern Kenya region including Wajir but still on pilot basis. Challenges though were being encountered, chief among them the fact that the residents of northern Kenya are Muslims and therefore could not just buy the conventional insurance policy that other policy holders take. To overcome the hurdle, Mude and his team had to go back to the drawing board and come up with a scheme that was acceptable to the Muslim faithful, and in so doing they roped in Takaful Insurance Africa who had the expertise to design an Islamic compliant product.

In March 2014, the Takaful Insurance of Africa made the first payout amounting to Ksh. 50,000 to some 100 families in Wajir County, following the November 2013 to March 2014 dry spell.

The success of this initiative drew the government's attention recognising that IBLI was a noble way to cushion livestock keepers against the vagaries of drought, and shield them from extreme poverty that has become the norm in the frontier counties of Wajir, Turkana, Samburu, Isiolo, Garissa, Marsabit and Mandera. The ministry of agriculture with support of the World Bank launched its own Kenya Livestock Insurance Programme (KLIP) in 2015, with an initial target of 5,000 farmers, this time extending the service to Turkana County, another drought epicentre.

So far about 16,000 households in Kenya and southern Ethiopia have benefited from this innovation by Dr. Mude and even more important, Governments across Africa are learning from it with the aim of using the IBLI concept to protect their own farmers.

By early 2016, about 11,800 IBLI contracts had been signed, representing an insured livestock value of more than half a billion shillings and Ksh. 15 million indemnity payments made to insured pastoralists in northern Kenya.

Indeed Governments and development agencies are seeking help from ILRI in testing IBLI-type policies across West Africa's and Southern Africa's dry lands. In Ethiopia for example, the government in partnership with United Nation's World Food Programme (WFP) has integrated livestock insurance as part of its food security strategy, in appreciation of the fact that insurance of this nature was not merely an economic but a social issue as well.

"In future, more than 50 million pastoralists across Africa are expected to have an opportunity to benefit from this financial technology", says Dr. Mude.

According to him, the next step in IBLI is scaling it up to reach more farmers; something he believes is attainable with the support of Governments and development agencies.

The Kenya government and independent estimates place the value of livestock in northern Kenya alone at Ksh. 46 billion, a huge insurable industry with the right approach.

Maina Waruru is a science/ agriculture writer

Ref: https://news.ilri.org/2017/05/29/ilris-index-based-livestock-insurance-and-takaful-insurance-of-africa-win-2017-insurance-innovation-award/

Technological Disruption; stemming fraudulent claims

An integrated health platform will drastically reduce paper-based claims to track, increase accuracy and accelerate payment cycles

By Gilbert Ndirangu

Technology is an equalizer. Activities which, due to complexity and cost, were only found in the realm of Government and corporates in the last century are now mostly found daily in our pockets. Almost without exception, these gains were products of teens and 20 year-olds in dormitories and their parents' basements, not the complex air of fortune 500 corporates.

In third world countries, simple solutions to complex problems are rarely accepted due to inflexibility of incumbent decision makers, mostly due to fear of progress or, sometimes, fear of already identified loopholes being shut. The Kenyan educational and health sectors are squarely in the crosshairs at this point.

There are 4,793 public funded medical facilities out of 10,436 medical facilities in Kenya serving a population of 40 million. Statistical data generated by all these facilities needs to be centralised for meaningful analysis and trends by administrators.

Traditional acquisition of electronic medical record software and computerisation of medical facilities has been extremely capital intensive. While administrators and doctors were eager to embrace technology, the cost of acquiring equipment and reliable expert advice has been the biggest hindrance.

An immediate beneficiary of this development is the insurance industry. Fraud prevention in this sector has been a mirage due to reliance of paper-based records which are prone to manipulation.

The medical insurance business suffers from fraudulent claims from health providers who are willing participants, individually or institutionally. An integrated health platform will drastically reduce paper-based claims (which are a headache to track by themselves), increase accuracy and accelerate payment cycles.

A close look at the current state of the Kenyan health sector reveals two players joined at the hip with convergent issues:

A) Medical facilities and their administrators would want to have accurate data for;

- Budgetary purposes,
- Statistical data on medical encounters,
- Monitoring of disease outbreaks,
- Verifying status of medical personnel.
- Monitoring status of medical personnel,
- Monitoring efficiency of medical personnel,
- Prevention of leakages,
- Enhancing healthcare provision.

B) Insurance industry would like to;

- Prevent/minimise fraudulent claims

• Identify and sanction medical personnel/facilities with inflated medical figures compared to the industry norm,

• Reduce premiums on their clients.

The Sector Problem

Each participant's needs and wants in the health ecosystem are unique and observations of this ecosystem reveal:

- The patient is primary (the product). They have been kept in a state of dependency by denying and demystifying their health information needs. They are totally at sea and at the mercy of all players in the health ecosystem.
- Mercenary doctors who are motivated by profit only. This is especially so in private facilities that will perform unnecessary procedures, tests, over-medicate and generally do anything they can to inflate bills. Medically insured patients are their favourite and will maximise out the cover as long as it is ethically possible to get away with it. Competition to acquire patients is steep and they will do anything.
- Private medical facilities primary concern is reconciling insurance claims and payments thereof. Any losses they make in unpaid claims are adequately covered by the huge profits made on the successful claims.
- Public medical facilities suffer from graft due to less strict controls in financial management. This ranges from lax administration of personnel, inventory, supply chain management and poor record keeping. The county and central government inherit all the disadvantages of poor record keeping with resultant losses in budgetary expenses and less effective monitoring. Individuals engaging in graft are the main beneficiaries of this lack of data.
- The insurance industry pays the highest burden for all these efficiencies. Fraud in insurance claims is estimated at 39 per cent.

With current advances in cloud computing technology, there is no need to invest in expensive computer infrastructure, servers, computer rooms and dedicated staff. There are systems that can modernise public and private health facilities, delivering health data in a standard manner, deployable and ready to run in 48 hours with focus being on:

- The Patient: Given that they are the primary interest of all are provided a Patient Health Record (PHR). This would enable them to have a complete record of their medical history accessible to them only, enable easy transference of medical facilities without loss of data and create a sense of confidence and assurance.
- The Doctor: Any doctor in Kenya has the ability to afford an Electronic Medical Record (EMR) with easy data storage and availability. It is the most sophisticated system which offers universal PHRs for patients, forwards insurance claims automatically, reconciles payments and calculates profits easily. The best part of all, they can get it at no cost to themselves.
- Medical Facilities: No medical facility, from a single doctor practice to level 5 facilities, will lack the ability to own an EMR at par with the best in the world. Their patients get the coveted PHR, are able to track profit centres and inventories, get accurate insurance claims and reconciliation while calculating profits in an easy manner.

The successful implementation of an EMR platform which transmits statistical data will greatly enhance their record keeping while executing their decision making in health management.

- The Insurance Industry: Loses due to inability to interrogate claims in a timely manner will be reduced due to accurate data from the platform. Further to minimising cost of processing/ investigating claims, they can now encourage medical practitioners to utilise a trusted platform for timely payments.

Insurance companies will have unparalleled access to insurance data from all medical facility databases, limited to company, of course and can generate global intelligence; such as profiles of fees generated by doctors/ facility. This, for example, will enable the industry to isolate doctors/ facilities that generate huge claims for procedures which are comparably low-cost industry wide.

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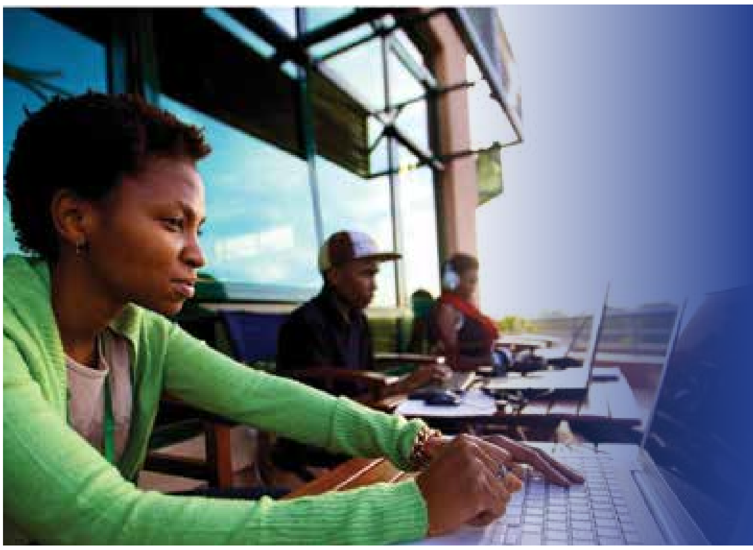


The successful implementation of an EMR platform which transmits statistical data will greatly enhance record keeping while executing decision making in health management.

Disruption and Innovation in Insurance

Data analytics can create a 3D approach to risk and support insurers disrupt pricing models and risk based methodologies

By James Norman

Globally the Insurance industry is highly vulnerable to disruption; confidence levels are low, premiums are stagnating, it has low levels of customer centricity and touch points and it is a complex, intangible product compared to other industries. Within East Africa, this is combined with high levels of financial exclusion, low penetration rates, trust gaps, information asymmetry and very traditional distribution channels.

Disruptors and innovators are therefore targeting the entire insurance value chain, driven by technology and this is causing a global transformation of insurance that is already impacting Africa. Insurers are partnering with them and investing heavily to further accelerate the pace of change.

The disruption is causing intense competition and the creation of new insurance ecosystems through convergence of markets—for example bancassurance, retail, travel, and consumer goods. Non-traditional players are now transacting insurance so boundaries are rapidly becoming blurred and we are starting to see this across East Africa. This is also then a key trigger of transformation.

The insurance industry now faces a critical moment with disruption creating both opportunities and threats for the industry. In a recent global survey carried out by KPMG, 250 CEO's surveyed said:

"The next three years will be more critical than the last 50 years."

The top concerns from the survey were how to stay competitive; how to react to the threat of new entrants; and a lack of confidence in their own ability to transform and survive.

Changes in demographics, technology, our environments and human behaviour are the four megatrends that are driving disruption in the industry. These trends are highly interconnected and their overall impact to the industry will significantly shift insurance value propositions. The wind of change is blowing across the global sector.

Changing customers preferences and needs mean insurers must deconstruct how they do business and redefine their value chains and products with demand for customer-centric-high-touch services being on rise. Advancing technologies is the key to unlocking new customer journeys that are faster and easier.

For a long time, insurance has been among the slower markets within financial services in embracing innovation. This is starting to change as we have recently witnessed the onset of expansive digital transformations such as robotics and the introduction of digital channels to reduce errors and increase compliance and efficiencies. This does require scale and enhanced governance and we can anticipate more robust regulation. Strategically, insurers are focusing on inorganic growth and value-led partnerships to achieve digitalisation- we are seeing many mergers and acquisition opportunities- with an aim of entering the digital ecosystem.

The traditional has become non-traditional and data is the new currency. Google and other fin-tech companies are working to disrupt insurance. Google's' prophetic decision years ago to not only map the entire U.S but to also make that map 3D has been a huge asset to the company. It has opened a door big enough to collate data that has the ability to transform the way insurance is provided. For example, the power of data analytics can create a 3D approach to flood risk and earthquake risk. This type of data can support insurers adjust pricing models and risk based methodologies.

The next step is also intriguing and very powerful. It is easy to imagine Google layering similar types of information onto its map of the world for wider insurance purposes. Governments at all levels are making more information available digitally, so Google could incorporate data about where and when accidents occur, where break-ins happen, where and when muggings occur and so on. Furthermore, it could add information, from public or private sources.

Google will have vast stores of very precise information to add to its model of the world, based on things like Smartphone analytics, driving telematics, medical data, and travel habits. This in itself is an example of sector convergence. Once you take all this information and map it to such a precise model, there will surely be some non-obvious and highly valuable insights. Whatever angle is taken, it is evident that its starting point will be the most sophisticated model of the world and we are seeing it already. For example lifestyle insurance, utilised on smart phones.

Google are additionally pioneering self-driven cars. These may be on the streets of London and New York by 2020 and have profound disruptive characteristics around liability, pricing, and distribution. The transfer of risk will be re-focused from driver negligence to products liability. using such technology.

As partnerships and innovations grow insurance is facing pressure to share these vast banks of data. That brings new challenges as most of this information is sensitive client data. Automation within the industry involves the use of digital platforms to connect with customers, thus making them ripe for cyber-attack. Many insurers do not consider themselves a target and do not have the appropriate degrees of controls in place and in emerging markets this is more acute. They also face many challenges, including legacy systems that are not well connected, with manual workarounds. These create breaks in the chain, making it more difficult to secure a system. It is also harder for insurers to identify cyber intrusions than other financial institutions since they don't have the same frequency of customer transactions compared to retail banks.

The whole purpose of disruption, innovation and transformation is to ultimately make it easy for customers to use insurance and increase trust and access. Currently, insurance customer satisfaction is generally at its lowest point during the claims period and this may signal further potential for disruption.

Social media is now part of every-day life across the world—making it a joined up and instant world—and it offers an opportunity for insurers to interact with their clients in ways not possible before.

Customers expect that when they contact the insurer via social media they should get immediate feedback. Social media can therefore pose both threats and opportunities to insurers. It gives the insurer an avenue to market their products and innovations in real time as well as understand their customers better. It also exposes the firm to reputational risk, particularly if a claim is declined.

With the ever more blurred lines around insurance the new ecosystems can threaten or empower insurers. With the entry of new players, the market is likely to experience: A shift to non-traditional distribution channels with deeper customer engagement; a change in underwriting practises as underwriting will become increasingly data-driven with the availability of connected data and a shift from reactive to proactive claims management. It is therefore easy to see why the next three years will be so critical to insurance.

“The whole purpose of disruption, innovation and transformation is to ultimately make it easy for customers to use insurance and increase trust and access”

Can Africa leapfrog this technology and will it be a future reality?

Block chain has so far proved to be one of the most disruptive transformations across the insurance value chain. With its endless role, one of its most disruptive applications is the development of smart contracts models. Smart contracts involve the use of self-executing protocols within block chain. Data is shared across all the counterparties. In the event of claim occurrence, data is shared across all counterparties to allow for immediate verification. This facilitates instant claim processing and payment. Use of block chain in index based insurance where payments are made immediately can help in cost cutting and fraud.

Global insurance giants such as AXA are investing heavily in block chain start-ups and this investment is reflected by other insurers in other disruptive insure-tech- including the likes of Aviva, Munich Re and Swiss Re. Lloyds of London, the largest global market and an institution that dates back centuries, are redefining their target operating models

Disruption is here to stay. It poses fundamental questions and many will wonder if the industry will be 'uberised' by new entrants, partnerships and models. It is certain that this global change will enable the African insurance markets to leverage the rising middle classes and young population to transform insurance at all levels but it will require bold strategies and investments.

James Norman is Head of Insurance- East Africa- for KPMG Advisory Services Limited. The views and opinions are those of the author and do not necessarily represent the views and opinions of KPMG.

Personal Branding; fake it till you become it

"Just believe in yourself. Even if you don't, pretend that you do, and at some point you will."
Venus Williams, Tennis player

By Derek Bbanga

Fake it till you make it as a way to improve performance, build confidence and communicate more effectively. Harvard Business School professor, author and social psychologist Amy Cuddy, gave a Technology, Entertainment, Design (TED) talk on the topic, in which she talked about how body language affects how others see us, but also how it changes how we see ourselves. Her hypothesis was that it is possible to 'fake' feelings of power through changing how we hold our bodies until we truly feel more powerful. Changing posture and even attitude could change behaviour. In other words, you don't sit slumped in the chair because you are tired, but you are tired because you are sitting slumped on the chair. Another way of doing this is going through a daily routine as though it is enjoyable, even though it seems unbearable. Even though at first it feels forced, the idea is that eventually it becomes both easier and real once you break through the conditioned way of thinking and also building resilience in the process; literally, faking it till you become it. You must be the person you have never had the courage to be. Gradually, you will discover that you are that person, but until you can see this clearly, you must pretend and invent.

The old "fake it till you make it" advice might have suggested that if you are in sales for example to "fake it" by purchasing an expensive car so that you appear successful to a potential client. The thinking behind this is to appear wealthy to mentally convince the customer that what you are selling them will make them rich as well. Is this honest? No, and if the client were to find out that you really weren't, you would lose credibility. This is where the difference from "making it to becoming it" lies. It is about building long-term confidence rather than resorting to short-term fakery. It is about authentic and honest personal branding. Your thoughts and actions over time create the person you are to become.

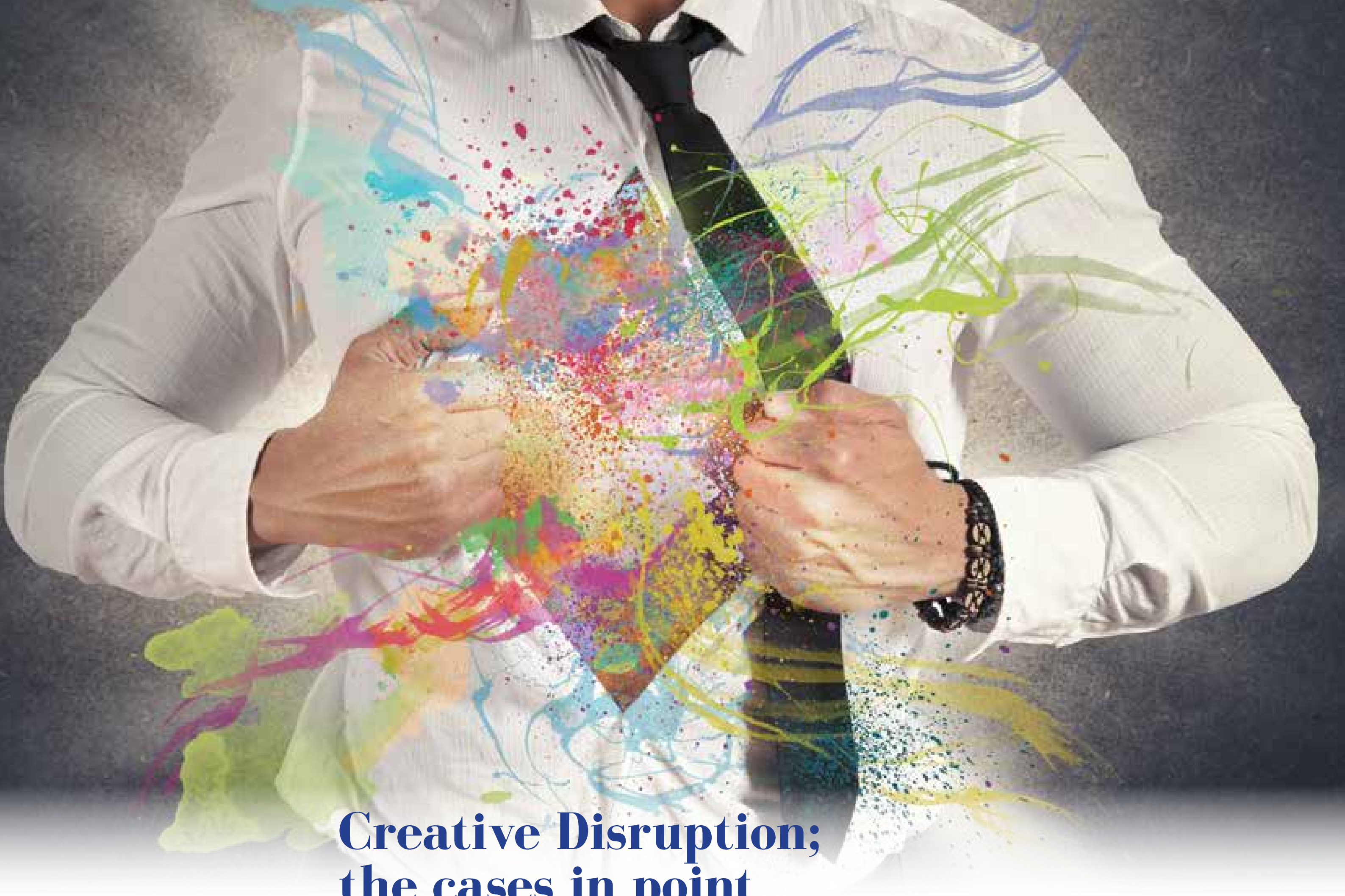
In her TED talk, Cuddy also talked about a student who was usually quiet in class and eventually told Cuddy that she just did not feel like she belonged there. Cuddy urged her to show up to class the next day and to act powerful, even if she did not feel strong inside. The next day, her student spoke up and the other students noticed. She continued in this vein and within a few months, the student had changed completely, becoming more vocal and assertive. She had boosted her (long-term) self-confidence by simply acting self-confident every day. Cuddy was helping her to avoid getting stuck in a self-fulfilling prophecy relating to the fear of not being confident.

In an article about an experiment that was conducted by a psychologist, a group of 16 elderly men were recruited to live in isolation for a week. Half of them were instructed to reminisce about the year 1959, a year of their youth; while the other half actually lived like it was 1959. They watched the same TV shows, listened to the same music, talked about that era's world events; and doing all this like it actually was in the present, not many decades in the past. At the end of the week, those who lived like it was 1959 scored better on a number of tests, and were rated by observers as actually looking younger than their counterparts who only reminisced about the same year. The conclusion of this experiment therefore was that if you think and act as though you are healthy, you will actually become healthy. If you think and act like you are good at something, you will become just that.

If you think long and hard about something, the universe will reward you by either giving that thing to you, or by helping you to become that which you think about. With this in mind, it is indeed time to set yourself up for success. If you have been waiting for a promotion that does not seem to be manifesting, you can volunteer for a new leadership position—especially one that you may be under-qualified for. Alternatively, set an ambitious deadline for yourself at work. Somebody is bound to notice. Even if they don't, you still get to learn new skills and excel. It functions a lot like that self-fulfilling prophecy, as you work smarter to achieve your goals. If you fail and do not achieve the promotion, don't worry you will learn from the experience and be better prepared the next time the opportunity comes around. Tennis player Venus Williams said, "Just believe in yourself. Even if you don't, pretend that you do, and at some point you will." Ask yourself what will happen if you don't give it a shot? I dare say you'll be no further ahead.

Remember how body language is one of the ways you can fake it till you become it? Start right now as you are sitting reading this article by changing your posture. Posture affects our body chemistry, thoughts, feelings, and physiology. When we feel powerful, we use expansive, so called "high power" poses. In other words we sit tall, we take up space, and we open up. When we feel powerless, we use "low power" poses; we bend, cross hands and hunch over. Look at yourself right now. How are you sitting or even standing? What kind of power are you showing the world—and to yourself? Look around, do you stand out or are you making yourself almost invisible. Do you feel powerful or weak? How you hold your body can affect others' perception of you as well as your own sense of wellbeing. Finally, begin to dress like the person whom you envision yourself to be. A better image results in an elevated self-esteem, which consequently boosts your confidence and encourages better performance and gives you more recognition. Remember, it's all about confidence and no matter how you feel, get up, dress up and show up even if it feels unnatural. After all life is too short not to give it your best shot.

Derek Bbanga is a Strategic Communications Consultant with Public Image



Creative Disruption; the cases in point

"Success is a lousy teacher. It seduces smart people into thinking they can't lose"
Bill Gates, Co-founder, Microsoft Incorporation

By Aram Kaboro

Creative disruption is a game-changer. Courtesy of the concept,entire industries are being revolutionised by challenger brands that did not exist a few years ago. Just think of taxis and hotels: No one would have anticipated how rapidly Uber and Airbnb would disrupt the foundations of these conventionalbusiness models.

Much of what is obtaining in business disruption is hinged on technology with the Internet beinga major disruptive force. Many new companies that use the Internet have managed to disrupt entire industries. Uber came from nowhere to take significant business away from taxicabs, shuttles, and rental cars. Airbnb did the same to the Hotel Industry. Digital cameras have managed to significantly disrupt the film business—giving people the ability to take and share photos and movies without the laborious process of developing the film in dark-rooms.

The businesses that have the tools to sense the changes and adapt before it is too late are the ones that are more likely to survive. Those that fall asleep are far less likely to make it. To increase chances of survival, it is important to critically look at the strategies to adopt. The marketplace is constantly evolving and changing. To be successful, you need to put in place a system that continuously monitors the marketplace, collects feedback in real time, analysesit, reports the factual truth to decision makers, and takes corrective action. What worked yesterday, may not work tomorrow, and the information about tomorrow is often available today. You need the right telescopes and microscopes to see what is going on and react swiftly once the information is properly evaluated.

To create an innovative working culture and climate, managers need to make sure that all employees know that innovation is a job requirement. It should be woven into the fabric of the business and given a prominent place in job descriptions, procedures and performance evaluations. Innovation should be defined to include incremental as well as revolutionary improvements. In a Harvard Business Review interview, Katsuaki Watanabe of Toyota said, "There is no genius in our company. We just do whatever we believe is right, trying every day to improve every little bit and piece. But when 70 years of very small improvements accumulate, they become a revolution". Over a 35-year period, Toyota's innovation culture increased the number of annual suggestions per employee 480-fold from 0.1 to 48.

Innovative companies recognise that failure is an important step in the process of success. They understand that with each failure, the company moves one step closer to success. In this way, failure is given a positive value. For example, if a successful product brings in Ksh.1 billion in sales, and it takes nine failures to achieve each success, each step in the process (including the nine failures) can be viewed as bringing the company Ksh.100 million in additional business. This is the positive face of failure.

Disruption can spur internal failure. Kodak invented the digital camera. It did not commercialise this invention because it wanted to protect its film business. The company can be said to have had what is called the Fat, Dumb, and Happy (FDH) syndromewith its success in film. It looked backward instead of forward. To be innovative, you cannot be afraid to obsolete your own products. If you are, others will obsolete them for you. That is what happened to Kodak and similar cases abound.

The Lexus slogan the Passionate Pursuit of Perfection embodies the TQM (total quality management) mantra of continual improvement or kaizen in Japan. This guiding philosophy has propelled Toyota to regaining its lead in global automotive sales.On the other hand, while Dell is not recognised as a product innovator, the company was very innovative in its factory processes, supply-chain management, and make-to-order e-commerce systems. Its efficiency strategies worked quite well for a number of years—giving Dell cost and quality advantages over its "IBM-PC compatible" rivals and Fortune 500 status. Dell got FDH. Founder Michael Dell left for a while. Innovation went by the wayside and sales went south.

Some companies such as 3M and Apple chose self-disruption at a point in their histories when they did not have much choice. For them, necessity was the mother of invention. 3M institutionalised their innovative ways. Time will tell if Apple will continue to innovate now that Steve Jobs is no more.

Being successful in the absence of disruption is a cause for worry.You need to avoid the FDH syndrome, try new things and not rest on your laurels. You have to risk failure to continue to achieve great success. You should know that survival today requires more than treading water, and that many of the companies that were once great are now gone or on their way out largely because they sidestepped disruption.

Disruption does not have to be revolutionary or the exclusive domain of new or improved products. Improvements can be incremental as they are at Toyota, or they can be in business systems and processes as they were at Dell. Innovations can (and should) be in marketing as they have been at Procter & Gamble—the company invented the "soap opera" to sell its soap.

Wherever disruptions come from, however they are done, and in whatever part of the business they occur, companies need to continuously innovate or risk dying by killing the future to save the past. If you do not disrupt your own business once new and better ways of doing things are invented, somebody else will.

To safeguard your business from disruption,you need to beat your competitors to the punch—disrupt yourself and them before they disrupt you. If they somehow get there first, use good branding and communication strategies to get into the brains of buyers before your competitors do. IBM and Apple were rarely first to invent new technology, but they were quicker to position and communicate it to the marketplace. As the cliché goes, wake up and smell the coffee.

Aram Kaboro is the consulting editor of the Kenya Insurer

Ref:

- https://www.forbes.com/#6e612c9f2254
- http://www.investopedia.com/terms
- http://www.huffingtonpost.com

AKI would like to thank APA Insurance, Britam, Directline, Heritage, Jubilee, Kenindia, Kenya Orient, Madison Insurance, Occidental, UAP-Old Mutual and ICEA LION for supporting the Medical Camp held on 10th June 2017 in Gatanga.

The camp attended to over 600 people in the locality for diabetes, hypertension, foot care and wounds treatment, dental extractions and fillings, eye treatment and cataract surgeries, breast, prostate and cervical cancer screening and Voluntary Counselling and Testing (VCT) for HIV/AIDS.

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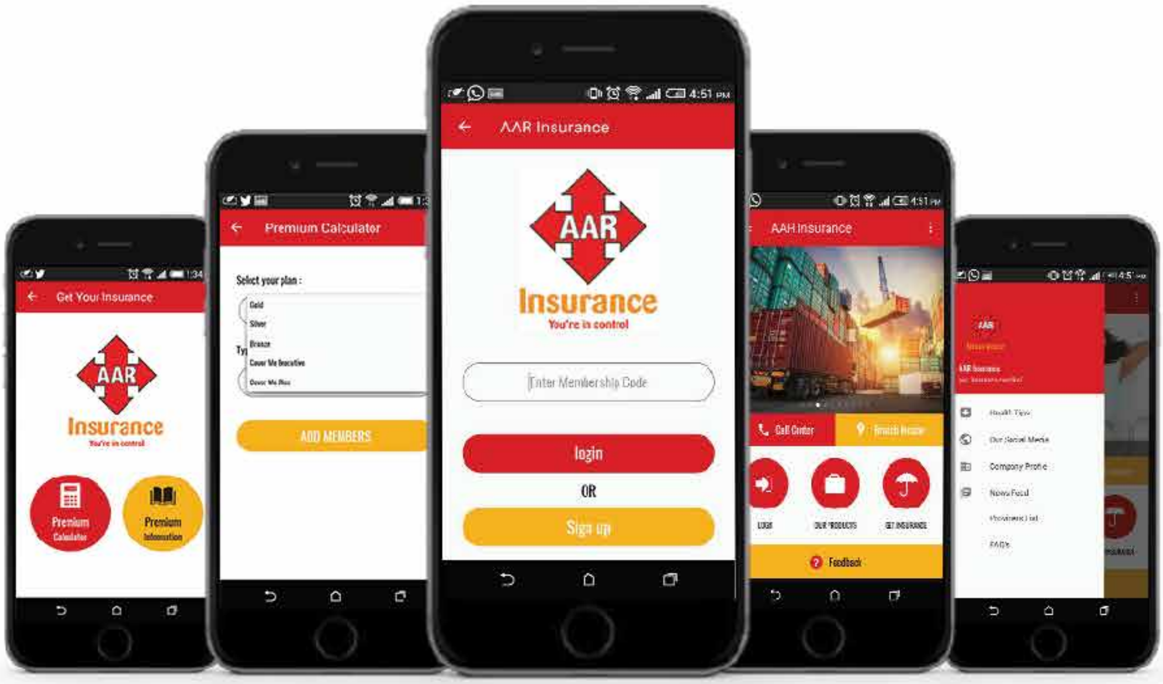

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