

# THE STATE OF MICROINSURANCE IN KENYA

July 2023



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GAME CHANGERS





# REPORT OVERVIEW

1. Study background & Approach

2. Findings

- Section1: Supply side factors
- Section2: Demand side factors
- Section3: Partnership opportunities
- Section4: Impact of regulatory provisions
- Section5: Learnings from regional, global



# STUDY BACKGROUND

# AKI engaged Ipsos to conduct a study on the microinsurance in Kenya on behalf of the industry

## The overall objectives:

1. To assess the current state of microinsurance in Kenya
  2. To establish strategies that would aid in the growth of microinsurance business in Kenya
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1. Determine the **supply-side elements** that are impediments to growth and prospects to expansion of microinsurance
  2. Summarize the **key demand-side factors** that, according to various studies, present growth opportunities & barriers to microinsurance expansion
  3. Investigate untapped opportunities for **collaboration** with the government, NGOs, banks, mobile money providers, microfinance institutions, saccos, insurtechs, funeral homes, agrodealers, community-based organizations, donors, & other
  4. To assess the **impact of regulatory provisions** on regulating conduct & facilitating microinsurance business registration, as well as to discover why companies have not applied for microinsurance licenses
  5. Gather insights on the **global state of microinsurance & trends** that can be used to develop local strategies, as well as the untapped potential of utilizing digital channels & interacting with underserved low-income segments



# Methodology

## The study was conducted in the following ways:

1. Interviews with the industry experts
2. Mystery visits
3. Desk research

Stakeholders / Industry Experts	No.
Insurance companies with microinsurance	13
Insurance companies without microinsurance	8
Saccos with microinsurance	6
Insuretechs with microinsurance	5
Agro dealers / Funeral homes / NGOs with microinsurance	5
Banks / MFI with microinsurance	4
<b>Total</b>	<b>41</b>



A close-up photograph of a hand holding a pen, writing on a document. The word "FINDINGS" is overlaid in large, bold, white capital letters across the center of the image. The background is blurred, showing a blue folder or binder.

# FINDINGS

# 1

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Section 1

# SUPPLY SIDE FACTORS

# Despite microinsurance differing from conventional insurance in that they are more readily available, more affordable and simple, penetration is still low



- **Less expensive premiums:** Microinsurance premiums are usually affordable as they are designed for the low-income earners
- Payment terms are also flexible and can be determined based on a customer's cash flow
- **Contracts are clearly defined with minimum restrictions:** The contract clearly states the benefits and the terms of coverage. In addition, the languages in the contracts are simple with no fine prints
- **Simple claims process and documentation:** The microinsurance application forms require minimum customer information and also the process of settling claims is shorter with fewer formalities required

<http://erepository.uonbi.ac.ke/handle/11295/162756>



# Though the industry faces a number of barriers, industry experts still believe it has potential for growth



## Trajectory for growth;

- People recognize relevance and need for microinsurance products
- Microinsurance is seen to have positive social impact as its increasing financial inclusion among the ordinary Kenyans

*“This will grow in the next five years or so, I think Micro Enterprise Support Program will be more than obligated to apply now.”  
SME support programme” **SME support programme***

## However;

- Without optimal uptake, microinsurance observes losses or low profits
- There is a perception that current products still have gaps based on the needs of people e.g. limitation of health facilities based on covers
- Lack of innovation in the category – conventional insurance products are just customised

Source: Primary Research from Industry Experts

# Despite existing barriers, there are observable efforts to grow the industry though the full impact is yet to be realised

1/2



*“It is an exciting time to be in microinsurance, based on the new regulations, awareness that they are trying to bring in, what is happening internationally, certain sectors or populations etc...”*  
**Insurer with microinsurance products**

## Digitalisation

- Leveraging on technology – distributions through mobile applications etc.

## Increased knowledge

- Stakeholders are communicating about their microinsurance products
- Investment in public awareness & education by stakeholders
- Creative consumer education e.g. Clinics with sacco, organisations, companies that work with informal self employed / employed
- Group subscription e.g. chamas and groups of people taking a microinsurance product collectively

## Regulations

- New regulations & licensing
- Increased statutory microinsurance policies like boda

Source: Industry Experts

Source: Primary Research from Industry Experts

# Despite existing barriers, there are observable efforts to grow the industry though the full impact is yet to be realized

2/2



*“It is an exciting time to be in microinsurance, based on the new regulations, awareness that they are trying to bring in, what is happening internationally, certain sectors or populations etc...”*  
**Insurer with microinsurance products**

## Products

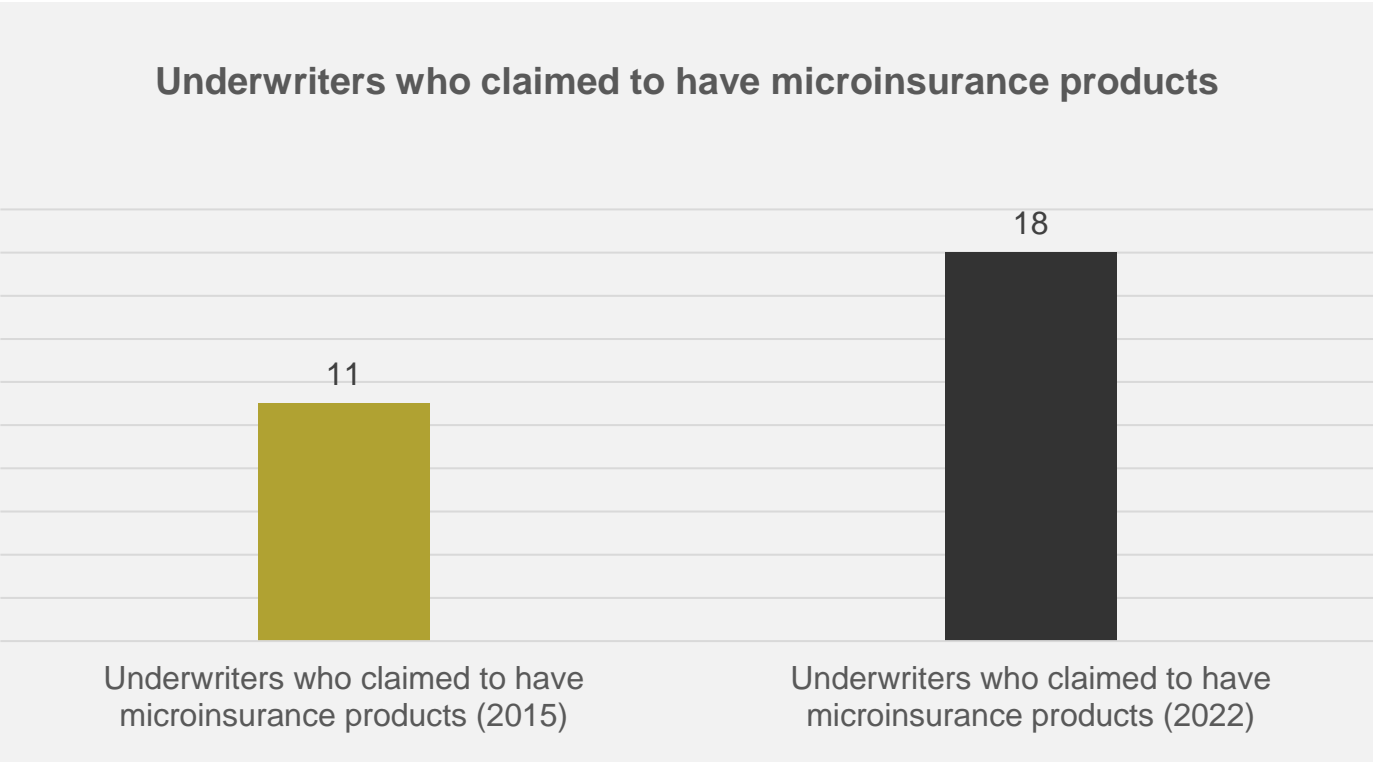
- Increased life microinsurance products compared to the previous past where most were General Insurance
- Simplification of products e.g in terms of onboarding, terms & conditions, communication about the product etc.
- Bundled insurance products

## Partnerships

- Increasing players including foreign investors, nonconventional insurance companies examples, NGOs, universities, hospitals, businesses etc.
- Increased number of microinsurers & insurance products
- Collaboration and mergers in distribution of microinsurance products by insurance companies

Source: Industry Experts  
Source: Primary Research from Industry Experts

Reflective of this, the number of microinsurance underwriters in the market have grown from 11 in 2015 to 18 in 2022, implying potential for growth



Source: Primary Research from Industry Experts

## Microinsurance products have increased both in numbers, and types. While a few have been ‘dropped’, these have mainly gone through restructuring and rebranding

Types of microinsurance products	Count of Present in 2015	Count of Present in 2022	Increase types of microinsurance products
Agriculture	2	5	3
Boda Boda / tuktuk	-	2	2
Credit	1	1	0
Disability	-	1	1
Domestic / Home	-	2	2
Fire & Buglary	1	1	0
Group credit life	-	1	1
Group pension	-	1	1
Health	6	9	3
Health + Last expense	1	2	1
Last expense	4	6	2
Life	1	2	1
Livestock	2	3	1
Motor	-	1	1
Natural Disaster	-	1	1
Pension	1	2	1
Personal Accident	6	5	-1
Property	-	1	1
Savings	3	2	-1
SME	2	3	1
Travel	1	2	1
WIBA	1	2	1
<b>Total</b>	<b>32</b>	<b>55</b>	<b>23</b>

Source: Primary Research from Industry Experts & Mystery Shopping

For products that have been in the market for a longer time, some improvements have been done. However, more recent products have not experienced change

### LAST EXPENSE

- Started off as a last expense **but now includes health – among farmers**

### HEALTH

- Started off as a very basic medical cover. It has **increased in number of benefits** e.g. maternity, specialists etc.

### CREDIT LIFE

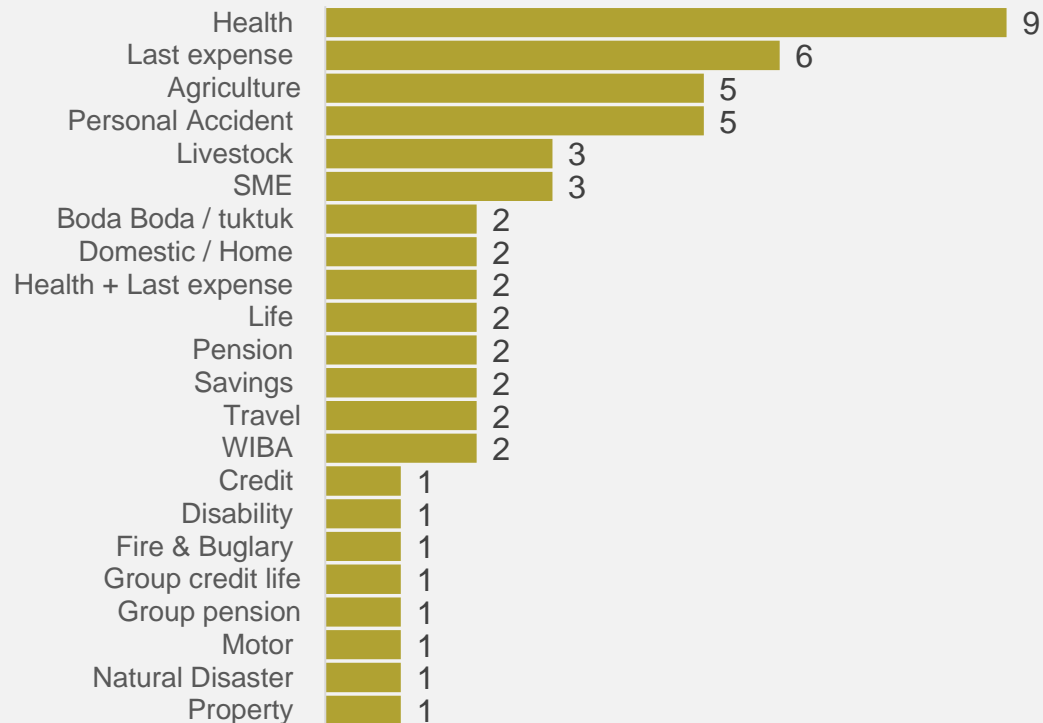
- Initially was a standalone but can also be offered as part of other products
- It has optional modules covering aspects like Health, Property, Last expense etc.
  - One can wish to choose what to pay for within the policy

### LAST EXPENSE

- Includes parents, parents in laws in addition to just previous cover of nuclear family only

# Health, Personal Accident, & Last Expense are the most popular microinsurance products demanded, but most have further potential

Estimate count of claimed microinsurance products in the market, over 55 products



Microproducts perceived to have the most potential

- Health
- Last expense
- Personal accident
- Agriculture / Crop / Livestock
- Savings / money market fund
- Pension
- General liability / Business / Commercial liability
- Fire & burglary
- WIBA
- Travel
- Credit life

*This is no particular ranking.*

*Source: Primary Research from Industry Experts*

- Source: Count of the number of claimed current products

# Health and life insurance are considered to be emotive and ‘necessary’ hence driving the demand

## HEALTH

- Perceived to be emotive
  - Positive relief from those who have received claims
- High cost of health care
- Applicable to a big / all population, as compared to other microinsurance such as agriculture

## PERSONAL ACCIDENT

- More affordable than health insurance policies
- Taken for others who could pose potential liability risk
- It is / can be bundled with a third-party product

## LAST EXPENSE

- Products that will generally be needed / claimed at some point – seen as a current / potential relevant product
- High cost of burials
- Taken by groups such as chamas, relatives who have come together etc.

*The opportunity still exists. The market has not shut us down as insurers to say that we don't want your product. Its about making the product more relevant to the people.*  
**Underwriter**

*These are emotional sales. When somebody is sick and their bill is paid, that's very emotional.*

**Bancassurance**

*If you have a motor vehicle and its third party, the driver is not covered, they have to take a personal accident cover.*  
**Underwriter**

Source: Primary Research from Industry Experts



# Although microinsurance products have potential, their positives and shortcomings vary across the type of products and would need to be addressed differently

## HEALTH

### Positive

- Highly digitalized

### Negative

- Limited health care facilities listed
- Likely to have business losses compared to other policies

## LAST EXPENSE

### Positive

- Highly digitalized
- Incorporated in many other microproducts
- Can be taken by a group

### Negative

- Claim limit perceived to be on the lower end / limited

## AGRICULTURE

### Positive

- Have many relevant distribution points e.g. agriculture saccos, cooperatives, collection centers, NGOs, village gatherings etc.

### Negative

- Variables vary significantly across different farmer situations
- Unpredictable weather
- Challenge proving negligence among the farmers

## PROPERTY

### Negative

- Under declaring property value
- Change in property value during the policy cover
- Business people insuring goods partially and not being able to have continuous updated accurate records
- Not digitalized

## CREDIT LIFE

### Negative

- Tagged mainly with loans; loans become expensive thus not promoted by the loan sellers
- Limited by customers profiles e.g. age
- Not digitalized

- Some micro-insurance products are available on websites, others are not
- Main details are listed, however, there is opportunity to simplify the language
- Sample features of micro-insurance products listed in the appendix

Source: Industry Experts

# Microinsurance products are distributed similarly to conventional insurance, although observing more digitalisation



- **Financial institutions (Direct)**
  - Insurance companies, brokers, agents, banks, MFIs, saccoes etc.
  - Organised groups
  - Cooperatives, associations, trade unions e.g. Majani brokers under KTDA farmers sell to their members
- **Community based organisations**
  - Chief barazas, chamas, NGOs
  - Retail chains / businesses
- **Funeral homes, supermarkets, petrol stations, matatus, funeral homes, agrobusinesses etc.**
- **Mobile network operators**
  - Telcos, insuretechs, fintechs
- **Employers**
- **Institutions**
  - Universities e.g Catholic university, KMTC
  - Hospitals

## Other distribution channels that are leveraged in other markets:

**Post offices & Utility companies like electricity, water** – when people are picking/paying bills or other transactions

[https://www.ilo.org/wcmsp5/groups/public/--ed\\_emp/documents/publication/wcms\\_841527.pdf](https://www.ilo.org/wcmsp5/groups/public/--ed_emp/documents/publication/wcms_841527.pdf)

Source: Primary Research from Industry Experts

Although microinsurance products have incorporated digital aspects in the value chain, there is need for more digital acceleration. Experts perceive that conventional face-to-face is not sustainable for micro products. Experts also perceive that insurance companies might be taking long to adapt the digital routes

### Digital platforms can be leveraged across the insurance process

- Onboarding
- Distribution / Recruiting
- Communication / Education
- Feedback on queries
- Customer experience
- Paying premiums
- Use of automation & AI
  - Allowing e-signatures, digital fulfilment of “know your customer” (KYC) requirements, and digital sales and onboarding & making claims etc
  - USSD codes, WhatsApp, Apps, email, SMS, social media

- Source: Primary Research from Industry Experts

### The digital platforms should offer the following conditions

- Simplicity & intuitive, allowing accusation of information
- Leveraging on social media especially when targeting the youth
- Other language options; Inclusion of Kiswahili, among others
- Clear communication to distinguish credit lending app and/or credit solution

*“Short clips on Twitter, or on WhatsApp can move around faster than a billboard along a certain road. Let's look at ways of advertising through short stories or through short clips that can be disseminated very fast.”*

***Bancassurance***

*“Do I have to fill a physical form or I can just go into my phone and put in my name, my ID number and any other details then I am good? That is a very critical factor.”* ***Insurer with microinsurance product***

# The supply side also observes a myriad of challenges

## Regulations

### e.g. Starting requirements

- Need for a separate microinsurance license
- High starting capital

## Agents

- Agents prioritise on products that have higher premium
- Renewing of agent licenses on an annual basis

## Dealing with customers

- Insurance customers who are irresponsible
- Inconsistency of premium payments year on year
- Perception that insurance is expensive

## Consumer Conservativeness

- Traditional mindset by insurers & salespeople
- Being aloof on feedback shared by distributors especially sales agents

## Fraud

- Fraudulent claims

## Intermediaries

- Change in commission terms by distributors
- Some products co-owned with certain distributors under a partnership cannot be sold by other potential partners
- High rates / cuts charged by the intermediaries
- Intermediaries not having a good grasp of the products & claim procedures
- Partners having poor systems

## Low profitability

- Low premiums versus high claims
- Low profitability

## Stiff Competition

- Undercutting of prices by competitors
- Similar products & prices

## Reinsurances

- Perception there is not enough support on reinsurances for microinsurance business

Source: Industry Experts

*“You will find a farmer who does not even apply fertilizer because they simply have a policy.” Insurer with microinsurance product*

# 2

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## Section 2

# DEMAND SIDE FACTORS

# The industry has been facing the same challenges that have become hard to overcome

## 1. Culture & Beliefs



1. A culture of not dealing with **uncertainty avoidance**
2. Some **cultural & religious beliefs** discourage people from taking insurance covers
3. **Communal responsibility** in cases of **emergencies** / social capital
4. **Other financial products**, are perceived as being more **relevant & meeting immediate needs** e.g. a chama, property acquirement
5. **Other investments** seen to have **better returns** as a source of **saving** e.g. owning a piece of land vis-à-vis an insurance policy

*“In some parts of this country, when you talk about the last expense, they may think that you are bringing a bad omen.” Sacco employee*

# The industry has been facing the same challenges that have become hard to overcome

## 2. Knowledge, Attitude, & Practice

There is lack of a good understanding of insurance, consequently affecting attitude & practice

- Lacks knowledge, & understanding of insurance in general
- Poor saving culture
- Perceived to serve higher social economic households / expensive
- Limited & incomplete information in the market
- Perception that money will have gone to waste if not claimed / hope / optimism
- Negative attitude - risks seldom happen & can be handled when need arises

How can we specifically address education & knowledge building?

- Education & knowledge driven discussions rather than sales of microinsurance products / Financial literacy programmes
- Education, which is continuous & consistent
  - Understanding the relevance of insurance
  - Understanding the key aspects of the insurance policy hence reduce clients feeling like they have been defrauded
  - Deliberate endorsements by relevant individuals in the community – ‘education by the people’
  - Other relevant subjects that impact on premiums & claims; how to reduce risk, benefits & impact of integrity
  - ‘Insurance week’ can be promoted in the country
  - Education of insurance studies in the curriculum

# The industry has been facing the same challenges that have become hard to overcome

## 3. Product relevance

### Relevance challenges

1. “Downgraded” conventional products as microinsurance
2. Push products rather than pull products
3. Products with unfavourable features like a last expense which require beneficiary himself / herself to pay premiums, a last expense that covers only immediate family members
4. Limited no. of microinsurance products in the market
5. Too many details, terms and conditions for some micro covers e.g Personal accidents
6. Challenges in marketing available products i.e. information is complex

*Companies are actually trying to shrink products that already exist, and not really creating relevant products for the market.” **Insurer with microinsurance products***

### Solutions

1. Product innovation based on customer needs
2. Flexible terms i.e. length of policy, premium repayment times
3. Simplified integrated marketing communication on products
4. Improve distribution e.g. via digitalization, Increase non-traditional distribution points e.g. religious institutions, schools for education policies, activations during market days etc.

*“What we have are traditional products just slightly changed in terms of payment, that's what they're doing. I don't think anyone has come up with a very innovative microinsurance product.” **Insuretech***



# 3

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## Section 3

# PARTNERSHIP OPPORTUNITIES

## The industry is currently attracting attention from numerous participants, thus garnering interest from experts who perceive this as a positive development. Several stakeholders may collaborate and participate in consortiums

Category of stakeholder	Policy recipients	Insurance companies	Intermediaries / distributors	Platform providers	Governing bodies	Government partnerships / Consortiums	Development partners
Role	Policy holders	<ul style="list-style-type: none"> <li>Tailoring, designing &amp; providing microinsurance products</li> <li>Own distribution or distribution through intermediaries</li> <li>Payment of microinsurance claims</li> <li>Creating awareness &amp; educating the population</li> </ul>	<ul style="list-style-type: none"> <li>Distribution of the microinsurance products</li> <li>Creating awareness &amp; educating the population</li> <li>Educating the sales contact people</li> </ul>	<ul style="list-style-type: none"> <li>Proving the technology for disseminating the microinsurance products</li> <li>Creating awareness &amp; educating the population</li> </ul>	<ul style="list-style-type: none"> <li>Policy development &amp; implementation</li> <li>Evaluation of underwriter &amp; policy holder from risk</li> <li>Stakeholder engagement in policy &amp; product development</li> <li>Protection of policy holders &amp; settling claims</li> <li>Creating awareness &amp; educating the population</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Funding of programmes</li> <li>Distribution of microinsurance products</li> <li>Creating awareness &amp; educating the population</li> <li>Creating awareness &amp; educating programme / project facilitators</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Funding of programmes</li> <li>Distribution of microinsurance products</li> <li>Creating awareness &amp; educating the population</li> <li>Creating awareness &amp; educating programme / project facilitators</li> </ul>
<b>Sample organisations</b>	<ol style="list-style-type: none"> <li>Individuals</li> <li>Groups such as saccos, cooperatives, chamas etc.</li> <li>Companies</li> </ol>	<ol style="list-style-type: none"> <li>With microinsurance products</li> <li>Without microinsurance products</li> <li>Reinsurance companies</li> </ol>	<ol style="list-style-type: none"> <li>Brokers &amp; agents</li> <li>Banks</li> <li>Microfinance institutions</li> <li>Saccos</li> <li>Credit companies</li> <li>Insuretechs companies in Kenya</li> <li>Businesses</li> <li>Institutions</li> </ol>	<ol style="list-style-type: none"> <li>Telecoms</li> <li>Insuretechs / Mtechs</li> </ol>	<ol style="list-style-type: none"> <li>Insurance Regulatory Authority (IRA)</li> <li>The Association of Kenya Insurers Associations (AKI)</li> </ol>	<ol style="list-style-type: none"> <li>KCEP (Kenya Cereal Enhancement Programme Climate Resilient)</li> <li>Kenya Agricultural Insurance Consortium – partnership between insurance companies &amp; government – to distribute crop insurance</li> <li>Kenya Livestock Insurance Program &amp; insurance companies – to distribute livestock insurance</li> <li>Agricultural Finance Corporation</li> </ol>	<p>NGOs e.g. For All (IFA), One-acre fund, The Agence Française de Development (AFD), Insurance Development Forum, UNEP Financial Initiative, Micro Enterprises Support Programme Trust, Sense International, Afya Yetu Initiative, World Vision, Galk+, Africa Enterprise Challenge Fund, UNHCR, Heifer International, Kounkey Design Initiative_Kibera etc.</p>

# According to experts, and success examples across countries, government remains key in unlocking microinsurance growth

## 1. Ways in which the government can play a role...

### Roles that can be played by the government

1. **Contribution matching** for policies such as pension, NSSF, Life, both with govt. & other private insurers
2. Continued **policies support**, and backing up of these policies
3. In **partnership** with other organizations, have programs on micro insurance
4. Government purposive efforts to support private insurances, **not just NHIF & NSSF**
5. Support in **education** programmes through the **county governments & school curriculums**
6. Provide **subsidies on claims**
7. Favourable / **exceptional taxes**
8. Investment in **data and research** especially for products that are difficult to implement like crop
9. **Reduce risks** through disaster management & other mitigation programmes e.g. floods, building dams, markets/stalls with good physical structures, security etc.

### Consortiums

10. Continued consortiums that are seen to be in the right direction - resources in the consortiums mitigate loss making for insurance companies

Source: Primary Research from Industry Experts & Mystery Shopping

### Verbatim

*“The government should come up with policies and mean well, they should come up with policies in good faith, but what normally happens is just politics.” **Insurer with microinsurance product***

*“As people disseminating the policies, we just insure the crops or livestock, but do not deal with potential cause of failure, maybe this is where government and other development partners can come in.” **Development partner***

*“If an area is prone to drought, then the government takes measures to ensure that there are drought mitigation interventions.” **Insurer with microinsurance product***

*“There's a consortium in which we participate for livestock in the ASAL areas... this is good because risk is spread among many insurance companies.” **Insurer with microinsurance product***

*“It is a tough balance between affordability of a premium and giving a substantial claim. The best way in my opinion is to be able to provide full coverage and to have some kind of social insurance that is accessible to all... such that the government in partnership with the local insurers is able to create something comprehensive.” **Insurer with microinsurance product***

While several players are already actively involved in the industry, there remains ample opportunity for additional entrants. Despite the existing competition, the industry has not yet reached its saturation point, leaving room for new participants to enter and establish themselves

## Involvement of other players

1. Partnership with relevant influential **institutions** e.g. a hospitals being an education center & intermediary for health insurance, religious institutions etc.
2. **Peer to peer** recruitment & incentivisation e.g. Farmers selling to farmers, traders to fellow traders
3. **Groups / associations** - Continued working through organisations that have associations, unions, cooperatives, saccos, welfare groups
4. Work with vast **businesses communities**
5. There is a perception that there is **need for more reinsurance** to micro-insurance business
6. **There is need for Top managers to be more engaged** - more market visits to understand the average client & distributors

## Verbatim

*“There's a lot of support from even the UN and such bodies that have special vehicles, special units that actually come to not just finance but help build capacity as far as developing microinsurance is concerned.” **Insurer with microinsurance product***

*“For example, say if somebody is an Agro Vet distributes a policy to his customers, or a SACCO official to his/her members...” **Insurer with microinsurance product***

# 4

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## Section 4

# IMPACT OF REGULATORY PROVISIONS

## There is some fair level of understanding of the regulations, however there are instances of incorrect instances awareness

Main aspects observed in the regulations

### Incorrect awareness

- The maximum daily premium limits
- Time needed to repay claims
- Need for a new license
- Capital requirements

*"I am aware of the book but I don't have full information about the book." Insurance with microinsurance product*

### Unfamiliarity especially among non-underwriters

*"On the micro insurance regulations that were published in 2020, I am not aware of those." NGO with microinsurance product*

*"I don't even know what those regulations were, honestly. I wasn't at \*\*\* at that point. I don't even know what they are." Insuretechs*

*"The regulation... I know they are there, the micro aspect in 2019 and the regulations thereof, but I have not interacted with them." Sacco with microinsurance product*

### Mentions of incorrect interpretations of the regulations

*"That an employer pays half towards their employee's pension and deducts half of the premium from the employee's income." Insurance with microinsurance product*

*"It can be very limiting because IRA has guidelines on who can distribute an insurance product." Insurance with microinsurance product*

# Industry experts observe some positive aspects of the microinsurance regulations

## Positives aspects

1. Allowing **wider stakeholder** group for **distribution** - businesses / organisations to distribute insurance policies
2. A **licensed** microinsurer is allowed products across the **three insurance businesses**
3. **Lower capital share** of Ksh 50M for microinsurance compared to **conventional insurance** Ksh 150M
4. **Simplification** of the **registration requirements**
5. Continuous updates of the regulations & frameworks guiding the industry
6. The **insistence** on **training & training terms** for distributors
7. A **separate microinsurance license** allows for the microinsurance businesses to **operate** at more favourable environment compared to conventional insurance

## Verbatim

*“The regulation allows for a microinsurance to have products across the three types of insurances. Microinsurance is not so profitable thus cutting across is the new way of managing microinsurance in Kenya.” Insurer with microinsurance product*

*Microinsurance should be handled the way we are seeing it currently being handled. Separate companies handling microinsurance with the independent boats, different regulations that speak to the way customers are handled, the way solvency is computed, the way even reinsurance treaties are written... to provide the kind of support that you require for a long term microinsurance solution.” Insurer with microinsurance product*

• [https://www.google.com/search?q=Regulatory+sandboxes+kenya&rlz=1C1GCEV\\_enGB1045GB1045&oq=Regulatory+sandboxes+kenya+&aqs=chrome..69i57j0i22i30j0i390i650l2.1743j0j7&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=Regulatory+sandboxes+kenya&rlz=1C1GCEV_enGB1045GB1045&oq=Regulatory+sandboxes+kenya+&aqs=chrome..69i57j0i22i30j0i390i650l2.1743j0j7&sourceid=chrome&ie=UTF-8)

## ....However, there are key barriers that limit the growth of the microinsurance industry

1. **Existing underwriters prefer to implement the microinsurance within the preexisting conventional insurance business license**
2. **High share capital of Ksh. 50 million**
  - Although perceived as much lower than that of conventional insurance, some perceive it as still high
3. **Licenses that expire yearly**, some products can be renewed for longer periods (although this applies across board)
4. **Limitations of the current regulations on product innovation:**
  - Some of the products have already been positioned as microinsurance products but do not necessarily meet all criteria
  - Products that would meet current regulation criteria would likely be limited in innovation, profitability & sustainability of the microinsurance business
5. **Some aspects of the regulations are not well comprehended**
6. Microinsurance **should have special tax rates** to allow more competitive pricing of the products
7. **Agents receive the same commission whether selling microinsurance or conventional insurance**
  - Same commission rates for agents on microinsurance products similar to higher premium products
8. **It is perceived that the insurance companies should be allowed to innovate products without having to obtain new approvals from IRA**
  - It is perceived that clients should be notified and no further need to get approval by IRA – driven by particular need at current situation so as not to limit innovation
  - Perhaps have flexible (bracket features) that allow innovation whilst protecting policy holders
9. **The time when claims are supposed to be paid is perceived as being ambiguous**
  - The **time limit** given for claim settlement of 10 days is ambiguous as **different claim settlements** vary according to need
10. **Expanding the stakeholder group would enable wider distribution**

*“IRA has specific set commission rates, but as an agent, you need to have a higher commission for small premium products compared to large premium products.” Insurer with microinsurance product*

*“The issue of price change really should lie with insurance company, not the regulator. If I am the one who is running the risk, then I am the one who knows whether it is burning me or otherwise.” Insurer without microinsurance product*



# 5

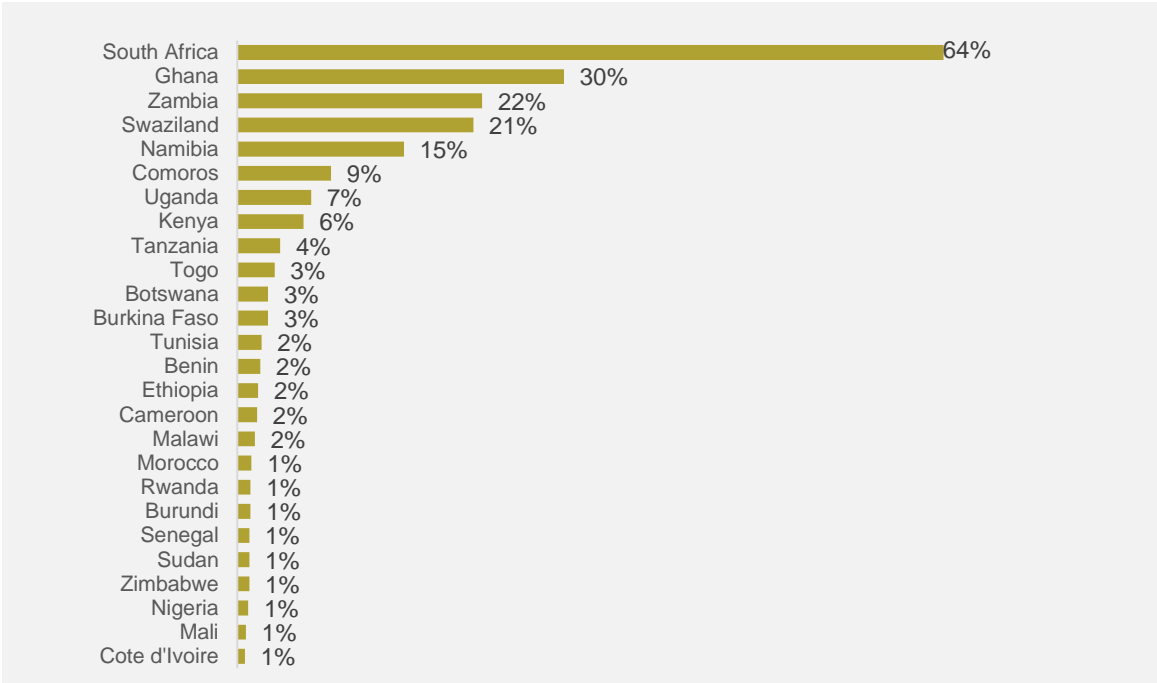
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## Section 5

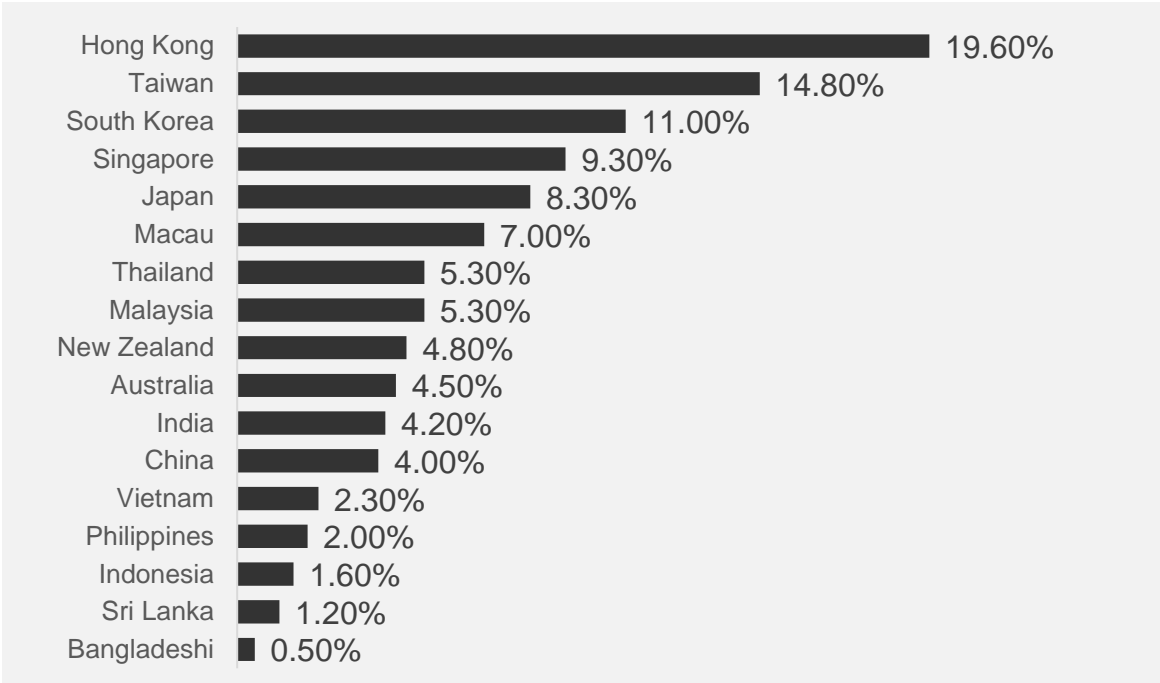
# LEARNINGS FROM REGIONAL, GLOBAL

# South Africa, Ghana & Zambia observe high incidence of population covered by microinsurance products in Africa

Estimate population covered by microinsurance products in Africa (2015)



Estimate population covered by insurance products in Asia (2021)



<https://www.statista.com/statistics/692647/microinsurance-coverage-ratio-africa-country/>  
<https://www.atlas-mag.net/en/category/tags/pays/insurance-penetration-rate-in-asia-pacific>



# Learnings from South Africa

Key successes	Learnings
<p>Relatively low share capital required (R3 million upfront capital) appx. Ksh. 30 million</p>	<p>IRA should look into revising the current share capital to increase uptake of microinsurance licenses</p>
<p>Governance and Operational Standards for microinsurance products are aligned to those of conventional products, however, each product is evaluated based on its own merit</p>	<p>IRA can consider approval of licenses based on product features / delivery rather than overall company requirements</p>
<p><b>Innovative products</b>            Microinsurance contract lengths are shorter, flexible, allow payments to be irregular</p> <p>Innovative instant microinsurance products</p> <p>Platform enabling customers to consult a doctor through video, audio calls, and text messages</p>	<p>Policies that allow for flexibility in regard to frequency and amount of premiums per stated dates</p> <p>One off insurance policies</p> <p>Telemedicine</p>
<p><b>Distribution models used:</b></p> <ul style="list-style-type: none"> <li>▪ Partner-agent model</li> <li>▪ Full-service model</li> <li>▪ Provider-driven model               <ul style="list-style-type: none"> <li>○ Policy holders can pay premiums directly to the service provider e.g. a hospital takes the premiums</li> <li>○ Partners also takes on the responsibility of design, development and delivery of the service to policyholders                   <ul style="list-style-type: none"> <li>✓ Perhaps can be adopted in Kenya on the design, development &amp; delivery</li> <li>✓ High mobile money penetration can be leveraged for payments, and trust</li> </ul> </li> </ul> </li> <li>▪ Community-based/ mutual model</li> </ul>	<ul style="list-style-type: none"> <li>▪ IRA to be less stringent in allowing underwriters to work with various distributors</li> <li>▪ Encourage and find provisions of how underwriters can work with various distribution partners</li> </ul>

<https://www.treasury.gov.za/publications/other/microinsuranceregulatoryframework/policy%20document%20micro%20insurance.pdf>  
[https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_za/topics/financial-services/ey-micro-insurance.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_za/topics/financial-services/ey-micro-insurance.pdf)  
<https://assets.kpmg.com/content/dam/kpmg/za/pdf/2017/08/microinsurance-in-africa.pdf>

# Learnings from Ghana

Key successes	Learnings
<p><b>Purposeful intention by the government:</b> Act, strengthened Act in corporate governance seeking to deepening the insurance penetration, purposeful to target farmers, informal sector, and those with low incomes</p>	IRA needs to lobby to have more government interventions & support in microinsurance
Products mandated by government	Instead of mandatory policies, consider sectors that would most benefit from microinsurance and invest education & investment in this sectors
Special innovation license – to motivate leveraging on technology and innovative products	Regulatory sandbox system where providers are allowed for a period of time considering protection of the customers
Strong support with development partners e.g MicroEnsure (IFC), A2ii, CIMA	Consider more long-term collaboration with development partners
Offering hospital and life insurance through airtime deductions and mobile money deductions	Innovation of payment terms
A financial education campaign ran on radio broadcast that was effective	Education programme run through IRA and AKI rather than brand motivated
<p>Administering a survey to mobile insurance clients:</p> <ul style="list-style-type: none"> <li>• To gauge customer satisfaction and help identify regulatory infractions</li> <li>• If the sales process is effective and if the clients understand and receive value from the product</li> </ul>	<p>M&amp;E programmes to monitor the KAP of insurance practices among individuals over time, driven at industry level</p> <p>Customer experience surveys of insurance users driven at industry levels</p>
<p><b>Access to Insurance Initiative (A2ii)</b></p> <p>Public participation in what the public would want in insurance products</p>	Public participation throughout the insurance process
Education was integrated into a national financial sector effort	
Link consumer protection and consumer education	
Community based supervisor / ambassadors	Need to have community ambassadors in the insurance programmes
Creation of a provider-neutral branding to help standardize independent advice and awareness campaigns	Communication and knowledge creation of the relevance and understanding of insurance
<p>Business clinics were arranged from micro and small business owners. Purpose:</p> <ul style="list-style-type: none"> <li>• Business owners were better able to understand their risks and the role of insurance</li> <li>• Regulator and insurance sector gained vital information on the risk management practices and needs of the businesses</li> </ul>	Clinics to evaluate ideas / needs, pre products and post launch products

# Learnings from India

Key successes	Learnings
Products mandated by government	Instead of mandatory policies, consider sectors that would most benefit from microinsurance and invest education & investment in this sectors
Strong engagement with development partners e,g MicroEnsure (IFC), A2ii, CIMA	Consider & lobby more long-term collaboration with development partners
<b>Digital adoption</b> Leveraging on digital platforms: e-signatures, digital fulfilment of “know your customer” (KYC) requirements, digital sales, onboarding, on a permanent or temporary basis	Adopt a KYC system among the underwriters
<b>Model Insurance Village</b> Comprehensive insurance protection targeted a select population (farmers). Targeted 1,000 villages. The idea was to offer comprehensive insurance protection to all the major insurable risks that villagers are exposed to affordable / subsidised cost Led by the insurance regulator Conglomerate of all insurance companies. Financial support also by development partners	Financial support needs to be explored through government, development partners & reinsurance companies  There is need to look for more opportunities for more partnerships & consortiums. There is also need for the industry to engage more development partners

<https://www.drishtias.com/daily-updates/daily-news-analysis/model-insurance-villages>  
<https://www.drishtias.com/daily-updates/daily-news-analysis/model-insurance-villages>

A glowing lightbulb is centered in the background, emitting a warm yellow light. The text is overlaid on the lightbulb.

# **RECOMMENDATIONS & WAY FORWARD**

# Recommendations & way forward

Main area of improvement	Summary	Suggestions on way forward
<b>Innovative Products</b>	There is need for more flexible/creative & relevant products in the market	Encourage underwriters & provide governing support for Bundled / Unbundled products
		Encourage underwriters to have ideation clinics with people: <ul style="list-style-type: none"> <li>• To establish future need areas</li> <li>• Before launching a product</li> </ul>
<b>Education</b>	There is still need to demystify insurance and increase insurance knowledge among people	IRA & AKI should consider education programmes that drive a general understanding on the relevance of insurance & on types of products
	Increased opportunities for education through partnerships	For more penetration in education, leverage on education through multi stakeholder partnerships
	Easy to understand policies	Simplification of insurance policies when selling & the materials that are available online. Establish materials also in local languages, such as Kiswahili
	Leverage on mass media channels like radio, TV, SMS	IRA, AKI, & other partners can increase education programmes on insurance
	SMS, social media,& other internet channels	Leveraging on digital channels to increase education of insurance
	Incorporation of the importance of insurance in early education	IRA & other stakeholders can lobby for the government to introduce insurance education to be added in the

# Recommendations & way forward

Main area of improvement	Summary	Suggestions on way forward
<b>Digitalisation</b>	Most products are still sold through person to person leading to unsustainability and lower profits	Leveraging on digital platforms: e-signatures, USSD codes, social media, digital fulfilment of “know your customer” (KYC)
	Companies are leveraging on digitalisation in microinsurance but there is room for more adoption	Continued and more acceleration of digitization across the value chain: Digital sales, onboarding, communication, customer experience, payments, etc.
<b>Regulations</b>	Having microinsurance regulations is welcome as it provides a framework to operate. However, there is need to review the current guidelines & guidelines	<p>Consider reviewing the current regulations:</p> <ul style="list-style-type: none"> <li>• Reduce the capital share required</li> <li>• Flexibility in the amount of premiums paid (perhaps give it a bracket) – allow for competition amongst underwriters</li> <li>• Flexibility in the time required for claim payments</li> <li>• Consider allowing already existing underwriters to operate within their current licenses</li> <li>• Lobby for special / favourable tax for microinsurance products</li> <li>• Opportunity to have a license that can be applied for more than 1 year</li> <li>• More education on the regulations amongst stakeholders</li> <li>• Different terms for agents in regard to commissions whilst selling microinsurance products</li> <li>• Allow for flexibility in changing products specifications without having to be reviewed by IRA – but with parameters that protect customers – perhaps have a range within the regulations</li> </ul>
<b>Development partners &amp; other partnerships</b>	Markets that observe high incidence of insurance also observe engagement of development partners in the insurance industry	There is need for IRA to map out more development partners to collaborate with other stakeholders in the industry



### 3. Product remains another key aspect that must be given focus as the industry continues to open up 1/2

1. **Bundling & unbundling** of microproducts
2. **Adding non-insurance** services e.g. Financial advisory services
3. **Length of policy** - *“There should be covers of like one month for policies like personal accident...”* **Bancassurance**
4. **Timelines in payment of premiums** - *“If you go to tea farmers, for example, maybe the best time to pay is when the bonus has come. Otherwise in between the season it becomes difficult for them to pay.”* **Insurer with microinsurance product**

5. **Working with businesses / individuals to innovate** policies incorporated in daily products & services
6. **Creative innovative products / relevance** e.g.
  - A health / personal accidents that can be taken for domestic managers
  - An insurance that covers children from different homes
  - Micro health with telemedicine etc.
  - a last expense covering other family members such as parents, siblings

7. For health care, **increased no. of health care facilities** listed
8. **Less stringent products** e.g. a business policy that does not require one to have a security guard, CCTV system, to have a burglary policy
9. Products with a **refund of premiums** if not claimed
10. Products that can observe **many touch points for distribution & uptake**

11. **Profiling & niche products** based on specific demographic groups, e.g. youth, SMEs, elderly people, certain industries, Takaful, single mothers, etc.
12. **Working with companies / organisations** that have **interest** in these special groups
13. **Workshops / clinics** ideas, needs, & products with **these special groups**
14. **Product evaluations / concept testing before launching**
15. **Flexibility in evolution** of current products

*“Before launching a product, the CEO of Safaricom would just do a random visit to one of the branches, talk to even the lowest employee to gauge how customers would react to the product.”*  
**Insurer with microinsurance product**

Source: Industry Experts

# Suggestions on how to increase microinsurance

## Collaboration & partnerships

1. Collaboration among insurances rather than competition:
  - In product design, marketing, & distribution of products
2. Increase non-traditional distribution points e.g. religious institutions, schools for education policies, activations during market days etc.
3. Insurance companies to improve on commissions
4. Continued focus & investment on agent / distributor training
5. Higher commission rates to agents for micro compared to higher premium products –
6. **Players working together to increase the number on insured and commitment in premium payments to make micro-insurance profitable & sustainable**
7. **Partnering with grassroot organisations** for this education, in addition to working with agents
8. Working with registered groups / cooperatives offering benefits e.g a cooperative can advance a member a claim on behalf of the insurer

- *Expert interviews*
- *Annual report 2015 - Microinsurance Network*
- [https://min-media.s3.eu-west-1.amazonaws.com/Landscape\\_2021\\_report\\_VF\\_3aeba44c18.pdf](https://min-media.s3.eu-west-1.amazonaws.com/Landscape_2021_report_VF_3aeba44c18.pdf)
- <https://erepo.usiu.ac.ke/bitstream/handle/11732/3921/KENNEDY%20TIENO%20ODENYO%20MBA%202018.pdf?sequence=1&isAllowed=y>

## Communication

1. Leveraging on WoM & digital platforms in creating awareness educating people
2. ATL advertising & communication
3. Get people to give **testimonials** on their positive experience with insurance claims / benefits

## Government

1. Education on insurance can be incorporated in schools & universities
2. Govt. support
  - Tax relief on insurance products
  - Educational programmes / financial literacy programmes
3. Continued support by IRA in advertising & communication

**THANK**

**YOU**

**GAME CHANGERS**

