DETERMINING KEY STRATEGIES FOR REVOLUTIONIZING THE INSURANCE INDUSTRY

Strategy Report Prepared by:

14TH SEPTEMBER 2017
“The best way to predict the future is to create it.”

Abraham Lincoln

1809-1865
OUTLINE

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The objective of the *Determining Key Strategies for Revolutionizing the Insurance Industry Scoping Project* was to investigate the linkage between the various factors seen as driving the insurance industry performance towards enhancing the efficiency of the insurance business environment and building sustainable insurance businesses systems through innovation and improved practices.

**FOCUS AREAS**

- **Innovation and technology**
- **Human resource changes**
- **Industry practices**

**METHODOLOGY**

- Qualitative Research through 5 Focus Groups and 43 In-depth Interviews
- 1016 individual, 235 SME and corporates interviews and 95 mystery shopping interviews and observations
WINNING ASPIRATION
Key Question 1. What is our winning aspiration?

- Achieve 500 Billion in industry revenue by 2020
- Increase *penetration* to 6.5% by 2020
- Achieve *density* of Kshs. 10,000 premium per head by 2020.
Understanding of the Context

- The project sought to make recommendations to the industry on how it may achieve the growth envisioned through:
  - Deeper understanding of the consumer;
  - Broader understanding of the industry perspective through the value chain;
    - Analysis of Industry benchmarks by country
    - Establishing industry conduct that will enhance consumer trust
    - Identifying growth avenues and crafting strategies for these
SITUATION ANALYSIS
Key Question 2: Where are we and how did we get here?
Industry Milestones

- Socio-economic changes
- Adoption of technology
- Non-conventional competition
- Impact of NHIF
- Impact of devolution
- Mega insurance
- Globalization
- Rise of populism

Source: AKI/Transector Study 2017

Government influence

Economic expansion

Source: IRA, February 2017
The numbers!

Economy

- GDP growth slowing as inflation rises
- GDP 2018-2020 projections: 5.8%, 6.1% and 6.8%

Demographics

- Population growing at 2.6%
- Urban population comprises 25.6% of total population (Annual growth 4.34%)
- Age group in years:
  - 0-18 (47%)
  - 18-24 (12%)
  - 25-54 (34%)
  - 55+ (7%)

MSMEs population:
- 1.56 million licensed
- 5.85 million unlicensed MSMEs

Contribution to Gross Domestic Product by Activity

<table>
<thead>
<tr>
<th>Industry</th>
<th>2016 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>32.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.2</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>7.9</td>
</tr>
<tr>
<td>Real estate</td>
<td>7.4</td>
</tr>
<tr>
<td>Wholesale and retail trade; repairs</td>
<td>7.3</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>7.1</td>
</tr>
<tr>
<td>Construction</td>
<td>5</td>
</tr>
<tr>
<td>Education</td>
<td>4.4</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>4.1</td>
</tr>
<tr>
<td>Electricity supply</td>
<td>1.7</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>1.7</td>
</tr>
<tr>
<td>Information and communication</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Population distribution by Age (18-54 Yrs 46%)

The average Kenyan is 19.5 years old!

Elections may curtail economic growth!

- In **70%** of the elections conducted in Kenya have resulted in a shrunk economy a year after.
- **8 Months** required to recover from the slump
- **Likelihood** of a slump in economic growth in 2017/18

*Source: Institute of Economic Affairs, World Bank & KNBS*
Key Question 3: Why the low Insurance Penetration?
Key Issues

1. Customer Situation
2. Low innovation
3. Lack of market orientation
4. Skills Gaps
5. Other cross cutting issues (Undervaluation of assets, Unethical practices and Regulatory Issues)

Source: AKI/Transector Study 2017
Key Question 4: What are the key truths in the current insurance environment?
# The External Environment

## Political
- 70% of the elections conducted in Kenya have resulted in an economic slump.

## Economic
- GDP to grow at 5.5% in 2017, 5.8% in 2018 and 6.1% in 2019.
- High inflation - currently at 11.7% for the first time since 2011.
- High unemployment levels.
- Domestic credit dropped from a growth of 20.8% to 6.4% in 2016 due to decline in lending to private sector.
- Overall membership of National Hospital Insurance Fund (NHIF) grew by 16.5 per cent to 6.1 million in 2015/16.

## Social
- The millennials are 12 million strong.
- Urban dwellers constitute 26% of the population.
- Consumer sophistication.
- Post-secondary student population at 2.3 million
- Sacco's and 'harambee' are substitutes to insurance products.

## Technological
- More than 12 million smart phones in Kenya.
- Mobile penetration is 88%; Internet penetration is 90%.
- High engagement on social media (6 million Facebook accounts; 2 million active users on twitter; 10 million WhatsApp active users; 3 million Instagram and 1.5 million on LinkedIn).
- Over 32 million mobile money subscribers - M-Pesa transacting billions of shillings a day.
- Increasing technology adoption (daily internet access at 49% and 44% on smartphones).
- Insurers warming up to technology based products (smart contracts, internet of things).

## Environment
- Ongoing drought has led to crop failure, dying herds of livestock.
- Food insecurity.
- Index insurance growth in North Eastern.

## Legal
- Merging of regulatory authorities to FSA will have implications for insurers
- NSSF Act 2015 requires retirees to buy annuities at a discount rate of 6.5% from insurance companies, yet the market rate is approximately 10%.
- New guidelines on Capital adequacy and Anti-Money Laundering - New minimum capital requirements 1bn (600M for Short term and 400M for Long term) by June 2018.
- Unclaimed Financial Assets Act – new requirement to submit unclaimed assets.

Source: AKJ/Transector Study 2017
Low Industry Attractiveness [Current]

**Power of Agents/Brokers**
- **High:**
  - Brand carriers.
  - Consolidators/Aggregators.
  - Influence price.
  - Significant reliance on them.

**Threat of New Entrants**
- **Medium:**
  - Non-traditional insurers like Insuretechs, Fintechs, Bankers and Telcos see opportunities.
  - Medium entry barriers for Capital owners.
  - New multinational players see opportunities.

**Competitive Rivalry**
- **V. High:**
  - Informal ‘insurers’ and ‘risk mitigation channels’.
  - Large number of insurance companies.
  - Price undercutting.

**Threat of Substitutes**
- **V. High.**
  - Chamas, Saccos, Merry go rounds, Mpesa, fundraisers
  - Mobile loans (Mshwari, KCB, other Apps)
  - Real estate, shares, jewelry.

**Bargaining Power of Suppliers**

**Bargaining Power of Customers**
- **High:**
  - Buyers are more discerning
  - Buyers have cheaper alternatives to choose from.

Source: AKI Annual Reports, Past Reports and AKI/Trasector Study 2017
Key Question 5: What have other countries done?
## Benchmarking

<table>
<thead>
<tr>
<th>Country</th>
<th>Products</th>
<th>Channels</th>
<th>Technology</th>
<th>Segments</th>
<th>Market Focus</th>
<th>Legal</th>
<th>Social</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>India (3.4%)</td>
<td>Single Lifetime premium, Affordable rural covers (1.5%-5%)</td>
<td>85,000 bank agents (40% of sales-2015)</td>
<td>200k online policies sold in 2015. Needs based selling 15% cost saving</td>
<td>Rural, Youth and middle class</td>
<td>Flexibility, bundling and Brand promotions, Low income focus</td>
<td>Rural and low income focus and e-commerce drive by regulator even directly, subsidies up to 100%</td>
<td>Rising life expectancy (68 years)</td>
<td>2 million agents</td>
</tr>
<tr>
<td>China (3.18%)</td>
<td>Online, Tech upgrades and ecosystem</td>
<td>Bancassurance ( 39% -2014) 1,764 2,546 full-time institutions</td>
<td>Big data, cloud, block chain, and AI.</td>
<td>Rural, urban (44%), and middle class</td>
<td>Awareness and innovative pop.</td>
<td>Rural focus and Insuretechs drive by regulator</td>
<td>Rising life expectancy (76 years)</td>
<td>210k part time agents</td>
</tr>
<tr>
<td>South Africa (14%)</td>
<td>Affordable Bundled covers ( $7 p.m.)</td>
<td>Direct channels–60% -2014 of new clients</td>
<td>Slow adoption</td>
<td>Urban and rural, Established middle class</td>
<td>Property insurance (33% of short term. Consumer education (R 80m))</td>
<td>Micro-insurance focus Ombudsman</td>
<td>High awareness</td>
<td>Youth attractor pack</td>
</tr>
<tr>
<td>Namibia (7.2%)</td>
<td>South Africa influence and life products</td>
<td>High banking density and agency banking in rural areas.</td>
<td>Slow adoption</td>
<td>Rural, Urban Regional bloc</td>
<td>Life growing faster than GDP (over 70% of premiums)</td>
<td>Low poverty index.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morocco (3%)</td>
<td>Life, Health insurance for students and motor</td>
<td>Bancassurance (linkage to loans and direct marketing); compulsory drought insurance for agricultural loans</td>
<td>Slow adoption</td>
<td>Youth, urban Middle East, expanding mortgage market</td>
<td>Farmers, Service quality, consumer protection and economy focus. Assessment centers,</td>
<td>Sharia-compliance, New solvency rules, 50% drought subsidy, natural catastrophic scheme, government officials assess losses</td>
<td>Arab and Europe influence</td>
<td></td>
</tr>
<tr>
<td>Mauritius (6%)</td>
<td>Life, Motor insurance</td>
<td>Financial sector</td>
<td>Online car insurance (June 2012)</td>
<td>Multicultural High savings (14%)??</td>
<td>Competition in insurance, 24 hour economy</td>
<td>Best in ease of doing business in Africa</td>
<td>High income, 2nd highest HDI; 3rd highest GDP per capita in Africa</td>
<td>500 local Technical skills and 7 expatriates</td>
</tr>
</tbody>
</table>

High Industry Attractiveness [Future]

**Power of Agents/Brokers**
- **Low:**
  - Technology (China)
  - Bancassurance (China and India)
  - Direct Channel (South Africa)
  - Youth attractor pack (South Africa)
  - Institutional / Part time agents (China/India)

**Threat of New Entrants**
- **Low:**
  - Insuretechs (China), Fintechs (Pesalink), Bankers (Bancassurance), Telcos (Equity bank), Capital owners (Regulator)
  - Existing customer data (South Africa)

**Threat of Suppliers**
- **Medium**

**Threat of Substitutes**
- **Medium**
  - Insurance aggregating (Chamas, Saccos, Merry go rounds, Mpesa super-dealers)- China
  - Short term products (Mobile loans)
  - Local content (South Africa)

**Competitive Rivalry**
- **Medium:**
  - Convert informal ‘insurers’ and ‘risk mitigation channels’ to customers (Namibia)
  - Drive savings (Mauritius; Malaysia)
  - Single lifetime policy (India)
  - Consortium for underwriting oil industry (Ghana)
  - Focus on collective growth (China)
  - Formalization (South Africa)

**Bargaining Power of Customers**
- **Medium:**
  - Leverage on tech-savvy customers (Insuretechs or partnerships)-China
  - Target alternatives (Equity Case Study)
  - Youth products (Morocco)
  - Rural Focus (India, China, Morocco)

**Bargaining Power of Customers**

Source: AKI Annual Reports, Past Reports and AKI/Trasector Study 2017
FORMULATING STRATEGIES
Key Question 6: Where do we want to go?
## PROJECTIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth Rate</td>
<td>5.8%</td>
<td>5.5%</td>
<td>5.6%</td>
<td>6.1%</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>6,340</td>
<td>6,708</td>
<td>7,077</td>
<td>7,473</td>
<td>7,929</td>
<td>8,468</td>
</tr>
<tr>
<td>Gross Premiums</td>
<td>173.79</td>
<td>193</td>
<td>240</td>
<td>310</td>
<td>400</td>
<td>546</td>
</tr>
<tr>
<td>Insurance Penetration</td>
<td>2.74%</td>
<td>2.88%</td>
<td>3.39%</td>
<td>4.15%</td>
<td>5.04%</td>
<td>6.45%</td>
</tr>
<tr>
<td>Population</td>
<td>46.1</td>
<td>47.3</td>
<td>48.5</td>
<td>49.8</td>
<td>51.1</td>
<td>52.4</td>
</tr>
<tr>
<td>Insurance Density</td>
<td>3,770</td>
<td>4,080</td>
<td>4,948</td>
<td>6,230</td>
<td>7,835</td>
<td>10,423</td>
</tr>
</tbody>
</table>
Key Question 7: What are the distinct segments?
# Individual Consumer Segmentation

<table>
<thead>
<tr>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
<th>Segment 7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who – Demographics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>36 - 40</td>
<td>&gt;40</td>
<td>&gt;45</td>
<td>18 - 55</td>
<td></td>
</tr>
<tr>
<td><strong>Where – Geography</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban/ Rural, colleges and universities.</td>
<td>Urban</td>
<td>Urban</td>
<td>Urban</td>
<td>Urban</td>
<td>Rural/Urban</td>
<td>Rural/Urban</td>
</tr>
<tr>
<td><strong>When – time of receiving income</strong></td>
<td>Weekly</td>
<td>Monthly</td>
<td>Monthly/ irregular intervals</td>
<td>Monthly</td>
<td>Monthly</td>
<td>Daily</td>
</tr>
<tr>
<td>Weekly</td>
<td>Monthly</td>
<td>Monthly/ irregular intervals</td>
<td>Monthly</td>
<td>Monthly</td>
<td>Daily</td>
<td></td>
</tr>
<tr>
<td><strong>Why – motivation/psychographic/values/culture/attitudes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>They want to secure their gadgets; they want to have health and vitality. Have fun. They want to save for a fun event.</td>
<td>They want to secure their new wheels, they want to be healthy for their ambitious future. They want to save for their wedding</td>
<td>They want stability for themselves and family for the future. They want to plan for a holiday.</td>
<td>They want stability for themselves and family for the future. They want to plan for a holiday. They want to protect and grow their wealth.</td>
<td>These are high net worth individuals who want to secure their wealth and to ensure that it will be in the right hands when they are gone.</td>
<td>They want to comply with the law. They want stability for themselves and family for the future.</td>
<td>They want stability for themselves and family for the future.</td>
</tr>
<tr>
<td><strong>What - Cover</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal electronics, Medical, Personal Accident, pension, investment/unit linked contracts.</td>
<td>Education, domestic, travel, pension, wedding package, investment/unit linked contracts</td>
<td>Professional indemnity, pension, loan protection, last expense, investment/unit linked contracts.</td>
<td>Professional indemnity, property, pension, golfers, loan protection, last expense, investment/unit linked contracts.</td>
<td>Professional indemnity, property, golfers, loan protection, last expense, Trust fund, investment/unit linked contracts.</td>
<td>Motorcycle, Medical, personal accident, Life Insurance, pension, last expense.</td>
<td>Medical, Life, education, personal accident, last expense.</td>
</tr>
</tbody>
</table>
## Institutional Market Segments

<table>
<thead>
<tr>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
<th>Segment 7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who – Industry Turnover (Kshs)</strong></td>
<td>Micro trader &lt;5m p.a.</td>
<td>SOHO 5m – 10m p.a.</td>
<td>The ‘Missing Middle’ 10m – 100m p.a.</td>
<td>Medium 100m – 500m p.a.</td>
<td>Large Corporate 500m + p.a.</td>
<td>Non-Profits</td>
</tr>
<tr>
<td><strong>Where – Geography</strong></td>
<td>Urban &amp; Rural</td>
<td>Urban &amp; Peri-Urban</td>
<td>Urban &amp; Rural</td>
<td>Urban</td>
<td>Urban &amp; Rural</td>
<td>Urban &amp; Rural</td>
</tr>
<tr>
<td><strong>When – buying patterns</strong></td>
<td>Daily</td>
<td>Irregular intervals</td>
<td>Monthly/Annual</td>
<td>Monthly/Annual</td>
<td>Annual</td>
<td>Annual</td>
</tr>
<tr>
<td><strong>Which - Sector</strong></td>
<td>Agriculture</td>
<td>Retail</td>
<td>Real Estate</td>
<td>Agriculture</td>
<td>Agriculture</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Farm</td>
<td>Transport</td>
<td>Education, ICT</td>
<td>Manufacturing</td>
<td>Manufacturing</td>
<td>Health</td>
</tr>
<tr>
<td></td>
<td>Cottage Industry</td>
<td>Manufacturing</td>
<td>Tourism</td>
<td>Retail &amp; Wholesale</td>
<td>Retail &amp; Wholesale</td>
<td>Child Protection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transport &amp; Storage</td>
<td>Education, ICT</td>
<td>Transport &amp; Storage</td>
<td>Transport &amp; Storage</td>
<td>Gender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Real Estate</td>
<td>Tourism</td>
<td>Real Estate</td>
<td>Real Estate</td>
<td>Food security</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Education, ICT</td>
<td>Tourism</td>
<td>Education, ICT</td>
<td>Education, ICT</td>
<td>Infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professionals/Services</td>
<td>Professionals/Services Import &amp; Export</td>
<td>Agriculture</td>
<td>Professionals/Services Import &amp; Export</td>
<td>Real Estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Agriculture</td>
<td></td>
<td>Education, ICT</td>
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<td></td>
<td></td>
<td></td>
<td>Manufacturing</td>
<td></td>
<td>ICT</td>
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<td></td>
<td>Retail &amp; Wholesale</td>
<td></td>
<td>ICT</td>
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<td></td>
<td>Transport &amp; Storage</td>
<td></td>
<td>Disaster Mgt</td>
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<td></td>
<td></td>
<td></td>
<td>Real Estate</td>
<td></td>
<td>Water</td>
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<td></td>
<td></td>
<td></td>
<td>Education, ICT</td>
<td></td>
<td>Faith-based</td>
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<td>Professionals, Services</td>
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</tr>
<tr>
<td><strong>What - Cover</strong></td>
<td>Stock insurance, personal accident, savings, pension, medical, fire, crop and livestock.</td>
<td>Education, domestic travel, pension, professional indemnity, money, employer liability, fire, burglary &amp; theft.</td>
<td>Office, travel, pension, professional indemnity, WIBA, Fidelity, Loan protection, fire, burglary &amp; theft, agriculture (crop and livestock), engineering, marine.</td>
<td>Office, travel, pension, professional indemnity, WIBA, Fidelity, Loan protection, fire, burglary &amp; theft, agriculture (crop and livestock), engineering, marine.</td>
<td>Travel, pension, Money, professional indemnity, WIBA, Fidelity, Loan protection, fire, burglary &amp; theft, agriculture (crop and livestock), engineering, aviation, marine.</td>
<td>Office, travel, professional indemnity, WIBA, Fidelity, Loan protection, fire, burglary &amp; theft, agriculture (crop and livestock), engineering, aviation, marine.</td>
</tr>
</tbody>
</table>
USING SWOT TO DERIVE STRATEGIES
**Strengths**

1. Strong relationship with agency network
2. Wide branch network
3. Ownership of customer data
4. Wide variety of products
5. Industry organization
6. Shared Industry data
7. Large financially powerful industry
8. Large asset base
9. Reasonable visibility in urban areas (branded buildings)
10. Knowledge of market insights
11. Risk Based Capital Approach

**Weaknesses**

1. Conservative business model
2. Industry integrity challenge
3. Overreliance on few core products lines
4. Too much focus on established market segments
5. Lack of a localized portfolio
6. Unethical practices, e.g. Price wars
7. Low profitability
8. Lack of market orientation
9. Low underwriting capacity for mega risks
10. Low capacity to underwrite emerging risks – e.g. geothermal, oil & gas and man-made disasters
11. Skills inadequacy – micro insurance/underwriting
12. Low adoption of technology in the customer experience
13. High pressure sales culture
14. Poor service failure recovery
15. Perceived reluctance to honor claims
16. Vulnerable relationships of trust
17. Lack of an industry ombudsman
18. Inability to lobby for favorable policies
19. Lack of gender balance at C suite level
20. Industry dominated by financial specialists
21. Low customer loyalty
Opportunities
1. Growing economy
2. Large and growing insurance market pool
3. Rising middle class
4. Rising group of high net worth individuals
5. Number and impact of millennials
6. Market segmentation by different bases – psychographic, behavioristic
7. Unexploited informal sector niches
8. Large bottom of the pyramid market
9. Large groups of un-served/ underserved/retirees
10. Growing number of professional groups
11. Government support and incentives
12. Rising life expectancy
13. Role of NHIF in awareness
14. Rise of cyber crime
15. Low awareness of insurance benefits
16. High penetration of mobile money
17. New technology - insuretechs, blockchain, robotics and AI
18. Adoption of technology by the market – smart phones, social media
19. Increasing technology expertise
20. Collaboration among financial regulators in financial deepening and inclusion agenda
21. Clear Legal and regulatory framework
22. Vision 2030 clarified future Government intentions
23. Increasing adoption of modern trade behavior
24. Access to East Africa market
25. Well educated society with wide variety of skills

Threats
1. Low trust image
2. Increasing non-conventional competition e.g. Harambee
3. Price wars
4. Broker grip
5. Low switching costs
6. Political environment risks - Election year decline cycle
7. Natural catastrophes
8. Corruption along the value chain
9. Highly regulated environment stifles innovation
STRATEGIES
Strategic Pillars and Key Initiatives

Industry Vision
Achieve Kshs 500 Billion in industry revenue by 2020
achieving penetration of 6.5% and a density of Kshs. 10,000 premium per head

CUSTOMERS
PRODUCTS
CHANNELS
TECHNOLOGY
SKILLS
Customer Strategy

**Strategy**

- **Focus on customer experience (CX)**
  - Improve claims settlement experience
  - Improve customer engagement culture to improve industry reputation (ISO)
  - Use available market insights to:
    - develop offerings using psychographic and behavioristic segmentation
    - tailor customer education by segment
    - use data analytics for depth selling and cross selling and to measure customer delight
  - View customers as partners including claimants
  - Simplify the product description (jargon)

**Communication**

- Leverage on customer testimonials to spread an image of trust and consistency
  - Theme messaging: Ride on opportunities that show up to drive awareness

**Execution**

- Design a loyalty program
- Reward customers with rebates, free covers and monetary benefits
- Tailor consumer education by segment
- Use social media, radio, sms
- Use testimonials
- Refer to claimants as partners
- Need for independent Industry ombudsman
- developing creative advertisements especially to target the millennials
- Have own assessment centres
- Benefits-Value proposition

- End to end customer experience transformation
**Product Strategy**

### Strategy

- Focus on customer insights during product design
  - *Kenyanize* product portfolio to target specific niches with tailored products
  - Use relevant channels to appeal to Bottom of the Pyramid
  - Messaging to be tailored to address product needs of each segment
  - Use data analytics in product development
  - Design products that deliver immediate and instant benefits to compete with *chamas*, *harambees* and mobile money
  - Design products that support a digital distribution strategy that appeals to the ‘pap’ generation
  - Integrate marketing strategy into brand and business strategy from product development to the point of sale

### Communication

- Appeal to the emotions at point of usage through sensational messaging to feed customer fears and commoditize insurance
  - Use media to communicate through co-created content to emphasize ‘new’ solutions and ‘new’ benefits

### Execution

- Create policy for dowry payment
- Change ‘last expense’ policy to ‘last respect,’ or dignified send-off policy
- Change livestock insurance to property insurance for livestock
- Offer ‘out of job’ policy
- Package benefits instead of features
- Design a product for chamas

- Savings ecosystem driven solutions
Route to Market Strategy

**Strategy**

- Focus on relationships with value chain
  - Leverage on branch network and distribution channels to tap into the large and growing insurance market pools
  - Leverage on smartphone and social media adoption to reduce costs of targeting bottom of the pyramid-BOP and informal market niches and to pro-actively target the youth
  - Leverage on strong relationship with agency and intermediary network and access to technology to negotiate for better commission structure by integrating agents and brokers into new technology platforms and to design low-cost structures
  - Develop a low cost business model to counter price wars and increasing competition from substitutes.
  - Acknowledge *harambees* as the biggest competitor and address non-conventional competition from substitutes

**Communication**

- Targeted communication as a solution provider at points of use (funeral homes, hospitals, universities, religious forums)
- People need to be realistic about risks

**Execution**

- Use multi level marketing
- Use mobile money for claims settlement
- Recruit *saccos, chamas* and industrial associations by converting them to aggregators
- Recruit general and modern trade as agents
- Recruit travel agents, real estate agents, lawyers and *postas* as agents
- Aggressively target SMEs and SOHOs - Small Office Home Office
- Shift marketing emphasis to ‘solutions’ not ‘risk mitigation’
- Think FMCG for rural areas, think like a retailer...but honor claims

- From agents, brokers, intermediaries to partners
Technology

Strategy

› Review structure and systems-towards an operation expenses business model that is oriented towards and that can exploit the growing markets-middle class, high net worth individuals, millennials, informal sector e.g. insuretechs, fintechs

› Establish partnerships with technology experts to offer existing products on new platforms within their existing infrastructure and to new customer segments e.g. index insurance and technology enhanced premiums and auto insurance during travel

› Develop technology enhanced products (insurance on the go) or technology upgrade of existing products (Wearables in health insurance and telematics in motor insurance)

› Design roadmap towards a common technology platform for the insurance industry

Communication

Drive message of technology adoption to shed ‘conservative’ tag
Show understanding of how insurers interact with technology

Execution

› Design technology based products
› Develop smartphone embedded platforms
› Pilot technology with existing customers
› Partner with technology experts
› Develop insurance on the go products
› Use analytics to cut costs
› Employ technology to curb corruption, fraud and collusion
› Use blockchain to launch smart contracts for effective and fullproof processes

⚠️ From legacy systems to highly interactive systems
Skills

**Strategy**

- Invest in enhancing quality and quantity of skills in sales, underwriting, marketing, micro insurance, ICT, mega risks and emerging risk assessment to target the uninsured and underinsured
- Innovate on sales model to leverage on high unemployment levels among the youth to bundle consumer education to target the youth through social media and learning institutions and informal market at household level ‘Jehovah-witness’ style and at points of interaction e.g. matatus, social gatherings and nyumba kumi
- Leverage the varied expertise in Kenya to enhance the mix of skills and gender balance at C-Suite level in the industry
- Adopt a multi-level marketing approach to leverage on the power of word-of-mouth to reach the underserved and unserved
- Drive awareness of employment opportunities for part-time sales opportunities in the industry
- Pitch tents in colleges and universities to drive attraction and use ‘youth opinion leaders’ like student leaders

**Communication**

Drive message of insurance as a solution to the high unemployment in Kenya

**Execution**

- Develop training of trainer program
- Double agent numbers by 2020
- Hire part time agents
- Train agents on cross selling
- Recruit youth in colleges and universities
- Have annual career days
- Use student leaders as brand ambassadors
- Focus on market recognition as an employer
- Blend financial skills at C-Suite level to bring new perspectives

- Using digital education at the consumers point of convenience
OTHER INITIATIVES

• Use the advantage of industry collaboration and industry data to lobby government to entrench role of insurance in development towards more favorable policies to support growth, enhance savings and financial inclusion and to fund infrastructure development [one way would be through sponsoring key treasury officials to regulator-driven benchmark countries like China and India]

• Push for recognition of insurance industry as key economic enabler of growth and fight for more obligatory covers, national subsidies and solid programmes by government [sponsoring bill in parliament through legislators affiliated to the insurance industry]

• Protect industry profitability by leveraging the industry organization and data sharing to address price wars, corruption and loss mitigation along the value chain [set industry price range for all intermediaries e.g. drug prices by hospitals]

• Actively lobby the regulator and treasury to consider admission of ICT assets for capital adequacy/solvency computation [recruit contacts in media for friendly publicity]

• Actively lobby the regulator to revamp/enforce risk based capital supervision to fight price undercutting

• Design mechanisms for engaging other regulators like Competition Authority and consumer bodies [recruit contacts to create forums for engagement]
## Strategic Pillars and Key Initiatives

### Industry Vision
Achieve Kshs 500 Billion in industry revenue by 2020
achieving penetration of 6.5% and a density of Kshs. 10,000 premium per head

### CUSTOMER
- Digital education
- Testimonials
- Customer insights
- Psychographic & behavioristic segmentation
- Sensational advertising
- Target customers at household level and at points of interaction e.g. in matatus, social gatherings and nyumbakumi.

### PRODUCTS
- Local content development
- Innovative costing for Bottom of the Pyramid-BOP & informal niches
- Data analytics for cross selling
- Digital distribution strategy to exploit the high adoption of technology and social media engagement

### CHANNELS
- Leverage relationships to target millennials, high net worth individuals, professional groups and retirees
- Leverage strong agency relationship and access to technology to negotiate for better cost and commission
- Use channel innovation e.g. Saccos and Chamas as agents through a multi level marketing model and converting saccos, chamas, clubs, churches, youth and women groups and merry-go-rounds to brokers
- Bancassurance

### TECHNOLOGY
- Use operating expenses business models
- Technology based products, e.g. through fintechs, wearables, telematics.
- Use robotics for channel development and leverage artificial intelligence and transaction based tools to improve customer experience
- Develop new embedded premium distribution platforms targeting 30 million market e.g. fintechs, insuretechs

### SKILLS
- Enhance skills quality and quantity in sales, marketing, underwriting, micro insurance, mega risks and emerging risk assessment
- Use multi-level marketing to leverage on word-of-mouth
- Leverage on high youth unemployment levels to bundle consumer education
- Leverage varied expertise in Kenya to enhance mix of skills and gender balance at C-Suite level in the industry