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African Reinsurance Corporation
Société Africaine de Réassurance

Africa Re Corporate Social Responsibility partners with ILO's Impact Insurance Facility to enhance microinsurance markets in Africa

The leading Pan-African reinsurance company, Africa Re, signed through its Corporate Social Responsibility Fund, a partnership agreement with the Impact Insurance Facility of the ILO. The agreement, which was signed on 27th October 2015, will support and enhance the development of microinsurance markets in African countries.

The partnership is in the form of financial assistance by Africa Re to support mutually selected initiatives and activities of the ILO's impact Insurance Facility with the aim of developing the capacity of insurance providers to offer valuable insurance products to the financially excluded population, and promoting cross country collaboration and sharing of good practices among African countries.

During the partnership signing ceremony held in the premises of Africa Re in Lagos, Nigeria, Mr. Corneille KAREKEZI, Group Managing Director & CEO of Africa Re, stated "the partnership fits perfectly in the mission of Africa Re, which is to foster the development of the insurance and reinsurance industry in Africa, to promote the growth of the national, regional and sub – regional underwriting and retention capacities and to support African economic development". He further mentioned that "the extension of better insurance coverage to more low - income households, small enterprises and smallholder farmers is an initiative under its Corporate Social Responsibility".

It is widely believed that the low - income population has been neglected by the mainstream insurance industry for long while the bottom of the pyramid of African economies is the most vulnerable and prone to various risks such as accidents, deaths, floods, drought, loss of livestock, property, etc. However, if harnessed, microinsurance can unleash the potential of millions of communities, households and individuals to be protected against the above risks and take charge of their development.

The Africa Re Corporate Social Responsibility Fund comes to alleviate the existing scarcity of resources to develop suitable microinsurance products, distribution channels and systems. Indeed, the development of micorinsurance requires steady effort and investment which is not in search of rapid gains. According to the CEO of Africa Re "supporting the microinsurance development has three benefits: a contribution to uplift the most needy of us, to strengthen our societies and economies, and to grow the current insurance industry".

The African Reinsurance Corporation (Africa Re) was established on 24 February 1976 in Yaounde, Cameroon. Africa Re established a CSR Fund in 2013 which is financed by a portion of its net profit every year. The main focus of the Africa Re CSR Fund is risk management for development.

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Vision
To be Africa's Leading Insurance Association.

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

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

CONTENTS

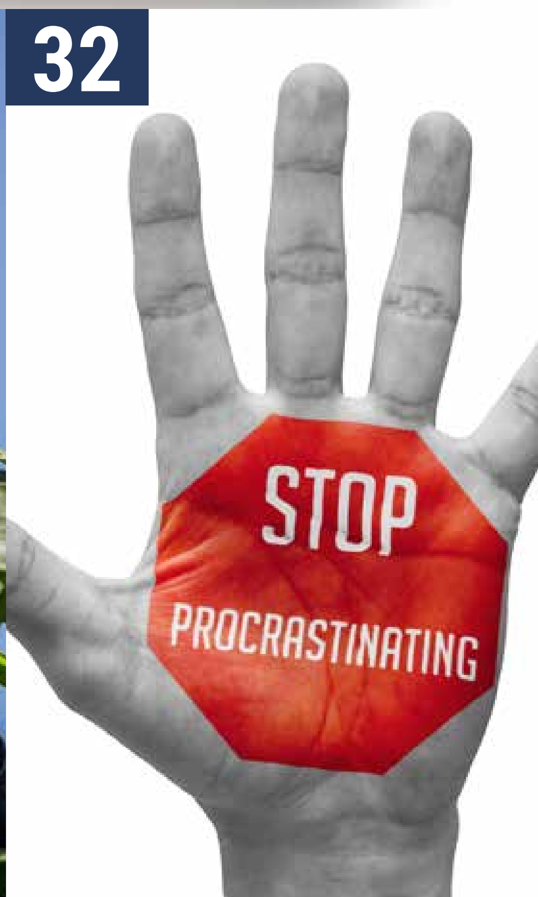
06

15

09

17

32



12

Editor's Note

We have come to the end of yet another year. It's time to genuflect on the blessings bestowed upon us in 2015; in equal measure we should also interrogate our misgivings and strategise for 2016. Seldom is pessimism a property of dreams so we can only hope and pray that the coming year will be better and thus gear up to scale new heights.

This industry needs to explore new frontiers, especially given that there remains an expansive ground to be covered to achieve the desired penetration. Fortunately, the players in the field are alive to the necessity as attested to by their ever emerging innovative products and growth strategies—among them mergers. On the other hand, the economy seems to be presenting new grounds while Kenyans verve for cosiness is churning huge amounts of disposable income that Insurance should grab a share of.

Frontiers hitherto barely explored continue to present new opportunities. As Bernard Katambala observes in Covering Real Estate Projects, "…the country's real estate sector has rapidly expanded to become the fourth largest contributor to the Gross Domestic Product. There is therefore a great need to ensure the investments in this sector are adequately covered for the developers, and importantly for the country's economy." We need not belabour the opportunity for this industry that obtains in this observation.

Another uncharted ocean of opportunities is women entrepreneurship. Joan Mutuku, in Women and Investment opines that, "... women have risen and revolutionised the financial sector through chamas to the extent that even the government as well as other financial institutions have customised products to suit them." Here lies a goldmine for Insurance.

Agriculture has been taunted as the backbone of our economy for ages, but are we as an industry propping it enough to live to its role? Listen to Francis Ngari in Agriculture Insurance, "...uninsured farmers undergo stressful moments during crop growth cycle when they lose their crop to extreme weather conditions such as drought, floods or when pests and diseases affect their crop or livestock." Let's reach out to these farmers and offer them more products that can caution them against the vagaries that impact their practice.

On a lighter note, Catherine Ndioo underscores the importance of an art that can enable us 'rein in' more customers: Persuasion as she points out is all about how you connect with your publics. She advises industry leaders to, "Learn the power of motivational speaking: When the leader can speak with power and influence they will be able to persuade employees to continuously have a positive mindset."

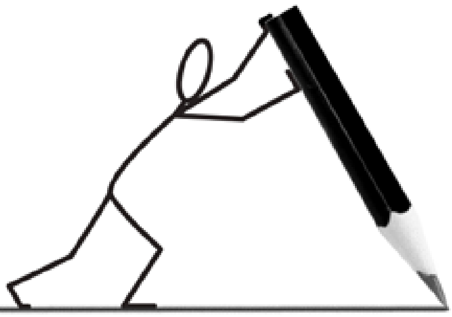
As a financial advisor, what is it that impedes your productivity? Do you at times put off until later what you could have accomplished at a certain moment? The remedy for it is in Beating Procrastination—in our late pages.

Ahead is a great read. Enjoy it as you relax this holiday and strategise for next year.

Have a great Christmas and a fruitful 2016.

Aram Kaboro.

AKI Journal Editorial Committee



The Diaspora and Development;

is this a new frontier?

At over Ksh.102 billion, Diaspora remittances stood as the second highest source of foreign exchange for Kenya after tea in 2014

By Sam Githu

Engaging Diasporas to participate in the development agenda for Kenya is a complex affair. There are key issues to consider when assessing the uptake of investments designed and available for the Kenyans in the Diaspora.

In order to engage Diasporas in a financial way, you have to understand how they currently manage their resources, capacities, and interactions with the financial sector(s) in both their present contexts and those of their present investment targets. Income levels play a role, but savings levels are more distinctive—one possibility is that recent Diasporas with closer ties to home save at much higher rates than the general population in order to transmit these savings to relatives in their home country. Use of savings—and investment approach—is determined in part by income as well as financial access (both in the Diaspora and in the home country) as well as familiarity/education with financial investment products. Basic financial literacy is lacking among this population though this challenge in feeling empowered to manage one's finances is not limited to Kenyans in the Diaspora only.

Some Diasporas are unbanked or under-banked—particularly those without legal documentation. These people primarily utilise check cashiers and trusted remittance intermediaries like Western Union and MoneyGram. Some have distrust or suspicion of formal financial services, particularly if they have had bad experiences due to racial or ethnic profiling.

Meanwhile, mobile banking is far more advanced in Kenya, and there may be a leapfrog opportunity for it to gain traction among Diasporas as a means of investment due to their familiarity with such platforms, although to date mobile banking largely remains constricted within national boundaries (and has not universally proven to be profitable for the intermediaries). The Kenyan mobile money transfer system M-Pesa is used by over 17 million Kenyans, equivalent to more than two-thirds of the adult population; it is estimated that around 25 per cent of the country's gross national product flows through it. Recent Diasporas may rely upon mobile channels for investment options rather than traditional financial advisors or brokerages, or through remittance companies. While transaction fees on remittance platforms have—through competition—been lowered to reasonable levels, transactions costs on other types of investments can be quite high. For example, brokerage accounts where a person can individually buy and sell shares in, say, the Nairobi Securities Exchange, or Treasury Bills from CBK are even more challenging: One will require a CDS account which can be nearly impossible to get for the Kenyan in the Diaspora. Other challenges include unsuitable returns on investment, especially in the current global interest rate environment in which transaction costs outpace the rate of return.

In thinking about the different channels through which an investor typically participates in investment back home—such as online, through their financial advisor, or directly through a brokerage account—it is critical for us to understand how a Diaspora member might invest and the barriers they might encounter along the way, as well as where and why.

Trust, different habits around managing finances and legal/administrative barriers to participation are significant issues to consider when creating a link between Diasporas and the financial channels of investment that most investment platforms now do not tend to consider outside of remittance firms.

Mapping and measuring remittance flows has been a large part of defining a potential role Diasporas could play in supporting broad economic development. Global remittance flows were estimated to reach $581 billion in 2014—their highest levels ever. According to the World Bank's data on country-level remittance transfers in 2013, India received the most remittances with $70 billion; "other large recipients were China ($60 billion), the Philippines ($25 billion) and Mexico ($22 billion). The World Bank report, shows that Diaspora remittances to developing nations were projected to exceed $400 billion (Ksh.40 trillion), being three times the official development assistance from World Bank. Such remittances are partly driven by increased support by migrants to their families; savings brought by returning migrants; opportunities of higher investments returns locally, higher employment earnings and stronger currencies abroad.

In Kenya the CBK Report indicated that cumulative figures of $1.2 billion Diaspora remittance flow were recorded—which translates to over Ksh.102 billion, at a time when there was general global financial crisis. This placed Diaspora remittances as the second highest source of foreign exchange for Kenya after tea (Ksh.110 billion).

The CBK report indicated that these remittances were noted from all regions, with Eastern Europe, Latin America and Central Asia accounting for the largest share of 28.8 per cent, while Sub-Saharan Africa region accounted for six per cent. Diaspora remittances to Kenya reached $110.2 million (Ksh.11 billion) North America accounted for nearly 50 per cent of the remittance inflows, while Europe and the rest of the world accounted for 27 per cent and 24 per cent, respectively.

Due to the huge sums involved, these remittances are now being recognised as important contribution to Kenya's growth and development. Hence, CBK and the World Bank—through their Migration and Remittances Units—conduct surveys on remittance inflows every month via formal channels such as banks and other authorised international remittance service providers in Kenya

While remittances are often characterised as "unproductive" investments, the reasons and motivations behind them are complicated and do not necessarily translate into a willingness among Diasporas or migrants to invest in more productive means of economic development. Many remittances are simply household-to-household transfers to support costs of living and education among others.

It can be argued that remittances have been inaccurately framed and that they are in fact a return on investment; the cost of moving a family member to access a different labour market. They describe migration as "one of many financial tools (families) juggle to smoothen income and consumption."

Some remittances certainly represent informal "peer-to-peer" lending or business investment, where there is no legal protection or obligation between the parties, but a personal understanding. Some remittances are donations to support local development projects such as schools and churches.

Because the vast majority of remittances are household-to-household, they speak to Diaspora interest in investing in their specific family, hometown or community: They do not necessarily point the way to interest investing in an impersonal, indirect proposition or along national development agendas.

Inter-Generational dynamics play an important role to understanding Diaspora investment. Typically, older folks are more familiar with and/or committed to direct remitting/giving—to relatives while the younger generation tend to approach giving back on a less personal basis as they do not have the connections to facilitate such specific engagements.

However, this distance from direct experience in a country of origin does not necessarily translate to a lack of interest. Further, younger generations of Diasporas often want to connect with their countries of heritage, but in a different way than their parents, grandparents or great-grandparents. Online technologies and social media communities have presented an opportunity for these generations to create transnational identities in ways that had previously been unavailable to them. They are less dependent on prior generations and freer to express themselves in a way that incorporates their values with their heritage that is very different than previous generations. As a generation, the younger have demonstrated their desire to engage in advocacy and conscious consumerism through online channels and communities and present an opportunity to create "digital Diasporas,"

The generation question is extremely important. By 2018, the majority of the Diasporas will be young. Engaging our youth to invest in a sustainable future for our nation requires that we develop messages that speak to their unique circumstances and backgrounds not only as local youth but also to Diaspora youth.

How do we do this? That is the crux of the matter.

Sam Githu Head of sales at ICEALION Asset Management.

It is critical for us to understand how a Diaspora member might invest and the barriers they might encounter along the way, as well as where and why

Emerging Agenda for Supply Chains;

what are the Change Drivers?

Product commoditisation will continue to increase consumers' ability to find alternative products leading to decreased customer loyalty

By Murage Mugo (PhD)

A business supply chain encompasses the total network of interconnected businesses involved in the ultimate provision of products and services required by customers. It spans all movement and storage of raw materials, work-in-process inventory and finished goods from point of origin to point of consumption. In today's volatile business environment, the old adage, that "a chain is only as strong as its weakest link" acquires a literal meaning as regards supply chains. In other words, the supply chain of a business is "the business" and therefore any change factor that may cause even the smallest weakness in any part of the chain calls for management's full attention.

For some time now, we have continued to witness a dramatic shift in the manner in which supply chains function around the world, causing waves throughout the traditional supply chain network. As a result of the enormous challenges that accompany this shift, many businesses still hanging onto outmoded processes and technologies are struggling to compete. They are quickly losing relevance, incapable of responding to even the most basic needs of modern-day customers and suppliers. Today's supply chains require new thinking, new approaches, new collaborations on infrastructure and new performance metrics.

Among the factors that are driving change in operations of supply chains are global economic shifts; demands for ecological sustainability; technological trends; changing global demographics and urbanisation; and changing consumer behaviour. The remarkable aspect about these drivers of change is that apart from being interdependent, the effects they generate are themselves also interdependent and interrelated. This means that today's supply chain professionals should be constantly decoding the extent to which the above drivers of change affect their supply networks and how one effect is related to the other. Keeping abreast with these drivers, coupled with the necessary responses will be a key determinant of a company's relevance and consistency in delivering to the customer.

Effects of global economic shifts on supply chains have been well highlighted by the paper, "2016 Future Supply Chains". According to the authors, Brazil, Russia, India, China, Africa and Korea will be major markets to consider in the coming years. Moreover, each of these markets will develop much more quickly, compared with similar changes that occurred in North America and Western Europe. One most important aspect of the change is a quickening of the phenomenon where smaller retail stores and chains will be replaced by larger retail channels that compete with each other based on cost, superior logistics and speed of innovation. Since the key feature of these retail powerhouses is personalisation of offerings, a further fragmentation of customer segments will be the norm. Therefore, the only supply chain operators that will survive in this environment are those with the capability not only to deliver goods on time, but to tailor and respond in real time to multiple customer and supplier expectations.

Authors of another paper, "Emerging Trends in Supply Chain Governance", observe that because of the pressure exerted by the retail giants, large manufacturers of consumer items will be compelled to outsource cost and asset intensive operations to smaller contract manufacturers so that the former can pay more attention to design and marketing of their brand. Moreover, the retail powerhouses will tend to dictate broad strategic and operational requirements to members of the supply chain. Often, apart from influencing the design of products, the large retailers might venture into development, marketing and distribution of products, thus competing directly with their own suppliers. In Kenya's fast-growing retail environment, we have already started witnessing an element of this phenomenon especially regarding bakery products. Many established bakeries have been edged out by supermarkets that produce and market their own bakery products right at the store floor.

Demands placed on supply chains for ecological sustainability have gained momentum over the years through international treaties, Government regulations, consumer pressure and firms' own corporate social responsibility projects. For example, the Kyoto Protocol of December 1997 was signed by 36 industrialised countries with the goal of lowering average industrial emissions of carbon dioxide and five other greenhouse gases. The Carbon Disclosure Project (CDP), an independent not for-profit organisation aims at elevating the focus from firms' own emissions to individual members of their supply chain—from where CDP believes the majority of green house gases are emitted. In other words, CDP wants to institute robust and effective carbon management strategies to the firms' entire supply chain. Other initiatives like, United Nations Climate Meeting at Bali in December 2007 and the EU Directive on Renewable Energy of January 2008 have left their heavy footprint on the ongoing shifts in supply chains. These initiatives expect firms and their supply chains to constantly innovate to ensure their operations are ecologically sustainable. This is in spite of the complex operating environment of ever-increasing energy costs, diminishing sources of raw materials and natural resources.

Continued technological advancement in information technology, mobile communication technology, analytical capabilities and design technologies has taken a sizeable share of influence in the ongoing shifts in supply chains because of decreasing costs in data storage, networking and communication, highly interconnected consumers have been greatly empowered to demand product quality and variety from firms. Advancements in technology have also enabled members of supply chains to easily afford open information sharing which in turn has greatly boosted supply chain collaboration on areas of common interest. Advancements in analytical and design capabilities have enabled firms to constantly churn out product variety demanded by the modern consumer. The widespread use of technological capabilities in product design has meant the capabilities themselves have become commoditised—meaning that the capabilities are no longer a core competency for firms, but a mere cost. This in turn has led to increased product commoditisation where true product differentiation and visibility has increasingly obtained from supply chain innovation rather than from traditional strategies of pricing, features and brand recognition.

Global demographics and urbanisation changes have also continued to exert their toll on supply chains in many ways. According to the paper, "Africa: The Bottom Billion Becomes the Fastest Billion", Sub-Saharan Africa is the only region whose young population (15-24 year olds) is growing, while this age group has either stagnated or is declining in the rest of the world. This means that the present outsourced manufacturing arrangements favouring Asia, especially China, will dramatically shift to Sub-Saharan Africa in the coming years as a result of the expected plentiful labour force. Other authors of economic research have observed that global urbanisation, estimated in 2010 at 51.3 per cent, will continue unabated to the detriment of urban distribution systems. The ever-increasing traffic congestion and the attendant restrictive city government transport regulations will continue to hamper efficiency of urban supply chains.

Changing consumer behaviour has continued to inform innovations in supply chains as consumers get more empowered and demanding. Consumers will not only increasingly demand other delivery mechanisms, such as home deliveries and neighbourhood distribution; they will also become active partners in the supply chain through directing product development and replenishment. Moreover, increased product commoditisation alluded to earlier will continue to increase consumers' ability to find alternative products leading to decreased customer loyalty. This in turn will lead to greater volatility in demand and supply, making it increasingly difficult for firms to make accurate supply chain forecasts. The paper, "The Five Challenges of Today's Global Supply Chains", reported a 2012 study that showed 75 percent of supply chain executives considered demand and supply volatility and poor accuracy of forecasts to be the biggest supply chain barriers they would continue to face.

From the foregoing, the hope, at least is that business executives will embrace these change drivers of supply chains and adequately innovate through adoption of the necessary and often difficult management and technological decisions. This will call for a continuous scanning of the business environment coupled with an ongoing evaluation of the firms' supply chain capabilities to help firms navigate the increasingly volatile business environment. Hopefully, this imperative will be accompanied by the required courage and foresight to overcome established mindsets among members of supply chains, who must resolutely demonstrate utmost transparency and collaboration.

Dr. Murage Mugo is the Managing Director, Scenario Africa Limited

Changing consumer behaviour has continued to inform innovations in supply chains as consumers get more empowered and demanding

Mass Markets and Mircofinance;

the case for Reinsurers

Besides the traditional function of providing capacity, reinsurers play an important role in conveying technical expertise and facilitating sharing of experience

By Phocas Nyandwi

Insurance is still a luxury commodity for a large segment of the African population, especially for the low income people who need it most. To the mass markets, insurance is still considered as a product for the few privileged who own cars and modern properties.

Governments in developed countries may not have enough funds for ex post assistance to the affected communities, and therefore one of the most feasible resorts is insurance provided that it is done differently to reach mass markets, hence the recent emergence of microinsurance to address the shortcomings of traditional insurance. Microinsurance is not a new product but a different way of packaging of existing insurance products to make them accessible and affordable by this target population. The threshold to define low income may differ from country to country, but the conditions are largely similar. Technology offers new opportunities to tap into this segment by allowing higher facilities in terms of marketing, underwriting, premium remittance and claims payment.

Since insurance companies offering microinsurance have finite resources, they also need to protect their capital in order to be able to withstand unexpected variations in the volumes of losses and catastrophes. Insurers can potentially overcome this by some of the following options: Reducing their concentration of exposures, purchasing reinsurance, utilising catastrophe-hedging financial instruments and adding more capital. Reducing concentration of exposures implies reducing supply of insurance, and catastrophic hedging financial instruments—referred to as securitisation which consists of transferring part of the catastrophic risk exposure to the capital market—are quasi inexistent in developing countries including Kenya. On the other hand, adding more capital will be costly and it is also not sure whether shareholders would be keen to bring in more capital for just one class of insurance like microinsurance which is not perceived so far to be a mainstream product for their portfolio. Reinsurance is therefore the main risk transfer mechanism.

- **The Role of Reinsurers in Mass Market Coverage**

Reinsurance is the major provider of underwriting capacity. Reinsurance gives protection in case of a big loss on one single big risk, in case of a catastrophic event such as an earthquake or a flood affecting several insured risks or in case of unfavourable fluctuation in the company's annual aggregate claims. With regard to microinsurance products, the first scenario pertaining to severity of a single loss is unlikely given the size of the risks. In the case of microinsurance, the role of reinsurance is to safeguard the solvency of an insurance company against random fluctuations in the overall claims experience and an accumulation of losses stemming from a catastrophic event.

Technology offers new opportunities to tap into this segment by allowing higher facilities in terms of marketing.

In addition to the traditional role of providing capacity, reinsurance plays an important role in bringing technical expertise and facilitating sharing of experience. Reinsurers participate in the design and the pricing for microinsurance products. The participation of reinsurers also enhances cross country collaboration and sharing of experience. Reinsurance also gives insurance companies avenues for expansion: By relieving insurance companies from part of the risk and providing peace of mind in case of a catastrophic event, reinsurers contribute to bolster the availability of the supply by insurance companies, hence enabling them to reach economies of scale much needed for the sustainability of the product. Achieving a significant scale also helps to absorb easily the fixed costs which are usually higher for microinsurance.

- **Types of Reinsurance Interventions**

Microinsurance can be covered by both proportional and non-proportional reinsurance, and both on treaty and facultative basis. Facultative reinsurance covers a risk while treaty reinsurance covers a portfolio. Since a reinsurance treaty requires critical mass and this is not always guaranteed for a starting product, a number microinsurance risks in the East African region, especially on weather index insurance are so far insured on facultative basis. Proportional reinsurance implies sharing the premium and the claims in the same proportion. The most common types of proportional treaties are Quota Share and Surplus. With a Quota Share treaty, reinsurers participate on each risk within the agreed percentage from ground-up. In the context of microinsurance, this type of arrangement is not only good because the risks are small, but also because insurance companies are uncertain about the results since it is a new venture. With a Surplus treaty, reinsurers participate on risks exceeding a certain threshold amount called retention of the insurance company, and reinsurance capacity is provided as a multiple of this retention. The retention represents one line of the treaty and the capacity is expressed in terms of number of lines. Surplus treaty reduces the burden of large claims affecting individual policies, so that they do not distort the overall claims experience. Such arrangement is not suitable for a microinsurance portfolio which is by nature dominated by small risks.

Non-proportional reinsurance, on the other hand, covers claims from a certain threshold regardless of the amount of the original sum insured. The most common types of non-proportional treaties are Risk Excess of Loss, Catastrophe Excess of Loss and Stop Loss. The Risk Excess of Loss treaty protects the insurance company against any loss affecting one single risk exceeding a pre-agreed amount called Deductible or Priority. The Catastrophe Excess of Loss treaty protects the insurance company against the accumulation of losses arising out of one event. The Stop Loss treaty intervenes when the cedant's loss experience exceeds a pre-agreed level in terms of percentage to the total premium. Both Catastrophe Excess of Loss and Stop Loss treaties can be used to protect a microinsurance portfolio. However, a Risk Excess of loss may not be effective because with the size of the risks, the concern is not on the magnitude of a single loss.

- **Why Reinsurers are Keen to Support Microinsurance**

The primary reason why reinsurers support microinsurance is because it is a business opportunity and a new area of growth. Microinsurance is the most viable alternative to sell insurance to the low income population. The mass market segment represents a huge untapped potential for premium income growth for both insurers and reinsurers because it constitutes the larger majority in Africa. The products as well as the selling methods will of course have to be adapted to the intended public. Conversely, microinsurance is an opportunity for reinsurers to boost the reinsurance premium through risk sharing with insurers, and it is important for them to understand the product that will form a major part of the insurance landscape in the near future.

Achieving a significant scale also helps to absorb easily the fixed costs which are usually higher for microinsurance.

Beyond the pursuit of growth and profit, it is a social responsibility for reinsurers as major players in the society at large to surpass the traditional frontiers to support the most vulnerable segment of the African population. It is believed that sustainable growth cannot be achieved if this larger portion of the population is left behind. Some reinsurers are already supporting initiatives from international institutions and it is in this respect that AFRICA RE signed a partnership with ILO's Impact Insurance Facility in October 2015.

- **Challenges**

Reinsurance, just like direct insurance, works well with large numbers and with microinsurance we are still far from achieving the scale in Africa. As long as this is not achieved, the issue of viability will still arise with regard to the profitability vis-à-vis the high management cost and reinsurance cost. For insurance companies, when the premium income is still low, the portion of premium to be transferred to reinsurers to buy excess of reinsurance protection may prove to be high. The other big challenge is to break the culture barrier from the low income people. The core concept of insurance as spending money in return for an uncertain payout covering a hypothetical event is very difficult to inculcate in the minds of low income people (ILO, 2012). Most of them are likely to claim back their premium or cancel their policies if a payout does not come within three years. For the sake of increasing the insurance culture, insurance companies are sometimes forced to pay ex gratia claims that are otherwise not payable but they need to make sure that these measures really produce the expected results and are not just taken for granted. Prior approval by reinsurers is also required.

Just like a car shock absorber does not smoothen the road but reduces the effects of the shocks on passengers, reinsurance does not reduce the losses but reduces the effect of the losses to the insurance company. Reinsurance support will not be available in the long run if the loss experience does not improve, the way the shock absorbers are worn out if the road is not repaired. It is the responsibility of insurance companies to do a proper rating of microinsurance products to make it viable for reinsurance support to be readily available.

The mass market insurance represents a huge business potential for reinsurers. In order to harness this potential fully, reinsurers need not only to support the insurance industry in the product development and provision of reinsurance capacity, but also in customer education initiatives. Effective prevention for the low income population calls for the cooperation of all the stakeholders. However, as commercial institutions, it is expected that reinsurers will be ready to endure short term sacrifices only for long term gain. In the long term, the adequate pricing and profitability of microinsurance products will be vital to the sustainability of reinsurance support.

Phocas Nyandwi is a senior underwriter at Africa Reinsurance Corporation, Nairobi Regional Office.

ICT as an Uptake Driver

Never has there been a time like now when Insurance players have at their disposal a wide range of ICT-based communication tools

By Jeremy Kiarago

ICT-based technologies bring with them the ability to introduce new products and services to the market faster.

All business sectors are now striving to leverage ICT-based technology to expand their reach to customers and attain efficiency in their operations. However, the insurance sector seems to not to have fully exploited the potential represented by ICT in increasing the number of people in the society who take up insurance products. This is an opportunity that insurance players seem to be missing on. This article does not prescribe any silver-coated solutions on the use of ICT to drive insurance uptake, it nonetheless offers suggestions that can elicit questions from insurance players who might be interested or are already considering the use of ICT-based technology to drive their products' uptake.

Barriers to the uptake of insurance products and services are numerous. They range from cultural where people do not see a need for insurance across to cost, where the insurance products and services are out of reach to a majority of the people and to a lack of information by the general public on what insurance is all about—the benefits and options available. Demystifying insurance is the first step on the road towards increasing the uptake of its products and services and ICT-based technologies can play a major role throughout the insurance ecosystem including within an insurance company itself, intermediaries, regulatory bodies and customers in helping the general public learn more about products and services.

Information is where it all starts: A society with the correct and current information is more empowered to make an informed decision when it comes to understanding the value that various insurance products can deliver and the options that are available. Never has there been a time like now when Insurance players have at their disposal a wide range of ICT-based communication tools that they can use to reach out to the wider public. From mature technologies such as email and mobile phones to new media technologies such as Social Media, insurance players can inform, educate and advertise their products in a cost effective, real-time and interactive way that would go a long way towards demystifying the insurance products that they have to offer. This not only creates interest amongst the public but once armed with the right information, the citizenry will then have the confidence to take the first step towards engaging with insurance players.

Using ICT-based technologies, insurance players can build a rich profile of their potential clients and harness the information collected to drive their push for the adoption of insurance products and services. One key technology that can be applied towards this effort is the Customer Relationship Management system (CRM). This supports the capture and management of any interaction between an insurance company and potential customers throughout their lifecycle—from initial contact to day-to-day interaction with the customer. CRM systems help build a customer's profile over time which provides for extremely valuable insights into their behaviour and can be used to target customer's with products or services that meet their specific needs saving

time and resources for the insurance player and providing the customer with a personalised service that does not overwhelm them with unnecessary information. Previously, CRM systems used to be the preserve of large companies but this is no longer the case. New entrants in the market have emerged with CRM systems targeted to cater for small businesses; these are both cost-effective and require minimal technical support freeing the insurance player to focus on their core businesses of serving customers as opposed to managing the supporting operation's infrastructure.

ICT-based technologies bring with them the ability to introduce new products and services to the market faster. This ability to respond promptly to changing market needs is not only advantageous to insurance players but also goes a long way towards ensuring customer needs are met in a timely manner. Take the example of insurance products that target farmers; these depend on a myriad of frequently changing factors that include climate patterns. By harnessing the information provided by either research institutions or agencies that monitor weather patterns, insurance players can quickly tailor products and services that not only attract new potential customers but that also safeguard the investments made by actors in the agricultural sector while creating new revenue streams.

ICT-based technology in addition can be utilised to provide insurance players with a new sales channel for their products and services. Direct insurance can be supported and enhanced through Online-based channels that not only cut out intermediaries making the products and services more competitive but also achieve a greater reach at a minimal cost to the insurance player. In addition, ICT-based technology provides an insurance player with an innovative way to conduct their businesses. Not only is interaction with the customer enhanced but also efficiency gains are realised in day-to-day operations; the businesses' ability to gauge its own and employee performance is greatly enhanced. Take the example of insurance agents using mobile phones to report their daily sales activities—messages with a predefined format can be sent to one centralised number and the information collated to summarise a day's sales activities. The information can then be summarised either by region or team units and then emailed in form of a report to various managers providing important information on how the business is doing and also helping in interventions such as following-up on potential new leads based on the information received.

Competition for customers has always been stiff and any insurance player that is able to use ICT-based technologies to distinguish themselves from other players in the market stands a great chance of driving their products and services to previously untapped markets. Through adoption of ICT, an insurance player can gain a competitive edge, may it be in a reduction in the cost of their products and services or response times to customer queries. All these are factors that combine to make insurance products and services accessible to the customer and play a vital role in ensuring loses are minimised in the event of any unexpected mishaps, may it be to our personal being or to our assets.

Jeremy Kiarago is an independent ICT professional. The opinions expressed in this article are those of the author.

Through adoption of ICT, an insurance player can gain a competitive edge, may it be in a reduction in the cost of their products and services or response times to customer queries

Agriculture Insurance;

the role of agro-insurers

If the product is bundled together with credit for approved inputs, it will accelerate adoption of modern agricultural practices

By Francis Ngari

The fact that, Kenya's GDP growth highly correlates with agricultural sector's performance is a cause to worry policy makers

Agriculture insurance is a specialised line of insurance applied to agricultural enterprises: There are eight insurance companies providing the service in the Kenyan market with the support of international reinsurers—mainly SwissRe. Insurance products available in the market include those that cover crops, livestock, bloodstock, forestry, greenhouses and horticultural enterprises.

Though agricultural production risks are the primary concern of smallholder farmers, financial institutions, aggregators and market risks such as fluctuation of international prices can also affect the stability of any agricultural enterprise. When a catastrophic event occurs, smallholder farmers and pastoralists' livelihoods are destroyed: They are challenged to dispose off their remaining assets, seek temporary employment or migrate—eroding their social networks.

Agriculture insurance is a risk management option structured for the farmers to transfer agriculture risks in exchange of payment of premium to the insurer who cedes the same risk to the international reinsurance market. The risk transfer is done in line with agricultural policies between the farmer and the insurer as well as placed at international market through established treaties between insurer and the reinsurer .When a loss occurs on the insured agricultural asset or enterprise, the farmer's claim is settled using the same risk transfer instrument down from international reinsurers.

The frequency and severity of adverse weather events, such as drought, floods and windstorms are on the rise partly as a result of global warming. Kenya is witnessing new and re-emergence of pests and diseases and irregular seasonal rainfall affecting agricultural productivity negatively. Agriculture insurance products yield Multi-peril crop insurance as well as Index-based livestock insurance that apply past historical yield and weather records from insitu ground observation. Weather station or satellite data for pricing have an important role in climate change adaptation strategies. Insurance schemes based on these insurance policies are part of adaptive responses to climate change. The pricing (premium) for such schemes can be used by other adaptation interventions as market signals for underlying risk exposure to climate change for potential disasters and vulnerability mapping of various agricultural enterprises. A good example is provision of climate information services (Agro-weather advisory) and other Climate Smart Agriculture initiatives to increase farmers' adaptive capacity in areas experiencing high agriculture premium.

The fact that, Kenya's GDP growth highly correlates with agricultural sector's performance is a cause to worry policy makers. This implies Kenya's economic growth is vulnerable to extreme weather events such as droughts and floods that are the principal driver of agricultural volatility.

Crops and livestock are the leading components of the agricultural sector contributing 77.6 per cent and 19.6 per cent of the Agricultural GDP respectively while horticulture and industrial crops account for 90 per cent of the exports. The two facts lead to the conclusion that the agriculture sector should be secured. Agriculture insurance provides the needed security to the sector to stabilise the economy. Attractive local market prices for milk and lucrative export market for Kenya's horticulture and tea products overseas has promoted increased investment in high-value dairy cattle and farming technologies underscoring the role of Agro-insurers in stabilising or reducing the volatility of the Kenyan economy from the shocks of agricultural production and market risks.

If Public Private Partnership (PPP) is applied in food security and disaster management, reliance on Government interventions ("Serikali nisaidie") would reduce. Under the conventional arrangement, the government has the responsibility of financing food security and disaster management programmes including development of early warning systems in a manner that responses are timely ,effective and reach the affected citizens—and more so take into consideration the most vulnerable . Even with good intentions the bureaucracy in Government does not allow effectiveness in bringing the affected citizen to their normal life. The disaster response programmes come; after affected citizens' livelihoods have been destroyed; are very expensive and expose the government to open-ended financial burden that affects other sectors.

Involvement of the private sector in a PPP can provide the much needed solution and efficiency to deliver tangible benefit in the National food security and disaster management programmes. Structured agriculture insurance schemes are definitely part of the solution. Index-based Livestock Insurance for the pastoral communities in the arid and semi-arid areas provides payout after the insurance scheme, based on satellite data, triggers reduced forage to sustain tropical livestock. In the arrangement, the government purchases the insurance for registered pastoralists from insurance companies for a given county. The registered pastoralists as the beneficiaries receive the payout directly from the insurance companies when drought occurs while the government is the insured. This offers post-disaster liquidity to protect livelihoods of pastoralists and support reconstruction and recovery for poor households. This arrangement will bring improved efficiency in response to disaster and is more targeting to the most vulnerable in the society. Such schemes can as well be arranged for smallholder crop farmers. At macro-level, the government can insure certain economic and food security crop production enterprises to forestall agitation due to food commodity price spikes that are inevitable as more extreme events such as drought expected. This arrangement worked in Malawi resulting in the country exporting surplus maize.

If agriculture insurance is bundled together with credit for approved inputs such as certified seeds and fertilizers, extension services and down scaled agro-weather advisories, it will not only accelerate application and adoption of modern agricultural practices but also result in increased productivity: Greenhouse insurance is bundled together with the credit for a farmers greenhouse kit; and weather index insurance contracts can be delivered with inclusion of climate information (agro-weather advisories for the farmers to make decisions on the selection of the right seed varieties, timely planting, weeding, right time to carry out application of fertilizers and postharvest management) .When farmers realise good output from as a result of good agricultural practices, they are motivated to factor in value addition such as agriculture insurance. Since credit-linked agriculture insurance in Kenya is

Financial institutions consider agriculture loans portfolio to be very risky and are now insisting on farmers taking up agriculture insurance

becoming mandatory with financial institutions, agro-insurance can be a tool to accelerate application of modern agricultural technology.

The benefits of modern farming technologies and practices such as basic livestock Zero Grazing or planting certified seeds and applying recommended fertilizers require financial capital.

Continued practice of outdated farming methods with low returns by smallholder farmers is based on evaluation of risks and resources at their disposal. Lack of access to credit by the resource-poor smallholder farmers makes their agricultural enterprises vulnerable to numerous production and market risks. Majority of the smallholder farmers do not own assets that can be accepted as collateral by the banks. Financial institutions consider agriculture loans portfolio to be very risky and are now insisting on farmers taking up agriculture insurance for the financed assets such a livestock and crop production to mitigate the risk of loan repayment default in case of losses. In this arrangement, farmers' agriculture insurance policies are accepted as collateral by the financial institutions. This has resulted in a large segment of rural population getting into the cash economy by virtue of opening bank accounts and savings while at the same time reducing clamour and political agitation for agriculture loan write-offs.

Index-based agriculture insurance products are designed to reduce the transaction costs but serve the mass market (smallholder farmers)for a rollout of weather index insurance hence are part of the wider microinsurance strategy of reaching out to the uninsured .

To be able to serve the mass market effectively and in a sustainable manner, the agro-insurer collects premiums and distributes payouts by employing innovative mobile applications to reduce assessment and administrative costs. Requirements for the deployment of automated weather stations to monitor the performance of the contract or ground-truthing assist in the increment of national weather observation infrastructure which come with other benefits to the country in weather data collection and design for other innovative climate information application.

Production and market risks make agriculture a risky business to invest in. Uninsured farmers undergo stressful moments during crop growth cycle when they lose their crop to extreme weather conditions such as drought, floods or when pests and diseases affect their crop or livestock. Agriculture insurance can provide the peace of mind to farmers and reduce cases of despair. Insured farmers are better off in meeting their financial obligations and in making rational decisions even in hard times.

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AKI
ASSOCIATION OF KENYA INSURERS

Bankers Strangling Insurers?

A candid discourse

'Don't have the premium? Don't worry; we lend you the money, sort insurer, pay us in nine months at a small interest.'

By Bernard Chege

The banks are not done yet; they are slowly encroaching into the stock exchange brokerage business

About 30 years ago, banks concentrated on core banking business. This, according to the bankers then, meant accepting deposits and lending short-term. Short-term meant that the loan had to be cleared within 36 months. The reasoning was that because the banks' deposits were short-term, they (banks) couldn't then lend otherwise: Quite convincing reasoning. In addition, a bank could only lend to customers who hand fixed assets; mainly land, quoted shares and matching funds. The argument here being that since the money being lent out comes from depositors, the bank couldn't unduly endanger it by 'reckless' lending. The customers with no title deeds, share certificates or fixed deposit certificates were excluded from the mainstream bank borrowing business.

In order to meet the hunger for long-term borrowers amongst its customers and also to support the customers without the aforementioned securities, banks had set up subsidiaries that were running independently. Every bank at that time had a subsidiary or associated companies that would offer the lending that could not be accommodated in the main stream banks. Some examples: Kenya Commercial Bank had formed Kenya Commercial Finance Company Ltd (KCFC) for long-term commercial lending, Savings and Loans (S&L) for mortgage lending and United Finance for lending against log books. Standard Chartered Bank had National Industrial Credit (NIC, yes, the bank we know now was a joint venture where Standard Chartered had a significant interest).

Union Bank, which later collapsed with its subsidiaries, had Jimba Credit and Kenya Savings & Mortgages Limited. Post Bank—which to date, cannot lend as it was formed by an Act of Parliament to mobilize savings—burnt its fingers badly when it entered the lending field by creating Posta Credit which collapsed a few years after formation. One of the contributing factors cited for the collapse of several banks (some of which are mentioned above) in the 80sand 90s was a mismatch between short-term deposits and long term-lending. The fact that the risks were still borne by the depositors (any loss reduced the group's bottom line from which the shareholders were paid dividends, at least for the subsidiaries) was ignored by those propagating the need to protect depositors' funds.

The banks that survived the banking 'Armageddon' of the 80s and 90s have now collapsed all these different lending businesses to be handled by the bank itself. KCFC is no more nor is S&L. NIC charted its own course and became a fully-fledged bank in 1995. Post Bank continues to lick its wounds hoping that a friendly mandarin at Treasury (the owner) will see the light and initiate review of the Act. But Treasury has so many parastatals under its docket and so many matters to deal with including worrying about financing the budget that somehow it has not gotten round to dealing with the Post Bank issue.

All this time that the banks were creating subsidiaries and merging them, they happily outsourced their lucrative insurance business to insurance houses. Any property with a building erected thereon had to be insured if it was used as collateral in the bank. Any vehicle or machinery that the bank had an interest in had to be insured. This created a vibrant business which partly led to the proliferation of insurance brokers and agents; lean firms with very minimal bureaucracy able to cut deals with both the insurance house and the bank at a handsome return. Life was good.

Over time, the banks started realising that, as much as lending is their core business, it carried with it serious risks of non-payment. If a business collapsed due to any reason; whether vagrancies of weather, death of owner, market dynamics or sheer mismanagement, the loan would not be repaid. The banks turned their attention to boosting the non-lending business. This line, according to the banks, carries minimal risks. Money transfer fees go straight to the Profit and Loss Account (P&L) so do charges or fees for clearing of cheques and ledger fees on maintaining accounts. In lending business, however, you have to make provisions which increase proportionate to the number of days any loan is in arrears. Every provision made is a debit to the P&L.

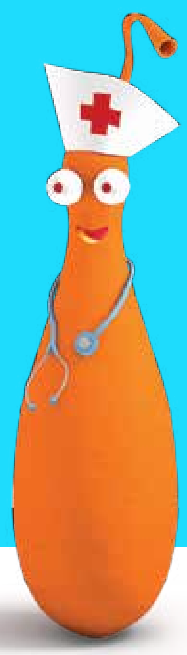
In the meantime time, their non-lending business was slowly being eaten up by "Jonnies-come-lately" who the banks had ignored as competitors. The Saccos and Micro-finances were in town. You didn't have to deposit your money or obtain loans from the bank. You could clear your cheque through these 'insignificant' players. Then came mobile money transfer in the market and the money transfer business went through the window. The banks had to do a quick rethink. Where would they get the much needed non-lending business? How can they utilise their capacity (their customers, banking halls, personnel and software) more efficiently? The idea of the insurance agency was born. They didn't really need to go out looking for customers. They had them in the bank: 'We lend to you against this collateral and our insurance agency will take care of the insurance requirements. And, oh, don't worry if you don't have the premium. We will lend you the money, pay the insurance company, and you pay us in nine months at a small interest.' Deal? Of course it's a deal. The banks killed two birds with one stone (or is it milked twice the same cow?) They earned the agency fee and the interest from the insurance loan. In the banking parlance, they call it maximising the share of the wallet. The customer is increasingly leaving more and more of the content of his wallet at the bank.

The poor insurance agencies now face serious competition from the banks. And the banks are not done yet; they are slowly encroaching into the stock exchange brokerage business.

The foregoing is a pointer that all is not rosy in this industry. It's time for paradigm shifts; its time to shift gears and chart new frontiers: The affront at insurance is far from relenting.

Bernard Chege is the CEO of Crescent-side Management

In lending business, however, you have to make provisions which increase proportionate to the number of days any loan is in arrears



Women and Entrepreneurship;
the enviable novelty in Chamas

With proper structures, the groups can be used to support sustainable development while contributing to the growth of other sectors such as insurance

By Joan Mutuku

Today, the African woman's role is no doubt debatable—mother of the house/family; raise the children, take care of the home…on the flip side, the biblical woman as described in the Book of Proverbs seems to combine the roles from both an African and modern perspective.

Mention chama in Kenya and to most women it is a synonymous word as far as their financial world is concerned. Chama is the term used in Kenya to describe self-help groupsstarted informally. Almost every Kenyan woman is a member of at least one or two chamas. The groups may consist of former classmates, colleagues at work, neighbours, friends or relatives. Chamas have given the women increased social support at times of need.Over the years, many Kenyan women have formed chamas where members contribute an agreed amount of money with the aim of helping each other grow economically and possibly achieve financial independence.

Over the years, many Kenyan women have formed chamas where members contribute an agreed amount of money with the aim of helping each other grow economically

Membership is usually determined by each individual chama, in accordance with the purpose for which it was established. Some chamas are formed out of the necessity to uplift the economic status of members, while others are just an avenue for social activities.

Initially, rural women joined in order to help each other to buy utensils, water tanks, livestock and even roofing sheets.

Chamas whose trendier and more understandable meaning among the modern folk could pass as investment groups; a way that has seen women come together not only as a form of financial growth but also create wealth through investment by pulling their financial resources together for that greater good.

Women have risen and revolutionised the financial sector through chamas to the extent that even the government as well as other financial institutions have customised products to suit them. The government through Uwezo Fund as well as the Women Enterprise Fund encourages the formation of chamas by including it as one of the requirements for accessing the funds. Such that, the borrowers will be registered women and youth groups who will in turn lend to their individual members, based on the business viability of their proposals and the ability to pay back.

The hunger to do more than just receive a lump sumamount which many women will use to sort their household needs has seen these chamas graduate to formal investment groups, dully registered able to access the available financial products which see them engaging in projects aimed at wealth creation.

Different women-driven investment groups have varied common goals but the bottom line is to build a solid future nest for their families and generations to come. Their quest to this starts with scouting for members with the same long-term strategic vision and willing to pump a contribution; at times the more one contributes the more shares one may own. Collectively, these modern day women investment groups have been able to purchase prime real estate, trade shares in the stock market and invest in unlisted, growing companies.

Case study

"The chama has been very exciting in that it has been much easier for us to quickly invest in big deals which would not have been possible if I tried to do (it) myself," explains a member of the Mapato Investment Group which boasts of ten women aged between 30 and 40 years of age.

Five years ago, Mapato Investment Group was formed with an intention to buy land, build a commercial property which today is rented out to more than 20 small and medium enterprises in various sectors. The members through the investment group—after two years—were able to approach a financial institution to fund their project at an amount which they could comfortably repay. The group holds each other accountable in terms of resources, ensuring that the proceeds from the investment are ploughed back to other projects as well as set aside some for their retirement. The members further use the proceeds to take up other financial products such as insurance.

Managing groups

But while taking pride in the achievements, the Mapato group notes that it's not all been smooth sailing. It is important to note that in any group investment members' personalities are different—some people are fast at making decisions or have a greater risk appetite than others. This calls for members to balance their commitments despite their personalities.

To be registered, a group has to have a constitution, minutes of the meeting authorising registration and a list of elected officials. A list of the members, with copies of their identity cards, and evidence of registration fee payments are also required.

Once a group is duly registered it can proceed to open a bank account and transact business. However, the majority of chamas still operate informally—where members are only interested in a system called "merry-go-round" where money is collected and given out to one or more members. This process is repeated until all members get their share; hence, the term merry-go-round.

Some groups use a concept known as "table banking" when distributing money. Table banking is similar to the merry-go-round. The only difference is that the money contributed by the members is not given to one person. What happens is that the money is collected and then members take loans until all the money is used up. Each member agrees to pay back her loan with interest rates varying from 10 to 20 percent, depending on what the group decides. This way, the money keeps growing and more money is available for members to borrow every time.

With regards to administration, members normally are governed by a written constitution and set of rules. Members must adhere to the regulations, attend meetings and adhere to the scheduled time of the meetings. All contributions must be handed in time. There is normally a penalty for missing numerous as well as late attendance and failure to remit contributions as expected.

Chamas are found all across the country and with proper structures, they can provide a promising frontier that the insurance industry should capitalise on and propel penetration.

Joan Mutuku writes on various entrepreneurship areas

All contributions must be handed in time. There is normally a penalty for missing numerous as well as late attendance and failure to remit contributions as expected

Covering Real Estate Projects;

the case for Contractors All Risks Insurance

All one needs is to read through the exclusions section of the policy—if it's not excluded, then it's covered

By Bernard Katambala

The main parties involved in real estate developments will typically include lenders in the form of financial institutions or pension funds

The real estate sector has experienced rapid growth in the past 10 years in Kenya. The demand for housing and office space together with the related infrastructure has been on the increase in the major cities across the country. The new devolved system of government too has added to this demand as each County Government builds infrastructure for administrative offices as well as staff housing needs.

According to Knight Frank (a real estate agency), the country's real estate sector has rapidly expanded to become the fourth largest contributor to the Gross Domestic Product. There is therefore a great need to ensure the investments in this sector are adequately covered for the developers, and importantly for the country's economy

The main parties involved in real estate developments will typically include lenders in the form of financial institutions or pension funds; then the developers, who are largely private investors and the contractors who carry out the works. Professionals including engineers, architects, and quantity surveyors are also part of the team.

The risk exposures of each of the parties are sometimes different depending on the respective interests, though some of the risks cut across the parties.

The financier's main concerns will normally include: The economic viability of the project at completion; delays and cost overruns causing cash-flow problems and insolvency of major parties to the project.

Developers will also face similar challenges like financiers such as delayed completion, increase in cost of the project and lack of buyers.

The contractor is the party that is on the centre stage around which the risks of other parties revolve. The contractors' risks vary from different stages of the project and it is important that all these risks are evaluated when designing the insurance cover. Risks which the contractor will have to consider will include:

- Design risk – which can be transferred to the independent designers and engineers
- Site conditions might be encountered, and the consequences of unanticipated site conditions
- Land and environmental issues
- Obligations of statutory insurance especially in respect to workers, plant and equipmentConstruction risks that include defective workmanship, defective material and lack of skill of the contractors' employees

• **Human errors**

- Specified defects and warranty obligations in respect of the works.
- Exposure to damages, penalties and costs in the event of delays in completion
- Political risks and terrorism
- Natural hazards
- Temporary works
- Quality management and control
- Health and Safety management
- Security and Access control
- Transportation risks
- Storage management
- Plant operation, lifting and hoisting
- Fire

Designers and Engineers risks would normally be limited to the design, or advice that may turn out to be inadequate or negligent.

Managing the risks

Looking at the figures in this sector and the relevance of the sector to the economy, it is paramount that all project managers analyse critically all the possible risks. The next stage in successful project management will be how to manage the identified risks, and among the various forms of risk management, there is insurance, which we highlight in this article.

In real estate development the centre of action is the contractor, who is to execute the engineers'/ architects' conception into reality and most of the risks manifest during the construction stage. Defective design for instance may not be clearly seen on the drawing until the time the structure is put up by the contractor and it collapses. Also the delays in completion of the project for one reason or another may result to a loss to the lenders and so on. Contractors All Risks insurance is an insurance product that help address most of the risks that a contractor faces during the construction period of the project.

Contractors All Risks cover offers comprehensive and adequate protection against loss or damage in respect of the contract works, construction plant and equipment and/or construction machinery as well as against third-party claims in respect of property damage or bodily injury arising in connection with the execution of a construction project. Contractors All Risks policy—as the name suggests—is an 'all' risks' cover. This means that almost all sudden and unforeseen physical loss or damage occurring during the period of insurance to the property insured is indemnifiable, except those stated as excluded. All one needs is to read through the exclusions section of the policy—if it's not excluded, then it's covered.

Defective design for instance may not be clearly seen on the drawing until the time the structure is put up by the contractor and it collapses.

In the standard policies, the main exclusions include but are not limited to:

- War or warlike operations, civil commotion,
- Cessation of work
- Nuclear reaction, nuclear radiation and radio-active contamination
- Wilful acts or wilful negligence
- Consequential loss of any kind or description whatsoever (penalties, losses due to delay, loss of contract)
- Faults or defects for which a third party is responsible either by law or contract
- Gradual developing events

In some cases due to lack of enough space at the construction site where the site could be in the middle of town or in areas where risks of flooding or theft are high the contractor stores materials offsite and transports to site only material to be used for a short period of time. The policy can be extended to include coverage for storage of construction material that is off the site, instead of having to buy a separate fire policy. The transit of the material from offsite storage to the construction site coverage can also be given as an extension under the policy. This is to illustrate the flexibility of this coverage that includes many other extensions to the policy, all to make it convenient to cover all risks the contractor is exposed to in one package.

The owners and lenders interests may have their risks such as delay in completion of project covered under an Advance Loss of Profits policy, also known as Delay in Start Up cover that is also a section under the Contractors All risks Insurance

When it comes to large investment projects, the risk management by insurance will not end with issuing the policy document. There is now increasing importance of risk engineering—a process where insurance risk engineers undertake surveys at regular intervals during the life of a construction project. The primary purpose of the process is the prevention of losses by examining the performance and progress of the construction works, identifying key areas of risk, providing recommendations, analysing losses and sharing lessons learnt with the parties involved in the project. This is achieved through regular visits to site and the discussions of recommendations with the contractor/developer. This is a service that assists the stakeholders by having 'separate eyes' review the risk management of the project with the view to eliminate any risks that can unduly affect the delivery of the project on time.

All in all, the Contractors All Risk insurance is a concept designed for whole projects and for all the parties involved, covering all risks and full reinstatement. The policy will be valid for the duration of a project and provides cover to employee's negligence and is adaptable to the needs of the parties.

Bernard Katambala is civil engineer and an associate of the CII, UK. He currently heads the underwriting department at ZEP Re.

The transit of the material from offsite storage to the construction site coverage can also be given as an extension under the policy.

Insurance for Learning Institutions;
the requisite covers

The safety of students, staff and others is of paramount importance and there are legislative requirements that must be followed

By. Birian Akwir

The role of school administrators is to reduce the likelihood of the risk occurring, and/ or reduce the impact if the risk occurs

Learning institutions face an array of risks. Suffice to say that traditional security threats to this sector typically encompass a range of crimes; for example, burglary, theft, robbery, assaults, and vandalism. These institutions need to build in counter measures for these offences alongside strategies to handle health and safety—fire procedures, criminal records checking.

Accurate recording of information on incidents is key to understanding the scale and nature of existing risks, providing the first step in the problem solving process. This information can be used to inform risk assessments and then to help form ideas about how to counter future risks.

Risk Identification

In risk identification, types of risks to which a learning institution is exposed are determined. For example, school buildings, library, dormitory, administration block or laboratory can burn down, get affected by floods or storms. Also, school food can be contaminated causing poisoning to humans. These can expose learning institutions to lawsuits and damages from injuries.

Risk Assessment

This is a key step in the process by which risks are translated into specific, measurable, and verifiable goals. Risks will be assessed in terms of probability and magnitude of impact. Probability is the likelihood of an event occurring. Magnitude of impact refers to how much harm the event will cause if it happens.

The role of school administrators is to reduce the likelihood of the risk occurring, and/or reduce the impact if the risk does occur. For example, if the likelihood of a burglary occurring is 'likely' and the impact is 'moderate', the risk of the incident is scored as 10. If the school buildings are secured with new locks and reinforced doors then burglary may become 'unlikely.' Although in this case the impact does not change, the likelihood has fallen—halving the risk score to 5.

Some risks have a high probability of occurring but a low magnitude of impact. On the other hand, some risks involve a low probability of occurring but a very high magnitude of impact. Of course, risks can fall between these two extremes. Once a risk has been assessed, the next step is to determine how to mitigate or manage it.

Risk Mitigation

This is the means of reducing the exposure to the risk and the harm that can be created by it. There are four general options for managing risks: To avoid the risk, assume the risk, reduce the risk or transfer the risks to insurers. Let's look at the last option in detail.

Types of Hazards in Learning Institutions

1. Chemicals and Hazardous Substances

The safe use of substances (chemicals) forms an important part of health and safety management in learning institutions. Risks are to be managed for all substances used in laboratories, stored or disposed. However, if products fall into the category of hazardous chemicals, hazardous substances and/or dangerous goods then there are specific processes to be implemented to meet legislative requirements.

2. Extra Curriculum Activities

Teachers and leaders responsible for health and safety of students while in school premises and participating in official school activities must follow an appropriate planning process to identify, minimise and mitigate the inherent risks. It is important to note that the actual risk levels will vary according to specific circumstances of the activity and these must be considered when planning the activities and associated risks.

3. Drivers and Vehicle Safety

Drivers and vehicle safety is something that most of us manage every day. Many leaning institutions staff are required to drive as part of their role. Example is a school vehicle which collides with another vehicle resulting in bodily injury to staff/ students and physical damage to the vehicle.

4. Electrical Equipment and Appliances

The safety of students, staff and others using electrical equipment is of paramount importance and there are legislative requirements that must be followed to ensure electrical safety. All electrical equipment must be appropriate for the activity and conform to Kenya Bureau of Standards specifications. In the event of a health and safety incident involving electricity, specific processes must be followed to ensure safety as well as compliance with relevant legislation.

5. Transmission of Diseases and Infections.

Schools and learning institutions are common sites for transmission of infections and diseases. School administrators therefore have an important role in ensuring awareness of infection control processes and implementing infection control programs. Standard precautions include good hygiene and hand washing, use of personal protective equipment, appropriate waste disposal, vaccination, cleaning and sanitisation.

6. Playing and Outdoor Hazards

It is important that systems are in place to minimise the risk of injuries associated with playground, sporting equipment and the surrounding physical environment. The safety aspects of playground and sporting equipment are considered when planning games/ activities.

Safety rules should be established and monitored to reinforce safe play and acceptable use of equipment. This may include student instruction on acceptable use of equipment, numbers of students on a piece of equipment etc.

7. Fire and Associated Hazards

Fire and lightening hazards have become common in schools. Floods and storms, riots, strikes and civil commotions, explosion (limited) and malicious damage are also common occurrences in schools.

Insurance Covers Relevant to Learning Institutes.

Insurance covers for learning institutions in Kenya are mainly package/ combined policies covering multi-perils against loss or damage to property, teaching and non-teaching staff as well as third party liabilities. Available policies cover the following perils which are packaged to meet learning institutions requirements:

(a) Fire and Perils

This section covers office blocks, swimming pool, classrooms, library, laboratories, dormitories, furniture, cabinets, beddings, stocks of books, food and any other such property against fire and perils.

(b) Burglary Insurance

This covers all movable property and school items like office content, class furniture, beds and beddings, lab equipment, books, foodstuff.

Insurance covers for learning institutions in Kenya are mainly package/ combined policies covering multi-perils against loss or damage

(c) All Risks

The cover provided is specifically for school computers and accessories, school laptops, photocopiers, fax machines, microscopes and other portable laboratory equipment, school mobile phones and other electronic equipment.

(d) Workmen Compensation (WIBA)

The policy provides teaching and non-teaching staff with WIBA insurance for injury, illness, disease or death sustained in the course of employment.

(e) Personal Accident/Group Personal Accident

Personal Accident cover against accidental injury leading to medical expenses, physical injury, death or disablement which is provided on a 24-hour basis. The section provides monetary compensation in the event of bodily injury to insured student. It can also be organized for teachers and non-teaching staff. Injury must be caused by violent, accidental external and visible means subject to the selected option.

(f) Public Liability

Public Liability insurance is designed to cover legal liability claims arising from third parties in connection with the school's premises or compound. Example is a campus visitor seriously injured when a railing in a library atrium collapses.

(g) Fidelity Guarantee

This covers direct financial losses resulting from dishonest acts of specified employees/in the course of employment provided that such acts are discovered within 6 months. Example is a college Chief Finance Officer who sets up a fictitious vendor and submits fraudulent invoices which are paid by the college.

(h) Group Medical Cover

This covers Outpatient and In-patient for students/staff.

In conclusion, learning institution should be able to identify the risks that they can transfer to insurance companies. Insurance companies should in turn develop tailored made insurance products to protect the institutions from myriad of hazards and risks. In terms of growth potential, this is an area with immense opportunities. The government need to collaborate with private investors and ensure that learning institution assets and liabilities are insured.

Birian Akwir is a senior manager at the Association of Kenya Insurers

The government needs to collaborate with private investors and ensure that learning institutions' assets and liabilities are insured

Beating Procrastination;

a treatise for financial advisors

When you find yourself avoiding a particularly sizeable task, slow down and visualise what will happen if you continue to put off the task

By Aram Kaboro

Procrastination is like a credit card: it's a lot of fun until you get the bill
Christopher Parker

We have all experienced it.That feeling that hits when you get out of bed in the morning and weigh out if that cold call you wanted to make two days ago but pushed forward can't still wait. Often times you decide "yes it can" and when eventually, a week or two after, you make it, you meet with a peer from the competition on the corridor whistling while stashing policy documents in his folder signed and cheque in his pocket. You lick your wounds and vow it will never happen again, but you are back at it again all too soon. Hail procrastination, the itch that drives your performance south.

It affects everyone. It sneaks up on most people when they're tired or bored, but for some, procrastination can be a full-fledged addiction. They avoid all day the work that is right in front of them, only to go home and toil late into the night, frantically trying to finish what they could have easily completed before dinner.

With the holidays approaching, the high season for procrastination is upon us. It's even more difficult to get work done when you're stuck at the office, wishing you were enjoying time with family and friends.

Still, the procrastination cycle can become crippling at any time of the year, which is troubling, because recent studies show that procrastination magnifies stress, reduces performance, and leads to poor health.

Procrastination is fuelled by excuses. We cannot expect to overcome procrastination and improve our health and productivity until we're able to overcome the negative mental habits that lead us to procrastinate in the first place.

What follows are the most troubling excuses we use to help us procrastinate. They're troubling because they're the most difficult excuses to conquer. For each, follows preventative strategies so you can overcome procrastination and get productive, even when you don't feel like working.

- I don't know where to begin

Paradoxically, we often find ourselves frozen like a deer in headlights when confronted with a difficult task. As well, much like deer, the best thing we can do is move in any direction, fast. When a task is particularly difficult, you need all the time you are given to complete it. There's no sense in wasting valuable time by allowing yourself to be overwhelmed by the complexity of the task.

The key here is to disallow fear of the whole to stop you from engaging in the parts. When something looks too difficult, simply break it down. What can you accomplish in 60 minutes that will help you slay the beast? Then, what can you do in 60 more minutes?

Breaking your task into shorter periods (where effort is guaranteed) allows you to move out of the "deer in headlights" frame of mind. Before you know it, you've accomplished something, and the task goes from way too hard to absolutely doable. When it comes to challenging tasks, inactivity is the enemy.

- There are too many distractions

For most of us, getting started on a large project is a challenge. We stumble over all sorts of smaller, irrelevant tasks that distract us from the real assignment. We answer emails, make calls, check the news online… anything to avoid the elephant in the room.

Being busy is not the same as being productive. When you find yourself avoiding a particularly sizeable task, slow down and visualize what will happen if you continue to put off the task. Distractions numb you by shifting your attention away from these consequences (aka away from reality). Reminding yourself of what will happen if you continue procrastinating is a great way to make distractions less enchanting so that you can focus on your work.

Breaking your task into shorter periods (where effort is guaranteed) allows you to move out of the "deer in headlights" frame of mind.

• It's too easy

Tasks that are too easy can be surprisingly dangerous, because when you put them off, it's easy to underestimate how much time they'll take to complete. Once you finally sit down to work on them, you discover you have not given yourself enough time to complete the task (or at least to complete it well).

If a task is too easy, draw connections to the bigger picture, because these connections turn mundane tasks into a fundamental (and do it now) part of your job. For example, you might hate data entry, but when you think about the role the data plays in the strategic objectives of your department, the task becomes worthwhile. When the smaller, seemingly insignificant things don't get done or get done poorly, it has a ripple effect that is felt for miles.

• I don't like it

Procrastination is not always about a task being too easy or too hard. Sometimes, you just don't want to do it. It can be very hard to get moving on a task in which you're disinterested, much less despise.

Unfortunately, there is no foolproof way to teach yourself to find something interesting, because certain things will never draw your attention. Rather than pushing these tasks to the back of your plate, make it a rule that you cannot touch any other project or task until you have finished the dreaded one. In this way, you are policing yourself by forcing yourself to "eat your vegetables before you can have dessert."

When you do get started, you can always turn the task into a game. How can you achieve your task more efficiently? How can you change the steps of the process and still produce the same result? Bringing mindfulness to a dreaded task gives you a fresh perspective. The task itself might not be fun, but the game can be.

• I don't think I can do it

You are assigned a new project by your supervisor. In fact, it is one you have wished he or she would give you for a while. However, now that it is in your lap, you simply cannot get started. You cannot get past thoughts of failure. What's going to happen if I blow it? How am I going to do this? Could I be fired over this? It can reach a point where avoiding failure seems like the best possible option. After all, if you never engage in a project, you will never fail. Right?

Wrong. Procrastination itself is failure—failure to utilise your innate talents and abilities. When you procrastinate, you are failing to believe in yourself.

Remember when you were learning to drive and you could only look straight ahead, because if you looked at something off the road, you would unwittingly turn the wheel in that direction? Worrying about everything that might go wrong if you fail has the same effect. It pulls you toward failure.

You must shift your mind in a confident direction by focusing on all the positive things that are going to happen when you succeed. When you believe you can do something—and you visualise the positive things that will come from doing well—you equip yourself to succeed. This thought process gets your mind headed in the right direction. Worrying about everything that could go wrong only binds your hands.

That is the how of conquering new frontiers in this industry. Break the chains and get started.

To mouth Craig Browns wit, "There's nothing wrong with procrastination. Or is there? I'll leave it to you to decide, but only if you have the time."

Ref: Emotional Intelligence 2.0, Dr. Travis Bradberry,http://www.brainyquote.com/quotes/keywords

Checking Fraud in Medical Schemes;
why embrace SMART technology

Through Smart Applications, there is fast and immediate confirmation of members' validity thus reducing the risk of treating patients who are not covered

By Joshua Kakai

The Smart solution provides controls and visibility in medical scheme expenditure, which guarantees business savings.

In a rapidly changing healthcare sector, key industry players such as hospitals, insurance companies and medical scheme providers are faced with increasing pressure to establish systems and processes that meet the rapidly changing needs of patients and their families.

Numerous challenges have and continue to be faced in today's healthcare industry with an ever evolving operational landscape filled with increasing fraud, conflict of interests between member, payer and provider in the midst of voluminous tedious paper-driven manual processes.

For the longest time, providers have operated on the traditional manual administration of medical schemes. This often leads to long iterative invoices and statements reconciliation processes. The medical service providers often face inefficient claim verification processes which have in the past resulted in over-utilisation of the allocated member benefits. The service provider is then left with spiralling medical claims excesses, and a scenario where they lack timely and accurate management information reports, leading to poor projections and decision making.

Faced with such a dire scenario, healthcare executives now need to improve their performance by evaluating how efficiently and effectively their key operational functions meet the consumer need for smooth service delivery, while at the same time delivering an acceptable and sustainable return on investment.

The case for Smart Applications International

Smart Applications International (Smart) has in the past 12 years provided various insurance companies and corporate clients in different countries a revolutionary solution in medical scheme management using biometric contactless multi-application Smart card.

Smart was the first company to introduce biometric enabled Smart cards in the East African market. The Smart solution is currently installed in over 1,900 Medical Service Providers in Kenya, over 350 in Uganda, over 280 in Rwanda, 41 in South Sudan and 28 in Tanzania.

• Benefits to different stakeholders

Each member is provided with a biometrically controlled smart card that is programmed with his or her member and insurance cover details in order to enable easy and fast access to medical services when needed. Medical benefits can only be accessed through unique fingerprint validation by the card holder.

How bad is fraud in the industry?
In the month of November 2015 alone, mainstream media in Kenya carried an article on a loss incurred by one insurer, estimated at Ksh.15 million through one racket in Kisumu where insurance photo cards were being forged and used to cash in on fake prescriptions. **Ref: Business Daily, Tuesday, December 1, 2015, Page 1 and 4.**

Such cases can be eliminated through use of fingerprint identification upon admission and discharge.

There is fast and immediate confirmation of member's validity thus reducing the risk of treating members who are not covered and more so the provider is able to offer services based on the members' real time available balance. This translates to improved patient turnaround time and ultimately enhances customer service levels and satisfaction.

Through the Smart System and network, electronic information is relayed from the member scheme administrator's system to the appointed medical service providers ensuring real time processing of service requests.

Smart has continued to add value through automated underwriting and claims management using a 360 degree integration of Scheme Manager's administration system to the Smart system. This facilitates e-claim switching.

The Smart solution provides controls and visibility in medical scheme expenditure, which guarantees business savings. Schemes have been able to reduce their expenditure by a minimum 15 per cent; with some having achieved as high as 65 per cent reduction in expenditure.

Medical scheme utilisation for schemes using the Smart System have achieved outpatient utility of averaging 30-40 per cent whilst the industry utility statistics for non-Smart schemes are a staggering 80-120 per cent on average. Utility is the measure of actual utilisation over a member's allowed cover benefits.

Through the Smart Biometric Solution, the medical industry has achieved a deeper penetration in offering outpatient benefits which was a challenge for the industry to manage. Smart is committed to continue providing innovative ideas for the industry to grow penetration to a wider population than is today.

Smart has continued to innovate by extending the Smart offering on Mobile Applications. The Smart USSD mobile enables members to access their medical statements and balances as well as the utilisation.

Joshua Kakai is in Customer Marketing at Smart Applications International Ltd.

Through the Smart Biometric Solution, the medical industry has achieved a deeper penetration in offering outpatient benefits

The Art of Persuasion;

how to stay put and move

Building relationships starts with identifying similar interests, experience or objectives. Give praise, be likeable, charming, considerate and engaging

By Catherine Ndioo

Like people, companies that are elaborate, honest, passionate, enthusiastic, believe in themselves, and are mindful of the needs of their stakeholders

The other day I had a moment to reflect on the difficulties of politics. A friend of the family has interest in vying for a political seat, and he has suddenly become too social. Every room he walks into he greets everyone, he makes small talk with youth idling by the roadside, and gives "hi-fives" to revellers in pubs. He not only gets himself invited in all the neighbourhood events, but he also gets himself in the program of the day—to give even 'a few minutes' speech. He even speaks in church: All in readiness for 2017.

I was reflecting on how hard it is to run and win in politics as I noticed his messages scrolling on a neighbourhood café. How so hard to persuade!

What is the difference between success and failure? More often than not it is the ability to persuade.

Like in politics, in Public Relations (PR), persuasion is a vital component of everything we do.

Building relationships, creating compelling content, managing crises and reputations, media support, public speaking, sharing and connecting in social media, getting management and clients to support PR strategies; all use liberal doses of persuasion.

Some consider persuasion an art. Others refer to it as a science. We know people who seem born to influence others, for whom persuading is as natural as breathing. Then there are the rest of us who could use a little help in this area.

The same applies to companies.

How many companies do you know that convince you? That whenever you see their advert, story or any piece of communication, you pay attention; and you believe them. Like people, companies that are elaborate, honest, passionate, enthusiastic, believe in themselves, and are mindful of the needs of their stakeholders, deserve and are able to grab and sustain their attention. Its behaviour also counts a lot.

Grabbing attention (positive in this case) is a challenge, but even an almost impossible task is sustaining that attention and buying loyalty. A loyal follower, trusts your intentions, and is highly likely to be persuaded to buy into whatever you sell to them.

It follows that companies that convince people make money in the long-term. They have more loyal customers; they sell more, have a strong and motivated workforce that is innovative and willing to go an extra mile, investors and partners who are willing to stand by them in good and bad times and are generally more celebrated by the general public.

Let me share with you these six psychological principles that are integral to the influencing process, according to Robert Cialdini in his book Influence: The Psychology of Persuasion. Apply them in your dealings with your stakeholders.

Liking

If you want to influence people, win friends. How? Uncover real similarities and offer praise. Be authentic and consistent.

Building relationships starts with identifying similar interests, experience or objectives. Give praise, be likeable, charming, considerate and engaging.

Use this principle in media relations, and especially social media. Your employees will also be happy to be praised and engaged.

Reciprocity

As human beings we are wired to reciprocate. We tend not to want to owe anyone. Modelling reciprocity builds goodwill and trust, essential in the development of strong business relationships—online and offline.

Social Proof

This is a constant in PR as people try to assess the value and importance (to them) of your experience, accomplishments, publications and professional connections. In PR today we demonstrate social proof by developing and sharing content that has genuine value to our audiences, and by acknowledging those who communicate with us.

Consistency

Show up regularly, communicate clearly and use a wide range of tools to share your messages. Be consistent in whatever you say, whenever, wherever.

Authority

Everyone looks to experts for direction at times, especially in areas where we feel we know less than we should. Showcase your expertise to win high value and attention.

Scarcity

Study after study shows that items and opportunities become more valuable as they become less valuable says Cialdini. Use this principle to generate a sense of urgency to take action. Scarcity (special offers) and exclusivity are effective in persuading people to purchase or participate—for fear of losing out.

Using these principles in combination of course increases their effectiveness. However, Cialdini cautions that ethics apply in their use as in all other areas of life. "Dishonest or high-pressured tactics work only in the short run—if at all," he says.

Here are a few suggestions on how to persuade the three most important stakeholders in your business; employees, customers and investors using these principles:

1. Employees

- Add emotional incentives: Look for ways to offer some benefits for working hard and getting the job done quicker. Simple acts like providing them parking lots, extra break time, free lunch, comfortable chairs in the office or small cash bonuses or awards can go a long way.

- Create a positive environment: Ensure the work environment is uplifting, exciting and enjoyable. Do a quick survey with everyone as to what type of environment compels them to be more excited to work there. Make the necessary changes and you will see a noticeably positive change.

- Communication: Do you as CEO even know the names of all or even a half of your employees? Sure you are busy, but if you were told that personalising your relationship with your employee can dramatically raise the level of their performance, would you do it? All you must do is spend 5-10 minutes with each every week talking about their challenges, hopes, and dreams. Having a well connected employee also makes it easier to address concerns or issues around the work place.

- Learn the power of motivational speaking: When the leader can speak with power and influence they will be able to persuade employees to continuously have a positive mindset.

Keep in touch. You owe your investors updates on your progress, and they can probably provide good advice on occasion.

- Give employees a say in the company: Employees are constantly working with the company product/service every day, so naturally they will begin to develop ideas that can potentially help the company grow. Let them know that they have a say in what goes on and you will begin to see a growth in employee's commitment and interest in the company.

2. Customers

"The customer is always right" was made up for PR purposes. A happy customer is more likely to come back for more business from your company, and tell their contacts. Make the customer happy by letting them see you are listening to them and that you care that they are at your business. Their word of mouth will become your best friend in marketing.

PR also includes correcting any problems that a customer may encounter. Be ware when a customer shows displeasure in the way they are being treated or the product they were sold. While you cannot take everything back from every dishonest person, you or an employee can listen to each customer and try to help in ways that are possible.

Customers like to think that you value their opinion; especially customers that have been long time repeat customers. They like to think that you care what they think. This will allow them to spread by word of mouth that you have a great business, and they will tell all their best friends to come to your business.

3. Investors

While you are raising money for your business, it is easy to forget what it will take to keep your investors happy after you have their money. How will they react if you don't meet your financial projections? What happens if your business model needs to change after you've sold them on your original idea?

Keep in touch. You owe your investors updates on your progress, and they can probably provide good advice on occasion. If they don't hear from you, they'll get worried. The best way to prevent worried and nagging investors is to keep them well informed. Invite them to company events, send them holiday cards and upload relevant (public) information on your website for easy access. You can also email it to them on regular basis. Experienced investors will for instance expect regular audited annual financial statements and reports.

Now is your company up to the challenge?

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