ASSOCIATION OF KENYA INSURERS

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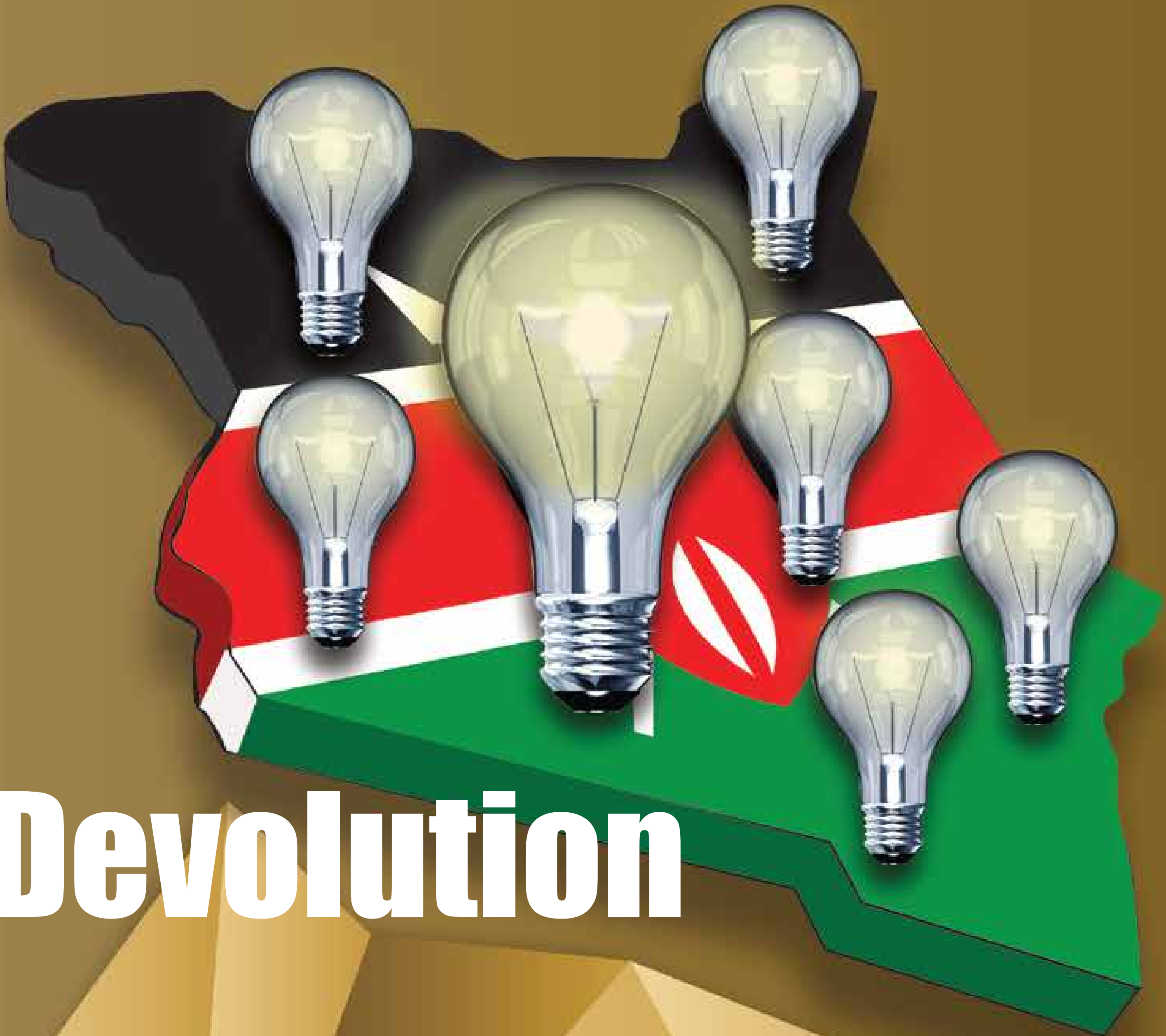

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Vision

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

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

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EDITOR'S NOTE

As they say in the social media lingo, devolution is now trending. It's drama all over on the political scene as our leaders push and jostle to demarcate their 'territories'. It seems when we went to the last general election, some contestants did not exactly know what they were vying for entails. But that is the nature of politics in transitional Democracies.

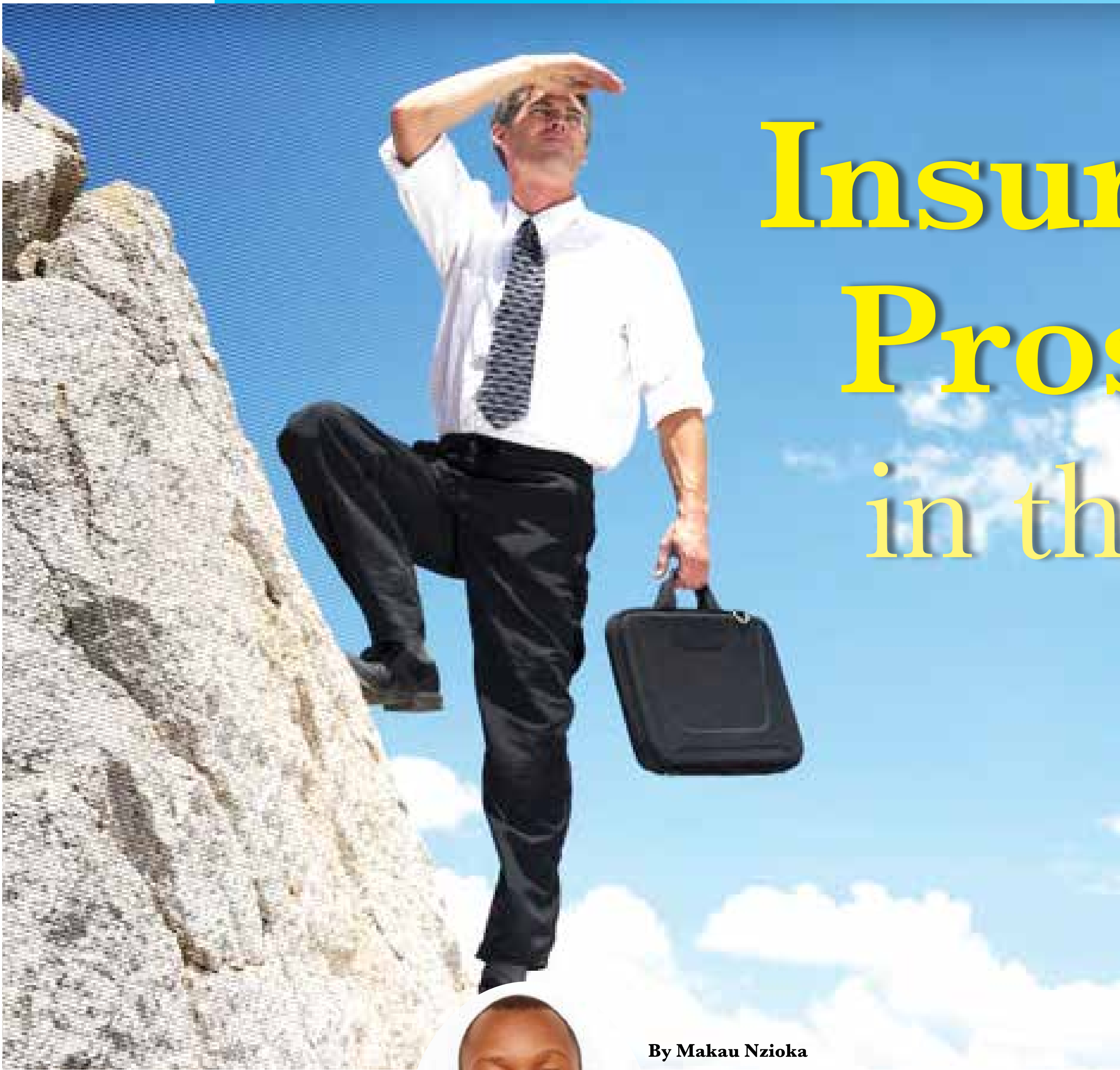
The fear in the insurance sector is that the foregoing may be replicated as players strategise to go County. There are opportunities for the industry in this new dispensation but also risks in equal measure. Members of this Association must rise to the occasion and grab what the County Governments offer as they put in place operative systems. One of the aspirations of the County Governments is to economically empower their people and Insurance stands to reap big on this front as it is envisaged that Kenyans—especially in the rural counties—will acquire better lined pockets and hence the confidence to consider acquisitions that they have in the past deemed as luxuries: Insurance has all along been lumped in this dump.

In this issue, we take a look at how the new system of Government may affect this sector. All remaining constant, the insurance sector is bound to benefit in terms of higher penetration as with the new set up of Government come job opportunities and consequently increased or newly created purchasing power for the people in the counties. Besides employment, businesses that look to trading with the County Governments are going to be set up at the county level; while those that have operated in the cities may want to 'devolve' thus calling on insurers to offer services at the branch level.

Besides the opportunities in the counties, there exists a 'massive' market that has hitherto not been adequately served: The youth comprise of 34.5 per cent of our population, and still growing. But as Reuben Gathemia observes, what the youth spend on insurance is a dismal two per cent of their total expenditure while they spend about 12 per cent on entertainment. What is amiss here?

The industry may have missed on addressing the youth in their language. The youth, "want it now and here". Long-term does not tick with majority of the youth; it is not "cool". The industry has to reach out to this group through development of more youth-specific products and by going where they are. The language used to market products to the youth must be in their lingo. This calls for 'new' training of agents and restructuring of the route-to-the market.

Overall, players in this field need more visibility now than ever before. This comes at a fee, and purse strings must be loosened: Marketing will have to get a higher allocation in the budget than before. Nevertheless, with this "tough going", you can also bet on PR.



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By Makau Nzioka

The recently formed Government has rekindled hope for the people of Kenya and the entire business fraternity. There is a lot of hope and optimism in nation building and wealth creation in the ongoing devolution and with each county doing its part, it is possible that the country's gross domestic product (GDP) will experience double-digit growth in the next five years. The policies in the new Constitution augur well for the insurance business needs since devolution of resources brings services closer to the people who require them.

Kenya has 47 counties which are diverse in nature and resources as well as potential for industrial growth. For instance, the Coast region is renowned for its tourism industry with the ability to attract many visitors from all over the world. On the other hand, the Rift-Valley region has its immense agricultural potential and has been named the 'bread basket' of the nation. Each county has its specific requirements in terms of developmental goals in line with the Kenya Vision 2030 Pillars. Consequently, the opportunities also pose unprecedented risks. This will has trigger insurance companies to garner new uninsured opportunities that have been realised. Nevertheless, the companies need to seize the moment

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Devolution comes with opportunities but also threats in tow. Industry players have to rise to the occasion and 'grab' what the new system presents but put in place checks on accruing risks.

and quickly innovate and venture into provision of such insurance services; suited to the socio-economic and cultural needs of the particular counties.

Insurance companies have a major task to cover the risks that these new opportunities present. It is important to note that if decisions are made at the central level, the local needs and interests of the people are often not taken sufficiently into account. Decentralisation of decision making and planning is one solution to this problem; however it creates new and emerging challenges as many County Governments may have the professional, technical and managerial capacity to make use of their new autonomy and responsibilities. Consequently, insurance companies should chip in their expertise and fill in the cracks that the new devolved way of problem solving induces.

While economic indicators in recent years have shown an unprecedented level of prosperity, social indicators tell a different story: There is a growing economic disparity, increasing numbers of people lacking health insurance, increased levels of poverty and an anti-entitlement social climate that has eroded assistance to those most in need.

In this era of devolution, the government has increasingly made available the provision of services and support to these vulnerable populations. In the same manner, insurance companies have a major task to ensure that all the citizens in the counties are provided with basic insurance and have readily available services such as health covers and economic risks covers.

Some Insurance companies are a step ahead of the game and have unveiled innovative products that have been received well in the market. Examples of such products include several health insurance covers that go to enable families access proper health care facilities. By using mobile technology, these insurance covers have become available to anyone who owns a mobile phone. By the click of a button, one can register and subscribe to insurance products at the comfort of their homes. Furthermore, with decentralisation of Government services, hospitals and medical services will now be brought nearer to the people and therefore insurance companies are rolling up their sleeves for more business. Insurance companies are adopting high-end information systems such as enterprise resource planning systems to ensure that decision making is faster and distributed all over the counties.

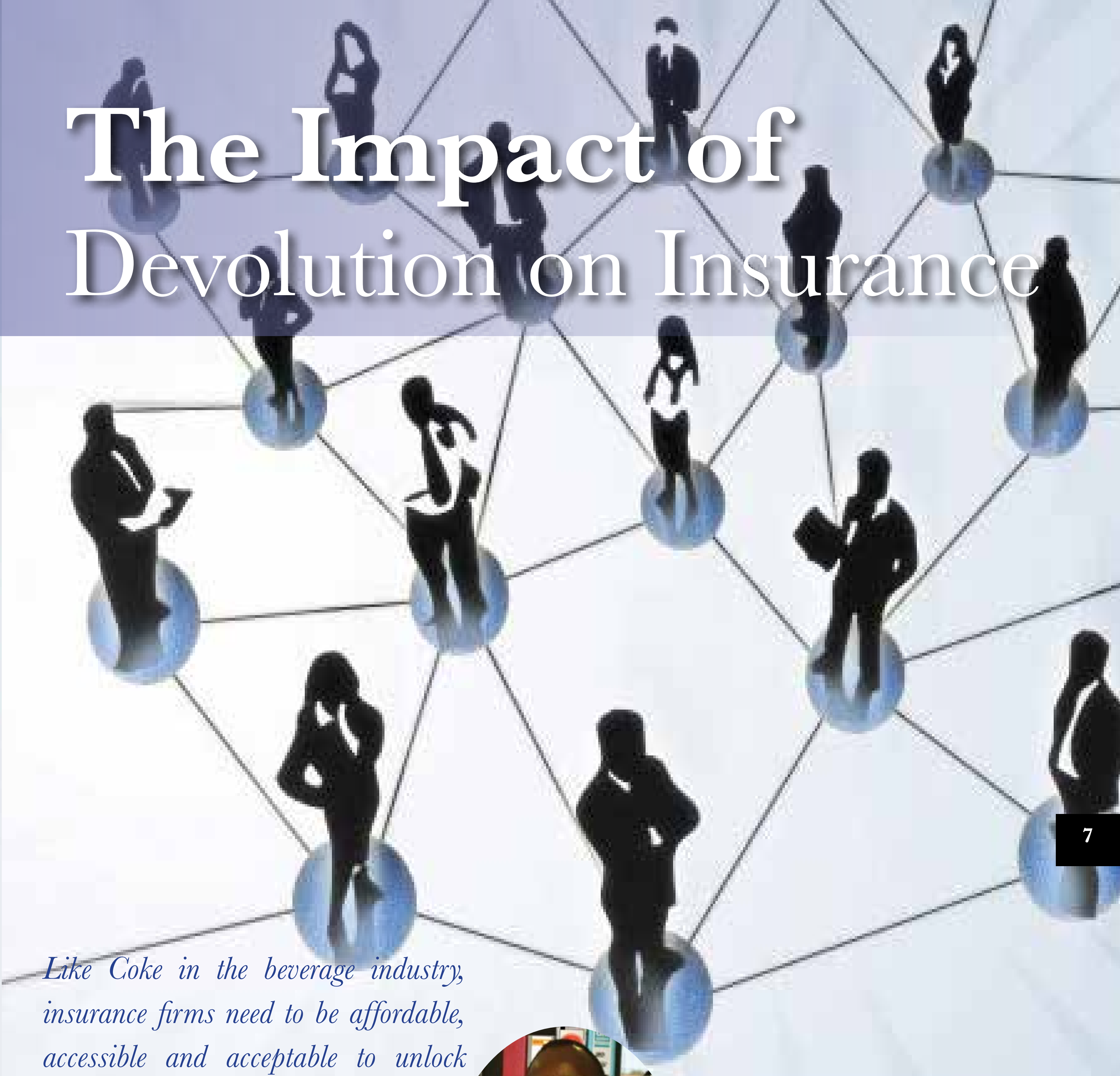
The ever changing information and communication technology sector has been on the forefront in providing vast information services that enable insurance clients become educated on the importance of insurance cover, receive crucial information on insurance as well as subscribe to the available products. Information and communication technology in innovation and design of new insurance products has been an important part in the growth of the insurance sector. The devolved Government provides more opportunities for the growth of the insurance sector and adoption of ICT in insurance service provision inside County Governments. Each county is targeted to have its own ICT hub with connectivity to the internet and thus the population will have more access to online services. E-learning courses for health financing and health insurance should be adapted by insurance companies at the county levels and the ICT hubs used to register new applicants and enable more people take insurance covers since insurance is important in the day-to-day economic and social activities. Moreover, the aging and physically challenged populationshould not be sidelined from easily picking pension plans that will assist them in their old age.

At the moment, the number of mobile phone users has hit a staggering 30.5 million in the country and is expected to grow even further over the next decade. Internet and data usage is also increasing rapidly. Innovative information platforms such as mobile money transfer services have made it easier to access financial transactions such as banking and insurance services at any corner of the country. However, in sharp contrast, the number of Kenyan people applying for insurance policies is still relatively low, with a targeted number of more than 35 million uninsured Kenyans in a population of 40 million. Thus stern and aggressive measures in the decentralised Government should be adopted by the insurance sector as we forge ahead. Through ICT adaption in the insurance companies, most of these challenges can be overcome. Insurance companies have immense untapped market and a lot of awareness is required to be geared towards coupling insurance service provision with information technology investment.

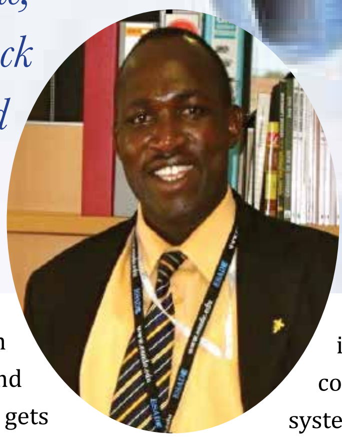
More and more Kenyans in the counties with mobile phones and data access have discovered that there is a robust way of payment and easy availability to insurance given the payment policies available, thus enabling them to comfortably engage in more business ventures without the fear of financial risk and peace of mind. Grassroots level innovations are the key to unlock insurance business opportunities and ensure survival. Similarly, they are the solutions to all our global challenges.

Makau Nzioka is the Software Developer, IT Innovations Department, Britam

The Impact of Devolution on Insurance



Like Coke in the beverage industry, insurance firms need to be affordable, accessible and acceptable to unlock the opportunities in the devolved Government



By Dr. Fredrick Onyango Ogola

Vitimbi, a comedy that airs on KBC television, is one of the longest running local TV programs. In one of its episodes, Ojwang Hatari, the main character, travels from his rural home to Nairobi to claim his pension and some insurance benefits. He gets his money but gets back home penniless, thanks to "a night-guest" at his hotel room who sneaks out with the whole amount in the middle of the night.

Insurance firms would not like to—analogically—experience the foregoing especially in the eve of devolution in Kenya. Nevertheless, this explains the challenge of centralisation of services like insurance and pension. There seems to be immense opportunities for financial services such as insurance and pension schemes in the county system. However, how insurance companies are going to take advantage of the system to expand their market raises more questions than answers.

Nearly all conversations about Kenya and beyond with regards to opportunities now rarely end without the mention of the county system. The big question is; are the opportunities that the county system provides overstated just like the Internet boom that gave rise to so many online businesses that never went well—partly due to improper business models that were not well thought out? And are the insurance companies going to operate in the counties as they do in Nairobi, business as usual?

The insurance sector is likely to face challenges as it restructures to conform to the demands of devolution and meet the needs of the population. The anticipated march towards double-digit economic growth is certainly bound to come with increased demand for insurance services from an expanding middle class, some of which will come from the county level. But these opportunities seem to be packaged as threats/and opportunities, depending on whom you ask.

Some of the opportunities that have been mentioned include increased penetration. That is the thinking that insurers are expected to open branches in various counties with devolution providing an opportunity to market their services and improve their sales. Devolution is also expected to transform counties into business hubs. This could offer several opportunities for insurance firms in a couple of ways. First, devolution could open new businesses for insurance firms as they seek to sell insurance products and services to other companies and businesses setting up shop in these counties. Second, the new businesses and employment opportunities for the local mwananchi mean that he/she can afford to purchase insurance products and services due to increased disposable incomes. Third, increased competition within the industry among other reasons will force insurers to be more responsive to the needs and preferences of customers ensuring in the long run that customers get the best products and services. This could drive innovation in the insurance sector in an attempt to come up with more interesting products and services to respond to customer needs. Fourth, devolution could lead to reduced ignorance among wananchi about insurance products. This is because a lot of Kenyans do not understand insurance and its products. With greater penetration of insurance, Kenyans would have the opportunity to learn more about insurance and understand it better; something insurance firms will smile about. Fifth, insurance companies have a better opportunity to 'clean' up their image and keep their promises to pay claims since Kenyans by and large believe that insurance companies promise so much but deliver so little.

Since opportunities come with threats, insurance firms have some challenges to ensure that they take full advantage of the devolution. Among the challenges is the cost implication. Devolution will be costly to insurers; additional capital will be required to put up new offices, train staff for them to be able to link the risks that potential customers in the counties are exposed to with the insurance products on offer. Second, price wars; this can be expected with competition in the new markets. It may lead to lower rates too, thus lower margins and higher risk for insurers. There could also be increased insurance fraud. Currently, insurance fraud remains a nuisance. Expansion into new markets is likely to increase the risk of fraud since the insurance firms would not have mastered the county contexts. Overall, the list of challenges includes issues such as restructuring to accommodate devolution and universal aspects such as quality, cost, access and reliability.

So how can insurance companies overcome these challenges in order to take advantage of the perceived opportunities?

The business case of Coca-cola comes into play here: The multinational has been ranked by Interbrand 2011as the most valuable brand globally. Coke rides on three core values; affordability, accessibility and acceptability. Any product or service offered by Coca-Cola in any market must be affordable, accessible and acceptable. That is why in spite of the poor infrastructure in some parts of Kenya like North Eastern Province where some companies cannot provide their products you can find a cold Coke that the locals can afford.

The insurance sector seems to be warming up for the opportunities that come with the devolved system of Government. Nevertheless, it needs to know that the government will also devolve its 'nature' to the County Governments. In that regard, opportunities remain only for the insurance firms that will be the 'Coke' of the sector. These are insurance firms that will be able to provide affordable, accessible and acceptable insurance products and services in the eyes of the different social, economic and religious groups in the different Kenyan counties where they will choose to go.

Ref:http://www.gfmag.com/tools/global-database/economic-data/11936-best-global-brands.html#axzz2TB7LWXSD

Fredrick is the MBA Academic Director and a Strategy and execution Senior lecturer at Strathmore Business School.

Effects of Devolved Government and Learning

Population growth and an increase in available money for education will drive growth in size and number of schools. This in turn will drive up employment.

By David Mugun

Our colonial history confirms that most of Kenya's development was deliberately restricted to 160 kilometres of either side of the Kenya-Uganda railway. This was so because the colonial Government needed to demonstrate the viability of a railway that had cost millions of British tax payers' shillings. To this end, towns and centres within the defined mileage astride the railway were developed so much that this is what defined Kenya for years. The effects of this are evident to date: Our five major towns and cities are the key highlights of the railway land marks.

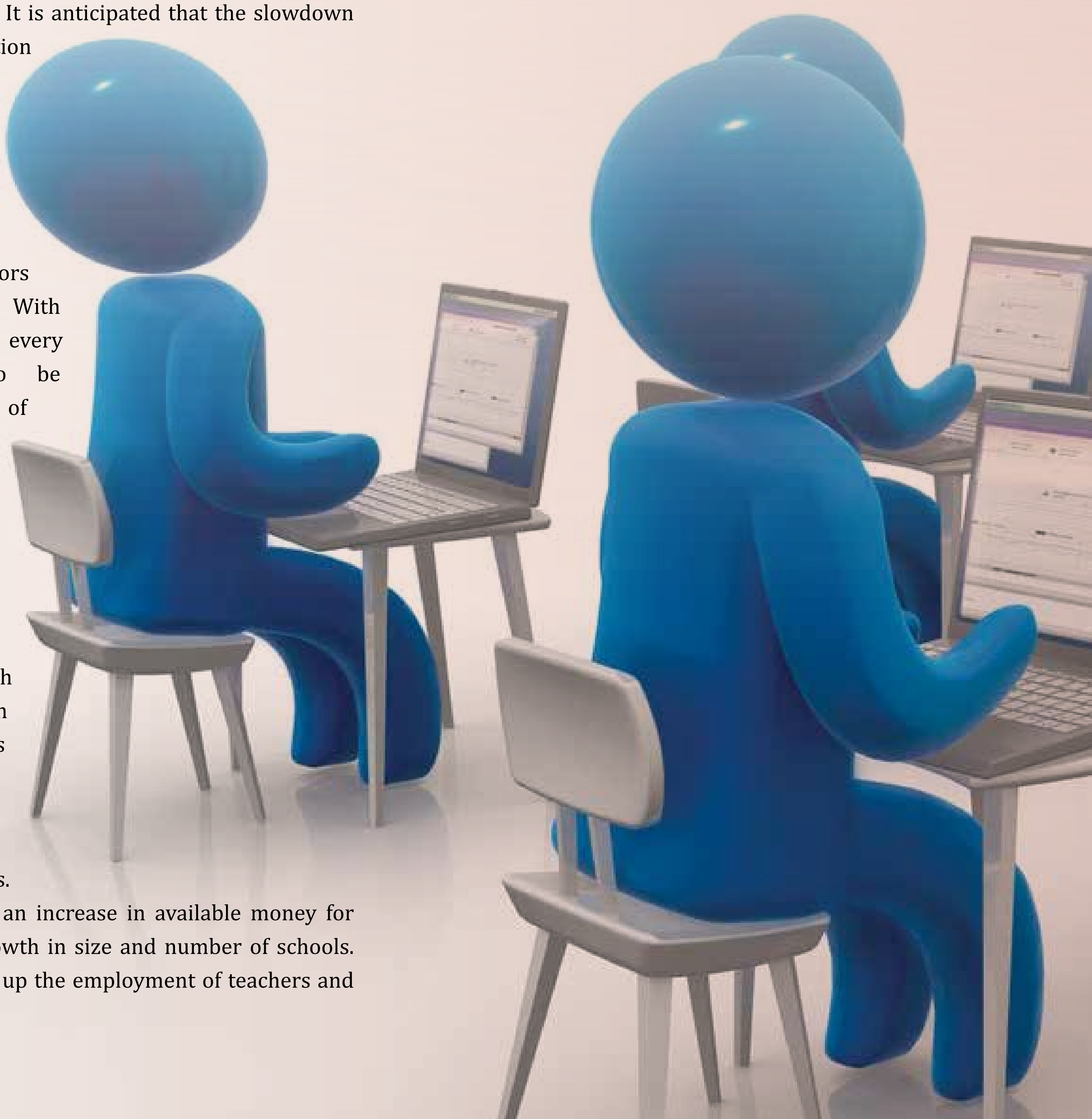
The areas away from the railway received little attention and hence the reason most institutions of learning at all levels are concentrated along the railway. Devolution in its true sense, it is hoped, will ensure that the effects of the colonial blueprint will be done away with. The equalisation fund is one such mechanism to bridge the gap in disadvantaged areas.

Our institutions have leveraged on existing infrastructure to expand. Take the case of our universities; many of which have satellite campuses in all major towns. It is worth noting that devolution will impact on the different levels of learning institutions. Let us begin with our education system as we know it today.

Primary schools will definitely benefit from increased funding to the County Governments. The sensitive nature of education in this country—and the legal requirement to have all children enjoying basic education—will definitely encourage spending on schooling. With this will be the need for more teachers. The counties that get it right will attract pupils from less ambitious counties and thus growing a market for consumables. The schools hitherto enjoying good infrastructural advantages and prime locations will have to pull up their socks because the competition brought about by an equalising Constitution will be fast and furious. It is anticipated that the slowdown in rural-urban migration will impact somehow negatively on town schools.

Secondary schools will equally experience most of what their juniors will be going through. With a national school in every county envisaged to be in place, challenges of national integration may emerge because parents will prefer a minimum schooling distance approach especially if going far away from home is no longer tenable through standards. Rules on quotas for students coming from across the country will be difficult to achieve under such circumstances. Population growth and an increase in available money for education will drive growth in size and number of schools. These in turn will drive up the employment of teachers and none-teaching staff.

Tertiary institutions such as those offering certificates and diplomas will grow. Kenya is transforming into a knowledge-based economy and will increase its dependence on people with formal knowledge to drive developmental objectives. To this end, a trend will emerge, where older citizens who had not reached these levels, will enrol in tertiary institutions alongside those graduating from secondary schools. With a better life expectancy today, mature age entry students will be on the increase. Again, there will be need for more tutors and institutions nearby. These days, we do not have the 80s and 90s hype of sending students to India, the United States and England among others. People will also have a wider choice of disciplines to choose from. There will also be an increase in people pursuing Masters and Doctoral degrees. Secondly, universities as part of the ecosystem will play a key role in providing thought leadership to the communities that they exist in. Relevant research will be made possible by proximity to the needs. What was only possible through Government extension officers will be possible with the help of universities.



The government has played a big role in upgrading tertiary institutions into universities across the country. Universities tend to bring about university towns which in turn stabilise the economies of their respective locations. Thousands of consumers are good for business. Such business would not have been possible if devolution was not introduced.

An economy will not grow on academics alone. Sources of income should be—as we can now see—expanded to include entertainment and sports. The new policy on having 60 per cent of television content being local, will spur talent in entertainment as more comedies and programs come on board. This will now become a sustainable industry and will require institutions that nurture such talent. Soccer academies will now sprout as well as a myriad of other none academic institutions across the country.

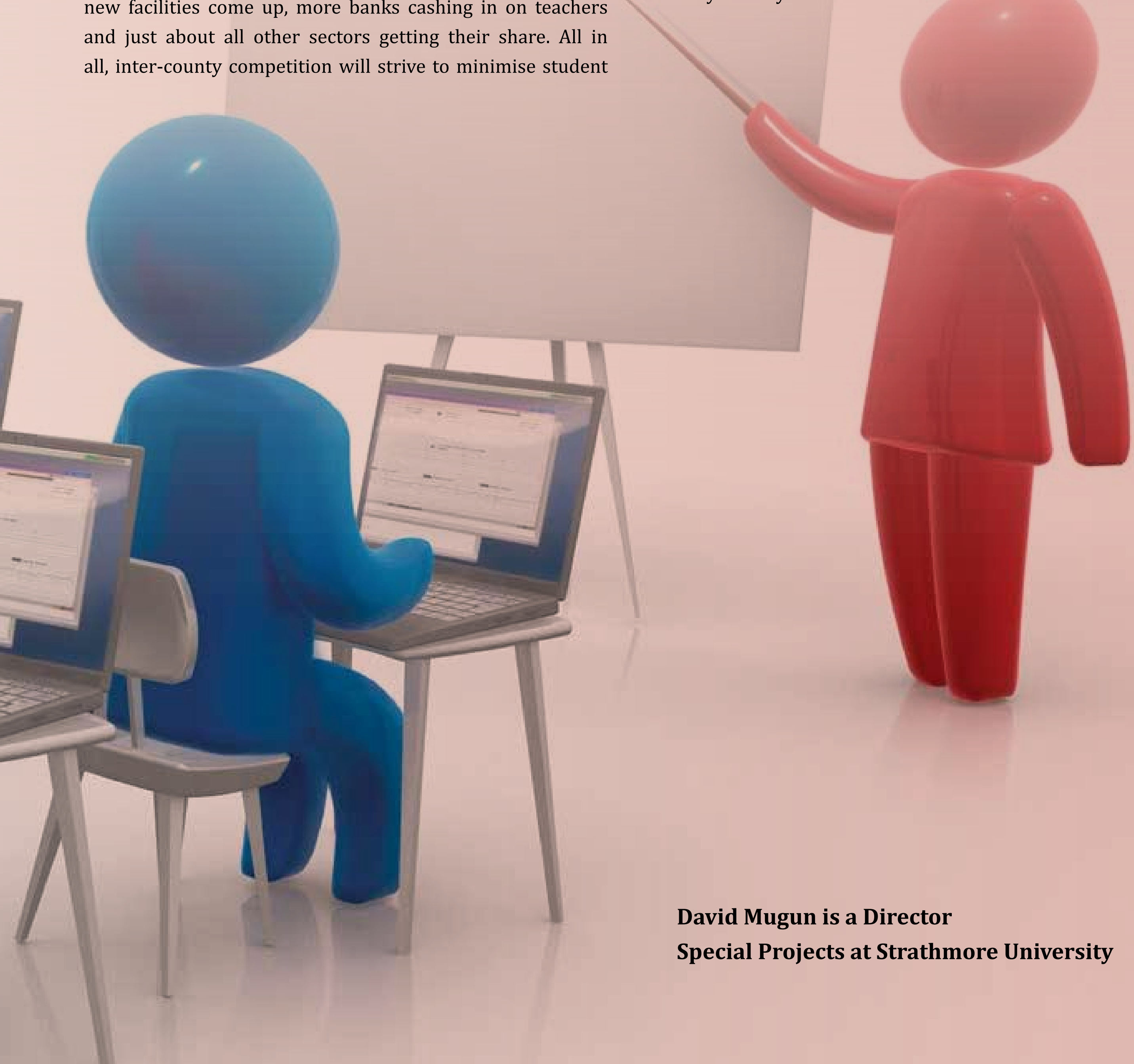
County Governments will guarantee increased circulation of money and talent in areas that had no institutions before meaning that we shall see activity in the building sector as new facilities come up, more banks cashing in on teachers and just about all other sectors getting their share. All in all, inter-county competition will strive to minimise student exportation on account of better facilities because overall it will boil down to taking money away from the county.

So, in all these, who stands to benefit the most?

Everyone will be a winner in this new dispensation. With more money in circulation from the activities around learning, all businesses within the vicinities of these institutions stand to gain. The farming community will find steady markets and so will 'hand-men' who will no longer see jobs as few and far between.

There will be need for more cars hence the insurers will have a field day for property and life insurance. If we get our collective act together, then even our neighbouring countries will want their children to school in Kenya. This will help in enhancing regional integration.

It is in everyone's interest that the devolved system of government takes off; so please do not take off yourself: Your country needs you.



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Special Projects at Strathmore University

Insurance among the Youth

To better the uptake of products among the youth, the industry needs to be associated with 'cool' events to increase the level of connection with the group.

By Reuben Gathemia

The Nation Youth Council Act of 2009 and the National Constitution of Kenya 2010 define the youth as people aged between 18 and 34 years. The youth in the country constitute a significant proportion of the population. The population census conducted in 2009 placed those aged between 15-34 years at 13.7million, equivalent to 35.4 per cent of the total population, which number has continued to grow considerably across the inter-censual period. There is stiff competition by marketers for the share of spend (otherwise referred to as share of wallet) for this segment of the market. Most of the leading brands in Kenya tend to draw a large part of their sales revenues from this segment of the market.

Market research conducted in the 2012 by SBO Research on behalf of the Association of Kenya Insurers revealed that, among the youth, insurance commands a very small share of spend, at roughly two per cent. This is in comparison to the share of spend apportioned to savings and investments (30%), clothing (21%), communication (17%) and entertainment (12%) The scenario seems to suggest that there is a revenue stream that can be tapped into by insurance providers.

The key priorities in life for the youth are education, good health and parenting and in this there seems an opportunity for youth-oriented products geared towards preparation for gainful employment and parenthood.

There is low awareness and understanding of life insurance concept among the youth—as is the case with most other insurance products—and subsequently there is less consideration in relation to other aspirations such as owning a house or having a bank account. In most cases, the youth have not been predisposed to the concept of insurance early enough and hence they do not view it as a priority in life. The industry has to an extent contributed to this in that previously, the youth did not form the traditional target in insurance marketing activities. This opinion also draws from history whereby the product packages within the industry have largely been generic with no specific youth-oriented product offering.

The low appeal for Individual Life is among other things driven by the perception that old age is too far ahead (in their life-stage). It is for the same reason and line of thinking that there is low uptake of pension schemes and funeral cover among this target group. Life insurance and pension schemes are perceived to have long-term maturity gain and benefits. Instead the youth are inclined to seek products that offer short term benefits and instant gratification. This highlights the need for education on insurance in our school curriculum. Alongside this, there is need for increased consumer education and demystification in a bid to encourage participation. The industry players can also create benefits that leverage on the need for instant gratification. For example, tapping the young at various life transformation stages such as new job, just married, newly promoted or first baby when they would be on a high.

The other barrier that the industry needs to overcome is the perceived lack of customised products for the youth. With high levels of unemployment and underemployment prevailing in the country, the youth lack a stable and sustainable income. They thus view the insurance industry as lacking in products that offer short term benefits, are affordable and offer flexibility in payment. In other words, to them insurance is an expensive affair. Products that do not necessarily have monthly payments would be ideal for this segment.

Much as the youth may be hard-pressed financially, they are willing to spend on products that are associated with key moments of their life-stages—such as graduations and weddings; therefore a product offering that walks the journey with them, and if it rewards them along the way in their life stages may likely draw consideration and loyalty. Still, attempts to make insurance cool would help improve value for money perception.

In as far as investment plans go, the youth would prefer to invest in land and start up business ventures due to perceived low returns offered by insurance coupled with uncertainty as to whether the payment will be forthcoming. As the industry players go back to the innovation board, there is a pressing need to have an offering that will be competitive in the industry and beyond. Payments of cash benefits if included would promote consideration of long-term insurance products such as life and pension.

In targeting the youth, the industry will need to be more inventive since the youth do not regard the advertising and marketing approach used by most industry players as appealing and connecting with them. The language used in sales pitches is deemed complex and unexciting and needs to evolve to that of a youthful lingo, which also entertains. The youth will be looking out for simplified packaging of insurance products supported by clear and positive communication of risks covered, "when an agent comes and tells me to think about my death or retirement it is not encouraging for me to think about what they are selling", one of the consumers interviewed stated. It implies that the media used in communication needs to be aligned to what the youth are consuming, and in this case the social media is one of the avenues that cannot be avoided. Road-shows and sports events have in recent times proved to be successful among the youth in as far as brand engagement is concerned. The industry therefore needs to be associated with 'cool' events to increase the level of connection. To reach this target, one will also need to go where they are, meaning that paying visits to colleges, universities, movie theatres, and entertainment spots among other locations may not likely be deemed unusual.

The ideal insurance provider from the youth's perspective would be one that offers a combo of attributes ranging from affordability, flexibility in payments, short maturity period and youth-centric in communication.

As it currently stands it is safe to conclude that there exists a gap (opportunity for marketers) in targeting the youth in Kenya.

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With devolution now taking root, the industry needs to engage the County Governments and increase the penetration of insurance through creation of awareness.

By Ben Kajwang

As Kenyans agitated for more freedom in the late 1980s and early 1990s, one of their key demands was a form of governance that would empower people at the grassroots. The consensus was that the centralised system of government which had been put in place by the Constitution at independence did not adequately respond to the local needs of the people. This demand was provided for in Chapter 11 of the Kenya Constitution 2010 which created a devolved Government whose main objectives were, inter alia, to: Recognise the right of communities to manage their own affairs and to further their development; promote social and economic development and the provision of proximate, easily accessible services throughout Kenya and ensure equitable sharing of national and local resources throughout Kenya.

This provision is now a reality following the March 2013 general election which has resulted in the creation of County Governments complete with governors, county parliaments with their own speakers and county representatives copying members of parliament. The county Governments are also provided with funds from Treasury and are empowered to collect taxes in their jurisdictions.

It has now become obvious that any industry which intends to engage Kenyans and offer its services to them must do so through the new governance structures. In addition, areas which were not hitherto attractive to investors will now become so due to availability of funds and county government structures and employees providing a nucleus for development.

The insurance industry remains small compared to its potential and has no choice but to engage Kenyans so as to address the conundrum of low penetration. The various players in the industry must each therefore play their part in tackling this challenge. And there is no waiting, time is of essence: Safaricom is the biggest mobile phone provider in Kenya because it was the first in its field to respond to market needs; Equity Bank has the largest number of accounts because it was the first bank to engage the ordinary Kenyan directly in the financial service sector.

The industry has to engage the counties now. The College of Insurance is tasked with the duty of enhancing insurance education and training amongst Kenyans. To achieve this mandate, it works closely with many stakeholders in the industry; the most important of which is the Insurance Regulatory Authority (IRA). Since the passing of the New Constitution, the College has been at the forefront of aligning the needs for training in the industry to the new political dispensation.

In recent years, it has become increasingly evident that one of the main reasons for the low penetration of insurance is the limited level of awareness about insurance and the positive role it can and plays among Kenyans.

It is on this basis that a strategy was developed to boost insurance literacy in the country. A key aspect of this was to develop opinion leaders and increase the number of qualified and competent sales persons in insurance to disseminate the insurance message to the general population.

Under the sponsorship of the IRA, a certification has been developed that enables those aspiring to become insurance agents obtain qualification and licensing faster than has been the practice hitherto but without compromising on the quality of training and the competence of trainees. This has given rise to the Executive Certificate of Proficiency in Insurance (ECOP). The difference with the regular COP is that the ECOP training takes place at the county level and not in the main towns alone. In line with the expectations of the devolved Government, the training programme is expected to be rolled out in all the 47 counties in the near future. So far three counties (Kitui, Kisii and Meru) have been covered. Taita Taveta is the next; training will take place there in June this year. In each county, at least 100 participants are trained initially. The programme takes two weeks with 80 contact hours and the content is covered in two modules. The College has developed simple insurance booklets which are availed to the trainees to be used as their reference material in future.

The objective of the course is that at the end of the training participants will:

Have a better understanding of insurance and the role it plays in the economy;

have a positive image of insurance as a key risk mitigation measure; be interested in talking positively about insurance to those whom they interact with on day-to-day basis; be interested in taking up a career in insurance and be ready to buy and sell insurance.

The programme is open to all Kenya citizens who are over 18 years of age, are able to communicate in English and are interested in a career in insurance sales.

The target group for the new programme includes, but is not limited to: Community leaders, teachers, women group leaders, small traders, leaders of local organisations, form four leavers, church and mosque leaders. Co-operative societies are also a key target group given that they command a critical mass and are well organised and therefore easy to mobilise.

In the course of the training-and in an effort to make the training practical, successful agents are invited to talk to the trainees on how to become effective salespersons. Marketing managers in the target regions are also invited to engage them. The IRA then conducts a graduation ceremony. So far, the ceremonies have been presided over by either their Chairman or the Commissioner/CEO, clearly demonstrating a very high level of commitment to the entire programme.

Insurance companies are free to recruit the trainees upon graduation. The outcomes of these efforts are expected to be: Increased presence of insurance sales persons in the grassroots; attraction to insurance companies to open branches using the graduates as the core sales force and ultimately increased sales and penetration.

Going forward, it is expected that the insurance industry players such as AKI and AIBK will join in these efforts and during the time of training arrange to undertake parallel and complimentary efforts to enhance the uptake of insurance in those counties. Such should include, but are not limited to: Liaising with local radio stations and conducting public awareness campaigns; identifying key groups such as teachers, matatu drivers, farmers, jua Kali artisans, county employees, local civil servants, local universities employees, university and students from the county and engaging them on the advantages of buying insurance; carrying articles on insurance in the local papers where they exist; putting up stands where local residents can listen, ask questions and engage insurers on past insurance dealings with them; designing specific policies for different counties such those covering the different type of crops grown in different counties and arranging to talk to key County leaders such as county representatives, heads of various departments and key Government officials about the benefits of insurance in the target county.

Further on, the insurance industry should arrange to have well written brochures and booklets, preferably in Kiswahili and the local county language(s) espousing the positive message of insurance. Such should be availed in all places where ordinary people can access them free of charge. They may also be availed in secondary schools so that the seed of insurance can be planted in the minds of our people from an early age.

This approach must be adopted because no growth and development can be attained without engaging people in all their diversities, where they are and in accordance with their wishes and the country laws.

Ben Kajwang is the Director/CEO at the College of Insurance.

In the course of the training-and in an effort to make the training practical, successful agents are invited to talk to the trainees on how to become effective salespersons

Consumer Protection and The Constitution

Devolution will not make any practical sense if all our services and operations are centralised at the national level.

By Mathews O. Odero

A consumer has generally been defined as a user of particular goods or a recipient or beneficiary of particular services, irrespective of whether that user, recipient or beneficiary was a party to a transaction concerning the supply of those particular goods and services.1 In the context of insurance business however, consumers include policyholders or beneficiaries to the policy. Though policyholders are identifiable, some of insurance policies such as Motor Vehicle Third Party leave a wide range of the beneficiaries to the policy who may include the passengers, the pedestrians and persons suffering loss arising from destruction of property or motor vehicle of other road users among others. Following this example, it essentially means that although not everyone is a policyholder, everyone may be broadly classified as a beneficiary to the policy hence a consumer of insurance services provided that they are covered by the risk insured. The protection of the rights of consumers should therefore adopt a wider consideration of all these categories of individuals.

The Constitution of Kenya, 2010 famously known as The New Constitution has been touted as one of the most progressing Constitutions of modern times. This is attributed to its recognition of wide human liberties as contained in the Bill of Rights. One of the objects of devolution of Government—as espoused in the Constitution—is to promote social and economic development and the provision of proximate, easily accessible services throughout Kenya.[2] It is worth noting that the Constitution divided Kenya into 47 counties[3] which are distinct but interdependent to the national Government.

Article 46 of the Constitution provides that consumers have the right to goods and services of reasonable quality and the information necessary for them to gain full benefit from those goods and services. Further, Consumers have the right to the protection of their health, safety and economic interest and compensation for loss or injury arising from the defects in goods and services.

These provisions of the Constitution should be viewed by the insurance industry as imposing higher obligation in meeting the customer needs as well as an opportunity to market those products that will protect the manufacturers from the risk of violation of the Constitution. The suppliers are obligated to provide goods that meet standard quality and services that meet the customer's need in case of service providers. In the context of the insurance industry, structures should be put in place that minimise the incidences of mis-selling. This may be achieved through introduction of quality assurance to ensure that the product sold by the agents meet the customer's needs. Secondly, these constitutional rights impose an obligation to compensate any person whose health, safety and economic interest is compromised. This may give rise to liability where an insurer or a broker providing services to customers sells a product contrary to the customer's instruction or needs compromising economic interest of that customer where a claim is repudiated.

Further to the provisions of the constitution, Parliament enacted the Consumer Protection Act 2012 which expanded the consumer rights providing for the legal mechanism of redress to the aggrieved consumers. It has been made unfair practice for a person to make a false, misleading or deceptive representation. This has been described as a representation that the goods or services have performance characteristics, benefits or qualities they do not have. It therefore means that where a seller of an insurance product induces a person to buy a product believing that that product has certain benefits then it turns out that it lacks that benefit, then such a person shall be construed as having engaged in unfair practices.

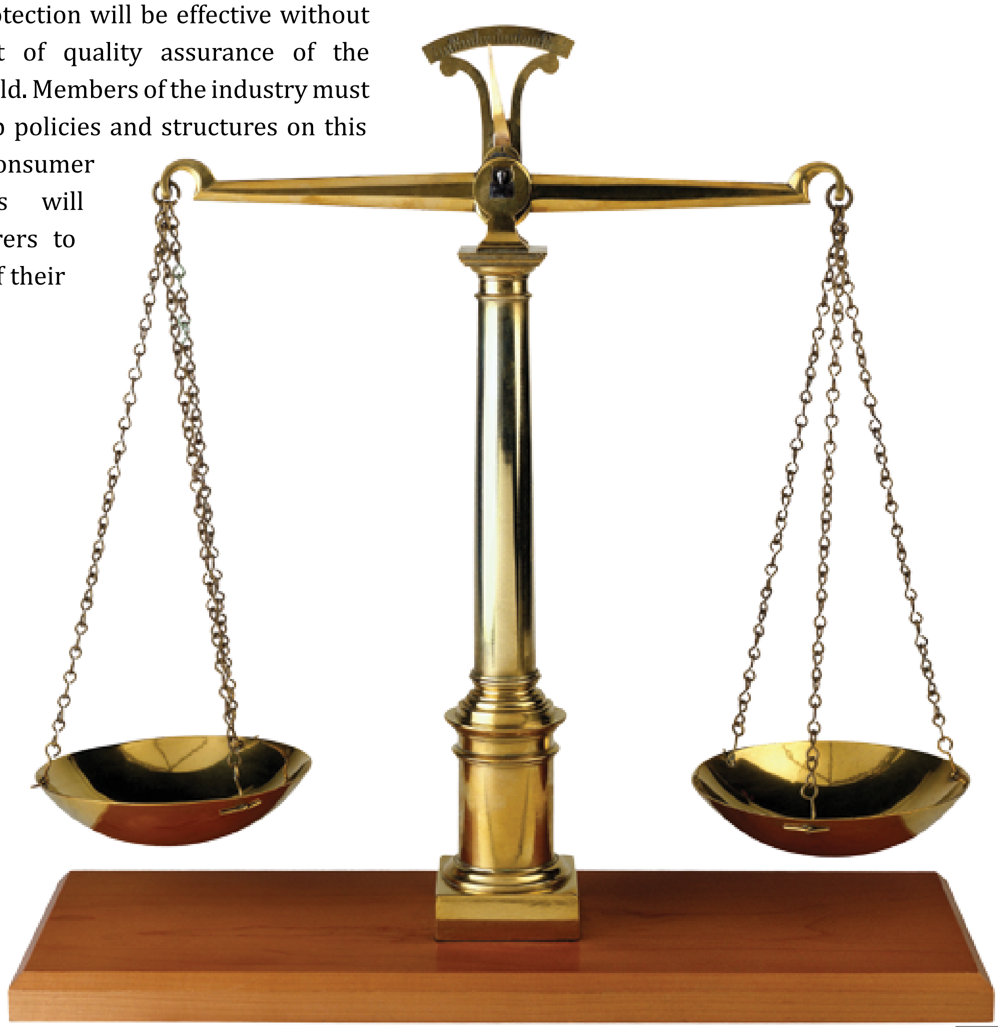
It is worth noting that one of the objectives of the Act is to improve consumer awareness and information and encourage responsible and informed consumer choice and behaviour. This is in line with the constitutional requirement that consumers shall be given sufficient information to enable them exercise their choice. If this requirement is met, the insurance sector is likely to experience minimal cancellation of the policies associated with mis-selling.

Devolution under the Constitution gives insurance industry an opportunity in many ways to enhance Consumer rights. The first essential element of

consumer rights is increased awareness and education of one's services. Investment in awareness brings forth business benefits that can be exploited. With increased understanding of the insurance services and products, one can expect change in attitude brought about by appreciation of insurance needs. With distinct County Government units, the industry may set education and awareness centres at the county units. Since different counties have different insurance needs, the industry is expected to develop niche products at the county level. Such products will be easy to market since they will be as a response to the society's needs. It will also promote consumer protection as many of the consumers will have an understanding of such products.

Another vital aspect of consumer protection is the resolution of complaints whenever they occur. Since marketing of the products is expected to be enhanced at county level, then most of the complaints that may arise should be dealt with at that level. This will deal a blow to mistrust and bad image of insurance services due to enhanced customer satisfaction. It does not add practical value that a customer whom your agents and brokers sold for a livestock policy in Wajir cannot have the complaint solved at the point of sale.

No consumer protection will be effective without the development of quality assurance of the products being sold. Members of the industry must therefore develop policies and structures on this vital aspect of consumer protection. This will enable the insurers to meet the needs of their customers.



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(Endnotes)

1 1 Consumer protection Act 2012, section 2

2 2 Constitution of Kenya Article 174 (f)

3 3 The first schedule of the Constitution of Kenya, 2010

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Talent Management: A Fad or Business Reality?

It is no longer business as usual for HR professionals to only focus on individual elements of the personnel management function.

By Samson K. Osero

In recent times, the Kenyan corporate scene has been bombarded with a number of buzzwords but none of them stands out as prominently as "Talent Management." On hearing it for the first time, some people associated it managing the talented chaps in music, painting, acting and related arts. Far from this perception, Talent Management is using an integrated set of activities that ensure that the organisation attracts, develops, motivates and retains the calibre of human resource (HR) that it needs now and in the future. In this article, we shall examine the evolution of HR management in Kenya from the times of "personnel management" up to the advent of Talent Management and its impact on other systems and processes.

From the 1970s to mid-1980s, it was the "Personnel Department" in organisations that was responsible for people issues at the workplace. The role of the department was to hire and fire people, pay them and take care of their welfare including benefits. The systems which were developed to support this function were limited to payroll applications. The other role of personnel department was to maintain and administer discipline as and when required.

In 1982 when Tom Peters and Robert Waterman published the widely read management book "In Search of Excellence", it popularised the concept of HR management. For the first time, people were recognised as a critical resource that provided a competitive edge to organisations. From post mid 1980s and 1990s, organisations realised that the HR function was a key driver of productivity—and the concept of "Strategic HR" emerged. During this period, organisations realised that the HR Manager played a fundamental role: Designing job roles, developing organisational structures, recruiting people with required skills and competencies; training and developing them, and developing reward schemes including benefits. Indeed, the HR function even served as a nerve centre for employee communication.

In progressive organisations, the "Head of HR" became the "HR Director" and was responsible for linking HR strategy with corporate strategy. A new litany of systems were developed to support this new role which include online recruiting and applicant tracking systems, reward and benefits, performance management systems and learning and development systems. Overnight the status of the HR function was raised to that of business partner, working with line management to enhance productivity.

Although strategic HR management continues to occupy the agenda of top management, the advent of Talent

Management revolves around a new set of strategic issues. Organisations are putting a spotlight on the efficiency and effectiveness of their recruitment and selection processes. To speed up the processes, they have, for example, adopted online "competency-based" approaches instead of the previous trawling of piles of CVs for short listing prospective employment candidates.

The HR function is searching for faster ways of identifying competency gaps so that innovative training approaches can be used to fill the gaps. Information on existing gaps can assist in hiring people with required skills. There is renewed emphasis on developing future corporate managers for a sustainable "leadership pipeline". These and other challenges confronting the HR function require new processes and systems. Hence, there is need for integrating Talent Management initiatives within other functions of an organisation.

Talent Management has incidentally evolved from HR. It is a series of value addition processes which include but are not limited to:

Human Resource Planning: This process generates organisation structures, human resource plans, recruitment plans and payroll budgets.

Recruitment and Selection: Through an integrated process of recruitment and selection, an organisation procures the human resource required for its operations.

On boarding: The HR function develops training programs aimed at enabling new employees to be quickly integrated into an organisation and become productive.

Performance Management: An organisation puts in place processes to measure and manage the performance of employees.

Learning and Development: Here the HR function identifies competency gaps and provides relevant learning and development programs to all levels to fill the gaps.

Succession Planning: An organisation identifies the right candidates with potential to fill in the next senior positions in the "succession pipeline".

Reward and Benefits: The HR function attempts to link reward schemes to performance management as part of employee motivation.

Employee Relations: This sub-function involves maintenance of employer-employee relations in order to contribute towards targeted productivity.

A casual observation of corporate organisations in Kenya reveals that they regularly focus on the different elements above depending on their level of activities and the urgency of the HR problems they face. While some reputable organisations have dealt with most of the processes above, most organisations focus on several of the key elements and work towards building an integrated approach over time.

Talent Management is a dynamic and agile function. It not only enhances an organisation's performance and productivity but also strives to provide required information and tools to plan for corporate sustainability and growth. Talent Management plans require integration and communication between and among existing corporate functions. For example, training programs need to be closely aligned with the performance management and recruitment processes. Reward schemes will be effective if they are matched with the results of performance management processes.

Talent Management is an unstoppable and growing trend whose impact will be felt across all corporate functions. It has potential to change the way corporate organisations allocate their resources, organise them for production and use appropriate technology. For example, the role of the Learning and Development Manager should include integration of learning programs with an organisation's performance management processes.

Talent Management will also impact on an organisation's systems strategy. It would be advisable not to run a stand-alone reward management system. As a start, this system should be integrated with an organisation's performance management systems. On staff capacity building, competency models need to be used to link learning and development to performance management.

The role of HR professionals will be broadened to encompass the elements of Talent Management so that organisations can unleash the productive potential of their human resource. It is no longer business as usual for HR professionals to only focus on individual elements of the HR function—they must understand the business of the organisation and the integration of its different functions. HR professionals should drive this agenda forward by ensuring they are business savvy, relevant, trusted and focused on the issues that matter to a business; for example, Talent Management programs that have front-line buy-in and really matter to the business. Over time, the role of HR professionals will be more strategic than ever before.

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Banking on PUBLIC RELATIONS

With ever strained marketing spend, insurance companies can only bank on PR to increase visibility in the counties and consequently the uptake of their products and services.

By Aram Kaboro

Simply defined, devolution is the statutory granting of powers from the central government of a sovereign state to Government at a sub-national level; it is a form of decentralisation. In the case of Kenya, the concept has brought into being 47 counties that are set to run 'sub-autonomously' from the central government. County Governments have the power to make legislation relevant to their jurisdictions and thus 'influence' all sectors therein. Insurance is not an exception to this dispensation.

Now, how should the insurance sector ride on the imminent wind of change and gain more penetration?

One of the best avenues to reach out to customers in any business is marketing. Nevertheless, given that insurance companies have to make their presence felt in the new 47 'countries', marketing spend is bound to be strained as the companies will now need to 'devolve' their operations too. The best bet in this scenario then emerges as Public Relations (PR)

Public Relations is any form of non-paid, non-personal selling; and it may be favourable or adverse. Favourable PR usually consists of good relations with the press; radio, publications and other informational media. On the other hand, a badly executed PR initiative—or lack of strategy—can badly dent an organisation's image. Using PR helps you gain purported third-party endorsements that make new customers feel confident about calling you to get insurance rates and information.

Press releases augur well as a PR tool. Depending on your target market, you may want to send your press releases to the local newspaper and local FM stations which are bound to sprout as devolution takes root. Try television stations and share your releases online too using blogs and social media sites—but only after you have ascertained your target market is adequately endowed with such communication technology. Tie your press release to current news events, such as natural disasters that damaged homes and other property typically covered by insurance. Provide tips about protecting one's property and facts about obtaining insurance that covers damage from such events. Another way to gainpublicity requires becoming known as an expert in your specific area of insurance you can become a quotable source for writers who cover current events.

Write about agents who have taken specialised courses in certain types of insurance; such as Aviation Insurance or business liability. Introduce new agents hired by your county office and mention their area of knowledge and why you hired them. If you move or expand your offices, let the media know as this shows you are growing, or, at the very least, moving to facilities that make it easier to help your clients. Write releases about any new technology systems you implement or new lines of insurance you offer to show how your company is improving its service and offerings. If you hold an open day, inform the media and include the date, time and what activities will be offered to entice people to attend.

Working with local businesses such as supermarkets scores high in PR: Set up a table at the entry/exit to disseminate free information about consumer protection—such as providing tips and handouts to make people's vehicles less prone to theft. Sponsor seminars at specific companies or organisations, such as arranging a lunch workshop about long-term care for the elderly and the variously challenged in the county. Work with local agencies and NGOs to provide seminars on how to quickly get an insurance adjuster to one's property if damage occurs due to an insured event.Freebies work. Offer free printed reports on your activities/products or send a PDF document that the ever growing 'digital generation' can download to their computers and Mobiles about safe driving or finding the right insurance to cover motor accident. Send press releases to local media about the freebie to build interest.

As in any publicity activity, PR exposure costs vary depending on the goals of an organisation. In many cases, costs may be as simple as the salary of an internal public relations expert or team or exposure costs may include event production, advertising and ongoing PR campaigns. Therefore, costs vary based on how an organisation seeks to gain exposure; such as whether the organisation hires employees or an agency to fulfil its goals and what types of long-term and short-term plans the organisation executes.

Many organisations rely on their internal PR departments to get exposure. In such a case, the only PR exposure costs to the organisation may be the salaries of its specialists. If an organisation chooses to hire internal public relations staff, it will need to pay each employee a salary and provide benefits.

The trend today is that most organisations are opting to work with PR consultants or agencies. This may seem cheaper than setting up or maintaining an internal PR team but it is not always so. PR is fast becoming a lucrative occupation and is now teeming with 'agencies' and 'consultants' who seldom deliver on promises. If you choose to work with an agency for your PR exposure, you should compare prices and services of multiple agencies to get the best price and services possible. You should also have an idea of what types of public relations services you need: Also, request for references.

Public relations exposure costs factored into an agency or consultant rate may include: Retainer fee, cost of hard goods used for a given PR project, cost of contractors used for projects, advertising costs and special event costs. When working with an agency, you may also choose to establish an hourly rate for the duration of a project, or you could establish a project rate. The exact rates and fees will vary by agency, type and duration of project among other billable components

Bear in mind that too much of anything is counterproductive: Have checks and balances in your PR strategy.

Facilitating Regional Integration using Technology

Consolidation of East African exchanges does not face technological impediments. Indeed, the obstacles to consolidation in the region are more narrowly regulatory and financial.

By Rwabukumba Celestin

Regional integration has been a key focal point for the East African Exchanges with initiatives such as regional standards for the Broker Back Office System (BBO), The Smart Order Routing system (SOR) to enable trading across all EAC exchanges and a regional inter-depository transfer mechanism being discussed. Regional integration of the EA capital markets will reduce the costs and complications of cross-border trading, enhance the movement of securities across the region and improve the liquidity of cross-listed securities.

The emergence of an equity culture across Eastern Africa is making cross border investment more common. Several public listed companies have taken advantage of this phenomenon to cross-list. Nevertheless, trading of cross-listed securities particularly in the secondary markets has been marred with challenges. To make it easier to trade cross-listed securities, East African Securities Exchanges Association (EASEA) has adopted the Kenya BBO as the minimum standard for the region. Discussions to implement procedures for a regional inter-depository transfer mechanism are at an advanced stage.

High trading volumes are important to an exchange because of the increased liquidity associated with them. Liquidity is the ability to buy or sell an asset quickly and at a price similar to the prices of previous transactions—assuming no new information is available. When buyers and sellers are few and arrive sporadically at the market, they may not find each other immediately and significant price fluctuations can ensue. Boosting liquidity facilitates market transactions and attracts more investors. Accordingly, this encourages new equity investment.

Parallel trading of the same security on different national exchanges contributes to fragmentation of the financial markets. Because most stocks have not been trading simultaneously on the EAC exchanges, market fragmentation is not a major concern at present. With the increasing integration of the EAC markets, however, more companies are likely to seek multiple trading venues for their shares, and fragmentation could become a more pressing issue if the status quo remains on the technology front.

There is a school of thought suggesting a regional EAC exchange though several forces are working against it rather advocating for maintaining domestic exchanges that can talk to each other through a SOR. These include the desire for product differentiation, the existence of cross-country legal and regulatory differences, demutualisation, high information costs, home-country bias and the widespread fragmentation of the EAC's clearing and settlement systems. How can technology help?

The current state of the EAC's fragmented clearing and settlement systems stands in the way of regionalisation. After a trade has been executed, clearing takes place; that is, the buyer and seller confirm the terms of the trade and the clearing agency calculates the counterparties' obligations. Settlement entails the actual transfer of funds and asset ownership between buyer and seller. Unlike trade execution—which occurs at exchanges—clearing and settlement can be completed at agencies that are either independent or controlled by an exchange.

In Tanzania and Uganda, the clearing and settlement systems are run by the Dar-es-Salaam Stock Exchange and the Uganda Securities Exchange respectively. In Kenya, the Central Depository and Settlement Corporation (CDSC), an associate company of the Nairobi Securities Exchange runs the clearing and settlement system for the Kenya capital markets. In Rwanda, clearing and settlement is a function of the National Bank of Rwanda. Clearing and settlement is sharply divided along national lines. Such fragmentation—which often brings with it redundant clearing and settlement processes—can result in significantly higher transaction costs. Consequently, EAC stock exchanges may fail to achieve greater integration unless clearing and settlement systems also integrate. The proposed interdepository procedures will make it much easier to transfer securities between national depositories and allow investors to choose which exchange to trade their securities at. Another model might be a Pan-EAC central counterparty—similar to the Depository Trust and Clearing Corporation in the United States. A central counterparty takes the other side of every matched deal after trading is completed: Buyers purchase securities from and make payments to the central counterparty (rather than their market counterparties), while sellers do the opposite. This model is working in the European financial industry and is being looked at EASEA level but the jury is still out.

In the early twentieth century, there were dozens of regional exchanges in the United States—outside the New York Stock Exchange (NYSE), the American Stock Exchange, and the National Association of Securities Dealers—that mainly traded the stocks of local companies. However, the industry structure began to change with the introduction of new communications technologies. The emergence of cross-country telephone service after 1915, the coast-to-coast availability of NYSE stock tickers after the mid-1920s, and the development of the open-end teletype after 1935 eliminated geographical barriers allowing the NYSE to capture a large portion of the regional exchanges' trading volumes (Arnold et al. 1999).

New regulations put forth in the wake of the 1929 stock market crash were another major factor affecting industry structure. In 1936, the U.S. Congress granted exchanges "unlisted trading privileges" permitting an exchange to trade any security that was approved for listing on another exchange (Securities and Exchange Commission 1944). Unlisted trading privileges facilitated the trading of a single stock on multiple exchanges.

Thanks largely to these technological and regulatory changes, the percentage of "regional-only" stocks traded on regional exchanges declined from 63.7 per cent in 1929 to 18.3 per cent in 1949 (Arnold et al. 1999). Moreover, the dramatic increase in the number of stocks that traded simultaneously on multiple exchanges led to intense competition for order flows: Investors could decide where to place buy and sell orders by comparing the cost, speed and quality of execution in different venues.

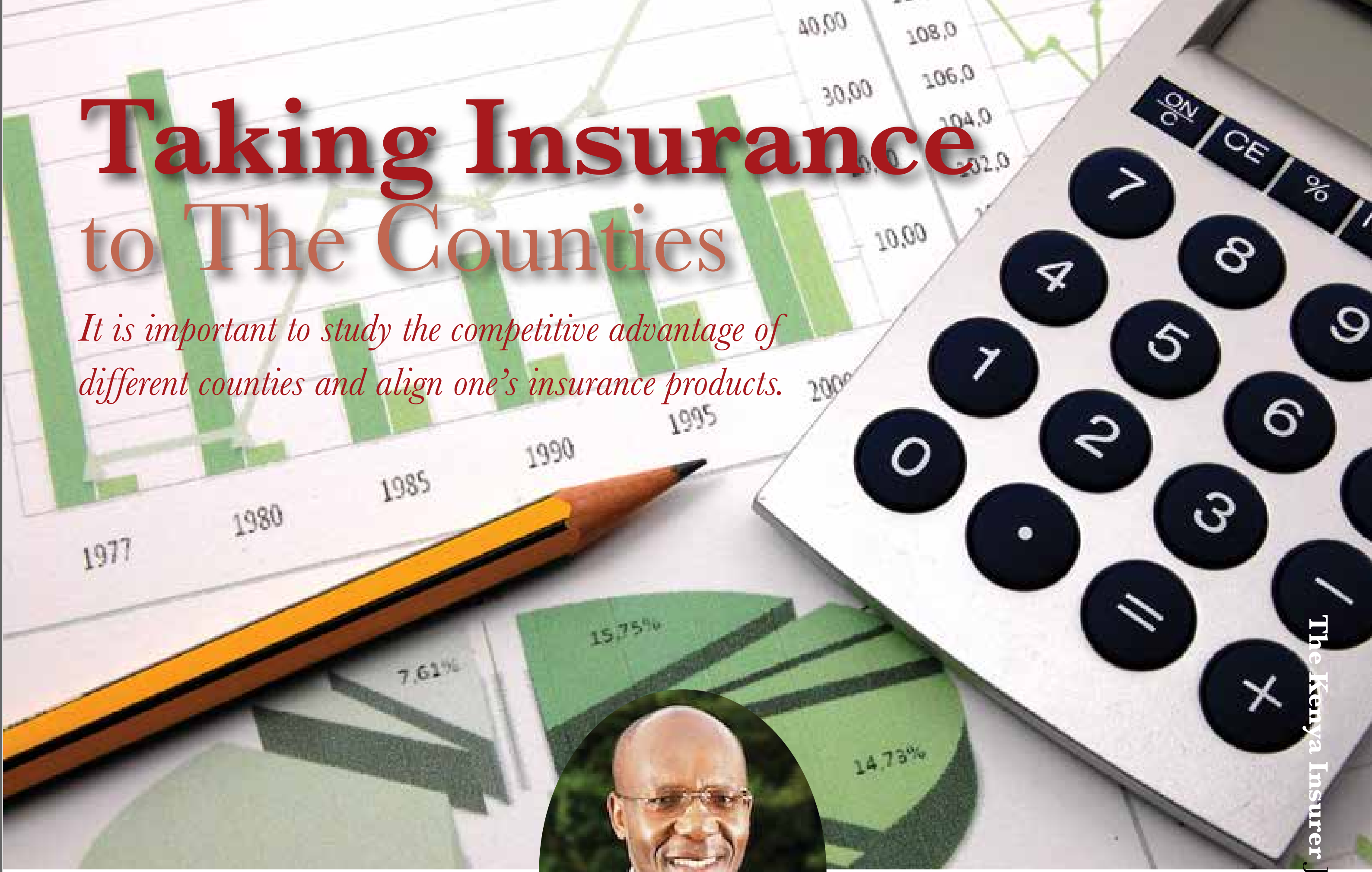
This competition sparked several mergers among the regional exchanges; a development that brought additional advantages to the financial sector. For instance, the combined exchanges traded stocks at lower bid-ask spreads, benefiting investors, and the exchanges themselves enjoyed higher values for their membership seats. However, because the technological and regulatory changes did not take place overnight, consolidation still proved to be an extremely gradual process. The more than 100 regional exchanges in operation in the late nineteenth century were reduced to 18 by 1940, 14 by 1950, 11 by 1960, nine by 1970, and seven by 1980 (Arnold et al. 1999).

However, differences between the U.S. and the East African experience could suggest a somewhat faster consolidation in East Africa; if the region chooses to do so. For instance, while the consolidation of the U.S. exchanges had to await the development of new communications technologies, East African regionalisation does not face similar technological impediments. Indeed, the obstacles to consolidation in East Africa are more narrowly regulatory and financial. Since financial and regulatory restructuring can occur faster than technological innovation, one might expect consolidation to happen a bit more swiftly in East Africa than it did in the United States.

The Broker Back Office, The Smart Order Routing system, the Inter Depository Transfer Mechanism, all support access to markets by enabling an investor to input orders more efficiently through their mobile phone and very soon through the internet. Going forward, EAC Governments can play an important role in the transformation of the countries' stock exchanges. For example, they could facilitate the regionalisation process by encouraging regulatory standardisation across stock markets and allowing more liberalised trading of stocks on multiple venues. The ensuing benefits would likely be passed on to investors and companies in the form of improved financial services, decreased transaction expenses and reduced costs of obtaining capital. East Africa can leapfrog in the capital market integration efforts as technology is improving at a lightning speed and changing the way we think and operate along the way in a region full of opportunities and an ever growing demand from investors and issuers for a fully integrated and efficient market.

Whether consolidation is the way to go as it has been over decades with our counterparts' outre mer or if multiple exchanges environment end up being the norm for us as a region, we must be mindful of the ultimate objective: To serve the best interest of our investors. The ball is in our court as leaders of our markets but most importantly, it can only work if it is a collective effort by everyone across the board.

Pierre Celestin RWABUKUMBA, , is the current Chairman of the East African Securities Exchanges Association (EASEA) and Coordinator of the Rwanda Stock Exchange Ltd.



Taking Insurance to The Counties

It is important to study the competitive advantage of different counties and align one's insurance products.

By Eric Kimani

Devolution seems the single most dramatic change with huge political social and economic implications since independence in Kenya. The effects of devolution are far-reaching and dramatic to any form of business, least of all the insurance industry.

To take advantage of the changes that come with devolution insurers should get hold of county strategic plans to understand the thrust of their development efforts. From such plans, the insurers will discover where to invest their distribution strategies best. Insurers should deliberately seek to move their presence closer to the counties. The political power base will eventually move with devolution and it is important that business move closer to the base.

Insurers should use technology to harness economies of scale. It may not be practical to locate an office in every county but with a good command of technology it will be possible to distribute wider. It is perhaps worth considering the agency model that has worked well for mobile telephone companies and some banks.

To be able to strategise how best to distribute insurance products, it is important to provide tailor-made products that suit the economies and state of different counties. It is likely that insurance products that relate to tourism may do better in Mombasa than in Wajir while the converse maybe true of livestock insurance products. It is therefore important to study the competitive advantage of different counties and align one's insurance products.

Insurance companies should now begin to think of County Managers as opposed to Branch Managers. The choice of locating the managerial structure of any insurance company may now take into consideration the country structure.

One of the more dramatic changes that have come with devolution is on infrastructure; all counties will be in charge of their infrastructure. It is therefore imperative that infrastructural support industries will begin to emerge in counties. Insurance products that support such infrastructure and its associated industries should naturally move the same direction.

The single most important advantage foreseen in devolution is that it will lead to greater democratisation and hence is more likely to make the playing field level for all players. As insurers therefore, we must put our best foot forward knowing that it is more a case of "may the best man/woman win".

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Distributing Insurance to Africa

African consumers have little faith that insurers are going to pay claims. In an attempt to overcome this, insurers are embedding their products in well-known brands.

By Carla Fasana

Besides South Africa, the percentage of the African population that has access to insurance products is alarmingly low; in Kenya, it is as low as only 6.8 per cent of the adult population1. Is this because there is no need for insurance? Lack of funds and knowledge, perhaps, but the need still exists. Due to the low uptake rate, it is possible that the tried and tested methods of selling insurance in Europe, for example, are not necessarily applicable to Africa. As a result, insurers are experimenting with alternative methods of distribution.

Due to the low level of insurance awareness in Africa, insurers will need to start small. Penetration is key, and once a client is on the books, opportunities should arise to up-sell and cross-sell.

The majority of Zambians who do not have insurance say that they do not understand or have never heard the word insurance2. This is not an isolated case. Consumers need to be educated on the risks they face and the benefits of insurance. Behavioural economics suggests that consumers are loss averse – they tend to strongly prefer avoiding losses to acquiring gains. In the case of insurance, consumers fear that they will be 'losing' money (by paying a premium and the possibility of the company not paying claims) as opposed to 'gaining' protection. However, loss aversion could be used to the insurer's advantage. Uptake could be increased through campaigns that appeal to the consumer's fear of loss (loss of income, loss of good health, loss of possessions) rather than promoting the benefits of coverage3. MTN and African Life Assurance Zambia used the following marketing pitch to get that message across: "Providing you with assurance that your family will receive support when you are no longer there."

Due to the lack of knowledge surrounding insurance, products need to be kept simple and easy to understand. Additional options could be overwhelming and lead to procrastination or inaction. Insurers are marketing products with fixed sum assureds (for example a R20,000 death benefit), or sum assureds linked to spend (for example funeral cover of 10 times average monthly spend at a consumer outlet). Consumers are therefore faced only with the decision of whether they want cover or not.

Insurers are bringing insurance to the people via products and services already being used. Bancassurance is a traditional example of this. However, with the majority of the African population being unbanked, insurers are looking to alternative institutions through which to distribute their products.

Insurance products are sold over the counter at popular retailers. Metropolitan sells their "Cover2go" Cashback Funeral Policy at Shoprite stores throughout Africa. Consumers are able to purchase a five-year funeral policy which pays a fixed percentage of the premium back at the end of the five years if the policyholder does not die during the period. Another example is Hollard's range of funeral policies sold in Pep stores. In both cases, the consumer's contact details are captured by the cashier (where payment of the policy is made) and the consumer is contacted shortly afterwards by a call centre agent who captures more details and activates the cover.

Cell-phone based distribution is also becoming increasingly popular. By sending sms, consumers are able to purchase products such as personal accident cover with the premium being deducted from their airtime. This is particularly convenient for consumers who are planning on travelling far distances via public transport, especially during times when the road accident rate is high (over the Easter period, for example). Consumers are able to apply for cover and nominate a beneficiary via sms and the cover is instant. Personal accident cover is also sold with bus tickets, for example, where the cover is valid for the duration of the journey.

African consumers have little faith that insurers are going to pay claims. In an attempt to overcome this, insurers are embedding their products in well-known brands. Consumers are more likely to purchase brands that have proven themselves in the past.

Insurers are collaborating with well-known brands, and rewarding brand loyalty by providing consumers with "free" insurance. An example of this is Vanguard Life (Ghana), who provides loyal customers of Tigo Mobile with Family Care Insurance based on how much they spend on airtime. The cover amount is limited and consumers have the option to buy more.

Another example of selling insurance through a trusted brand is Hollard Life's funeral plan marketed through Kaizer Chiefs Football Club—a football team with a large support base in South Africa. Loyal Kaizer Chiefs supporters are likely to choose a "Kaizer Chiefs" funeral plan over a "Hollard Life" funeral plan, because it is backed by a trusted and loved club.

Due to the low level of insurance awareness in Africa, insurers will need to start small. Penetration is key, and once a client is on the books, opportunities should arise to up-sell and cross-sell. Also, by increasing awareness and knowledge of insurance products, the demand for more complex products should grow. There is therefore a large scope for growth of the insurance industry in Africa.

Carla Fasana is Senior Actuarial Analyst, Alexander Forbes

About Check-Off Business

Only firms that support their agents by building corporate relationships will succeed in penetrating and maintaining this market.

By Mboya Jacktone

A check-off is a bookkeeping mechanism which provides for regular payment of an obligation such as loan instalments repayment, insurance premium remittances, union dues, tax, credit trades and hire purchase repayments.

It is an employer's obligation to check off dues from employees' wages/salaries after a collective bargaining agreement that establishes such an arrangement between the third party and the employer.

Accountants and Human Resource practitioners refer to it as procedure whereby an employer deducts third party contributions directly from an employee's pay and pays the money to those parties (usually firms).

The third parties referred to in this case are the users of the check-off system as a mode of payment. They include Banks, Saccos, Insurance firms, Micro-finance institutions and Credit Traders. Recently, a new entrant in this market has been the Pay TV firms which now sell their subscriptions to salaried customers and prefer their subscription fees paid via check-off.

In some countries, the Collective Bargaining Agreements for such facilities have been the duties of Trade unions and/or associations. Where consensus is not reached in such bargains or employers fail to cooperate, many developing countries have imposed the check-off system through legislative action thus making it compulsory to implement with regards to employee welfare and/or union benefits and dues.

Things haven't been different in Kenya where AKI and Kenya Bankers Association (KBA) have played a major role bargaining on behalf of the industry. It is while playing this role that AKI represented the industry in a forum the Third Party Organizations component of GHRIS (Government Human Resource Information System) to third parties. This system will enable third parties to transact payroll deductions with the Kenya Government in coordination with the Ministry of State for Public Service which is the system custodian. The system provides an interface that will enable all interested third party organisations to submit their registration details. Upon submission they will be examined and approved by the Ministry.

The third party organisations will be expected to nominate two officials who will act as their system administrators and who will be charged with the responsibility of creating and managing their users within their organisations.

Over the years, third party deduction control has been undertaken manually which is time consuming to the Human Resource management (HRM) officers. GHRIS has therefore been developed with the view to relieving HRM officers of non-core functions leaving them to concentrate on their core functions which will enhance service delivery.

It is general practice that the employee instructs the employer to deduct payments from his/her salary and remits to the firm with which he/she owes dues. The instructions are normally contained in a document designed to give all the details necessary for the employer to verify authenticity and intention of the employee.

In the Kenyan Life Assurance business, a total of Ksh.30.93billion was collected by all life assurance companies. Ordinary Life class of business and Unit Linked Contracts accounted for 12.91 billion and more than 45 per cent of this premium (Ksh. 5.8 billion) was direct remittances via check-off.

Seventy five per cent of the industry's most successful sales agents obtain their sales from not more than four institutions. They also earn 80 per cent of their income from sales out of these firms.

Ninety five per cent of the check-off market share is dominated by the top five companies which also have underwritten the most sustainable premiums.

It was anticipated with fear that the devolved Government structure would adversely affect the smooth running of the check-off facility. This is far from the truth as the Ministry of State for Public Service through the Directorate of Personnel Management has moved to quell the tensions. First in the contracted cabinet, there are no lay-offs so no premiums will be interrupted. This translates that premiums will be continually remitted from their new stations. Second, the officers will be moved to other departments of the new ministries/stations but retain their personal file numbers.

Why Check-Off?

Sustainable business

Life Assurance is a long term business and underwriting profits are only realised normally from seventh year. It is therefore important that premiums are received up to these years which is only possible with a check-off arrangement.

Default rates are close to nil under check-off and even where they occur, recovery is assured since it is easy to make reference and correct. This is a sure way of ensuring regular payments. Agents are also assured of regular and stable income and are cushioned against claw backs.

Overcoming Objections

Some prospects raise objections of not being able to buy insurance because of the first premium normally required by other modes of payments. Agents are able to overcome this objection by advising for check-off which has no such requirement. It is also ideal for agents targeting low income earners willing to pay small amounts in premium.

Efficiency and Simplicity

Policy holders are relieved from paying tax on their incomes earned from insurance investment and interests earned thereof. It is always an irksome duty to access these refunds as an individual from the Kenya Revenue Authority (KRA) after submitting personal tax returns.

This is a hustle that policy holders paying via check-off are relieved of as their employers do it on their behalf. Other policy holders are usually not even aware of this benefit in the first place.

Business Volumes

Firms with which Collective Bargain Agreements can be reached for check-off arrangements usually employ in tens, hundreds and even thousands. This offers a large pool of prospects from which a good sales agent can recruit enough customers.

The agent needs to develop an impeccable personal relationship with the members of staff by nesting in order to generate referrals from already registered clients and colleagues. Despite the small amounts of premiums, it is the volumes of clients from these institutions that make them attractive for sharp agents and supportive companies; only firms that support their agents by building corporate relationships will succeed in penetrating and maintaining these markets.

Challenges

Administrative costs

The employers charge firms a percentage of the monthly remittances. These charges are shouldered by the firms that nonetheless must credit the accounts with the exact amount deducted from the client.

It has become common practice that under hard economic times, companies lay-off workers and when they lose income, the premiums are also lost.

Delayed Submission of deductions

Some employers deduct premiums from employees but delay remitting them to the insurance firms. This results into very adverse effects to the customer, agent and insurance firms: First the agent loses income— some companies have devised a claw-back system to cushion themselves against premium loss by recovering these from agents. Secondly, the policies may lapse and force customers out of cover or incur additional medical costs at their cost upon reinstatement when the premiums are finally issued. The insurance firms also lose on premiums and premium income for the periods they are not remitted.

Fraud

When left unchecked, check-off can be abused by unethical Agents who by 'some means' obtain employee details, forge signatures and effect deductions behind unsuspecting employees. This has made it difficult for genuine and honest sales agents to make in-roads in markets/institutions where such reports have been received.

It has become apparent that no organisation can aspire to be a market leader or even a challenger yet ignore the business of check-off. Institutions with full fledged strategic policies to go all check-off will have leaner premium management staff because of the ease of coordinating and organisation.

Check-off business pays because it stays in the books to full term and companies can only ignore it and regret.

The future of Check-off

Most banks have developed and adopted the concept of relationship marketing and now have full-fledged departments for the same. More times than not, these departments deal with corporate institutions and check-off businesses.

Check-off is more of a relationship and it is basically argued on the concept of relationship marketing. Insurance firms should therefore copy banks and form these sections to support their sales teams.

Mboya Jacktone is a Check-Off Officer, ICEA LION Life Assurance Company

About Customer Satisfaction

Underwriters should deploy mechanisms to trigger active relationships with customers where the customers become aware of and appreciate the role of the service providers.

By Njoroge Waweru

A frustrated life insurance customer once commented that in the insurance contract, only the insurance company is protected by the fine print. While the policy was definitely crafted by highly intelligent lawyers, it was most probably determined in the absence of that customer to whom the policy was to be endeared.

In essence, customer satisfaction can be described as the difference between what was offered and what was experienced:

Satisfaction = service promised service realised

If the outcome is neutral (0), the customer's expectations were met.

If positive (+), the customer was pleasantly surprised and delighted when anticipated expectations were surpassed.

If negative (-), the customer was disappointed and was probably upset when anticipated expectations were not met.

Satisfaction denotes fulfilment of a customer's needs, wishes or expectations. It reflects the customer's approval of the service offered as productive – implying that it can be relied on to deliver the promise. Insurance sells a promise that in the event a risk occurs, the underwriter shall indemnify the policy holder as agreed in advance. The outcome will be neutral if the customer is indemnified as expected. The outcome will be positive if the customer is not only indemnified as per the norm but also gets an unexpected and gratifying supplement as well. The outcome will be negative when the customer gets a raw deal in the contract, one below the norm.

In a neutral outcome, the company and the customer have a transactional relationship, which is not different from what you experience when you go to a shop to buy mobile phone airtime. You ask for airtime of your choice, you pay and receive the voucher, the deal is done. When you need more airtime, you simply go to the next available shop where airtime can be found and repeat the transaction. No qualms about the previous shopkeepers. This customer is indifferent to the individual shopkeepers and will only buy an offer because it offers convenience at the time of purchase. A customer buying a third party motor insurance cover is indifferent to the underwriters and really does not care where the policy comes from. All that matters to this customer is that there is such a cover as, when and where it is required. The customer will probably be happier if a random cover could be sold through a dispensing machine at a parking lot or that petrol station on your way out of town. Thus, where outcomes are neutral, the customer will usually remain indifferent.

In a positive outcome, the relationship between the customer and the company becomes active and goes beyond the transactional relationship. Underwriters deploy mechanisms to trigger an active relationship with the customer where the customer becomes aware of and appreciates the role of the service providers. While the dispensing machine at a parking lot can effectively sell motor insurance cover, it may not be as effective in reminding the customer of the due date next year--even when it is specifically programmed for such reminders. However, the insurance agent who calls to politely and warmly remind you of your oncoming due date will create a feeling of pride, value and a 'better taste in the mouth' to the customer.

This customer is more likely to give repeat business to this particular agent even if many other options are available because this relationship is active. Active relationships will be innovatively enhanced where the agent goes further to invite the motorist for a free mechanical clinic with a ten-point electronic diagnosis--that may actually save the motorist's life and pre-empt a claim. While the diagnosis is being done, you are treated to a cup of coffee and a bouquet of all those annoying little items you have always wanted to do but can hardly remember or find time to do, such as dusting the deep spots under the seats, an engine wash or a trunk hooving. This customer is highly unlikely to accept the trouble of starting a new relationship elsewhere if the current one is working abundantly well. This way, the seeds of sustainable loyalty are sown through positive outcomes.

In a negative outcome, the customer becomes the net loser in the relationship. Most losses occur due to lapsed policies, where companies revert to the rule book and allow the fine-print to supersede genuine customer challenges. Negative outcomes may also be non-financial, particularly where claims are inordinately delayed, records are lost or are inaccurate and where you realise too late that what your agent told you was only partially true and there are other details in the policy document that were kept conveniently quiet. While it is easy for the company to write-off that 'vexatious customer', the mental and emotional anguish that follow a disastrous customer experience are usually indelible. Emotional scars are left that may never heal and what is lost is not just that one customer but an entire network of goodwill especially in this day of social media referrals. Most of the damage is done by the community that is not connected to the day-to-day issues affecting the customers. In a

In a positive outcome, the relationship between the customer and the company becomes active and goes beyond the transactional relationship.

fitting response, customers vote with their feet.

Competitive customer satisfaction initiatives will have to be driven from the customer's perspective--by gaining a clear and well researched view of what truly matters to the customer, not what is imagined. Insurance products are benefits that one party offers to another that are essentially intangible and consumed at a time of great need. Insurance cover is the kind of service you are very thankful for when you need it, but hope you never have to. However, on occurrence of the risk you sought cover against, the worst that could happen to you is a delay, deprivation of expected benefit and/or insensitive handling. Companies that create value in these critical areas are investing in sustainable customer loyalty.

The pillars that build sustainable customer loyalty can be viewed in four major perspectives. The first is the product perspective, which refers to the relevance of the product on offer to the needs of the customer. A superior product is that which can achieve a strategic fit with the needs of its targeted consumers, including a distinct alignment with real challenges that the customers face and a clear focus on demographic and socio-economic strata. The second is the accessibility perspective, which includes location(s), hours of service, good rapport with customers, customer support and promotion activities, strong customer communication strategy and easy mobile and online access. The third is the affordability perspective, which includes pricing structure, affordability across the pyramid, transparency in charges and simplicity of claims procedures.

The fourth and perhaps most devastating to a customer is the attitude perspective that reflects what the company thinks of its customers. Attitudes may both be individual or corporate. The attitudes that contribute to poor customer confidence, such as sophisticated language, belief that customers who "need insurance, will definitely come to us", providing service to suit the underwriter's convenience, systems and procedures that are not customer oriented or show a general system apathy towards the customer are examples of negative corporate attitudes. Individual attitudes include lack of interest, poor impersonal service, lethargy and humiliation particularly among the front office and the teams supporting that front office. Even when conveying bad news, the communicator can soften the blow by being empathetic and taking time to attend to and perhaps even counsel the disillusioned customer.

Regrettably, many front office staff frequently apologise to customers for failures, inefficiencies and lethargy emanating from senior managers' individual attitudes. Unsigned cheques and other pending items lie on the desks of 'very busy' executives who are proud to arrive for meetings "on time" but will not mind spending endless hours recycling stories in those meetings. If getting into a meeting on time is a matter of such efficiency that it calls for abandoning a duty to a customer, why isn't getting out on time valued the same way? Needless to say, a large part of eroded corporate image can be traced to management's own individual attitudes. The very people who should be protecting the organisation and leading change unconsciously become the key bottlenecks to that change. In conclusion, once priorities shift from the customer to the hierarchy, the end is in sight.

Njoroge Waweru is a Consultant, Enterprise Dimensions Consulting

Lets Create your

Before you make the final touches on your brand, have a strategy for the future. What will your brand look like in five years? Ten years?

By Jimmy Malu

Today's brands are not merely the logos and pretty designs of the 50s. The modern world of brands is all about interaction and claiming your own voice. If you're just getting started with developing a brand strategy, it's important to get a good idea of what your audience thinks of your business in the first place. This is an excellent way to begin your interaction with clients. Invest some of your resources into collecting this information in the form of surveys, social media integration, or interpreting from data you already have about your clientele.

How to develop a Brand Strategy

Determine what your business is known for--good or bad. For example, is there a particular product or service that stands out to your clients? Before you work on creating a brand, determine what already differentiates you from similar businesses. From there, you'll need to determine where you want to go. Maybe the well-known parts of your brand need a little more energy behind them. Perhaps what you would prefer your company is known for is obstructed by other, less profitable parts of your business. Of course, be careful with making changes. If your company has already realized an audience, changing what that audience knows and loves can backfire on your transformation.

Facts about developing a Brand Strategy

Once again, successfully branding takes advantage of client interaction. There are so many ways for companies to reach their customers but you should ensure you're also not spreading yourself too thin. It's easy to create a Facebook page, a Twitter account, or blog for your brand, but if you don't have the humanpower behind the scenes to maintain it, your clients will be disappointed with the lack of feedback.

The idea of having your own voice as a brand shouldn't be overstated. Develop a good understanding of your industry and what your audience expects. Too much uniqueness in a brand could translate to obscurity for your potential clients. They may have grown accustomed to common features of others in your industry. Don't let your uniqueness mean sacrifices for your customers.

Before you make the final touches on your brand, have a strategy for the future. What will your brand look like in five years? Ten years? Is your branding strategy compatible with newer generations to come? This is also where you need to hit a sweet spot between being too specific and too generalized. Being too specific prevents a company from effectively expanding their market. Being too generalized defeats the purpose of having a brand because you lose the sense of identity and consistency.

While these tips are healthy factors for nearly any industry, your company will benefit ideally from more specific, tailored branding strategies. Utilize the help of private companies who specialize in branding to work on making a personalized branding solution for you.

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