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## EVALUATING THE DYNAMIC LANDSCAPE OF BANCASSURANCE IN KENYA

Market Assessment Report Presentation (2024)

14.11.2024



**AKI**

ASSOCIATION  
OF KENYA INSURERS

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# Background

## Background

- The Association of Kenya Insurers (AKI) is a non-profit organization dedicated to advancing the insurance industry in Kenya.
- AKI promotes collaboration among its 55 insurance members and 4 reinsurance members, while raising public awareness, conducting market research, and building industry capacity.
- In 2017, AKI conducted a study on the bancassurance market, revealing significant growth driven by partnerships between 47 insurers and 26 banks.
- Life insurance grew by 36%, and non-life insurance reached Kshs 10 billion by 2016.
- The study highlighted the popularity of the pure distributor model, while also identifying gaps in technology integration, staff training, and regulatory enforcement.
- To assess progress since 2017, AKI launched a new study in 2024 focusing on technological advancements, performance, and evolving regulations.
- This report therefore provide insights and strategies for continued growth and adaptation in the bancassurance sector.

## Study Objectives

AKI's main objective for the study is to assess the current state of bancassurance in Kenya and identify opportunities for growth and improvement areas in the bancassurance space. Specific objectives include the following:

1.

Analyze performance trends from 2019-2023 in premiums collected, claims and growth rate per insurance class

2.

To gain comprehensive insights into the business objectives of both bancassurance enterprises and insurance companies, including strategic goals, target market, product development strategies, motivations for engagement, partnership expectations, and risk management approaches.

3.

To assess the integration of technology in bancassurance operations, examining its impact on efficiency, transparency, and customer experience across various functions such as customer relationship management, product distribution, and claims processing.

4.

To analyze the evolution and impact of regulatory changes on bancassurance over time considering their implications for industry growth and development.

5.

To explore collaborative initiatives  
To analyze the evolution and impact of regulatory changes on bancassurance over time considering their implications for industry growth and development.

6.

To evaluate various bancassurance models and motivations behind bancassurance agencies establishing or purchasing insurance companies

7.

To assess the overall customer experience in bancassurance.

8.

To analyze global and local best practices for bancassurance, adapting lessons to Kenya and assessing responses to trends such as ESG initiatives, property reduction, changing demographics, and innovative product integration to thrive in a dynamic market.

# Methodology

Having understood the objectives, a three-prong approach to the study was used to help assess the current state of bancassurance in Kenya and identify opportunities for growth and improvement.



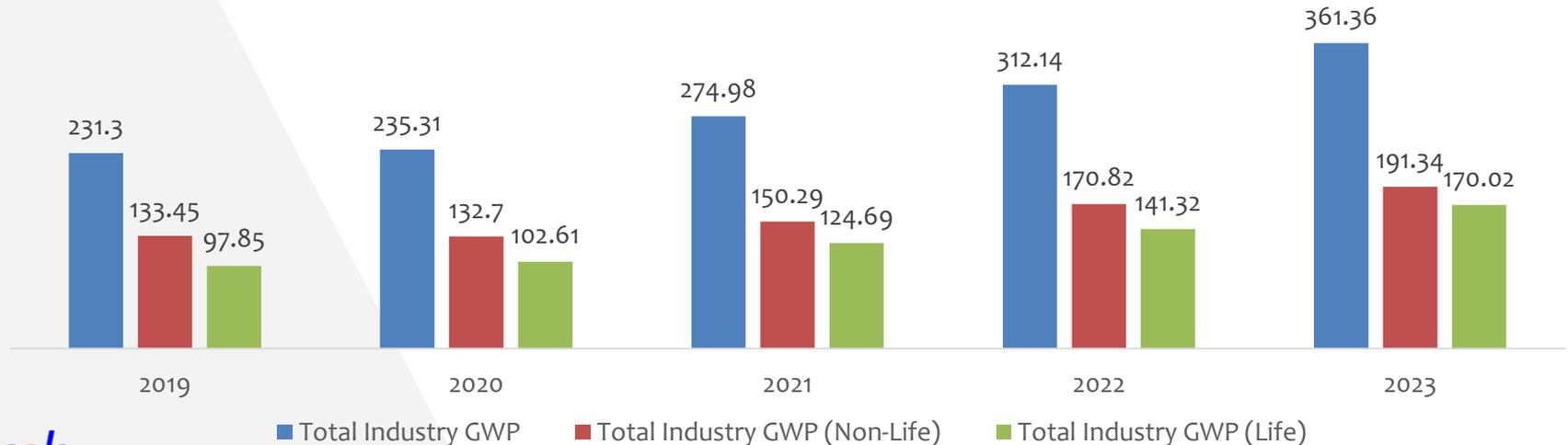
# Main Findings

# Performance trends from 2019 to 2023 in premiums collected, claims, and growth rates per insurance class

## Total Industry Growth Rate (2019 - 2023)

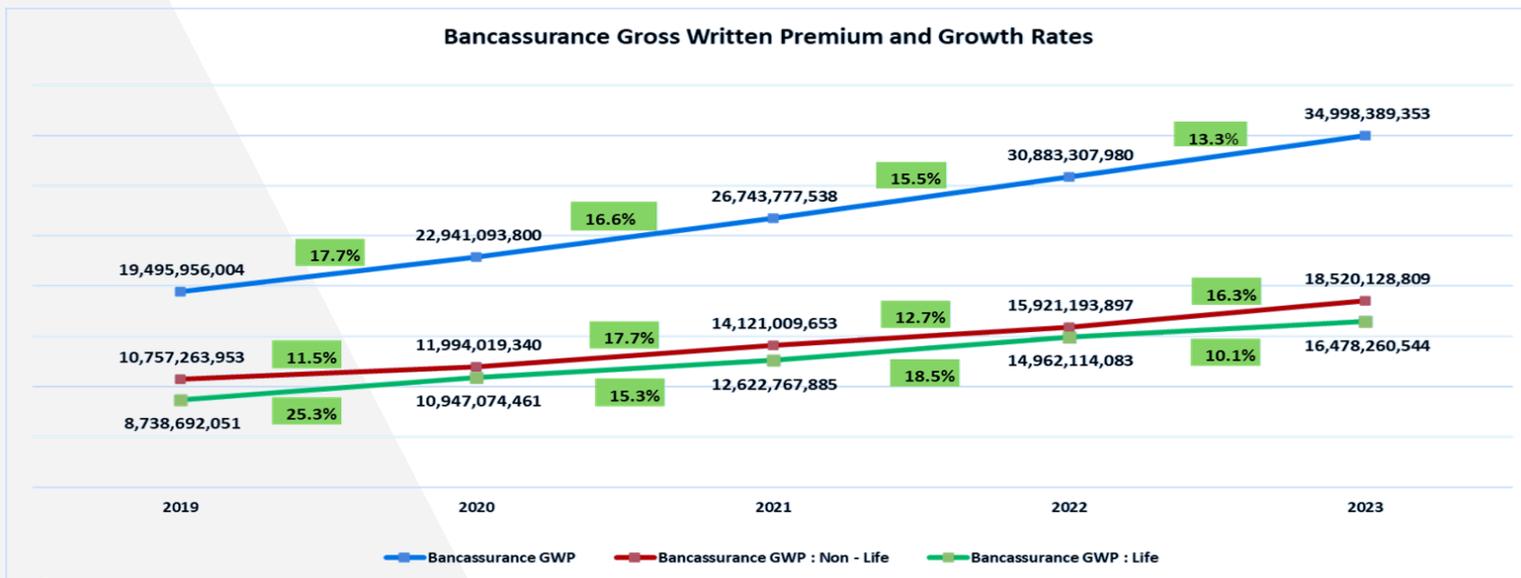
The Kenya insurance industry has undergone remarkable growth from 2019 to 2023, with total premiums surging by 56.2% during this period. This growth is notably driven by the life insurance segment, which has expanded at an impressive rate of 73.8%, significantly outpacing the non-life insurance sector, which grew by 43.4%. This indicates a shifting consumer preference towards life products, reflecting an increasing demand for financial security and investment in long-term savings.

Gross Written Premiums (in Billion shillings)



## Bancassurance Growth Rate (2019-2023)

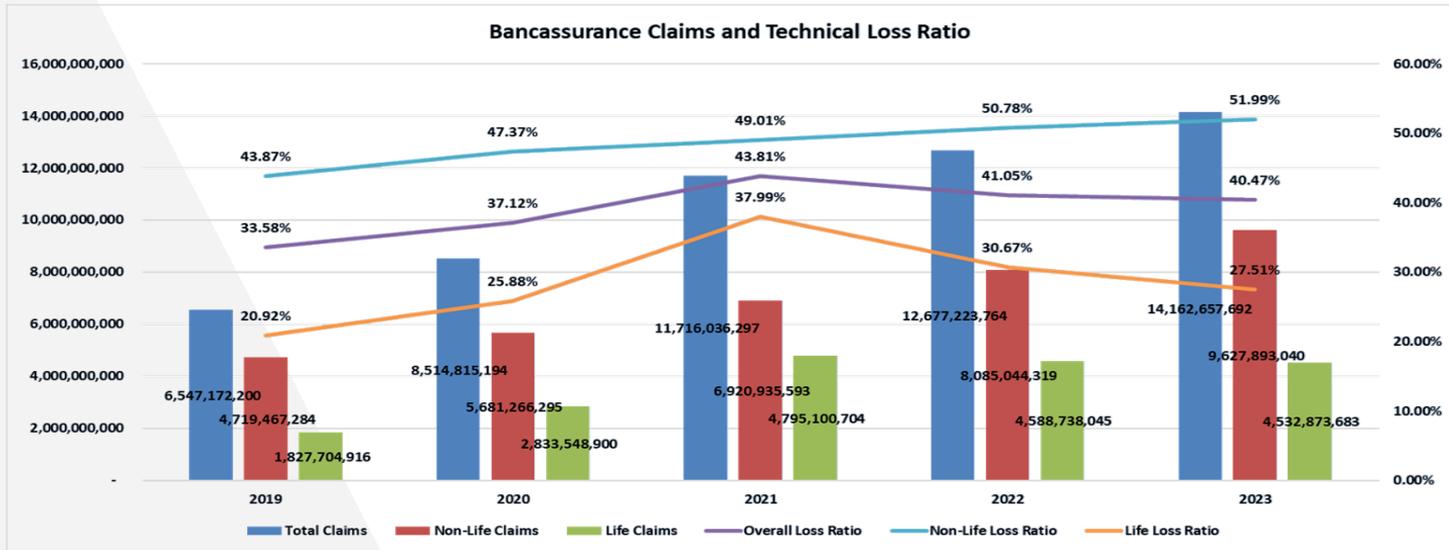
Bancassurance has experienced remarkable growth, with premiums soaring by 79.4%, significantly outpacing the overall insurance industry's growth of 56.2% during the same period. This surge is particularly notable in the non-life insurance sector, which saw a 72.2% increase through bancassurance, compared to a more modest 43.4% growth in the broader industry.



Figures in Kshs

## Bancassurance Profitability (2019-2023)

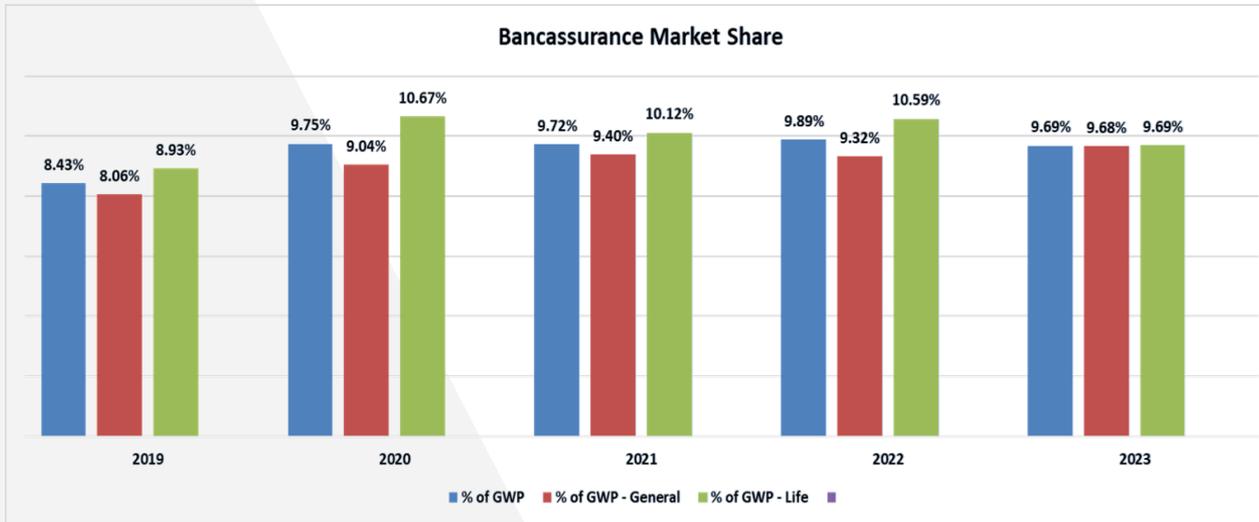
While bancassurance has experienced strong growth, it is now facing emerging profitability pressures. Claims have surged from KES 6.55 billion in 2019 to KES 14.16 billion in 2023, closely mirroring the rapid increase in premiums. This trend raises concerns about underwriting practices and claims management, particularly evident in the non-life insurance segment, where the loss ratio escalated from 43.9% to 52.0%.



Figures in Kshs

## Bancassurance Market Share (2019-2023)

Notably, bancassurance has maintained a stable market presence, consistently capturing approximately **10%** of the overall insurance market. Its market share has shown resilience, increasing from 8.43% in 2019 to stabilizing between 9.69% and 9.89% from 2020 to 2023. Within this framework, the general insurance segment has demonstrated steady growth, reaching 9.68% by 2023.

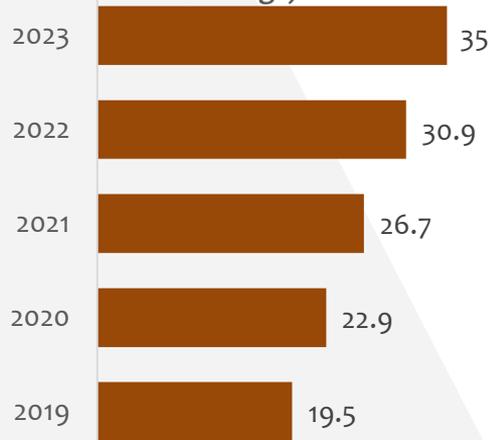


- Address the decline in life insurance market share by enhancing product innovation and tailored customer engagement strategies.
- The rising non-life claims and loss ratio underscore the need for improved underwriting and pricing strategies to protect profitability.
- Build on the momentum in general insurance by optimizing bancassurance distribution channels and exploring tech integration to maintain market share growth.

## Bancassurance Intermediary Performance: Gross Premiums Overview (2019-2023)

21 out of 24 bancassurance intermediaries reported increases in premiums from 2019 to 2023. Notably, nine intermediaries more than doubled their premiums during this period. By 2023, intermediaries generating over KES 1 billion in premiums commanded a substantial 83.5% market share. Additionally, unregistered entities also experienced significant growth, rising by 69.8%.

Total GWP Overview (in billion shillings)

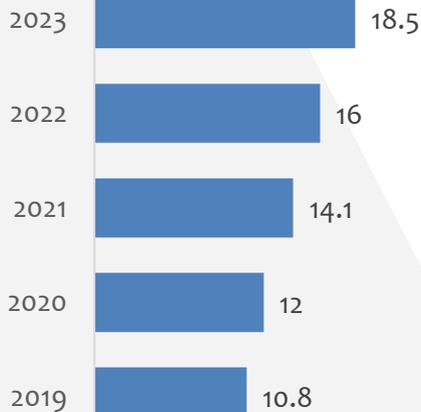


Bancassurance Intermediary	Gross Premiums				
	2019	2020	2021	2022	2023
1	2,713,586,114	3,511,190,418	4,358,878,340	5,367,643,293	6,343,142,249
2	3,863,800,288	4,039,348,293	5,030,618,785	6,008,591,115	6,336,927,779
3	2,903,603,512	3,261,772,206	3,905,642,558	4,729,872,709	4,918,120,414
4	1,138,275,117	1,518,139,779	1,928,230,874	2,753,998,295	3,591,888,526
5	1,356,691,118	1,656,557,288	1,699,905,808	2,019,186,846	2,327,897,014
6	1,229,415,341	1,191,153,721	1,520,184,416	1,597,516,360	2,219,623,007
7	1,008,155,166	856,912,789	953,738,605	1,189,942,610	1,525,165,665
8	610,076,916	650,620,867	1,256,162,367	838,127,868	1,486,317,254
9	870,596,432	940,401,182	1,149,699,790	1,272,860,985	1,162,055,948
10	675,734,944	635,448,113	508,639,536	524,235,322	654,123,472
11	398,977,851	383,684,674	433,884,382	658,244,177	557,603,997
12	228,780,478	519,945,756	846,715,427	547,423,062	556,186,079
13	866,405,064	1,992,494,107	742,300,710	573,188,474	523,070,655
14	294,234,549	352,098,032	493,561,752	400,443,735	443,778,147
15	21,147,659	46,256,533	63,761,645	173,016,904	190,164,094
16	99,402,347	100,257,865	149,232,912	129,973,589	114,227,344
17	57,821,129	81,650,174	90,992,177	96,602,101	107,084,476
18	88,507,025	117,621,465	134,618,076	192,373,608	88,616,784
19	38,265,108	17,062,020	18,948,901	33,333,445	79,117,312
20	46,019,878	58,983,873	67,520,765	64,695,451	78,428,923
21	34,449,684	33,411,585	41,091,557	45,900,860	48,954,432
22	16,696,165	32,233,852	29,606,897	40,860,696	42,964,597
23	6,619,209	5,416,334	7,331,414	21,203,042	22,699,724
24	307,030	201,125	2,727,556	931,851	4,403,168
Others (Unregistered)	928,387,880	938,231,750	1,309,782,287	1,603,141,579	1,575,828,291
<b>Grand Total</b>	<b>19,495,956,004</b>	<b>22,941,093,800</b>	<b>26,743,777,538</b>	<b>30,883,307,980</b>	<b>34,998,389,353</b>

## Non-Life Insurance Companies Performance: Gross Premiums Overview (2019-2023)

The non-life insurance sector has also seen robust growth, with several companies achieving significant premium increases, signaling strong competitive positioning and market expansion.

Total GWP Overview (in billion shillings)

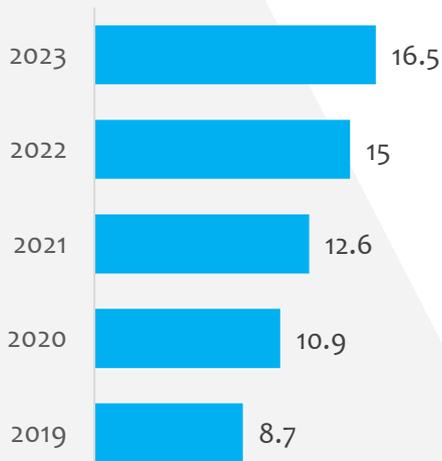


General Insurance Company	Gross Premiums				
	2019	2020	2021	2022	2023
1	1,253,455,867	1,554,567,691	1,591,420,246	1,752,818,747	2,300,428,816
2	639,181,550	741,006,599	993,322,856	1,606,084,307	2,208,294,291
3	466,026,567	573,989,269	1,261,326,081	1,181,890,178	1,918,594,971
4	1,406,280,648	1,428,718,097	1,374,906,585	833,927,122	1,766,535,578
5	550,276,626	809,104,909	951,283,748	885,569,103	1,341,840,678
6	827,628,590	941,692,429	675,687,926	1,254,811,669	1,102,603,285
7	180,988,390	212,753,390	220,512,944	566,446,964	933,452,596
8	629,123,171	674,822,806	848,246,968	1,192,273,124	833,086,179
9	623,618,753	619,141,336	622,251,714	784,419,275	821,883,425
10	394,568,689	447,885,446	670,576,350	897,712,341	769,916,722
11	56,536,920	148,343,645	294,155,442	400,959,152	745,728,913
12	516,991,765	912,676,678	1,238,075,016	950,007,407	438,947,901
13	151,360,206	127,390,151	160,178,552	261,798,380	396,727,885
14	663,669,035	260,581,279	325,560,028	305,517,261	375,510,858
15	533,627,026	537,600,369	408,633,139	407,842,423	331,138,102
16	202,752,495	221,927,695	295,148,528	312,593,836	300,659,799
17	478,262,545	482,551,999	518,948,656	632,381,472	276,862,612
18	173,782,470	185,858,486	188,682,632	214,145,771	269,622,336
19	216,633,416	165,382,659	159,831,863	192,789,345	242,315,306
20	45,608,641	54,597,135	85,314,357	98,574,186	224,897,453
21	184,840,562	269,548,168	224,836,497	232,806,856	163,338,452
22	163,766,587	205,316,414	258,122,778	151,560,725	147,525,484
23	17,435,770	16,809,294	106,157,030	87,277,675	119,168,811
24	80,207,991	106,129,972	111,851,400	121,989,323	118,578,443
25	93,459,051	114,999,360	163,705,986	117,703,185	110,243,312
26	81,767,543	9,457,563	14,817,846	43,093,594	109,138,060
27	70,616,478	12,639,201	78,104,440	105,172,031	73,417,770
28	321,531	6,785,416	18,723,637	11,676,653	26,466,768
29	43,844,454	105,321,446	143,316,550	284,367,904	21,653,110
30	2,360,892	4,375,608	4,102,993	3,421,194	16,617,568
31	2,094,919	34,765,395	92,280,084	19,524,854	11,287,968
32	10,364,642	7,279,434	2,037,876	9,845,314	2,826,872
33					710,000
34			18,888,906	192,526	108,486
<b>Grand Total</b>	<b>10,757,263,953</b>	<b>11,994,019,340</b>	<b>14,121,009,653</b>	<b>15,921,193,897</b>	<b>18,520,128,809</b>

## Life Insurance Companies Performance: Gross Premiums Overview (2019-2023)

The life insurance bancassurance sector has outpaced non-life insurance, achieving an 88.6% growth in gross premiums, highlighting an equally dynamic expansion in this segment.

Total GWP Overview (in shillings)



Life Insurance Company	Gross Premiums				
	2019	2020	2021	2022	2023
1	2,051,301,024	2,904,673,511	3,693,240,909	4,360,746,616	5,639,835,628
2				3,990,452,619	2,719,370,081
3	1,728,859,888	1,586,132,314	1,995,842,004	2,429,486,237	2,612,918,037
4	772,113,284	874,569,778	965,382,126	984,473,875	1,123,915,779
5	604,774,644	547,418,736	723,909,961	796,911,470	1,070,106,391
6		174,753,350	428,092,793	702,088,355	946,725,734
7	326,037,580	241,621,134	248,055,708	490,125,373	652,289,899
8	830,350,702	1,987,991,227	893,055,434	736,153,962	644,558,081
9	498,873,657	528,466,000	564,180,595	637,617,986	497,624,044
10	1,613,628,051	1,541,109,903	2,393,273,930	(405,874,286)	202,576,496
11	98,669,056	119,675,840	163,688,945	174,154,260	189,407,974
12	44,083,263	39,456,343	34,149,462	32,172,592	64,947,770
13	2,646,099	988,790	2,289,897	5,784,523	38,019,601
14	11,600,000	10,330,000	101,662,000	9,200,000	32,940,274
15	2,672,852	3,055,232	14,781,878	32,096,644	29,993,814
16	62,273,510	47,476,119	57,997,127	14,777,201	12,920,195
17	90,808,443	327,832,737	333,756,051	(28,253,343)	110,745
18	-	11,523,447	9,409,066	-	-
<b>Grand Total</b>	<b>8,738,692,051</b>	<b>10,947,074,461</b>	<b>12,622,767,885</b>	<b>14,962,114,083</b>	<b>16,478,260,544</b>

## Bancassurance Gross Written Premiums by Insurance Products: Non-Life (2019-2023)

Motor, Fire, Medical, and Theft Insurance have emerged as the key contributors to the growth of non-life insurance, with Motor Insurance leading the market with a commanding 58.6% share in 2023-capitalizing on the increasing demand for comprehensive vehicle coverage, driven by a rise in the number of vehicles on the road.

Non Life Insurance Products Overview (2019-2023)

Non-Life Insurance Products	2019	2020	2021	2022	2023
Motor	5,995,392,548	6,693,074,064	7,634,784,037	9,599,169,250	10,851,881,141
Fire	1,503,592,069	1,679,408,933	2,058,951,418	2,517,645,414	2,925,191,659
Medical	678,058,538	736,040,090	768,524,953	846,268,741	1,094,478,406
Theft	485,410,120	580,605,386	742,402,491	527,762,769	1,071,872,313
Miscellaneous	355,634,846	458,160,809	498,855,336	565,724,567	670,334,634
Public Liability	359,918,660	408,158,243	531,935,444	608,902,485	484,949,619
Engineering	232,830,813	267,899,676	476,946,944	432,276,011	475,581,546
WIBA	227,544,572	394,938,438	355,908,797	337,153,697	428,143,179
Personal Accident	797,528,332	654,087,067	783,413,242	299,446,515	267,697,885
Marine	89,784,627	111,118,144	182,342,007	150,713,790	242,520,132
Aviation	27,195,860	7,681,233	84,840,664	24,136,063	5,095,732
Travel	4,372,969	2,847,255	2,104,321	11,994,595	2,382,564
<b>Grand Total</b>	<b>10,757,263,953</b>	<b>11,994,019,340</b>	<b>14,121,009,653</b>	<b>15,921,193,897</b>	<b>18,520,128,809</b>

## Bancassurance Gross Written Premiums by Insurance Products: Life (2019-2023)

The growth of the life insurance sector has been largely fueled by Credit Life/Mortgage and Individual Life products. While Credit Life/Mortgage remains dominant, its market share has decreased to 62.9% in 2023 from 76% in 2019. In contrast, Individual Life has surged, increasing its share to 29.2% from 20% over the same period.

### Life Insurance Products Overview (2019-2023)

Life Insurance Products	2019	2020	2021	2022	2023
Credit/Mortgage	6,561,385,699	8,059,914,611	8,864,271,298	10,623,451,742	10,370,663,330
Individual Life	1,697,865,336	2,325,920,034	3,070,919,227	3,240,285,535	4,812,635,954
Group Life	368,641,099	435,701,732	516,593,269	917,732,758	974,526,914
Last Expense	108,218,847	112,076,863	160,844,068	166,509,512	142,008,520
Income Drawdown				13,562,974	90,899,395
Annuity					54,622,577
Pension	2,581,072	1,937,774	730,956	571,563	32,903,853
GLA/GPA/WIBA	-	11,523,447	9,409,066	-	-
<b>Grand Total</b>	<b>8,738,692,051</b>	<b>10,947,074,461</b>	<b>12,622,767,885</b>	<b>14,962,114,083</b>	<b>16,478,260,544</b>

# Understanding Business Objectives for Both Bancassurance Intermediaries and Insurance Companies.

## Strategic Goals

Insights into the strategic goals of bancassurance and insurance companies reveal that a strong emphasis on customer focus, innovation, and collaboration is essential for driving success in the sector and provides a clear roadmap for effective strategy implementation.

### Customer centricity

- Bancassurance agencies prioritize tailored financial solutions, while insurance companies offer a diverse range of products.

### Profitability and Productivity Focus

- Both sectors aim to maximize profitability and productivity in their strategic objectives.

### Alignment with Organizational Objectives

- Both ensure strategic goals align with broader organizational aims fosters coherence and focused efforts.

### Effective Communication

- Insurance companies establish communication teams to enhance collaboration with bancassurance agencies, promoting synergy.

### Innovative Competitive Strategies

- As insurers enter the bancassurance space, developing user-friendly digital platforms and tailored products is essential for competitive advantage.

### Measuring Success

- Across board, strategic effectiveness is assessed through sales volume and profit reports, with trend analysis providing insights into product performance.

### Collaborative Immersion Sessions

- There are regular sessions between branch teams and bancassurance representatives ensure alignment and clear communication of strategic goals across departments.

## Understanding Strategic Goals

Strategic Goals	Description
<b>Geographic Expansion</b>	Banks prioritize branch integration by establishing dedicated bancassurance sections with specialized staff and emphasize digital expansion to reach a wider customer base, while insurance companies target collaborations with at least 30% of banks to enhance agency networks and invest in growth.
<b>Talent Development</b>	Insurance companies enhance staff skills through weekly internal training and external sponsorship for college of Insurance courses and AKI , while banks focus on training provided by insurers and the Association of Kenya Insurers (AKI).
<b>Customer Service Enhancement &amp; Product Diversification</b>	Integration of technology and research-driven product diversification aims to improve efficiency, responsiveness, and customer satisfaction by tailoring products to meet specific customer needs.
<b>Increasing Market Share</b>	Insurance companies partner with bancassurance agencies to increase market share through product customization, diverse service touchpoints, operational efficiency, and a collaborative framework for enhanced service delivery.
<b>Innovation, Research &amp; Product Development</b>	Collaborations with internal innovation teams which focus on enhancing customer experience by improving both product offerings and operational processes to meet evolving customer needs effectively.
<b>Customer Relationship Retention &amp; Deepening</b>	Strategies implemented by insurance firms and bancassurance agencies include favorable product pricing, enhancing service delivery through client feedback, improving convenience, and maintaining open communication channels.

## Comments on strategic goals for Talent development

*“Our strategy has been to come up with a training and capacity building for the rest of the staff, so that yes, you're a branch manager or you're a cashier, you are a teller, you're a manager, but you're also able to comfortably distribute insurance products and services. So, we have designed a training program for that so that we have a pool of universal banker who can comfortably sell banking solutions, alongside the insurance solutions”*

A bank Principal Officer



*“So, we are privileged to receive training internally... and also, we also attend trainings from AKI, which are actually very good in terms of talent development”*

A bank Principal Officer

*“For skill enhancement, yes there is training, actually for the company we equally have our internal training; which is conducted by our underwriting department because our key mandate is to sell the product. So, the training is done on a weekly basis by our underwriting department. And the company equally sponsors us for doing the insurance papers at the College of Insurance ..”*

Insurance Manager



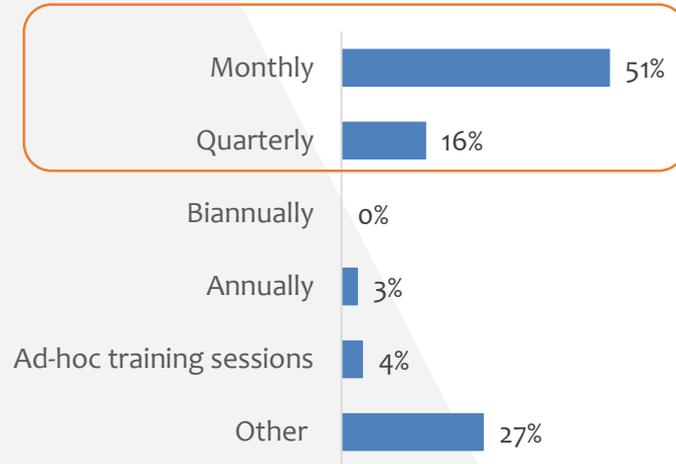
*“We do training, and the company has a program that runs on a weekly basis, every week. We have trainings going on for staffs to enlighten them on products, customer service, customer relations, and such like ”*

Insurance Manager

## Trainings for Bancassurance agents

Quantitative interviews with bancassurance agents reveal that regular training sessions effectively enhance their knowledge and competence in key areas such as customer relationship management and product knowledge, leading to overall satisfaction with the training direction, despite the ongoing need for improvement in these skills.

### Frequency of trainings/ workshops



Sample: n=120

Qn. How frequently are you provided with training sessions or workshops to stay updated on changes in insurance regulations, market trends, and customer needs?

### Satisfaction levels

Competence Area	Satisfaction out of 10
Customer relationship management	9.1
Product knowledge	8.9
Sales techniques	8.7
Financial literacy	8.6
Regulatory compliance	8.6

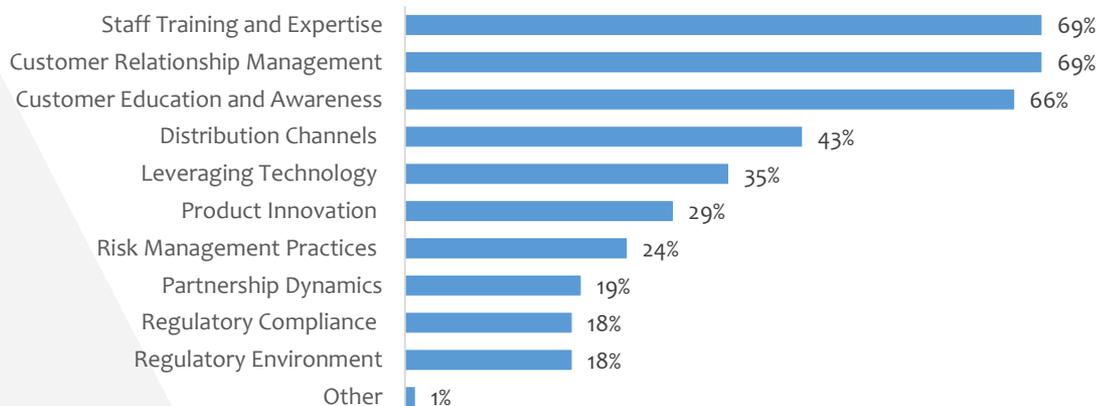
Sample: n=120

Qn. Using a scale of 1 – 10, where 1 is very poor and 10 is excellent, how would you rate your current overall knowledge and competence level on the following key areas??

## Strategies attributed to success of bancassurance products

Staff training and expertise (69%), customer relationship management (69%), and customer education and awareness (66%) are the top most strategies that seems to work well when it comes to driving uptake of bancassurance products among the banking customers. To further drive the uptake of bancassurance products among banking customers, insurance companies and bancassurance agencies should focus on driving these initiatives further.

Bancassurance product sales strategies



Sample: n=120

Qn. What are some of the key strategies you would attribute to the success of the uptake of the bancassurance products?

## Business Objectives: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>Banks and insurance companies have aligned their goals to maximize customer lifetime value, focusing on retention and acquisition.</li> <li>Effective <b>cross-selling</b> of insurance products leverages existing customer relationships, reducing acquisition costs.</li> </ul>	<ul style="list-style-type: none"> <li>Profit maximization through <b>cross-selling</b> insurance products to existing banking customers reduces acquisition costs for insurers.</li> <li>Customer retention is prioritized by offering a comprehensive range of integrated banking and insurance services, ensuring loyalty.</li> <li>Clear agreements on <b>risk sharing and profit distribution</b> promote sustainability for both banks and insurance companies.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth is achieved through product diversification, offering life, health, and savings-linked insurance that aligns with the middle class's wealth protection needs.</li> <li>Maximizing market penetration by leveraging state-owned and commercial banks' extensive branch networks, particularly in Tier 2 and Tier 3 cities with lower insurance penetration.</li> <li>Cost efficiency through synergy between banks and insurers reduces operational costs by utilizing existing banking infrastructures.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue maximization is achieved through <b>cross-selling</b> insurance products, leveraging banks' extensive branch networks, especially in rural areas.</li> <li>Customer acquisition and retention are prioritized through bundled offerings, tailored renewal reminders, and loyalty programs.</li> <li>Clear <b>risk-sharing agreements</b> between banks and insurers ensure profitability while minimizing distribution risks.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth through <b>cross-selling</b> is prioritized, with banks focusing on promoting life, health, and general insurance products to their existing customer base, maximizing revenue opportunities for both banks and insurers.</li> <li>Deepening customer relationships by offering comprehensive financial services that include both banking and insurance products is key to enhancing customer loyalty and retention.</li> <li>Clear agreements on <b>risk-sharing and profit distribution</b> are established between banks and insurers, ensuring mutual profitability and long-term viability of the bancassurance model.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue and Profit Maximization: Bancassurance serves as a way for South African banks to diversify revenue streams, boosting non-interest income through cross-selling insurance products to existing banking customers.</li> <li>Many banks aim to develop insurance products that align with specific life stages, such as home insurance for mortgage customers or life insurance linked to personal loans.</li> <li>Bancassurance offers accessible, lower-cost insurance products to underserved or underbanked populations, improving overall financial inclusion</li> </ul>

# Integration of Technology in Bancassurance operations

# Technology and Bancassurance Operations

The integration of technology is essential for bancassurance entities to thrive in a competitive market, enhancing customer experiences while optimizing operational processes.



## Customer Relationship Management

The adoption of technology in CRM has significantly **enhanced customer interactions, satisfaction, and operational efficiency in the sector**, enabling personalized experiences and streamlined communication.



## Product Distribution

Implementing technology in product distribution has **streamlined processes, increased operational efficiency**, and **empowered bancassurance teams** to manage policies more effectively, facilitating faster service delivery and improved customer engagement.

- ❖ Key Areas of Technological Integration:
  - Peer Integration Systems
  - Real-Time Visibility



## Claims Processing

The integration of technology in claims processing has significantly enhanced **operational efficiency, transparency, and customer experience**, ensuring timely resolution of claims and improved communication throughout the process.

- ❖ Key Technological Features:
  - ❖ Automated claims reporting
  - ❖ Claims Monitoring and tracking
  - ❖ Delay Identification

## Comments Claims Process

“For claims processing, we are doing it in such a way that customers don’t need to come to the branch. They just go in and fill in the application forms and just upload them. They reach to us to process. So, we were looking to shorten the customer journeys. We are currently looking at integrations with underwriters. We are looking at system upgrades” ... A bank ICT manager

“What we call a peer integration, helps us to do product distribution, because now the bank assurance officers are able to interact with our system remotely. So, they can issue covers on their end without sending us instructions and we can also have visibility of the same in real-time”  
... An insurance manager

“Yeah, the new system applied and implemented on the branches in terms of claims reporting is done through the system. We have automated all the processes” ... A bank principal officer



“One of the things is that, we have a claim process through our internet banking. Instead of coming to the branch, you can actually start the claim process through our internet banking platform. So, we embedded into that and the same will be processed and you'll be able to also get notifications” ... A bank ICT manager

“Currently, this has been a very big area of interest, what we are doing is that we are taking our products digital to allow clients to access in our platform. We can even allow any of our partners to sell their products in that platform. You can even report a claim in that platform”  
... A bank principal officer

## Impact of Technology Integration in Bancassurance Operations

Comparing the above qualitative findings and findings from quantitative research reveals that the integration of technology in bancassurance operations has enhanced core functions (CRM, claims management, product distribution), thus driving growth in customer engagement and operational effectiveness.



Top two boxes (Very Positive Impact + Positive Impact)

Sample: n=120

Qn. In light of the integration of technology in bancassurance operations what would you say is the extent of technological impact bancassurance business on the following key functions on a scale of 1-5 where 1-no impact, 2-little impact, 3-moderate?

## Extend of Technology impact in Bancassurance Operations

Again, the integration of technology within the bancassurance sector in Kenya is overwhelmingly seen as beneficial across multiple dimensions; and more so, the positive influence on the penetration of bancassurance products and services in Kenya



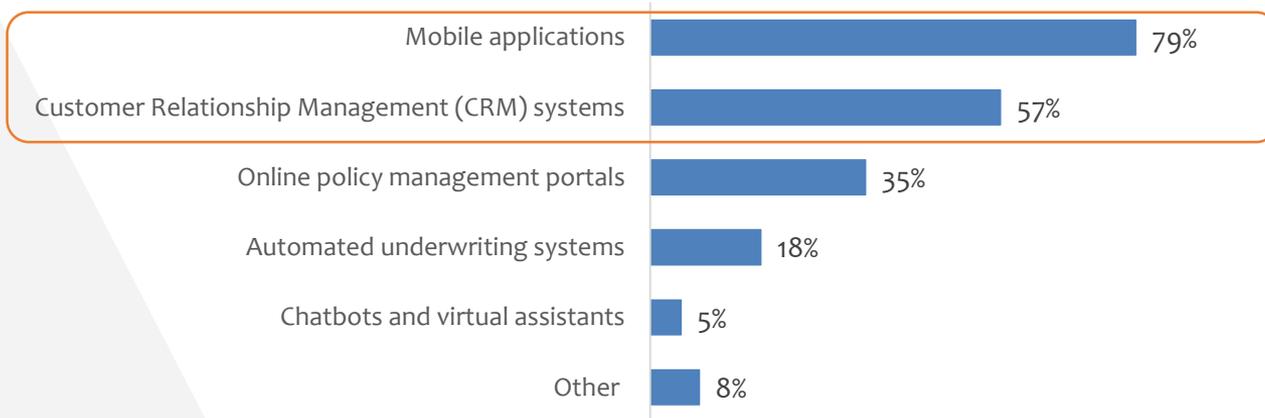
Top box = Strongly Agree + Agree

Sample: n=120

Qn. On a scale of 1-5 where 1 is strongly disagree and 5 is strongly agree, to what extent do you agree with the following statements on the influence of technology on the penetration of bancassurance products and services to retail customers in Kenya?

## Enhancing Bancassurance Sales through Technology

Focusing on mobile applications (79%) and CRM systems (57%) is crucial for enhancing insurance sales through bancassurance by providing personalized and efficient customer experiences. To maximize engagement and streamline operations, insurers should invest in these tools while also exploring online policy management portals and automated underwriting systems, and consider the potential of chatbots and innovative technologies to gain a competitive edge.



Sample: n=120

Qn. In your assessment, how can insurance sales through bancassurance be enhanced through use of technology?

## Implications for Technology Integration

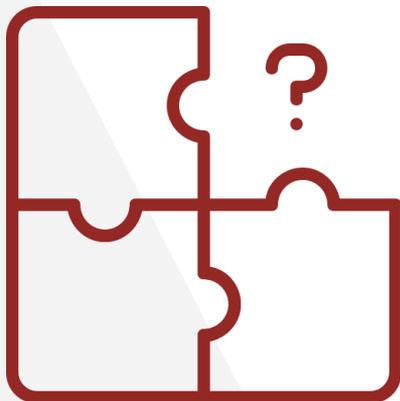
Technology integration in bancassurance is shaped by strict adherence to data privacy regulations, internal ICT capabilities driving innovation, and strategic partnerships with tech providers for key operational functions like portal development and maintenance.



- ❖ **Data Protection Act:** Technology adoption in bancassurance must align with data security and privacy regulations, as institutions are prohibited from sharing client data without consent.
- ❖ **Internal ICT Capabilities:** Bancassurance agencies and insurance companies rely on their ICT departments to drive technological innovation, ensuring products align with customer preferences and regulatory requirements.
- ❖ **Strategic Tech Partnerships:** Some insurance companies have formed partnerships with technology providers for key functions like insurance portal development and maintenance, ensuring compliance and enhancing operational efficiency.

## Challenges facing Technology Integration in the Bancassurance Sector in Kenya

The integration of technology in bancassurance faces significant challenges, including high implementation costs, security concerns, regulatory hurdles, and the complexity of insurance products, which collectively hinder seamless adoption and operational efficiency in the sector.

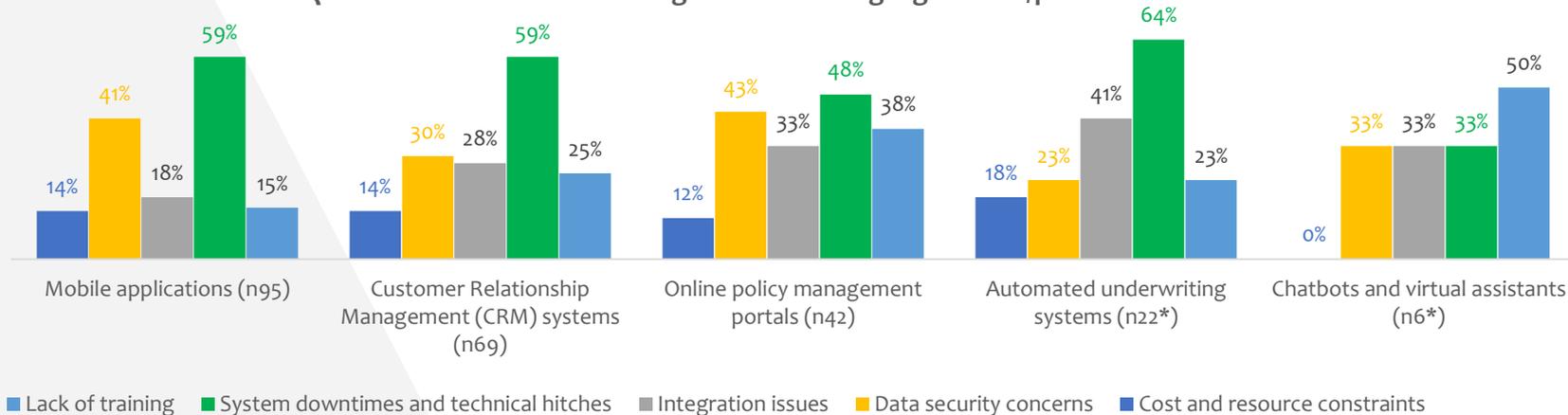


- ❖ **High Implementation Costs:** Significant financial burden on bancassurance agencies and insurance companies for adopting technology systems.
- ❖ **Security Challenges:** Concerns regarding data protection and privacy associated with new technology solutions.
- ❖ **Regulatory Hurdles:** Existing banking regulations hinder seamless integration of insurance products with bancassurance systems.
- ❖ **Complexity of Insurance Products:** Intricate nature of insurance offerings complicates integration with existing banking processes, limiting efficiency.

## Challenges facing Technology Integration in the Bancassurance Sector in Kenya

A quantitative focus on the challenges faced by the bancassurance sector in Kenya when using digital tools and platforms, reveals that **Systems downtime & technological hitches, data security concerns, and lack of training** are the biggest challenges cutting across the digital platforms. To address the challenges faced on digital platforms, bancassurance institutions should prioritize reliability and technical support, strengthen data security through advanced measures, and enhance training programs for staff to optimize the use of digital tools and improve overall operational efficiency.

Question: What are the challenges faced in using digital tool /platforms ?



## Technology Integration: Case Studies

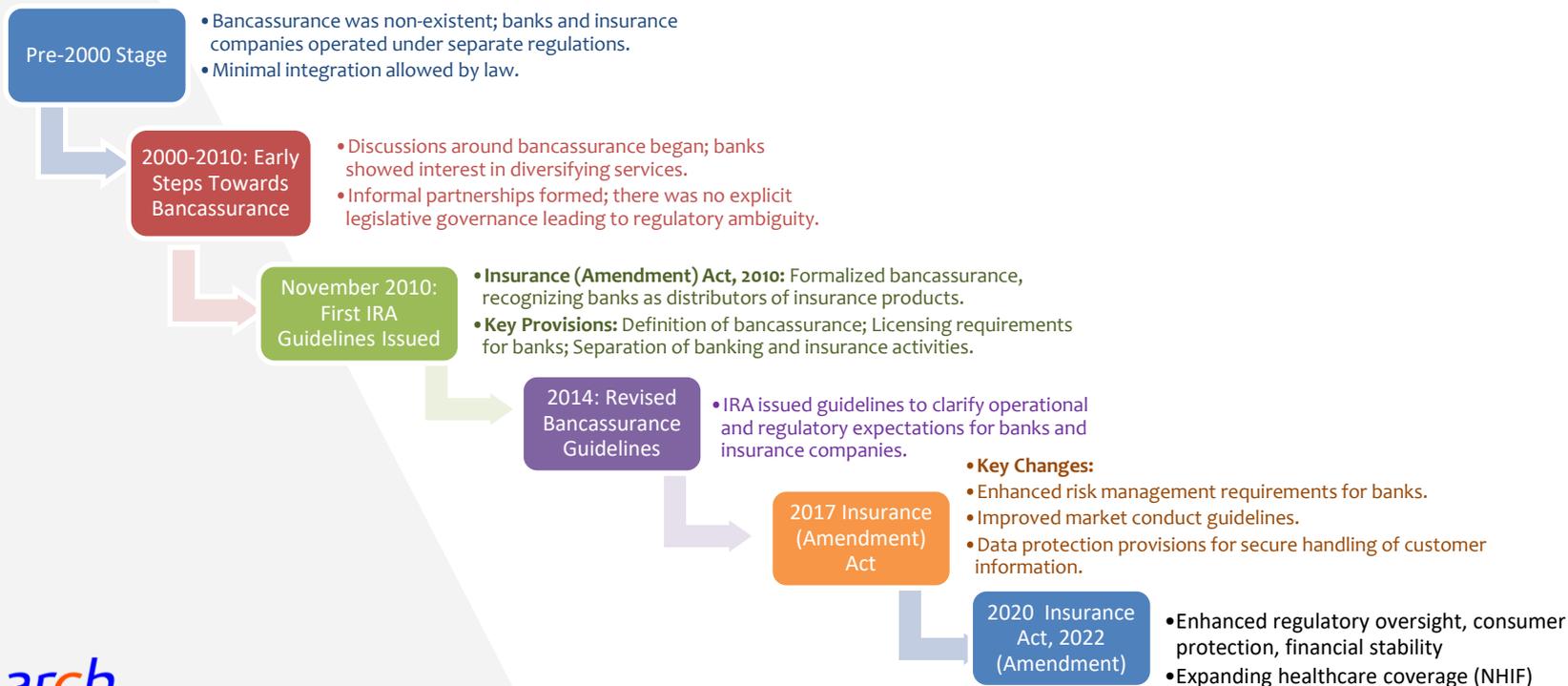
FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>▪ Significant use of <b>digital platforms</b> for onboarding, automated underwriting, and instant policy issuance.</li> <li>▪ Mobile banking integration allows personalized insurance offerings through apps using AI and machine learning.</li> <li>▪ Advanced <b>data analytics</b> improve risk assessment and optimize pricing strategies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advanced <b>digital platforms</b> facilitate customer interactions, integrating online banking with insurance offerings, automated claims, and policy management.</li> <li>▪ <b>AI and big data analytics</b> enhance customer profiling, risk assessment, and pricing strategies for personalized product offerings.</li> <li>▪ <b>Automated</b> customer support through AI chatbots and virtual assistants streamlines customer queries and onboarding processes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rapid <b>digitalization</b> allows insurance products to be offered through bank mobile apps, WeChat, and fintech platforms, simplifying the purchasing and management process.</li> <li>▪ <b>AI and big data</b> enable customer needs assessment, predictive analytics, and automation of underwriting and claims processes, improving efficiency and customer experience.</li> <li>▪ Exploration of <b>blockchain technology</b> enhances data security and transparency in transactions between banks and insurers, reducing fraud</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing reliance on <b>digital platforms</b> enables seamless transactions for policy purchase, renewal, and claims processing via mobile banking apps and web platforms.</li> <li>▪ AI and <b>automation</b> enhance underwriting processes, enabling faster policy issuance and improved accuracy in risk assessment, particularly for health and life insurance.</li> <li>▪ <b>Data analytics</b> is utilized to track customer behavior and financial profiles, facilitating targeted cross-selling and personalized insurance recommendations..</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many Malaysian bancassurers are integrating <b>digital platforms</b> that enable customers to purchase, renew, and manage their insurance policies conveniently online or via mobile apps.</li> <li>▪ <b>AI and data analytics</b> are increasingly utilized for underwriting, fraud detection, and personalized product recommendations, improving efficiency and customer targeting accuracy.</li> <li>▪ <b>Automation</b> in claims processing enhances the speed of claims management and reduces administrative burdens, leading to quicker settlements and higher customer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leading banks are integrating <b>digital platforms</b> that enable customers to purchase, renew, and manage their insurance policies online or via mobile banking apps, enhancing accessibility and reducing administrative burdens.</li> <li>▪ AI is utilized to improve underwriting processes, especially for life and health insurance products, facilitating more accurate risk assessments and faster policy issuance.</li> <li>▪ Advanced <b>data analytics</b> track customer behavior and preferences, allowing for targeted cross-selling and personalized product recommendations</li> </ul>

## Product Innovations: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>▪ Focus on simple, standardized products with low acquisition and administration costs.</li> <li>▪ <b>Digital platforms</b> enhance convenience and accessibility in bancassurance (Bonnet, 2010).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Emphasis on protection products, such as life insurance and critical illness coverage, alongside investment-linked products that combine investment and protection features.</li> <li>▪ Development of enhanced <b>digital solutions</b> and embedded insurance that integrate coverage with other financial products.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focus on developing affordable and accessible insurance products, such as microinsurance and critical illness insurance, catering to the needs of the growing middle class (Fan &amp; Lee, 2010).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Indian bancassurance offers a variety of products, including life, general, and health insurance (Devi, 2019).</li> <li>▪ Products are developed to cater specifically to diverse customer segments, particularly rural populations.).</li> </ul>	<ul style="list-style-type: none"> <li>▪ A wide array of insurance products is offered, including life, general, and health insurance.</li> <li>▪ Comprehensive wealth management services are tailored to align with the life cycle of bank customers.</li> <li>▪ Products can be customized to target specific market segments, including the development of takaful (Islamic insurance) products to cater to the Muslim population (Arifin et al., 2018).</li> <li>▪ Bundling banking and insurance products enhances customer value and convenience.</li> </ul>	<ul style="list-style-type: none"> <li>▪ South African bancassurers employ cross-sell and upsell strategies targeting customers with a higher propensity to purchase additional products.</li> <li>▪ Offers include reduced or simplified underwriting for lower-risk customers and lower prices for these clients.</li> <li>▪ Tailored insurance offerings are developed based on occupations or professions to better meet customer needs.</li> </ul>

# Evolution and Impact of Regulatory Changes on Bancassurance

# Regulatory Evolution of Bancassurance in Kenya



## Key Regulatory Framework for Bancassurance in Kenya

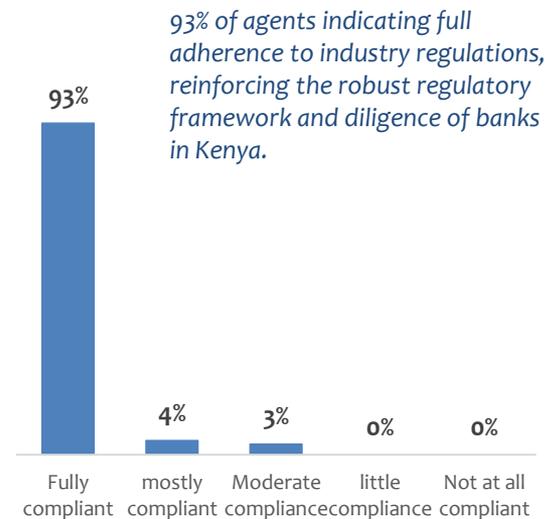
There is clear awareness of the regulatory mandate for bancassurance agencies to obtain licensing from the Insurance Regulatory Authority (IRA), as stipulated in the Insurance (Bancassurance) Regulations, 2020 (amended in 2022). These regulations provide detailed guidelines for registering and supervising bancassurance operations, setting forth stringent compliance requirements for banks operating in the sector.

<b>Mandatory IRA Licensing</b>	<b>Capital Requirement</b>	<b>Registration Fee</b>	<b>Bank Guarantee</b>	<b>Full Ownership &amp; Disclosure</b>	<b>Competency &amp; Licensing</b>
<ul style="list-style-type: none"> <li>Bancassurance agencies must secure licensing from the Insurance Regulatory Authority (IRA) under the Insurance (Bancassurance) Regulations, 2020 (amended in 2022).</li> </ul>	<ul style="list-style-type: none"> <li>Minimum capital of Kshs 5 million for bancassurance agencies (higher than Kshs 1 million for brokers).</li> </ul>	<ul style="list-style-type: none"> <li>Increased from Kshs 1,000 to Kshs 20,000 for bancassurance firms</li> </ul>	<ul style="list-style-type: none"> <li>Firms must provide a Kshs 10 million bank guarantee or government bond.</li> </ul>	<ul style="list-style-type: none"> <li>Banks must own 100% of bancassurance agents and disclose underwriters in all ads.</li> </ul>	<ul style="list-style-type: none"> <li>Agents must meet stringent training and ethical standards, with ongoing professional development.</li> </ul>
<b>Data Privacy Compliance</b>	<b>Distinct Operational Lines</b>	<b>Risk Management</b>	<b>IRA Reporting</b>	<b>Consumer Protection &amp; Complaint Resolution</b>	
<ul style="list-style-type: none"> <li>Banks must rigorously adhere to data protection regulations, safeguarding sensitive client information.</li> </ul>	<ul style="list-style-type: none"> <li>Clear separation between core banking and insurance activities is required, ensuring transparent accounting and record-keeping.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of robust risk frameworks to address the unique risks in bancassurance operations.</li> </ul>	<ul style="list-style-type: none"> <li>Agencies must submit detailed financial and compliance reports to the IRA regularly.</li> </ul>	<ul style="list-style-type: none"> <li>Firms must implement formal, transparent processes for resolving customer complaints promptly and fairly, ensuring consumer rights are upheld and trust is maintained.</li> </ul>	

## Bancassurance Regulations Compliance

Firms leverage legal expertise and industry associations to stay compliant and adapt to regulatory changes in Kenya's bancassurance landscape.

- ❖ Bancassurance agencies and insurance companies actively ensure compliance with regulatory standards set by the Insurance Regulatory Authority (IRA).
- ❖ Legal departments play a crucial role, offering guidance, updating staff on new regulatory changes, and transmitting communications from the regulator.
- ❖ Weekly updates from legal teams keep bancassurance staff informed on emerging market changes.
- ❖ Bancassurance Association Kenya (BAK) also provides its members with regulatory updates to enhance compliance efforts across the industry.

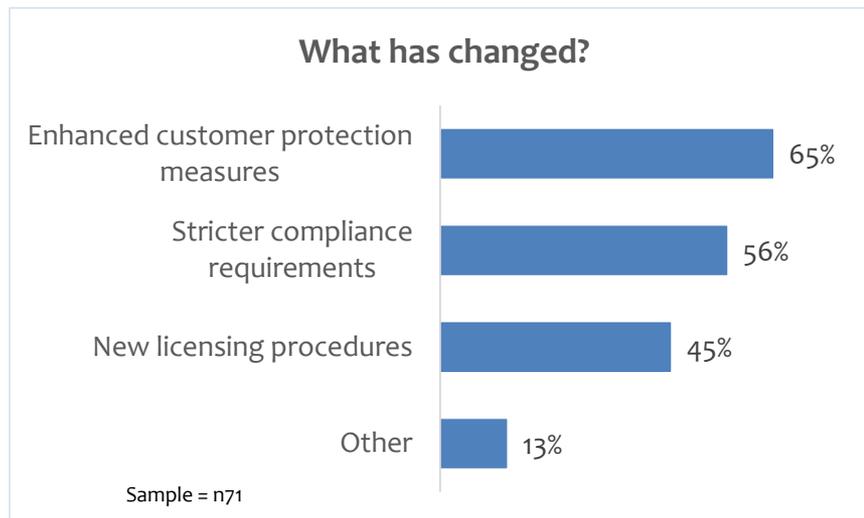
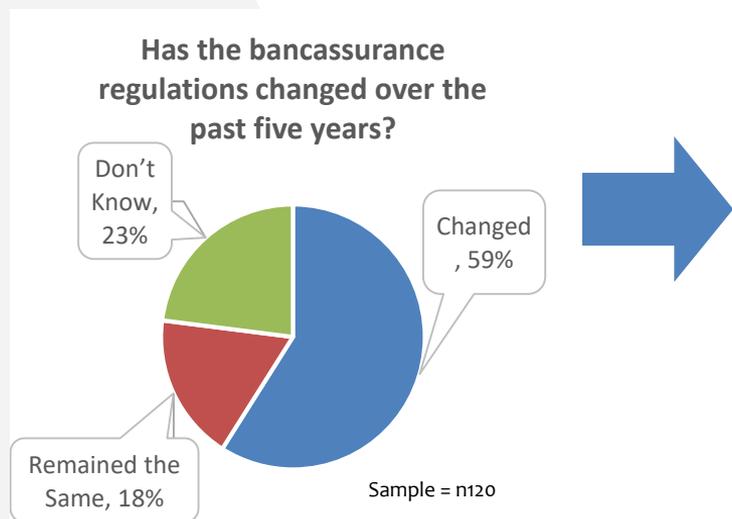


Sample: n=120

Qn. And on a scale of 1-5 where 1 - Not at all compliant, 2- little compliance, 3- moderate compliance, 4- mostly compliant, 5- fully compliant, to what extent would you say that your bank complies with the regulation that governs the bancassurance sect

## Changes in the Bancassurance Regulations

Key findings indicate that regulatory changes over the past decade, particularly the Insurance (Bancassurance) Regulations 2020, have significantly impacted bancassurance operations in Kenya. Notably, 59% of bancassurance agents acknowledge noticeable regulatory adjustments, especially regarding enhanced customer protection and stricter compliance requirements, while 23% express uncertainty about these changes, signaling a need for improved communication and education within the sector.



## Impact of Changes in the Bancassurance Regulations

The Insurance (Bancassurance) Regulations, 2020 have fostered fair competition and enhanced consumer protection in Kenya's bancassurance sector, while also imposing increased compliance costs and stringent licensing requirements that may hinder the participation of smaller agencies.



### Positive Impacts of the Insurance (Bancassurance) Regulations, 2020

- **Fair Competition:** The regulations foster a competitive environment, benefiting both consumers and providers.
- **Customer Freedom:** Customers gain the liberty to choose their preferred insurers, enhancing their options.
- **Enhanced Protection:** Stricter regulations ensure better protection for consumers, promoting trust in the sector.



### Negative Impacts of the Insurance (Bancassurance) Regulations, 2020

- **Increased Compliance Costs:** Bancassurance agencies face heightened costs associated with adhering to new regulations.
- **Stringent Licensing Requirements:** New entry regulations may exclude smaller agencies unable to meet the stringent criteria, limiting market participation.

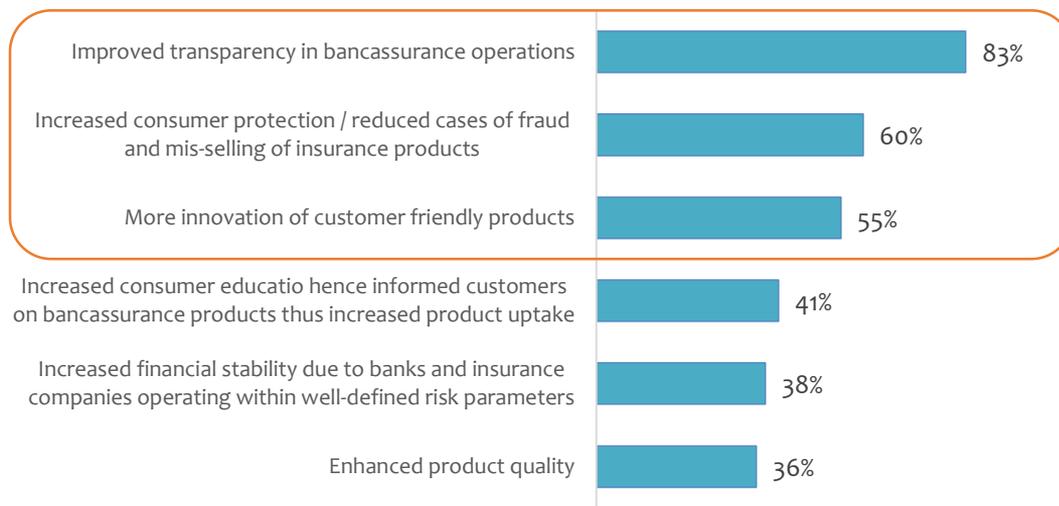
## Impact of Changes in the Bancassurance Regulations ... Cont.

Bancassurance agents believe recent regulatory changes have positively impacted their operations and sales performance. This highlights the alignment between regulatory frameworks and business success in Kenya's bancassurance sector, emphasizing benefits such as **enhanced transparency, consumer protection, innovation, product quality, and financial stability**.

# 82%

of the bancassurance agents believe that the changes in regulatory policies and compliance requirements have had a positive impact on the operations and sales performance of bancassurance agents.

Sample = n120



Sample: n=71

Qn. Why do you say the changes on regulatory policies and compliance requirements has had a positive impact on the operations and sales performance of bancassurance agents in Kenya?

## Regulatory Frameworks: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>▪ France pioneered bancassurance with a dynamic regulatory environment that supports sector growth (Pacholarz, 2021).</li> <li>▪ The Solvency II framework ensures capital stability, enhancing consumer confidence.</li> <li>▪ Deregulation has removed barriers between bancassurance agencies and insurance activities, allowing insurance companies to own these agencies with minimal restrictions.</li> <li>▪ Regulated by Prudential Supervision and Resolution Authority (ACPR), which ensures financial stability and <b>emphasizes on consumer protection &amp;</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ The Federal Financial Supervisory Authority (BaFin) oversees Germany's bancassurance, ensuring <b>strict consumer protection laws that promote transparency and fairness in sales practices.</b></li> <li>▪ Clear guidelines for distribution channels outline the roles of banks and insurance companies, alongside capital adequacy requirements that enhance sector stability (Hoschka, 2016).</li> </ul>	<ul style="list-style-type: none"> <li>▪ The China Banking and Insurance Regulatory Commission (CBIRC) oversees the bancassurance sector, <b>emphasizing financial stability, consumer protection, and market competition</b> (Qian et al., 2020).</li> <li>▪ A gradually liberalized regulatory framework <b>fosters innovation and growth in the sector.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual regulatory oversight by the Insurance Regulatory and Development Authority of India (IRDAI) for insurance and the Reserve Bank of India (RBI) for banks has shaped the bancassurance landscape (Gujral, 2018).</li> <li>▪ The IRDAI mandates that insurance companies reach rural areas, leveraging banks as effective distribution channels to meet these regulations.</li> <li>▪ Mandates <b>clear guidelines on commission structures, product offerings, and disclosure requirements to protect consumers</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Bank Negara Malaysia (BNM) serves as the regulatory authority for the bancassurance sector, emphasizing consumer protection, market conduct, and financial stability (Dargiri, 2017).</li> <li>▪ The regulatory framework <b>encourages innovation while ensuring fair competition among financial institutions.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ The 2018 Twin Peaks Regulatory model established the Prudential Authority (PA) to oversee and ensure the stability of bancassurance agencies and insurance companies involved in bancassurance activities, and the Financial Sector Conduct Authority (FSCA) to focus on <b>market conduct and consumer protection</b> (Nungari, 2018).</li> <li>▪ This regulatory framework promotes a safe and fair financial system that serves all citizens and enhances the quality of supervision through intense, intrusive, and effective oversight.</li> </ul>

# Collaborative Initiatives

## Key Players

A number of players play critical and valuable roles in enhancing bancassurance ecosystem

### Bancassurance Agencies / Commercial Banks

- Serve as distribution channels for insurance products, utilizing their extensive branch networks and customer relationships.

### Insurance Companies

- Act as product providers, designing and underwriting insurance products sold through banks.

### Insurance Regulatory Authority (IRA)

- Oversees the insurance sector and bancassurance activities, ensuring compliance with regulatory standards and consumer protection.

### Association of Kenya Insurers (AKI)

- Promotes best practices, offers training, and fosters the growth and stability of the sector.

### Central Bank of Kenya (CBK)

- Regulates banks, ensuring the stability necessary for effective bancassurance operations.

### Technology Providers (Fintech Companies)

- Offer digital solutions that enhance operations, service delivery, and innovation, such as CRM software and policy administration platforms.

### Loss Adjusters

- Assess damages and losses during insurance claims, playing a vital role in determining fair compensation.

### Risk Managers

- Identify, assess, and mitigate risks within the bancassurance framework, ensuring financial stability and compliance.

### Actuarial Experts

- Provide technical expertise for designing insurance products, calculating premiums, and assessing financial viability using statistical models.

### Reinsurance Companies

- Support insurers by managing risk and stabilizing operations, particularly during large or catastrophic losses, ensuring sustainable product offerings.

## Motivation for Partner Engagements

Banks engage in bancassurance to enhance customer experience by offering a comprehensive suite of services that combine transactional banking with risk protection; while insurance companies leverage banks' extensive customer bases to expand their reach, creating a one-stop shop for customers seeking convenience and a wider range of products. To maximize this integration, targeted staff training is essential for effectively promoting these combined services, thereby increasing customer satisfaction and loyalty,

### Insurance Companies

To tap on the bank's and MFIs big clientele.

The penetration of banks and MFIs is higher than that of insurance firms, thus most insurance firms would engage with the bank to leverage on their extensive customer base.

### Bancassurance Agencies

An opportunity to give customers an all-inclusive service beyond the banking products: - to serve customers better by creating a one stop shop where customers can access wide range of products with much convenience.

## Comments Engagement

*“Just being able to serve our customers better by creating a one stop shop” ... A bank principal officer*

*“It is just the opportunity to give the clients a holistic view and solutions but not just banking services” ... A bank strategy manager*

*“The growth, the penetration of insurance in this country is not that high and banks become a very good channel where they are already clients and so to increase the penetration also, we can use that channel to reach as a many people as possible” ... An insurance manager*

*“Bancassurance was growing by then and it’s like onboarding a new agency and the banks had potential. They had potential based on their clientele base” ... An insurance manager*

## Partnership Expectations

Respondents emphasized the critical role of Service Level Agreements (SLAs) in bancassurance partnerships, viewing them as essential documents that outline performance expectations and accountability. SLAs are signed annually, with a commitment to review them yearly, fostering continuous engagement between insurance companies and bancassurance agencies.

### Agencies key expectations from insurance companies

- Provide insurance products fit for banks, giving solutions that are customized to meet bank customers' needs
- Provide excellent service contained through a service level agreement on each and every operational item
- Be good enough for the customers and for the bank's reputation in claims settlement
- Be operationally sound and resilient in their processes and procedures.

### Insurance companies key expectations from the agencies

- A mutual relationship where banks can sell products such as loans to the insurance firms and the insurance firms offer their products to bank staff
- A very cordial kind of relationship and support from the banks
- Timely collection of premiums by the banks
- Enhance the quest to reach the bank clients with insurance product offerings
- Bank partners to push sales, ensure maximum productivity by ensuring that the bank staff are assisting insurance teams to identify clients and close business.
- Banks adherence to terms set in the Service Level Agreement (SLA)

## Comments Partnership Expectations

*“We expect that ... they’ll be good enough for the customers and for us, reputation, when it comes to settlement of claims” ... A bank principal officer*

*“So, the product that you give us, or the solution that you give us has to be fit for our customers that’s one of the expectations that we actually don’t negotiate” ... A bank strategy manager*

*“What we also expect from you, the bank partner, collect the premiums in time”... An insurance manager*

*“So, we can sell products to them and they can sell products to us” ... An insurance manager*

## Key Considerations Before partnering



### Key Mentioned Ideal Attributes Considered By The Insurance Firms For Bancassurance Partners

- Institution with good financial standing / the stability of the bank/microfinance
- Excellent understanding of customers
- Professionalism in the financial institution
- Willing to try something new and exchange data
- Like minded institution in terms of profitability, wants to try and get a different channel of income
- Institution with staff who are well conversant with the insurance sector and rules



### Key Mentioned Ideal Attributes Considered by Banks Before Partnering With Insurance Firms

- The financial strength of the insurance firm
- Reputable firms that pay claims
- Ability to deliver insurance products fit for the market
- Have footprint/presence within the markets served by the bank. Banks with regional presence will seek for insurance firms with regional presence.

## Comments On Considerations for Partnerships

*“We like to deal with partners that have good standing; financial standing and people who understand their customers well.” ... A bank principal officer*

*“We look at the financial strength, market share, products they offer” ... A bank strategy manager*

*“We look for people who are willing to try something new. We are also looking for people who are willing to exchange data, you know we have the ones that just enclose their data without sharing”... An insurance manager*

*“Insurance companies who are reputable and who pay claims, our main criteria are paying claims” ... A bank principal officer*



## Collaborative Initiatives: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>▪ <b>Joint innovation hubs foster digital transformation and co-create customer-centric products.</b></li> <li>▪ <b>Partnerships with insurtechs</b> introduce innovative solutions like peer-to-peer and usage-based insurance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Co-creation of products tailored</b> to customer needs, particularly pension plans for the aging population, demonstrates effective collaboration between banks and insurance companies.</li> <li>▪ <b>Partnerships with tech companies</b> drive innovation in products like pay-as-you-drive insurance and on-demand coverage.</li> <li>▪ Joint <b>training programs enhance</b> bank staff's understanding of insurance products, fostering deeper integration between sectors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Joint ventures and strategic alliances</b> with insurance companies enable better product integration and resource sharing.</li> <li>▪ <b>Partnerships with fintech giants</b>, such as Ant Financial and Tencent, leverage extensive digital ecosystems for effective product distribution and customer engagement.</li> <li>▪ <b>Ongoing education and training programs</b> ensure bank employees are equipped to advise customers on insurance products, enhancing sales and service quality.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public-private partnerships support financial inclusion initiatives, particularly through government-backed schemes like Pradhan Mantri Jan Dhan Yojana.</li> <li>▪ <b>Joint product development</b> results in bundled offerings, such as endowment plans linked to savings accounts or health insurance tied to fixed deposits, appealing to various customer segments.</li> <li>▪ <b>Training programs</b> for bank staff improve knowledge and sales capabilities regarding insurance products, enhancing conversion rates and customer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public-private partnerships have been instrumental in promoting insurance penetration, especially in rural areas, through initiatives aimed at increasing financial literacy and awareness of insurance products.</li> <li>▪ <b>Co-branded insurance products</b>, such as savings-linked insurance plans or credit life insurance, are often developed through collaborations between banks and insurance companies, providing integrated financial protection and savings solutions.</li> <li>▪ <b>Ongoing training and upskilling</b> programs ensure that bank staff are knowledgeable in selling and advising customers on insurance products, leading to improved product awareness and higher conversion rates.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strategic partnerships with insurance companies create strong synergies and increase product offerings while sharing customer bases.</li> <li>▪ Collaboration between banks, insurers, and government agencies promotes financial literacy, particularly in underdeveloped regions, helping educate the public on the importance of insurance.</li> <li>▪ Joint marketing initiatives focus on significant life milestones, such as home purchases, family planning, or retirement, building trust and enhancing brand visibility.</li> </ul>

# Evaluating Various Bancassurance Models and Motivations Behind Banks Establishing or Purchasing Insurance Companies

## Bancassurance Models

Kenya's bancassurance landscape is primarily characterized by the adoption of **Distribution Model**, though there is a growing interest in Integrated Models and Strategic Partnerships aimed at enhancing service delivery and expanding market reach, positioning banks to adopt innovative strategies for improved customer service and competitive advantage as the sector evolves.

**Distribution partnership/ Pure Distributor:** The bank simply behaves as an agency, offering products of different insurance companies

**Strategic Alliance/ Exclusive Partnership:** Bank sells insurance products of one insurance company only

**Joint Venture:** Bank and an insurance company establish a jointly owned bancassurance agency.

**Integrated Bancassurance/ Financial Holding:** Bank owns the insurer, or the insurer owns the bank, either directly or through a shared holding company or parent.

## Awareness of Bancassurance Models

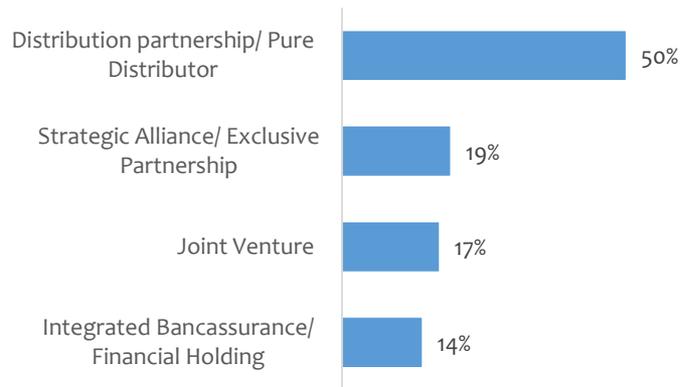
The qualitative findings align with quantitative data from bancassurance agents, where 91% of agents familiar with their bank's bancassurance model identified the Pure Distributorship model as the most commonly adopted approach (50%). *This reinforces the notion that while the Distribution Model remains prevalent in Kenya's bancassurance landscape, there is a notable shift towards Integrated Models and Strategic Partnerships aimed at enhancing service delivery and expanding market reach, positioning banks to adopt innovative strategies for improved customer service and competitive advantage as the sector evolves.*

91%

Of the bancassurance agents  
are aware of the bancassurance  
model adopted by their bank



### Bancassurance Models currently used



## Comments On Bancassurance Models used

*“We use a pure distribution model where we have partnered with various insurance companies, currently I have 14 insurance companies on my panel.” ... A bank principal officer*

*“So, we have pure distributorship, partnership and .... we also have joint venture” ... A bank principal officer*

*“And we aspire to be in the integrated space where we also have our own insurance companies” ... A bank principal officer*



## Factors Influencing Model Adoption

Kenyan banks choose bancassurance models based on **customer needs, strategic partnerships, operational efficiency, ease implementation, and risk management**, with Integrated and Distribution Models being the most prominent

### Customer Needs and Preferences

- **Loan Security:** Banks like KCB integrate insurance into their loan processes, requiring coverage for financed assets.
- **Customer Convenience:** Family Bank and U and I Microfinance Bank simplify the insurance process by integrating offerings for loan customers.

### Strategic Partnerships and Expertise

- **Expertise in Insurance Products:** Paramount Bank partners with life insurers to enhance their life policy offerings.
- **Long-Term Partnerships:** Standard Chartered and Equity Bank develop long-term alliances to better meet market demands.

### Market Penetration and Product Development

- **Market Penetration:** U and I Microfinance Bank's integrated model aligns bank and insurance systems for tailored product creation.
- **Product Customization:** DTB and Isuzu collaborate to provide specialized commercial vehicle insurance products.

### Operational Efficiency and System Integration

- **System Integration:** Paramount Bank's integrated model synchronizes systems with insurers for better operational efficiency.
- **Digitization:** Ecobank and NCBA adopt digitization-friendly models to enhance service delivery and efficiency.

### Ease of Implementation and Sales

- **Simplicity of Distribution:** Prime Bank and Rafiki Microfinance prefer the distribution model for its straightforward implementation.
- **Sales Efficiency:** Credit Bank and Sidian Bank find the distribution model effective for clear commission structures and customer management.

### Risk Management and Exclusivity

- **Risk of Non-Exclusive Partnerships:** Banks consider the risks of exclusive partnerships that could lead to product replication by competitors.
- **Service Quality and Negotiated Rates:** Banks prioritize high-quality service and flexible rate negotiations with partners when selecting bancassurance models.

# Motivations for Banks Establishing or Purchasing Insurance companies

The motivations for banks to establish or purchase insurance companies revolve around enhancing profitability, navigating regulatory complexities, ensuring cultural alignment, and exerting strategic influence, ultimately aiming to create a seamless and integrated financial service offering for customers.

## Profitability and Financial Integration

- **Revenue Streams:** Banks view acquiring or establishing insurance companies as a way to diversify revenue, with bancassurance commissions enhancing overall financial performance.
- **Employment and Expansion:** Acquisitions allow banks to expand operations and create job opportunities, enabling the hiring of emerging talent.

## Organizational Challenges and Regulatory Considerations

- **Operational Differences:** Banks face challenges due to distinct operational cultures and regulatory demands in the insurance sector. *E.g. Partnering with existing insurers may be preferable to avoid complex regulatory hurdles.*
- **Regulatory Framework:** The regulatory environment for bancassurance is generally more manageable, influencing banks' choices for integration. *E.g. Partnerships with lower regulatory hurdles ensure smoother compliance.*

## Cultural Alignment and Customer Focus

- **Cultural Fit:** Banks seek cultural alignment with insurance partners to ensure consistent service quality. *E.g. Family Bank collaborates with insurers that cater to SMEs, aligning with their customer focus.*
- **Service Integration:** Offering comprehensive financial services, including insurance, enhances customer experience. *E.g. Integrated insurance products create one-stop solutions for customers.*

## Strategic Motivation and Influence

- **Strategic Influence:** Banks aim for ownership or significant stakes in insurers to influence product offerings and decisions. *E.g.. Acquiring insurers allows banks to negotiate terms and influence product features.*
- **Profit Sharing:** Ownership facilitates sharing in the profits of insurance operations, enhancing financial performance. *E.g. Banks receiving dividends from insurance profits directly benefit from their success.*

## Comments On Motivations for Banks acquiring Insurance Companies

“I foresee most Banks going to open the insurance, So I think we've seen that with Equity... Banks will open their own insurance companies. You run like a holding, you have the bank, you have the investment company, you have the insurance company and still the agency” ... A bank principal officer

‘You see the banks in Kenya, they are located in different areas with different cultures of preferences, so if let's say for example, you're doing Islamic banking in your distribution and in your partnership, we also needed to have Islamic insurance so that you're able to provide solutions that make sense to people of that community. So, the cultures really dictate how you position your business and what solutions are you giving within that business... .. ‘And also, If you're a shareholder for that insurance company Then it's also income for you as an institution’ ... A bank principal officer

‘I can see maybe Banks opening their own insurance agencies’ ... A bank principal officer

“of course, the benefits are around the revenue, more revenue, and also having the whole business belonging to you rather than having the business and then pushing it to someone else”... A bank strategy manager

“...One is to create a profit. Because when you get this commission, it is not paid to a guy. It is paid to the institution. When you go to a P&L, other incomes, that's where that commission comes in. Secondly, just a room of creating employment for younger brothers” ... A bank principal officer

# Primary Strategic Motivations for Banks Entering the Insurance Market through Bancassurance

Key Motivation	
<b>Leveraging Existing Customer Trust</b>	<ul style="list-style-type: none"> <li>Banks utilize their established trust with customers to cross-sell insurance products. <b>Example: KCB Bank aims to enhance insurance sales by offering products under its trusted brand.</b></li> </ul>
<b>Revenue Generation</b>	<ul style="list-style-type: none"> <li>Bancassurance creates an additional revenue stream through commissions and fees, attracting banks seeking unfunded income. <b>Example: KCB Bank views bancassurance as a significant source of unfunded income.</b></li> </ul>
<b>Comprehensive Financial Solutions (One-Stop-Shop)</b>	<ul style="list-style-type: none"> <li>By integrating banking and insurance services, banks can provide a complete suite of financial solutions, enhancing customer satisfaction. <b>Example: Family Bank aims to offer all financial needs, from banking to insurance, within a single institution.</b></li> </ul>
<b>Digital Transformation and Expansion</b>	<ul style="list-style-type: none"> <li>The focus on digitization enables banks to improve service delivery and reach new customer segments through digital channels for insurance distribution. <b>Example: Banks are transitioning to digital platforms, seeking partners who are system-ready to facilitate this change.</b></li> </ul>
<b>Risk Management and Protection</b>	<ul style="list-style-type: none"> <li>Offering insurance helps mitigate risks associated with clients' financial commitments, particularly loans and advances. <b>Example: KCB Bank integrates insurance with its loan products to safeguard both the bank's and the customer's interests.</b></li> </ul>
<b>Market Penetration and Customer Acquisition (Dual Benefit)</b>	<ul style="list-style-type: none"> <li>Bancassurance enables banks to penetrate new markets and acquire customers by leveraging existing banking relationships. <b>Example: Banks promote their financial services by offering valuable insurance products.</b></li> </ul>
<b>Strategic Partnerships/Partnership Opportunities</b>	<ul style="list-style-type: none"> <li>Collaborating with established insurance providers allows banks to benefit from their partners' market presence and expertise. <b>Example: U &amp; I Bank seeks partnerships with reputable insurers to enhance product distribution through various channels.</b></li> </ul>
<b>Cost Efficiency/Operational Cost Reduction</b>	<ul style="list-style-type: none"> <li>Integrating insurance services into the bank's existing infrastructure is often more cost-effective than establishing separate entities. <b>Example: Banks find that incorporating insurance operations reduces overall operational costs.</b></li> </ul>

# Long-Term Implications of Banks' Involvement in Insurance Through Bancassurance

The long-term implications of banks' involvement in the insurance industry through bancassurance are significant for both the banking and insurance sectors, as well as for consumers. Strategic managers and principal officers from the banking sector have identified several key trends and impacts.

## Impact on the Banking and Insurance Industries

<b>1. Industry Competition:</b>	<ul style="list-style-type: none"> <li>▪ <b>Intensified Competition:</b> Banks entering the insurance market heighten competition, particularly against traditional insurance providers. The availability of resources and customer reach enables banks to dominate the market, potentially leading to consolidation.</li> <li>▪ <b>Example:</b> Banks like KCB and Equity have gained significant market share in insurance, putting pressure on smaller insurers who may struggle to compete. This could result in mergers or even the closure of smaller firms.</li> </ul>
<b>2. Shift in Market Dynamics:</b>	<ul style="list-style-type: none"> <li>▪ <b>Changing Distribution Channels:</b> As bancassurance grows, the insurance industry may experience a shift away from traditional distribution channels, such as independent agents, toward integrated financial services offered by banks.</li> <li>▪ <b>Example:</b> The increasing popularity of bancassurance could lead to a decline in independent insurance brokers and agents, with customers opting for the convenience of obtaining insurance through banks.</li> </ul>

## Consumer Implications

<b>1. Enhanced Accessibility:</b>	<ul style="list-style-type: none"> <li>▪ <b>Convenient Financial Solutions:</b> For consumers, the integration of banking and insurance services provides a more seamless and convenient experience. They can access various financial products, such as loans, savings, and insurance, under one roof.</li> <li>▪ <b>Example:</b> A customer can open a savings account, take out a loan, and purchase life insurance through the same institution, simplifying financial management and reducing time spent on transactions.</li> </ul>
<b>2. Increased Trust and Transparency:</b>	<ul style="list-style-type: none"> <li>▪ <b>Higher Consumer Confidence:</b> Banks are often seen as more trustworthy and transparent than individual insurance agents, which can boost consumer confidence in bancassurance offerings.</li> <li>▪ <b>Example:</b> Many customers may choose to purchase insurance from a bank because they trust the institution's reputation for transparency, as opposed to dealing with independent agents who may be perceived as less reliable.</li> </ul>

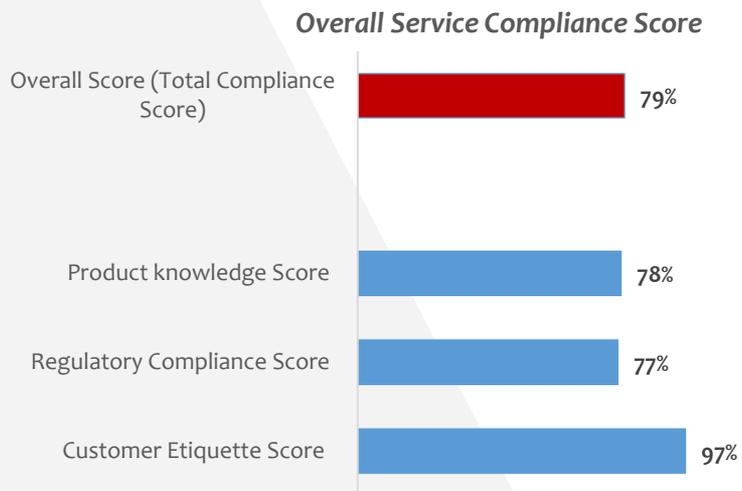
## Bancassurance Models: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>▪ <b>Pure Distribution Models:</b> Flexibility in offering multiple insurers' products reduces reliance on a single insurer.</li> <li>▪ <b>Fully Integrated Models:</b> Banks owning insurance companies ensure control over the customer experience and seamless cross-selling.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The tied agency model, where banks distribute products from a single insurer, ensures consistent customer experience and integration.</li> <li>▪ <b>Integrated models</b> where banks own insurance subsidiaries allow seamless customer experiences and coordinated marketing.</li> <li>▪ The <b>pure distribution model</b> provides customers with diverse options from multiple insurers, catering to varied needs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ An <b>integrated model</b> involving state-owned enterprises (SOEs) allows for tight control over distribution, product design, and customer data, facilitating large-scale synergies.</li> <li>▪ Cross-selling strategies leverage vast customer bases during routine banking interactions to increase insurance penetration across demographics.</li> <li>▪ <b>Vertical integration</b> occurs as banks establish or acquire insurance subsidiaries, allowing full control over the value chain and improved profitability.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many Indian banks adopt the <b>Pure Distribution model</b>, partnering with multiple insurers to offer diverse product options to customers.</li> <li>▪ Large banks, such as the State Bank of India and ICICI Bank, have <b>vertically integrated models</b>, owning insurance subsidiaries to maximize profitability and control over product offerings..</li> </ul>	<ul style="list-style-type: none"> <li>▪ The <b>Pure Distribution model</b> is commonly adopted, allowing banks to offer products from multiple insurers, providing customers with a broader range of options and fostering competition among insurers.</li> <li>▪ Some Malaysian banks have chosen to <b>vertically integrate</b> by acquiring or establishing their own insurance subsidiaries, allowing for greater control over product offerings and distribution processes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The <b>Pure Distribution model</b> is prevalent, allowing South African banks to offer products from multiple insurers, providing customers with a wider range of choices and fostering competition among insurers for improved product features and pricing.</li> <li>▪ Some banks have opted for <b>vertical integration</b> by acquiring or establishing their own insurance subsidiaries, enabling cost reduction and full control over the insurance products offered.</li> </ul>

# Overall Customer Experience in Bancassurance

## Bancassurance Service Compliance – Mystery Shopper

The bancassurance sector in Kenya achieved an overall service compliance score of 79%, driven primarily by agents' customer service excellence (97%) and satisfactory product knowledge (78%). However, regulatory compliance (77%) remains a key area for enhancement.



Sample: n=30

There is equally perceived high customer satisfaction levels, an indication that banks feel customers are generally positive about bancassurance products and services.

# 89%

## Overall Customer Satisfaction

Top two boxes (Very satisfied + Satisfied)

Sample: n=120

Qn. Overall, how satisfied are your customers with the bancassurance products/services you offer? Use a scale of 1-5 where 1= very dissatisfied and 5 = very satisfied

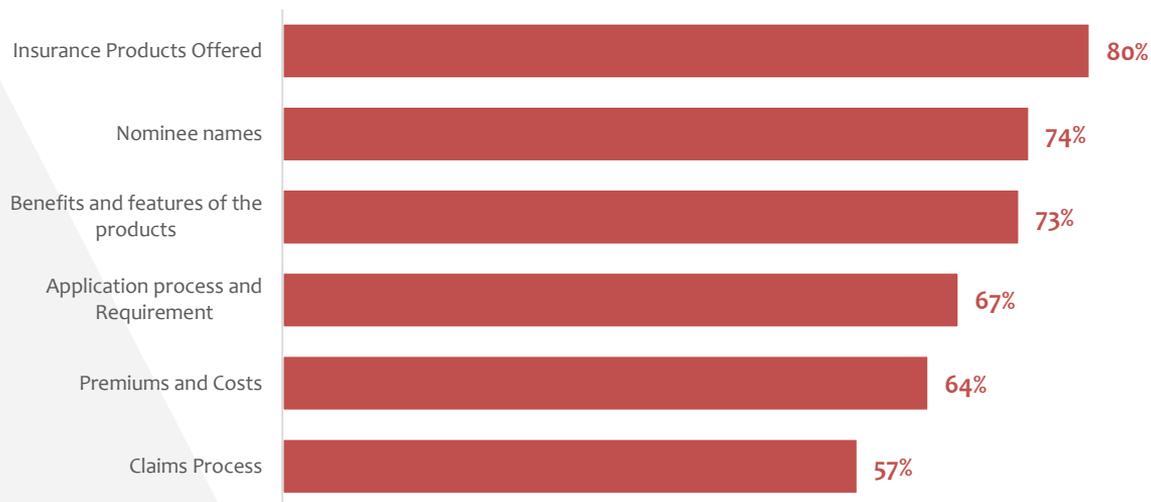
## Product Knowledge Compliance

There is a solid understanding of insurance products and particularly the life assurance products among agents

Product knowledge Score	Total	Life	General
<b>Base</b>	30	24	27
Agents were able to recommend the most suitable insurance product for you after enquiring on the products	87%	96%	85%
Agents thoroughly understand the coverage provided by each insurance product offered through bancassurance	83%	92%	81%
Agents explained the premium structure and how it may vary based on factors like age, coverage amount, and health status	83%	88%	81%
Agents explained about optional riders or add-ons available with each product/policy, and their significance	83%	92%	81%
Agents responded to queries with clarity and confidence, and without using technical jargon	83%	88%	81%
Agents offered information about other products and service e.g. was given additional materials or information about the bancassurance products	80%	83%	78%
Agents explained the required documentation for purchasing an insurance policy and the process involved	77%	79%	74%
Agents accurately described the terms and conditions of the products/policies, including renewal terms, surrender charges, and grace periods, among others	73%	79%	70%
Bancassurance agents knowledgeable enough about the bank's products and services and explained well without consulting other agents.	70%	75%	67%
Agents were able to address concerns regarding policy terms, claim processes, and any other related aspects	60%	63%	56%
<b>Total Product Knowledge Score</b>	<b>78%</b>	<b>83%</b>	<b>76%</b>

## Clarify of Information Provided by Agents – Mystery Shopper

80% of mystery shoppers found information on insurance products to be clear. This is followed nominee names, application processes, premiums and costs, and claims process. Targeted efforts to simplify and clarify the claims process, associated costs, and application requirements are essential for improving customer understanding and satisfaction, ultimately enhancing the overall bancassurance experience.



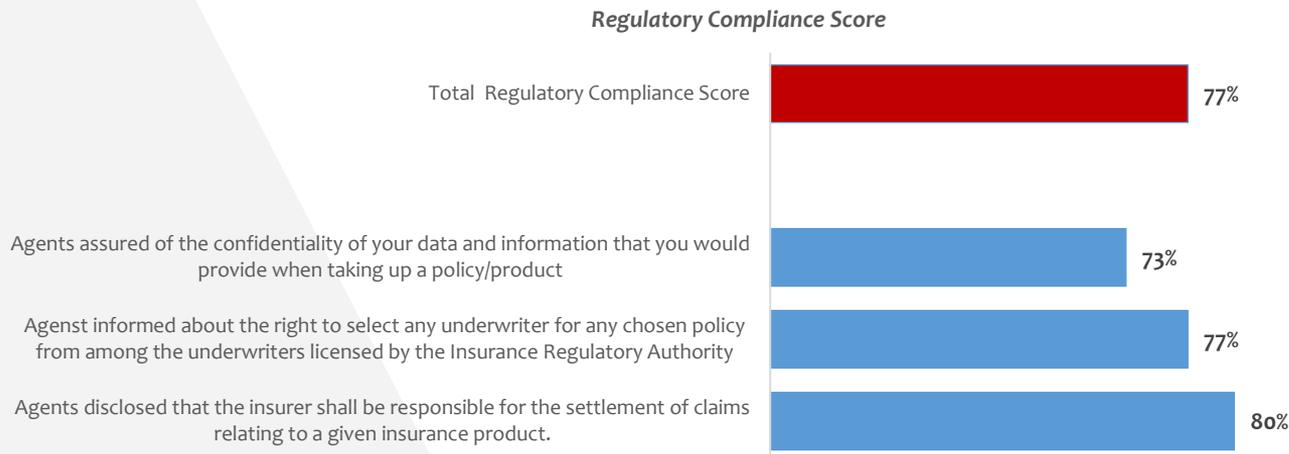
Top two boxes (Extremely clear+ Clear)

Sample: n=30

Qn: How was the clarity of information provided regarding the following? Use a scale of 1-5 where 1= Extremely unclear and 5=Extremely clear.

## Regulatory Compliance– Mystery Shopper

Bancassurance agents achieve a compliance score of 77%, indicating a solid foundation but significant potential for improvement. While 80% successfully disclose insurers' claim responsibilities, only 73% assure data confidentiality, highlighting a critical gap. **Prioritizing targeted training on data protection and regulatory protocols will not only elevate compliance but also enhance customer trust and reinforce the integrity of bancassurance services.**



Sample: n=30

## Overall Customer Experience: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>Seamless onboarding through digital KYC processes enhances the customer journey.</li> <li>Strong education programs help clients understand their insurance needs and product values.</li> </ul>	<ul style="list-style-type: none"> <li>An omni-channel approach ensures consistent access to banking and insurance services through online platforms, mobile apps, and in-branch services.</li> <li>Data-driven insights offer personalized product recommendations, improving customer satisfaction and engagement.</li> <li>Seamless onboarding and streamlined claims processes are prioritized to enhance the overall customer experience.</li> </ul>	<ul style="list-style-type: none"> <li>An omnichannel approach offers seamless access to banking and insurance services through multiple touchpoints, including branches, online platforms, mobile apps, and social media.</li> <li>The integration of bancassurance services into popular digital platforms like WeChat Pay and Alipay streamlines the customer journey from policy purchase to claims processing, enhancing user convenience.</li> <li>Localized customer education programs focus on informing customers in Tier 2 and Tier 3 cities about insurance benefits, promoting market penetration and understanding.</li> </ul>	<ul style="list-style-type: none"> <li>An omnichannel approach provides customers with access to insurance products through in-branch services, mobile apps, websites, and call centers.</li> <li>Simplified onboarding and claims processes are prioritized, utilizing digital KYC and automation to reduce paperwork and improve turnaround times.</li> <li>Financial literacy programs are implemented to educate customers about insurance products, increasing awareness and understanding through workshops and in-branch sessions.</li> </ul>	<ul style="list-style-type: none"> <li>Simplified products and processes are a focus, making offerings easier to understand and more accessible, such as bundling insurance with savings or loans and automating policy management via digital channels.</li> <li>Investment in financial literacy initiatives educates customers about the benefits of insurance, improving awareness and acceptance, particularly among first-time buyers.</li> </ul>	<ul style="list-style-type: none"> <li>Bancassurers prioritize seamless customer engagement through a mix of digital platforms, in-branch services, call centers, and mobile apps, ensuring accessibility for customers to interact with their policies anytime, anywhere.</li> <li>Simplified products and streamlined processes are designed to reduce the complexity of purchasing and managing policies, thus improving overall customer satisfaction.</li> <li>Investment in post-sale customer support, including efficient claims management and policy renewals, builds trust and loyalty, with a user-friendly claims process serving as a key differentiator for many providers.</li> </ul>

# Customer Engagements

## Customer Acquisition

Referrals (85%) and branch walk-ins (81%) are key drivers of new customer acquisition, supported by cross-selling (60%), while digital marketing channels like online ads and social media (38%) show emerging but limited impact. **To optimize growth, focus by bancassurance should be placed on strengthening referral programs, embedding bancassurance in branch operations, and expanding digital outreach to complement traditional methods..**

Through referrals	85%
Bank branch walk ins	81%
Cross selling	60%
Online marketing/social media	38%
In branch promotions	30%
Email marketing	20%
Events and sponsorships	18%
Telemarketing	16%
Loyalty programs	16%
Other	4%

Sample: n=120

Qn. How do they acquire new customers for the bancassurance products??

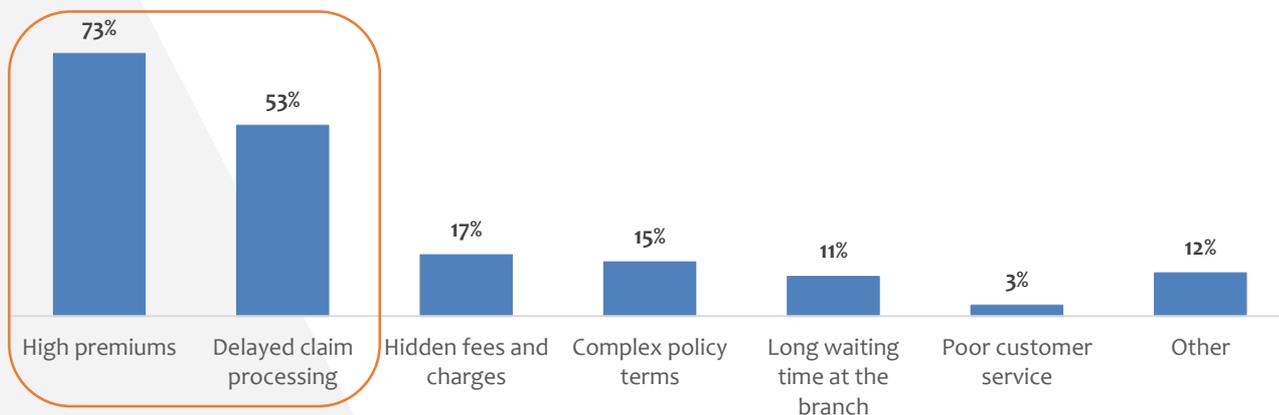
## Customer Retention

Regular follow-ups (80%) and personalized services such as value-added offerings (39%) and tailored communication (35%) are critical in maintaining long-term customer relationships. **To strengthen retention, bancassurance agents should focus on continuous engagement, leveraging feedback programs (33%), customer education (31%), and customized insurance solutions (31%) to foster trust and satisfaction, while integrating proactive support and transparent communication for sustained loyalty.**

Regular follow ups	80%
Value added services	39%
Personalized communication	35%
Feedback programs	33%
Customer education and workshops	31%
Customized insurance solutions	31%
Transparent communication	28%
Enhanced customer support	23%
Loyalty programs	19%
Proactive claim management	17%
Community involvement and CSR	8%

## Common Customer Complaint in the Bancassurance sector

To improve customer satisfaction and retention, bancassurance agents should prioritize resolving common complaints. Key areas include addressing high premiums (73%) with competitive pricing or clearer value propositions, expediting claim processing (53%), and eliminating hidden fees (17%). Simplifying policy terms (15%) and reducing in-branch waiting times (11%) will also enhance the customer experience, fostering stronger relationships and boosting acquisition through an improved service reputation.



Sample: n=120

Qn. What common customer complaints/ feedback do you receive on bancassurance products?

## Customer Engagement Strategies: Case Studies

FRANCE	GERMANY	CHINA	INDIA	MALASYA	SOUTH AFRICA
<ul style="list-style-type: none"> <li>▪ Utilization of data analytics and CRM systems to tailor interactions based on customer preferences.</li> <li>▪ Financial literacy programs educate customers, complemented by multiple touchpoints for interaction.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advisor-led sales utilize trained financial advisors for personalized service, supported by a robust branch network and digital platforms for information and product distribution.</li> <li>▪ Customer segmentation enables tailored offerings and communications to diverse customer groups.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extensive branch networks and digital channels facilitate outreach to a vast customer base, with digital marketing and social media enhancing customer engagement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A mix of physical and digital channels is employed for customer engagement, utilizing digital platforms for product information, sales, and claims processing.</li> <li>▪ Skilled relationship managers are utilized to foster trust and rapport with customers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Personalized financial products and solutions are designed to meet individual customer needs.</li> <li>▪ An integrated approach provides a seamless experience across digital channels (mobile apps, websites) and traditional bank branches.</li> <li>▪ Digital engagement tools, such as AI and chatbots, enhance customer interactions.</li> <li>▪ Loyalty and reward programs incentivize customer retention and engagement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Investment in various distribution channels, including mobile apps, outbound sales, external contact centers, and independent agents, is a key strategy (Agbo &amp; Nwankwo, 2020).</li> <li>▪ Partnerships with retailers, fitness centers, and insurtech companies enhance customer engagement and broaden market reach.</li> </ul>

# Gap Analysis on Best Practices

## Gap Analysis on Best Practices (Kenya Vs Global)

Key Area	Global Standards	Kenya's Status	Opportunity
<b>Digital Transformation</b>	<ul style="list-style-type: none"> <li>End-to-end digital ecosystems supporting seamless policy purchases, servicing, and claim processing</li> </ul>	<ul style="list-style-type: none"> <li>Partial digital adoption, largely in urban regions</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate digital adoption in rural areas, particularly for claim management and customer service automation.</li> </ul>
<b>Product Variety</b>	<ul style="list-style-type: none"> <li>Diverse options including life, health, motor, and property insurance with add-on services</li> </ul>	<ul style="list-style-type: none"> <li>Predominantly credit-linked products, minimal health or life insurance</li> </ul>	<ul style="list-style-type: none"> <li>Broaden product range to attract different demographics and address unmet insurance needs.</li> </ul>
<b>Customer-Centric Models</b>	<ul style="list-style-type: none"> <li>Tailored products with flexible payment plans, leveraging data analytics for personalization</li> </ul>	<ul style="list-style-type: none"> <li>Limited personalization, with efforts to enhance customer engagement</li> </ul>	<ul style="list-style-type: none"> <li>Integrate data analytics to create tailored insurance solutions, enhancing customer satisfaction.</li> </ul>
<b>Skill Development</b>	<ul style="list-style-type: none"> <li>Focus on specialized certifications and skill-building in bancassurance sales and customer relations</li> </ul>	<ul style="list-style-type: none"> <li>Limited bancassurance-specific training, gaps in advisory expertise</li> </ul>	<ul style="list-style-type: none"> <li>Implement targeted bancassurance training and certification programs to build specialized knowledge.</li> </ul>
<b>Market Reach</b>	<ul style="list-style-type: none"> <li>High market penetration driven by awareness programs and trust-building</li> </ul>	<ul style="list-style-type: none"> <li>Moderate penetration; low awareness in lower-income segments</li> </ul>	<ul style="list-style-type: none"> <li>Increase consumer education on bancassurance, especially in rural and underserved regions to build trust.</li> </ul>
<b>Claims Efficiency</b>	<ul style="list-style-type: none"> <li>Swift, tech-driven claims settlements with automated status tracking and transparent processes</li> </ul>	<ul style="list-style-type: none"> <li>Slower, often manual claims processes with limited automation</li> </ul>	<ul style="list-style-type: none"> <li>in automated claim systems for faster processing and enhanced customer experience.</li> </ul>

# Summary Of Findings

## Industry Growth Overview

- **Significant Growth :** The Kenya insurance industry saw total premiums increase by 56.2% from 2019 to 2023.
- **Life vs. Non-Life Insurance:** Life insurance premiums surged by 73.8%, while non-life insurance grew by 43.4%, indicating a shift towards life products due to rising demand for financial security.
- **Bancassurance Impact:** Bancassurance also registered significant growth. Premiums skyrocketed by 79.4%, highlighting its crucial role in the market.

## Claims and Profitability Challenges

- **Rising Claims:** Claims escalated from KES 6.55 billion in 2019 to KES 14.16 billion in 2023, raising concerns about underwriting practices.
- **Loss Ratios:** The loss ratio in non-life insurance increased from 43.9% to 52.0%, indicating profitability pressures despite premium growth.
- **Market Stability:** Bancassurance maintained a stable market share at around 10%, with intermediaries generating over KES 1 billion in premiums, with 9 top intermediaries holding an impressive 83.5% market share by 2023.

## Technological Integration and Challenges

- **Technology Adoption:** Integration of technology in bancassurance operations has improved customer relationship management (CRM), product distribution, and claims processing, enhancing operational efficiency and customer satisfaction.
- **Key Features:** Focus on mobile applications (79%) and CRM systems (57%) is crucial for improving sales and customer experiences.
- **Challenges Identified:** Major challenges include systems downtime, data security concerns, and lack of training, necessitating improvements in reliability, security measures, and staff training programs.

## Strategic Collaborations and Models

- **Collaborative Ecosystem:** Key players include banks, insurance companies, regulatory bodies, and technology providers, all vital for enhancing the bancassurance ecosystem.
- **Service Level Agreements (SLAs):** SLAs are pivotal for defining performance expectations and fostering accountability among partners.
- **Bancassurance Models:** The predominant model remains the Pure Distributorship (50%), but there is a shift towards Integrated Models and Strategic Partnerships to enhance service delivery and market reach, driven by banks' motivations to improve profitability and customer service.

# Key Recommendations

## Enhance Underwriting Practices and Claims Management

### a. Address Profitability Pressures:

- Reassess underwriting practices to mitigate rising claims, particularly in the bancassurance sector.
- Focus on improving claims management strategies to control the escalating loss ratio in non-life insurance, which increased from 43.9% to 52.0%.

### b. Invest in Technology for Claims Processing:

- Implement automated claims reporting and real-time tracking systems.
- Enhance operational efficiency and customer satisfaction through timely claims resolution.

## Foster Strategic Collaborations and Customer-Centric Innovations

### c. Leverage Bancassurance Partnerships:

- Deepen collaborations between insurance companies and banks to enhance service delivery and broaden market reach.
- Establish clear Service Level Agreements (SLAs) to ensure accountability and performance expectations are met.

### d. Focus on Customer Experience:

- Prioritize customer relationship management through regular training programs for bancassurance agents.
- Tailor products to meet specific customer needs, particularly in the growing individual life insurance segment.

## Embrace Technological Integration for Operational Efficiency

### e. Adopt Advanced Technology Solutions:

- Integrate CRM systems and mobile applications to streamline customer interactions and improve service delivery.
- Leverage data analytics for better risk assessment and personalized product offerings.

### f. Enhance Digital Capabilities:

- Invest in online policy management portals and automated underwriting systems to facilitate smoother customer experiences.
- Explore innovative technologies such as chatbots to enhance customer engagement and support.

## Strengthen Training and Development Initiatives

### **g. Prioritize Staff Training:**

- Implement comprehensive training programs focused on customer relationship management, product knowledge, and technology utilization.
- Encourage continuous professional development to enhance the skills of bancassurance agents.

### **h. Build a Customer-Centric Culture:**

- Foster a culture of feedback where customer insights drive product development and service improvements.
- Ensure that all staff understand the importance of enhancing customer satisfaction as a key driver of business success.

# Thank you!



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