

# CIC HEAD OFFICE



UPPER HILL MARA ROAD

# PROMOTING SUCCESSFUL REGULATORY AND SUPERVISORY APPROACHES FOR INCREASED ACCESS TO INSURANCE

## Success Stories of Microinsurance Innovation Facility Grantees

- Innovations in product design, delivery and administration
- Regulatory challenges

Presentation on CIC Kenya experience

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## CIC Kenya Experience in microinsurance

- CIC has been underwriting micro insurance products since 2001 which have been continuously improved and are being replicated to provide coverage to other low income groups in Kenya including members of the informal sector where the majority of the population lies. It is important to note that only 25 % of the low income group in Kenya have access to financial services.
- Micro insurance is assisting to remove the perception that insurance is a preserve of the rich and this will facilitate the acceptance of insurance as an integral tool in reducing poor people's vulnerability to various risks. This will consequently enable the poor to break out of the vicious circle of poverty.

## CIC Kenya Experience in microinsurance

- CIC has successfully implemented the microinsurance insurance products for the Co-operative Bank's microcredit clients. This is an effective use of the partner –agent model of distribution.
- CIC is now applying the same model with Saccos, banks and microfinance institutions to accelerate the growth of micro insurance packages to low income households in Kenya. Currently microinsurance business contributes about 15% of the total business portfolio of the Company.



## CIC Kenya microinsurance Products

- CIC aims to expand the provision of low ticket insurance products and services to the low income households in Kenya while at the same time being competitive in providing quality insurance products for upper income groups.
- To date, CIC has launched a number of customized micro-insurance products, including:
  - » micro-credit life policy with fire and burglary extension
  - » micro-investor,
  - » group funeral expenses policy,



# CIC Kenya microinsurance Products

- Bima ya Jamii ( Medical, PA & Funeral Expenses)
- Guards' life and personal accident policy
- Jipange pension plan.
- Tandaza, a comprehensive life, funeral expenses, personal accident and family medical insurance policy sold through Postbank branches
- Livestock insurance
- Currently preparing to launch weather index based insurance



# Background of CIC Microinsurance

- 2001- KADET (MFI) of world vision & CIC identified some insurance needs for the microfinance sector namely:
  - Death and disability insurance cover
  - Accidental destruction of clients business
  - Hospitalization of clients of MFIs
  - Agriculture Insurance
- CIC started offering the traditional credit life insurance and progressively developed other products as follows based on the level of complexity: credit life and funeral expense; credit life, funeral expense, fire and burglary; micro-health; livestock; soon to launch a weather index based insurance.

# Development of Micro-health insurance

- 2001: CIC commissioned a Clinical research which included a survey of selected mission and low cost hospitals in Kenya.
- The objective of this research was to enable CIC develop an affordable micro-health insurance cover for the low income clients of MFI's and SACCOS
- CIC piloted this product with clients of KADET of World Vision in 2005. ( The target was...)This is because the clients were defaulting in loan repayments on account of sickness - unable to work, diversion of money from their businesses to payment of hospital bills.



# Strategic Partnership

- With the objective to serve the low-income people in helping them mitigate against the risks of ill-health, sickness and diseases, KADET and CIC formed a partnership comprising of KADET, CIC and Health Care Providers (Low cost and mission hospitals ) to provide a Family Health Cover Called UZIMA Medical Cover.
- After the pilot with two other MFIs - Faulu Kenya promised to offer 10,000 members to enroll in the product during the first year ) and Kenya ECLOF offered to enroll 6,000 members during first year.
- While the product was the same the MFIs marketed it under their brand names.

# Overall Performance Of the Micro Health Insurance Scheme

The overall claim ratio of scheme was 192% and was attributed to:

- Non adherence by MFIs to the policy conditions and the number of clients initially set and agreed for the scheme.
- Failure to make the scheme compulsory for all their loanees as initially agreed
- Gross anti-selection (high number of people with pre-existing illnesses , trauma and congenital conditions enrolled in the scheme)
- Minimum membership not recruited to meet the critical mass and reduce the problem of anti-selection



## Challenges identified

- Financial pressures on clients which led to default at renewal
- Lack of appointed hospitals in some areas hindering marketing efforts
- Selling of an insurance product also presented a major challenge to MFIs staff.
- Delay in printing of cards. The causes for the delay originated from both CIC and MFIs
- Errors on printed cards
- Lack of sensitivity from Hospitals where some members of MFIs with medical cards were turned away.

## Lessons learnt

- Selling Voluntary microinsurance products is challenging and requires a long time to attain critical mass needed for sustainability.
- For sustainability there has to be close monitoring of policy renewals in order to improve retention rate and reduce anti-selection (Individuals who sign up cover due to a specific health problem are likely to exit after benefiting).



## Lessons learnt

- The product should be as inclusive as possible in scope of cover in order to minimise exclusions and gain acceptability in the target market. This will help to eliminate scepticism associated with conventional insurance products.
- The target market is characterised by poverty and very low income levels hence the greater need to keep premiums low and affordable pegged on the critical mass.



# Lessons learnt

- It is important to have in place a consistent training programme for the distribution channel in order to minimise product distortion.
- Strict controls needed in order to contain claims cost considering the low product pricing and high moral hazard associated the micro-sector.



# Lessons learnt

- Patience and consistency (No anticipation of immediate financial returns).
- Working with strategic partners is very crucial in the development of the micro insurance policies for low income households



## From CIC Micro health to Bima Ya Jamii

- After the worst claims experience of microhealth insurance and the MFIs became reluctant to review the product to be viable , CIC continued carrying on with the liabilities while looking for an appropriate alternative .
- It was on this basis that CIC approached NHIF to partner together and provide micro health to the informal sector .





## From CIC Micro health to Bima Ya Jamii

- The background of this strategic partnership was based on the fact that CIC is experienced in micro-insurance, and has adequate systems to ensure efficiency & effectiveness in service delivery while NHIF has the capacity to offer comprehensive family cover for medical risks affordable fees by low income households



# Introduction to Bima Ya Jamii

## A case for Public - Private partnership

- Bima Ya Jamii product (Insurance for the family) is a standardised micro health and much more inclusive product with riders. The intention of standardising the product was: To reduce administrative costs and confusion among clients of MFIs from a product with many variations, and ease of promoting a single product brand name.
- However Bima Ya Jamii was launched in September 2007 with Kenya Women Finance Trust (KWFT) as the pioneer delivery channel under their brand name “ KWFT AFYA CARD” because they insisted that the product should be identified with them.

## Case for Public - Private partnership

- In September 2008, the Bima Ya Jamii project kicked off with the support of Swedish co-operative centre, with a grant from the ILO's micro insurance innovative facility.
- Other MFIs, Cooperatives and other types of organised groups have embraced Bima Ya Jamii as a standard product for their clients.
- The grant has enabled us to train more delivery channels other than KWFT and since then, we have been able to recruit 57 organized groups with a total households of about 48,000 benefiting over 200,000 people

# Hospitals Response

- Despite the initial teething problems with the hospitals, the operations have now smoothed and we have had very few if any card related complications.
- The Bima Ya Jamii cards are now recognized in most of the hospitals that we are dealing with
- Clients complaints have also reduced significantly at the service points (hospitals) thus making the product more acceptable.
- There is however continued client frustration at the hospitals, because of the required physical card verification by NHIF staff.  
The introduction of Card readers would solve this problem.

## Renewal challenges

- Renewals have continued to be a challenge and we have noted a trend where the insured members run to NHIF and renew the medical product only at the cost of 1,920/=, thus lapsing the Accidental death benefit and Funeral expense benefits which we underwrite.
- Some members do not renew at all because they did not use the product in the past period (barter mentality), however this leads to frustrations in event of hospitalisation after the lapse.



## Renewal challenges

- This leaves us with a challenge of more education on the product as a whole.
- Hospitals changing categories mid contract is also a major challenge leading to customer frustrations at the service delivery point.



## Renewal challenges

### **CIC Bima Ya Jamii customers medical camps**

CIC will reinforce the initial acceptance of policyholders through the post sale customer loyalty by sponsoring free medical checks by working with Kenya Medical Association to hold medical camps in various regions of the country for all the Bima Ya Jamii clients and the prospective ones . The aim of this is to give value to all customers and especially to give value to non-claimants, in an effort to increase retention.



# CIC MICRO INSURANCE CAPACITY BUILDING ACTIVITIES

- CIC success in development of microinsurance programs has been contributed to in-house actuarial expertise
- Participation in international microinsurance conferences
- Staff training on micro insurance key performance indicators by International Networks for Alternative Financial Investment (INAFI) and BRS of Belgium





# CIC MICRO INSURANCE CAPACITY BUILDING ACTIVITIES

- Staff participation on the risk management and insurance TOT training facilitated by the micro insurance innovation facility and delivered by micro finance opportunities
- From the 23<sup>rd</sup> of June 2010, CIC in partnership with the micro insurance innovation facility will be hosting a fellow for a period of 6 months and a consultant for 15 days



# CIC MICRO INSURANCE DISTRIBUTION CHANNELS

## Partner-Agent Model

- CIC has partnered with Sacco societies, MFIs, religious organizations, welfare societies and self help groups to distribute its MI products. This has been the most successful distribution channel, and remains the most popular.



# CIC MICRO INSURANCE DISTRIBUTION CHANNELS

## Agency relationships

- CIC also being an innovative company has experimented with the distribution of MI products through an exclusive agency, and the relationship is still on the learning curve. Most customers would rather work directly with CIC but the need for a larger sales force necessitates hiring of agents on commission basis.



# CIC MICRO INSURANCE DISTRIBUTION CHANNELS

## **Direct sales executives (DSE)**

CIC has recently also engaged a direct sales team to sell the CIC MI products. The DSEs are hired on a retainer to be complimented by sales commission. The new concept has now been in operation for one year with positive results, though we are still learning from it for maximum productivity.



# CIC MICRO INSURANCE DISTRIBUTION CHANNELS

## Alternative distribution channels

CIC & Safaricom are currently exploring possibilities of distributing its microinsurance products through Safaricom network under M-BIMA concept which is basically an insurance premium payment platform. CIC is looking at this as the next “big thing” in the exploitation of the mobile telephone technology. Once the contract is signed with the customer, the premium is automatically deducted from his available airtime in affordable daily installments for all microinsurance products

# DEVELOPMENT OF DISTRIBUTION CHANNELS

## **Incubation initiative of Sacco Societies.**

In an effort to give back to the society and make a lasting impact, CIC also partners with potential willing groups to incubate them into sacco societies. This empowers the members with other financial services like savings and credit. This also enables them to purchase microinsurance products.



# DEVELOPMENT OF DISTRIBUTION CHANNELS

Recently, CIC has partnered with the Kenya National Federation of Jua Kali associations (members of the informal sector- potential membership of over 3 million) to form a National Jua Kali sacco society and women groups in Belgut (2000 members)- Belgut Women Rural Sacco Society. This will form a good platform for future business relationships.



# CONSUMER EDUCATION AND AWARENESS

- To improve the uptake of microinsurance products, CIC has embraced many simple communication approaches;
- Road shows and radio advertising with all the popular vernacular stations to reach even the illiterate population. This creates a pull demand for microinsurance policies from potential customers.





# CONSUMER EDUCATION AND AWARENESS

- Translating marketing materials, proposals and policy documents to kiswahili language which is spoken by most Kenyans.
- CIC in partnership with Swedish Co-operative Centre developed a study guide for training of trainers for insurance education among the low income groups. This guide is very simple and uses a lot of graphics to demonstrate the insurance concept.



## CIC Microinsurance Focus

- Because of the uniqueness of Microinsurance in comparison to the conventional insurance business, CIC is in the process of upgrading microinsurance unit into a fully pledged microinsurance department, that will run the microinsurance business activities.
- The department will have management, marketing, training / consumer education and operational functions.
- The future plan is to establish a microinsurance subsidiary that will specialise in managing the unique microinsurance business for low income groups and the informal sector in Kenya.

## Conclusions

- The informal sector is just warming up to the product, and we are just beginning to get responses especially from the sacco's already sensitized.
- Despite the challenges with NHIF, the operations are running smoothly and are on the right track especially where we do not need to jointly commit financial resources.
- The hospitals have accepted the card such that there are hardly any complaints from the clients at the point of hospitalization or discharge and NHIF is paying the bills.
- The partnership continues though cautiously, as we explore all other possible fall back positions

# THANK YOU

