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**CASE STUDY OF MICROINSURANCE PRODUCT**  
**PRESENTER**  
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# Company Profile



**British-American Kenya is a member of the British American Group of companies founded in Nassau Bahamas in 1920**

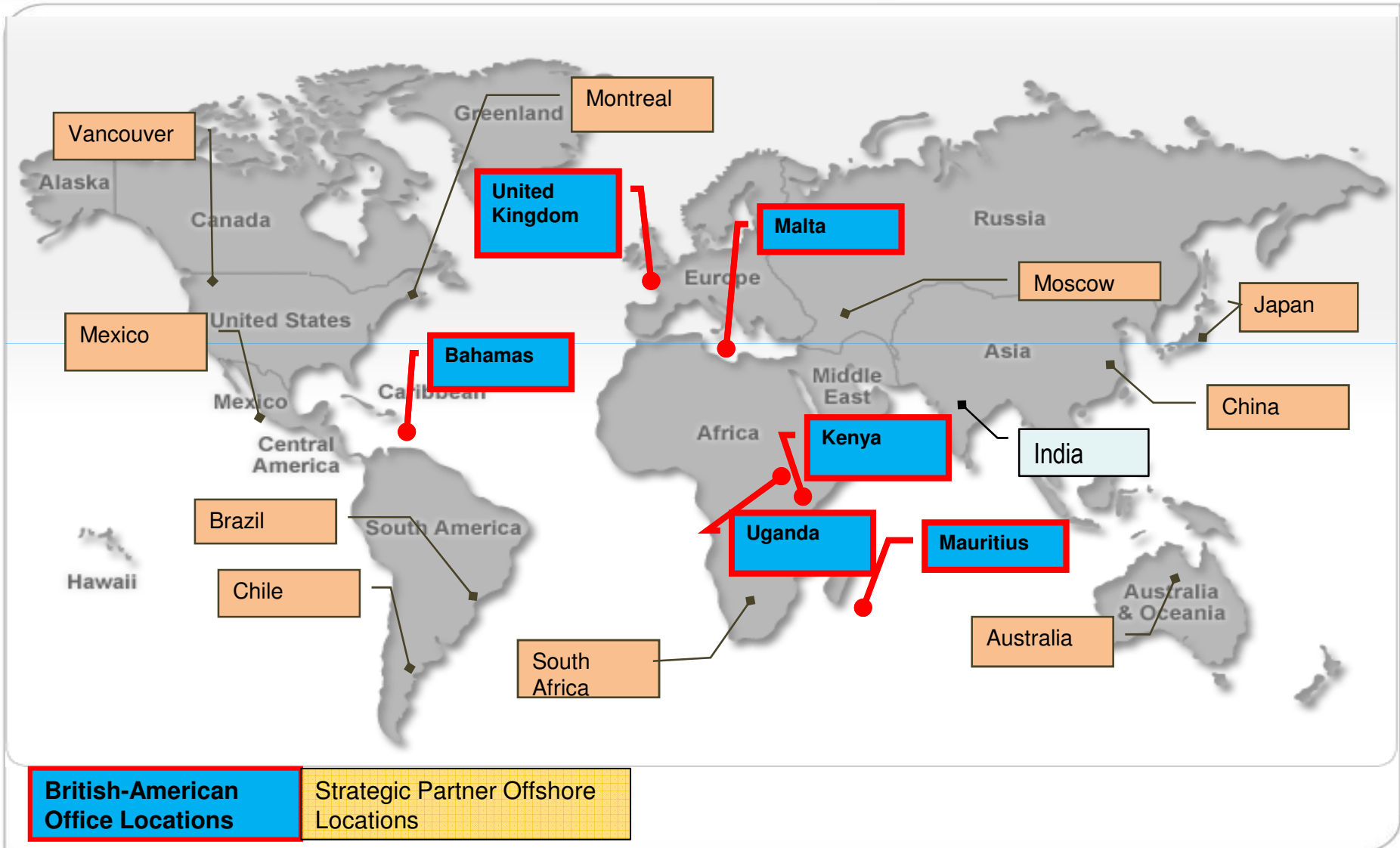
**It was originally established as a branch in Nairobi in 1965**

**In 1980 a local company was incorporated, initially specializing in Ordinary Life Business Only**

**British-American continues to be a member of the international group with diversified interests in Insurance, Healthcare, Leasing, Asset Management, Construction and media in Mauritius, the U.K., Malta, Bahamas, the USA and recently in Uganda**



# BRITISH-AMERICAN GROUP OFFICES & STRATEGIC PARTNERS OFFSHORE LOCATIONS



# Company Profile



**British-American Kenya has two business units, Insurance and Asset Management Unit, with branches in all the major towns in Kenya.**

**The Insurance Unit is a composite company and is currently leading in premium income of Kshs 6.2B (US\$ 77.5M) in 2010**

**Had an Asset base in excess of Kshs 22B (US\$ 275M) as at end of 2010**

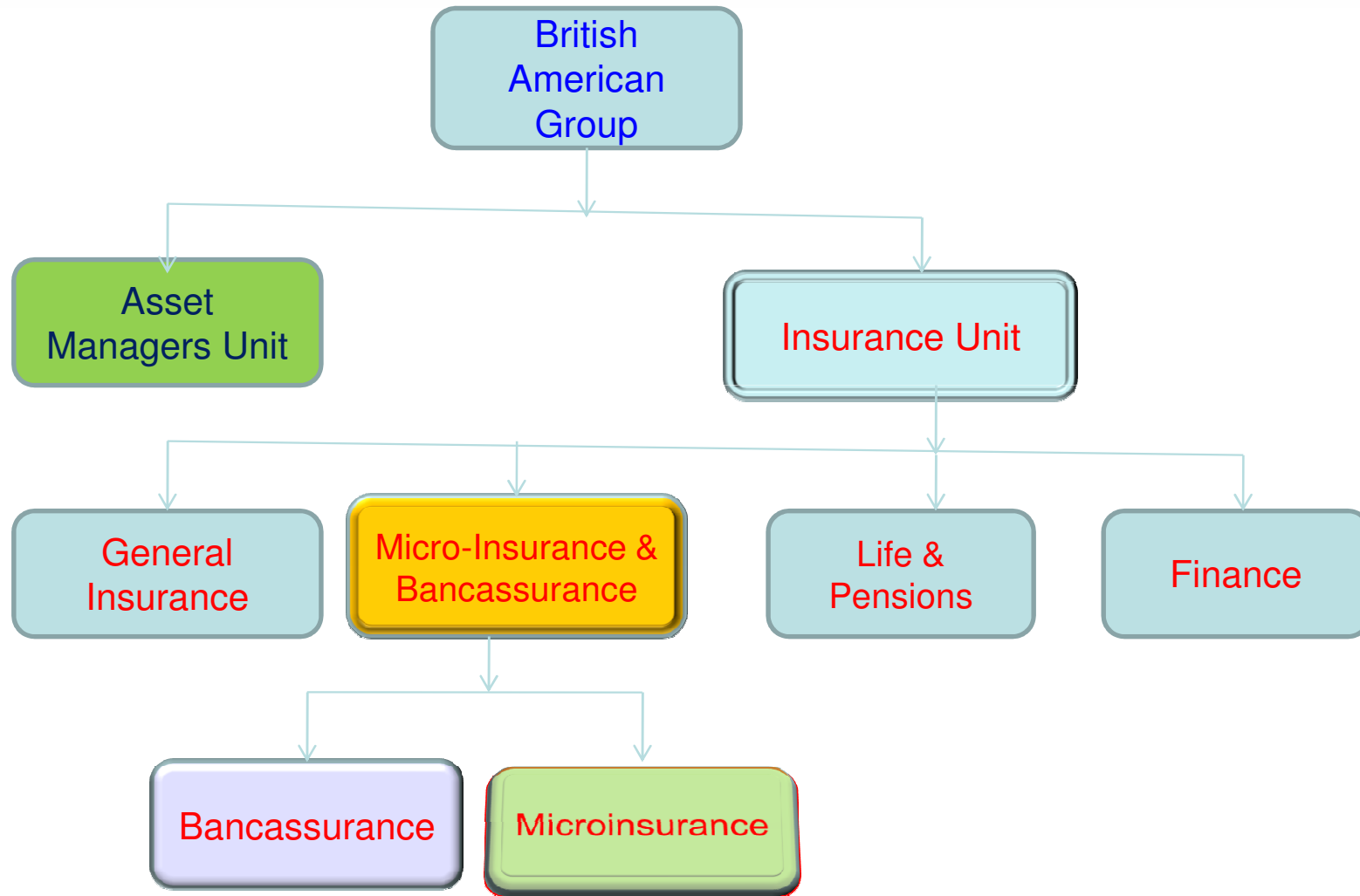
**The Insurance Unit holds a 26+% of market share in Ordinary Life and for 4 years in a row has been declared the Company Of the Year in the prestigious Agents Of the Year Award held annually**



# Company Profile



# Organizational Structure



# Microinsurance Background



In the strategic meeting of 2005, the Board together with the management identified the huge potential in the low-income market segment which remained uninsured/tapped.

In the 2Q 2007, British American started offering credit Life Insurance to those taking loans with Equity Bank, most of whom fell in the low-income bracket

In September 2007, British American entered into a partnership with Majani Insurance Brokers, a subsidiary of Kenya Tea Development Agency (KTDA) and developed a Life/Medical product for their 500,000 plus small scale tea growers.

The product name is Kinga Ya Mkulima, or Protector of Grower







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# Initial Product



## Insurable population:

- ✓ There are slightly more than 500,000 active small scale tea growers registered under KTDA
- ✓ Our target was to insure about 40% of the registered farmers by end of 2008, but close at 60 - 75% within the next 3 years from commencement
- ✓ In total about 800,000 lives were to be insured, the target being the grower and spouse

# Product Structure



## **Benefits:** Life and Hospitalization

Two options:

- i) Sum Insured Kshs 100,000 (US\$1,250), premium Kshs 85 (US\$1) for grower and Kshs 70 for spouse per month
- ii) Sum Insured Kshs 200,000 (US\$2,500), premium Kshs 170 (US\$2) for grower and Kshs 140 for spouse per month

In the event of death of covered life, the amount of Sum Insured is paid less any Medical claim that has been paid in the year .

Hospitalization benefit of 20% of Sum Insured per year on acceleration basis

Hospitalization has a deductible of 1% of the Sum Insured (i.e. Kshs 1,000 (US\$12.5) or Kshs 2,000 (US\$25) respectively)

Spouse is included on voluntary basis



# Product Structure



**Age at entry:** Min 18 years , no Max limit

**There was no Waiting Period**

Maternity was an exclusion

Due to adverse claims experience in the first 6 months, a max age limit of 70 years and waiting period of 3 months were imposed. Losses as a result of Accidental events were however not subject to the above changes

There were limited exclusions





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# Distribution



# KTDA Structure/Admin



- ✓ There are 54 autonomous factories under KTDA management, and 6 satellites ones
- ✓ Farmers are paid for the tea plucked each month on a pre-determine rate.
- ✓ After sale of the final product less cost of production, a farmer is paid for the total no of kilos produced in the year at a special rate
- ✓ The above arrangement provided Check-off as the best method of premium collection



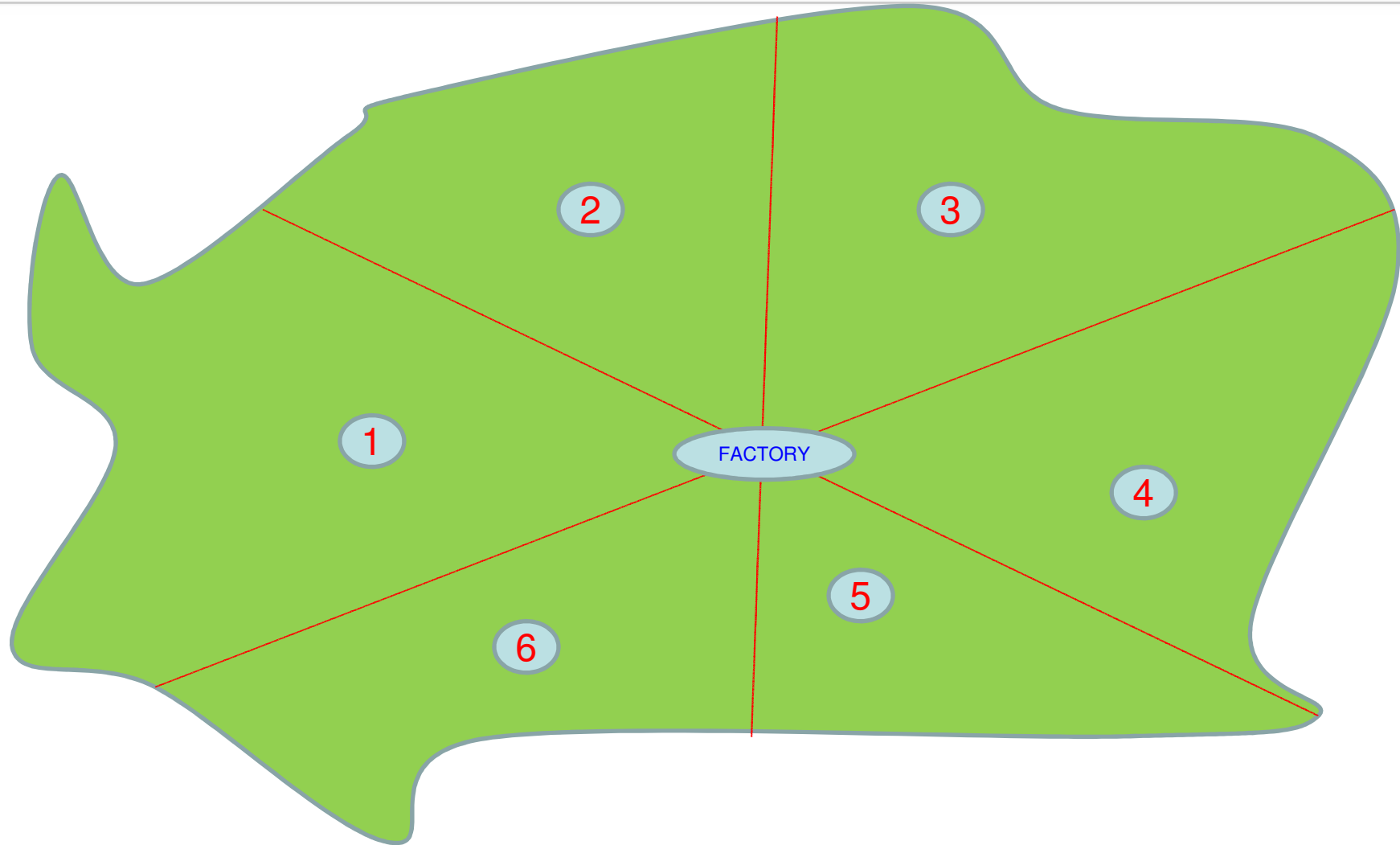
# Sales Model



- ✓ Each factory catchment is divided into 6 Electoral Zones
- ✓ In each of the Electoral Zone, one person was recruited to carry out the enrollment
- ✓ A team leader was selected amongst the 6
- ✓ They were trained on the product and sales skills
- ✓ Remuneration was commission based



# Model Factory Catchment Area





# Successes



Year/ Parameter	No of Policies	Accumulation of No Of Policies	Annual Premium Kshs	Accumulation of No of lives
2007	23,000	23,000	5.2	35,000
2008	18,000	41,000	46.0	65,000
2009	8,000	49,000	61.0	74,000
2010	3,000	52,000	71.0	85,000



# Successes



Year/ Parameter	No of Death Claims	Amount Paid (Kshs 'm')	No of Medical Claims Paid	Amount Paid (Kshs 'm')
2007	19	1.9	Nil	Nil
2008	373	38.6	704	8.3
2009	465	47.8	1,052	13.8
2010	510	53.6	1,154	13.8



# Successes



- ✓ We've managed to establish a reason network of medical service providers
- ✓ We are in the middle of a re-launch phase of the revised product after carrying out research
- ✓ The revised product has features and benefits aligned to market demands in line with the research findings
- ✓ The distribution model has changed in line with the research finding



# Challenges/Constraints

- ✓ Fraud – Cases where no death and hospitalization has taken place
- ✓ Non-payment of premiums leading to disputes
- ✓ Underpayment of premiums – Is one covered or not? (or partly covered?)
- ✓ Anti selection
- ✓ Misrepresentations by the 1<sup>st</sup> lot of sales force has resulted into a no of disputes

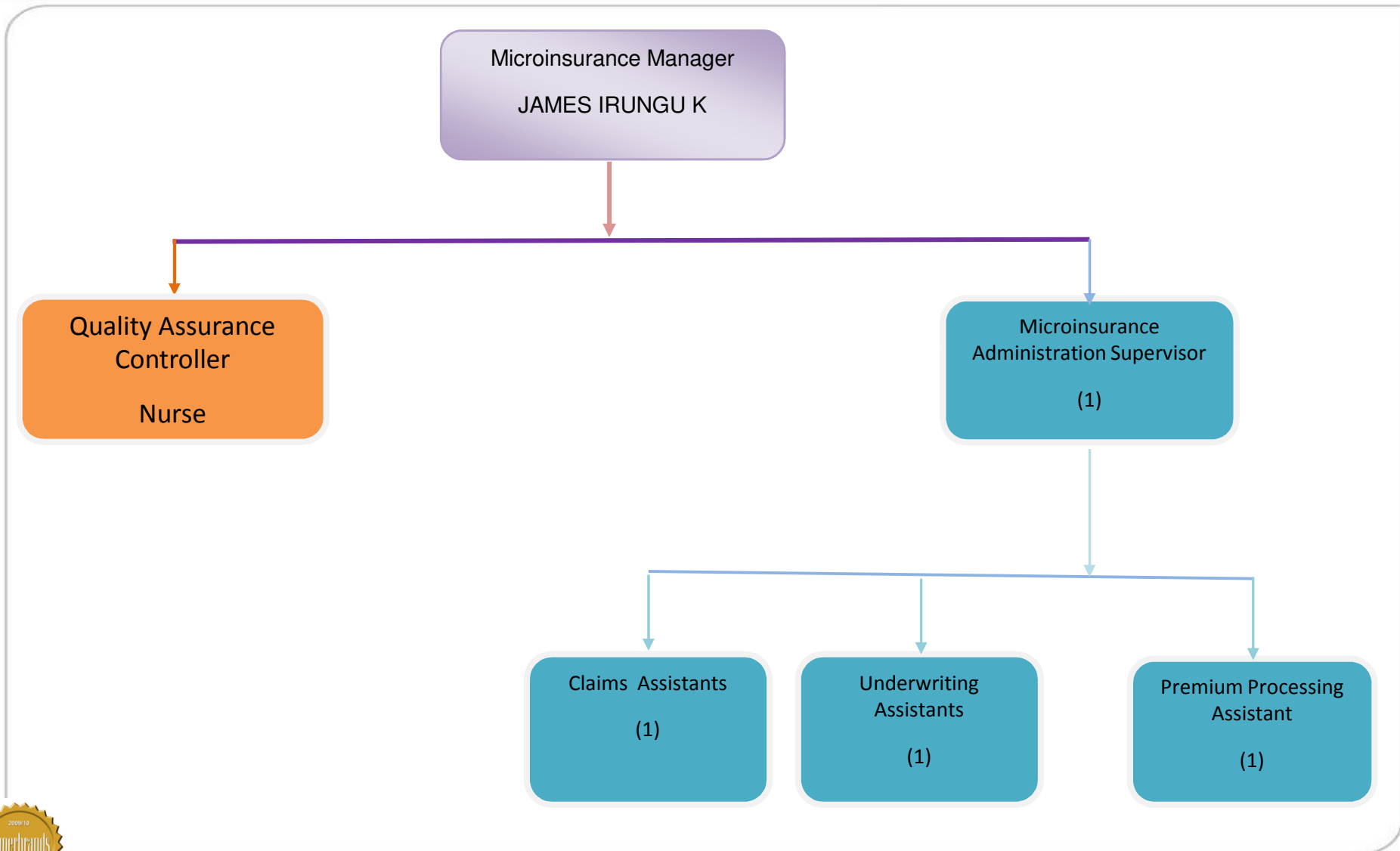
# Challenges/Constraints



- ✓ Limited no of reputable hospital within the precincts of the catchment areas
- ✓ Closing of hospital credit facilities for various reasons
- ✓ Getting a suitable admin systems
- ✓ High volume manned by a lean staff
- ✓ Coming up with a suitable distribution model



# Department Structure



# Old Vs New Product



	ISSUE	OLD KYM	NEW KYM
1.	Options to select	Only two options	Eight options to select from, see Benefit Table next slide
2.	Entry age	18 – 70 years	18 – 75 years
3.	Who can be cover	Grower + Spouse(s)	Grower + Spouse + Children (< 18 yrs)
4.	Death Benefit	100,000 or 200,000	Several options, see Benefit Table next slide
5.	Hospital Benefit	20,000 or 40,000	Several Options, see Benefit Table next slide
6.	Participate in hospital bill	Pay either 1,000 or 2,000	No payment is required
7.	Issued documents	Policy certificate only	Policy Certificate & member cards with photo
8.	Maternity	Nil / Not covered	Covered but only after 10 months from commencement
9.	Surgery	Benefit within the above hospital benefit	Separately provided for each option, see Benefit Table next slide



# New Product Benefits



Option	Daily Hospital Benefit	Death Benefit Per Member	Additional Surgery Benefit
I	500	5,000	5,000
II	750	7,500	7,500
III	1,000	10,000	10,000
IV	1,500	15,000	15,000
V	2,000	20,000	20,000
VI	2,500	25,000	25,000
VII	3,000	30,000	30,000
VIII	4,000	40,000	40,000





- ✓ Importance of carrying out research before developing any product, micro or ordinary
- ✓ Continuous Training and Consumer Education should be in place.
- ✓ Correct action when necessary should be taken swiftly but it's equally important to properly communicated
- ✓ One form of distribution channel or marketing strategy may work for one market but completely fail in the other

# Learning

- ✓ The need to recognize/involve key stakeholders in a product especially if they'll be involved in any process such as distribution, marketing and customer service
- ✓ Partnering is the way to go for one to attain some level of success in this market
- ✓ The need to be patient, since the payback period in the investment in the low-income market is definitely usually longer
- ✓ Cannot succeed in administering Microinsurance product without a robust system

***End : THANK YOU***



**Comments**

