INSURANCE REGULATORY AUTHORITY

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Micro-Insurance: Affordable Insurance for the Low Income

Insurance penetration in Kenya, currently, stands at a paltry 3.1 per cent of the gross domestic product (GDP). This low penetration could be blamed on various factors including poor saving culture, low levels of disposable income and negative perception towards insurance. To address these challenges, the Insurance Regulatory Authority (IRA), with the support of key stakeholders have initiated aggressive consumer education and awareness campaigns across Kenya. The campaigns are aimed at increasing public awareness on the need and benefits of insurance.

Despite the above initiatives, the issue of affordability of insurance by low income earners, who constitute the largest segment of our society, remains a major challenge. Micro insurance, therefore, presents itself as the most appropriate mechanism the insurance industry could use in making insurance affordable to low income earners.

What is Micro Insurance?

Micro insurance is the packaging of insurance for the low income earners. Micro insurance aims at enabling low income earners manage risks such as Accident, Illness, Theft, Death, Fire and Natural Disasters such as Flood and Drought. Micro insurance cover is provided in exchange for affordable insurance premium tailored to the needs, income and nature of risks faced by buyers. Those targeted by micro insurance include the Jua Kali sector, farmers, farm workers and house helps among others. This group lacks appropriate mechanisms to control risks allowing losses to drive them into helpless situations and abject poverty given that they cannot afford conventional insurance products. It is important to note that the majority of the Kenyan population falls within this category. IRA has recognized this need and is keen on facilitating the insurance industry to develop affordable insurance products to serve the needs of this group.

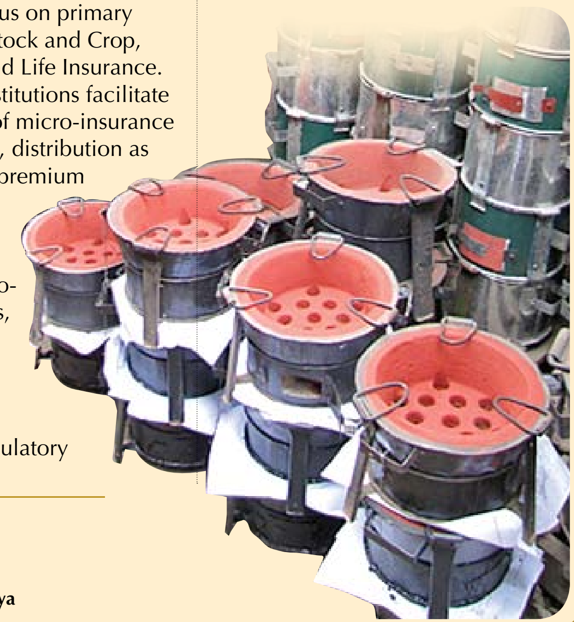
How Micro Insurance Works

Micro insurance works better with groups than with individuals because the cost of selling micro insurance to individuals is higher than that of selling to groups. Also, insurers find it cheaper to underwrite group risks compared to individual risks. This is the reason Banks, Microfinance Institutions, Chamas, Trade Associations, Social Welfare Groups, Saccos, Large Corporations and the Government take advantage of their existing group structures to buy cheap insurance. Some of these groups rarely go through insurance intermediaries when buying insurance for their staff/members.

The state of Micro Insurance in Kenya today

Already, some insurance and non-insurance institutions have welcomed micro insurance by introducing products such as Afya Bora by CIC and Salama Sure by UAP with Faulu Kenya offering Faulu Afya. Most of these products focus on primary risks such as Livestock and Crop, Health, Funeral and Life Insurance. Other financial institutions facilitate the development of micro-insurance through marketing, distribution as well as serving as premium collection and claims payment points. These include Banks, Microfinance Institutions, Mobile Money Transfer Providers and Saccos.

The Insurance Regulatory Authority hereby calls upon members of the public, particularly the low income earners to take advantage of micro insurance products in order to control risks that they face in their day to day activities. Let us borrow a leaf from India's success in micro insurance.



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