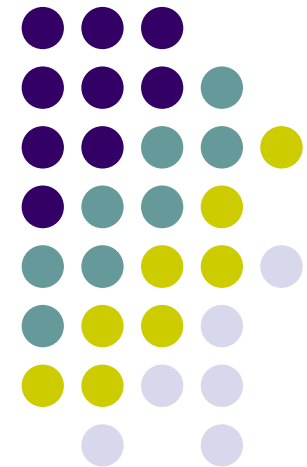


Marketing Microinsurance Products: *Challenges and Solutions*

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Presentation Outline



A. Introduction

- Marketing
- Market Context
- Marketing Implication for Mandatory Vs Voluntary Insurance

B. Marketing Microinsurance

- Challenges

C. Marketing Microinsurance

- Solutions

D. Conclusion



INTRODUCTION

Marketing



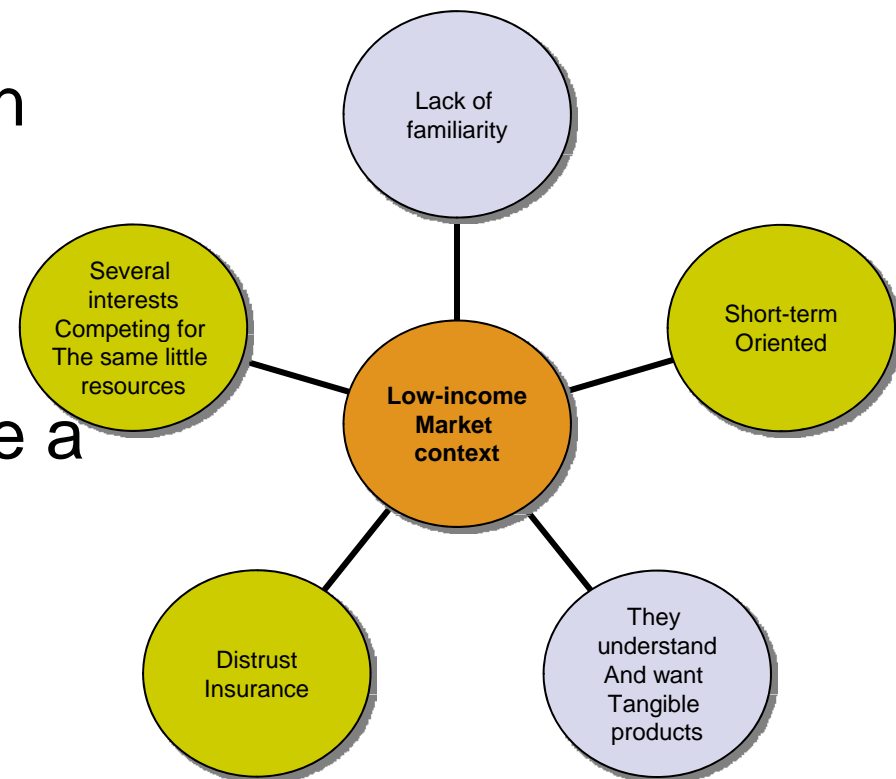
- Kotler and Gary define marketing as “an *integrated process* through which companies *create value* for customers and *build strong customer relationships* in order to capture value from customers in return.”
- Marketing is largely used to:
 - *Create* the customer
 - *Keep* the customer and
 - *Satisfy* the customer

Market Context



Your mother knows you're special, but what about your prospective customers? It's essential to develop a marketing strategy not merely to identify who might buy from you, but why..."- Jeff Wuorio

- The low-income market in Kenya bears same characteristics as known elsewhere that make marketing microinsurance a *challenging task*:



Marketing Implications for Mandatory Vs Voluntary Insurance



- While mandatory insurance may be intertwined in another product i.e. loan, savings account, voluntary insurance will probably be a standalone product
- Both options require marketing but In comparison, *mandatory insurance may require less marketing activities than voluntary insurance*



Marketing Microinsurance:

Case of Voluntary Insurance

*Challenges

Challenges in Marketing Microinsurance in Kenya



- **Strategy** - Deciding on what *marketing strategy* to use for different delivery channels i.e. SACCOs, Agents, MFIs. More often than not it is either of the SACCOs/MFI's or the Insurer's strategy that is implemented instead of an **hybrid**.
- **Adverse culture** – The low-income market is often ignorant about insurance and regard it as a preserve for the rich.
- **Bad experiences** – Where insurance companies have failed to honor their commitments betraying their trust to the client. In Kenya this has been a major challenge due to cases of collapsed insurance companies and also because of exclusion cases, which are often not very clear to the customers
- **Institutional barriers:**
 - a. At the insurer level – trapped in their conventional ways of marketing. Marketing executives disinterested because of the small premiums, which require huge volume of numbers as compared to other products with higher premiums (ideally these are more attractive since they have potential to achieve the business portfolio targets faster).
 - b. At the delivery channel level – Insurance is not their major business and they do not have the expertise. More often than not, staff entrusted with the responsibility of marketing insurance will give priority to the institutions business and talk about insurance last if at all they do. Notwithstanding the staff, like anyone else are reluctant to buy insurance.

Cont'd



- **Affordability** – With limited resources for the low-income people, insurance does not feature in their budgets posing a big challenge to any marketer
- **Closing Sales** - This is the hardest part for the delivery channels! Not everyone is a marketer and not everyone has the skill
 - Observations made during the rollout and follow ups of BYJ product revealed that staff would go to the meetings, talk about the product and fail to close any sale because they never carried the registration forms with them.



MARKETING MICROINSURANCE SOLUTIONS

Marketing Microinsurance Solutions: *Case of CIC&NHIF in Kenya*



- The **Co-operative Insurance Company (CIC)** of Kenya Limited was established in 1978 and was formerly known as Co-operative Insurance Services Limited (CIS). The company is at present the preferred underwriter of the co-operative movement in Kenya
- The **National Hospital Insurance Fund**, a government institution that offers comprehensive family cover for medical risks in mission, low cost and government hospitals.
- The two institutions have created a strategic partnership to service **THE LOW-INCOME POPULATION IN KENYA**

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- Together, these institutions have created a composite product called “**Bima ya Jamii**” (Insurance for the family) that covers:

Hospitalization for the principal + family members

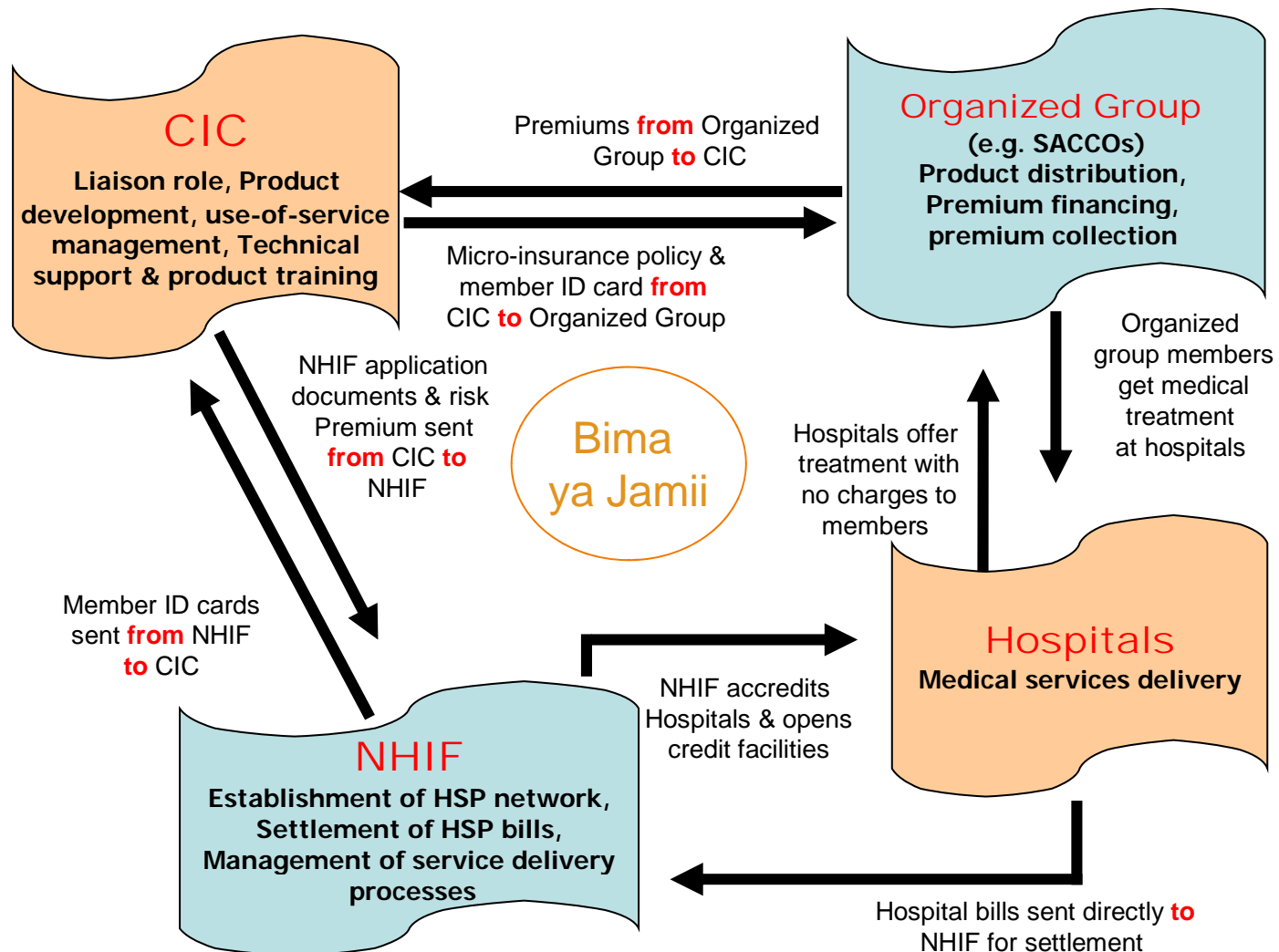
Accidental death benefits to beneficiaries of a member

Loss of income disability benefit

Funeral expenses for the member

Annual Premiums of US\$50 per year per family

How the Model is Organized



Why the Model?



- Each party specializes in what they are best at
- SACCOs and other organized groups have a captive customer base – i.e. the initial phase of the BYJ rollout targets 47 rural based SACCOs with over 360,000 members
- SACCOs provide the premium financing mechanism – addressing the affordability aspect

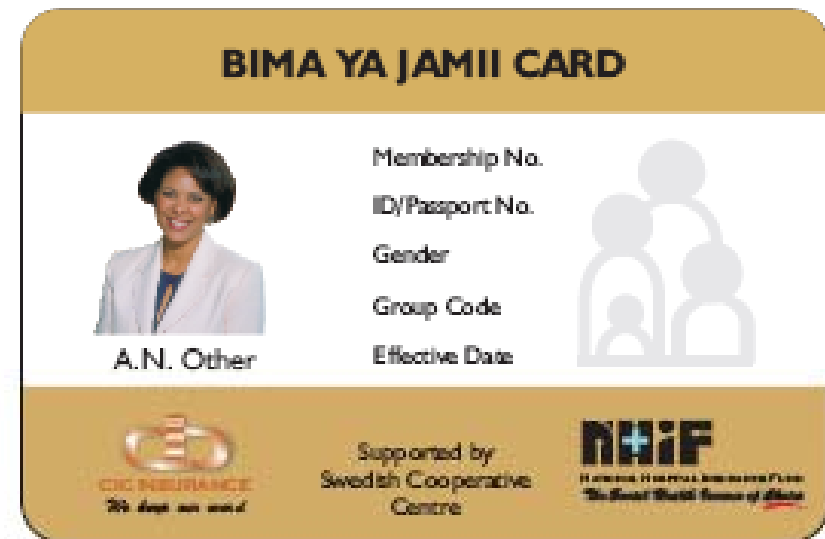
Customer value:

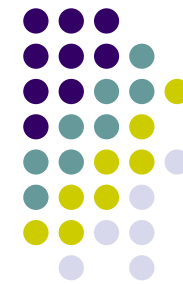


“Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating *genuine customer value*.” (Philip Kotler)

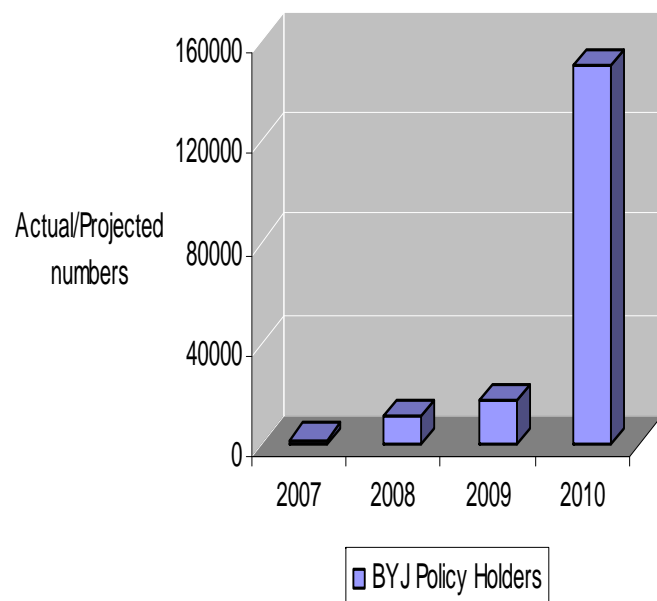
The Bima ya Jamii product was designed to address key issues related to *adverse culture* and *affordability*

- Customers *derive value* from this product since it addresses several needs (bundled together)
- Service providers are spread out all over the country
- Cover is for the family
- No age limit
- No exclusions for chronic illnesses





BYJ Policy Holders



- The product is estimated to close in 2009 with over 18,000 policy holders
- 2010 projections are 200,000 policy holders cumulatively – This is based on the strategy that has been put in place to bring majority of the SACCO members on board.



Bima ya Jamii Insurance Policy



Supported by Swedish Cooperative Centre

SCOPE OF COVER/BENEFIT STRUCTURE

a) **Comprehensive family medical insurance**

Covers all admission and treatment for any illness or accident for a period of up to 6 months in over 300 NHIF contracted hospitals.

b) **Loss of income (For the principal member)**

Pays KSh.2000/- per week for the duration the member is hospitalized following an accident up to a maximum period of 25 weeks.

c) **Permanent Disability (For the principal member)**

Pays KSh.100,000/- after the principal family member is permanently disabled as a result of an accident as determined by a qualified doctor.

d) **Accidental Death Cover (For the principal member)**

Pays KSh.100,000/- after the principal family member dies as a result of an accident

e) **Funeral Expenses (For the principal member)**

Pays KSh.30,000/- in case of death from any cause to offset funeral expenses

f) **Funeral Expenses Extension to additional family members**

The KSh.30,000/- benefit can be extended to cover the whole family at an additional cost of KSh.270/- for spouse and KSh.210/- per child per year

ANNUAL PREMIUMS

KSh.3,650/- per family which is KSh.10/- per day

National Hospital Insurance Fund
P.O. Bx 30443-00100 Nairobi
Tel: +254 (020) 2723255
Fax: +254 (020) 2714806
Email: info@nhif.or.ke

The Co-operative Insurance Company of Kenya
P.O. Box 59485-00200 Nairobi
Tel: +254 (020) 2823000
Fax: +254 (020) 2823331
Email: info@cic.co.ke



Branding

Give the product a name that customers can associate with. In Kenya, family (the “we belong together” aspect) is important so the product was named “Bima ya Jamii” (Insurance for the family).

The BYJ name is:

- Easy to pronounce
- Easy to remember
- Easy to recognize
- Attracts attention
- Implies/suggests benefits
- stand out among a group of other brands

CIC and NHIF have been using the local radio stations to make BYJ a household name but also to provide information (Although this is a very expensive approach)

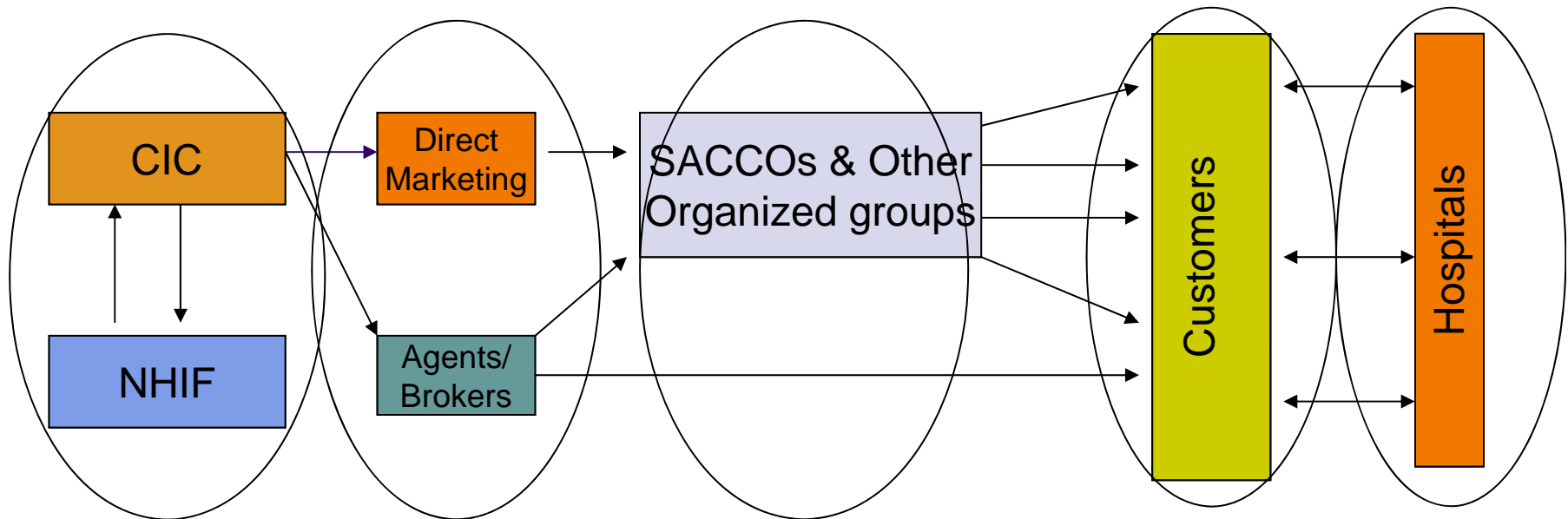
Bima ya Jamii
Insurance Policy

NHIF
NATIONAL HOSPITAL INSURANCE FUND
The Social Health Insurance of Kenya

CIC INSURANCE
We keep our word

Supported by
Swedish Cooperative Centre

Incentives along the value chain = Growth



- Business volume/returns
- NHIF pays CIC commission for business created

- Attractive bonus, Gift vouchers, Commission (as a % Of business created)

- Marketing support
- Admin fee
- CIC pays policy for the champion within each group

- CIC pays premium for the champion among the customers
- Seemless service
- Free card incase of loss
- Bonus for referrals

- NHIF settles bills fast
- Marketing Support
- Support for Preventive health care

Cont'd...



- The two organizations have been going through a *learning curve* and are now reviewing the incentive structures along the product delivery value chain.
- Incentivizing everyone along the *critical path* ensures sustained growth and motivates customer loyalty (renewals) – in this example, where this has not been done, customers have been dropping out once the policy lapses

Closing the Sales!



- There is no shortcut – Train, train, train!
- Training of the marketers on *marketing insurance* is critical
 - Train all the support structures within the organization on the product and the processes
- Provide adequate information – FAQs. Brochures, Registration forms
- Take instant photos
- Facilitate payments through money transfer – Mpesa, Zap or through check off system

Bottom line: *Make it easy for the customer to sign up!*

Low-income people, like anyone else, dissent complicated processes!

Resources



- Depending on the SACCO staff to sell/market the products can be disappointing:
 - CIC has resulted into creating a dedicated team for marketing the product – the marketers are a mixture of CIC staff and SACCO members who are policy holders as well (they earn facilitation fee for referrals)
 - CIC facilitates the SACCO to choose a product champion
 - Targets are established and monitored
 - CIC elects tents for recruitment at strategic locations within the catchment areas of the SACCOs
 - The driver is the volume of business – The SACCO disburses loans for premium financing and earns interest
- Key:
 - Create a *marketing budget* and implement
 - Create a *dedicated team* to hold accountable
 - Monitor the market response and *make improvements* for better results



CONCLUSION

Conclusions



- Marketing microinsurance is not for the “faint hearted” – it requires innovation, investment and consistency.
 - Analyze the delivery channel to identify the marketing gaps
 - Design a marketing strategy with clear drivers and expectations
- For a viable microinsurance business, the following issues (among others) must be addressed:–
 - Ensure customer value
 - Branding
 - Incentivizing along the value chain
 - Skills for closing sales, and
 - allocation of resources to drive the process



THANK YOU!

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