

ABSTRACT

Micro insurance is arguably a new concept in the insurance industry aiming at availing insurance to the low income earners. This concept has succeeded in India, Philippines, Ghana and Uganda and more commercial insurers continue to appreciate its role in meeting their business objectives. However, in Kenya and other Eastern African countries, commercial insurers have shunned the market citing the involved complexities. The constituents of the economic bottom of the pyramid market as defined by Prahalad (2005) do not only grapple with low income but also irregular cash flows making it difficult for them to service conventional insurance policies. Of major concern among insurers is that these people are exposed to a myriad of risks. It therefore implies that insurance policies offered to such persons will attract high premium charges against their economic constraints. Despite the lack of regulatory framework for micro insurance by the Kenyan Insurance Regulatory Authority, IRA, some few insurance companies have ventured in this business amidst concerns of its profitability. The over 34 years old CIC Insurance Group Limited has been instrumental in this market with its Biashara Salama micro insurance policy aimed at insuring the micro enterprises against fire and burglary on their business assets and stocks regardless of the location of the business. But it is this inconsideration of the business location that raises the question of whether the product is economically sustainable, bearing in mind most of these businesses would be located in regions prone to the insured risks. This case study research aims at determining the growth ratio, renewal rate and net income ratio of Biashara Salama with quantitative data collected from key informants on the product through in-depth interviews. The collected data will be analysed, discussed and conclusions drawn on trends defining the economic sustainability of the product and appropriate recommendations included.