EVALUATION OF SUSTAINABILITY OF BIASHARA SALAMA MICRO INSURANCE POLICY AT CIC INSURANCE GROUP LIMITED, KENYA

BY

MANGWANA, JACKTONE FRANKLIN

A research project submitted for the award of the degree of Master of Business Administration, School of Business, University of Nairobi.

August, 2012

DECLARATION

This research project is my original work and has not been presented in any other university for examination, either in part or as a whole.

Mangwana Jacktone Franklin Date

(Reg. No. D61/61706/2010)

This research project has been submitted for examination with my approval as an appointed university supervisor.

Midikira Churchill Kibisu Date

(Lecturer – School of Business, University of Nairobi)

DEDICATION

This research project is dedicated to the never dying zeal of my beloved mother who makes sure that I accomplish all my endeavours with a noble course.

ACKNOWLEDGEMENT

I acknowledge the moral support from Mrs. Mangwana – my beloved mummy; the self sacrifice from my dear Betty who has also made me believe that I can soar high with the eagles; and the constant encouragement from my siblings. I extend my gratitude to the CIC E-Business team for the support granted in my pursuance of this degree. Hellen and other Co-operative Bank of Kenya staff who made sure I pick up my evening classes baby pips deserve a mention too. I appreciate the support and commitment to see me excel from my lecturers led by Kibisu who supervised the entire project. May the Almighty God be exalted for His good deeds.

Table of Contents

ABBREVIATIONS AND ACRONYMS

CARD	Centre for Agricultural Research and Development
CEO	Chief Executive Officer
E-Business	Electronic Business
ICT	Information and Communication Technology
IRA	Insurance Regulatory Authority
IRDA	Indian Insurance Regulatory and Development Authority
KES	Kenyan shillings
Ltd	Limited
MBA	Mutual Benefit Association
MFI	Micro Finance Institution
NGO	Non-Governmental Organisation
SIDA	Swedish International Development Cooperation Agency
UMSGF	L’Union des Mutuelles de Sante de Guinee Forestiere
USD	United States dollar
VimoSEWA	Vimo Self Employed Women Association

List of Figures

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.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The low income market has become a target for profitable ventures among most businesses especially in developing countries. Poverty alleviation has been achieved through appropriate provision of comprehensive financial package, but insurance supplements its objective by protecting the subjects from unforeseen events. Low income earners in developing countries have adopted various ways to protect themselves against these risks including self insurance, informal arrangements on risk sharing, risk avoidance and liquidation of assets. These come with severe secondary costs to both individuals and their families, causing financial drain (Mamun, 2007).

Transferring these risks to insurance institutions would provide the needed solution but for a long time this has been considered a reserve of the rich. However, insurance provision to the low income earners has been on-going countries such as India since the 19^{th} century (Ahuja & Guha-Khasnobis, 2005). Today, many other countries, especially the developing countries seek to provide insurance to low income earners which comprise a larger proportion of the population. Micro insurance has been shunned by many insurers due to the sophistication involved, with Ratio Magazine (2010) reporting “high administration costs and lack of elaborate distribution and payment mechanisms” as the major challenges.

CIC Insurance Group has been a forerunner in micro insurance in Kenya since its inception in 1978. With its various micro insurance products, the company covers low income earners against losses of their property and also assures through life micro insurance policies. Among these products is CIC Biashara Salama that protects the low income against loss of their business assets and stock as a result of fire and burglary.

1.1.1 The concept of micro insurance

Micro insurance refers to protection of lives and assets of low income earners against insurable risks by informal, semiformal and formal institutions according to the Indian Insurance Regulatory and Development Authority, IRDA (2004). Micro insurance is characterised by low transaction costs, low net worth clients and community involvement in important phases of product process. It should serve the needs of the poor for risk protection, be affordable, simple and easy to understand.

Despite being a poor man's product it does not cover the destitute (200 million in Africa) but for the vulnerable non-poor and the working poor (about 700 million people in Africa) (Matul *et al.,* 2010). These are people with weak insurance culture, exposed to high risks which are loaded to premiums as opposed to excluding them. They have irregular cash flows (Mamun, 2007) hence the need to adapt premium payments to these volatile cash flows, payable in frequent and perhaps irregular instalments. Their sensitivity to prices means that the premiums should be affordable irrespective of the risk. Hence, it makes more economical sense to distribute these products in mass as opposed to selling to individuals. This complexity and high cost makes micro insurance regulation complex (Brau, Merril & Staking, 2010; Watson, 2011).

1.1.2 Insurance structure in Kenya

The Insurance Act cap 487 governing the regulation of insurance in Kenya is silent on micro insurance. As such, the regulations applicable to conventional insurance still apply in micro insurance with the country's insurance regulator, Insurance Regulatory Authority, IRA, setting regulatory requirements that impede the development of micro insurance: provision of insurance by institutions incorporated under the Companies Act; the paid up capital for general, life and composite insurance companies should be KES 150 million, 300 million and 450 million respectively; and that the majority shareholding should be Kenyan (2011). Despite aiming at developing insurance in the country as per its 2008 – 2012 strategic plan, the regulator has been slow in developing regulations appropriate for micro insurance since a landscape survey on challenges in micro insurance implementation was commissioned in 2010 (IRA, 2011; SCC, 2008).

Kenya ranks second after South Africa in micro insurance provision in Africa according to Ratio Magazine (2010) with, only 25% of the low income earners having access to financial services. The target is estimated at 200,000 families (about 1,000,000 individuals) under the low income bracket. Notable insurance companies offering micro insurance products in the country include CIC Insurance, UAP and Real with others like Jubilee Insurance Company seem to adopt the concept. Out of the registered 43 insurance companies, the majority avoid micro insurance due to the high transaction costs involved (Watson, 2011). Lack of appropriate products and awareness among the target market has caused low penetration (Wahome, 2011). But the innovation levels in Kenya where most insurance companies leverage their administration on ICT is desirable.

1.1.3 CIC Insurance Group Limited

Founded in 1978, CIC Insurance Group is the only cooperative movement insurance company in Africa, dealing with life and general insurance and asset management, defining its three subsidiary companies. It is majorly owned by over 1000 cooperative societies and ranks third out of the 43 insurance companies in Kenya as per the 2010 IRA ranking (CIC Insurance Group Ltd, 2010). The close relationship with cooperatives has seen the company develop appropriate marketing structures and products for cooperatives that have been replicated to microfinance institutions and small and microenterprises.

CIC Micro Insurance Department has been serving the micro market since 2001 with the pilot test for its first product in 2005. In 2010, micro insurance contributed about 15% - KES 400 million – of the company's total business portfolio. There have been challenges in offering micro insurance including the 192% claim on its now suspended micro health insurance scheme (Kuria, 2010). CIC kept learning from these experiences to improve its services. The company has collaborated with multiple agencies including the Bill and Melinda Gates Foundation, Swedish Co-operative Centre, SCC, International Labour Organisation, ILO and the National Hospital Insurance Fund, NHIF. Its strategic partners in provision of these products to the target market are the Co-operative Bank of Kenya, SACCOs, Micro Finance Institutions and social groups in conjunction with the relevant ministries. Mahugu (2011) also points out the potential in Safaricom's countrywide network of more than 22,000 Safaricom M-Pesa outlets. The products under this umbrella include micro credit life, savings plan, pension schemes, family covers and fire and burglary policies.

Of significance in this research will be CIC Biashara Salama micro insurance policy aimed at protecting small and medium entrepreneurs who could previously not access conventional insurance against losses resulting from fire and burglary. The assets covered include business assets and stock of up to KES 5M in value, the location of the business notwithstanding. The annual premium payable is 1.1% of the total value of business assets and stock insured or KES 1,547, whichever is higher, payable in cash or via M-Pesa mobile money transfer platform. A personal accident cover for the entrepreneur and the family is available at an additional cost.

1.2 **Research Problem**

Micro insurance is meant to propagate the management of risk and reduction of vulnerability of risk among the low income earners. This model employs behavioural economics such that with small changes made on the design and marketing of products, insurance products get consumed more. The uptake of micro insurance is on the rise with studies indicating that the lives covered doubled in three years (Matul *et al*., 2011). The low income target market would imply low premiums and could probably call for special products, channels of delivery and business models so as to ensure that the products are provided cost effectively. These requirements have made many commercial insurers to shun this market fearing for its profitability which translates to its sustainability and the survival of these companies.

In Kenya, just like in all the other countries globally, there are no regulatory frameworks on micro insurance. Being a relatively new concept in the market, there are minimal studies on it hence limited information to guide on developing the necessary regulations or for interested organisations to make the necessary decisions. At CIC Insurance Group, micro insurance customers are encouraged to pay lump sum premiums though instalments are allowed at considerable terms. CIC allows for instalment remittance of Biashara Salama's annual premium but within three months of inception. The company has adopted a partner-agent model where it pays commissions to agents to distribute the product. However, the risk involved with small and micro enterprises' operations – operation in high risk areas, low education and attaching value to the little they possess - raises the question of the capability of the company to sustain this product.

Researchers are still not content with the sustainability of micro insurance. Angove and Tande (2011) questioned the circumstances that would cause micro insurance to generate profits for insurance companies. The decrease in the profit ratio of the micro insurance products provided by the companies studied raises the question of sustainability despite an indication of profits during the 3-year study period. In his study of micro insurance in Eastern Africa, SCC (2008) noted key gaps like poorly developed products, low coordination among players and low capacity which impedes sustainability of micro insurance. With passage of time, it would be important to review and see what initiatives work and how structures could be adjusted to propagate long term micro insurance distribution in the country.

On the other hand, Matul *et al*. (2011) argue that "there is a place for micro insurance to add value on the top of informal risk-sharing practices and existing social security schemes to protect low-income populations" in Kenya but the study failed to determine whether insurers could sustain its provision. Wahome (2011) argues that despite all the challenges, there are enormous business opportunities for insurance companies in micro insurance but did not indicate how. The question is: Is CIC Biashara Salama micro insurance plan economically sustainable?

1.3 Objectives of the Study

The objectives in this study are:

i. To determine the growth rate of CIC Biashara Salama micro insurance plan
ii. To determine the rate of renewal for Biashara Salama micro insurance plan
iii. To determine the average total premiums collected and the cost of maintaining the portfolio, thus the net income ratio.

1.4 **Value of the Study**

Conventional insurance is easy to forecast especially for established insurers such as CIC Insurance Group because of the premium remittance discipline associated with its consumers. On the other hand, micro insurance is a new concept in the country and therefore the need to analyse whether the market is ready for it through studies such as this. This will inform the decision of commercial insurers on incorporating the concept into their businesses and how much they would probably invest in this. It would also inform on the unique traits of micro insurance that would steer them towards making strategies capable of sustaining micro insurance portfolio.

As a major micro insurance player in Kenya, CIC Insurance Group will use the findings of this study to review the premium charged to its clients for the provision of this cover. Just like any other business, the aim would be to ensure that the company maintains a positive considerable net income to enhance growth and create wealth for the shareholders. Similarly, the charges should not be exorbitant to discourage its uptake or unrealistically benefit the firm.

Finally, numerous researchers have documented the lack of effective regulatory framework on micro insurance in Kenya (Swedish Cooperative Centre, 2008). This study will inform the insurance regulator, IRA on the necessary regulations to adopt so as to make micro insurance a viable venture in the Kenyan market. This will be extended to structure the insurance curriculum offered by Insurance Training and Education Trust so as to appropriately train insurance staff on the uniqueness of micro insurance and the processes involved.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

Strategic management refers to the art and science of formulating, implementing and evaluation decisions meant for the achievement of organisational objectives (Ansoff, 2007). Evaluation, the last phase of strategic management process enables an organisation analyse the effectiveness of its strategies and make the necessary adjustments. Due to the changes in business environment, the implemented strategies would be subject to regular modifications. Strategic organisations strive not only "to win the hill, but hold on to it," notes Keller (2008). Porter (2008) further argues that long term survival is not attainable by only posting continuous above average performance but by attainment of a sustainable competitive advantage in the industry of operation.

2.2. The Theory and Practice of Micro Insurance

In the past, the poor were considered too poor to afford insurance. But the latest development in the insurance industry show that this category of people, despite the myriad of risks they are exposed to, can afford insurance if products are tailor-made to fit their characteristics. Initially, the term "micro insurance" was defined as application of insurance as a form of economic instrument at the societal micro level. Subsequently, various definitions sprouted and consultations reveal lack of consistency in the regulation and definition of micro insurance (Chesire, 2011). But there are generally agreed features of micro insurance: serving the low net worth clients, low transaction costs, community involvement in important phases of insurance processes and the risk management role for a whole group over and above the individual level risk (IRDA, 2004).

Swedish Cooperative Centre, SCC (2008) points out at three categories of insurance providers: formal insurance companies regulated by insurance laws; institutions regulated by laws of their lines of business but provide insurance without following formal insurance regulation; and agencies providing insurance but earning commissions from the parent insurer. All these are potential providers of micro insurance. However, there is need for adequate resources in order to sustain the services offered to the micro insurance target market. McCord (2008) further observed that only the commercial insurance sector has the necessary resources, both technical and financial to massify micro insurance. In India, compulsion by the state made micro insurance a widespread phenomenon, but its quality is yet to be tested. Now that this form of insurance calls for massive investment, the question that lingers among many commercial insurers is: will micro insurance develop profitable products?

2.2.1 The target market and massification

According to the President of MicroInsurance Centre, LLC, McCord (2008), the target market for micro insurance is one which has little trust for insurance companies and its agents; it has minimal experience with insurance and majorly comprises low income earners with typically low education levels. He further coined the term massification to refer to reaching out to the greater target mass population, which would be viable only by building the culture of insurance among the low income households. In most developing nations, the poor believe that insurance is only meant for the rich and that their resources are too limited for insurance. These are key challenges that reduce demand and impede the widespread access to micro insurance.

Prahalad (2005) observed that there are about 4 billion people living below USD 2 per day which Churchill (2006) views as a potential for boosting the customer base for micro insurance institutions. It is certainly the same potential that became the driving force of micro finance institutions, initiated by Bolivia creating the first commercial bank to serve the micro market in 1992. While India has 80% of its population living on less than USD 2 per day, Egypt and Indonesia have 11% and 52% respectively (Anthony, 2008). In Kenya, Chesire (2011) approximates that 40% of the total 39.4m people as at 2009 earn less than USD 1.25 per day. In as much as these are still considered as low income earners, it would be appropriate to consider the target market for micro insurance as those ignored by the mainstream commercial insurers. Particularly, these are those working in the informal sector but cannot access commercial insurance (see Figure. 1).

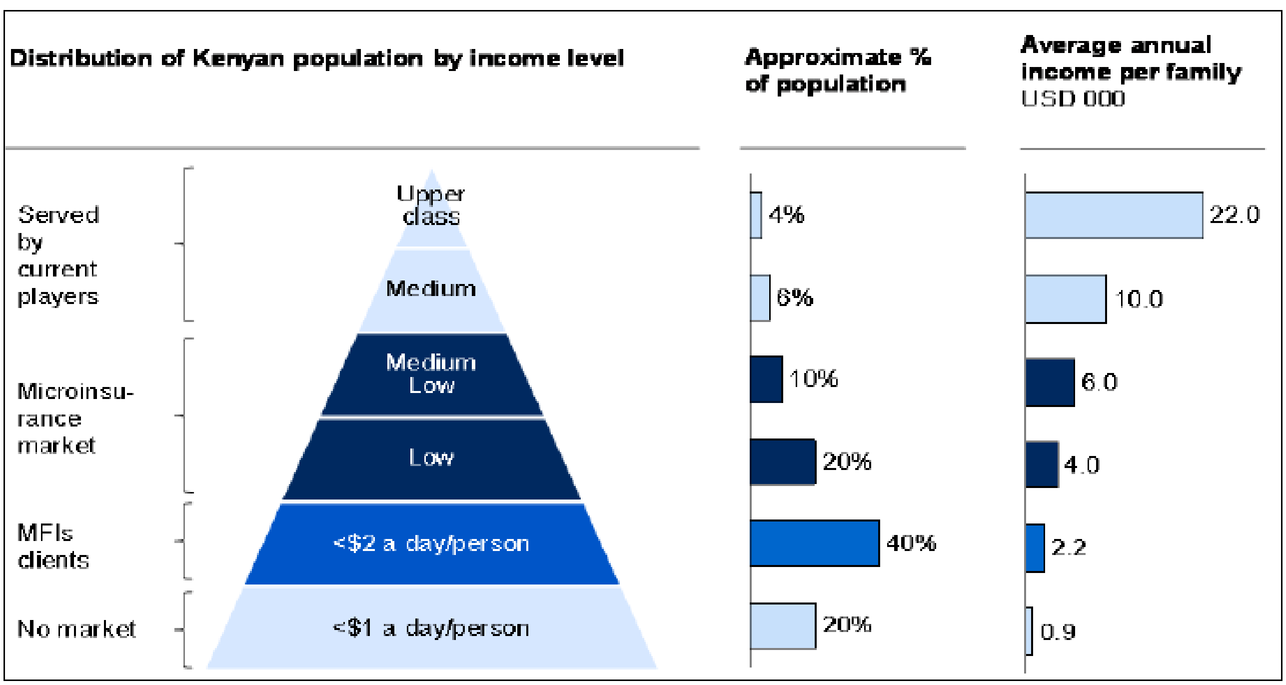

Figure 1. Distribution of Kenyan population by income level (Source: World Development Indicators, by The World Bank (2005)).

According to Chesire (2011), it is only about 13 million adults out of the 21 million that are a potential market for micro insurance in Kenya. There are 1.3 million micro enterprises in the country. While the current penetration stands at 1%, the conventional insurance market serves approximately 3.6% of the target market despite there being over 150,000 micro insurance policies in the market. This observation is consistent throughout other Eastern African countries: The poor have remained exposed to risks as only 1.6% of the total population of Kenya, Uganda, Tanzania and Rwanda combined have insurance and the institutions offering micro insurance have staff without knowledge of insurance (SCC, 2008).

2.2.2. Underwriting and features of micro insurance products

The universal principles basic to insurance and risk management should be observed by micro insurers. These include making premiums economically affordable, similar unit of exposure, limited control of the policyholder over the event that has been insured against and the ability to estimate chance of loss. Few countries have customised principles for micro insurance.

Micro insurance products should be simple in language and processes, including premium remittance, identification and claim settlement; they must be bundled such that a product covers a portfolio of risks; they must be leveraged on technology; and the low premiums should be commensurate with low benefits (Brau, Merril, & Staking, 2010). Due to the low premiums, micro insurance is leveraged by the law of large numbers. Most of the products developed are meant for mass distribution as opposed to selling to individuals.

2.2.3. Marketing and distribution

According to Francis Somerwell, the Managing Director of Microcare Ltd, a micro insurance company in Uganda, the micro market takes a lot of time before they trust a product (McCord, 2008). Nonetheless, once the product becomes successful and gains trust in the market, testimonial and word of mouth marketing work effectively. Most of the policies in micro insurance are sold through delivery partners like MFIs, NGOs, employers, farm input retailers and numerous others, commonly referred to as partner-agent model. In as much as this may assure the insurer of access to clients, it does not necessarily translate to sales.

Being a mass product, commission based community leaders form important distribution networks. In India, civil society associations known as nodal agencies have been effectively used to train, sell and create demand for micro insurance (Ahuja & Guha-Khasnobis, 2005). Since IRDA does not explicitly guide on premium remittance, Indian micro insurers allow for monthly instalments for affordability. In Philippines, point of sale networks have been effectively used in the distribution of micro insurance especially in PWDS and Uplift insurance companies (Matul, Tatin-Jaleran & Kelly, 2011).

According to Francis Somerwell, in the first year of subscription, clients would sign up for these products when at high risk of the insured peril but this normalises in the second year (McCord, 2008). Retention has indeed been one of the major concerns for commercial insurers wishing to offer micro insurance more than it is in conventional insurance. This is important for sustainability of micro insurance and therefore the need to pay even higher commissions to agents for renewals than for initial sales.

2.2.4. Technology and infrastructure in micro insurance

Because of the large volumes and low margins in micro insurance, there is need for efficiency. Handling large client numbers and low premiums, fast settlement of claims with fraud control in check and sale of policies through partnerships require much more cost efficient business processes than those applied in traditional insurance. Distribution partnerships pose a greater challenge as the captured data has to be transferred swiftly and in sufficient quality to the insurer for proper administration and capturing performance indicators as well as extraction of actuarial data. Though paper processes are still prevalent, they are seldom sustainable.

Efficiency in micro insurance needs flexible IT systems (McCord, 2008). The faster, the better, the more efficient the systems, the less labour intensive the processes. Currently, there are efforts towards delivery and management of micro insurance via cell phones, rural cyber cafes, chip cards and other important and efficient ingredients for micro market. Watson appreciates the efforts that Kenyan insurers are undertaking towards gaining the benefits of technology in micro insurance (2011). Of particular mention was the use of mobile phone money transfer systems to remit regular premium instalments. In Ghana, Vanguard Life and MicroEnsure are using techniques such as premium payment from customers' airtime on mobile service provider, Tigo for covers between USD130 and USD650 per family (Matul *et al.,* 2010). Since a customer does not necessarily need a mobile money account, the service is widespread.

2.2.5. Micro insurance product costing

There is no difference in the risks that both the rich and the poor are exposed to, i.e. death, accident, illness and injury (Ahuja, & Guha-Khasnobis, 2005). But the vulnerability of the poor is more which if loaded to the premiums payable makes micro insurance products more expensive. However, micro insurers are obliged to make these products accessible, affordable and of value to the target market.

Value for money refers to the ratio of both insurance and non-insurance benefits a customer reaps compared to the paid premium. Matul, Tatin-Jaleran and Kelly (2011) observed from their studies in Kenya that most insurers have efficient cost control or processes such that even with low claim ratios, they still offer competitive financial value to their clients. However, some fail to achieve this due to high claim ratios of between 80 to 120%, meaning that members benefit from higher gains than the premiums remitted.

Churchill (2006) emphasized on the importance of affordability in setting the cost of premiums payable and accompanying transaction costs. Setting premiums higher than the low income earners can afford leads to slow growth. Other than zeroing the transaction costs – usually deducted from returns on customer savings returns – instalment payment of premiums has boosted the affordability of most of the micro insurance products. Subsidies further enhance affordability if designed so as not to undermine the market outlook of a product. This would mostly be initiated by governments as is the case in India (Matul, Tatin-Jaleran & Kelly, 2011).

Most of the micro insurance products in the market do not have extra costs. Nonetheless, provision of micro insurance comes with other costs such as travelling and transaction costs which are still an issue. To cover for such costs, most insurers would offer co-payment, also referred to as riders. But Matul, Tatin-Jaleran and Kelly advise on elimination of co-payment for rare and expensive cases but an increase on more frequent and low cost cases (2011). Co-payments limit the extra cost that would otherwise be incurred in selling the rider as a stand-alone product.

2.2.6. Legal structure

According to Martina Wieldmaier-Psiter, a former lead author for International Association of Insurance Supervisors, enabling sound massification of micro insurance in developing countries “requires a conducive policy environment in terms of regulatory, supervisory and policy frameworks” (McCord, 2008). This requires heavy investment in institutional and human capacities of regulators, supervisors and ministries. Unfortunately, Garand (2005) observed that very few countries have a regulatory framework to govern micro insurance. As such, countries like India have compelled commercial insurers to provide insurance to the low income earners without prior framework which McCord observes becomes of minimal value (2008). In Eastern Africa, lack of micro insurance regulatory framework has seen the member countries operate within the regulation of conventionl insurance or under the grey area of law (SCC, 2008). This has held back the spread of micro insurance in the region for a long time.

"Clearly, there is still much to learn about micro insurance and what works and what does not," observes McCord (2008). Currently, individual strategies would be adopted among micro insurers. Thus, many commercial insurers are still uncertain on profitability of micro insurance. Nonetheless, most insurers have increasingly shown interest on the concept but Angove and Tande (2011) argue that for this to be sustained, micro insurance should contribute to the overall profitability of the insurer and also generate value for investors. The key drivers to attainment of this are generation of sufficient income, management of claim costs and management of costs of acquisition and administration.

2.3. Evaluating the Performance and Sustainability of Micro Insurance

In 1979, Crosby was quoted saying that "unless you know how you are doing as you move along, you'll never know when you're done or if you have succeeded" (Hoffman, 2000). This statement has been integrated in strategic management of organisations and articulates the importance of evaluating the performance of the strategies adopted. Ansoff (2007) notes that regular evaluation of strategies enables an organisation focus its radar to profitability and avoid practices that do not add value to the business.

High dynamism involved in micro insurance than in conventional insurance calls for regular review of performance so as to adopt effective strategies in the processes involved and make the concept profitable, especially for commercial insurers. After all, Angove and Tande (2011) point out at profitability as the key driving force among commercial insurers just like in any other business. It would be important to evaluate key performance indicators such as investment, claims, expenses and net profits. This would provide the way forward in terms of what models to adopt, postpone or abolish.

2.3.1. Sustainable strategies in micro insurance

The success of an individual micro insurer would depend on how best the implemented strategy translates to performance. While studying cases from various countries, Garand (2005) affirmed that micro insurance is a viable venture for insurers with the application of a model that would best fit the insurer. Practices in micro insurance differ among countries and insurers, thus, an individual micro insurer would determine its most effective and efficient model.

Various researchers in micro insurance have suggested various considerations in making the relatively new insurance model sustainable in whatever the area of operation. Churchill (2006), while studying the principles and practice of micro insurance proposed three strategies for sustainability of micro insurance: coverage which involves meeting the needs of the massive low income earners; operating and transaction costs; and affordability in pricing and transaction cost. But even as these are considered, there is need for best compensation for employees, best purchase price for customers and best return on shareholders' investment. These strategies could thus be narrowed down to three categories, namely; limit benefits, efficiency focus and diversity in income sources.

2.3.2. Measuring performance in micro insurance

In their study on the performance of publicly quoted companies in Kenya, Machuki and Aosa (2011) argue that measurement "gives indication as to the effectiveness of an organisation" and thus predicts its future survival. Being an emergent sector in Kenya, most insurers lack adequate insurance background and reference tools for assessment of performance and sustainability of micro insurance. Matul, Tatin-Jaleran and Kelly (2011) propose value assessment considering the appropriateness, accessibility, affordability, responsiveness and simplicity of micro insurance products as compared to available alternatives.

Garand (2005) emphasizes on use of financial statements as an appropriate guide in sustainability measures. Garand and Wipf (2006) documented various dimensions that could be used in measuring performance of micro insurance, namely; participation rate, financial management and viability, risk management, investment management, operations management and customer service and value. Since most commercial insurers are entities meant to create profits, financial management and viability would perhaps be the weighty dimension on focus. Accuracy of data, frequency of reporting, methodologies of reserving and regulatory requirements should be considered carefully. However, this should not squash the significance attached to the other dimensions.

Financial sustainability being an important aspect yielded the discussion on key indicators of sustainability of micro insurance. According to Garand and Wipf (2006), net income ratio, incurred claims ratio, incurred expense ratio, renewal rate, growth rate, coverage ratio and claim rejection ratio determine whether a micro insurer would sustain its venture. These indicators enable the insurer understand its resources and behaviours which Hoffman (2000) cite as precedents to the attainment of sustainable competitive advantage.

Worldwide, about 5% of the target market has micro insurance products with prospected 2 to 3 billion clients yet to be covered. Research by SCC (2008) indicates that in 2007, premium growth was at 3.3% globally but in the emerging markets, it was 11.8%, an indication of the contribution of micro insurance. Antony (2008) acknowledges that "investing in insurance makes sense" citing the high demand for micro insurance and the economically viable products distributed by Allianz, a micro insurer in Egypt, India, Indonesia and Colombia. But Angove and Tande (2011) note that in as much as researchers would analyse the profitability and viability of micro insurance, most insurers offer micro insurance for the social objective of improving the standards of living of the poor and not for commercial gain.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This research aimed at finding the economic sustainability of Biashara Salama, a micro insurance product at CIC Insurance Group Ltd. This product protects micro entrepreneurs against losses of their business assets and stocks from fire and burglary and also instils the culture of insurance in the target group. Now that profitability is the major concern for sustainability as argued by Garand (2005), there has to be an evaluation of financial data so as to define performance and hence sustainability of the product.

3.2. Research Design

This study adopted a case study research design on CIC Biashara Salama policy. Quantitative research was carried out to determine the portfolio of customers enrolled for the micro insurance policy since its launch in 2010. Quantitative research measures the four levels of measurement; nominal, ordinal, interval and ratio.

Of importance in this study was ratio level of measurement for the determination of company's financial efforts in servicing the micro insurance market against the returns received. Adopting the key indicators for performance and sustainability of micro insurance as proposed by Garand and Wipf (2006), quantitative statistics were collected to determine growth, coverage, renewal rate, incurred claims, incurred expense and net income ratios across the different periods.

3.3. Data Collection

In-depth interviews was conducted to gather the necessary information on the net income, earned premium, incurred expenses, incurred claims, number of renewals, number of potential renewals, number of those insured in the current and previous periods and target population for Biashara Salama. Key informants on the plan were interviewed to gather the necessary information and included the Micro Insurance Manager and the IT officer in charge of General Business database.

Other than the required data, these informants also gave additional information that would guide on application. An introduction letter was sent to each informant requesting for a 15-minute interview. A copy of the interview guide outlining the interview questions was attached to allow the interviewers to prepare to respond to the interview questions appropriately.

3.4. Data Analysis

The collected data was presented and financial ratios were then computed using respective formulae as provided by Garand and Wipf (2006) on MS-Excel 2007 worksheet. Among the important ratios to be derived from the collected data included growth ratio, coverage ratio, renewal rate, incurred claims ratio, incurred expense ratio and net income ratio. While growth ratio, coverage ratio and renewal rate determined the uptake of the product, incurred claims ratio, incurred expense ratio and net income ratio informed on the financial performance.

The performance of Biashara Salama was determined by the values of the computed ratios. These ratios and the respective trends informed the sustainability of the micro insurance product as guided by key performance indicators by Garand and Wipf (2006). Conclusions were then made on the findings with regard to the product's sustainability and informed recommendations made to CIC Insurance Group Ltd.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter sought to document the findings from data collection on the trends in number of customers, new customers signing up for Biashara Salama policy, the number of customers renewing their policies, the total collected premium and the net income from the plan. It is against these figures that the growth ratio, renewal rate and income ratio were calculated. These results will be presented in charts to exhibit the resultant trends. The discussion on the findings would be based on what has been already documented in literature.

4.2 Response Rate

The response in this research was expected from two sources, namely the Micro Insurance Manager and the IT officer. These were the custodians of the relevant data in this study. Each of them ha to consent to taking part in the study before an interview with them was conducted.

All the two targeted key informants provided the needed information thus 100% response rate. As such, this would be considered as an excellent response rate for analysis in accordance to Mugenda, O. and Mugenda, A. (2003) observation that 50%, 60% and more than or 70% response rate provide adequate, good and excellent rates for analysis and reporting respectively. The respondents gave additional information that proved critical for meaningful completion of this study.

4.3. Respondents Profile

All the interviewees had been involved with Biashara Salama during its lifetime at CIC Insurance Group Company, which spans about 2 years. The Micro Insurance Manager is in charge of development, marketing and restructuring of micro insurance products, under whose docket Biashara Salama falls. She leads the micro insurance department in sourcing for opinion leaders and distributors of Biashara Salama.

The IT Officer in charge of general business ensures smooth operation of all CIC General Insurance Company information technology systems, including storage and retrieval of the necessary reports and data as need be. This role also involves ensuring that the M-Pesa mobile money transfer platform used optionally by customers for premium remittance runs as required. As such, Biashara Salama falls under his responsibility and would therefore provide the necessary reports from the system when need be and in regular times as required.

4.4 Results

Table 1 gives the collected data and MS-Excel computation of relevant ratios, key of which are the growth ratio, renewal rate and net income ratio over the given period of study. CIC Biashara Salama went commercial in 2010 but 2009 had to be included in the computation table so as to facilitate formulae application on the MS-Excel worksheet. It will also be noted that the computation derived the total expenses from a summation of claims and commissions paid, the only expenses directly attributed to the product. Fixed expenses, marketing costs and staff compensation could not be directly attributed. Therefore, the net income is a product of the total collected premiums less the expenses.

Table 1: Collected data as computed in MS-Excel worksheet

Inception date	29/09/2010							
Year	**No. of customers**	**New sign-ups**	**Cancellations**	**Premiums collected (KES)**	**Claims lodged (KES)**	**Commissions (KES)**	**Expenses (KES)**	
2009	0	0	0	-	-	-	0	
2010	72	73	1	334,732.00	-	30,125.88	30125.88	
2011	423	357	6	5,720,876.00	866,701.00	514,878.84	1381579.84	
Current	599							
Year	**Net income (KES)**	**Potential renewals**	**Renewals**	**Growth ratio**	**Incurred expense ratio**	**Net income ratio**	**Incurred claims ratio**	**Renewal rate**
2009	0.00	0	0		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
2010	304606.12	73	72	#DIV/0!	9.00%	91.00%	0.00%	98.63%
2011	4339296.16	423	417	487.50%	24.15%	75.85%	15.15%	98.58%
Current		599		41.61%				

According to Garand and Wipf (2006, p.37):

Growth Ratio = (Number of Insured_n – Number of Insured_{n-1})/Number of Insured_{n-1}

Where:

Number of insured_n – Number of insured during the current period

Number of insured_{n-1} – Number of those insured in the previous period

Renewal Ratio = Number of Renewals/Number of Potential Renewals

Net Income Ratio = Net Income/Earned Premium

Bearing in mind that the customers who sign up for CIC Biashara Salama in a particular year are capable of providing similar business in the subsequent years, they constitute the potential renewals in the subsequent year. However, since not all of them renew these policies in the following year, the figures under cancellations represent such customers. Those who renew their policies constitute the renewals as indicated in Table 1.

Figure 2 indicates the increase in number of customers who sign up for CIC Biashara Salama from its commencement to the time of data collection.

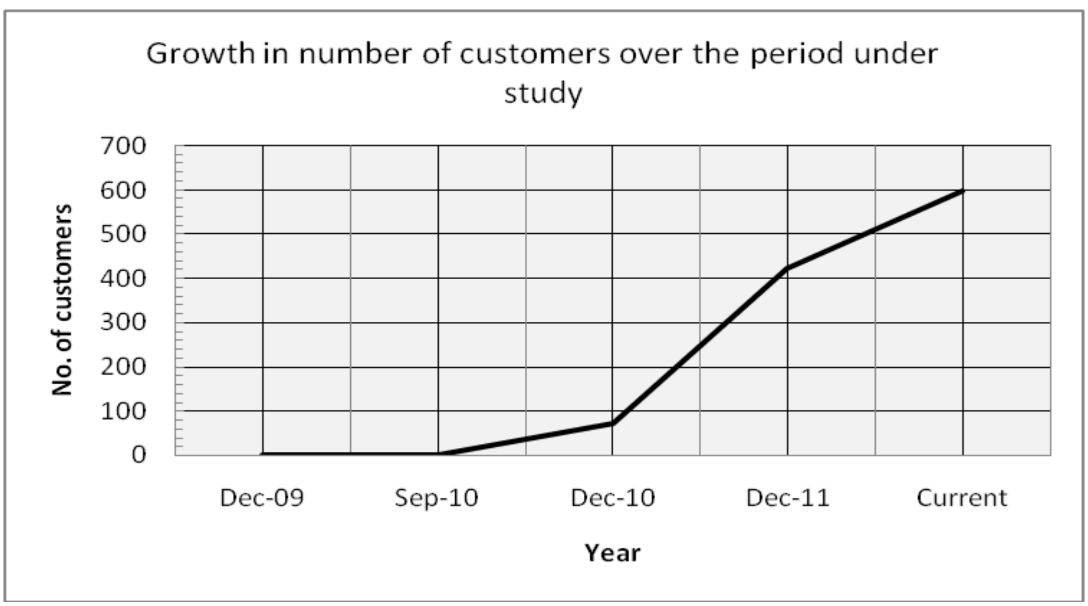

Figure 2: Growth in the number of Biashara Salama customers over the period under study

The trend indicates a general increment in customers over the period under study. The highest growth in customers was recorded between 2010 and 2011 as indicated by the stiff gradient of the graph.

Customers who sign up for the product in the subsequent years constitute the renewals in CIC Biashara Salama policy. Figure 3 shows the number of such customers from inception.

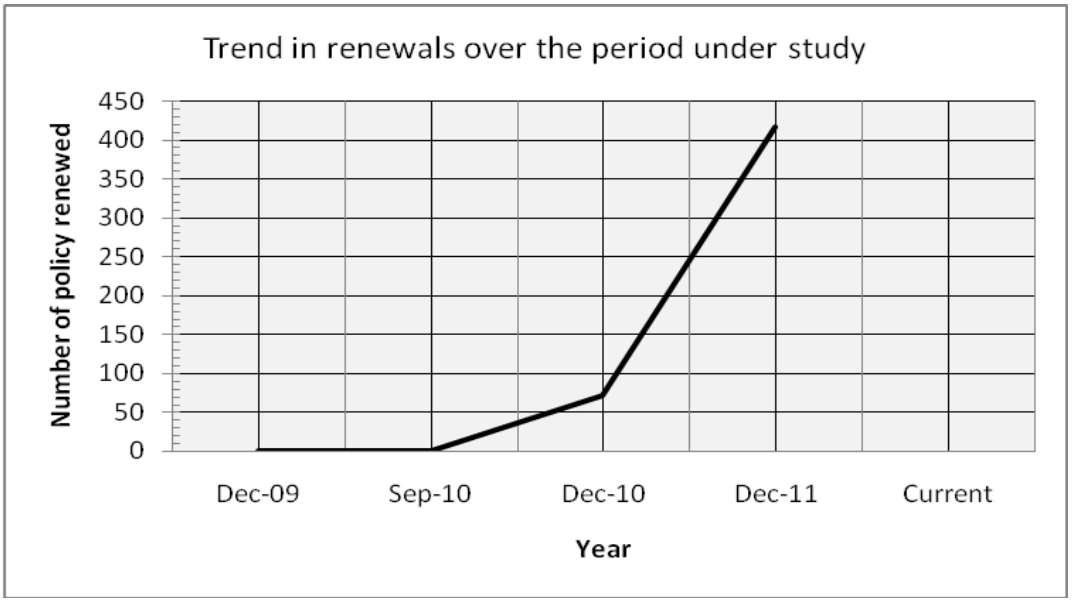

***Figure 3*:** Trend of renewed Biashara Salama policies over the period under study

Since Biashara Salama is an annual insurance cover, it is renewable every year. Figure 3 shows an increase in these numbers, with the numbers of those renewing being higher between 2010 and 2011 than within the first year of inception. Hence, over the period of study, there was a general increase in customers who would renew their Biashara Salama policies.

Analysing the earned premium and incurred expenses plays an important role in identifying the profitability of the policy. Figures 4, 5 and 6 analyse the earnings from Biashara Salama and makes comparison to the incurred expenses.

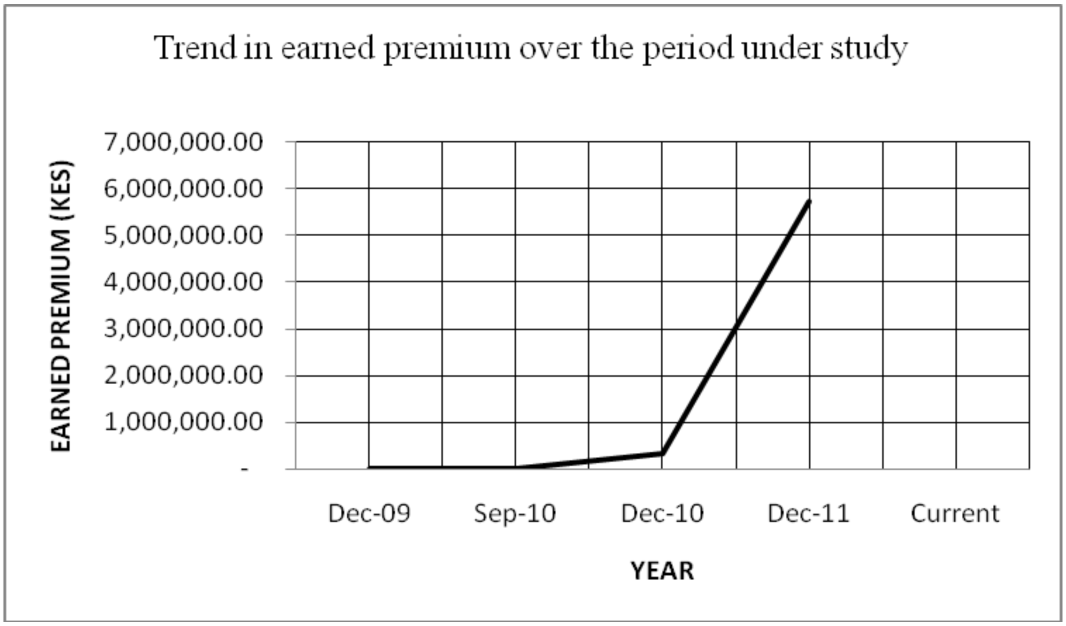

Figure 4: Trend in the earned premium from Biashara Salama over the period under study

Figure 4 shows the trend in the amount of Biashara Salama premiums collected over the period under study. There is a general increment in the collected premium. It would further be noted that the increment was higher in the period between 2010 and 2011 than the period from inception to 2010. On the other hand, Figure 5 shows the trend in expenses in relation to Biashara Salama over the period under study. The trend resembles that of earned premium. Thus, as the premium collected increased, the expenses also increased.

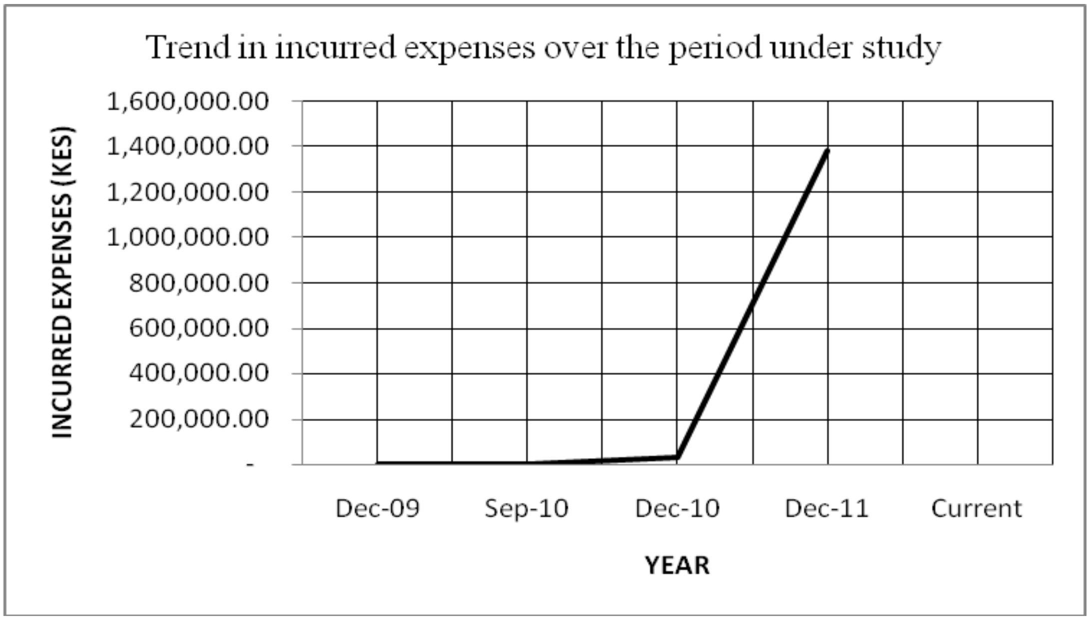

Figure 5: Trend in the incurred expenses for Biashara Salama over the period under study

But placing both the earned premiums and incurred expenses graphs on the same chart provides a more informed analysis of the trends as indicated in Figure 6.

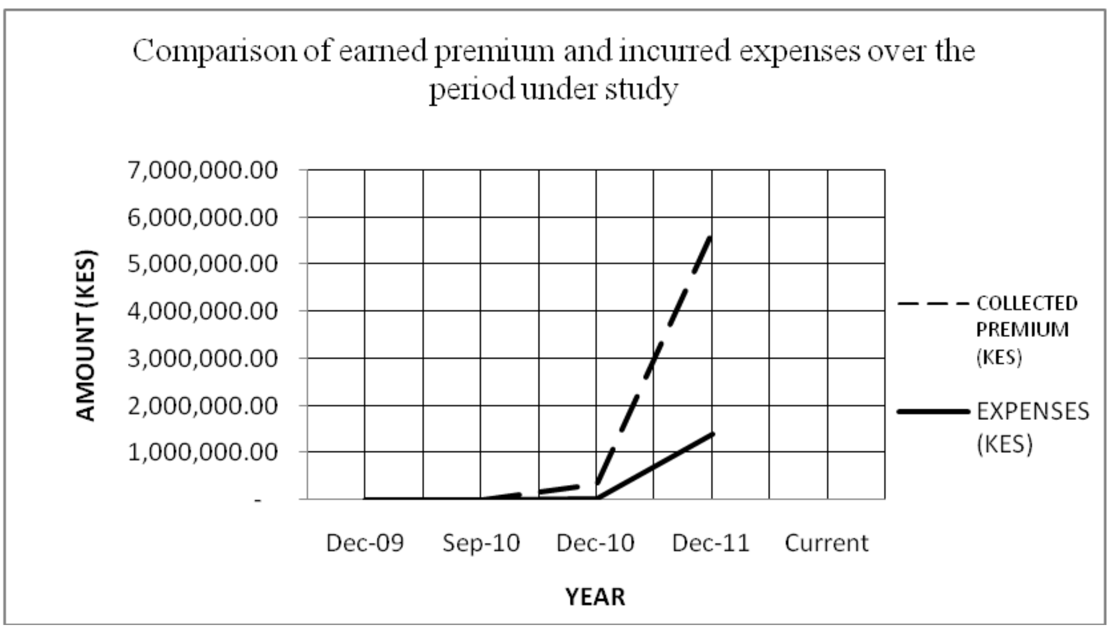

Figure 6: Comparison in the trends of collected premium and expenses for Biashara Salama over the period under study

Figure 6 shows the difference in increment in earned premium and incurred expenses. Though both the collected premiums and expenses for Biashara Salama increase over the period under study, the collected premiums increase in larger amounts than the expsnses. The measurement here is basically nominal.

To have a ratio measurement of this trend, Figure 7 provides an appropriate illustration.

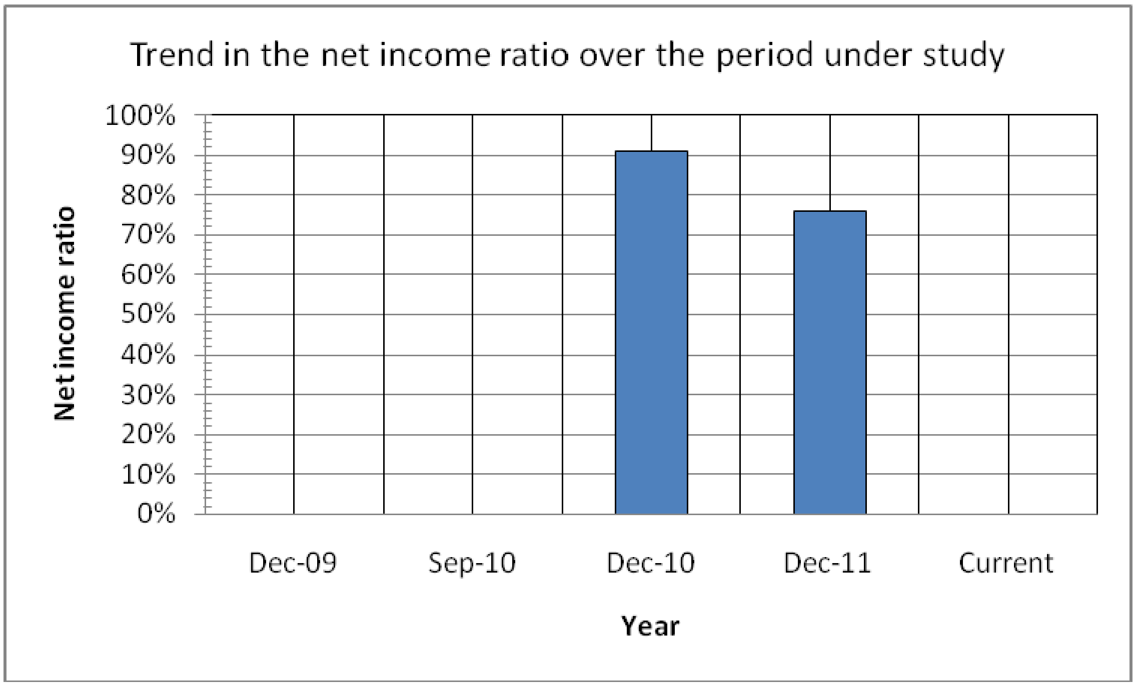

Figure 7: Trend in the net income ratio for Biashara Salama over the period under study

Unlike the Figures 2, 3, 4, 5 and 6 which show the nominal measurement of data, Figure 7 shows the trend in percentages, making application of ratio measurement. It particularly shows the growth in the net income as a percentage of the earned premium. This is a more analytical analysis as it not only considers the amount of net income but also compares it to the collected premiums from the product. Therefore, from Figure 7, there is a decline in the net income ratio despite Figure 6 indicating a higher increase in collected premium than the increase in amount of expenses.

This decrease in the net income ratio is further supported by the trend indicated by Figure 8 and Figure 9 representing the net income percentages for the period ending 2010 and 2011 respectively.

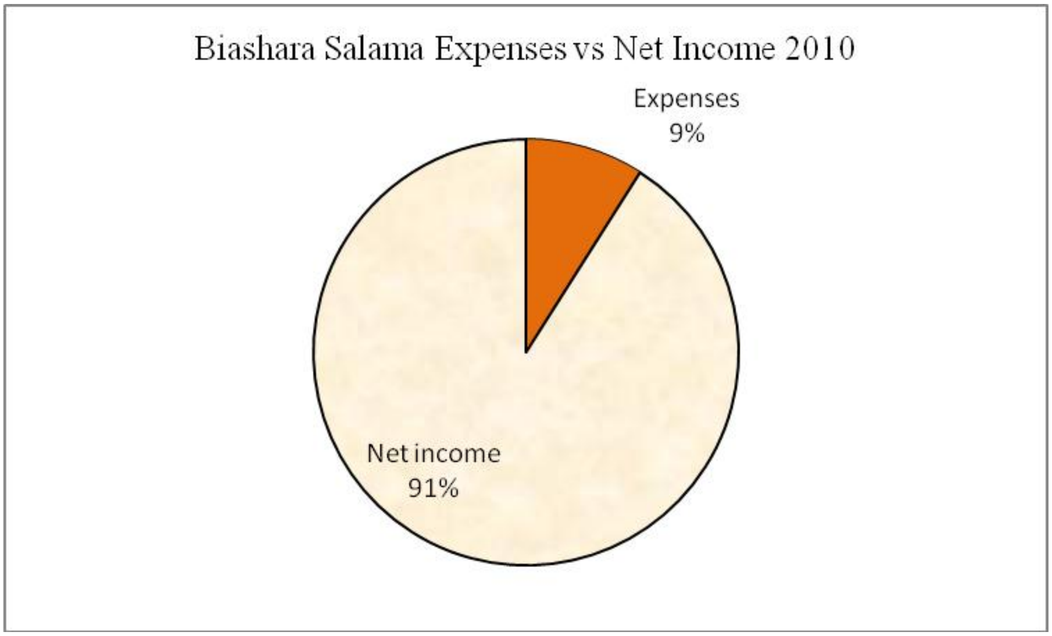

Figure 8: Pie chart showing the comparison between expenses and net income of Biashara Salama in 2010

The net income percentage dropped from 91% in 2010 to 76% in 2011 as indicated in figure 9.

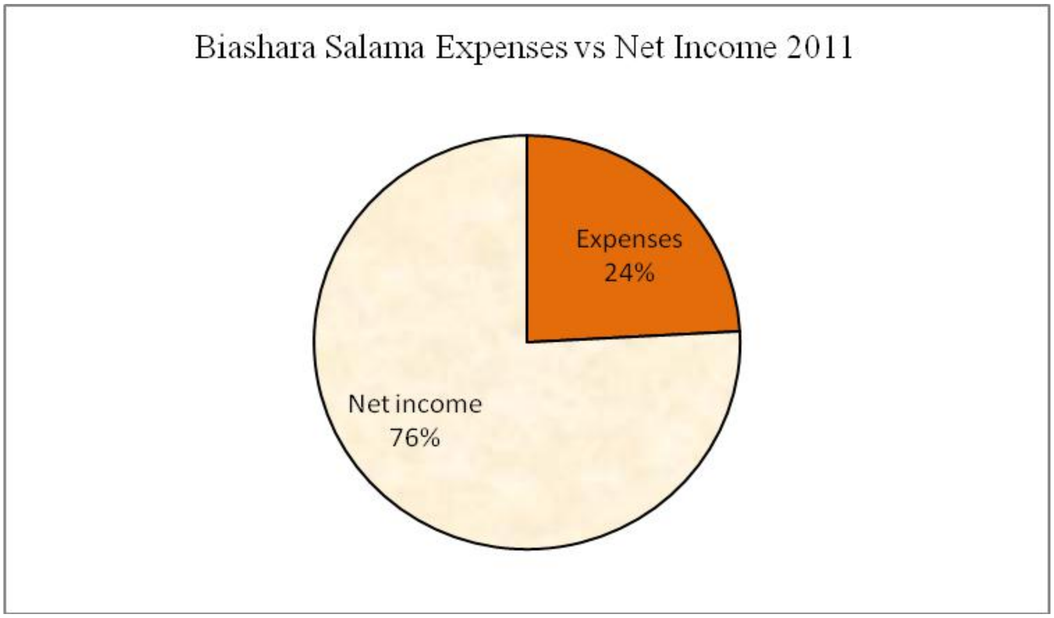

Figure 9: Pie chart showing the comparison between expenses and net income of Biashara Salama in 2011

4.5 Discussion

Ellis Wohlner, an advisor and consultant to SIDA notes that with micro insurance, the profitability would be marginal; the products would be dubious; the rates of renewal would be low; about 8% of collected premiums would be spent in settling claims; and 45% as expenses (Garand & Wipf, 2006). However, the consultant encourages micro insurers to protect the low income earners from inappropriate coverage by ensuring suitability and availability of products to the target market. With the possibility of delving into issues which do not add value to customers, micro insures should keep their focus on key performance indicators while noting that there are no absolute measures of such dimensions. As such, micro insurance should not be considered in the perspective of profitability but rather the value added to the target market.

CIC Biashara Salama is a micro insurance product aimed at making the conventional Fire and Burglary Insurance Policy meet the needs of the low income earners. The sum insured of a maximum of KES 5M limits the product to the target market. There is no requirement for in-depth description of the business stock and assets. Underwriters do not consider location of business in insuring. The use of the native Swahili language on fliers makes it easy to comprehend.

The payable premium is calculated as 1.1% of the sum insured per annum, with the minimum payable premium being KES 1,547. This calculation is standard across board and does not vary with the normal conventional insurance factors that influence premium calculation such as security, type of stock, location and claims experience among others. Among the challenges identified in the penetration of insurance among the low income earners includes the lack of trust in insurance companies and its agents (Ahuja, & Guha-Khasnobis, 2005). Using opinion leaders and nodal agencies for distribution of Biashara Salama has seen CIC Insurance Group overcome this challenge. Biashara Salama is bundled with a personal accident cover targeting the same market. Technology has been adopted in premium payments through the use of mobile phone money transfer service, M-Pesa.

In spite of all these considerations, the insurer has to follow the laid down insurance principles now that there are no regulations that apply to micro insurance. This has been a barrier to attainment of the desired penetration of micro insurance in the country, partly explaining why most insurers still shun this model of insurance in the country.

The findings from this research study affirm the existing need for micro insurance products. The total number of customers over its period of existence has been increasing, an indication of the constantly increasing need for insurance among the people at the bottom of the economic pyramid. Figure 2 shows that the number of customers keeps growing over time with Figure 3 showing that the number of customers retained in the plan annually also increases. Therefore, from Figure 2, it would be deduced that there continues to be an increased uptake of Biashara Salama micro insurance policy which is an indication of the existing need for insurance among the target market.

Figure 3 clearly indicates that the customers of Biashara Salama are satisfied with the service that the product offers. Considering that the claim ratio remains at a low at 0% in 2010 and 15.15% in 2011, this is an indication that those customers who took up the policy understand the importance of insurance. Otherwise they would not renew their policies. This could further indicate the trust that these customers have in the sales persons, mostly the opinion leaders in their locations of businesses. In addition, these persons have confidence in CIC Insurance Group as a company and believe that in the event of a loss, they would be compensated.

Figures 2 and 3 indicate that the product is still at the introduction phase with high growth in customers at 487.5% in 2010. The high growth rate could also be attributed to effective marketing with most customers taking up the product based on the seller's marketing skills and probably the trust in the insurer as opposed to experience with the product, even as supported by the low claims ratios. The growth in expenses from 9% in 2010 to 42% in 2011 is an indication of maturing of the product as the company experiences more claims and more transaction costs. The argument by McCord (2008) that it takes time for this target market to gain trust in the insurance products could also explain this observation. With constant marketing and visits by the distributors, the customers gain trust in the company and the products and increase the uptake. Similarly, word of mouth testimonies, particularly from those who have had positive claims experience plays an important role in ensuring that this product penetrates the market.

The renewal rates are also high at an average of about 98% for the period under study. This implies that most of the customers who subscribe to the product have their business insurance needs met which encourages them to continue servicing their accounts in the subsequent years. It indicates that the low income earners have the knowledge of insurance and appreciate its significance in their daily lives. In fact, in the first year of inception, there was only one customer who cancelled the policy. The renewal rate for a similar micro insurance product in Guinea’s UMSGF was at 81% considered to be high by Churchill (2006) which means that CIC Biashara Salama is a competitive micro insurance product regionally.

Biashara Salama is an insurance policy among many others offered under the department of micro insurance and at CIC Insurance Group Company as a whole. As such, it shares in the cost of provision of other products. Some of the shared costs include marketing, staff remunerations and rent charges among others. These costs cannot be directly linked to the product and would be debited from the total premium income received by the company. The only costs which could be directly debited from the premium received from this product include claim expenses and commissions payable to distribution agents.

This research assumed these costs directly attributed to Biashara Salama as the only expenses incurred in selling the product to the intended market. This explains the trend of 9% expense in Figure 8 to 24% expense in Figure 9 for 2010 and 2011 respectively. As such, the net income ratios were found to be 91% and 76% in 2010 and 2011 respectively. This ratio beats the average ratio of 31% in CARD MBA in Philippines considered as a sign of good performance by Churchill (2006). In India, VimoSEWA posted -51% with a similar product therefore making it unsustainable in the organisation.

Figure 4 indicates a growth in the collected premium from Biashara Salama over the period under study. In fact, the growth is incremental, as the rate between 2010 and 2011 is higher than between 2009 and 2010. During the same period, Figure 5 indicates a similar trend in the growth of incurred expenses. Nonetheless, Figure 7 gives a clear indication that the growth in collected premiums in higher than the growth in the incurred expense. A critical analysis of the net income ratios on the other hand indicates a decrease in the net income ratio over the same period of time.

Other than the proposition by Garand (2005) on measuring sustainability of such products through determination of their growth, coverage, renewal rate, incurred claims, incurred expense and net income ratios, other factors, both quantitative and qualitative could play a critical role in the overall determination of sustainability of a micro insurance products. A myriad of factors traversing across the government, regulator, individual micro insurer and the target market among others greatly influence the performance of micro insurance in a market. Some of these factors could be measured numerically while others, despite of the influence they have, can only be considered qualitatively.

Generally, Biashara Salama operates in an environment that is yet to fully appreciate the importance of such micro insurance products. The government and insurance regulator's participation still remains wanting. CIC Insurance Group grapples in charging low premiums to ensure affordability. Despite this, Biashara Salama is a viable micro insurance product, capable of not only meeting its subscribers' obligations but also generating profits to the insurer. The need and trust have already been established for this product.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of this part would be to sum up the findings of this study and give recommendations based on the results collected and what scholars and practitioners in micro insurance prescribe. The challenges encountered in the course of this study would be highlighted with the researcher pointing out at future possible research ventures so as to bridge these limitations and widen the knowledge in micro insurance in Kenya.

5.2 Summary

CIC Biashara Salama micro insurance policy has exhibited acceptability among the target market as intended by CIC General Insurance Ltd. This study shows a general positive growth in the number of Biashara Salama customers an indication of the need for existing need for insurance among the low income earners. It is a positive indication in the distribution structure that the company has adopted using opinion leaders and nodal agencies.

The increasingly high renewal rates at about 99% indicate that the existing customers are satisfied with the service that the product offers. It shows that the target market now understands the operation and importance of insurance in their businesses. Furthermore, it gives a clear indication of the confidence that these customers have in their opinion leaders and CIC Insurance Group as a company since their experience is still shaping as indicated by the low claims ratios.

The net income ratio has been maintained at a high with 2010 and 2011 recording 91% and 76% respectively making the product a profitable venture by the company. By all standards, these rates are high and would not drastically reduce even as the company starts recording claims settlements. The decrease in the net income ratio could be attributed to the growth of the product towards maturity where the claims rise even as the customer base rises up to a point where the rates will stabilise.

5.3 Conclusion

The distribution of Biashara Salama is being undertaken amidst minimal support from the government and the insurance regulator in the country, being in an environment where information on insurance is still minimal among the low income earners. The findings of this study indicated a 487.5% growth ratio in the number of Biashara Salama customers in 2011. The net income ratios were at 91.0% and 75.9% in 2010 and 2011 respectively. The renewal rates remained constant at about 98.6% for both years.

This goes against Garand and Wipf (2006) argument that micro insurance have low profit margins and beats the performance of most global insurers as studied by Churchill (2006). The profit margins and growth in customer subscriptions indicated by this study supports the fact that the insurer would be able to meet its obligations as they arise and have adequate surplus for growth and diversification. Then, Biashara Salama is an economically sustainable and profitable micro insurance product at CIC Insurance Group Ltd.

5.4 Recommendations

CIC Insurance Group Limited should separate micro insurance from the rest of its business as suggested by SCC (2008). Currently, Biashara Salama has its cost and income lumped together with other products distributed under CIC General Insurance Ltd. Separation would make it easy to measure the profitability of micro insurance and an individual product. This would make it easy to make informed decisions with regard to such products depending on their individual performances.

In as much as the high net income ratio could be appealing to the company, it should take precautionary measures to ensure that the need to maintain such margins do not compromise claims settlement. Since marketing in micro insurance has been largely associated with word of mouth, satisfactory claims settlement would be critical in distributing the product. The efforts in marketing the product could be watered down by poor claims settlement as this testimony will spread and jeopardise any marketing efforts.

Finally, the government and its relevant bodies such as the Insurance Regulatory Authority should ensure the existence of an environment that would encourage such micro insurance products as Biashara Salama to thrive. The regulator should particularly come up with policies and structures that would enhance the uptake of micro insurance model by most commercial insurers in the country. The government through its relevant bodies should also organise more civic education activities in the country to sensitize the citizens on the importance of insurance. In fact, it should make insurance of business a prequalification for the credit facilities it gives the citizens if it aims at sustaining the accrued benefits.

5.5 Limitations of the Study

Studies on micro insurance are limited, particularly in Kenya, thus this study relied more on some documented practice of micro insurers from other parts of the world. The low uptake of micro insurance by Kenyan insurance companies could be a reason for the minimal studies. Likewise, since most Kenyans still do not prioritise insurance in their needs, few researchers would spend their efforts in such a field that would not elicit much interest from the anticipated audience.

Similarly, insurers in Kenya are still struggling to gain competitive advantage in this sector, being a relatively new practice. In fact, each of them keeps an eye on the other to see what micro insurance product works so that they try it out. As such, most insurers, including CIC Insurance Group Ltd would be reluctant to go public on their strategies and how effective such strategies have been. This is almost certain when it comes to quantitative measurements. This made the collection of quantitative data for this study challenging.

In this case study, it was assumed that the only expenses in the distribution of Biashara Salama are commissions and claims alone. These two are the only expenses directly attributable to the product as the other expenses like rent and staff compensations are made from the company's account credited by premium proceeds from various insurance products offered by the company. As such, it would be impractical to apportion such costs to a product such as Biashara Salama. This is because of the company policy which does not allow for apportionment of cost to individual products.

5.6 Suggestions for Further Study

Being an emergent venture in Kenya, micro insurance provides vast areas for research. Biashara Salama has only been in existence for about two years now, thus the need for further evaluation of its sustainability in the subsequent years as the product grows towards maturity. It would be of paramount importance to see the performance of Biashara Salama as it develops towards maturity and claims increase in number and how the company would handle such.

The other micro insurance products at CIC Insurance Group Ltd should be evaluated to determine their sustainability and develop appropriate business cases. Furthermore, the need for insurance among the low income earners calls for evaluation of micro insurance among commercial insurers in Kenya so as to determine its sustainability in the country. As more insurers appreciate the profitability of micro insurance, it would be important to document the achievements through research projects. The findings from such studies play a critical role in enhancing development of appropriate policies and structures on micro insurance in the country.

5.7 Implication on Policy, Theory and Practice

Based on the findings in this research study, the insurance regulator should acknowledge its deterrence to growth of micro insurance in the country. It would be noted from this study that micro insurance requires remittance of premiums in instalments and its distribution would be successfully carried out through non-conventional distribution channels. As such, other than gearing up its education to the public on the need for insurance, the regulator should develop policies customised for micro insurance.

This research points out at the inadequacy of research studies in the region. Most of the literature review and conceptual perspective was drawn from other countries such as India and Philippines where micro insurance has been highly researched on. Due to the relative newness of the concept of micro insurance in the country, scholars in insurance and micro entrepreneurship in general should be more engaged in research on micro insurance that would inform on its regulation and adoption in the insurance market.

Against the postulation by Garand and Wipf (2006), this study indicates the profitability of micro insurance. As such, conventional insurers should be keen to incorporate this concept of insurance in their business. More so, majority of the Kenyan population falls within the profile of micro insurance target market hence the presentation of unlimited business opportunity. However, lack of customised regulations could jeopardise the companies' efforts. But widespread adoption of micro insurance would play a critical role in defining the regulations to adopt from a practical perspective.

References

Ahuja, R., & Guha-Khasnobis, B. (2005). Micro-Insurance in India: Trends and Strategies for Further Extension. Indian Council for Research on International Economic Relations. New Delhi.

Angove, J., & Tande, N. (2011, July). A Business Case for Micro Insurance: An Analysis of the Profitability of Micro Insurance for Five Insurance Companies. *Micro Insurance Paper*. International Labour Organisation. No. 11.

Ansoff, H. I. (2007). *Strategic Management* (Classic Edition). Palgrave Macmillan.

Anthony, M. (2008, October). Microinsurance Commitment of Allianz. World Microfinance Forum Geneva. Allianz.

Brau, James C., Merril, C., & Staking, Kim B. (2010). Insurance Theory and Challenges Facing the Development of Micro insurance Markets. Retrieved 1 September, 2011 from www.munichre-foundation.org

Chesire, B. (2011). CIC Insurance and Micro Insurance. *Presentation to the Swedish Actuarial Association*.

Churchill, C. (2006). *Protecting the Poor: A Micro Insurance Compendium* (Eds). International Labour Organisation.

CIC Insurance Group Ltd. (2010, December). The New Dawn for Micro Insurance. *The Newsletter of the CIC Insurance Group Ltd.*

Garand & Wipf (2006, October). Performance Indicators for Micro insurance Practitioners. *Workshop Report*. Luxembourg.

Garand, D. (2005, February 19). *Micro Insurance - Services to the Poor: Lessons from Country Case Studies*. Retrieved 2 January 2012 from www.comhealthins.org/Publications

Hoffman, N. P. (2000). *An Examination of the "Sustainable Competitive Advantage" Concept: Past, Present and Future*. University of Alabama. Vol. 4

Insurance Regulatory and Development Authority (2004). Concept Paper on Need for Developing Micro-Insurance in India.

Insurance Regulatory Authority (2011). Retrieved 15 December, 2011 from http://www.ira.go.ke/

Keller, K. L. (2008). *Strategic Brand Management: Building, Measuring, and Managing Brand Equity* (3rd ed.). Prentice Hall.

Kuria, N. (2010). Promoting Successful Regulatory and Supervisory Approaches for Increased Access to Insurance: A Presentation on CIC Kenya Experience. Retrieved October 5, 2011 from www.access-to-insurance.org

Kyokunda, J. (2011, November). MicroEnsure: Helping the Poor Weather Life's Storms. *Article on Micro Insurance Matters*. Accra, Ghana; MicroEnsure. Issue no. 12, p.7.

Machuki, V. N. & Aosa, E. (2011). The Influence of the External Environment on the Performance of Publicly Quoted Companies in Kenya. *Prime Journals in Business Administration and Management*. 1 (17): 205 – 18.

Mahugu, A. (2011, May). Youth and co-operatives to drive growth. Solidifying M-Bima. *The Newsletter of CIC Insurance Group Ltd*, p. 7.

Mamun, M. Z. (2007). *Contribution of Micro-Insurance Augmenting the Poverty Alleviation Role of Micro Finance: A Case Study of Bangladesh*. A Draft Paper Prepared for the 11th APRIA Conference at National Chengchi University, Taipei, Taiwan

Matul, M., McCord, M. J., Phily, C., & Harms, J. (2010). *The Landscape of Micro Insurance in Africa.* Micro Insurance Paper. International Labour Organisation. Vol. 4.

Matul, M., Tatin-Jaleran, C., & Kelly, E. (2011). *Improving Client Value from Micro Insurance: Insights from India, Kenya, and the Philippines*. International Labour Organisation Paper. Vol. 12.

McCord, M. J. (2008). Visions of the Future of Micro Insurance and the Thoughts on GettingThere. USAID. Micro Insurance Note No. 9

Porter, M. E. (2008). *The Five Competitive Forces that Shape Strategy*. Harvard Business Review. 79 – 93.

Prahalad, C. K. (2005). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Upper Saddle River, New Jersey: Pearson Education Inc.

Ratio Magazine (2010, September 28). Kenya: Press Releases: CIC to Expand Micro insurance Services. Retrieved October 5, 2011 from www.ratio-magazine.com

Swedish Cooperative Centre (2008, February). *Rapid Survey of Micro Insurance Providers in Kenya, Uganda, Tanzania and Rwanda.* A Synthesis Report. Nairobi, Kenya: Mutua, C.

The World Bank (2005). *World Development Indicators*. World Bank Publishers. Retrieved 5 January, 2012 from http://devdata.worldbank.org/wdi2005/index2.htm

Wahome, M. (2011, August 16). Insurers go small to grow big: Companies turn to micro insurance and partnerships to improve revenues. *Daily Nation*, p. 3

Watson, Derrill (2011, June 4). *Micro Insurance in Kenya*. Retrieved 1 September, 2011 from http://econwatson.blogspot.com

APPENDICES

Appendix I: LETTER OF INTRODUCTION

Jacktone F. Mangwana,
P.O. Box 30197,
NAIROBI.
mangwana@students.uonbi.ac.ke

TO WHOM IT MAY CONCERN

Dear Sir/Madam

RE: LETTER OF INTRODUCTION

I am a student pursuing Master of Business Administration, MBA in the University of Nairobi, School of Business. My research is titled "Evaluation of Sustainability of Biashara Salama micro insurance policy at CIC Insurance Group Limited, Kenya." You have been selected as a key informant based on your experience with Biashara Salama.

Kindly respond to the questions to the level best of you knowledge. Provide as much information regarding a particular question as possible. Your participation will be essential in contributing to the pool of knowledge on micro insurance at large.

I also assure you that all information provided herein will be treated with utmost confidentiality and will only be used for academic purposes and in no way will you be quoted in this report without seeking your prior permission. The final report could be availed to you on request.

Jacktone F. Mangwana (MBA Student), Churchill M. Kibisu (Supervisor),

Appendix II: INTERVIEW GUIDE

PART ONE: GENERAL QUESTIONS

1. What is your job title?

   ……………………………………………………………………………………......

2. How long have you been in CIC Insurance Group Company?

   [ ] Less than 1 year

   [ ] 1 – 2 years

   [ ] More than 2 years

3. How long has been your experience with Biashara Salama policy?

   [ ] Less than 1 year

   [ ] 1 – 2 years

   [ ] More than 2 years

PART TWO: BIASHARA SALAMA

1. When did CIC Biashara Salama micro insurance policy commence?

   …………………………………………………………………………………….

   a) How many customers are currently enrolled for the policy?

   ………………………………………………………………………………………

   b) What has been the trend in the growth of number of customers?

   2009 ……………………………………………………………….

2010……………………………………………………………..

2011 .…………………………………………………………...

c) How many new customers signed up for the product in the same period?

2009 ……………………………………………………………

2010……………………………………………………………..

2011 .…………………………………………………………...

d) What has been the trend in the number of customers cancelling their policies?

2009 ……………………………………………………………

2010……………………………………………………………..

2011 .…………………………………………………………...

2. How much premiums have been collected on the platform annually since inception?

   2009 ……………………………………………………………

   2010……………………………………………………………..

   2011 .…………………………………………………………...

3. a) Has any customer lodged a claim since inception?

   [ ] Yes

   [ ] No

   b) If yes, how many and what magnitudes?

   2009 ……………………………………………………………

2010……………………………………………………………..

2011 .………………………………………………………...

4. a) What are the expenses incurred to acquire and maintain Biashara Salama customers?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

   b) How much has been the total expense trend on Biashara Salama annually?

   2009 ………………………………………………………….

   2010……………………………………………………………..

   2011 .………………………………………………………...

   Do you have any other significant material information on measuring the performance of Biashara Salama micro insurance policy?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

   Thank you for your participation.