CHALLENGES FACING DEVELOPMENT OF MICRO INSURANCE AT CIC INSURANCE GROUP LIMITED IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE UNIVERSITY OF NAIROBI

OCTOBER, 2013

DECLARATION

This is to declare that this research project is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

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DECLARATION BY SUPERVISOR:

This is to declare that this project has been submitted for examination with our approval as the university supervisor

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DEDICATION

This research work is dedicated to the following: My loving family for support and patience during the entire period of my study. For their encouragement and continued prayers towards the successful completion of this course.

Finally I pay tribute and gratitude to my employer and colleagues for their understanding during the entire period of the study.

Thank you and God bless you.

ACKNOWLEDGEMENT

My sincere appreciation and gratitude goes to my Supervisor Mr. Midikira Churchil Kibisu, Lecturer at Nairobi University MBA programme in School of Business for his invaluable guidance, counsel and direction in the development of this project.

I am grateful to my family for giving the invaluable support to concentrate on this research.

My sincere gratitude also goes to the respondents at the CIC Insurance Company Ltd for providing me with the required data for this project.

Lastly I thank Almighty God as my source of all inspiration in allowing me to undertake this project that is too involving in terms of time and resources.

ABSTRACT

The study aimed at determining the challenges in the development of Micro insurance at CIC Insurance Group Ltd. The study adopted a case study research design and collected primary data using an interview guide. The interviewees comprised of the micro insurance team at head office, operations officer, strategy and development officer, Business development team, marketing executives, sales agents, customers and underwriting officer at CIC Group Limited in Kenya**.** Before processing the responses, the completed interview guides were edited for completeness and consistency the data was analyzed using content analysis. The study findings revealed that CIC insurance Group ltd faces product design challenges such as failure of the products formed to meet consumer expectations, rationing challenges that result in incursion of significant transaction costs, in terms of intermediating the product and premium collection and also staff productivity and inefficiency in the development of micro insurance. The study recommends that CIC insurance Group ltd should develop high quality products to attract clients to insurance and lastly the study recommends that it would be useful to carry out the same type of research in other insurance companies and across East Africa and beyond and see whether the same results would be replicated.

`TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Low-income households are vulnerable to risks and economic shocks. One way for the poor to protect themselves is through insurance (McCord 2011). By helping low-income households manage risk, micro insurance can assist them to maintain a sense of financial confidence even in the face of significant vulnerability. If Governments, donors, development agencies and others are serious about combating poverty, insurance has to be one of the weapons in their arsenal (Churchill 2006). Among low-income populations, risk pooling and informal insurance are not entirely new. Informal risk-sharing schemes have been around for generations, even in some of the most inaccessible places (Churchill 2007). However, these schemes are usually limited in their outreach and the benefits typically cover only a small portion of the loss. A key aspect of the interest in micro insurance is to explore ways of significantly increasing the number of poor households that have access to insurance while enhancing the benefits (McCord, 2011).

Wipf, Kelly and McCord (2011) cite that micro insurance has expanded through community-based and other local initiatives, some promoted by donors. Bilateral and multilateral donors are helpful in providing technical and financial assistance to micro insurers and have promoted the conceptual discussion on micro insurance. The donor community cannot yet rely much on lessons of effective micro insurance promotion and therefore, is still studying effective ways (do's and don'ts) to promote micro insurance. However, some valuable lessons can be drawn from microfinance, which has a longer history and a broader global react. In fact Makove, (2011) argues that growth and success of microfinance – which was originally seen as the provision of savings, transactions (including remittances) and credit services to low-income households and micro enterprises before the inclusion of micro insurance – has been responsible for creating a delivery channel to help regulated insurers target the low-income segment in an efficient manner. In some jurisdictions, new rules have motivated commercial insurers to move into the low-income market or informal micro insurers to formalize. At the same time, insurers have also recognized the opportunity in this market segment.

According to Osero (2009), an estimated 32.6million people in Kenya live on less than $5 per day. Of this group, it is further estimated that 9.6million adults earning between $2 and $5 per day are potential consumers of Micro insurance products. Existing micro insurance initiatives use links with informal savings societies, Insurance institutions, SACCOs and banks as well as the more traditional methods, such as insurance agents, to distribute products in this market. There have also recently been efforts to use mobile phone technology as a distribution channel, the success of which will emerge in the near future.

In line with Makoves' (2011) study the current insurance regulatory framework in Kenya is aimed at traditional insurance providers, with little recognition of co-operative/mutual and micro insurance business as distinct from mainstream insurance business. Micro insurance schemes therefore currently have to comply with the onerous requirements of traditional insurance business. Earlier this year, the Insurance Regulatory Authority commissioned a survey of the country's micro insurance market as a first step towards policy reform within the legislative and regulatory spheres that will ensure a more suitable framework for micro insurance operations and CIC being a member of the task force has played a critical role in this exercise.

1.1.1 Concept of Micro Insurance

Micro insurance entails delivery of insurance products to participants at base of the pyramid. It is offered to shield clients against specific risks in consideration for premiums matching the possibility of occurrence of the risk (Makove, 2011). Conceptual differences exist between micro Insurance and other forms of insurance since micro-insurance has lesser assets and lower volatile premiums. Although low-income earners face risks and economic shocks that might be the same as conventional insurance clients, the low-end market is more susceptible due to limitation of resources and knowledge (Churchill, 2006; Maleika and Kuriakose, 2008), are not able to mitigate risks compared to their higher-income participants; and in case of economic loss from perils, they are less equipped to cope with the aftermaths.

The poor face two types of risks namely; idiosyncratic (specific to the household) and covariate (common to all). To combat these risks, they have traditionally used risk pooling (for instance funeral and burial societies), income support (for instance credit arrangements and transfers) and informal insurance or risk-sharing schemes such as grain storage, savings, asset accumulation and loans from friends and relatives (Bhattamishra and Barrett, 2008; Tadesse and Brans, 2012). However, the prevalent forms of risk management (in kind savings, self-insurance, mutual insurance) which were appropriate earlier are no longer adequate and feasible (Pierro and Desai, 2007; Giesbert and Steiner, 2012) as they are limited in outreach and the benefits typically cover a small portion of the loss, offer limited protection, low returns for households, and are prone to breakdown during emergencies. Formal insurance instruments can offer superior risk management alternatives, provided poor households can access these services (Maleika and Kuriakose, 2008).

According to Roth et al; (2005) micro insurance covers a variety of different risks, including illnesses, accidental injuries, and death and property loss basically any risk that is insurable, and is designed to be appropriate in terms of affordability and accessibility to low-income households. They can be offered as a single risk product or as a bundled risk product. Coverage can also be provided on an individual or group basis. Organisations providing micro insurance are micro insurers, although they assume many different forms. Micro insurance risk carriers include small community-based schemes, mutual, cooperatives, or joint stock companies. They may be for-profit or not-for-profit. Not all micro insurers are regulated by the insurance law.

In line with Roth, McCord and Liber (2007), the legal set-up of a particular jurisdiction, some fall under other laws and authorities such as the cooperatives or health providers, others may be unregulated practice; the risk carriers often form linkages with a range of players in order to reach out to the low-income market. It is also important for insurance supervisors to realise that most features of insurance largely apply to micro insurance as well, such as actuarial, accounting, auditing, policy documentation, reinsurance, monitoring performance indicators, technical management (enrolment, claims, processing), contracting with health care providers etc.

1.1.2 Micro Insurance Developmental challenges

One key difference between micro insurance and other insurance is how it is made accessible to the low income market. The core issue for micro insurance is simplicity.

How does one develop a product and its related processes simply enough that people can understand them? Given the huge volumes of small policies, can the administration of premiums and claims be done as efficiently and inexpensively as possible? Innovations are a key to finding solutions to these challenges (Churchill, 2007). Micro insurance institutions and instruments have developed rapidly over the last decade, with policies covering tens of millions at the base of the economic pyramid. Ranging from simple policies providing life or health insurance to complex policies covering catastrophic risks for small landholders, it is a market with proven potential that demands closer attention (Patel, 2002).

Today, many emerging market jurisdictions are addressing the issue of widening the reach of insurance services to those segments of the population that have remained uninsured or under-insured. A central element in the promotion of inclusive financial systems is the development of micro insurance – the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved – while continuing to foster a safe and sound financial system (Churchill 2007).

1.1.3 The Insurance Industry in Kenya

The main players in the Kenyan insurance industry are: insurance companies, reinsurance companies, insurance brokers, insurance agents and the risk managers. The statute regulating the industry is the insurance Act; Laws of Kenya, Chapter 487. The office of the commissioner of insurance was established under its provisions to strengthen the government regulation under the Ministry of Finance. There is also self-regulation of insurance by the Association of Kenya Insurers (AKI). The professional body of the industry is the Insurance Institute of Kenya (IIK), which deals mainly with training and professional education. Recently there was formed the Insurance Regulatory Authority (IRA) mandated to supervise and regulate the insurance industry players. According to the AKI Insurance Industry Report for the year 2011, there were 45 operating insurance companies as at the end of 2011. 22 companies wrote non-life insurance business only, 9 wrote life insurance business only while 14 were composite (both life and non-life). There were 141 licensed insurance brokers, 14 medical insurance providers (MIPs) and 3,668 insurance agents. Other licensed players included 105 investigators, 75 motor assessors, and 21 loss adjusters, 2 claims settling agents, 8 risk managers and 23 insurance surveyors.

The industry recorded gross written premium of Kshs 91.60 billion compared to Kshs 79.06 billion in 2010, representing a growth of 15.9%. The gross written premium for non-life insurance was Ksh 60.67 billion (2010: Ksh 52.35 billion) while that for life insurance was Ksh 30.93 billion (2010: Kshs 26.71 billion). Non-Life insurance premium grew by 15.9% while life insurance premium and contributions from deposit administration and investment/unit linked contracts grew by 15.8%. The industry has consistently recorded growth over the last eight years. The industry's annual performance therefore exceeded the overall economic growth of 4.4% recorded in 2011.

The insurance penetration is estimated at 3.02%, which compares well with the emerging markets average of 2.7%. The introduction of new products in the market and the significant improvement in service delivery platforms being experienced in the insurance industry will no doubt propel the insurance industry to a higher level of growth. This is underpinned by the huge potential of untapped insurance market in the country coupled by the ongoing efforts by the Government in strengthening the regulatory environment of the financial services sector, which include the review of the Insurance Act and the importance placed on insurance services under Vision 2030. On its part, the Association of Kenya Insurers continues to play a key role in the development of the insurance industry through implementation of strategies and initiatives geared towards achieving higher insurance awareness and penetration. For the last ten years, the Insurance Industry has grown at an average rate of 15%. In 2011, the industry wrote a gross premium of 91.6 billion compared to 79 billion in 2010. Year 2010, was however exceptional as the industry recorded 23% growth, the highest rate of growth recorded in recent times.

1.1.4 CIC Insurance Group Limited

According to CIC Insurance annual report 2012 the Company started as an insurance agency in 1968 within the Kenya National Federation of Co-operatives (KNFC). It was later licensed as a composite insurance company in 1978 to write all classes of business trading in the name of Cooperative Insurance Services Ltd (CIS). The company's target market was the co-operative movement whose support has helped it grow steadily. In 1999, the company name was changed to The Co-operative Insurance Company of Kenya Ltd (CIC). The name change was part of the Company's market repositioning strategy to completely transform from the then small company that only targeted the co-operative movement to a respected insurer in the country. The CIC Insurance Group recently listed its shares by introduction at the Nairobi Securities Exchange. It is a leading provider of insurance and other financial services in Kenya and presently ranks second in market share. In October 2010, the Company changed its name again to The CIC Insurance Group Ltd in preparation for the demerger of its life and general business operations. By the end of 2011, the company had fully demerged resulting in the formation of CIC Life Assurance Ltd, CIC General Insurance Ltd and CIC Asset Management Ltd. The Group's strong fundamentals are underpinned by its core market made up of the 10 million member co-operative sector. It has 17 branches countrywide and has maintained a compounded annual growth rate of 62 percent in the last 5 years.

The Co-operative Movement is also a major shareholder in the CIC Insurance Group and the Group is thus their preferred insurer. The company has both individual and institutional shareholders comprising of CIS Co-operative Society as its strategic shareholder with 74.3% and individual investors holding the remaining 25.7%. CIS Co-operative Society Limited represents the interest of the 10 million-member Co-operative Movement, through 1,562 Societies that own the CIS Co-operative Society. The CIC Insurance Group paid up share capital currently stands at Kshs.2.1 billion and has had a sustained high annual growth rate of over 25 percent in the last decade. The Company is now planning to expand its operations to Rwanda and Southern Sudan. In 2011, CIC Insurance Group formed the CIC Foundation to undertake the company's CSR initiatives. The company's CSR policy is to focus on the youth with a bias towards Leadership, Ecology and Culture. In line with this, the overall goal is to enhance integration of the youth in national economic development and create employment opportunities through engagement in co-operative movement and environment conservation.

1.2 Research Problem

Roth, et al (2005) argues that in emerging markets, a low percentage of the population uses conventional insurance services compared to developed jurisdictions. Since neither government schemes nor informal insurance schemes effectively cope with this gap, the majority of the population lacks access to insurance protection. The distribution frontier does not usually extend to the millions of economically active persons working in the formal and even less, in the informal economy. The consequences of insurance rationing for the economy as a whole might be significant: destruction of wealth; reduced productivity and economic growth; loss of investments in human resources through education; shortened productive life; overburdened state health care facilities (Beck and Demirgc-Kunt, 2008). However, as Wipf and Garand (2007) to understand clearly how to develop new business models for micro insurance, it is necessary to assess why the current insurance business models do not reach the poor. Although the insurance industry is beginning to notice the vast under-served market of low-income households, insurers have encountered numerous obstacles that need to be overcome if they are to offer micro insurance on a large scale.

Besides the problems associated with high transaction costs and inappropriate distribution systems, the products generally available from insurers are not designed to meet the specific characteristics of the low-income market, particularly the irregular cash flows of households with breadwinners in the informal economy (Hoddinott and Quisumbing, 2003). It is generally assumed that low-income men and women are more vulnerable to risks than the not-so-poor; however, insurers generally do not have data to interpret the vulnerabilities of the poor. To address such a problem, insurers may build in a hefty margin for error and then make adjustments once the claims experience starts rolling in (Johnston and Morduch, 2008).

Locally studies that have been carried out on the insurance sector include: Mirie (1989) did marketing of insurance services, Abdullahi (2000) did a study of the strategic responses by kenyan insurance companies following liberalization, Wairegi (2004) did a study on the strategic response by life insurance companies in Kenya to changes in their environment and Muthoni (2008) did a study on the viability of accessing health insurance on the urban poor through community based organization, the case of Kibera slums. There is therefore a research gap that needs to be filled by carrying out an investigation into the barriers hindering micro insurance development and address the research question: what are the challenges facing Micro Insurance development at CIC Insurance Group Limited in Kenya**?**

1.3 Research Objective

The study aimed at determining the challenges in the development of Micro insurance at CIC Insurance Group Ltd in Kenya.

1.4 Value of the Study

To the operating insurance firms in Kenya, the study findings would be of great importance because it would identify the challenges facing these insurance firm's in development of Micro insurance and suggest ways to tackle this hindrances.

To the current and potential scholars in the business field more especially those who have interest in Micro insurance, the findings from this study would provide information to expand the one already that exists. The findings would also be of critical importance to those who have got interest of further studying the field because the researcher intends to give suggestions for further studies.

Insurance as a sector to contributing to the country's economy cannot be overlooked by the government and other policy making agencies. The findings from this study would therefore be of importance because they would have the capacity of being used to formulate positive national policies which are relevant and sensitive to the forces influencing the insurance sector in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarized the information from other researchers who have carried out their research in the same field of study. Its' framework is the illustration which presents a brief history of the problem. This chapter provided an empirical review on the subject which is then followed by a presentation of the research gap present in the study

2.2 Theoretical Foundation

The concept of micro credit became prominent in the 1980s, even though it has been in existence long before then in Bangladesh, Brazil and a few other countries (The Micro insurance Gateway, 2005). The recent decade has however seen an increasing interest in micro insurance and it is regarded as one of the promising tools to address poverty in the developing world (Carlton et al., 2001). Ahmed et al., (2005) notes that for Africa to move forward with economic development and poverty alleviation, it is essential that it progresses swiftly with the integration and transformation of its micro insurance industry. For that reason there is a greater need to embrace micro insurance as one of the developmental tools. In an effort to put the concept of micro insurance into perspective, an extension to the definition of micro insurance pointed out earlier in the study is presented in the following section.

Robinsonm (2001) refers to micro insurance as all types of financial intermediation services (credit funds transfer, insurance, pension remittances, etc) offered to low-income households and enterprises in both urban and rural areas, including employees in the public and private sectors and those who are self-employed. Mukama (2005) says that the Women's World Banking defined Insurance institutions as organizations that provide:- Micro insurance service that is efficient and financially sustainable; Services that have a high impact on reducing the poverty of clients integrated into domestic financial systems through savings mobilization as well through mobilizing funds from commercial sources.

Matul (2004) points out that in Kenya Micro insurance institutions are generally regarded as institutions that mainly offer microcredit or micro lending to both employed and unemployed people, He further states that insurance institutions clients tend to cluster around the poverty line and most beneficiaries of the insurance institutions services are neither poor nor affluent and tend to come from households that usually meet their daily needs. In addition, the micro insurance clients are typically the informal sector and registered micro-entrepreneurs. On the contrary according to Carlton et al., (2001), the clients of micro insurance in Kenya include individuals with full-time jobs, government officials and those that do not have access to commercial banks. Of these clients, 61 percent resided in urban areas, while 31 percent were rural based. Providers of micro insurance in Kenya need to redirect their services to include traditional beneficiaries of micro insurance, namely, the economically active poor people who are unable to get credit from conventional banks.

However, Churchill (2007) states that in order to serve the poor clients, it is necessary to classify them based on their level of poverty instead of treating them as an undifferentiated, homogeneous group. The segregation of the poor will ease the burden of the poor in terms of repayment especially because most Insurance institutions require sustained, regular repayments which can prove to be challenging to households with seasonal or variable income, which is normally the case with the poor. In addition, Dalal and Morduch (2010) notes that micro credit is only applicable to poor people with at least some minimum level of entrepreneurial skills. They base their argument on the premise that funds are to be repaid and thus the services should be accessible to those who can engage in income generating activities. Offering services to economically active people will likely result in high repayment rates and consequently lead to increased levels of insurance institutions efficiency.

2.3 The Empirical Review

This chapter begins by defining developmental challenges in micro insurance describing their evolution and presenting key concepts. It also introduces the types of insurance products that are currently available to the low-income market, and describes the role of key stakeholders involved in extending micro insurance including governments and insurance supervisors. This section concludes by summarizing the main challenges associated with micro insurance and some appropriate criteria for an enabling regulatory and supervisory environment.

2.3.1 Internal Challenges

Product design risk in the context of micro insurance results because potential clients are exposed to a myriad of risks, all of which cannot be feasibly insured (Roth et al., 2007; Mbogo, 2010). The products formed fail to meet consumer expectations. Mbogo (2010) finds micro-insurance products to be general and inadequate in meeting the user needs in Kenya. Additionally, there is inadequate differentiation between products from different insurance companies, making it difficult for consumers to distinguish between competitor offerings in terms of product features (AKI, 2012). Product design further affects the quality of the service. Although micro-insurance clients may not afford high prices, they need high quality products, in fact better-quality micro-insurance product (faster settlement of claims, fewer exclusions and wider coverage) to attract them to insurance. Prahalad (2005) shows that the poor too are brand conscious and that the products generally available from insurers are rarely designed to meet the specific characteristics of the low-income market, particularly the irregular cash flows of households with breadwinners in the informal economy. Other key product design issues include setting appropriate insured amounts, avoiding complex exclusions and indecipherable legal policy language. Other pressing demands on the policyholders' income and cash-flow fluctuations require flexibility in premium payment and quick processing of claims

Micro-insurance pricing presents significant challenges because of the need to balance prices, costs, sustainability and affordability. Price charged should cover all claims and operating expenses and generate a profit. Low-income people buy insurance if the products meet their needs and are fairly priced (Brown and McCord, 2000). As such, micro-insurance policy premium is often lower than the administrative cost incurred, thus unprofitable in the absence of economies of scale. The operating expenses commonly included in the premium are distribution costs, underwriting expenses, claims assessment expenses, transaction cost of collecting premiums and administration costs (Weiss, 2006).

Rationing is also related to the fact that to engage in an insurance contract, insurers incur significant transaction costs, in terms of (a) intermediating the product, (b) collecting premiums where there is likely to be a lack of bank accounts, (c) assessing and paying out small claims. These tend to be relatively higher, especially if it is determined on a percentage basis, for smaller policies. Transaction costs are not proportional, i.e. small values create relatively high costs. The increased costs must be included in the premiums, increasing the cost of insurance (Nekby, 2004). Dercon et al., (2008) states that one reason for this “rationing” of insurance is related to information asymmetry. When insurers cannot distinguish between good and bad risks, they tend to avoid this market. Even when insurance is available, the fear of adverse selection and moral hazard, and the costs of mitigating it, results in rationing. Information asymmetry may be an even more severe problem for micro insurance, especially for a mainstream insurer with little experience or understanding of the low-income market.

Oketch (1999) points out that staff productivity and efficiency are important aspects in micro insurance service delivery. Ledger (1999) argues that the main responsibility for effective outreach and repayments remains with the insurance officer. In addition Mukama et al., (2005) stresses that the education level of staff and management is of utmost importance in that it puts better into perspective the necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality service book, improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability. Furthermore, lack of knowledge can result in unsuccessful implementation of the micro insurance programs.

The distribution systems of most insurers are not designed to serve the low-income market. The people who work for insurance companies are usually unfamiliar with the needs and concerns of low-income households. Similarly, the culture and incentives in insurance companies reward and encourage salespersons to focus on larger policies, more profitable clients and discourage staff from selling insurance to low-income households. The system of brokers, agents and direct sales used by insurers is generally appropriate for corporate customers and high-value individual customers, but has not, generally, yet worked for the low-income market. Limitations imposed by way of restrictive remuneration for distributing insurance products, such as commission ceilings, may limit the spread of micro insurance (Prahalad, 2005).

Support infrastructure: At the meso level, there is a need for institutions providing services to micro insurance retailers to facilitate transparency and dialogue on micro insurance. The existing support institutions in most jurisdictions are often not responsive to micro insurance. As has been pointed out above, the role of training and education is critical. Supervisors can facilitate training on micro insurance in the local insurance industry to foster its development on sound lines. Licensing of all providers must be based upon minimum competency and knowledge of the unique aspects of micro insurance. Micro insurance institutes offering training by insurance professionals is critical in this regard (Azam and Amai, 2012).

2.3.2 External Challenges

Regulatory risks for micro-insurance depend on the country, institutions and product involved Regulations for micro-insurance typically specify the delivery channels, intermediary market, registration and product approvals (McCord, 2011). Regulation can be beneficial, but enforcing the laws of conventional insurance on micro-insurance hampers the growth of the sector (Churchill, 2007; IAIS, 2008). Makove (2011) documents the inhibiting regulations in Kenya as minimum capital requirement, licensing, distribution channels and investment regulations. While liberal insurance legislation result to expansion of insurance services rigid legislation can hamper growth of micro-insurance business. Appropriate legal infrastructure not only safeguards the interests of policyholders but also minimizes institutional risks (Churchill, 2007).

The inadequacy of distribution channels risk is inherent in all micro-insurance initiatives. Generally micro-insurance products are delivered through Microfinance Institutions (MFIs), post offices, Non-Governmental Organizations (NGOs) or through company employees (Roth et al, 2007). Micro-insurance charges low premiums hence the distribution costs must be minimized (Mahul and Stutley, 2010). Insurers are often constrained by lack of low cost distribution channels that can reach low-income earners' target market. For most insurers, premium collection and claims settlement occurs through direct contact between the policyholder and the relevant department within the insurer; with remoteness, low confidence in insurance products and low awareness amongst clients, this method of distribution of the products pose significant risk (Fischer and Qureshi, 2006).Micro-Insurance is expensive to implement at the start-up phase since big expertise is needed to price and market the product and establish triggers; and, needs sufficient historical data and precise measurements to develop the index (Skees et al., 1999).

According to Weiss (2006) although insurance companies know their business best, they must operate within a framework of risk oversight and regulation this entail several best practices and consensus guidelines to guide the policy makers. In industrialized nations regulatory scrutiny tends to co- relate with risks if you engage in high risk activity with potential systemic repercussions you will be likely to develop a close personal relationship with the regulatory, conversely if you operate in an unremarkable way with little chance of disrupting markets or financial systems your activities will normally attract little attention. Regulations by risk playing field make sense to focus micro insurance regulations and supervision on the activities themselves regardless of the type of institution that delivers them, for example should essentially be the same whether the services are extended by the Insurance institutions consumer finance company or commercial bank that offer the same product. Tax treatment of Insurance institutions activities should also ensure a level playing field that does not only favor non-profit providers who offer the same product and services as a commercial entity (Churchill, 2006).

McCord (2007) argues that regulation of financial intermediaries in developing countries has been tried many times and has virtually never been effective in protecting the soundness of the regulated organizations. It is also appealing to think that insurance institutions supervision can be delegated to external audit firms; again it has been shown that external audit firms while promoting transparency and disclosure, seldom include testing that is adequate to provide a reasonable assurance as to the soundness of the Insurance institutions services portfolio which is by far the largest risk. The absence of credible alternatives to prudent and non-prudent oversight should not create a sense of urgency in establishing special micro insurance regulations. It would be pointless to establish comprehensive set of regulations without the ability to enforce them. In addition, premature or restrictive regulation stifles innovations.

Marketing for micro insurance institutions is an important analytical tool to be informed about the client. It tackles questions relating to who the insurance institutions clients are, how many clients there are, the target market, and the market share it hopes to capture (Innovations in Micro insurance, 2000). Target markets are defined by the characteristics of the clients, such as poverty level, gender, ethnicity and religion. In selecting a target market for micro insurance services, Insurance institutions need to spell out their own objectives, understand what inspires the clients, and assess whether the target market is reachable in a financially sustainable way.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provided a discussion of the outline of the research methodology that was used in this study. It focused on the research designs, data collection methods and comes to a conclusion with the data analysis and data presentation methods that were used in this study.

3.2 Research design

This was a case study investigating the micro insurance challenges facing CIC Group Limited in Kenya. This design was most appropriate for a single unit of study because it offers a detailed in depth analysis that gave valuable insights to phenomena. This study was conducted through a case study and is considered suitable as it allows an in-depth study of the subject on investigation of challenges facing micro insurance at CIC Group Limited in Kenya. According to Mugenda and Mugenda (2003), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of the study. The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behavior under study. Since this study sought to investigate the challenges facing micro insurance development at CIC Group Limited in Kenya**,** a case study design was the best design to fulfill the objectives of the study.

3.3 Data Collection

In this study, emphases were given to primary data. The primary data was collected using interview guide. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003). It makes it possible to obtain data required to meet specific objectives of the study. The interviewees comprised of the micro insurance team at head office, operations officer, strategy and development officer, Business development officers, marketing executives, and underwriting officer at CIC Group Limited in Kenya. The interview guide had unstructured questions which were used so as to encourage the respondent to give an in-depth response without feeling held back in revealing of any information. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.4 Data Analysis

Before processing the responses, the completed interview guides were edited for completeness and consistency. Both the primary and secondary data were qualitative in nature. Given this fact, content analysis was used to analyze the data.

According to Creswell (2003), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study and the analysis of the data collected from the interview guide administered to the Micro Insurance team in CIC Insurance Group Ltd. The research was conducted among interviewees who included; operations officers, strategic and development officers, Business development officers, marketing executives, and underwriting officers. Ten out of Eleven respondents participated in the study making a response rate of 90.9%. Mugenda and Mugenda (1999) stated that a response rate of 50% and above is a good for statistical reporting. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the respondents despite their tight schedules and making phone calls to remind them of the interviews.

4.2 Background Information

The study initially sought to inquire information on various aspects of respondents' background. The aspects explored included respondents experience based on the number of years while working in the insurance industry. This information aimed at testing the appropriateness of the respondent in answering the questions regarding challenges facing development of Micro insurance.

Respondent's years of experience with CIC Insurance Group Limited Subsidiaries

The study sought to establish the respondent's years of experience with CIC Group Limited subsidiaries. From the findings, four out of ten respondents who participated in the study had two years' experience with CIC Group Limited subsidiaries.

In addition, six out of the ten respondents attested that they had over ten years of experience with CIC Group Limited subsidiaries. This depicts that the respondents were well versed in challenges in development of Micro insurance at CIC Insurance Group Limited, to give high quality of information.

Years of experience that the respondents' subsidiary has with Micro insurance business

The study also sought to establish the number of years of experience that the respondents' subsidiary had in Micro insurance business. According to the findings three out of ten respondents posited that their subsidiaries had one year experience with Micro Insurance business.

In addition, six respondents posited that their subsidiary had 8 years of experience in Micro insurance business while one respondent indicated that his subsidiary had 10 years of experience with micro insurance business. This depicts that the respondents were highly skilled and implemented their mandate with high proficiency.

4.3 Challenges in the Development of Micro Insurance at CIC Insurance Group Ltd

4.3.1 Product design challenges

The study sought to find out the challenges related to product design that CIC Insurance Group Ltd faces. From the findings 55% stated that failure of the products to meet consumer expectations was one of the key challenge in the product design. Thirty percent of the interviewees argued that setting appropriate insured amounts to avoiding complex exclusions and indecipherable legal policy language was also affecting the product design.

Ten percent of interviewees indicated that a large number of poor persons were not insurable cause the products were inappropriately designed and delivered. They also added that this was due to the absence of access to innovative customer-oriented insurance services because low-income households tend to rely either on state systems or on self-organised schemes, such as mutual benefit societies. Even when these systems are available, they do not cover the whole range of insurance needs therefore low-income households must still cope with substantial amounts of risk on their own through savings depletion, asset sales, reduced consumption, and credit and other means. While 5% of the interviewees argued that the products generally available from CIC Insurance are rarely designed to meet the specific characteristics of the low-income market, particularly the irregular cash flows of households with breadwinners in the informal economy.

CIC Insurance has a range of micro insurance products which is almost as varied as that of commercial insurance. This product types have been re-engineered to accommodate the needs of low-income households and their specific requirements. Though this array of micro insurance products on offer is wide, in many cases they are limited to some form of life and health micro insurance; this is a factor of CIC Insurance preferring life cover because of the lower cost structure and limited risk, and the efforts to protect its' assets.

4.3.2 Products pricing and rationing

The respondents were asked whether Micro-insurance pricing present significant challenges in the development of Micro Insurance at CIC Insurance Group Ltd, 85% of the respondents stated that due to the fact that to engage in an insurance contract, CIC insurance incur significant transaction costs, in terms of (a) intermediating the product, (b) collecting premiums where there is likely to be a lack of bank accounts, (c) assessing and paying out small claims. These tend to be relatively higher, especially if it is determined on a percentage basis, for smaller policies, where the costs are not proportional, i.e. small values create relatively high costs. This increased costs must be included in the premiums therefore leads to increase of the cost of insurance. According to the rest 10% of the interviewees some of the micro-insurance clients cannot afford high prices yet they need high quality products.

Five percent indicated that one reason for “rationing” of insurance is related to information asymmetry. When CIC cannot distinguish between good and bad risks, they tend to avoid this market. Even when insurance is available, the fear of adverse selection and moral hazard, and the costs of mitigating it, results in rationing. This is a more severe problem for micro insurance than commercial insurance, especially for a mainstream insurer with little experience and understanding of the low-income market like CIC.

In addition for CIC Insurance even though the complexity, low cost or simplicity of a micro insurance product will vary from those provided by traditional insurance, the level of professional expertise that will be required in relation to the product should be similar to those applicable to the large insurers only in certain spheres. Guidelines should identify circumstances where actuarial certification and assistance may not be required or be more flexibly used. Particularly in cases if the insurer has the flexibility to design its products in terms of amounts insured and types of benefits offered. Also actuarial assistance may be required for verification of reserves/ liabilities which mean that CIC must incur most of these fixed costs.

4.3.3 Staff productivity and efficiency

The study sought to establish the staff productivity and efficiency related challenges CIC Insurance Group Ltd faces in the process of developing micro insurance, only 75% of the interviewees responded to this question and cited that most of the staff were not fully trained on the difference between the commercial insurance and micro insurance. This poses a great challenge while selling the products and also during underwriting of the risk where the low income earners would complain the products being sold did not meet their needs. The respondents indicated that they also had challenges while educating the clients, because they were not well equipped with micro insurance details this opens the door to deliberate mis-selling by marketers striving to reach quotas or higher commission levels, which further deteriorates the reputation of insurance, and also frustration to the clients during claims payments.

CIC insurance now appreciates the importance of the education level of staff and management is of utmost importance in that it puts better into perspective the necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality service book, and improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability.

4.3.4 Adequacy of infrastructure

The respondents were asked whether CIC Insurance Group Ltd have adequate infrastructure that enhances the development of micro insurance; 45% of the respondents indicated that support infrastructure at the meso level was not adequate and also the institutions providing services to micro insurance retailers to facilitate transparency and dialogue on micro insurance were failing. 25% of the interviewees stated that the existing support institutions in CIC insurance were not responsive to micro insurance. As has been pointed out above, the role of training and education is critical, the respondents stated that they did not receive adequate support on training hence were not able to facilitate training on micro insurance to the intermediaries and clients so as to foster micro insurance development on sound lines.

Thirty percent of the interviewees stated that licensing of all agents and stakeholders was not based upon minimum competency and knowledge of the unique aspects of micro insurance. Micro insurance institutes offering training by insurance professionals is critical in this regard. Some of the interviewees added that the existing support institutions are often not responsive to micro insurance and that licensing of the providers is not based upon minimum competency and knowledge of the unique aspects of micro insurance.

CIC Insurance is failing to realize that innovative delivery channels may lower the transaction costs for micro insurance products. Indeed, success in micro insurance is predicated on reducing operating costs. CIC Insurance can curb these issues by having linkages between other insurance companies and organisations that traditionally work with low-income households and who therefore have a better understanding of this market and can help to provide micro insurance services in an adequate and sustainable manner.

4.3.5 Marketing challenges

The study sought to establish the marketing challenges affecting the development of micro insurance at CIC Insurance Group Ltd. The interviewees cited inadequacy of distribution channels as one of the major challenge experienced. 60% indicated that most of the clients persons tend to have limited or no exposure to insurance and have little trust that claims will be paid by insurers. 20% of the respondents stated that the clients who have had to seek insurance services, they have had less opportunity to seek redress in the event of malpractice by the insurance provider. In addition most of these clients frequently are not able to acquire the records that insurers typically require (such as death certificates for people who die in remote rural areas or birth certificates to prove their age) this leaves the marketers with a hard time in achieving their targets.

Therefore CIC insurance is operating in an emerging market, a low percentage of the population uses conventional insurance services compared to developed jurisdictions. Since neither government schemes nor informal insurance schemes effectively cope with this gap, the majority of the population lacks access to insurance protection. The distribution frontier does not usually extend to the millions of economically active persons working in the formal and even less, in the informal economy. Therefore consequences of insurance rationing for the economy as a whole are significant: destruction of wealth; reduced productivity and economic growth; loss of investments in human resources through education; shortened productive life; overburdened state health care facilities.

4.3.6 Distribution channels

Sixty eight percent of the interviewees indicated that as a result of the inadequacy of distribution channels, premium collection and claims settlement occurs through direct contact between the policyholder and the relevant department within the insurer; with remoteness, low confidence in insurance products and low awareness amongst clients, this method of distribution of the products has posed a significant risk.

Fifteen percent also added that the traditional brokers/ agents typically do not want to sell micro insurance with its relatively small premiums (and thus small commissions). Thus, many micro insurance delivery channels are unlicensed and unregulated agents. Often the regulator allows the insurer to take on the risk of agents so may not need to be directly regulated. Micro insurance intermediation faces several problems in balancing the need to protect the consumer, on the one hand, and the possible need for adjusted regulations or supervision in order to facilitate access by the poor. Brokers, though normally more directly regulated by a market conduct regulator, have a dual role and potential conflict of interest in case they fail to offer unbiased advice. In such a situation, they act simultaneously as the representative of their clients and the insurer since they receive incentives for selling policies of a particular insurer. In some places, the brokers take a serious approach to their role as representative of their clients. Other brokers are much more focused on the potential for profiteering from potential commissions, so there is a significant risk of mis-selling especially in the case of micro-insurance where commissions will be much lower as related to the low premiums involved.

According to 10% the distribution systems of most insurers are not designed to serve the low-income market. The people who work for insurance companies are usually unfamiliar with the needs and concerns of low-income households. Similarly, the culture and incentives in insurance companies reward and encourage salespersons to focus on larger policies, more profitable clients and discourage staff from selling insurance to low-income households. The system of brokers, agents and direct sales used by insurers is generally appropriate for corporate customers and high-value individual customers, but has not, generally, yet worked for the low-income market. Limitations imposed by way of restrictive remuneration for distributing insurance products, such as commission ceilings, may limit the spread of micro insurance.

4.3.7 Regulation and supervision

Thirty four percent of the interviewees said there are regulations challenges experienced that are affecting the development of micro-insurance. That is the regulation revolves around the minimum capital requirement, licensing, distribution channels and investment. They also added that this regulation hamper the growth of micro-insurance business in general.

Twenty two percent argued that the processes must conform to the legal framework, especially when micro insurance products are provided by an insurer regulated under a country's insurance act like CIC insurance. Therefore there are many ways in which diverse types of micro insurance may be offered, and these may come with significantly different regulatory and supervisory requirements. An institution that wants to create an insurance company to serve the low-income market will need to register the company under the full requirements of the insurance law.

Forty percent of the respondents indicated that traditionally, the focus has mostly been on ensuring solvency and consumer protection and to some extent market efficiency (although this has always been placed secondary to stability and solvency).

4.4 Other Challenges in development of Micro insurance at CIC Insurance Ltd

Eight percent stated that there is low coverage in insurance coverage in emerging markets; a low percentage of the population uses conventional insurance services compared to developed jurisdictions. Since neither government schemes nor informal insurance schemes effectively cope with this gap, the majority of the population lacks access to insurance protection. The distribution frontier does not usually extend to the millions of economically active persons working in the formal and even less, in the informal economy. The consequences of insurance rationing for the economy as a whole might be significant: destruction of wealth; reduced productivity and economic growth; loss of investments in human resources through education; shortened productive life; overburdened state health care facilities.

Twelve percent indicated that potential micro insurance clients are often skeptical about paying premiums for an intangible product with future benefits that may never be claimed – and they are often not too trusting of insurance companies. Educating the market and overcoming its bias against insurance is therefore a major challenge. Promoting consumer education about the value of insurance is time-consuming and costly, although the return in terms of reduced lapse rates may be considerable. The market should be made aware of the advantages of a regulated insurer.

Thirty three percent of the respondents argued that the low-income market is particularly vulnerable to at least two forms of abuse. First, agents or insurance sales persons may provide misinformation or mislead low-income clients, while displaying aggressive sales practices. Second, low-income persons are often forced to purchase insurance when borrowing, or they are not informed that they have other options. With these products, one often finds extremely low claims ratios, suggesting that many policyholders are unaware of the coverage. Awareness should be created about consumer rights.

Forty seven percent concluded that one of the greatest challenges for micro insurance is the target market's lack of insurance information and understanding. This leads to weak demand for such services.

4.5 Discussions

The researcher found that CIC insurance Group Ltd faces product design challenges such as failure of the products formed to meet consumer expectations. Other key product design issues included setting appropriate insured amounts, avoiding complex exclusions and indecipherable legal policy language. This collates with earlier findings by Mbogo, (2010) that micro-insurance products are general and inadequate in meeting the user needs in Kenya. According to Roth et al., (2007) product design risk in the context of micro insurance results because potential clients are exposed to a myriad of risks, all of which cannot be feasibly insured.

Micro-insurance pricing presents a significant challenge; the researcher found that majority of micro-insurance clients cannot afford high prices. However, they need high quality products in terms of faster settlement of claims, fewer exclusions and wider coverage. Brown and McCord (2000) observed that micro-insurance pricing present significant challenges to insurance companies because of the need to balance prices, costs, sustainability and affordability. This implies that price charged should therefore cover all claims and operating expenses and generate a profit. Further, Brown and McCord (2000) argue that low-income people buy insurance if the products are meeting their needs and are fairly priced. This implies that micro-insurance policy premium should be in such a way that it is exceeding the administrative cost incurred for the business to be profitable otherwise it would be unprofitable in the absence of economies of scale. The operating expenses commonly included in the premium are distribution costs, underwriting expenses, claims assessment expenses, transaction cost of collecting premiums and administration costs (Weiss, 2006).

Based on rationing challenging aspect of micro insurance development, the researcher found that rationing involves an insurance contract and insurers incur significant transaction costs, in terms of intermediating the product, collecting premiums where there is likely to be a lack of bank accounts and assessing and paying out small claims. This aspect of rationing tends to be relatively higher, especially if it is determined on a percentage basis, for smaller policies. Since transaction costs are not proportional, small values create relatively high costs. The increased costs must be included in the premiums, increasing the cost of insurance. These collated with earlier findings by Nekby (2004).

The researcher found that staff productivity and efficiency affected the development of micro insurance. This finding agrees with Oketch (1999) findings that staff productivity and efficiency are important aspects in micro insurance service delivery. According to Ledger (1999) the main responsibility for effective outreach and repayments remains with the insurance officer. In addition Mukama et al., (2005) stresses that the education level of staff and management is of utmost importance in that it puts better into perspective the necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality service book, improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability. Furthermore, lack of knowledge can result in unsuccessful implementation of the micro insurance programs. This finding implies that lack of knowledge can result in unsuccessful implementation of the micro insurance programs.

The researcher found that adequate infrastructure enhances the development of micro insurance. According to Azam and Amai (2012) there is a need for the company to provide services to micro insurance retailers to facilitate transparency and dialogue on micro insurance. Further, the researcher found that the existing support institutions are often not responsive to micro insurance. Licensing of all providers must be based upon minimum competency and knowledge of the unique aspects of micro insurance.

The researcher further found that marketing challenges affecting the development of micro insurance included inadequacy of distribution channels risk, the company was often constrained by lack of low cost distribution channels that can reach low-income earners’ target market. For most insurers, premium collection and claims settlement occurs through direct contact between the policyholder and the relevant department within the insurer; with remoteness, low confidence in insurance products and low awareness amongst clients, this method of distribution of the products pose significant risk. According to Mahul and Stutley (2010) micro-insurance charges low premiums hence the distribution costs must be minimized. Micro-Insurance is expensive to implement at the start-up phase since big expertise is needed to price and market the product and establish triggers; and, needs sufficient historical data and precise measurements to develop the index (Skees et al., 1999).

The researcher found that regulations challenges affecting the development of micro-insurance include the inhibiting regulations in Kenya as minimum capital requirement, licensing, distribution channels and investment regulations. According to Churchill (2007) regulation can be beneficial, but enforcing the laws of conventional insurance on micro-insurance hampers the growth of the sector.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the research objective which was investigating the challenges faced in the development of Micro insurance at CIC Insurance Group Ltd.

5.2 Summary

The study aimed at determining the challenges in the development of Micro insurance at CIC Insurance Group Ltd. The study adopted a case study research design and collected primary data using an interview guide. The researcher found that CIC insurance Group Ltd faces product design challenges such as failure of the products formed to meet consumer expectations. Other key product design issues included setting appropriate insured amounts, avoiding complex exclusions and indecipherable legal policy language. Also the study revealed that micro-insurance pricing presents a significant challenge. Based on rationing challenging aspect of micro insurance development, the researcher found that rationing involves an insurance contract and insurers incur significant transaction costs, in terms of intermediating the product, collecting premiums where there is likely to be a lack of bank accounts and assessing and paying out small claims. This aspect of rationing tends to be relatively higher, especially if it is determined on a percentage basis, for smaller policies. Further, it was found that staff productivity and efficiency affect the development of micro insurance. Other challenges faced include inadequacy of distribution channels risk.

5.3 Conclusions

From the study, the researcher concludes that CIC insurance Group ltd faces product design challenges such as failure of the products formed to meet consumer expectations. Other key product design issues included setting appropriate insured amounts, avoiding complex exclusions and indecipherable legal policy language.

The researcher concludes that although micro-insurance clients may not afford high prices, they need high quality products, in fact better-quality micro-insurance product (faster settlement of claims, fewer exclusions and wider coverage) to attract them to insurance. Micro-insurance pricing presents significant challenges because of the need to balance prices, costs, sustainability and affordability. Price charged should cover all claims and operating expenses and generate a profit. Low-income people buy insurance if the products meet their needs and are fairly priced (Brown and McCord, 2000).

Based on rationing challenging aspect on micro insurance development, the researcher concludes that rationing involves an insurance contract and insurers incur significant transaction costs, in terms of intermediating the product, collecting premiums where there is likely to be a lack of bank accounts and assessing and paying out small claims. This aspect of rationing tends to be relatively higher, especially if it is determined on a percentage basis, for smaller policies. Since transaction costs are not proportional, small values create relatively high costs. The increased costs must be included in the premiums, increasing the cost of insurance.

The researcher concludes that staff productivity and efficiency affected the development of micro insurance. The researcher concludes that adequate infrastructure enhances the development of micro insurance.

The researcher further concludes that marketing challenges affecting the development of micro insurance included inadequacy of distribution channels risk, the company was often constrained by lack of low cost distribution channels that can reach low-income earners' target market. For most insurers, premium collection and claims settlement occurs through direct contact between the policyholder and the relevant department within the insurer; with remoteness, low confidence in insurance products and low awareness amongst clients, this method of distribution of the products pose significant risk. Lastly, the researcher concludes that regulations challenges affecting the development of micro-insurance include the inhibiting regulations in Kenya as minimum capital requirement, licensing, distribution channels and investment regulations.

5.4 Limitations of the study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were;

Some respondents refused to be interviewed. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information.

5.5 Recommendations

From the discussions and conclusions in this chapter, the study recommends that *there should be* adequate differentiation between products from different insurance companies, to make it easier for consumers to distinguish between competitor offerings in terms of product features.

The study also recommends that micro-insurance companies should develop high quality products, in fact better-quality micro-insurance product (faster settlement of claims, fewer exclusions and wider coverage) to attract clients to insurance.

The study also recommends the staff and management of insurance companies should be equipped with knowledge and skills that enhances the creation of necessary marketing conditions that translate into profitability, financial sustainability, enhanced quality service book, improved quality service to attract customers, minimal fraud, savings mobilization, regulatory compliance and shareholders accountability. Furthermore, lack of knowledge can result in unsuccessful implementation of the micro insurance programs.

The study recommends that insurance companies must operate within a framework of risk oversight and regulation that entails several best practices and consensus guidelines to guide the policy makers.

The study also recommends that the Intermediaries involved in the micro insurance activity should be motivated and trained to give enough information to enable the client to make an informed decision, although a balance will have to be made between high cost advice based models, disclosure and non-advice models.

5.6 Recommendations for Further Research

While this study successfully examines the challenges in the development of Micro insurance at CIC Insurance Group Ltd, it also presents rich prospects for several other areas to be researched in future. This study recommends that a research should be done on the factor that influences the accessibility of insurance products in Kenya. This study was confined to CIC Insurance group Ltd in Kenya. It would be useful to carry out the same type of research in other insurance companies and across East Africa and beyond and see whether the same results would be replicated.

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APPENDICES

Appendix I: Student Introduction Letter

CIC INSURANCE GROUP LIMITED,

P.O BOX 59485, 00200

NAIROBI

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Master of Business Administration. As part of my coursework, I am required to carry out and submit a research project report on C**hallenges facing Micro insurance development at CIC insurance group limited in Kenya.**

To achieve this objective, I kindly request for your assistance in completing the attached copy of interview guide. I assure you the information you provide is purely for academic purposes and will be treated with utmost confidentiality. Should the finding of this Research Project be of interest to you or your organization, a copy would be available at the University of Nairobi Library.

Yours faithfully,

FELISTERS W. GITAU

Appendix II: Interview Guide

Section A: Background Information

1. What is your title and responsibilities in your company?
2. How many years of experience do you (personally) have with CIC Insurance Group Limited subsidiaries?
3. How many years of experience does your subsidiary have with Micro insurance business?

Section B: Challenges in the Development of Micro Insurance at CIC Insurance Group Ltd

1. Do you face challenges related to product design in your organization? Yes/ No
    i. If yes explain
2. Do you think Micro-insurance pricing presents significant challenges? Yes/ No
    i. If yes explain
3. Is rationing a challenging aspect of insurance development in your organization? Yes/ No
    i. If yes explain how
4. What challenges that relate to staff productivity and efficiency affect the development of micro insurance in your organization?
5. In your organization do you think you have adequate infrastructure that enhances the development of micro insurance? Yes/ No
    i. If no explain how it is affecting the development of micro insurance?

6. What challenges that relate to Marketing affect the development of micro insurance in your organization?
7. Do you experience challenges related to distribution channels? Yes/ No
    i. If yes explain how they are affecting the development of micro insurance in your organization?
8. Do you experience regulations challenges that are affecting the development of micro-insurance in your organization? Yes/ No
    i. If yes explain how
9. What are the other challenges that your organization is facing in the development of micro-insurance?
10. What are the possible solutions to the challenges that your organization is facing in the development of micro-insurance?