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KEY CONSIDERATIONS IN SELLING INSURANCE BY CASH BASED RETAILERS AS AN ALTERNATIVE DISTRIBUTION CHANNEL FOR MICRO-INSURANCE IN KENYA

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Abstract: **Insurance innovation is important and the use of cash based retailers in micro-insurance is a new frontier. The objective of the study was to assess the key considerations in selling insurance by cash based retailers as an alternative distribution channel for micro-insurance in Kenya. A descriptive survey research design was used with a target population of 348,700. A sample of 192 respondents was extracted with a response rate of 95 percent. A questionnaire was used to collect primary data. Research assistants were used to collect data which was checked, cleaned, coded and analyzed. Data was analyzed using descriptive statistics like frequencies, cross tabulations, percentages, means and standard deviations. The results were presented using tables, bar charts and pie charts. The results indicated that a majority of retailers had a negative perception towards insurance. The choice of a particular insurance company was largely determined by the speed of claims settlement. Life assurance the easiest to sell with preference to the use of the mobile phone in transacting insurance. Mobile money was the most preferred mode of claims settlement.**

Keywords: **Key Considerations, Mobile Money, Claims Settlement, Micro-insurance.**

1. INTRODUCTION

Achieving scale through cost-effective distribution is one of the biggest challenges facing insurers in low-premium environments where customers are typically unfamiliar with insurance products and often skeptical of the providers. In an effort to effectively reach as large a client base as possible, the emphasis is increasingly falling on innovative new distribution channels as alternatives to traditional micro-insurance distribution approaches, which typically rely on distribution through microfinance institutions (Smit & Smith, 2010).

A number of new micro-insurance distribution models have evolved that rely on the utilization of partnerships with organizations not traditionally in the insurance space. These partnerships can take different forms, including joint venture agreements where partners share in the profits generated through the partnership, or by treating the partner as an intermediary who receives a fixed percentage of commission. There are four categories of alternative distribution models: Cash-based retailers like supermarkets and clothing retailers offering simplified personal accident and funeral insurance products; Credit-based retailers like furniture and electronic goods stores offering credit life, extended warranties, personal accident and life assurance products; Utility and telecommunications companies like electricity, gas, fixed-line and cellular telecommunications companies offering disability, unemployment, personal accident and, in some cases, household insurance; and finally Third-party bill payment providers offering personal accident and life insurance products (Zuluaga, 2010) .

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2. JUSTIFICATION OF THE STUDY

Given that the insurance penetration rate is low in Kenya, insurers need to introduce products such as micro insurance solutions to increase the penetration rate and affordability. The micro-insurance products target low to medium income households and over time are increasingly becoming more popular. As a result of the increased capital requirements introduced in Kenya with the aim of ensuring more financial stability within the sector; expanding insurance will also possibly be accompanied by lots of mergers and acquisition of smaller players in the sector (Deloitte, 2020).

For insurance companies to compete in the underserved market, they have to devise strategies that increase market penetration. One of the approaches is the use cash based retailers in the distribution of micro-insurance products. Companies choose distribution channels that ensure their product reach the targeted customers at the right time and convenient location (Kotler, Armstrong, Wong & Saunders, 2008). The adoption of cash based retailers, raises the fundamental question of what are the key considerations in using cash based retailers of mobile money and agency banking.

This study sought to assess the key considerations in selling insurance by cash-based retailers as an alternative distribution channel for micro-insurance in Kenya.

3. RESEARCH METHODOLOGY

This study adopted a descriptive cross-sectional survey research design with a target population of 348,700 cash based retailers in Kenya, comprising of 287,410 mobile money agents and 61,290 bank agents, the sample was extracted from the population by the use of the finite population formula:

$$n = \frac{(z^2 pqN)}{e^2(N-1)+z^2 pq}$$

Where:

n = the minimum sample size required

N = the total population of the study

Z = the standard normal deviation that is, 1.96 for 95% confidence level

P = the proportion in the target population estimated to be 50% if there is no estimate available of the proportion in the target population assumed to have the characteristic (that is, 1-p).

For this study the sample size was thus

$$n = \frac{(1.96^2 * 0.5 * 0.5 * 348{,}700)}{0.05^2(348{,}700-1) + 1.96^2 * 0.5 * 0.5} = 384$$

The sample was reduced by 50 percent of the computed sample. The sample size chosen was thus 192. Questionnaires were used in collection of primary data and analyzed using descriptive statistics of frequencies, cross tabulations, percentages, means and standard deviations. The results were presented using tables, bar charts and pie charts.

4. RESULTS AND DISCUSSIONS

4.1 Response Rate

The questionnaires administered were 192 but only 182 questionnaires were duly completed and returned, representing a response rate of 95 percent. According to Mugenda and Mugenda (2012) a response rate of 50% is adequate for analysis and reporting. Therefore, the response rate obtained by the study was good for analysis.

4.2. Key Considerations in Selling Insurance by the Retailers

This section presents the results on the key considerations by the agents in selling insurance.

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4.2.1 Perceptions on Insurance

Figure 4.1 below shows the results of perception on insurance within the locality of the shops.

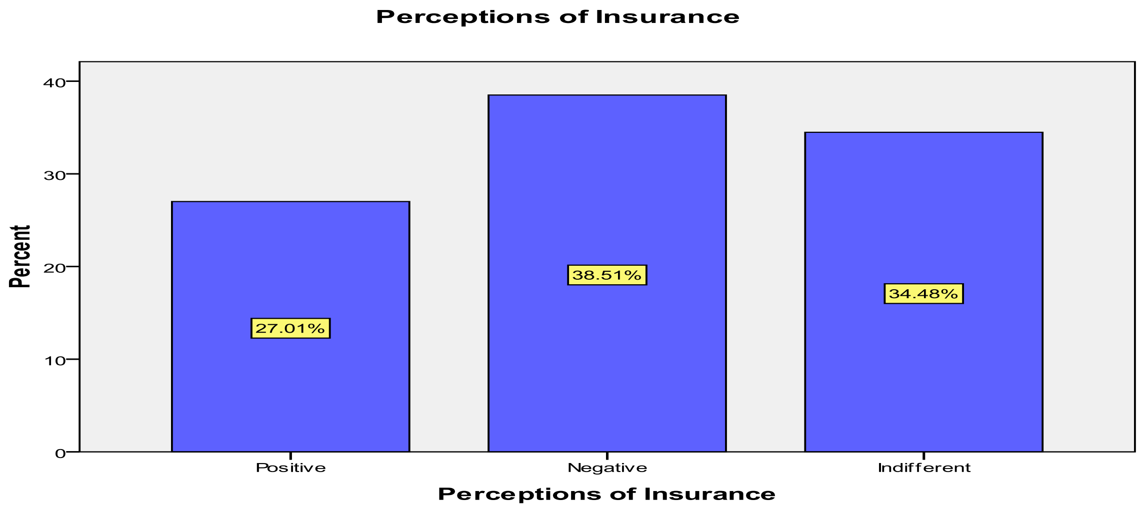

Figure 4.1 Perceptions on Insurance

The results of figure 4.1 show that 38.51% had a negative perception towards insurance, 34.48% were indifferent and only 27.01% had a positive perception on insurance. The reasons for the perception were reported in table in table 4.1 below.

Table 4.1 Reasons for Perception on Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Past Experience	32	17.6	18.7	18.7
	Hearing from people	77	42.3	45.0	63.7
	No knowledge in Insurance	62	34.1	36.3	100.0
	Total	171	94.0	100.0	
Missing	System	11	6.0		
Total		182	100.0		

From table 4.1 it can be seen that 45% reported their perception to be arising out of what they heard from other people, 36.3% arose out of lack of knowledge on insurance and 18.7% because of past experience.

A Pearson Chi-Square test was performed on the perceptions and the reasons for the perception to determine any association between the two. Table 4.2 below presents the results of the chi-square test.

Table 4.2 Chi-Square Tests on Perceptions and Reasons

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.653[a]	4	.000
Likelihood Ratio	35.463	4	.000
Linear-by-Linear Association	18.300	1	.000
N of Valid Cases	169		

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The results in table 4.2 indicate that there is a significant association at 0.000 (p =0.05) between the perception rating and the reasons for the perception. This led to the rejection of the null hypothesis that there is no significant association between perception and reasons for perception. Therefore, a cross tabulation was conducted to determine the nature of association. Table 4.3 below presents the results of the cross tabulation of perception and reason for the perception.

Table 4.3 Perceptions of Insurance * Reasons for Perception Cross-tabulation

			Reasons for Perception			
			Past Experience	Hearing from people	No knowledge in Insurance	Total
Perceptions of Insurance	Positive	Count	16	26	2	44
		% within Perceptions of Insurance	36.4%	59.1%	4.5%	100.0%
	Negative	Count	9	24	33	66
		% within Perceptions of Insurance	13.6%	36.4%	50.0%	100.0%
	Indifferent	Count	7	25	27	59
		% within Perceptions of Insurance	11.9%	42.4%	45.8%	100.0%
Total		Count	32	75	62	169
		% within Perceptions of Insurance	18.9%	44.4%	36.7%	100.0%

From table 4.3 results, it can be observed that for those with a positive perception, 59.1% attributed it to hearing from other people; 36.4% attributed it to past experience and 4.5% attributed their perception to lack of knowledge in insurance. For those with a negative perception; 50% attributed it to lack of knowledge in insurance, 36.4% attributed it to hearing from other people and 13.6% attributed it to past experience. Those who were indifferent; 44.4% attributed it to hearing from other people, 36.7% attributed it to lack of knowledge in insurance and 18.9% attributed it to their past experience. Generally, a positive perception is associated by comments from other people.

4.2.2 Interest in Selling Insurance

Table 4.14 below shows the results on interest in selling insurance products.

Table 4.4 Interested in Selling Insurance Products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	92	50.5	53.2	53.2
	No	81	44.5	46.8	100.0
	Total	173	95.1	100.0	
Missing	System	9	4.9		
Total		182	100.0		

From table 4.4 results, 53.2% had interest in selling insurance products while 46.8% did not have interest in selling insurance. Table 4.15 below presents reasons for desire to sell.

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Table 4.5 Reasons for Desire to Sell Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Additional income	30	16.5	23.4	23.4
	Fulfill my customers	39	21.4	30.5	53.9
	Help my customers	42	23.1	32.8	86.7
	Sell more products	13	7.1	10.2	96.9
	Negative about selling insurance	4	2.2	3.1	100.0
	Total	128	70.3	100.0	
Missing	System	54	29.7		
Total		182	100.0		

From table 4.5 results, 32.8% reported reason for desire to sell to be helping customers in protecting their assets and families, 30.5% indicated fulfillment of customers need for insurance, 23.4% gave generation of additional income for their shops, 10.2% indicated need to sell more products to customers and 3.1% were negative about selling insurance. Generally, the main reasons to sell were protecting customers' assets and families and fulfillment of customer needs.

A Pearson Chi-Square test was performed on the interest to sell insurance products and reasons for the desire to sell insurance to determine any association between the two. Table 4.6 below presents the results of the chi-square test.

Table 4.6 Chi-Square Tests on Interest and Reasons to Sell

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.926[a]	4	.000
Likelihood Ratio	24.893	4	.000
Linear-by-Linear Association	14.698	1	.000
N of Valid Cases	124		

The results in table 4.6 indicate that there is a significant association at 0.000 (p =0.05) between the interest to sell and the reasons for the desire to sell. Therefore, the null hypothesis that there is no significant association between interest to sell and reasons for desire to sell was rejected. Therefore, a cross tabulation was conducted to determine the nature of association. Table 4.7 below presents the results of the cross tabulation of interest to sell and reasons for desire to sell.

Table 4.7 Interested in Selling Insurance * Reason for Desire to Sell insurance Cross-tabulation

			Desire to Sell insurance					
			Additional income	Fulfill my customers	Help my customers	Sell more products	Negative about selling insurance	Total
Interested in Selling Insurance	Yes	Count	28	25	32	5	0	90
		% within Interested in Selling Insurance	31.1%	27.8%	35.6%	5.6%	.0%	100.0%
	No	Count	2	12	9	7	4	34
		% within Interested in Selling Insurance	5.9%	35.3%	26.5%	20.6%	11.8%	100.0%
Total		Count	30	37	41	12	4	124
		% within Interested in Selling Insurance	24.2%	29.8%	33.1%	9.7%	3.2%	100.0%

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From table 4.7 results, it can be observed that for those with interest in selling insurance, 35.6% gave the reason of helping customers protect their assets and families; 31.1% cited making additional income through sales; 27.8% indicated need to fulfill customer needs and 5.6% cited need to sell more products to customers. Generally, an interest to sell insurance was associated with helping customers protect assets and families, generating additional income and fulfillment of customer needs.

4.2.3 Reason for Preference of a Particular Insurance Company

Table 4.8 below shows the results for reasons for preference of a particular insurance company.

Table 4.8 Reason for Preference to Sell for a Particular Insurance Company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Easy to onboard customers	20	11.0	15.9	15.9
	Settles claims faster	66	36.3	52.4	68.3
	Provides business equipment	15	8.2	11.9	80.2
	Provides product training and marketing	24	13.2	19.0	99.2
	Not interested in selling	1	.5	.8	100.0
	Total	126	69.2	100.0	
Missing	System	56	30.8		
Total		182	100.0		

Table 4.8 findings indicate that, 52.4% considered faster claims settlement as reason to choose a particular insurer to sell for, 19% regarded provision of training and marketing support while 15.9% preferred ease of on-boarding customers. The majority regarded faster claims settlement as the main reason of preferring a particular insurance company.

4.2.4 Insurance Product Considered Easy to Sell in Shop

Figure 4.2 below shows the results for insurance products considered easy to sell from the shops.

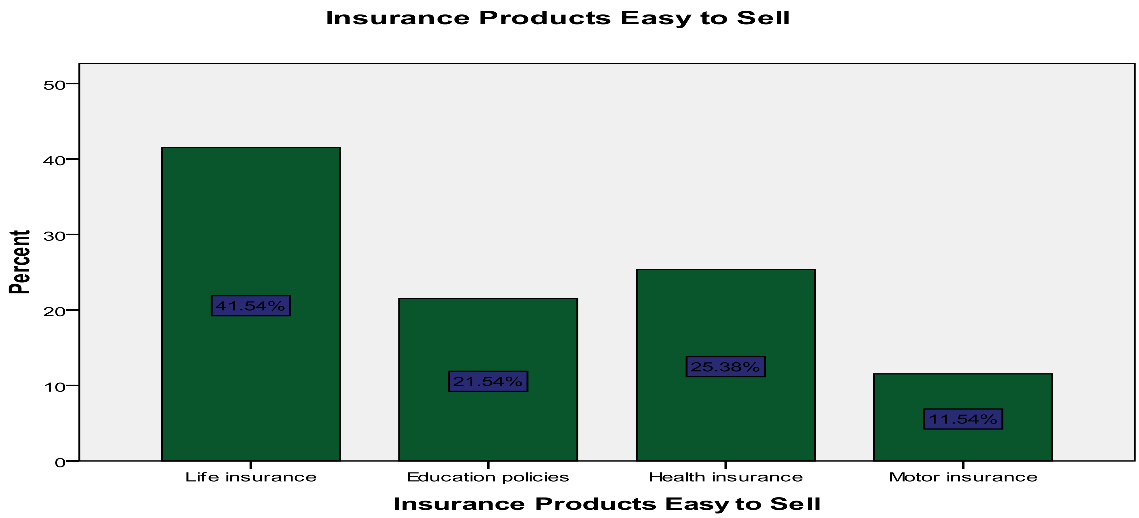

Figure 4.2 Insurance Products Considered Easy to Sell

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From figure 4.2 findings, 41.54% considered life assurance as easy to sell, 25.38% reported health insurance, 21.54% indicated education policies and 11.54% indicated motor insurance. The majority considered life assurance as the easiest to sell in their shops.

4.2.5 Reasons for Ease of Purchase of Insurance from the Shop

Table 4.9 below shows the findings for reason for ease of purchase of insurance products from the shops.

Table 4.9 Reason for Ease to Buy from shop

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Easy to understand products	20	11.0	16.3	16.3
	Help in faster claims payments	35	19.2	28.5	44.7
	Trust in insurance brand	22	12.1	17.9	62.6
	Buying from known and trusted person	46	25.3	37.4	100.0
	Total	123	67.6	100.0	
Missing	System	59	32.4		
Total		182	100.0		

The results from table 4.9 show that 37.4% considered buying from a known and trusted person as reason for ease of purchase of insurance from their shops, 28.5% cited helping in faster claims settlement, 17.9% indicated trust in insurance brand presented by the shop and 16.3% reported easy to understand products sold as the reason for ease of sell in the shop. The majority showed that buying from a known and trusted person as well as helping in faster claims settlement were the most important considerations for ease of selling in the shop.

4.2.6 Embracing Buying and Paying on Mobile Phone

Figure 4.3 below shows the results of embracing the buying and paying on mobile phone for insurance.

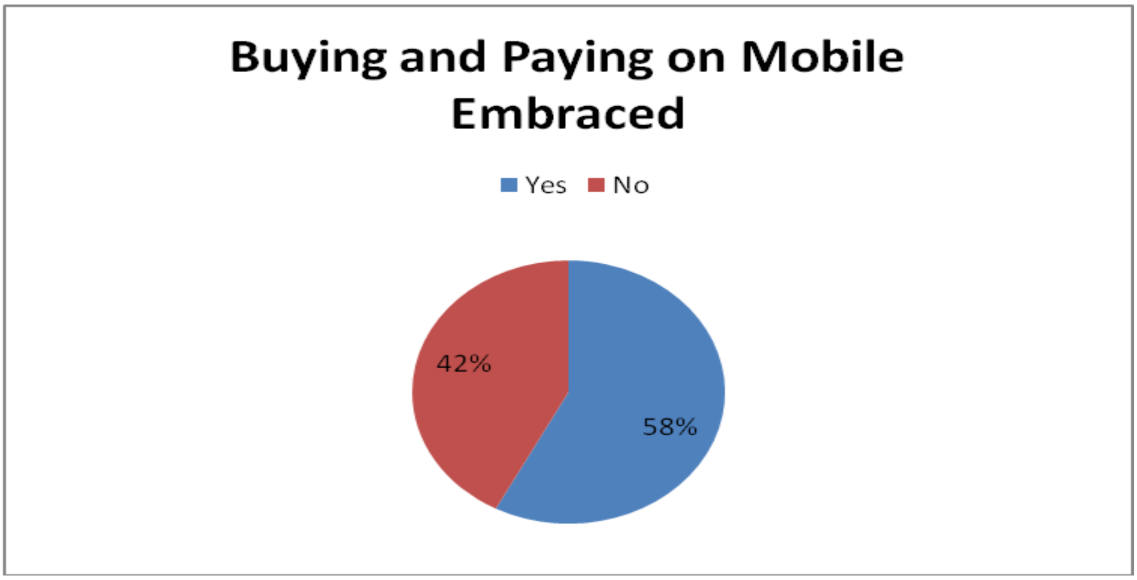

Figure 4.3 Embracing Buying and Paying on Mobile

From figure 4.3 findings, 58% indicated that buying and paying insurance on mobile phone will be embraced while 42% showed it would not be embraced.

Table 4.10 presents the results of other support required to facilitate transacting insurance by the shops.

Table 4.10 Other Support Required

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ease of access	31	17.0	51.7	51.7
	More reliable	7	3.8	11.7	63.3
	Takes a short time	2	1.1	3.3	66.7
	Demand of product	1	.5	1.7	68.3
	Simplifying on-boarding process	1	.5	1.7	70.0
	Marketing	1	.5	1.7	71.7
	Mobile money	5	2.7	8.3	80.0
	Training	2	1.1	3.3	83.3
	Bronchures	3	1.6	5.0	88.3
	Calenders	1	.5	1.7	90.0
	T shirts	1	.5	1.7	91.7
	Confidentiality	1	.5	1.7	93.3
	Banners	1	.5	1.7	95.0
	Create awareness	2	1.1	3.3	98.3
	Internet	1	.5	1.7	100.0
	Total	60	33.0	100.0	
Missing	System	122	67.0		
Total		182	100.0		

From table 4.10 results, 51.7% reported that facilitation for ease of access to services would be great support in transacting insurance, 11.7% indicated more reliable services and 8.3% observed support in their mobile money business. Brochures, training and creation of awareness were the other support services requested. The majority observed that ease of access to services was very important.

4.2.7 Selling Insurance in the Shop

Figure 4.4 below presents the results of the intention to sell insurance in the shops by the respondents.

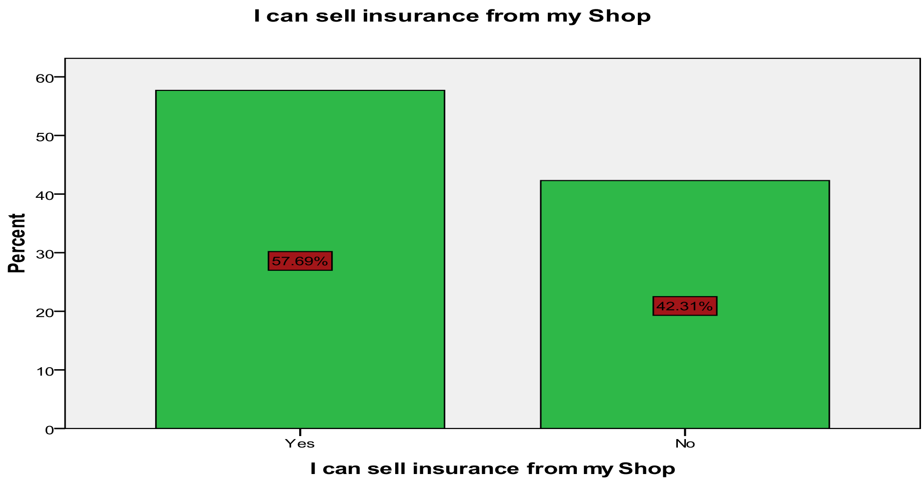

Figure 4.4 Selling Insurance in the Shop

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From figure 4.4 results, 57.69% indicated their intention to sell insurance in the shop and 42.31% did not have the intention to sell insurance in their shops. Table 4.11 below presents the results on the reason for the intention to sell insurance.

Table 4.11 Reasons for the Intention to Sell Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Easy reach of customers	36	19.8	52.2	52.2
	Prevents money loss	2	1.1	2.9	55.1
	Expands my business	17	9.3	24.6	79.7
	Insurance to reach abroad	1	.5	1.4	81.2
	Catering for people needs	7	3.8	10.1	91.3
	Helps settle claims faster	1	.5	1.4	92.8
	Sell variety of products	1	.5	1.4	94.2
	Educate customers on insurance	2	1.1	2.9	97.1
	Larger customer base	1	.5	1.4	98.6
	Customer trust	1	.5	1.4	100.0
	Total	69	37.9	100.0	
Missing	System	113	62.1		
Total		182	100.0		

According to table 4.11 results, 52.2% gave easy reach of customers as reason for intention to sell insurance, 24.6% indicated the need to expand their businesses and 10.1% cited catering for people's needs as the reason for intention to sell insurance. The majority cited easy reach of customers and expansion of their businesses as reasons for intention to sell insurance.

4.2.8 Allowed to Sell Other Products in the Shop

Figure 4.5 below presents the results on whether the respondents were allowed to sell other products in their shops.

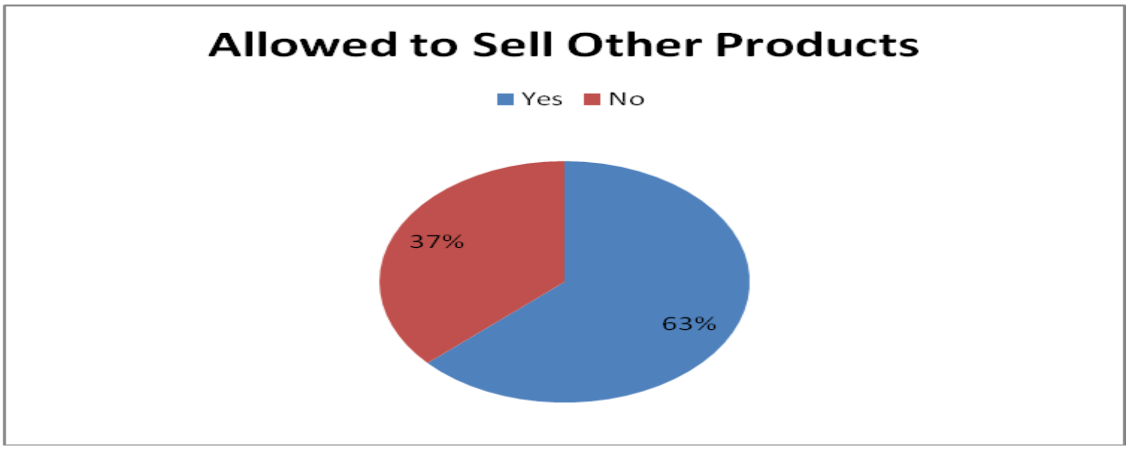

Figure 4.5 Allowed to Sell Other Products in the Shop

From figure 4.5 results, 63% indicated that they are allowed to sell other products such as insurance and 37% observed that they are not allowed to sell other products. The majority were thus allowed to sell other products besides agency banking and mobile money.

4.2.9 Method of Creating Awareness on Selling Insurance in the Shop

Table 4.12 below presents the results on the method of creating awareness on selling insurance in the shops.

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Table 4.12 Method of Creating Awareness on Selling Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Advertisement	78	42.9	55.3	55.3
	Word of mouth	21	11.5	14.9	70.2
	Insurance brochures	36	19.8	25.5	95.7
	SMS to mobiles	6	3.3	4.3	100.0
	Total	141	77.5	100.0	
Missing	System	41	22.5		
Total		182	100.0		

The results in table 4.12 indicate that, 55.3% considered advertisement as the appropriate method of creating awareness on selling insurance, 25.5% reported use of insurance brochures, 14.9% cited use of word of mouth and 4.3% indicated use of short message service (SMS). The majority preferred use of advertisement and insurance brochures in creating awareness.

4.2.10 Method of Follow up with Customers to Purchase Insurance

Table 4.13 below presents the results on the method of following up with customers interested in purchasing insurance.

Table 4.13 Method of Follow up with Customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Phoning them	54	29.7	37.8	37.8
	Discuss next time they come	34	18.7	23.8	61.5
	Help on-boarding at the shop	38	20.9	26.6	88.1
	Send an SMS	16	8.8	11.2	99.3
	Negative response	1	.5	.7	100.0
	Total	143	78.6	100.0	
Missing	System	39	21.4		
Total		182	100.0		

From the results in table 4.13, 37.8% indicated making phone calls as a method of follow up, 26.6% cited helping with on-boarding at the shop, 23.8% indicated discussion next time they visit the shop and 11.2% reported use of short message service (SMS). The majority indicated follow up measures to be, making phone calls, on-boarding at the shop and discussions on next visit by the customers.

4.2.11 Method of Service of Customers On-boarded

Table 4.14 below shows the results on the method of servicing on-boarded insurance customers.

Table 4.14 Method of Service of On-boarded Customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Relying on support from insurer	45	24.7	37.2	37.2
	Employing somebody to service insurance	27	14.8	22.3	59.5
	Use shop resources to service insurance	49	26.9	40.5	100.0
	Total	121	66.5	100.0	
Missing	System	61	33.5		
Total		182	100.0		

From table 4.14 results, 40.5% reported using shop resources to service on-boarded customers, 37.2% cited reliance on support from the insurer and 22.3% indicated employing somebody to service insurance customers. The majority view is that shops can use their existing resources and support from insurer to service on-boarded customers.

4.2.12 Numbers that Can Enroll for Insurance

Figure 4.6 below presents the results on the possible numbers that can be enrolled for insurance by the shops.

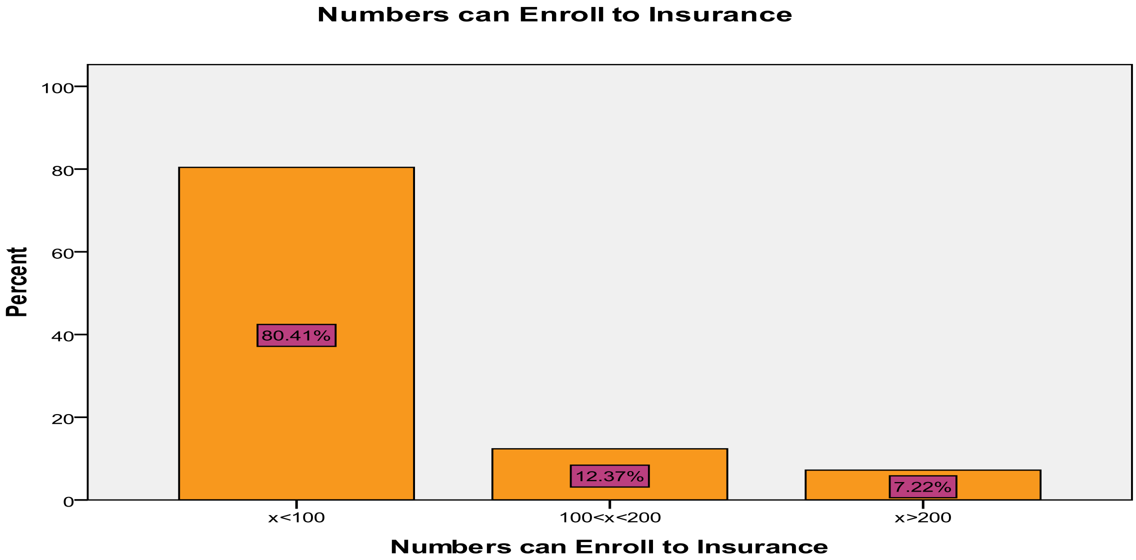

Figure 4.6 Numbers Can Enroll for Insurance

From figure 4.6 results, 80.41% indicated that they could enroll less than 100 customers for insurance, 12.37% projected an enrollment of more than 100 but less than 200 and 7.22% indicated they could enroll more than 200 customers. Most respondents indicated that they could manage an enrollment of less than 100 customers for insurance.

4.2.13 Average Customer Expenditure on Insurance Per Month

Table 4.15 below shows the results on the average customer expenditure on insurance per month.

Table 4.15 Average Monthly Expenditure on Insurance by Customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	x<1,000	38	20.9	38.0	38.0
	1,000>x<2,000	38	20.9	38.0	76.0
	2,000>x<3,000	17	9.3	17.0	93.0
	x>3,000	7	3.8	7.0	100.0
	Total	100	54.9	100.0	
Missing	System	82	45.1		
Total		182	100.0		

From table 4.15 results, 38% of respondents indicated that customers could spend less than Ksh 1,000 per month on insurance, another 38% indicated a projected expenditure of greater than Ksh 1,000 but less than Ksh 2,000, 17% expenditure greater than Ksh 2,000 but less than Ksh 3,000 and 7% indicated an expenditure above Ksh 3,000. The majority believed that the average monthly expenditure on insurance would be less than Ksh 2,000.

4.2.14 Customers Need for Other Frequency of Payments than Monthly

Figure 4.7 below presents the results on whether other frequencies of payments rather than monthly were preferred for customers.

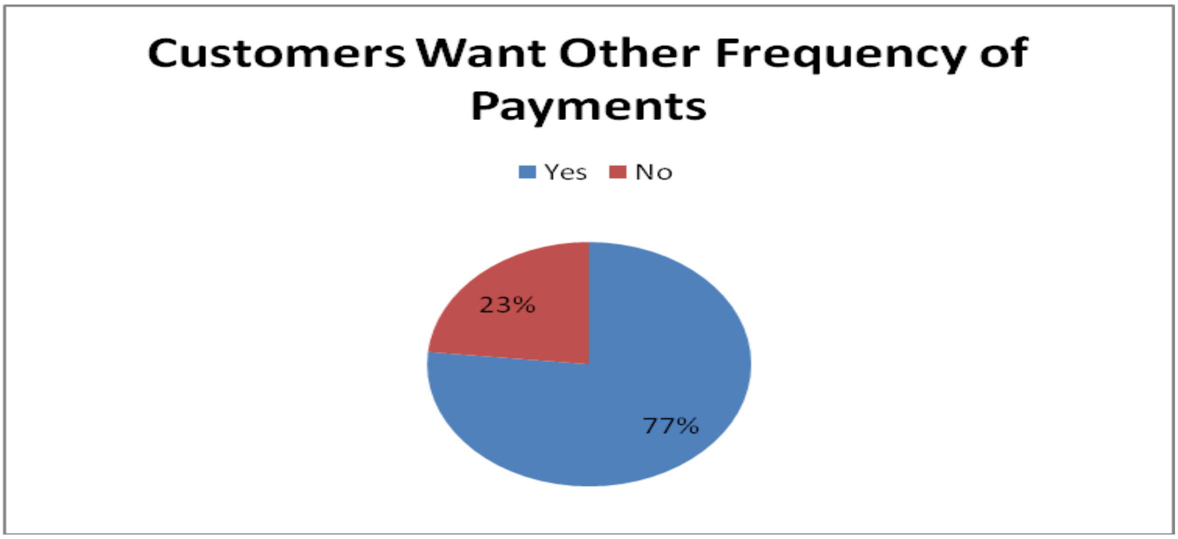

Figure 4.7 Customers Need of Other Frequency of Payments

From figure 4.7 results, 77% affirmed the need for other frequencies other than monthly for payments and 23% did not see need for other frequency of payment other than monthly. Most preferred other frequencies of payments other than monthly.

Figure 4.8 below presents results for the number of customers who preferred other frequency of payments other than monthly.

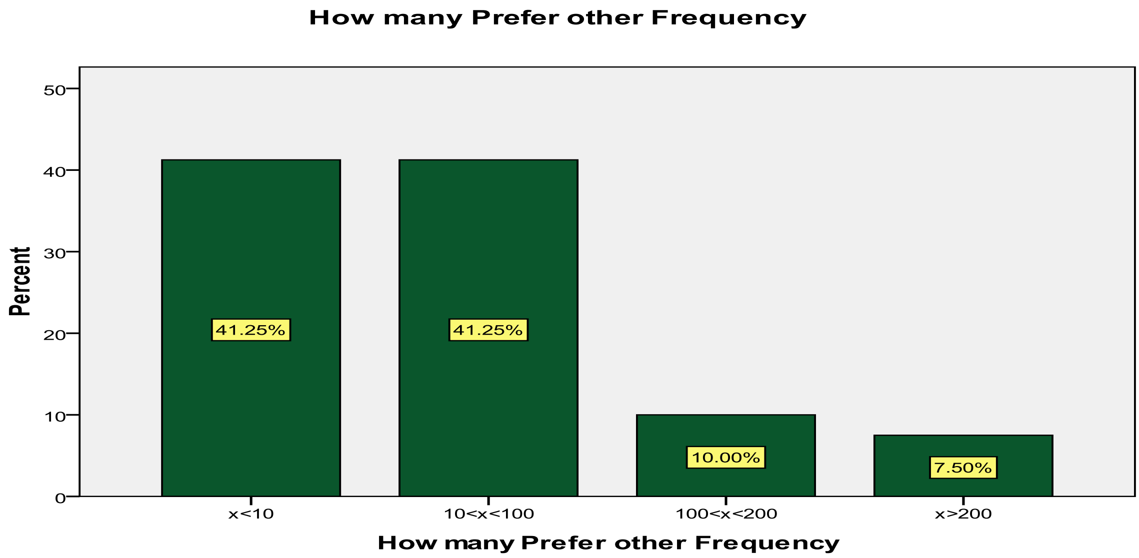

Figure 4.8 Numbers of Customers Preferring Other Frequency

From results of figure 4.8, 41.25% indicated that customers who preferred the other frequency other than monthly less than 10, 41.25% were more than 10 but less than 100, 10% were greater than 100 but less than 200 and 7.5% were more than 200 customers. Most agreed that those preferring other frequency other than monthly were less than 100 customers.

Table 4.16 below shows results of the other frequency of payments preferred by the customers

Table 4.16 Other Frequency Preferred for Payments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Daily payments	31	17.0	25.2	25.2
	Weekly payments	52	28.6	42.3	67.5
	Bi-weekly payments	26	14.3	21.1	88.6
	Negative response	6	3.3	4.9	93.5
	Monthly	8	4.4	6.5	100.0
	Total	123	67.6	100.0	
Missing	System	59	32.4		
Total		182	100.0		

From table 4.16 results, 42.3% preferred weekly payments, 25.2% preferred daily payments, 21.1% preferred bi-weekly payments, 6.5% preferred monthly and 4.9% provided negative response. The majority preferred weekly and daily payments as alternatives to the monthly payments.

4.2.15 Preferred Mode of Claims Settlement for Customers

Table 4.17 below presents the results on the preferred mode of claims settlement to customers of insurance.

Table 4.17 Preferred Mode of Claims Settlement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cash	36	19.8	25.4	25.4
	Mobile money	85	46.7	59.9	85.2
	Bank account	17	9.3	12.0	97.2
	Negative response	2	1.1	1.4	98.6
	Credit cards	2	1.1	1.4	100.0
	Total	142	78.0	100.0	
Missing	System	40	22.0		
Total		182	100.0		

From table 4.17 findings, 59.9% preferred use of mobile money in claims settlement, 25.4% preferred cash settlement, 12% preferred settlement through the bank account, 1.4% cited credit cards and another 1.4% gave negative response. The majority preferred settlement through mobile money for insurance.

5. CONCLUSIONS

The study sought to assess the key considerations for selling insurance by the cash based retailers (agency banking and mobile money agents) on the use of alternative distribution channels for micro-insurance in Kenya.

A majority of retailers had a negative perception towards insurance largely influenced by what they heard from other people. This is important and insurance companies need to be sensitive on handling customers. A dissatisfied customer can inflict extensive damage to the reputation of an insurance company and insurance in general, by sharing with others. On the hand the choice of a particular insurance company was largely determined by faster claims settlement, implying claims is the 'shop window' of an insurance company. Life assurance was considered the easiest to sell with preference to the use of the mobile phone in transacting insurance; this is consistent with literature reviewed in other countries (South Africa, Brazil and India), where funeral covers were the most common.

For ease of selling insurance in the shop, buying from a known and trusted person as well as helping with claims settlement were important. In addition, the intention to sell was influenced by easy reach to customers as well as expansion of business. The implication being that trust and support plays a central role in the distribution value chain

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among the partners. The retailers were allowed to sell other products and preferred support through advertisements and provision of brochures in creating awareness. The shops can use their existing resources to onboard insurance customers as well as carry follow-ups through phone calls and discussions during customer visits. Other frequencies of payments other than monthly should be considered, including weekly and daily payments that are prevalent in the micro-sector. The preferred mode of claims settlement was through mobile money, reinforcing the greater role that mobile telephony now plays in business transactions.

6. RECOMMENDATIONS

The study recommends that since comments by people largely influence the perception of insurance, customers must be handled carefully, minimizing the levels of dissatisfaction and rejected claims. Otherwise, the negative talk will erode trust which is the foundation upon which insurance contracts are built. Therefore partnering with trusted players on the value chain, contributes to a positive perception towards insurance. Prompt claims settlement is another aspect that should be pursued, without simplified and prompt claims settlement; positive perception would remain a mirage.

In addition the study recommends relaxation of the regulatory regime by the Insurance Regulatory Authority (IRA) to allow passive selling by the cash retailers with a supporting call centre of the insurance company. This will allow wide distribution of insurance products through this network but hold insurance companies entirely responsible for all support services. This will address the challenge that most retailers would not be having a certificate of proficiency in insurance (COP), which is a minimum requirement by law to be allowed to sell or distribute insurance products.

The study further recommends full integration of the cash retailers in the value chain to allow all services to be offered at the shop, including claims settlement. Care will however be exercised to avoid explanation of product key features by the cash retailers as this would violate passive selling, calling for regulatory sanctions. With robust information and communication technology (ICT) system and a call centre, passive distribution can be used.

The study recommends further research on the use of credit based retailers, telecommunication and utility companies, and third party payment platforms as alternative distribution channels for micro-insurance in Kenya.

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