



The next generation customer

Kenya Insurance Survey Report

KPMG Annual East Africa Insurance Survey

KPMG East Africa Insurance

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Forward

Insurers are no strangers to change. Even so, the past decade has been fairly tumultuous: new and more stringent regulatory requirements, changing customer demands and expectations, increasing competitive pressures and disruptive technologies and business models are all combining to create an era of unprecedented change for the insurance sector.

We believe that if insurers are going to thrive in this new world they will need to make fundamental changes to virtually every part of the business. Success will not come from simply tweaking the status quo.

This report brings together keen insights, valuable tips and fresh survey data to help insurers in Kenya achieve the value they expect from their business agendas. From anticipating market disruption, to using predictive analytics to address claims and underwriting challenges, all with one purpose in mind, to provide the best customer experience possible.

I hope that this publication provides insurance executives with new insights, practical advice and — most importantly — renewed confidence to boldly move forward and embrace the changes around them, now and in the future.

To learn more about the data or the findings in this report, we encourage you to contact your local KPMG advisor



Gary Reader
Global Head of Insurance



Disrupting the market

Insurance is a unique product. It is bought based on a promise and as it is something you cannot see or touch, it is hard to convey its true value.

Customer care and execution therefore is not just at the moment of truth – when it comes to a claim – it is at the stage of product design, pricing and underwriting.

Looking at the customer, all in all I consider some positive trends in the sector have been revealed in the survey. There is a maturity in underwriting risk and conduct risk but gaps remain in driving lifestyle insurance and leveraging on technology to maximise delivery.

Turning our attentions to the future, given the ever changing insurance landscape, the opportunity is on for insurers to disrupt the way they manage their customers.

The winners are the insurers who invest and believe in taking customer care to the next level and creating the next big thing for their customer.



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The race is on

Unique dynamics are playing out in the East African insurance sector.

Greater awareness of insurance and greater demand for products are driving changes; from mergers, consolidations and new entrants; alongside proposed new regulations. This is underpinned by changing distribution channels - how insurance is sold, driving greater financial inclusion. Insurer's reputations are now on the line. Reputation is the biggest asset and takes the longest to build but in today's instant world, the fastest to go. The regulations are designed to enhance the sustainability of the sector through greater protection for the customer.


As more people access insurance, so insurers are servicing larger customer bases in new ways with new mind-sets and customer care is the new battlefield.

The reality is every customer - a new customer, a loyal customer, from the village or the town - should be treated the same; that is fairly with a consistent outcome each and every time. This is application of conduct risk principles which is a new concept in East Africa.



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Without customers there is no business and the newest challenge for any East African insurer is how to increasingly look after their customer to get this consistent and fair delivery. Insurance is a product you cannot see, touch or feel. What the consumer buys is peace of mind and protection in the event there is a claim. So in many ways they are buying a service they do not want to use but need to have. That is not to say each and every claim should be paid. The key is managing a claim quickly, fairly and transparently to ensure the right decision is made. Not all claims are covered under the policy and not all are valid and we can play a key role in this delivery through capacity building risk frameworks and integrating technology and analytics. Any insurer who does not embrace customer care is in difficulty. It is a way that insurers can differentiate themselves and if everyone in the organisation, from the receptionist to the CEO give 1% extra they will all reap the rewards.

Customer care has several facets:

You do not get a second chance to make a first impression!

It is therefore visual. An attractive broker or insurer's office will create a warm impression; well dressed and friendly staff will keep that impression going; a handshake, a smile and above all timely delivery- do not keep the customer waiting.

It is also technical - insurers cannot bamboozle customers with small print and jargon - less is more when it comes to the products. So customer care is about breadth, knowledge and geography - insurers must understand their policies, be able to explain this simply and be able to know the unique emotional and cultural sensitivities. Making an insurance claim is stressful so there has to be a balancing of empathy and the right outcome- this is what makes up the customer experience.

It is a culture. It should be the number one strategic priority of any CEO and the whole company should be built around the customer. This runs from product design, service, and claims. It covers everything from policy wording, call scripts, letters, complaints and litigation. The culture of customer care should be automatic and unconscious.

The way forward is to marry innovation and technology with conduct risk principles - therefore Insurers who use social media and technology to monitor customer satisfaction proactively (not reactively after the customer complaint has gone viral) and who use predictive underwriting to design exciting, well balanced products to make a difference will win this battle.

With proposed harmonisation of EAC regulations, customer care is climbing the agenda. The race is on and East Africa can look forward to more products, more innovation, and service with a smile.

We have a critical role to play in supporting the sector in developing a truly customer centric culture that will drive greater sustainability and the 360 degree view that drives innovation, products, pricing and delivery.

Insurance in Kenya

Kenya represents East Africa's best developed insurance market and the region's financial focal point. It is the market leader in the region with 3% insurance penetration and a highly competitive market comprising of 51 companies.

In 2015/16 the insurance industry had gross premiums of \$1.75bn with General insurance business forming the bulk of it. Kenya's insurance regulatory system is also the most mature in the region e.g. Risk Based Supervision and a framework that is being replicated in other regional countries.

In the recent past the country has major regulatory changes, we have seen major changes in IFRS insurance, FSA and conduct risks and solvency II.

Key developments

- 1 Deepening financial inclusion:** In its bid to be the leading financial center in Sub Saharan Africa, Kenya has introduced the Financial Services Authority Bill. If passed, this law will ensure the creation of a super financial services regulator by combining the IRA, RBA and CMA. With a centralized regulator, this is expected to strengthen the overall regulation and integration of the sector. *(2016, Kenya budget brief – KPMG)*



- 2 Claims pay-out period, Following the announcement of the 2016/17 budget.** In a move that favors policy holders, the government has reduced the maximum time in which an insurance claim should be settled from 90 days to 30 days. *(2016, Kenya budget brief – KPMG)*

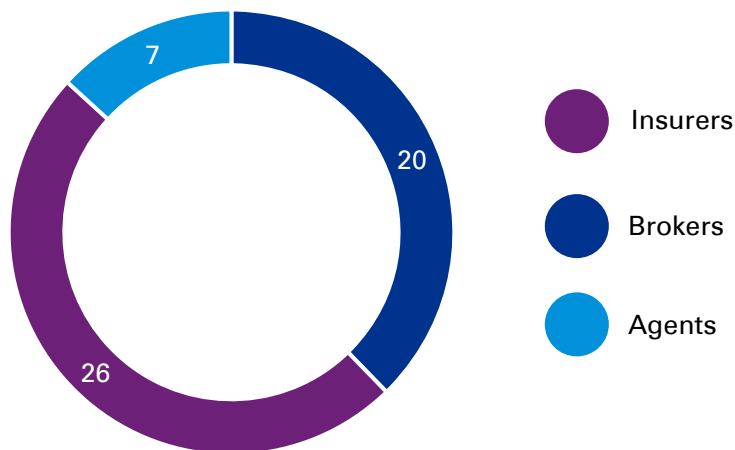


- 3 Distribution:** TIA which is the first Islamic insurer in East Africa. Also, in recognition of the current developments in the insurance industry, the government proposes to properly house Sharia compliant or Takaful insurance products in the Insurance Act. *(2016, Kenya budget brief – KPMG)*

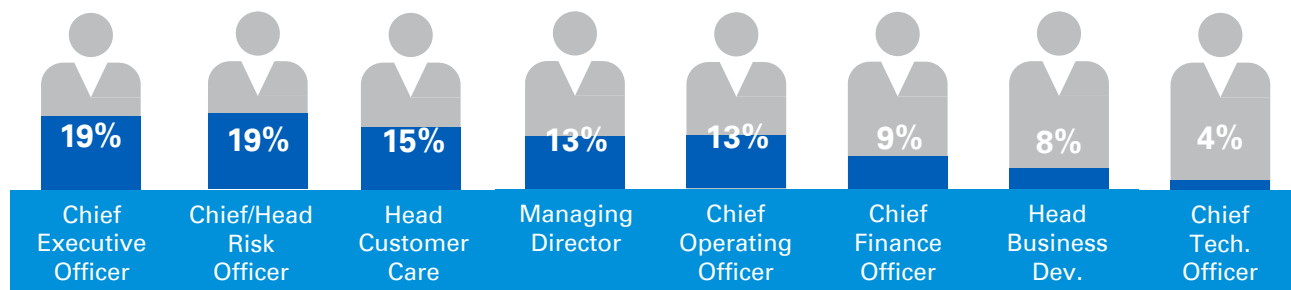


About the survey

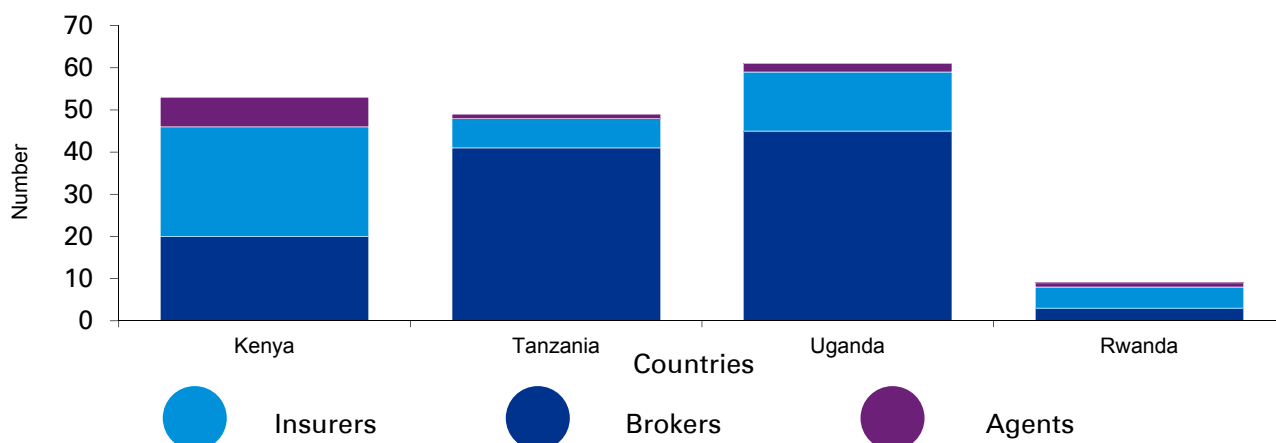
This survey was open to all insurers, brokers and agents in Kenya and East Africa. The subsequent country reports are based on the findings of this survey.



Profile of survey respondents



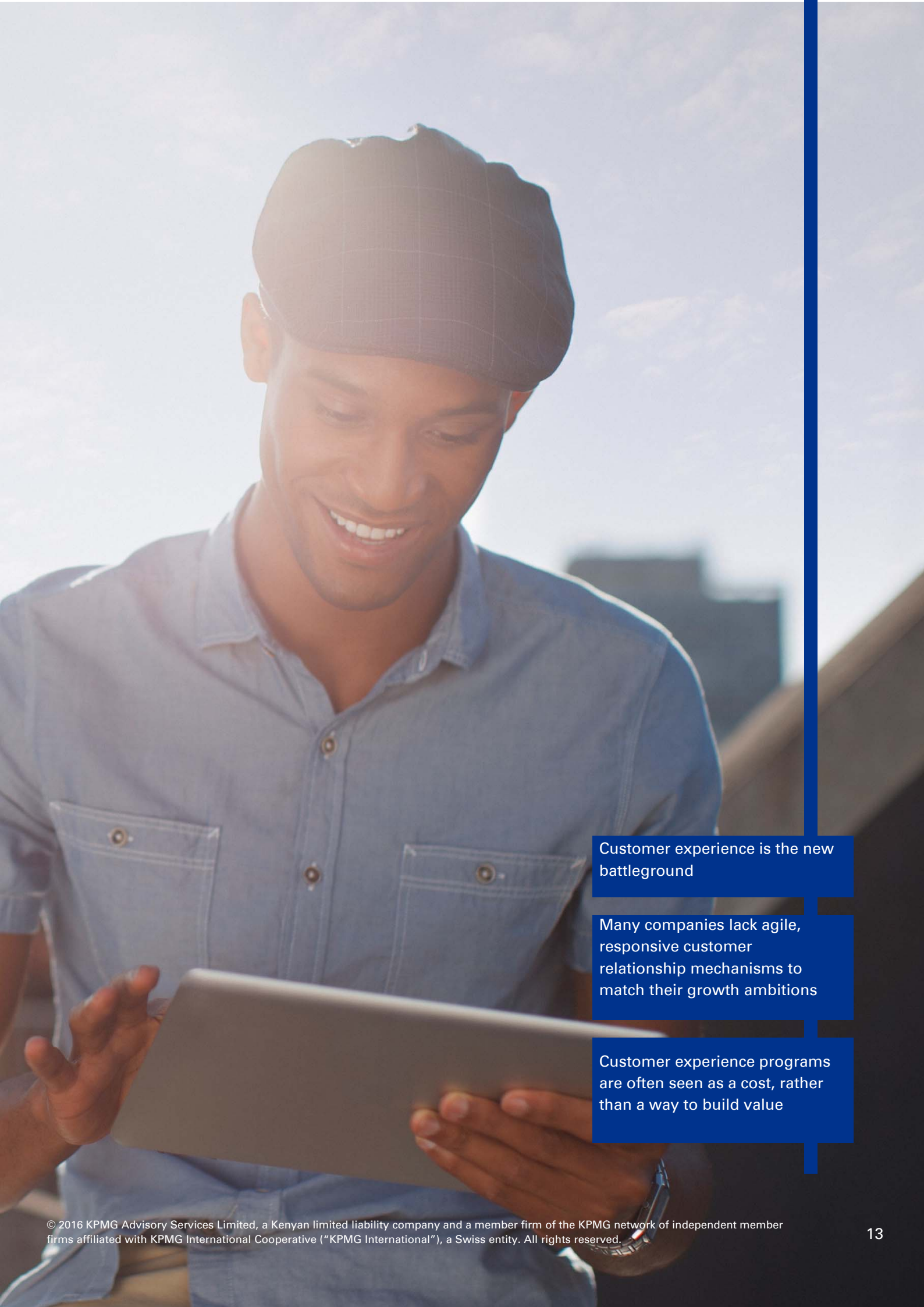
Benchmarking Kenya against other East Africa countries



Customer experience

Managing the customer experience

What gives
you that
competitive
edge in the
race to the
customer?



Customer experience is the new battleground

Many companies lack agile, responsive customer relationship mechanisms to match their growth ambitions

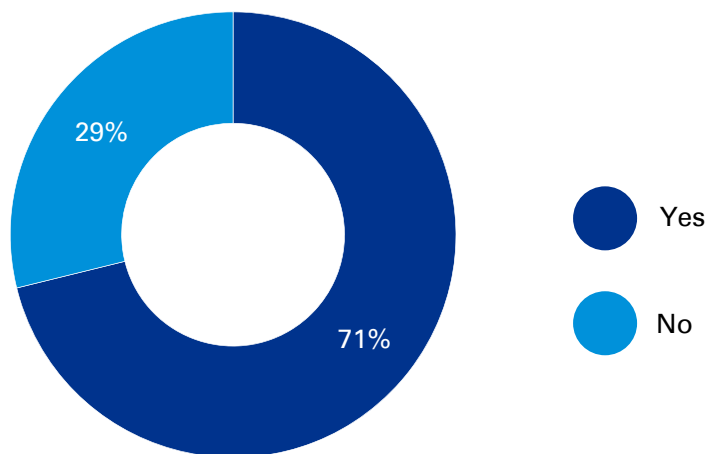
Customer experience programs are often seen as a cost, rather than a way to build value

Understanding the customer

Placing the customer at the heart of the insurance organisation is a key strategic priority.

Our survey results reveal that a majority of stakeholders in the sector carry out customer surveys. This is a positive but carrying out surveys is not alone sufficient , the findings must drive strategic and operational development.

Q: Do you carry out customer satisfaction surveys?

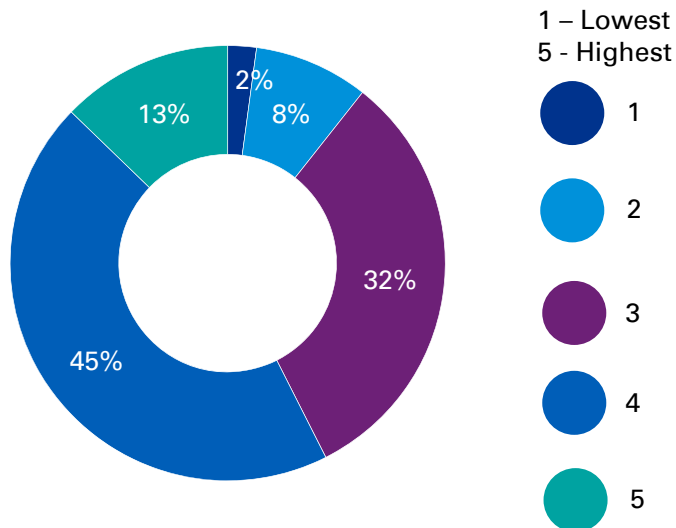


Your customer care rating

Self assessment is vital in positioning decisions and actions. It is important to carry out internal and external benchmarking and use this to build customer centricity.

Our survey results reveal that over 80 percent of organisations are not confident that their customer care is the best in the industry. Of concern is 10 percent believe that their customer care is below average. How can we improve this?

Q: How do you rate your customer care?

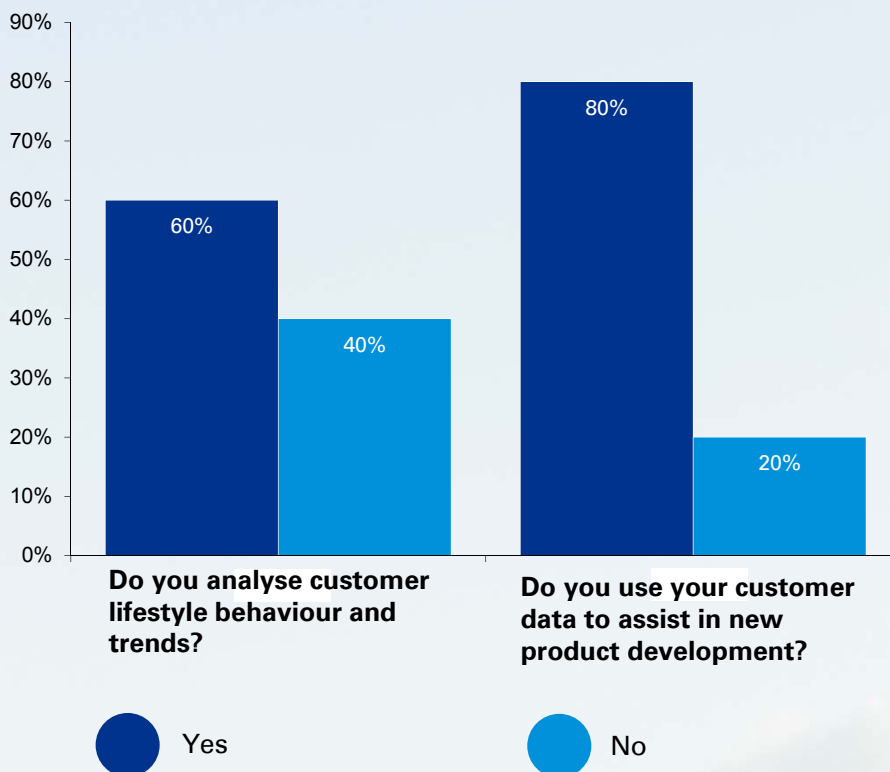


Analysing the customer

The customer data and insights organisation collect should not only be used for overall strategies and product development. Organisations need to leverage on this data to foster their day to day interactions with the market.

We asked organisations a series of questions inclined towards using your customer data to serve the market and this what they said.

Our survey results reveal only 60 percent of organisations leverage on customer data; when conducting day to do sales and relationship management. However, when compared with product development, findings from the survey show that 20 percent more organisations leverage on used data in product development.





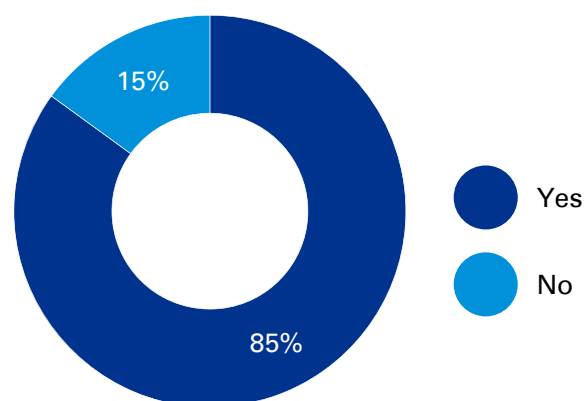
Offering a great customer experience is not only inclined to a range of services and a good relationship framework. Organisations need to be able to analyse the customer lifestyle, trends, hobbies and behaviours. An organisations that takes this into consideration is able to identify services that are customised to a specific customer.

Analysis of the customer data and benchmarking will drive innovation and disruptions. This will optimise product development.

There is sharp contrast as organisations surveyed revealed that 85 percent of organisations surveyed use customer data when forging the company overall strategy. It was also revealed that 15 percent do not use customer data when forging strategy.

This shows a potential gap in how to best use customer data to balance need and maintain customer relationship.

Q: Do you use your customer data to support your overall strategy?



KPMG discussions

In managing customer relationships, our survey revealed that gaps exist between using the customer data for day to day selling and relationship management and using customer data for overall strategy.

The bottom line is organisations need to empower the integrated process owners. It is not enough to develop innovative targeted products and fail in delivery.

The next generation customer wants a relationship manager who understands their needs interests and offer services that support, enhance and protect their pursuits.

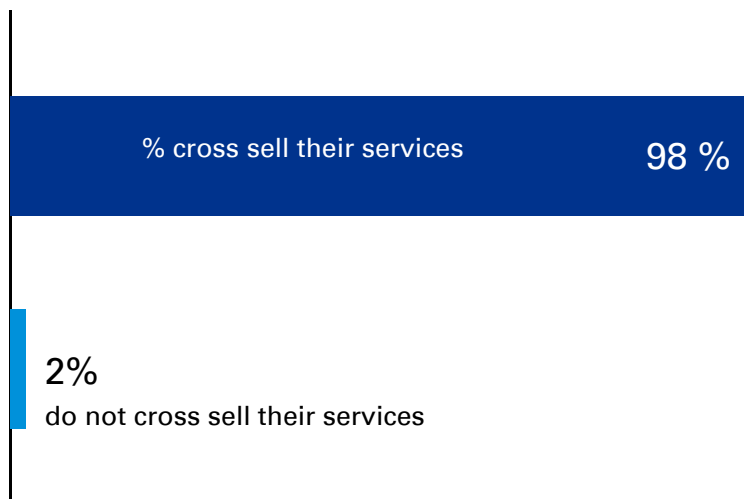
cross selling

As external market factors add more pressure and customer understanding and demands grow, cross selling services within the organisation is critical. This is a key aspect any organisation that wants a one stop shop for all their insurance needs.

In addition to developing a myriad of insurance products it is critical that these services are not treated in isolation but as one package to serve and support the customer. This is with an understanding of if you design a product how will you serve your customer.

The good news is in Kenya this seems to be very well developed, as according to our survey, 98 percent of organisations proactively cross sell their services. It is crucial that the industry targets to close the remaining 2 percent gap.

Q: Do you support cross selling of products?



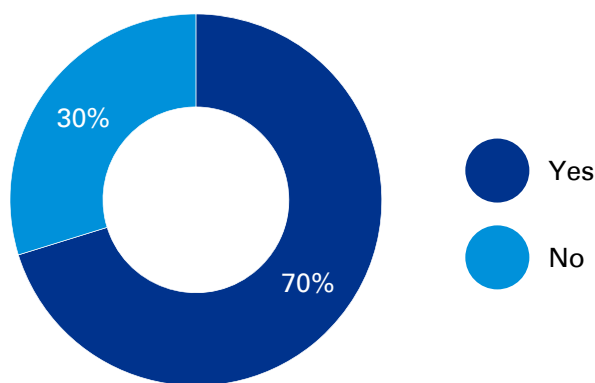


Predictive underwriting

Predictive underwriting is a critical stage in developing business intelligence and leveraging new products and managing risk. It is about using your customer knowledge to optimise future decisions.

Our survey revealed that 70 percent of organisations facilitate predictive underwriting based in data collected from sales and claims made. This is a positive response and provides a good base to develop as distribution changes.

Q: Do you facilitate predictive underwriting based on sales or claims?



KPMG insights

“ You must listen to the voice of the customer. It should not just be after the event, for example a claim but also in product development and through the cover process. This creates a customer for life. ”

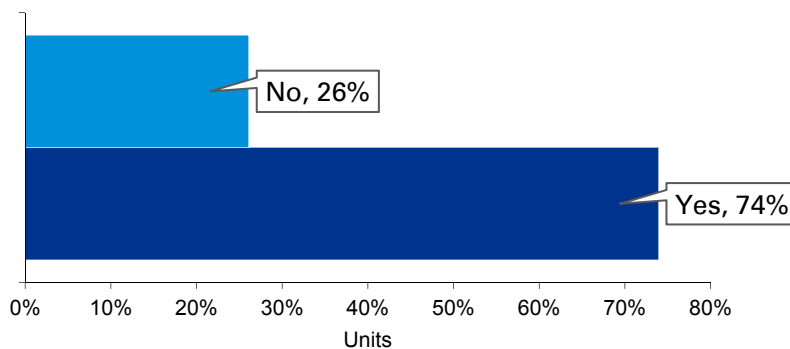
James Norman
East Africa Market Lead – Insurance

Auditing your customer experience

To improve your customer experience, audit review is vital because it gives you assurance of what is good and highlights how to improve.

Our survey results reveal that a majority of stakeholders in the sector audit the customer experience. The questions to consider are how the audit review is done and the frequency of the review.

Q: Is the customer experience part of your audit review?



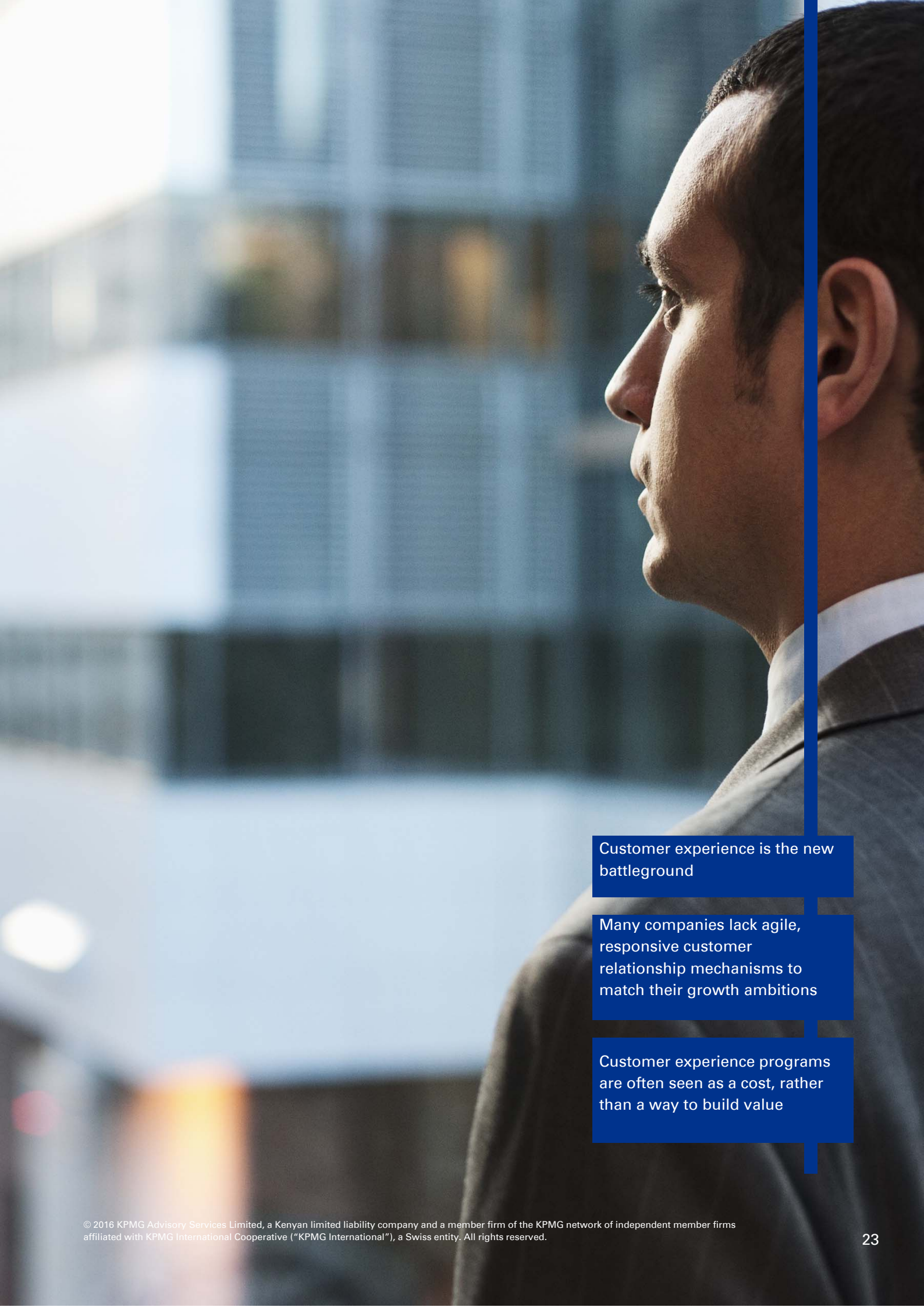
KPMG insights

“Auditing the customer experience is key to ensuring the overall customer journey is one that is positive. This increases the chances of policy renewal and cross selling. To succeed, customer satisfaction must be built on a robust control environment with ownership, accountability and regular testing. ”

David Leahy
Partner – Risk Consulting

Managing the customer

What is the biggest challenge in customer care management?

A man in a dark suit and white shirt is shown in profile, looking out of a window. The background is a blurred city skyline with tall buildings and some greenery. The lighting is soft, suggesting an indoor setting with natural light coming from the window.

Customer experience is the new battleground

Many companies lack agile, responsive customer relationship mechanisms to match their growth ambitions

Customer experience programs are often seen as a cost, rather than a way to build value

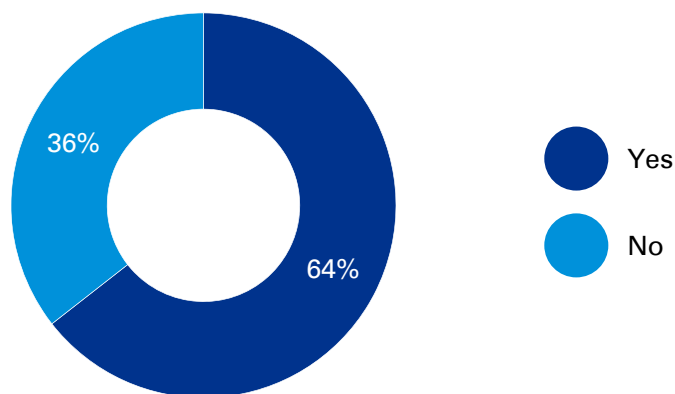
Customer care framework and philosophy

The questions in the boardroom should be: What is your customer care philosophy? What do you believe your goals should be when serving your customers directly or indirectly? Are the organisation customer care procedures, structure and framework working for you?

It all begins with a simple philosophy, mission or value statement – customer centric in nature. This translates into functions, procedures and a defined strategy and framework. But does everyone have a customer care philosophy or framework in place as a foundation and one that cuts across marketing, underwriting, claims and finance?

Our survey reveals that organisations have an overall philosophy and structure but lack in defining a customer care philosophy. Only 64 percent of organisation surveyed said that they have an existing customer framework in place. Having one in place is the first step.

Q: Do you have a documented customer care framework and philosophy?



Your key aspect in customer care?

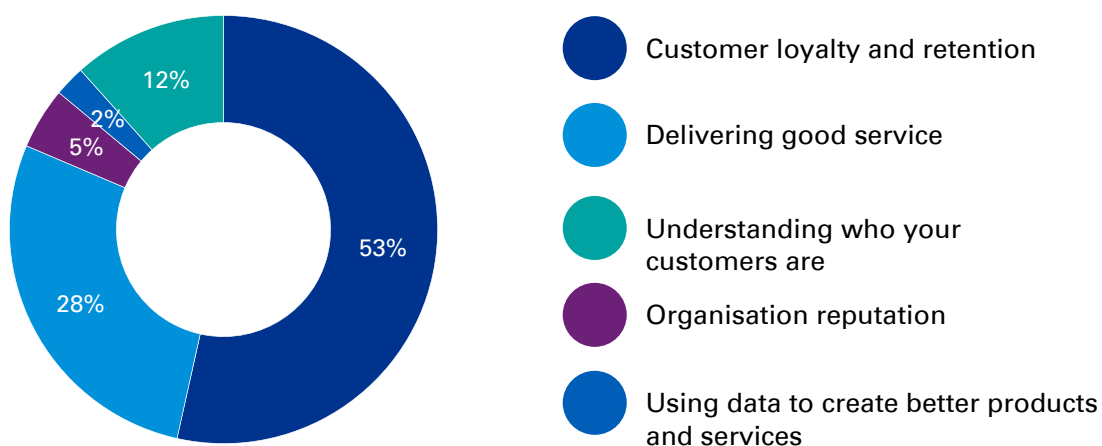
There are a range of issues that keep insurance executives up at night. From delivering good claims to understanding the needs of the market for new products.

In our survey, we asked organisations to rank the following aspects of customer care; customer loyalty and retention, delivering good service, organisation reputation, using data to create better products and services and understanding who your customers are.

The survey revealed that 5 in 10 organisations are more concerned with customer loyalty and retention. In comparison only 1 in 10 or organisations are interested in understanding their customers. This finding echoes back to an earlier conclusion that organisations are not paying key attention on customer lifestyle behaviours and trends. It is important that organisations prioritise on understanding who their customers are, as this will help them manage their existing customers and attract new customers who seek a partner who not only sells an array of products but understand them personally.

More worryingly, only 2 percent of organisations consider data as key in customer care management. Data is the future of any insurer and needs to be used to gain advantage.

Q: What is the most important aspect of customer care in your organisation?



Biggest challenge in customer care

In a growing competitive market there are many challenges that organisations face in regards to customer care management.

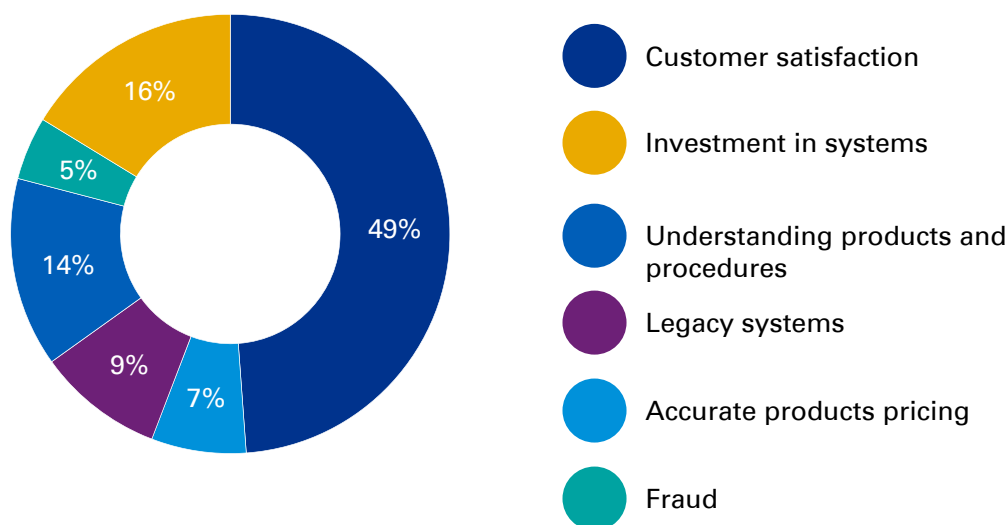
We asked organisations to rank a selection of these challenges that affect them internally and externally impeding their business; Customer satisfaction, Accurate pricing, Legacy systems, understanding products and procedures, Fraud and investing in systems.

The survey revealed that 49 percent of organisations view customer satisfaction as the biggest challenge. This statistic shows that it is evident the customers are not happy of organisations level of customer care, and organisation as seen earlier are prioritising retaining the customers they have as opposed to creating a conducive environment for customers to choose them.

The next generation customer is more inclined towards an organisation that can provide a one stop service centre for all their needs and offers the highest possible level of customer relationship service. Evidently 13 percent of organisations also say there is challenge for market to understand their products and services. Good centricty drives loyalty. This is why it is key for organisations to leverage on customer data in new product and service development.

Surprisingly, only 5 percent of organisations deem frauds as a major challenge.

Q: What is the biggest challenge in customer care management?





Conduct risk framework

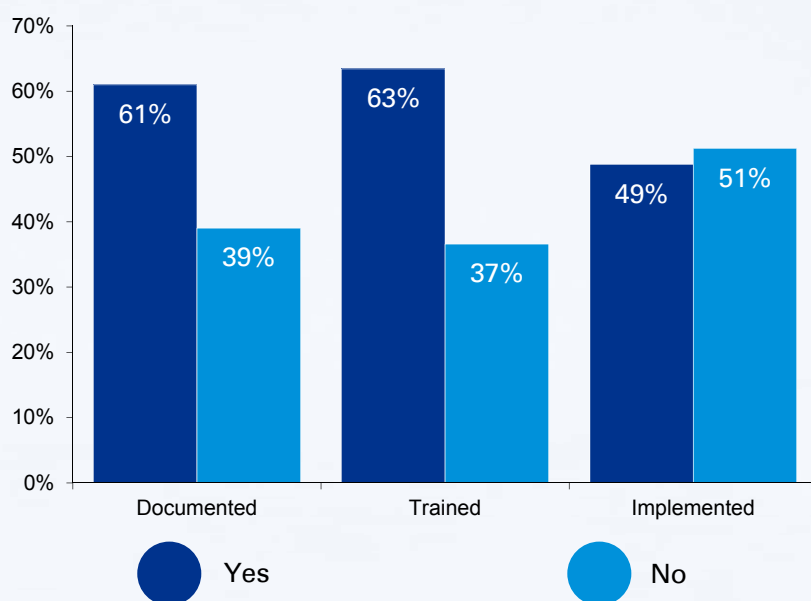
Conduct risk is a cultural and paradigm shift that requires the modern insurance organisation to place the customer at its heart. An organisation's conduct risk framework is not enough, the framework has to be documented, trained and applied.

The survey revealed that 61 percent of organisations have a documented conduct risk framework. 63 percent said their conduct risk framework is trained and only 49 percent said it is implemented.

This is a positive step in overall maturity, most organisations train their employees on conduct risk but do not give enough focus to be truly embedded.

Implementation is key, the survey shows that less than 5 in 10 organisation have implemented a conduct risk framework. This greatly exposes organisations to all aspects of conduct risk.

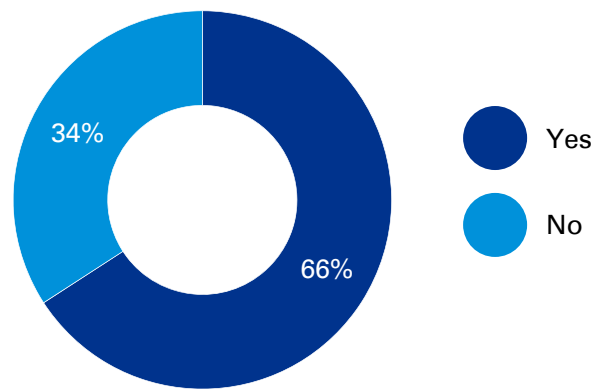
Q: Do you have a conduct risk framework that is?



Training is a core pillar of any successful organisation. The complex components of insurance means that we have multiple customer touch points from underwriting to post claims.

According to the survey, 66 percent of organisations train their staff members on customer care and reputation. This needs to improve. The training must be regular and organic as the customer needs change.

Q: Are your staff regularly trained on customer care and reputational risk?



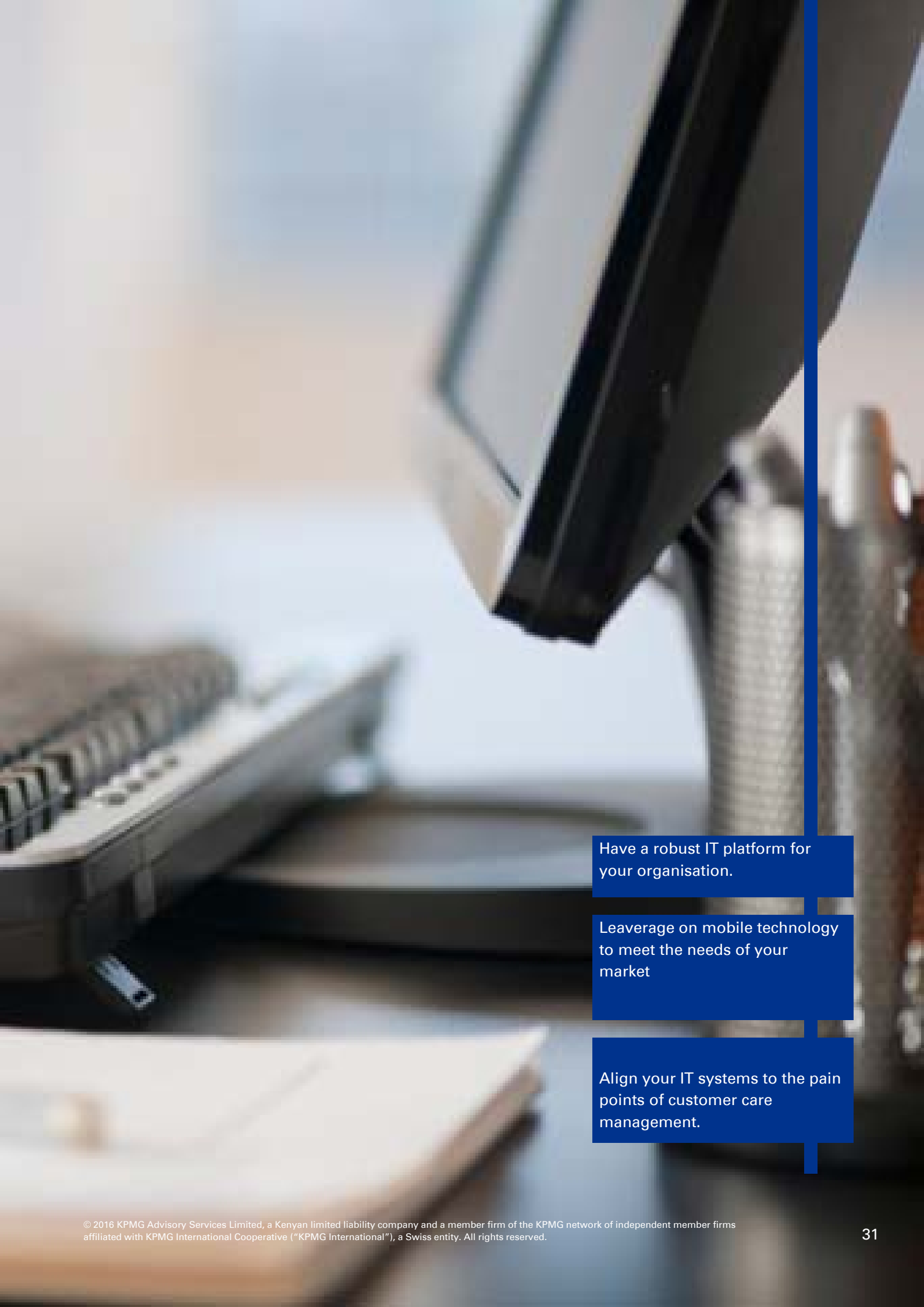
KPMG Discussions

Good training drives empowerment of staff and continuous excellence. The training must be integrated so insurance organisations don't view the component parts in isolation.

How often is it done and how often is the content updated are points for the organisation to consider.

Leveraging on technology

Why do so many organisations view implementing and aligning their IT systems the greatest challenge?



Have a robust IT platform for your organisation.

Leverage on mobile technology to meet the needs of your market

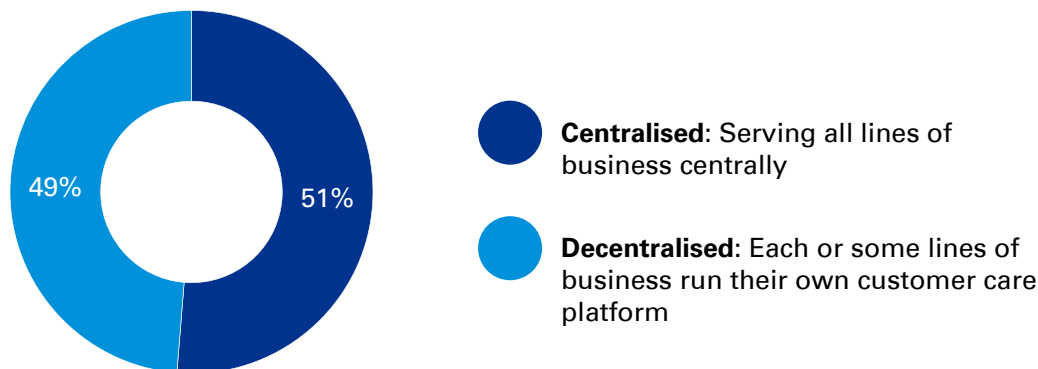
Align your IT systems to the pain points of customer care management.

Your IT systems

IT systems are critical in customer care management as they cut across all operational and financial processes. Organisations need to seek to centralise their IT systems for easy flow of data from one function or process to the next. This gives the organisation an integrated customer platform.

Our survey reveals that 51 percent of organisations have centralised system. This is critical for information management.

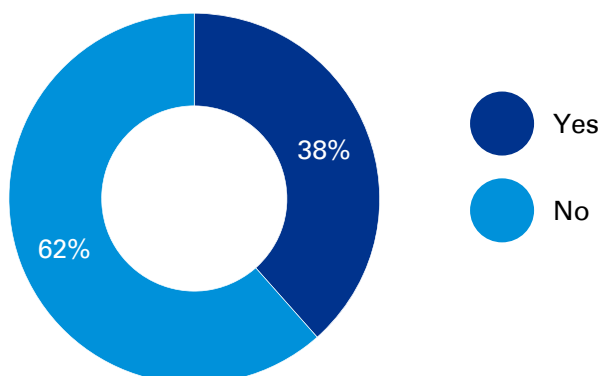
Q: Is the IT system or platform running your customer care function centralised or decentralised?



It is not sufficient to have IT systems to serve your customer care processes. These systems ought to be efficient, deliver value, align to your organisation goals and above all serve the key customer focus areas.

Alarming only 38 percent of IT systems in organisations are viewed as integrated and covering the key areas of customer care. Organisations need to take this to perspective and evaluate their existing systems to determine their value in optimising customer care. It is crucial to reduce customer touch points.

Q: Is your IT system integrated to align with customer touch points from sales, service to claims?

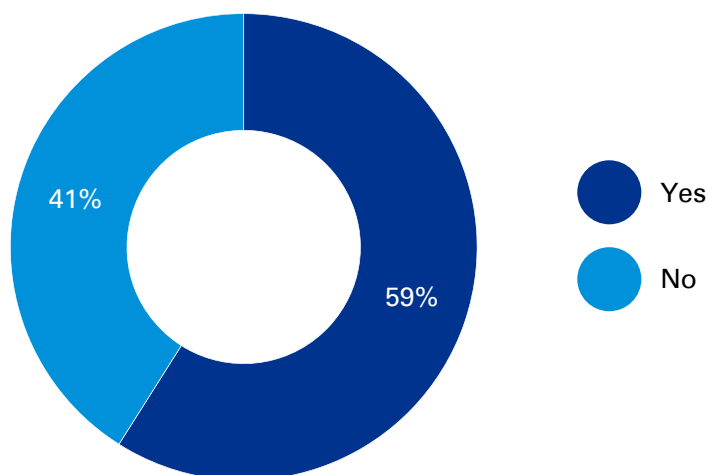


Mobile technology

With the advent of the mobile customer and a changing distribution landscape the next generation customer want to be able to be able to transact and access products and services on the go. The customer wants to be able to report claims, access products and services on the go.

Our survey shows that 59 percent of organisations have embraced mobile technology as part of their operational model. More effort needs to be made to ensure that the remaining 40 percent of organisations follow suit. It is worth noting that, it is not enough to assimilate mobile technology, insurance executives need to ensure that these models deliver value to the customer and change the customer.

Q: Do you use mobile technology in your IT customer care operational model?

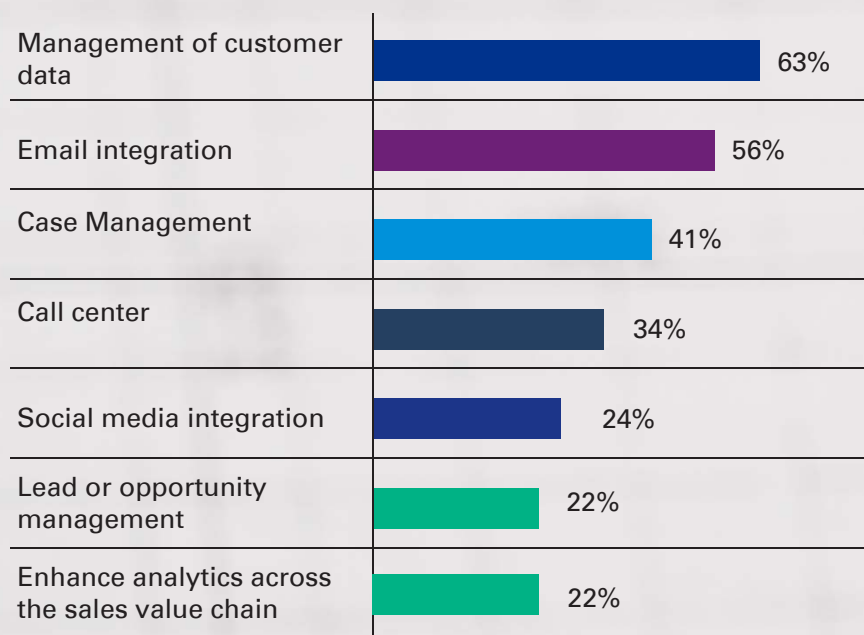


Your IT platform functionalities

IT platforms supporting customer care in organisations have a range of functionalities. Some are broad and diverse covering the whole value chain while most seem to focus on only a number of functions. Either way the best platform is not the one with many functions, but the one which can meet the demands of the customers and market.

According to survey respondents, the top three functions supported by IT platforms include Management of customer data (details and product information), Email integration and Case Management. It is key to note that surveyed organisations are not keen on qualitative functionalities such as analytics and lead management, which take the back stage.

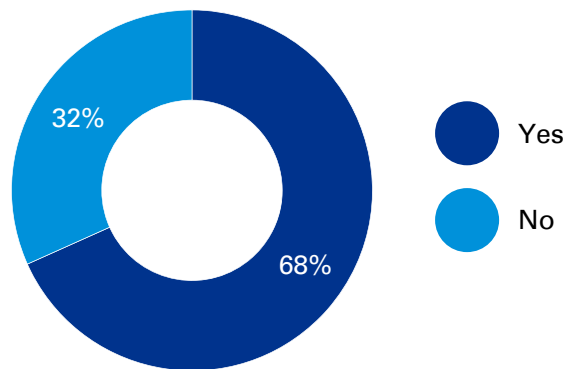
Q: What functionalities are supported by the IT platform that runs your customer care function?



As a positive example of innovation according to the survey, 68 percent of organisations use social media to enhance customer service and brand management; leveraging on technology to optimise.

More efforts need to be taken to ensure that quality customer services is delivered in social media such as products and complaints management.

Q: Do you use social media to enhance customer service and reputation of brand?



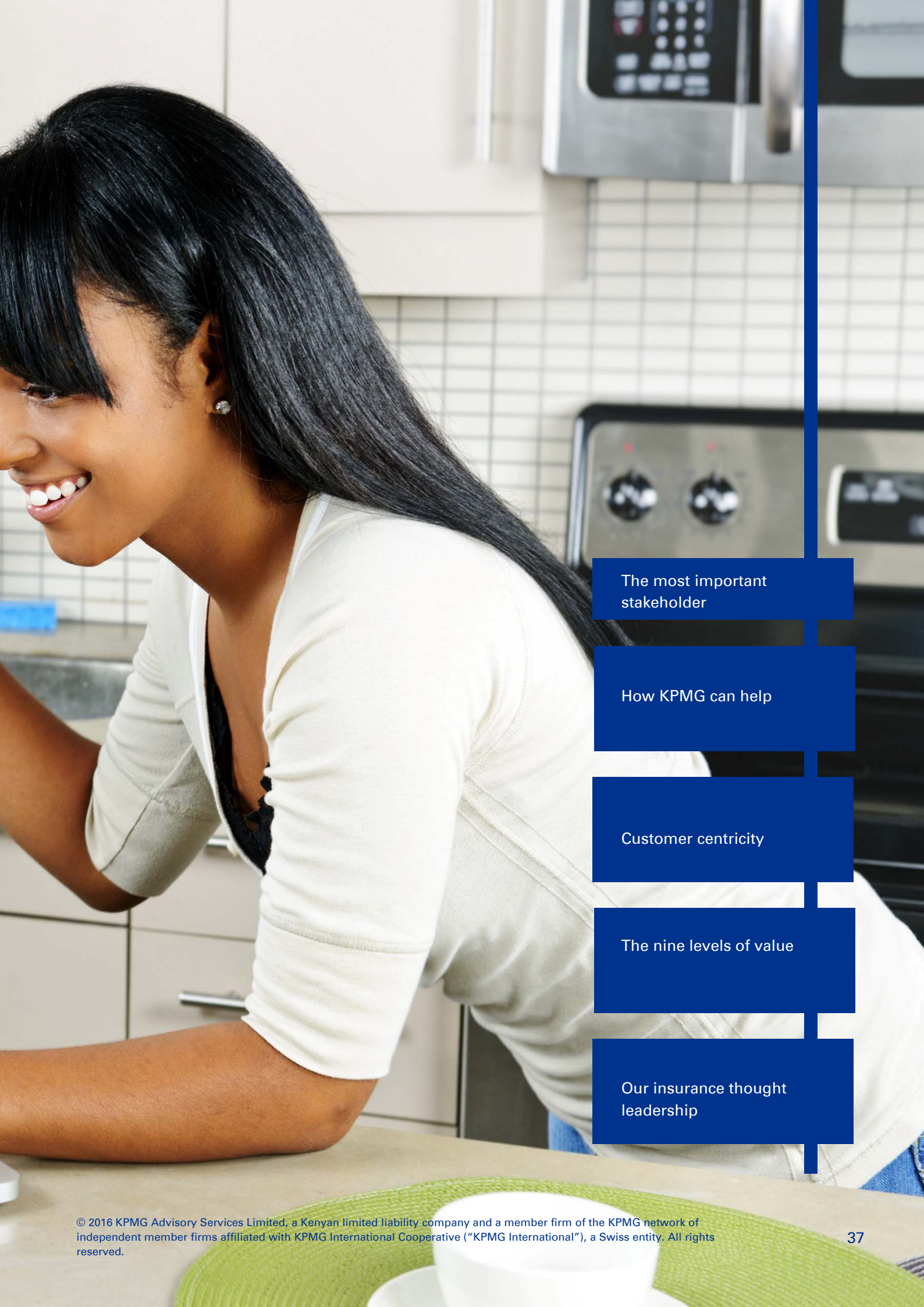
KPMG Insights

“Data analytics and a coordinated business intelligence strategy is the key to unlock and solve all the pain points related to customer care management. Its not about how many systems or tools you have, the bottom is are these tool's delivering value to your organisations?”

Systems can be used to support all aspects of insurance from pricing to claims management. With the changing regulatory environment now more than ever insurance organisations need to invest in this area. ”

Brian DeSouza
Partner, Risk Consulting

Additional information



The most important stakeholder

How KPMG can help

Customer centricity

The nine levels of value

Our insurance thought leadership

Key stakeholder

Unsurprisingly, our survey revealed that that 89 percent of organisations value the policy holder or existing customer as the most important stakeholder. A lower 8 percent and two percent respectively believe the members of staff and society viewed as most valued.

All stakeholders are important and customers are rightly seen as the life blood. It is key to balance the demands and expectations versus your business goals and strategy.

Q: Who is your most important stakeholder?



Driving the agenda for optimisation and transforming through innovation.



How KPMG can help

Your IT systems

KPMG's specialists know where to start the digital journey. We prioritize on key functionalities to help you adopt or build customer-embracing technology systems that can adapt swiftly to changing customer needs.

Manage your conduct risk

Our professionals can help you document, train and implement conduct risk as part of your integrated ERM processes. We can help you access your organisations to ensure that your processes manage or mitigate any risks in the market.

Manage customer data

With a wide range of data analytics options, we help you find the most appropriate means to analyse and make use your data to match customer specific needs and accelerate the return on investment

Make it stick

Our commitment doesn't end after your information systems and frameworks are up and running. Our established and well-proven methods provide sustainable benefits, allowing continuous audit and assessments to continually evolve your processes to meet your business needs and changing market conditions.

Capacity building

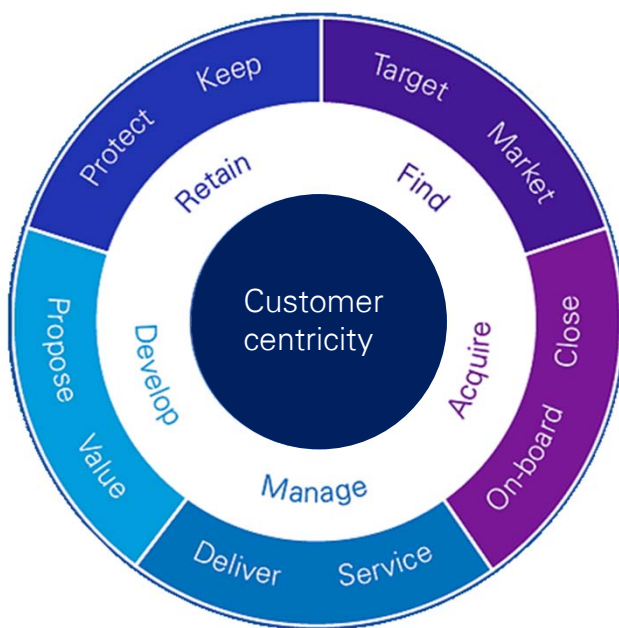
We will build up your people and processes through training on reputation risk and customer care and excellence

Process reviews

We will help you review your operational and GI processes to optimise value.

Customer centricity

Experience suggests that insurers either fail to properly assess what their future state should look like or, they fail to adjust their vision of the future state and the steps needed to get there, as the world around them changes. This is often because companies are too focused on achieving specific outputs (such as the current hype around digitalization or, cutting costs) rather than outcomes (such as the delivery of a truly differentiated customer experience or strengthening the customer care frameworks).



Smarter companies benefit from spending more time early on thinking through what they really want to become, what change outcomes they really need and the philosophies they need to implement.

This clarity makes it much easier to rationalize their change portfolio and reduce the huge opportunity cost of trying to do too many things, allowing them to de-clutter the noise and 'pet projects'.

The right framework, controls and monitoring processes also need to be put in place to ensure that, when things change in the marketplace, they are able to pivot their change portfolio quickly. (Source: KPMG international. 2016)

Nine levels of value

The nine levers of value

(Source: KPMG International, 2016)

When we work with insurers to help define their future state business and operating models, we often walk executives through our '9 levers of value' perspective. This approach facilitates a holistic view of the organization, allowing executives to understand both scope of transformation envisaged and relative impacts of the organization.

The process starts with a review of the organization's financial performance targets and an evaluation of the potential market, proposition, brand and client options.

Core business processes such as product development and management, business development, client service models, communication and operational processes are reviewed and aligned between the business model and the operating model.

The 9 levers of value also put emphasis on the operational and technology infrastructure, organizational structure and governance, and people and culture to ensure that the delivery of propositions and the management of clients is cost effective and efficient. Incentives and measurement are then aligned to the business and operating models.

No two companies pull the levers in the same way or in the same combination. However, each lever is critical to consider and to adjust. Insurers will need to understand how each lever influences their change agenda and create their strategy accordingly.

Nine levers and questions to consider

Financial outcomes, structuring, investment and capital allocation: What are the 3–5 year financial and strategic objectives and key indicators?

Markets: Does the current portfolio of businesses maximize likelihood of attaining performance targets and strategic objectives?

Propositions and brands: How should the portfolio of propositions and brands evolve over time to deliver on financial and strategic objectives?

Clients and channels: What changes to the operating model can enhance customer/channel performance?

Core business processes: What are our priority business processes to deliver the financial outcomes and a high-performing business model?

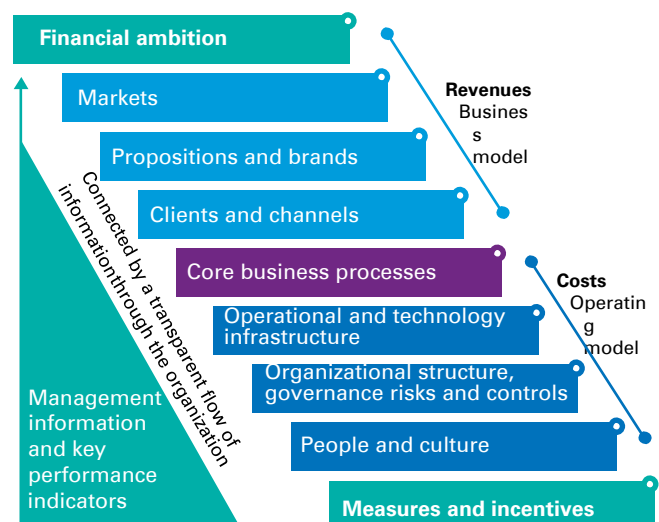
Operational and technology infrastructure: What are the priority infrastructure and technology elements that will be required to enable the target business model?

Organizational structure, governance, risk and controls: Do we have proper oversight in place to drive the desired outcomes and respect our fiduciary responsibilities?

People and culture: What leadership is required to drive the transformational change and support the desired culture and behaviors?

Measures and incentives: What will you measure to monitor progress on strategy, identify issues and enable action where required?

The 9 levers of value methodology

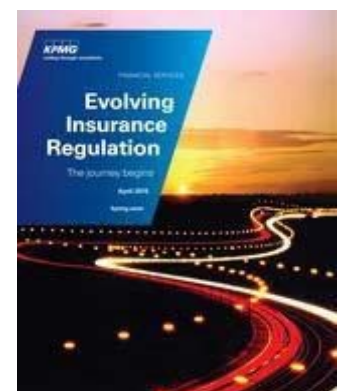
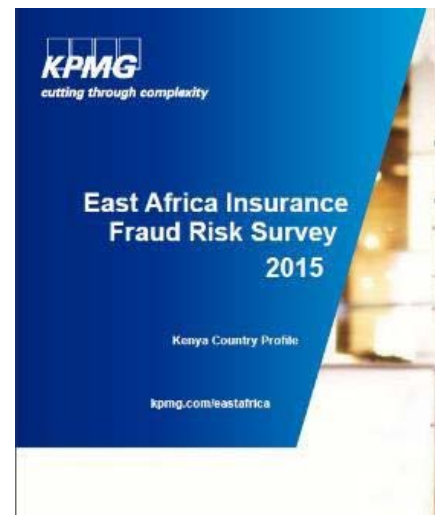


Source: KPMG International, 2016

Thought leadership

KPMG's commitment to our clients, innovation and industry leadership is demonstrated through our continued investment in thought leadership. We believe that providing timely information and insightful perspective is a vital part of serving our clients

As trusted advisors to the Insurance Sector, we have contributed significant thought leadership which ranges from white papers and surveys to opinion pieces and regulatory analyses, that takes into account the distinctive and dynamic environment in which insurance sector entities operate. Below are just a few examples of thought leadership documents that address certain issues relating to the sector:



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