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Overview of the Kenyan insurance industry

Vision 2030 is Kenya's long-term development plan whereby the government has embarked on a journey to implement a series of programmes that seek to promote socio-economic development and raise Kenya's status to a middle income country. To support Vision 2030, government introduced its Big 4 development plan in 2018 which aimed to address issues relating to affordable housing, universal healthcare, food security, and continued promotion of financial inclusion efforts including insurance.

Improving Kenya's socio-economic status will aid in raising the insurance penetration levels which have remained for a long time below global averages which indicates a large, uninsured customer base. At 3%, Kenya has the third lowest insurance penetration rate in Sub-Saharan Africa with South Africa leading at 17%. This is due to most of Kenya's population perceiving insurance as a "nice-to-have/easy to discard" product rather than one that is essential.

There are 58 insurers and reinsurers in Kenya and the market is dominated by CIC, Jubilee, Britam, ICEA, Lion General and APA Insurance. General insurance dominates the industry, accounting for 60% of industry gross written premiums.

Areas of growth opportunity

Until recently, most insurers have heavily relied on face-to-face distribution and have legacy systems that do not accommodate the changing needs of consumers. In a world where consumers are clued up on technology and prefer to have their world revolve around their smart phones, there is an opportunity for insurers to digitize customer engagement through software applications. Increasingly, Kenyan insurers are following suit and offering self-service options through smart phone technology and only facilitating interaction with an agent when the client needs advice.

Prioritizing the development of micro-insurance products such as livestock and crop insurance would appeal to a large portion of the population in Kenya as much of the population works in the agriculture sector. Heavy rains in Kenya regularly cause floods destroying crop, farmland and property and food insecurity is exacerbated by locust invasions which devastate the agricultural industry and continue the cycle of poverty.

With most insurers updating their policies to exclude catastrophic events such as these and the impacts of COVID-19 and business interruption, local consumers' distrust of insurers continues to increase.

Despite the low insurance penetration rate, the Kenyan government has been proactive when it comes to educating the population about the benefits of insurance products. The IRA, Kenya's insurance regulator conducts a number of consumer education programmes around the country on an annual basis.

Areas of challenge

Like many countries in Africa, Kenya is faced with high volumes of fraud and corruption and the insurance industry is not any different. It is estimated that 25% of claims costs of insurers in Kenya are a result of fraudulent claims. In recent years, Kenya has seen an increase in cyber-attack cases with 29% of corporate users experiencing malware attacks in just the first half of 2021. This calls for more effort and investment to be put into cyber security.

Outlook

Companies offering insurtech services such as mobile claims and policy payment services and micro-insurance companies offering low cost products such as funeral and livestock insurance are most likely to succeed in the Kenyan market.