

“Bima ya Jamii” Project (2008 – 2010)



SWEDISH COOPERATIVE CENTRE

1. Background

Swedish Cooperative Centre (SCC) is a non-profit, non-governmental organization that was established to provide development support to co-operatives and other pro-poor people's organizations. The Swedish Cooperative Movement with the aim of expressing solidarity with the then emerging co-operative movements in the third world countries, founded the SCC in 1958 in Stockholm, Sweden. Together with its member organizations, SCC works in partnership with organizations in developing countries and Eastern Europe in order to contribute to the development of strong, efficient civil society, aimed at improving the living conditions of the poor. At present, the SCC provides support to development programmes in 20 countries in Africa, Latin America, and Eastern and Central Europe. The vision of SCC is “A world free from poverty and injustice”.

SCC is the leading partner responsible for the management and administration of the ‘Bima ya Jamii’ project. SCC has a long experience of managing projects, partnerships and promoting development through cooperative institutions and other member-based institutions. In 2007 SCC commissioned a microinsurance survey¹ within the East African region to guide the process of starting a microinsurance project.

The Co-operative Insurance Company (CIC) of Kenya Limited was established in 1978 (with the help of Folksam) and was formerly known as Co-operative Insurance Services Limited (CIS). The company is at present the preferred underwriter of the co-operative movement in Kenya. Over the last seven years, CIC Insurance has recorded average growth of 37% compared to the industry rate of less than 11% in 2005. CIC gross premiums have increased from Kshs. 180m to Kshs. 1.7b in just eight years. The transformation that has taken place in CIC is in particular attested to by the spectacular growth from the little known insurance company occupying position 31 out of 37 insurance companies in 1998 to the presently relatively big and well known company with an annual premium income of Kshs. 1.7 billion in 2006. This growth is an indication of the confidence that Kenyans have in CIC.

¹ SCC, 2008, *Microinsurance in Eastern Africa: A rapid survey on microinsurance providers in Kenya, Uganda, Tanzania and Rwanda*

There has been attempts to provide microinsurance to the poor but this has mostly been limited to credit life, which is provided through most of the microfinance institutions. This product is however more biased to covering the risks of the MFIs as opposed to covering the client risks. Attempts to provide other microinsurance products like health insurance have not been successful due to the lack of trust and understanding of this market segment, unaffordable prices, un conducive regulatory framework and poor delivery mechanisms among other reasons.

In the beginning of 2008, the Swedish Cooperative Centre (SCC) finalised the microinsurance survey report. The survey identified three key areas where SCC could contribute to improving the scope and quality of microinsurance services in the region:

- Lack of capacity for microinsurance providers,
- Inappropriate products for the low-income people and
- Inappropriate infrastructure for delivery of microinsurance.

The “Bima ya Jamii” project brings together a consortium of partners to develop, test and roll out quality microinsurance products for the low-income groups. The consortium, which consists of SCC, CIC and Folksam Mutual Insurance Company, will join efforts to harness their capabilities and synergy to address three key problems (above) that they have identified as impediments to access of microinsurance for the low income groups. The project will also exploit the synergetic effect of public-private partnership by supporting the already existing partnership between National Health Insurance Fund (NHIF) and CIC.

The key to sustainable microinsurance services is to capture mass, pool risks, keep premiums down and the products simple. The project will provide an invaluable opportunity to scale up the uptake of innovative microinsurance products to reach the working poor with the main focus being on customer education. In order to

create a wide penetration and long term impact, the consortium will approach the first phase with a proved and tested methodology.

Advisory and Supporting Institutions for the project: Folksam (who is a member of SCC) and Achmea will participate in the advisory board and contribute to the training programs of the associations in becoming efficient and well managed distribution and information centres for micro-insurance They will also provide managerial advice to CIC. TSD and Achmea will assist with research studies and focus groups on how product, distribution and marketing can be designed to fit the characteristics of the target market.

Folksam as a mutual company was founded in 1908 and has 3 400 employees (52% women and 48% men). The company has about 4M customers, settle over 600,000 claims every year and is one of Sweden's largest investment managers. They assert that they insure every second family home in Sweden, every second person in Sweden and every fourth car in Sweden. Folksam is also a member of International Cooperative and Mutual Insurance Federation (ICMIF) and the ICMIF Development Committee.

The Microinsurance Innovation Facility, a partnership between the International Labour Organization (ILO) and the Bill & Melinda Gates Foundation, is providing the funding for the "Bima ya Jamii" project. The facility is supporting the emergence of valuable insurance coverage to protect the working poor in developing countries.

2. The project objectives

Development objective:

"To contribute to reduced vulnerability and improved health of poor Kenyans through access to microinsurance".

Immediate objective:

"To develop, test and roll out accessible quality microinsurance products for the low-income groups".

3. The main project outputs

- a) Increase CIC's capacity to deliver microinsurance products to the target group including the development of products and internal processes.
- b) Develop the capacity of delivery channels to make them efficient providers and promoters of the product.
- c) Information and awareness campaigns to increase the understanding of microinsurance by all members and clients of the selected delivery channels.
- d) Increase expertise in microinsurance and create a platform for microinsurance product and process innovation.

4. Target Market

As low income households are found all over the country, efforts will initially focus on selected organisations from each of the three main target markets as follows: microfinance institutions, rural cooperative societies and jua kali artisans (open air artisans) associations, youth associations, small and medium size enterprises, welfare groups and faith-based organizations and churches. By targeting larger member-based associations and MFIs, CIC and the delivery channels will reach their critical mass faster and hence mitigate against any prevalent risk of exposure.

The main characteristics of these market segments are that they are vulnerable to risk; often work in the informal economy; have irregular cash flows; manage risks through many of informal means, including social networks; have limited knowledge of and no trust for formal insurance. In this market, word of mouth is the best marketing technique which makes it of highest importance to be able to deliver the appropriate product in a reliable manner the first time around. The project will incorporate an important component of education for the potential clients as well as a solid marketing campaign to improve the level of trust and knowledge. To make sure that these financially precarious clients are able to pay the premiums, the consortium will start with clients who are customers or members of selected organisations to guarantee easier payment of the premiums.

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