



**Strathmore**  
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**INSURANCE BANANA SKINS IN KENYA**

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## ABSTRACT

Risk is an aspect that can never be done away with. It is both upside and downside. Upside risks are opportunities. On the other hand, downside risks are a cause of alarm to change things. This research sought out to look for the risks facing the insurance industry in Kenya as a replica of the insurance banana skins, 2015 which was an initiative of Pwc in conjunction with CSFI. The risks were looked at with respect to how they impact the insurers in terms of profitability, growth, costs and solvency. Paper questionnaires and an online survey were used to get the responses from various people in the industry. The research revealed that regulation is the major risk affecting the industry following the recent changes made and implementations meant to be complied with by 2018. It has greatly affected the capital base of most insurers cutting down their profits greatly. Further study could be done with regards to including more industry players as well as tightening risk management in the industry.

## LIST ABBREVIATIONS

AKI	-	Association of Kenyan Insurers
CSFI	-	Centre for the Study of Financial Innovation
EY	-	Ernst & Young
EU	-	European Union
GDP	-	Gross Domestic Product
IAIS	-	International Association of Insurance Supervisors
IFRS	-	International Financial Reporting Standards
IRA	-	Insurance Regulatory Authority
Pwc	-	PricewaterhouseCoopers

## CHAPTER 1: INTRODUCTION

### 1.1 BACKGROUND

Insurance has been in Kenya for quite a while, at least since 1947 when Pan African Life Assurance Limited was established (Pan Africa Life, 2016). According to IRA (2015) report, there are 53 insurance players, this includes insurers and reinsurers. Despite the many years of its existence in the country, it still is a young industry in many aspects, for example in terms of penetration that was at 2.93% in 2014 (AKI, 2016). However, there has been a steady increase in the penetration though in small percentages but it dropped in 2014 due to rebasing of the GDP. Although the penetration figures have been low, there are improvements and that implies there is room for growth in the sector.

According to the Association of Kenya Insurers, the Kenyan insurance sector is one of the top insurance markets in terms of attractiveness and growth potential. Due to its attractiveness international investors and foreign insurers are attracted to the market. Most of such investors have ventured into this market by buying stakes in the insurance companies. Moreover, there have been mergers and acquisitions among local insurance firms and financial services in order to grow their revenues, consolidate their market share and expand regionally. For example, the recent acquisition of 63.3% stake in First Assurance Company Ltd by Barclays Plc. Africa in April, 2016 (Standard Media, 2016).

In 2014, earnings from investments and other income increased by 6.5% in the industry. There has been significant and consistent growth in the industry. There was 20.3% growth in terms of gross written premiums (AKI, 2014). The report shows that there was an increased gross written premium in both life insurance and non-life insurance.

Product innovation and development has been on the rise in the industry. This has been steered by the embrace of technology especially via the mobile platform in the country. The inventions of M-PESA and Airtel Money have aided payment of premiums. Products have been invented to suit the customers, for example, KilimoSalama by UAP and Syngenta Foundation for Sustainable Agriculture whereby farmers can insure their investments. There have been other innovations in the country in the recent past. Kenya is currently ranked at position 33 in

innovative capacity ahead of South Africa and first in Africa (World Economic Forum, 2016). These show there are prospects of growth in the country.

There have been new ways to get products to the market other than the traditional ways of using agents and direct selling. Currently there is use of online mobile platforms as well as merging of banks and insurance firms to birth what is called banc assurance. This has improved penetration of insurance products to the market since the banking sector has a higher penetration than insurance hence insurers will ride on that wing. According to Life Insurance International, 67% of Kenyan population has access to banking services hence a chance to improve the customer base.

## 1.2 PROBLEM STATEMENT

Despite, the good prospects the insurance firm has been showing over the past years, the industry has experienced many hurdles. These challenges have affected the profitability, costs, growth, performance, competitive edge and penetration of insurance players. These challenges include but are not limited to regulation, trust and confidence issues, competition, price undercutting, and

There was a survey carried out by the Centre for the Study of Financial Innovation (CSFI) in conjunction with pwc on the risks facing insurers in 2015. The survey outlined the risks facing different insurers and ranked them. The survey also listed emerging risks to look out for. The survey was done across 54 international countries worldwide. The survey ranked regulation as the number one risk being faced by industry players in terms of cost, and compliance risk among others. There have been similar surveys carried out in other countries to determine the individual country's risks relative to the global view. This study seeks to do the same for Kenya.

Many studies have been done on individual risks such as operational risks in individual companies such as Jubilee (Aum, 2014). Some have also researched on the risks with respect to competitive advantage such as Kiragu (2014) that assesses challenges facing insurance companies in building competitive advantage in Kenya. The study looks at a survey of insurance firms in Kenya. A study on the challenges in the regulation of the insurance industry has also been done (Koima, 2003).

This research aims to fill the gaps in terms of doing the CSFI research in the Kenyan context as well as have a holistic view of risks that affect Kenyan insurers with respect to their collapse.

### **1.3 RESEARCH OBJECTIVE**

1. To find out the risks facing insurance players in the Kenyan context.
2. How the identified risks affect the insurance industry players.

### **1.4 RESEARCH QUESTIONS**

1. What are the risks facing insurers in Kenya?
2. What is the impact of the risks on Kenyan insurance players?

### **1.5 VARIABLES**

#### **1.5.1 Independent Variables**

These are the risks the insurers face because they will cause a problem or a challenge to the insurer. They include fraud, stiff competition, regulation, low penetration, mistrust and poor product innovation among others.

#### **1.5.2 Dependent Variables**

These are the factors that are affected by the risks open to the insurers. They are pegged on the risks prevalent. They are profitability, costs, growth and performance among others.

### **1.6 HYPOTHESES**

Regulation is the major risk that the industry players are facing in terms of costs and profitability. This might answer my research problem in terms of identifying the major risk and the aspect in which it affects the insurer. The Kenyan insurance industry risks are a replica of the risks faced globally as in the CSFI survey on the same. This will enable me to find the risks prevalent in the Kenyan industry and effects of the same relative to the global outlook.

### **1.7 PURPOSE OF THE STUDY**

The aim of this research is to replicate the CSFI survey in Kenya in order to find out the key risks facing Kenyan insurance players that would lead to some companies being phased out. Moreover, it will look at the risks pertaining to the Kenyan situation.

### **1.8 IMPORTANCE OF THE STUDY**

This study is important in adding to the available literature on the various risks affecting the insurance sector especially in the Kenyan market. It will help scholars as well as industry players in terms of insight of the insurance industry.

### **1.9 SCOPE OF THE STUDY**

This study covers the risks facing the insurance industry in Kenya as a whole.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 REGULATION

According to CSFI (2015), regulation ranks the greatest risk facing insurers and the insurance sector at large. Regulations are specific standards or instructions concerning what individuals, businesses, and other organizations can or cannot do (Brito & Duddley, 2012). According to this definition and the book, regulation is meant for good, for instance, to protect consumers as well the insurers and to prevent them from getting ruined. High quality insurance regulations and standards assure market participants that sound practices are being applied, thereby increasing market transparency and confidence. Regulatory change is fundamentally re-shaping the insurance industry, creating strategic and operational challenges for insurers (KPMG, 2014). Putting it to perspective, it is over-regulation that is an issue together with the quantity. CSFI(2015) outlines the different aspects from which regulation affects insurers. They include costs, management distractions, competition and quality of regulation.

Cost is one of the regulatory risks affecting insurers. It affects profitability, growth and hinders innovation. Regulation costs encompass the increased capital requirements and compliance. Worry is on the unintended consequences of some of the proposals (CSFI, 2015).

Management distraction is yet another concern under the regulation umbrella. Regulation is time-consuming and distracts talent from helping the industry to be more innovative. It has become so complex that there was a risk that it could not be fully understood, thus, not making the system safer. Moreover, according to EY (2015), insurers will seek to strengthen their organization structures, reporting lines and staffing levels within corporate functions. Also, attention has been shifted from finance and actuarial functions to internal audit and compliance functions. This changed attention is increasing cost of doing business. On the other side, they create an opportunity to improve operational risk management.

Competition is also a concern. Regulation has had structural impact on the industry. They would drive out small insurers and reduce diversity. National regulators have and are toughening up international standards and putting local players at a competitive disadvantage.

Quality regulation varies widely. A concern is the apparent desire by regulators to apply the same toughened standards as banks, even though insurers contributed little to the recent crisis. The current regulation seems to be based on an assumption of guilt rather than engaging to address concerns with past industry practice.

Global initiatives such as solvency 2 and IFRS 4 are also a concern. Despite solvency 2 affecting the EU market directly, other jurisdictions are going through similar exercises or modelling their regulations on Solvency 2 under the aegis of the IAIS. The underlying concerns about it are the capital requirements and the method of implementation. On the other hand, the pending IFRS 4 requirements will materially impact the industry with little end user benefit. Moreover, it will change fundamentally how insurers look at their business performance. Its implementation will affect how companies report earnings and an impact on current life insurance options for consumers, compelling some providers to eliminate products with long term guarantees (EY, 2015). However, insurers do not seem to understand it and they are hesitating to analyze the impact and be prepared in advance.

Another concern is the IFRS 9 which is effective as from 1 January, 2018. It concerns financial instruments and it will create a new approach for classifying assets and accounting for asset impairments and will therefore, add complexity (EY, 2015).

There is a concern on the consistency of implementation. The main issue lies in the inconsistency in the implementation of solvency 2. It will inevitably emerge thereby influencing competitiveness and creating the potential for regulatory arbitrage. The lack of coordination among regulators may be seen as a potential menace to the insurance sector.

Positively, increased regulation is not a burden as it did produce stronger insurance companies and encouraged growth of a risk culture.

## 2.2 MACROECONOMY

Macroeconomics is a branch of the economics field that studies how the aggregate economy behaves. In macroeconomics, a variety of economy-wide phenomena is thoroughly examined such as, inflation, price levels, rate of growth, national income, gross domestic product and changes in unemployment (Investopedia, 2016). According to CSFI (2015), the global outlook is not encouraging and so it has affected the insurance industry through low growth, continued low interest rates and difficult market conditions. This is because the insurance industry operates in the macro economy and is directly affected by it. Further there is a concern that the little economic growth observed will only lead to little growth in the insurance sector. Moreover, the slack monetary policy that has been put in place will only lead to unsustainable expansion followed by a global recession. This is quite evident leading to a downturn in insurance as well.

The specific consequences of low economic growth according to the same paper for the insurance industry include higher lapse rates, increased fraudulent claims, and general vulnerability of insurance to household budgets as a discretionary spend. Moreover, there will be intensification of competition as a result. Another concern involved quantitative easing where the government releases money into the economy to stimulate it. It is a concern in terms of artificially boosting asset prices and the prospects of its unwinding. This lowers the yields and supports the prices of all asset classes which will in time be vulnerable to, for example, inflation. The current central bank policy in Switzerland is said to have eliminated most of the information contained in risk prices. A further concern on the same is the disorderly unwinding which may be detrimental as in damaging to the industry and may lead to a new financial crisis. On the other hand, inflationary pressures could start building up requiring interest rates to be raised. Inflation could especially affect the long-tailed exposures and annuity type claims.

On the positive side, in places with a positive outlook to macro economy, this favored expansion of the insurance business.

### 2.3 INTEREST RATES

According to CSFI (2015), persistent low interest rates are a major source of risk. They could accelerate changes in the structure of the industry. The low rates affect insurers through driving down investment yields, by marooning products with guaranteed returns, by reducing the value of capital and by undermining traditional business models. In the same paper, the major concern is the pressure on profitability. At the time of the survey, the interest rates were very low in the UK having them equated to zero. This very time, the premiums were already depressed by overcapacity. The impact is greatest on life insurers since their products are effectively a form of saving. According to (Holsboer, 2000), if the capital market interest rates are expected to remain low, life insurers will have to set aside more in reserves and may have to raise premiums.

The above, present a temptation to take greater investment risk to raise returns. However, this could cause excessive risk and a bubble in certain asset classes all in the name of remaining competitive in price, offset higher combined ratios and offer life products minimally attractive. The very low rates affect viability of products, customer behavior and capital positions among others. In all this, the reluctance of insurers and supervisors to face up to economic realities and change is present.

On the other hand, there is a view that low interest rates should have a positive impact on insurers by forcing them to focus on what they are supposed to be good at, which is, underwriting risk. This implies that since they are insurers, they should be able to protect themselves against low rates. Therefore, they can cope, they can hedge and they need good asset and liability management strategies. The general expectation is that interest rates will keep low.

### 2.4 DISTRIBUTION CHANNELS

The CSFI survey outlines that the major concern under this risk is the fact that insurers are not making best use of new distribution channels. The industry has been slow to keeping pace with new technology. It ranks fourth as a risk in both Africa and UK. The digital revolution has potential to change the framework for doing business. However, traditional intermediary

channels stand in the way of change having the average age of brokers being fifty seven years. On the other hand, the new generation is more oriented to internet and direct insurance and therefore adjustment is required for a large part of traditional insurance companies. Brokers have become an anomaly, nearly irrelevant to formation of capital. The criticism of the insurance industry's innovation record is nothing new. The fresh urgency is the growing risk that technologically adept new entrants will take the market share from more cumbersome incumbents.

According to (EUROPE ECONOMICS, 2013), insurers were reluctant to have transactions online because it would increase competition between existing distribution channels with a potentially substantial loss in sales. Therefore, they used such platforms to give information about their products rather than carry out transactions. On the side of the consumers, they were also reluctant towards online transactions due to safety issues as well as the absence of face-to-face interaction with experts who could assist them in their purchase.

Innovation is hindered by other listed risks such as regulation and cyber risk. Regulation affects in terms of costs and time requirements which cause distraction of management from exploiting new distribution channels (CSFI, 2015). Cyber risk, on the other hand, is an obstacle by the fact that companies have to have very secure distribution, which makes the pace of using new channels slower. Other than innovation, (EUROPE ECONOMICS, 2013) indicates that regulation also gears insurers to come up with new distribution channels.

Contrary to the negativity above, there are insurers centuries old implying that they can adapt to change? This follows from the fact that insurers and brokers are consumers of technology too, so there is no excuse for a lack of awareness of these trends.

There is need to modernize distribution channels to adapt to rising business and consumer expectations of digital, mobile and internet interactions (EY, 2015). It further goes on to indicate that insurers need to optimize the channel; mix, add distribution outlets and expand aggregator and direct-to-consumer models. Insurers are really dragging behind in channels that match consumers' increasingly mobile and web-based lives. The publication goes further ahead to

emphasize the need for adjusting distribution models to serve the needs of high net worth individuals by for example, enhancing banc assurance. There is an increased need for investing in mobile digital advice and service solutions and direct marketing.

## 2.5 INVESTMENT PERFORMANCE

Investment earnings are a key income to insurers as it helps them to make up for the declining insurance business returns (CSFI, 2015). However, there has been generally low investment returns which has greatly affected insurers in terms of low yields and a shortage of safe and liquid assets as well as there is mounted pressure to compensate for this by taking up more risk in new markets. The CSFI survey found that it is a greater concern to life insurers because they majorly deal with savings which involve a lot of investments.

According to EY (2015), poor investment performance is compelling most insurers to alter their investment strategies. The same report goes further to point out that there will be need for tighter underwriting standards to be maintained since the low investment returns won't compensate for losses made elsewhere and intensified efforts must be put in place to make business profitable and more cash-generating. The CSFI survey indicates that good governance and prudent investment strategies are common in this situation.

There will be pressure on investment performance due to low interest rates and challenges in finding quality assets that have strong risk adjusted returns and higher capital calibrations.

## 2.6 CHANGE MANAGEMENT

The main concern is that the rate and nature of changes in the industry are reaching new levels and are challenging the traditional models and practices. Technology is a major drive under this banana skin. Technology goes ahead to influence new markets, changing customer demand and facilitating competition from non-traditional entrants. Another concern lies in disruptive technologies and business models impacting insurer profitability and their relevance. Moreover, slow adopters of technology will probably lose scale very quickly (CSFI, 2015).

Generally, insurers often respond to change but with delay. This is detrimental because in this technology era, such delay can't exist and this fact is new to insurers. The world is evolving faster than the response time of insurers.

EY (2015) identifies that many insurers are yet to embed technology as an integral part of their culture and hire talent to implement it. Insurers are dragging behind digitally. Moreover, insurers are struggling with uneven data capture and analysis of consumer online activities, as well as their ability to present a consistent digital customer experience.

There are numerous things being developed that it is proving to be more difficult to tell which exact change will be the one to be of a greater concern. Customer demands have really evolved especially with the technological advancements. Insurers must move fast because in the digital world, standing still or just keeping up means falling further behind (EY, 2015).

Change affects insurers in different levels. The first being transformational change that affects the fabric of the insurer as a whole. It pertains to nearly all aspects of an insurance company in terms of business model, customer needs, supply and distribution channels as well as culture. These aspects make such changes multi-disciplinary and complex to change (Young & Davies, 2015). According to the same article, the second level involves the period of transformation which have been dramatically shortened. This presents a risk in that insurers have to work harder at meeting the time lines. Lastly, the other level is with regards to finances and resources required to fuel the changes in question.

Apart from the aspects discussed above relating to change, (Hay, 2013) states that talent management, investment proficiency, data, operational efficiencies and quantification of business risks as well as risk and compliance especially with regards to new regulation.

## **2.7 GUARANTEED PRODUCTS**

This banana skin is largely pegged on interest rates and investment performance. These are products that thrived in the days of high interest rates. With the ongoing persistent low interest rates, many insurers who offered these products are now loss-making because insurers cannot earn high enough investment returns to fund the liability (CSFI, 2015). It is quite obvious that the

highest concern lies in the life sector inductively from the concerns in both interest rates and investment performance.

A respondent in the survey indicated that such products will kill certain insurers unless shareholders inject heavy capital, another said it is a massive risk. Despite the capital requirements having been strengthened and provisions made against loss, there has been no improvement in the exposure to the risk. Some respondents commented that some providers were still being tempted to offer guaranteed products to maintain market share.

## 2.8 QUALITY OF RISK MANAGEMENT

Risk management comprises the activities and actions taken to ensure that an organization is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities (Comcover, 2008). Among the persisting concerns under this risk is the depth of the commitment to managing risk. Insurers have not really changed how they work day-to-day, just on the surface. A concern about endurance was also present in the survey illuminating the fact that there is complacency in the face of some rapidly changing risks. Risk systems would have to match up and surpass the intense pressures in the market with regards to competition, technological change and low interest rates (CSFI, 2015).

Many respondents in the CSFI report stated that the regulations have contributed much to the improved risk management. This is through making insurers aware of the risks they are exposed to as well as preventing some of these risks. However, some also said that these regulatory requirements such as Solvency 2 are clogging the system with bureaucracy and requiring insurers to hold levels of capital that are threatening profitability and not good for risk management. Moreover, the regulatory requirements are robbing management adequate time to focus on analyzing and addressing key business risks.

## 2.9 BUSINESS PRACTICES

Tougher regulation and industry awareness have reduced incidences of questionable business practices such as miss-selling. However, the CSFI report says that it is an ever present risk in

some way. There are also legacy issues surrounding products which were sold in a previous and more lax regulatory regime.

Aum (2014) states that miss-selling occurs due to poor product knowledge, among staff, sales agents and customers alike, stiff competition, low product differentiation, and deliberate efforts by agents to meet their targets by adopting high pressure sales strategy. Also, he says in the study that miss-selling poses challenges such as customer dissatisfaction and fines by regulatory authority or legal suits against the company.

There is a fear that the current market conditions, with rising competition, pressure on prices and high regulatory costs would drive insurance companies to take on fresh risks in this area (CSFI, 2015). Other than miss-selling, concerns are also on opaque policy terms and claims handling which are often undervalued.

## 2.10 QUALITY OF MANAGEMENT

There have been improvements from the strengthening of governance at the board level and closer regulation which have eased the concerns about the quality of management in the industry. However, there are still aspects of management that are still open to risk. This is cultivated by the multiplying and scale-growing challenges facing insurance industry leaders. The various aspects in concern are technology, regulation, structural change and complexity, for which insurance executives have to be on top of.

Management talent is greatly required especially in the light of regulatory changes. Technology will be required to drive away some of the risks inherent in management. Moreover, there will be need to accompany risk management with product development and actuarial resources. Some in the CSFI were doubtful about the industry in that it does not attract the talent that produces good leaders and that good underwriters do not necessarily translate to good managers. According to EY (2015), the recruitment and retention of superior management talent is a challenging following the evolving roles of underwriters, claims and service personnel. Moreover, in the increasingly competitive marketplace, management that combines technological data sophistication with risk mitigation skills can more effectively navigate and make midstream

corrections. The industry has an aging workforce which is complicating the need for an effective enterprise data excellence strategy.

## 2.11 MARKET CONDITIONS

This largely depicts the concerns about prolonged soft markets and their impact on profitability. Concerns are principally centered on excess capacity and its pressure on insurers, margins. This is implied by the fact that new competitors and a surplus of capital will support a soft market for some time. Traditional insurers will therefore need to continually look at operational efficiencies (CSFI, 2015). The excess capacity is as a result of new sources of capital such as hedge funds, which have focused increasingly on insurance linked securities that are providing additional liquidity to the market. There is an interest in hedge funds and pension funds to investment in catastrophe courtesy of the low returns on conventional investments, which will lead to soft market conditions. This will most probably have a short term effect before a series of material losses hit investors and the underlying risk or reward profile is clearer.

It is quite unclear how the next cycle will be. Moreover, the nature of the next financial crisis is unclear. This is linked to the fact that the current factors at play are new and so it is difficult to predict whether the conventional cycle will prevail. It was said in the CSFI survey that greater sophistication in product pricing and segmentation will contribute to dampening the hard or soft cycles that have plagued the industry. On the other side, the need for insurance products will continue to increase with aging populations around the world and the growing emerging economies.

The excess capacity, according to EY (2015), contributes to slow premium growth. The soft pricing conditions are constraining profit margins, compelling insurers to focus on expense management and operational efficiency, reducing costs through technology upgrades, process optimization, selective off shoring and enhanced risk management.

## 2.12 LONG TAIL LIABILITIES

These are risks which take a long time to materialize. They are marked by uncertainty about claims and litigation, as well as the complexities of accounting and regulation (CSFI, 2015). A company faced with such claims or prospects of such claims may be on notice that future claims will emerge, though how many claimants there will be, and when each of those claims will arise, as well as the quantum of those claims, remain uncertain (Corporations and Markets Advisory Committee, 2007). Respondents of the CSFI survey agreed that long tail liabilities will always be around and it is a matter of identifying them amidst changing trends, and taking appropriate action.

However, a number of respondents also pointed out that insurers have considerable experience of long tail risk and should be in a position to deal with it. This follows from an assumption that lessons have been learned from historic long tail liability exposures such as asbestosis, tobacco, and power line radiation among others.

Another angle to look at it is the management of these liabilities. Among them include having an overly tolerant accounting regime, litigiousness and regulatory insistence on early provisioning. Corporations and Markets Advisory Committee (2007) asserts that while considering any special protection for unascertained future claimants factors such as bearing the cost, inherent uncertainty, materiality, balance, clarity, equity and workability should be taken into account. Other complications inherent in such liabilities are taxation issues in relation to provisions made for such purposes as well as in relation to corporate assets set aside for the purpose of funding those liabilities.

On the other hand, Capell(2005) looks at the implications of long tail liabilities on the operations of insurance. They include loss trending, pricing and insurance company financial condition. Loss trending involves identifying the emerging trends of losses which is cumbersome since it is long after the trend starts that someone can realize that the trend has started. Pricing has to do with difficulty in predicting the ultimate cost of settling claims while the actual cost will not be known for several years. Lastly, the insurance company financial condition involves the risk of an insurer having insufficient claim reserves to pay all the claims contributed by the fact that the insurer does not know the ultimate cost of their claims.

## 2.13 EMERGING RISKS

### 2.13.1 CYBER RISK

This risk is ranked fourth in the CSFI survey on insurance banana skins. It is the first time it is appearing on the list of risks. The main concerns are specifically software failure and data security breaches. It is ranked first in Africa, North America and the UK. Chief concern is the security of the ever growing volumes of data that insurers hold in cloud-based storage systems. For many, major breaches are inevitable. The question is, therefore, how much damage they will cause. Insurers are prime targets to be victimized given the richness of data such as credit card information, medical information, and other underwriting information. It is not a matter of if but when it will happen. Regulation could exacerbate this by demanding that insurers store more and more details about their clients.

The industry is vulnerable to growing sophistication of cyber criminals and the constantly changing nature of the threat. It is said that activity and technology increases all the time but security is always one step behind. The task is becoming increasingly more difficult because of growing number of attacks, only a fraction of which need to get through to cause serious disruption.

The impact of a successful attack could be very significant in terms of costs of additional security service disruptions, loss of intellectual property or sensitive information and compensation claims or fines. The biggest risk emanating from this is a loss of trust from customers. This results in a huge reputational risk especially when data is compromised. Firms may not be in a position to alert customers immediately after a breach. This risk can directly affect the solvency of the organization by loss of customers, share price and a potential rating downgrade (EY, 2014).

Insurers have been responding to the perception of cyber risk in a two-fold manner. Initially, they were excluding, and are still excluding, them from standard business insurance coverage. After the initial exclusions, some insurers started providing specialized cover. The growth in this

market and lacks the empirical data to construct actuarial tables. This gives insurers less confidence in pricing this risk in comparison to the traditional insurance lines ( Cashell, Jackson, Jickling, & Webel, 2004).

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This section describes the methodology the researcher used in terms of the research design, the target population, the sampling methods used, data collection methods, research procedures, and data analysis methods.

### **3.2 RESEARCH DESIGN**

The research design employed in this research is that of a survey. This is because the study seeks to get opinions from people in the industry and that would be the best approach to obtain such information. Having identified that a questionnaire will be in play, it implies that a descriptive study will be of use. The research used questionnaires as the basis because it aims at replicating the CSFI survey which used questionnaires for their survey.

The merits of a descriptive study include the fact that it provides an accurate and valid representation of the variables or factors that pertain to the research questions. Moreover, there is a lot of information that can be acquired through description.

### **3.3 POPULATION AND SAMPLING DESIGN**

#### **3.3.1 POPULATION**

The population the researcher identified for the study is the players in the insurance industry. The insurance industry players are insurance companies, reinsurance companies, brokers and close observers of the financial scene. From these players, the researcher will obtain information from each category in relation to the research objectives.

#### **3.3.2 SAMPLE AND SAMPLING METHODS**

A non-probability approach will be used meaning that the sample here will not be chosen statistically at random; rather it will be based on the researcher's subjective judgment. Moreover, the research will take the form of self-selection in order to save time and to focus on the group

of people that will give relevant and helpful information to the researcher (Saunders, Lewis , & Thornhil, 2009).

The sample will involve industry players in Nairobi. This is because; Nairobi is the capital city of the country and has most of the head offices of the industry players as it is the business hub of the country. With such advantages, Nairobi would be a good representation of Kenya. The study will approach mainly all insurance companies.

### 3.4 DATA COLLECTION METHODS

The researcher intends to use survey or questionnaires as the method of collecting data. The questionnaire is sought of a standardized instrument since it is a replica of the CSFI survey. The questionnaires will be sent to various industry players to help answer the research questions as well as fulfill the research objectives. A questionnaire basis was considered because of its validity and reliability. The questionnaire will be self –administered. The questionnaire will encompass both close-ended questions and open-ended questions.

Close-ended questions are questions that are structured and have a restriction on how they need to be answered. The respondent is not presented with the liberty of expounding or giving a different opinion from the ones already prescribed. These questions have advantages such as ease in analysis. However, they also present some disadvantages such as biasness in suggesting responses to respondents. Following the foregoing disadvantages, this survey has few of these questions for example:

What part of the insurance market do you represent?

Broking/ Intermediary  Life  P&C/ Non-Life  Reinsurance

Other:

Open ended questions are questions that allow the respondents to answer the questions without a restriction or a specific structure to follow while answering questions. These comprised most of

the questionnaire because the research seeks to obtain the opinions of industry players on the risks affecting them. The open ended though difficult to analyze because there is no structure, they have a number of advantages. These are: they provide a view into the respondent's own thinking, non-reactivity, that is, they do not direct respondents to think of particular causes or treatments. However, they also have disadvantages such as, they require respondents to put down a response rather than their underlying attitudes and they may give subjects too little of a structure or frame for reference to form logical response (Roberts, et al., 2014). An example of such a question would be: please describe your main concerns about the risks facing the insurance industry as you look ahead over the next 2-3 years.

### **3.5 DATA ANALYSIS METHODS**

Descriptive analysis will be used to analyze the sample. This will help us to analyze the number of people in each category of players who answered the questions. There will be use of excel as an analysis tool to sort out the data. In addition to excel, there will be graphs, pie charts and tables to present the data. Most of all there will be summaries and quotations of what the respondents said about the risks in question. Having qualitative data, there shall be categorization according to the different risks described by the respondents. There will also be frequency distribution tables to help in the same.

Moreover, there will be use of the likert scale. Therefore, coding of the likert scale values will be of essence. This will be used to analyze the closed ended questions that form part of the ordinal or ranking measurement scale. It will be on a scale of 1 to 5 according to the questionnaire. It involves having a set of responses, whereby they are ordered such that one response is greater or preferred than another.

### **3.6 CHAPTER SUMMARY**

The methodology used in this section includes administration of questionnaires to collect descriptive and qualitative data. The data will be collected and excel will be used as analysis tool. The data will then be categorized and summarized according to common themes to suit the research objectives.

## CHAPTER 4: RESULTS AND FINDINGS

### 4.1 INTRODUCTION

This chapter focuses on data analysis, findings and presentation of the findings. The aim of this study was to dig out the risks facing insurance companies in Kenya. These have been laid out in the following sections of the chapter.

### 4.2 DEMOGRAPHIC DATA

The survey was conducted between September and November 2017 and was based on 30 responses out of the 45 respondents to whom questionnaires were sent to. This translates to a response rate of two thirds. The responses were confidential.

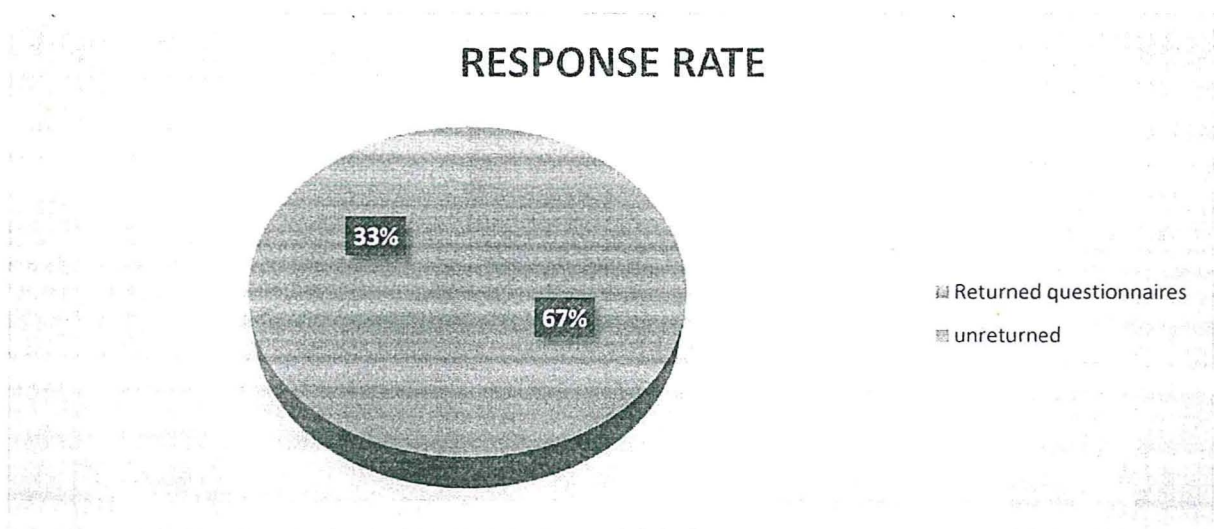


Figure 1: A chart showing the response rate from the questionnaire

The breakdown of responses was as below:

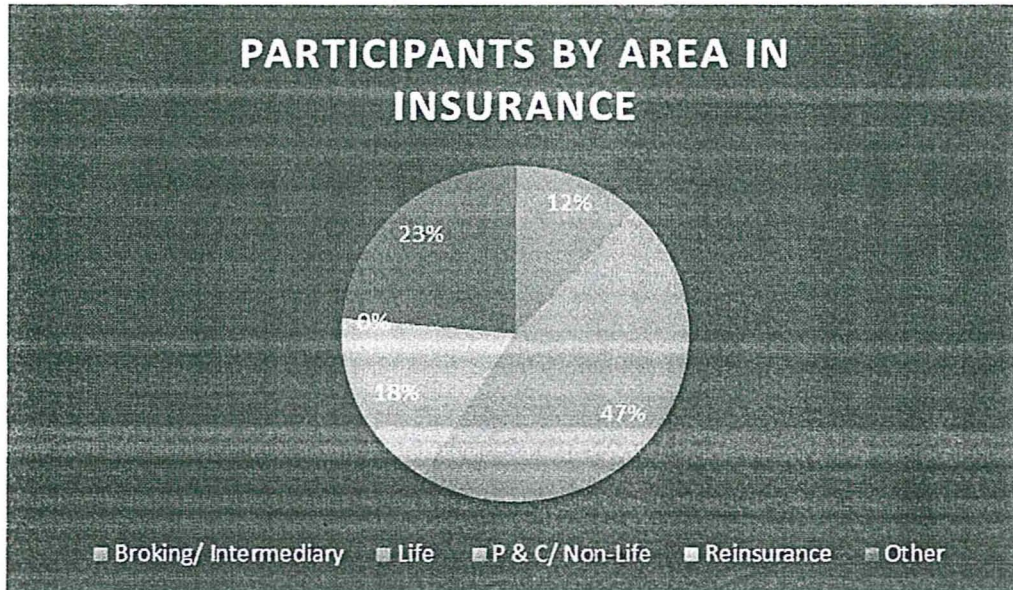


Figure 2: Chart showing types of respondents in the survey

Almost two thirds of the respondents were from the primary insurance industry. The rest were from broking and intermediary sectors and non-practitioners like risk managers as well as health insurers.

#### 4.3. METHODOLOGY

The survey involved an online platform as well as paper questionnaires. Survey monkey was used as the platform where the survey was issued out and all data collected and analyzed. The paper questionnaires were also included in the online platform through manual entry. Excel was greatly used for analysis of the data collected. Excel helped in presentation of data in terms of charts and tables as well performing quantitative calculations. The data obtained from survey was analyzed in excel using the above named as well as getting averages and weighted averages that were key in the calculation of risk indices.

#### 4.4 RISK INDICES

The banana skin index is an index that shows the average score on a scale of 1 to 5 of risk levels of the different risks facing insurers. One is very low risk while five is very high risk. In Kenya, the index is 3.24. This is slightly above average or the world index of 3.21 (PWC AND CSFI, 2016). The banana skin index is a weighted average of all the risks identified on a scale of 1 to 5 from the survey. The weighting comes from the number of respondents (frequency) that rated the risk on a particular score between 1 and 5. It shows the level of risk that each risk such as regulation posed to the insurance industry.

RISKS	WEIGHTED AVERAGE	RANK
Regulation	4.13	1
Product Development	4.00	2
Distribution Channels	3.75	3
Investment Performance	3.75	3
Capital Availability	3.73	4
Political Interference	3.69	5
Reputation	3.69	5
Cyber Risk	3.60	6
Corporate Governance	3.60	6
Business Practices	3.60	6
Interest Rates	3.59	7
Quality Management	3.40	8
Macro - Economy	3.29	9
Quality of Management	3.21	10
Change Management	3.13	11
Social Change	2.94	12
Guaranteed Products	2.87	13
Terrorism	2.79	14
Market Conditions	2.71	15
Long tail Liabilities	2.67	16
Climate Change	2.27	17
Human Talent	2.20	18
Pollution/ Contamination	1.93	19
BANANA SKIN INDEX	3.24	

Figure 3: Table showing the Risks by rank and the banana skin index

On the other hand, the preparedness index shows the level of preparedness of the industry with regards to handling the identified risks. The results of the research show that Kenya is at a 2.5 level of preparedness. This is also on a scale of 1 to 5, where 1 stands for poor while 5, well. This is way below the world index of 3.2 (PWC AND CSFI, 2016). This shows that the country is not well prepared to counter the risks identified.

## 4.5 INSURANCE BANANA SKINS

### 4.5.1 Regulation

The study established that regulation is a key concern considering the 2015 amendment of the Insurance Act. The act has aspects that cause alarm especially in the capital base. These aspects include: the capital base, claim settlement days, treatment of Takaful business, investment provisions, Policyholder Compensation Fund and reporting of assets.

The capital base has been changed for both insurers and reinsurers in both life and general insurers. The general insurers are expected to double their capital base from Ksh 300 million to Ksh 600 million, life insurers from Ksh 150 million to Ksh 400 million, general reinsurers from Ksh 500 million to Ksh 1billion and life reinsurers from Ksh 300million to Ksh 500 million (Oxford Business Group, 2016).

Moreover, there has been a reduction in claim settlement days from 90 days to 30 days (Oxford Business Group, 2016). This also creates an anxiety in terms of capital and profitability.

To add on to this, the life, general and Takaful business have to be carried out separately with different capital bases and each carrying out its own business with its own assets and paying its liabilities from its own reserves. Companies need to report their Takaful business from the parent firm and keep funds separate. The operating model must be approved by the Sharia Supervisory Council.

Furthermore, there has been change in investment provisions from risk-based to principle based. The insurers will have to submit their investment policies to the regulator.

Also, there has been change with regards to the Policyholder Compensation Fund that requires insurers to contribute 0.5% of all premiums received from both general and life insurances. The regulation requires that insured individuals get a maximum compensation refund of KSh 100,000 if a company becomes solvent.

Lastly, there have also been changes on reporting of assets in the balance sheets. Assets in property are to be reported as 30% of their value and discounted by 70% due to liquidity. Also the insurers must submit their returns on an online platform called Electronic Regulatory System. The platform must be used by all regulated entities.

#### **4.5.2 Distribution channels**

Distribution channels, respondents said is a threat due to the dynamic technological world. The brokers especially noted it as a big threat since insurers are now going directly to the clients. Moreover, banc assurance has become very prevalent in the industry as a distribution channel. It has birthed many unions between the banking and insurance sector. Another concern lies in the technological industry players like Safaricom and Airtel Kenya stretching arms to the insurance sector. For instance, there has been introduction of three products by Airtel Kenya by collaborating with MicroEnsure and Sanlam Kenya (Oxford Business Group, 2016).

#### **4.5.3 Product development**

Product development is also linked to technology. Here, innovation is key in attracting all kinds of clients. This poses a threat as the level of insurance penetration in Kenya is minimal. Respondents say insurers must think outside the box to increase their market share and maintain competitiveness. Therefore, respondents are expecting insurance products that target other clients with low financial sophistication and earning low incomes. Respondents also talked about product development with regards to changing customer need which means insurers should move in line with such since their business is in meeting needs of the clients.

#### 4.5.4 Investment performance

Investment performance was yet another key risk issue. Respondents indicated factors here to include the fact that investment is difficult to predict especially in the long term for life insurers. This affects profitability since it is difficult to predict and so becomes a variable. Most investments for life insurers are therefore in the government securities. On the other hand, it is said to be a good investment especially after the capping of the interest rates by the central bank. The securities, that are bonds, were on high demand thereafter. This low investment performance has led to a decline in the share price of companies, hence reducing the value of the companies.

#### 4.5.5 Interest rates

Interest rates are a key issue for insurers but it is outside the control of insurers. Interest rates have just been recently capped by the Central Bank of Kenya. It is a key area of concern because of the investments insurers do to be able to pay their liabilities as and when they fall due. Respondents say that the low interest rates in the market will affect their returns and ability to pay benefits as promised. This will moreover affect the capital reserves and consequently profitability. It was a major concern to the life insurers.

#### 4.5.6 Capital availability

Capital availability is now more than ever a risk as a result of the stringent regulations in place especially with regards to risk based capital. Most of the regulations introduced greatly affect the capital base. This implies insurers need a higher capital more than before. Also, of concern is the capping of interest rates, which respondents said will make it difficult to access capital. However, mergers and acquisitions have been a result of the issue on capital, while other companies are expected to be driven out of market because of capital base levels. It markedly touches on solvency level.

#### 4.5.7 Political interference

Political interference was largely linked to the upcoming 2017 elections in the country. This, respondents directly referred to previous election periods. Often, during and around election periods, the economy goes down and this greatly affects the insurance industry. Respondents, say in such periods, there could be higher than normal claims, posing a threat to insurers. Also, policyholders will not be willing to take out some policies because of default of insurers even there are measures in place to recover their benefits.

#### 4.5.8 Reputation

Reputation is only to the extent of solvency of an insurer. Some respondents said that poor reputation does not seem to last. While others said that the Kenyan population has a poor perception of the insurance industry. They said population regards the industry as one that eats where it did not invest in. Most Kenyans do not trust the sector.

#### 4.5.9 Cyber risk

Cyber risk respondents say is a key component of fraud since most information is stored in the internet. This, respondents majorly directed to the medical field where a lot of personal information about clients is kept.

#### 4.5.10 Corporate governance

Corporate governance, the respondents said is a key issue because it is the fabric that holds together the stakeholders of a company. A respondent, for instance, said that it has a very big impact to the insurance industry as a whole. He said that it protects both consumers and insurers and it also controls all the activities of the insurance industry. It is very crucial because like their close friends in the banking industry, this can lead to solvency if undermined. It is a current risk. Some respondents also spoke of corruption as a vice that is in almost all institutions in the country could also cause an alarm in this area.

#### 4.5.11 Business practices

Business practices are an insider risk because it reflects the way of doing things of the insurer. Key to note, here is about undercutting of prices, where respondents said is a big issue. This, respondents alluded to the small market insurers have. Therefore, the prices are lowered to attract customers even if the business cycle does not call for that. This has really led to diminishing profits because the undercutting is ever present.

#### 4.5.12 Quality management

Quality management pertains to the likelihood with which poor management will harm insurance industry. Some respondents said that poor management would lead to the collapse of the industry as whole. On the other hand,

### 4.6. PREPAREDNESS

This pertains to the ability of the insurers to cope up with the risks identified above. Most respondents thought that the insurance industry is poorly prepared to handle the risks. Some of the justifications for that included the fact that some of the risks are out of their control and are a result of market conditions and forces. Moreover, factors such as regulation have a fixed period of implementation that limits the capital of the insurers to focus on any other risks. Some respondents said that for the known risks, the insurers will be in a position to handle but the unknown ones; they are rather in a position of unpreparedness. Also, there was an indication that proper risk management is lacking in most of the industry players.

## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

This chapter gives a glimpse of what the other chapters contains, concludes and gives recommendations and suggestions for further research.

### **5.2 SUMMARY**

The study purposed to find out the risks facing the insurance industry in Kenya and the most prevalent of all. The study targeted 45 respondents out which there was a response rate of two thirds. The study established that 47% of the respondents were from the life sector, while 18% were from the non-life or property and casualty, 12% from the broking industry, while the rest (23%) from other areas of the insurance and financial sector.

The risks with the greatest threat to the insurance industry in Kenya as resulting from the survey are regulation, product development, distribution channels and investment performance. Regulation arose as a major risk from the fact that it is just recently when the regulations were put in place. These regulations require compliance by 2018. This has created a lot of concern in terms of capital base, profitability and growth.

The various risks identified in the survey help to answer the research questions which included the types of risks facing the insurance sector and their impact. Their impacts are majorly on profits, growth, costs, capital base and solvency of the insurer

### **5.3.1 CONCLUSIONS**

#### **5.3.1 Regulation**

In conclusion, regulation is the major risk affecting the insurance industry with regards to costs, profitability, growth and solvency. It contributes to other risks such as capital availability, change management, quality of management and market conditions among others. However, it is also a solution to some risks such as business practices, interest rates and investment performance, both directly and indirectly. Like the CSFI report that identifies cost and compliance as the major issue in terms of this risk, the survey conducted implies the same especially with regards to the capital requirements.

### **5.3.2 Distribution Channels**

While the past surveys indicate that the key issue pertains to response to changing technology, the major issue with regards to the Kenyan scenario depicts change of channels to banc assurance and direct avenues. Innovation and technology is quickly evolving around the world. In Kenya, insurers are quickly embracing technology from the various mobile transforms available and ways of paying premiums. However, according to the world survey, innovation is lacking and response to technology is slow.

### **5.3.3 Product Development**

Previous researches, such as the CSFI survey indicate that the major issue here pertains to insurers developing products from forces of supply rather than on demand. Also, the markets are changing but insurers are not adapting first enough. However, in Kenya, according to the survey carried out, the problem lies in the low penetration of insurance as well as target to the wealthy class. Respondents said that there are plans underway to expand penetration by targeting other classes like the poor with their products. Therefore, there is need to develop new products targeted to them.

### **5.3.4 Investment Performance**

From previous literature, the world in 2015 generally recorded low interest rates meaning investment performance was low. Moreover, the business most affected from the literature was life insurance as it involves of savings. In Kenya, according to the questionnaires, life insurers are also the most affected group as the investment market is variable. It affects profitability to a large extent as it is often allowed for when charging premiums.

### **5.3.5 Interest rates**

In both the literature and the survey findings, just like investment performance, it affects the life insurers most and in terms of profitability. In Kenya, due to the recent capping of interest rates, insurers are having a threat from the banking sector. The low interest rates will affect ability to

pay liabilities as and when they fall due so will definitely affect capital reserves. In previous papers, interest rates should not be a problem due to underwriting of risks upon taking up policies.

### **5.3.6 Capital Availability**

According to past research, it is not a major risk at present in the world. However, in the Kenyan scenario it ranks sixth among the risks. This is mainly because of the stringent regulation that have been introduced recently, especially those that pertain to capital adequacy. The regulation has ensured the capital left as free reserves is the minimum and so insurers are looking for new ways to obtain capital. Previous research shows that the persistent low interest rates and soft market in the world generally have led to overcapitalization (CSFI, 2015). However, in Kenya the capping of interest rates to lower them will make it difficult to obtain capital as banks will use stringent measures before giving capital.

### **5.3.7 Political Interference**

Past research reveals that this is not a big issue. However, it presents itself in terms of political interests vested while establishing regulations. This is the major association apart from those parts of insurance linked to public welfare such as pensions and health (CSFI, 2015). In Kenya, on the other hand, political interference is a key risk especially with regards to the coming 2017 elections. Most respondents indicated this as a threat hence presenting a risk. This they linked to the happenings and the norm of the economic environment during elections in the country.

### **5.3.8 Reputation**

Reputation is not a prevalent risk according to past literature. However, when it is an issue it can be detrimental to profits and growth. The literature reveal that sometimes it is a risk inflicted by insurers themselves by their business practices and public or customer relations apart from poor customer perception. With regards to the survey carried out, the Kenyan population has poor perception about the industry. Moreover, the risk is linked to solvency especially due to the

happenings to their financial sector brother, banks. However, some respondents noted that it is not to last long.

### **5.3.9 Cyber Risk**

This risk ranks very high from previous surveys. It is an emerging risk though. It is pegged on technology which is transforming and evolving every other day. This also enhances ways of carrying out cyber crimes. Moreover, the fact that it involves information, presents a huge risk since insurers deal with a lot of personal information from policyholders. A breach in this further causes reputational risk. This risk presents problems in terms of cost of recovery of softwares and information, company image. From the survey, there is not much concern spoken about. However, respondents say that it is a vehicle for fraud that is common in the country. Also, it is associated with medical insurance as it involved storage of policyholder personal information. Hence, it affects costs and profitability.

### **5.3.10 Corporate Governance**

The survey has this risk as a cause for alarm. This has been linked to the fact that this is the fabric that holds together customers and the company as well as the company as a whole. The country ranking highly in corruption at all levels make it questionable in the sector as well. In addition to that, the banking sector has been undergoing receivership and solvency issues, being in the same industry and sector, insurers might be susceptible. On the other hand, past surveys indicate a lower concern on the same. This is indicated by the professional board members insurers have the world over. This they said was a contribution of stringent regulations in place, in particular, solvency 2. However, there are still concerns pertaining to poor choice of board members as well as lack of frequent change of board members which allows them stay too long hindering change of ideas from different backgrounds.

## APPENDICES

### Appendix A: The Questionnaire

#### INSURANCE BANANA SKINS 2016 – KENYA

I am carrying out a research in fulfillment of my degree in the Bachelor of Business Science in Actuarial Science. I would like to inquire from insurers and close observers of the financial scene their main worries about the insurance industry as they look ahead. I would appreciate if you took a few minutes of your time to fill in this survey for me.

Name

Position

Institution

What part of the insurance market do you represent?

Broking/ Intermediary  Life  P&C/ Non-Life  Reinsurance

Other:

Replies are confidential, but if you are willing to be quoted by name in my report, please tick:

**QUESTION 1:** Please describe your main concerns about the risks facing the insurance industry as you look ahead over the next 2-3 years

**Question 2:** Here are some areas of risk which have been attracting attention. Please score them on a scale of 1 to 5 where, in your opinion, 1 is a low risk to insurers and 5 is a high risk. Use the column on the right to add comments. Add more risks at the bottom if you wish.

	Risk			
Economic	1 = low			
Environment	5 = high		Comment	

<b>Macro-Economy:</b> To what extent does the current macro-economic environment present a threat to the insurance sector e.g. from recession, deflation/inflation			
<b>Interest rates:</b> How large is the risk that insurers will be			

damaged by movements – or lack of movement –in interest rates?		
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Public Environment

<p><b>Political Interference:</b> How great is the risk that political pressure will damage insurers e.g. through interference in business practices, pressure to underwrite particular risks etc.?</p>		
<p><b>Regulation:</b> To what extent could the current wave of new regulation as to capital requirements and conduct of business have damaging effects on insurers?</p>		
<p><b>Reputation:</b> How severe is the risk that the industry will be damaged by poor</p>		

reputation or by social media?		
<b>Social change:</b> How great is the risk that insurers will fail to meet social pressures such as greater longevity, demand for health care, pensions, etc.		

Industry risk

<b>Capital availability:</b> To what extent is a shortage or a surplus of capital currently a risk to insurance providers?		
<b>Change management:</b> How likely is it that insurers will be damaged by inadequate responses to pressures for change, e.g. in industry structure,		

markets, customer demands, technology?		
<b>Cyber risk:</b> What is the risk of insurers becoming the victims of cyber-crime, software failure or data security?		
<b>Distribution channels:</b> What is the risk that insurers will fail to make best use of new distribution channels and advanced technologies to reach their clients?		
<b>Guaranteed products:</b> With the low interest rate environment persisting, how much risk is there to insurers' capital and solvency from guarantees in products?		

<p><b>Human talent:</b> How likely is it that insurers will have difficulty attracting and retaining talent in the present environment?</p>		
<p><b>Investment performance:</b> What is the risk that insurers will be harmed by the poor investment performance?</p>		
<p><b>Long tail liabilities:</b> How likely is it that insurers will be damaged by liabilities which take a long time to materialize?</p>		
<p><b>Market conditions:</b> What is the risk that the insurance cycle will result in poor market conditions for an extended period of time?</p>		
<p><b>Product development:</b> How</p>		

likely is it that insurers will be harmed by a failure to develop the right products for their customers?		
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Governance

<b>Corporate governance:</b> How likely is it that Weakness at board level will lead to poor oversight and control of insurance companies?		
<b>Quality management:</b> How likely is it that insurance companies will be harmed through poor management?		
<b>Quality of risk management:</b> How likely is it that insurers will incur		

losses as a result of inadequate risk management?		
<b>Business practices:</b> How high is the risk that insurers will incur losses as a result of poor sales and other conduct of business practices?		

Underwriting

<b>Climate change:</b> How severe a risk do you think climate change poses to the insurance industry?		
<b>Pollution/contamination:</b> How severe a risk do you think problems of pollution and contamination pose to the insurance industry?		
<b>Terrorism:</b> How severe a risk do you think acts of terrorism pose to the insurance industry?		

Please add other risks that you feel are significant to the insurance industry.

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**QUESTION 3:** How well prepared do you think insurers are to handle the risks you have identified, where 1 = poorly and 5 =well? Please add comments if you wish.

Risk

1 = poorly

5 = well

Comment

Risk	Comment

## Appendix B: Letter of Introduction



### SCHOOL OF FINANCE AND APPLIED ECONOMICS

10<sup>th</sup> October 2016.

**Our Ref.:**

Adm. No: 075496.

Auko Lydwine.

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam,

**RE: REQUEST FOR DATA FOR UNDERGRADUATE RESEARCH PROJECT**

This is to certify that, Auko Lydwine is a bona-fide student at Strathmore University, pursuing a Bachelor of Business Science in Actuarial Science at the School of Finance and Applied Economics, currently in her final year of study.

Lydwine is doing an Applied Research Project titled "*Insurance Banana Skins in Kenya*", which is a requirement by the university. And as such, Lydwine would like to request for data containing the following information in order to complete her research: the risks facing insurance companies, a replication of the CSFI and PWC survey on the same in the Kenyan scenario.

She and the university commit to follow all the confidentiality regulations required. We shall appreciate any assistance given to her. If you require any further information, please do not hesitate to contact the undersigned.

Kind Regards,



Raphael Karanja.

**Faculty Manager.**  
**School of Finance & Applied Economics.**  
**Strathmore University.**  
**E-Mail; [rkaranja@strathmore.edu](mailto:rkaranja@strathmore.edu)**

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607498 Email [admissions@strathmore.edu](mailto:admissions@strathmore.edu) [www.strathmore.edu](http://www.strathmore.edu)

## Appendix C: List of Respondents

1. Mukami Njeru
2. Priscilla Mogaka
3. Maureen Misiani
4. Judith maina
5. Immaculate Wanjiku
6. Vincent Adem
7. Moses Kiptoon
8. Selly Olonga
9. Moses Mugambi
10. Hellen Rajoro
11. Sahib Khosla
12. Anne Waweru
13. Judith Nyokabi
14. George Odera
15. Faith Kageni
16. Benard Cheloti
17. Lawrence Obat
18. George Ototo
19. Golda Akolo
20. Ezekiel Macharia

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