



Your Trusted Insurance Ally

15TH JANUARY, 2021

MICRO-INSURANCE



What is micro-insurance and how does it work?

Microinsurance refers to insurance products that have been made to cater to low-income earners who do not have access to mainstream insurance products. It seeks to protect low-income earners from risks such as accidents, illness, theft, death, fire and natural disasters such as flood and drought in exchange for regular payment of premiums whose amount is proportional to the likelihood and cost of the relevant risk.

Kenya is considered a developing nation and as with all developing nations, we have a larger percentage of the population falling in the low-income earners' category. This group lacks appropriate mechanisms to control risks allowing losses to drive them into helpless situations and abject poverty because they cannot afford the conventional insurance products. These individuals still require insurance covers hence the need for microinsurance.



Microinsurance works better with groups than with individuals because the cost of selling the product to individuals is higher as compared to a group. In a group, the risk is spread hence it is safer for the insurer to offer the product to a group. Usually, existing group structures such as Chamas, Trade Associations, Social Welfare Groups and Saccos are used when approaching insurers for microinsurance covers.

The main characteristics of microinsurance are:

Inclusivity – The products are specially tailored to cater to the needs of low-income earners hence ensuring that everyone gets access to insurance services regardless of their income.

Affordability – Microinsurance products are affordable to low-income earners.

Easy to understand – The documentation of the microinsurance products are made clear and simple enough so that they can easily be understood.

Accessibility – The processes of making inquiries and lodging claims have been made easily accessible.

In conclusion, micro insurance is an important tool in furthering insurance penetration in Kenya and thereby promoting economic growth. Insurance education can be offered to those in the low-income category like Jua Kali sector, farmworkers and house helps so that they may form groups and take up the microinsurance products for their businesses as well as for their families.

