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Mobile Insurance: A Preliminary Implementation Partnership Approach for Success for Linda Jamii Health Cover in Kenya Micro-Insurance Sector

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Abstract:
The purpose of this study was to investigate factors that lead to the successive implementation of mobile insurance in Kenya. The study specifically sought to understand how various objective variables affect the implementation of mobile insurance in Kenya, that is: To investigate the impact of technology on implementation of Linda Jamii health insurance cover, to establish the effect of human resource capacity on Linda Jamii health insurance cover, to investigate the impact of open policy on Linda Jamii health insurance cover and to determine the impact of cost on Linda Jamii health insurance Cover. The Scope of the study was Safaricom Ltd, Britam Insurance and Changamka companies, from which the study adopted the survey research design because not much study had been carried out on mobile health insurance in Kenya as a scheme under micro insurance. The study used desk research, secondary data evaluation and internet. The data was analyzed and presented through use of descriptive analysis, thematic and content analysis. The study established that technology, human resource, open policy, cost have an impact on the receptivity of insurance service in Kenya'sLinda Jamii health insurance. The study recommendsagents training on policy implementation, wider publicity to the market andliase with other stakeholders like employer's to enhance enrolment.

Key words: *Linda Jamii,Britam, Safaricom Ltd, Micro insurance, Mobile Insurance, Health Insurance*
Definition of Key term Linda Jamii: *This is a Kiswahili word that means; Taking Care of the family or enhancing the protection of the Family. Thus the insurance service is targeted to provide health cover to families and households.*

1. Introduction

Insurance, potentially, is one of the basic institutions which can provide a defense against social and financial exclusion for people whose existing coping strategies are failing. And if people's livelihoods are effectively protected, that should encourage investment among lower-income groups and raise overall investment and growth rates. And yet, as the 2000 World Development Report on poverty puts it, 'there are almost no insurance markets in developing countries because of problems of contract enforcement and asymmetric information' (World Bank 2000, 143).Micro insurance has been defined by Churchill as "the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and risk of cost involved" (Mosley, 2009). Siegel et al. (2001) considered that micro insurance should be seen as one possible instrument of social risk management, that is, the control of risk in the interests of low-income people. The world's poorest citizens bear a disproportionate share of disease and ill health. World Bank studies indicate that health-related issues both cause poverty and result from them (Narayan and Patesch 2000). In developing countries, illness is mentioned more frequently than job loss as the main cause of poverty (Dodd, Munck, and WHO 2002; Asfaw, 2003). In Kenya, *Linda Jamii*, which is a Micro insurance product, it is in partnership amongst three companies that is: Safaricom, Britam and Changamka in offering health services whose initial target is over 35 million Kenyans without insurance protection. The aim is to have families accumulate a premium of KSh12, 000 (US$140) that provide in and out patient, maternity and income insurance during hospitalization, besides, one stand to be paid a sum of about Ksh500 (US$6) per day during the time in which he or she is hospitalized. According to the plan, once one accumulates KSh6, 000 (US$70), they would be eligible to receive medical assistance when required (www.safaricom.co.ke).

2. Purpose of the Study

The Purpose of the study was to establish the reasons that make the *Linda Jamii*micro insurance successful. The strengths of the product can be replicated to other policy makers and management to enhance their organization productivity, the study is meant to the scholars to enrich their capacity in knowledge and intellectual capacity.

3. Objectives of the Study

- To investigate the impact of technology on implementation of *Linda Jamii* health insurance cover.
- To establish the effect of human resource capacity on *Linda Jamii* health insurance cover.
- To investigate the impact of open policy on *Linda Jamii* health insurance cover.
- To determine the impact of cost on *Linda Jamii* health insurance Cover.

4. Statement of the Problem

The very poorest, who are most exposed to risk, do not often take advantage of micro financial services, and yet, precisely because they are most exposed to shocks, they are most in need of support services - essentially fulfilling an insurance function, as above - which may help them smooth consumption(Mosley,2009). It is estimated that about over 300,000 Kenyans are covered under approximately 125000 private health micro insurance policies representing less than 1% of Kenyan population of about 42 million in 2010 of which more than 50% of Kenyans live in poverty (Smith, 2010).

It has been noted that there is disparity in use of inpatient care in Kenya and this suggests that access to health is particularlylimited to some wealthy Kenyans and urbanites are likely to seek inpatient care than their poorer and rural counterparts (Kenya ministry of Health, 2009). The health coverage remains low in 2009, just about 10% of Kenyans were estimated to have health insurance and the figure was even lower for women, those with lower income and rural population (Luoma et al. 2010).

Kenya's overall insurance penetration only increased marginally from 2.5 per cent to 3.1 per cent between 2006 and 2012, largely lagging behind GDP growth. At present, the majority of insurance companies are engaging in "cannibalistic competition" on the micro insurance sector as FSD described it — competing among themselves for the same three per cent market share mainly made up of the big corporate clients, while 97 per cent of the market remains untapped, and that the 97 per cent of the untapped population is not necessarily made up of the poor, the unemployed, or low-income earners — an estimated 1.4 million individuals, have regular incomes in the form of a salary which enable them to purchase some form of insurance.FSD says that this "invisible barrier" is caused by a lack of familiarity of the retail market — how to best design an affordable, flexible, easy to distribute product that reaches the masses. Insurance in Kenya has however been faced with challenges, that is despite over the decades the insurers have been trying significantly reach the poor, few of them have been enrolled to private health micro insurance.(koven et.al. 2014).

5. Materials and Methods

The scope of the study were the main companies in the partnership of providing the health insurance sector that is the Safaricom the Britam, Changamka and PSI. Data was collected from relevant companies' websites, journals, and special issue commentaries that formed the basis in the use of secondary information to increase the quick process of data collection and analysis which entailed content, textual and thematic analysis of data, since not many studies have been done on this frontier as a product using mobile telephony.

6. Discussion and Findings

6.1. Technology

Research indicates that private sector, government-sponsored, and NGO-sponsored insurance schemes may not direct sufficient funds to management systems or proper costing techniques, particularly in Africa (Sabri, 2003).

The ability to transfer funds using cell phones to allow clients or insurers to pay healthcare providers is key. Also, the use of smart cards for identification purposes, for medical records, and claims information will greatly enhance the uptake of insurance because it would help to stream line the process and increase efficiency and quick payment processing (leatherman, Christensen and Holtz, 2010).By hitching onto Safaricom's M-Pesa infrastructure, Britam is hoping to cut the cost of signing up new users, collecting premiums, and paying out claims to the hospitals — the three biggest bottlenecks, mostly associated in the insurance pipeline (Mungai, 2014).

The technology bit which is very important is covered by *Changamka*, a micro health institution that provides technology based solutions for health care.*Changamka* distributes a health smartcard that can be loaded with cash and be used at different health care facilities. These include cards such as Outpatient Smartcard, Maternity Smartcard, and Smartcard for third party payer schemes (E-Vouchers and In-house Smartcards. Their service, combined with the new insurance product, will help those without accesses to such products easily obtain them through the use of their phones (Matinde2012). Changamka has installed an end to end internet based electronic platform which is hosted on the Safaricom cloud; and with the capacity to manage more than 100 million insurance policies. The technology enables users to save little by little using MPESA until the required threshold is reached.

The product is an innovation that enables individuals register on a mobile phone, thus tackling the age old problem of distribution of Micro insurance products. In addition healthcare services are provided on either a computer or an internet enabled mobile phone (Aisi and Mbuthia, 2012).Britam has initiated a major IT investment targeting a quantum leap in customer service and efficiency on a par with any insurance company in the world.

6.2. Human Resource

McCord and Osinde (2005) suggested several marketing and sales innovations that recognize the difference between educating people and marketing to them. With many incentive structures, salespeople tend to focus on the initial sale rather than upon the more distant issue of renewal. Redesigned incentives, such as paying an initial commission at enrolment and a larger commission at the time of renewal, might foster more education upfront and during the policy period, helping clients to understand and value health micro insurance services.

Furthermore, the leading agents in terms of volume of business written and persistency were both from Britam. This achievement is the outcome of disciplined recruitment and successful training programs. Britam has become synonymous with a countrywide network of professional financial advisors. The financial advisory establishment in Britam today numbers 1,500 – twice the size of its nearest competitor (Wandera, 2013).

Inorder for the healthmicro insurance product to work, the things which people want should be flexible; there should be a broad choice on the hospitals they can visit, and no exclusions. The scheme plans to use up to 30,000 M-Pesa agents as the first point of contact to sensitize the public on the product, but this will mean specialized training, as most agents have no skill on the selling of a complex financial product such as insurance (Mungai, 2014 Feb). Financial advisors are trained in point of sale customer service skills. Welcome calls are made to all new customers reviewing the sales process, and quality assurance is provided. Financial advisors whose customers discontinue their policies within one year are subject to a commission claw back; those whose customers persist are rewarded after the second and third anniversaries of the policy. Customer communications are issued on the back of a strategy that utilizes emails and SMS text messaging. Customer feedback is channeled through the financial advisors into the product development cycle (Wandera, 2013).

6.3. Open Policy

In the case of micro health insurance it is suggested that people with insurance will more readily make use of health care services. This would allow for an improvement of their health status (Churchill 2006: 14).Significantly, the policy of *Linda Jamii* as a health insurance product has no exclusions on any pre-existing chronic conditions such as diabetes, HIV/Aids, hypertension or tuberculosis (Mungai, 2014 Feb).This is a departure from other locally provided health insurance scheme product which have pre-existing conditions and terms that most of the time bars potential clients from subscribing to the service.

The greatest benefit for this product is to families, as it will see an inpatient and outpatient cover for two parents and an unlimited number of children. According to Britam, the medical cover will undertake insurance against pre-existing conditions including HIV.Another major breakthrough is that it will cover funeral expenses in the event that one of the insured persons dies (Matinde, 2012). Britam Insurance was the first and remains the only life insurance company in Kenya that issues life insurance policies within one day at any branch in Kenya. This has been achieved for non-medical examinable cases on the back of electronic document management capabilities and a wide area network (Wandera, 2013).It can be termed that against this policy *Linda Jamii* is bound to succeed in the long run because of reduced bureaucracy in enrolment process.

6.4. Low Cost

Pricing and cost of an insurance product is important because it determines how the product will be embraced. The main reason for lack of insurance cover in some people is due to the high premiums(Masase, 2013), and the price of insurance has an impact on the life insurance consumption (Outreville, 1996).According to Steyn (2014), under *Linda Jamii*, for Ksh1, 000 ($11.7) per month, or Ksh12, 000 ($141) annually, users and their families are entitled to out-patient benefits worth Ksh50, 000 ($588) per year and inpatient benefits worth Ksh200, 000 ($2,352) per year. In a country where 80 per cent of jobs are in the informal sector, and even taking a sick-day off work means losing earnings for that day, the scheme also gives a cash payment of KSh500 ($5.8) per day for every day one is admitted in hospital, with a limit of 60 days to compensate for lost income in case of hospitalization.

When trading life insurance using the traditional channels - agents and brokers - the cost of each sale is between Ksh500 ($5.8) and Ksh1, 000 ($11.7). It is thus imperative that if the product service has to realize the one million mark of new users in one year, it simply has to be paperless, or else the whole thing is virtually impossible (Mungai, 2014 Feb).These will help the overall implementation cost to be reduced hence making the service to be to be much cheaper and affordable to the people who will use the service by being insured (Babbel, 1985).

7. Conclusion and Recommendation

The study concluded that Linda Jamii as a micro insurance health service is bound to succeed given that several factors are bound to make the service profitable and enriching to the companies in partnership. The use of technology is essential and use of infrastructure that is cable to support massive enrolment of members, processing of fees, Payments and disbursements of fund, the large pool of human resource both from Britam, Safaricom and *Changamka* provide expertise knowledge dissemination, operational support, and recruitment. The Open policy unlike other insurance attracts many clients to join insurance this is because it does not have a limit barrier on the type of precondition disease under cover and lastly the low cost of accessing the medical health with low premiums payable in installments has served to attracted a large number of people leading to an increase in the uptake of the insurance health cover.

The study recommends that further research should be carried after some time lapse for instance between 2-3 years the purpose will be to measure the overall performance of the product given that this is preliminary study.

The study recommends the need to reach a wider population and this can be carried out through use of road shows, to sensitize the market on the need for service and through such forums handset activation of the product can be initiated thus enrolment

achieved.The service providers should also liase with churches, employers at all sectors of economic production to facilitate knowledge dissemination and enrolment of the service.

The study recommends further analysis on the impact of disposable income on *Linda Jamii* uptake to determine its usage and viability amongst different economic ladder groups of people

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