

**STATE OF SME INSURANCE**

**in Kenya**

**2019**

Risk management is an issue most if not all SMEs in Kenya grapple with. SMEs in Kenya have to deal with great levels of risk and uncertainty from; political risk, terrorism, unexplained fires, theft and burglary, compromised IT infrastructure (Cybercrime), workplace accidents and contract disputes among others.

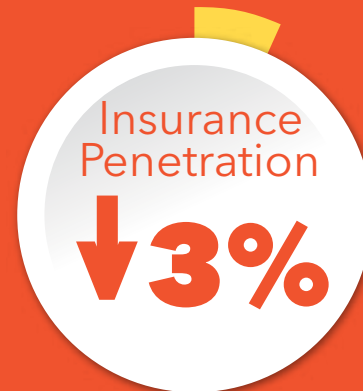
These risks together with other factors collectively contribute to Kenya's SME mortality rate which stands at 75% within 3 years.

On the other hand insurance companies seem to operate on product philosophy a situation where products are developed and are forced down the throats of customers using aggressive sales and marketing strategy. This is in contrast to modern day design thinking philosophy where companies' co create products with the specific customer pain points at the centre.

The situation is aggravated by the fact that insurance companies hypothesize that lack of education is the sole reasons why SMEs are not taking up insurance products with Kenya having an insurance penetration of less than 3 per cent.



SME Mortality Rate



The survey report seeks to help SME system players in the insurance sector reflect on SME products from the lenses on Kenyan SMEs.

## Results

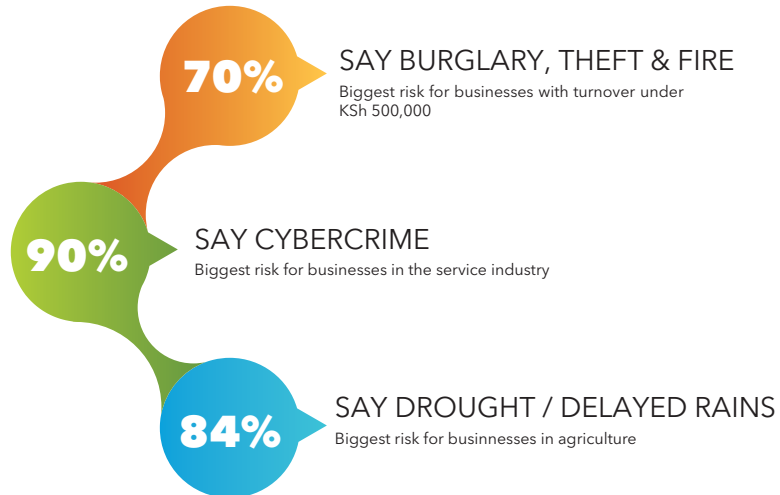
### Risk faced

Top seven risk faced by respondents:



## Insight

1. Disruption due to political unrest cut across all industries.
2. 70% of businesses with annual turnover below Ksh 500,000 indicated that Burglary, theft and fire was their biggest risk.
3. 90% of businesses in the service industry had cybercrime as their biggest risk
4. 84% of businesses in agriculture indicated that drought or delayed rains were their biggest risk



## Value lost due to risk exposure in the last one year (Ksh)

27% of respondents lost Ksh 50,000 and below, 26% lost between 51,000 and 250,000 Ksh, 20% lost between 251,000 and 500,000 Ksh while 27% lost over 500,000 Ksh

Ksh 50,000 and below **27%**

Ksh 51,000 and 250,000 **20%**

Ksh 251,000 and 500,000 **27%**

Over Ksh 500,000 **27%**

## Value spent in mitigating risks annually (Ksh)

61% of respondents spent Ksh 50,000 and below, 34% spent between Ksh 51,000 and 500,000 while 5% spent over Ksh 500,000

Ksh 50,000 and below **61%**

Ksh 51,000 and 500,000 **34%**

Over Ksh 500,000 **5%**

## Risk mitigation measures currently being used to help in business continuity or recovery

1. Cash reserves
2. Assets (land, building, motor vehicle)
3. Cooperative savings with business in same sector and or location
4. Security guards
5. Market diversification (setting up business in multiple locations)
5. Security software



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