



State of
SME INSURANCE
in Kenya 2020

SMEs in Kenya 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 design thinking or customer marketing 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.

The Kenyan government through the 2020 budget policy statement desires to formulate a nation policy for the insurance industry in Kenya to strengthen the framework of providing insurance services in the country with special focus on pension coverage of informal sector as well as increase insurance penetration.

Viffa conducted its second edition survey that seeks to help SME eco system players in the insurance sector reflect on SME products from the lenses of Kenyan SMEs.

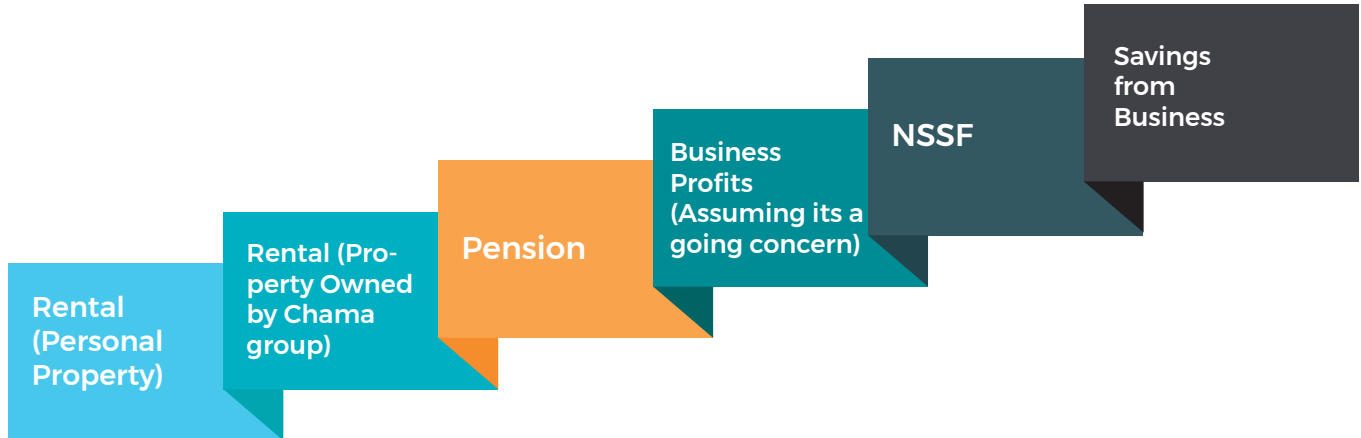
Study Methodology

| | |
|-----------------------------|---|
| Data Collection Tool | Questionnaire-Online-Telephone Interview |
| Sample Size | 100 SMEs |
| Sampling Methodology | Purposive sampling included Nairobi, Machakos, Kajiado, Kisumu, Mombasa, Nakuru as well as SME sectors. Random sampling within SME Sectors |

STUDY RESULTS

1 - Entrepreneur Retirement Plan

Source of income for the SME owner after they attain retirement age of 60+



STUDY RESULTS

2 - Business Risk Often Faced

**DELAYED
PAYMENT
BY DEBTORS**



**DISRUPTION DUE
TO POLITICAL
UNREST**

**ELECTICITY
CHALLENGES**



CYBERCRIME

Insight

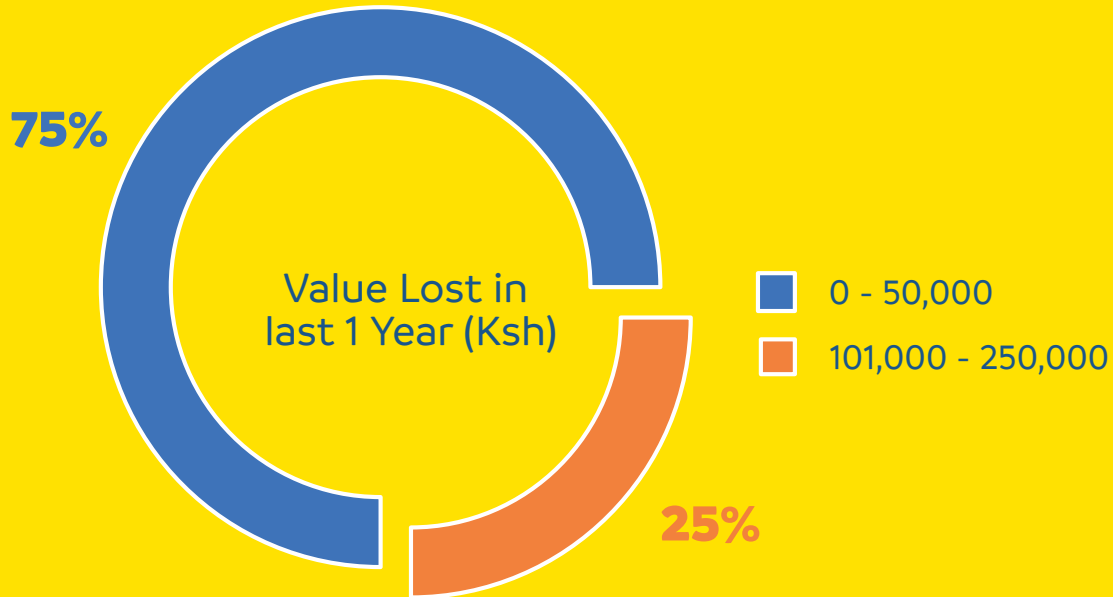
Delayed payments for products-service delivered especially for SMEs serving formal retail poses a major existential threat with payments delaying an average of 120 days followed closely with dues from both National and county government.



STUDY RESULTS

3 - Value Lost In The Last Year

Value lost manifested in; lost sales, lost property (assets), stolen cash.



STUDY RESULTS

4 - Strategy For Covering Risk



Insight

Insurance companies have an opportunity to partner with SMEs through micro insurance both at an enterprise level as well as cooperative/chama level especially for cross cutting risk such as disruption due to political unrest and delayed payment.



STUDY RESULTS

5 - How does the entrepreneur deal with interruption outside the business (Death of family member-Personal accident)



01

**Harambee
(Family-Friends)**



02

**Personal
Savings**



03

**Business
Profit**



04

**Sale of
personal
Property**



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