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Strategy

## CHALLENGES FACING INSURANCE BROKERS IN KENYA

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### ABSTRACT

**Purpose:** The insurance industry, like other industries, has faced obstacles that have threatened its productivity, profitability, and capacity to compete against its rivals. The objective of this study is to identify and discuss the challenges facing insurance brokers in Kenya. The aim of this work is to enable the readers understand the various challenges facing insurance brokers and their impact on the insurance industry.

**Methodology:** A desktop literature review was used for this purpose. Relevant seminal references and journal articles for the study were identified using Google Scholar. The inclusion criteria entailed papers that were not over five years old.

**Findings:** The study concluded that customer experience & satisfaction, workflow inefficiency, uncertainties in the market, unfavorable government regulation, cybersecurity risk and lead generation are some of the challenges that affect insurance brokers in Kenya. These challenges have greatly been influenced by the ever-changing technology that has revolutionized the workforce labour and business activities generally in all organizations and government influence on the regulations set by the Insurance Regulatory Authority.

**Unique contribution to theory, practice and policy:** The study therefore recommended that insurance brokers should embrace the use of well-developed digital services that will enable them service their customers efficiently and meet their needs while the Insurance Regulatory Authority should come up with strategies that will help mitigate the unfavorable government regulations that affect insurance brokers.

**Keywords:** *Challenges, Insurance Brokers, Kenya*

## INTRODUCTION

The insurance industry is a highly complex business which involves multiple processes to administer existing policies, renew policies, process claims, address customer inquiries and price and sell new businesses. It is also a business of trust that requires a lot of accuracy, cautiousness and integrity when handling all matters involving policyholders and the shareholders. Policyholders expect their claims to be paid by the insurance fund while investors/shareholders expect to make profit from the insurance fund, hence both their interests have to be safeguarded by the insurance regulator. (Kathanga, Awino & Kabiru, 2016).

The Insurance Regulatory Authority is a statutory government institution formed to regulate, monitor, and develop the insurance market under the Insurance Act (Amendment) 2006, chapter 487 of the Kenyan Laws (Insurance Regulatory Authority, 2017). According to Insurance Regulatory Authority, (2017) the main players in the insurance industry of Kenya are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers. These players are guided by the policies and regulations under the Insurance Act that are set and administered by the Insurance Regulatory Authority. The professional body of the Insurance industry is the Insurance Institute of Kenya (IIK) which deals mainly with training and offering professional education to the main players of the insurance industry.

Another complexity that the insurance sector faces is the highly complicated interplay between insurers and their external networks i.e. Brokers and Agents. The insurance brokers and agents have faced a myriad of challenges as they try to keep up and adapt to the ever evolving technology affecting the insurance industry and businesses. They have mainly been affected by changes in regulation policies and advance technologies used to maintain financial stability in this industry (Kathanga, Awino and Kabiru, 2016).

A great customer experience is a key measure of success within the insurance industry. A survey by Richardson (2019) revealed that customer experience has become a top priority for businesses, with 86% of buyers stating they are willing to pay more for great customer experience, approximately 64% of consumers say they are likely to carry out a research online before making any purchasing decisions and 94% say an online review has convinced them to avoid a business or product. Thus as insurance consumers are becoming more and more informed, they ultimately expect better levels of service and a more personalized experience since the insurance sector is a service- based industry.

Just like other businesses, the insurance sector has not been left behind when it comes to matters of embracing technological techniques so as to improve customer experience and satisfy their needs. They have developed digital services that make it easier and convenient to purchase insurance products, manage policies, submit and track claims and establish long-term relationships with their customers. However, insurers and insurance brokers have experienced a challenge in developing a fully digital and omnichannel sales process that will create a customer experience that is consistent across all channels as well as designed for all customers (Otedo, 2017).

According to a survey by Accenture (2021) 50% of the insurance customers have a preference for using digital channels when looking for product information and updating personal information with their insurer. Additional research by Adobe, (2021) also shows that smartphone traffic to auto, home and life insurance websites has increased by 84% over the past two years. Insurers have not managed to develop high- quality mobile apps and websites that make it easier for customers to manage their insurance policies online, communicate with insurance representative or agents (human or Chabot), request roadside assistance, schedule repairs and update policies to reflect new purchases or changes in their personal life (Munge & Kitiabi, 2017). Therefore they advocated that insurers should develop mobile apps and websites that allow customers to manage their insurance policies online and that enable potential customers to explore, research and purchase their products and services.

Another obstacle facing insurance brokers, according to Munge & Kitiabi (2017), is the difficulty in processing claims, which has resulted in a terrible client experience. Customers who have had their claims handled too slowly have turned to other insurance companies that leverage digital technologies such as the Internet of Things (IoT) and linked devices to speed up and streamline the claims processing process.

Workflow efficiency is the goal of an organization to streamline its processes when processes become overwhelming (Niraula and Kautish, 2019). This is another challenge that insurance brokers face due to the nature or essence of the insurance industry that continues to change as technology evolves. Insurance brokers haven't managed to efficiently assess and evaluate the way in which they identify and handle their workflows and processes even as they try to keep up with slower growth forecasts and prosper.

Many brokers are having challenges retaining and satisfying their customers due to outdated technology and organizational frameworks, as well as siloed departmental data, searching for client's information on one site and completing the next steps on another. This has resulted to reduced motivation and productivity among customers and insurers. From the findings of this research Richardson, (2019) suggested that one way to solve this problem is by automating the repetitive tasks and processes so as to free up valuable time to focus on other areas. Simple and convenient digitization of existing processes will help the insurance sector maintain an adaptable strategy, make informed decisions about any problem they encounter and improve workflow efficiency (Richardson, 2019).

Most effective marketing strategy is one that is an integral component of the corporate strategy, defining how the organization will successfully engage customers, prospects and competitors in the market arena. Effective insurance marketing involves increasing customer awareness, successful distribution of insurance products, developing the corporate image, improving the customer service and improving customer base and its spread. The insurance market has been experiencing constant changing market demands that have greatly affect the productivity of insurance brokers. The insurance brokers have now been forced to commit their resources to adapt and understand the marketing strategies that suit the evolving technology in the market. (Otedo, 2017).

Uncertainties in the general insurance, where even when the contingency covered under the general insurance policy does occur, the amount of the claim maybe a full sum insured or less and in some cases, the amount may not been known for quite some time in future. Further, there may be several claims with varying frequency, sizes and amounts during the term of a policy (Al-Thaqeb & Algharabali, 2019).

The insurance industry is also faced with uncertainties over potential market size, how much time and money will be needed to surmount technological problems and what distribution channels and buyer segments to emphasize. In addition, risk-sensitive regulatory financial requirements that provide an incentive for optimal alignment of risk management by the insurer and regulation, as well as incompetent underwriting and claim practices set by insurance management that lead to insolvency (Kathanga, Awino & Kabiru, 2016).

Government regulation is a challenge that has affected growth of the insurance sector and penetration of other insurance companies. The government under the ministry of finance influences major decisions in the insurance industry. It influences the regulation requirements set by the Insurance Regulatory Authority that guides all the players in the insurance sector. Therefore, he recommends that it's important for any insurance company to take into account the history and momentum of government impact on the regulations of the insurance industry (Odenyo, 2018).

Some government regulatory actions are likely to force significant changes in insurance industry practices as well as strategic approaches. This has led to stagnation of some insurance sectors while others closure of insurance companies especially that underwriting public service vehicles business. Insurance brokers in such sectors have faced difficulties in meeting the financial obligations of the policyholders and other insurance beneficiaries. (Nyamu, 2016). According to Nyamu (2016) regulatory pressures on prescription of uniform resource standards and defining what resources are socially acceptable or permissible as inputs, have limited diversity by constraining the range of firms' permitted resources options and by imposing common societal expectations across competing firms about how inputs should be combined and deployed in production.

According to IIROC (2018) "The National Institute of Standards and Technology defines cyber security as the process of protecting information by preventing, detecting and responding to attacks". Cyber-risk is no longer an emerging risk it's a new reality that is affecting the global economy. In 2018, it was estimated that cybercrime can cost the global economy as much as \$600 billion annually, with the financial sector at particular risk.

Ever since most industries adopted the new technology where vital information of customers, health and financial related information is being stored in electronic media and corporate gather and maintain information of their customers, cyber security risks have significantly increased. The insurance sector is a data-driven industry where crucial information about their customers' property or life has been stored in various databases. Insurers are therefore mandated to protect this information against the various cyber security risks which threaten exposure of such confidential information to the public. Increase in cyber-risk has led to lose of customers' trust, reduced sales, reputational damage of insurance companies and the overall cost of doing

business. In addition to emerging risk on driverless cars and IoT, consumers, brokers and insurers are grappling to understand the best covers for this and how to access them. (Richardson, 2019)

A study by Hendra et al., (2016) defined insurance lead generation as the process of deploying strategies and tactics that attract potential insurance customers and fill the funnel. It involves use of smart insurance lead generation strategies that doesn't just bring people to the company's sales funnel but the right people and it insurers control over the success of the close rate and health of the business. A study revealed that unlike B2B generation which involves many buyers and lengthy processes, insurance agencies just need to connect with one or two buyers to close the deal. This is because now more than ever, potential customers are more inclined to review insurance services either online or directly through the websites and word-to-mouth referrals from family and friends in order to make a decision on which insurance product meets their needs.

The challenge that insurance brokers have faced under lead generation is finding the best strategies to attract the right customers who will refer others, maintaining the best online reviews and competing with their competitors to build long-lasting relationship with customers. Insurance brokers have felt that this is an exhaustive tasks since they try all possibilities to align their insurance products with the best coverage that customers feel will meet their needs (Richardson, 2019). According to a study by Hendra et al.,(2016) the most effective lead generation for insurance companies include SEO, content, reviews, referrals, social media and paid search. This will enable insurance brokers to easily identify the best insurance products that suits each customer needs.

## **CONCLUSION**

The findings of this study show that most of the challenges that insurance brokers face are caused by the ever evolving technology in the insurance industry. The challenges discussed in this study directly affects the interaction between insurance brokers and customers which is very key and essential in increasing productivity and profitability of the company. Since it is the aim of the brokers to boost their sales and increase profit of the company, many have been forced to adapt and understand how their products can meet the varying needs of the customers. To improve customer experience and workflow efficiency, insurance brokers have to come up with simple and convenient digitization processes that will help the insurance sector maintain adaptable strategy to make informed decisions on any problem they encounter. The various uncertainties in the market has forced the brokers to commit their resources to adapt and understand the marketing strategies that suit the evolving technology in the insurance sector. Increase in cyber security risks have greatly affected all the online platforms that insurance brokers use to attract and effectively communicate with their customers and lead generation is a new challenge that cannot be ignored by insurance brokers if they wish to remain competitive and improve the company brand/image.

## RECOMMENDATIONS

The study recommends that: Insurance brokers should embrace use of developed digital services that make it easier and convenient to purchase insurance products, manage policies, submit and track claims and establish long-term relationships with their customers. Insurers should develop mobile apps and websites that allow customers to manage their insurance policies online and that enable potential customers to explore, research and purchase their products and services. The most effective lead generation for insurance companies include SEO, content, reviews, referrals, social media and paid search. It is the insurers mandate to protect the vital information of customers against the various cyber security risks which threaten exposure of such confidential information to the public. The Insurance Regulatory Authority should come with strategies that will help mitigate the political pressures brought about by the government influence on decisions which leads to significant changes in the insurance practices that affect brokers. Effective marketing strategy should be an integral component of the corporate strategy and it defines how the organization will successfully engage customers, prospects and competitors in the market arena.

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