The ILO’s Social Finance Podcast Episode 2: COVID-19 and inclusive insurance, reflections from Kenya with Saurabh Sharma – June 24, 2020

Introduction

Welcome to the ILO’s Social Finance Podcast on financial inclusion, impact insurance and sustainable investing.

Our podcast brings insights from around the world, highlighting how financial services contribute to social and economic development.

Hi everyone, my name is Lisa Morgan and I am your host today.

Today’s podcast is on how inclusive insurers are dealing with and planning for the immediate and long-term impacts of the COVID-19 pandemic. In this episode, we turn our attention to Eastern Africa for insights from Kenya.

We look at the importance of digitisation....

“the use of technology has really proven to be a lifesaver.”

The context of COVID-19....

...“this is a very challenging time.”

And the economy...

.... “insurance industry is very much related to the economic activity in the current in the country.”

... “some of the sectors such as tourism education, farming, manufacturing have been severely battered.”

We also discuss telemedicine as a value added service, and thoughts about insurance in the future.”

...“I believe that insurance will need to redefine their role as not just a claim payer but to become an actual risk manager”.

Lisa: Lisa: Welcome again to our listeners. On today’s show, we are very excited to have Saurabh Sharma. Saurabh is General Manager of Britam Microinsurance, Kenya’s largest microinsurance provider. He is based in Nairobi and at Britam, Saurabh and his team develop innovative business models to serve emerging consumers.

Before joining Britam, Saurabh was an Impact Insurance Fellow here with us at the ILO, and was involved in a project on digital innovation in inclusive insurance. This included launching a mobile hospital cash insurance product that reached more than a 160,000 lives in nine months, an incredible achievement... and he also led the digitization of business operations to improve claim turnaround times, in the end, by 62 per cent.

Lastly, just before we begin, Saurabh tells me he is passionate about using insurance as a tool to protect vulnerable communities, and I can certainly relate!
So Saurabh, a very warm welcome to the podcast.

Saurabh: Thank you, Lisa. Very excited to be here with you today.

Lisa: Great. So let's start out by finding out how things are in Kenya. How have things progressed from the beginning of this pandemic and what is the situation now?

Saurabh: The first case in Kenya was reported in mid of March. So we have been in some kind of a lockdown for more than two months now. Kenya has now registered more than 2000 positive cases with around 70 deaths. So, although it's not a very high number and it also means that we are not in a full lockdown, government has implemented a number of preventive actions. For example, international flights have been stopped for more than two months, entry and exit from some of the spot from the hotspots, which includes Nairobi will be where I am has also been stopped. There is not a full lockdown, but there is a curfew dusk to dawn curfew in the evening from seven to 5:00 AM in the morning. And also during day times face masks that compulsory for everyone in all the public spaces. So that is the kind of situation in Kenya.

Lisa: And what about other countries, Britam doesn’t just operate in Kenya. Do you have any insight on what's happening in neighbouring countries?

Saurabh: Yes. So, Britain is in seven countries in the Eastern and Southern African region. And I think compared to Kenya, some of these countries had more stringent actions that were implemented, for example, in Uganda and Rwanda, which were in complete lockdown. Uh, however, now these countries have also started to open up, uh, some of the other countries like Tanzania didn't have a very stringent lockdown. However, in most of the countries, the situation is a bit similar to Kenya, with some form of lockdown measures implemented.

Lisa: And this must be quite a difficult time to, um, to keep business going. So, given the current situation from Britain's perspective, what operational challenges have you been facing and how are you coping? Have you found any innovative solutions?

Saurabh: So you are right. Lisa, this is a very challenging time. And I think for Britam, as well as for other industries and companies at this time, the main challenge has really been to balance staff safety and business continuity. We want to ensure that our staff is safe and not exposed to any sort of infection, but at the same time, a lot of our customers rely on Britam - it's very important in the current circumstances that our services are continued so that our customers don't face another financial shock, but at the same time, as I said, we also want to ensure that our staff is safe. So managing that balance has been the biggest challenge.

I think so far, we have done, um, uh, decently well, um, we haven’t had any cases within our staff while we have also managed to ensure that most of our operations and processes have been, um, following, uh, the usual turnaround time. So there hasn't been a big disruption in our services. So this is thanks to a number of crisis management and innovative solutions that we have used. Britam underwent the digital transformation project in last two, three years. And within that project, we were able to come up with a lot of digital platforms for both our backend and front end services. We have employed these innovations to ensure that, uh, there is a minimum service disruption.

So for example, one of the challenge was initially to ensure that our staff is working from home. We decided to procure additional laptops and, uh, I think within the Britam group, 85 to 90% of our staff is working from home, but as I was saying, the use of technology has really proven to be a lifesaver.
For example, we are using web portals and robotic process automation for our claim processes. We work with more than 400 hospitals across Kenya where our customers access affordable healthcare and using our hospital web portal these hospitals are able to submit claims digitally and other hospitals that are still sending paper based claims. We are using the process automation where bots big and process data from these documents and then use machine learning to improve the data processes the efficiency in the data processes. And this has really helped us in maintaining our claims turnaround time while also reducing the need for manual intervention. So, while this is for back in processes, even to serve our customers, we are implementing innovative services, we are currently piloting a telemedicine and medicine delivery solution. So our customers can have outpatient doctor consultation from the safety of their homes. We are hoping that this will support our customers while also will help in reducing footfalls at the hospitals.

Lisa: I’m glad that you mentioned telemedicine because that was one of the questions I wanted to ask you. Just in terms of products that people can use, especially, um, you know, when they don’t have to necessarily interact with people and given the health crisis and people not necessarily wanting to see others face to face. I think telemedicine is a very powerful tool. So how has that pilot going? Have you rolled it out? Where are you with it?

Saurabh: Oh yes. So we have a roll out the solution and the pilot so far has actually gone quite well. And, uh, we decided to use a very simple process as majority of our customers are micro customers or work with small and medium enterprises. So we wanted to have a solution, which is simple and minimizes the cost of excess. So we didn’t go for an app based solution, but a simple text message based solution where a customer can send a text message and then receives the call back from the doctor. And since the pilot started, the results have been encouraging actually within the first two, three hours, we received up more than 90 call-backs to a telemedicine solution. And now our plan is to actually go wide very soon and hopefully within this month, we’ll be able to provide that service to all our customers. And even the feedback from customers who have used it has been very encouraging.

Lisa: That’s excellent. You know, one of the problems that we always used to find with, with telemedicine products for the pandemic is that people were maybe hesitant to use it because they liked actually going to see a doctor. Do you think that this pandemic will change the attitudes of users of telemedicine?

Saurabh: Absolutely. As you’ve very rightly mentioned, even in Kenya previously when telemedicine solutions have been tried, they haven’t been very successful. And I think the biggest impediment was the need for behaviour change from an in person consultation to moving to a virtual consultation. But, I think as all of us have seen the pandemic has, uh, really instigated lot of behaviour changes among all of us even Britam, mostly have been working virtually and we have been doing pretty well. So we are hoping that similar behaviour change will happen among our customers as well. In fact, visits to hospitals have dropped drastically in Kenya and, uh, different hospitals have reported visits, decreasing by more than 30%. So I think this has something to do with a fear among people to visit hospitals. So at that time, I think telemedicine can actually can actually help customers by enabling virtual consultations. So we are really hoping that this will be a positive from the pandemic and it will improve the access to healthcare for our customers.

Lisa: Absolutely. What, what we found certainly in our research is that a lot of, a lot of issues can be sold over the phone without actually having to go into health care facilities. So I think in the long
term, having people use telemedicine has to be a positive thing. And I think the lesson in all that you’ve been saying is that technology is really key. You know, those insurers that have been digitizing their processes before the pandemic probably stand a much better chance of surviving through this difficult time. So now just moving on to products, I wanted to ask you are there any business interruption products that Britain provides?

Saurabh: So we do provide a business insurance, not, maybe not really within the micro insurance business, but as part of our general insurance business in Kenya and elsewhere, we do provide a business interruption insurance.

Lisa: Do you think that there will be a demand for this type of product in the lower income market, given what's happened with the pandemic?

Saurabh: So that’s an interesting question, and I think we can really draw from experience from some of the other countries. We do know, for example, in the last decade after, uh, some natural disasters that hit some of the Southeast Asian countries, um, insurers did experience a higher insurance update, uh, specifically for products. For example, if you take Philippines, we have some of the natural disasters earlier this decade has really led to the growth of micro insurance industry, both from a supplier and consumer perspective. So we do expect that customers and the general population will realize the benefits of insurance at this time. And that includes not only business interruption, insurance, but also health insurance. And we do hope that there might be a change in insurance uptake because currently in this region, this uptake is really, really low and at Britam, but we are trying to do is coming up with custom health products for SMEs, because we feel that SMEs are at a much bigger risk because they do need to open up to ensure that they are generating revenue, that they’re paying staff salaries. So we have come up with the group health micro-insurance product, which is targeted at these SMEs.

Lisa: Right. So speaking about your clients, what impact have you seen on the economic activity in Kenya and specifically on your clients?

Saurabh: So, I think similar to rest of the world that has been a very adverse effect on economic activity. Especially a lot of industries that rely on, um, international, like exports or imports have been severely impacted. I’ll take example of flower industry in Kenya. A lot of, informal workers are employed in this industry where flowers are exported to Europe, however, due to the pandemic, there is a supply chain disruption. There is also less demand. So workers working this area have really been, effected. Actually I was looking at some numbers that, more than 30 to 50% of informal workforce working in this industry has been laid off, which is really a very unfortunate effect. Similarly, another industry that has been badly effected is the hospitality industry. We, we all know that Kenya relies a lot on tourism.

Saurabh: In fact, last year, more than 2 million international tourists visit visited Kenya to see its wonderful biodiversity. However, with the ban on international flights, the tourism industry has been badly effected and some of the major hotels have actually stopped working altogether. And, for microinsurance specifically, we were insuring lot of staff looking in the tourism industry and there is definitely a decrease in demand for insurance products within that industry. So those are two examples that just show that how the effect on economic activity has been. You will find similar, uh, uh, effects, similar impacts on some of the other industries, such as manufacturing or bee farming as well.
Lisa: It's a difficult time. What do you think the implications will be on economic activity once the restrictions are lifted?

Saurabh: So I think it, there will be some time for, uh, recovery. As I said, in case of Kenya, we have seen a more severe impact in economic activity compared to the direct impact of this outbreak. For example, the number of cases are still around 2000, but, uh, economists have already drastically cut down the growth forecast for the Kenyan economy for this year. And some of the sectors such as tourism education, farming, manufacturing have been severely battered. So I do feel that it will take some time before the economy is recovered. I think we are more concerned about people working in the informal sector. I was reading a report from the government of Kenya labour ministry that almost 130,000 people have lost their jobs and last one and a half months. And these are only for people where estimates are easily available for sectors, which are more formal in nature. We expect the, this condition to be much worse. So we do think that economic impact has been a lot more severe. And it will take some time before we get back to the normal levels.

Lisa: And the implications for the insurance industry, especially the inclusive insurance industry. How do you think, we're going to get through this difficult time, do you think it's a case of riding the wave and taking the hit now and hopefully in future people will see the need for insurance and buy it in the future. How do you think the insurance industry should respond in the short term and what do you think the implications are in the long term?

Saurabh: So, definitely insurance industry is very much related to the economic activity in the current in the country. And we are already seeing a slowdown in insurance uptake as employers or individuals or groups at either cutting costs, are laying off staff. And we do understand these challenges, but I think this is also a very difficult time for someone to lose their insurance. So I think for the insurance, it's really time to innovate, uh, try to design products that actually meet the needs of customers in this time while ensuring that, it doesn't put any extra financial burden. So for example, some of the things that we are trying at Britam, trying to have more flexible, premium payment options so that customers can, as, as you said, right this time by having more flexible payment options, we are also relying a lot more on innovations trying to come up with a digital products so that distribution costs in insurance are reduced and the products are more affordable to the customers.

Lisa: So, Saurabh, what do you see as the longer term implications for the insurance industry?

Saurabh: As we were talking earlier, Lisa, we are hoping that insurance demand will improve. However, for that to happen, insurance industry will have to respond with some systemic changes. And I think the most important changes, the need to adapt more client-centric processes, insurance have long been known for complicated processes. And I think there is a need to change that specifically. I believe that insurance will need to redefine their role as not just a claim payer but to become an actual risk manager. And for insurers to stay relevant, it will have to become a participant in health and wellbeing of our customers. For example, if we talk about health insurance, I think you need to focus on promotive and preventive healthcare. For example, we can use digital or other solutions to promote preventive healthcare among our customers. For example, in Britam, we are already using SMSs as a means of communication to talk about preventive care, to talk about nutrition, but I think insurers will need to do a lot more and become a participant in the health and wellbeing. I think to achieve this insurers have to improve their data analytics capabilities, especially
in Africa that will help us in identifying and isolating a risk profile for health customers. And then that can help us in becoming more effective risk managers and not just claim payers.

Lisa: Is there any advice you might want to give others working in the insurance industry specifically at this time?

Saurabh: Yes. This is something related to my, uh, professional objective as well, and which is that insurance really needs to look at the excluded or the underserved population groups. Uh, this outbreak, as I was saying, has been particularly severe on people working in the informal groups. And these are the groups which need formal risk protection mechanisms, such as insurance. And I think to protect these vulnerable communities, insurers have to first start by changing their mindset and second, try to adopt new operating models that so that these vulnerable segments of our population can actually be protected. I think that's where insurance should really focus on in this coming decade, learning from this experience and how, what a vulnerable population groups have been exposed.

Lisa: Right. And I think there's something about, you know, finding those aggregators because people in the informal economy are sometimes it's informal, but they still have some kind of structure that they're arranged in groups in certain networks or through certain microfinance organizations or certain cooperatives. There are groupings that exist. And perhaps it's just about finding out how to tap into these higher networks so that more people can actually get covered when they need it. What do you think about that?

Saurabh: Absolutely. I think, um, that speaks to reducing the distribution cost that I was talking about. This is something that Britam has tried to do, and that's how we have managed to actually grow our microinsurance business. Uh, we have looked at different types of aggregators, such as, uh, farmer associations. We also work with the, telcos, mobile network operators, ride hailing companies. So any kind of groups which provide access to a large number of customers so that we can have one custom product design for these customers. And second, we can reach out a large population through, through these channels and does reducing our distribution costs and making insurance more affordable. So you're absolutely right in that model. I think that's the model needed to ensure the underserved segment.

Lisa: And aside from, from the health risks that you cover, what other types of products are you currently focused on? I mean, telemedicine, you could bundle with anything, but, just thinking about some of the other risks and some of the other products that you have.

Saurabh: I think we currently offer a number of life insurance products as well. One is funeral insurance products. Funerals are generally a double blow for microinsurance customers. One, you, you have lost at times, the primary breadwinner of the family. I think the funeral insurance covers the cost of funeral and we try to pay our claims within one or two days so that actually the insured can get the benefit very soon and can actually use this for the funeral costs, which includes of course the cost of the event, as well as, as well as any, any other activities around that. So we distribute again, this product through groups, and one of the interesting, uh, partner for distribution of this product has been churches. We know that churches actually take donations or take contributions from its members when one of the members has, has a death in the family. So churches have realized that they can actually transfer this risk to insurers. So we have managed to, uh, distribute this product through some of the churches. However, we do use some of the other traditional
channels such as agents or farmer's associations to distribute that product as well. Other than that, we have also offered certain credit linked to our products. And one of the interesting one is actually a, again, a health insurance linked with, credit, because we realized, and this came from, uh, understanding customer needs is that when a customer faces health risk, and if they have a loan, now they not only have to pay hospital bills, but they also have to return their loan instalments. So we work with some, cooperative lending institutions to deliver this product, which is actually attached to a loan so that if a borrower actually gets admitted into a hospital, their hospital bills are taken care off so that they, they don’t face the risk of now paying back the loan. It also protects the lending institution against loan defaults. So that's also an interesting product that has had quite a demand among our partners.

Lisa: Great. Thank you. And I’m just wondering as well with the current situation, have you seen any, in terms of the claims, I mean, it’s across Kenya, the numbers you know, what did you say there were 2000 infections that had been reported? Have you seen anything actually coming through in data with any of your products? So, have you seen any increase in claims or, you know, deaths? I assume that you know, the, the number of deaths hasn’t been that significant. So you probably haven’t seen that in your, in your life insurance portfolio, has there been any impact so far. Can you tell us a bit about that experience?

Saurabh: Yes. So you are right. We haven’t seen any direct it back because the number of infections, positive cases, as well as deaths have been very low. And also, I think these are early days, uh, so we haven’t seen any much, a lot of direct impact on our claims. However, what is interesting is that we have seen some indirect effects, for example, number of claims and other insurance products have decreased a bit, let’s take example of motor insurance or health insurance, with the lockdown in place, clearly movement on the roads has decreased. So which understandably has reduced, motor claims as well to some extent. Similarly what I was saying earlier that a number of hospital visits in Kenya have drastically reduced. So that has also that led to a decrease in health insurance claims. However, we do expect that at some point health insurance claim will start increasing again, especially for conditions where customers or patients might have postponed their treatments, for example, any elective surgeries or such, however, no pronounced directed impact. But yes, there are some direct effects that we have seen on claims.

Lisa: Would you say it's fair to say that in, in Kenya, there, there are obviously health risks with the pandemic, but it seems as though the economic impact is really, I think what is going to be affecting people in the short term, maybe even the medium term, hopefully not the long term, but perhaps products that look at dealing with some of those economic risks – is that maybe somewhere where you think Britam and perhaps other insurers should be focused?

Saurabh: Yes, you are right Lisa and I think the economic activity has been most severely impacted. And one of the products that we are very keen to explode is, uh, business interruption insurance for small and medium enterprises. I think this product has traditionally been offered to large industries. However with this experience, we have seen that it’s actually small enterprises or micro enterprises such as mom and pop stores that have been affected more adversely. So we are definitely exploring, uh, products of such type which can actually protect these small enterprises against more unconventional threats.

Lisa: Great. Thank you Saurabh, so this actually brings us to the end of our interview today, and I just want to say a big thank you again for being on our podcast. It was great to hear what’s going on in
Kenya, and I know these are difficult times, but I want to wish you and everyone at Britam all the best, and hopefully we will have your back again on the podcast in the future, and we can follow the story of Britam. So thank you very much for joining us today.

Saurabh: Thank you so much, Lisa. It was great to talk to you as well and shared my end Britam’s experience.

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