

Cooperative Societies as a Distribution Channel for Insurance Services in Kenya: A Situational Analysis

Robert Kuloba, Esther Gicheru & Silas Maiyo

Abstract

Cooperative enterprises the world over have had tremendous social, economic, and environmental impact. In Kenya, cooperatives operate in different sectors like agriculture, finance, housing, insurance, fisheries, transport, and arts and culture. Their contribution to GDP is estimated at 45% (Chambo 2008) while they contribute 31% to national savings and deposits. The cooperative movement is therefore a key aggregator and accelerator for growth of the financial services sector in which insurance is a key player. Considering the role that the cooperatives play in national development, this study analyzes how cooperative societies can be used as distribution channels for insurance services in Kenya. The study uses a mixed method approach for collecting data through observations, personal interviews, focus group discussions, and an analysis of documents and case studies for collecting relevant qualitative and quantitative data as per its objectives. The study was carried out in five purposively and conveniently selected counties. The findings show that awareness and knowledge about insurance in the cooperatives remains low. Cooperatives have a strong capital base, effective governance structures, competent managerial and technical staff, are up to date with ICT, and are close to their members. Cooperatives in Kenya have strong regulatory frameworks that can conveniently accommodate the insurance distribution business. The study recommends that the insurance sector should actively engage with the cooperatives in the distribution of insurance services. The SACCO assurance model is an aggregator that is key in the distribution value chain for insurance services in Kenya. There is also a need to develop SACCO assurance regulations to ensure that the cooperatives play their role as aggregators in distribution of insurance services as intermediaries to ensure compliance with provisions of the insurance act.

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