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Intelligent Vehicle Inspections in Kenya: The Need for a Vanguard Approach

Authors : Ramprasad Sanjeevi & Simion Rutto

Explore the complexities of motor inspection in Kenya and discover how tech-driven solutions are addressing challenges in the motor insurance industry. Understand the critical need to streamline operations, boost productivity, minimize fraudulent claims, and enhance overall security.

AN OVERVIEW

Kenya's insurance market is growing, but challenges like fraud could impede progress, especially in the motor insurance sector, one of the leading insurance classes. To address these issues, legacy systems must evolve to integrate cutting-edge technologies, enhancing efficiency and productivity.

South Africa is widely known as the torchbearer of the insurance industry in Africa. Post-COVID-19, the industry adapted with better risk awareness and digitalization, resulting in a 14% insurance penetration in 2018, though it declined to 11.30% in 2022. In comparison, Kenya's motor insurance penetration remains low, indicating room for improvement.

To overcome these challenges, Kenyan insurers should adopt advanced technologies to streamline operations and improve risk assessment and underwriting processes. This approach will help build consumer confidence and increase market penetration.

Learning from South Africa's success, Kenya can implement digital strategies prioritizing customer engagement and operational efficiency. Using data analytics, AI-driven underwriting, and fraud prevention can be transformative.

The path forward involves embracing technology, enhancing risk management, combatting fraud, and improving customer experience. By shifting to digital platforms, utilizing AI and big data, and implementing advanced fraud detection, Kenyan insurers can deliver superior service and safeguard against fraudulent activities.

Addressing these challenges with a vanguard approach characterized by technological innovation and strategic risk management will unlock new opportunities and build a resilient and trustworthy insurance ecosystem in Kenya.

MOTOR INSURANCE:
A POTENTIAL TO STRENGHTEN KENYA'S INSURANCE MARKET

Government initiatives and regulatory reforms are also fostering a conducive environment for growth. As economic activities rebound and infrastructure develops, the African insurance sector is poised for continued growth.

Motor insurance is an essential aspect of vehicle ownership,serving as a fundamental safeguard against the financial repercussions of road mishaps. It provides a critical layer of security, not only for the vehicle itself but also for the owner's financial stability in the event of accidents, theft, or damage.

Insurance companies foster trust and reliability by ensuring policyholders are covered against potential risks. This trust underpins the relationship between the insurer and the insured, nurturing a sense of security crucial for stress-free vehicle operation.

However, the motor insurance sector in Africa, particularly the Vehicle Inspection part of the policy issuance process, faces significant challenges. Parameters such as mileage, vehicle condition, make and model, age, ownership history, aftermarket service quality, features, options, colour preference, and local market selling prices are pivotal in determining vehicle value during the inspection process.

The manual nature of this process leads to inconsistencies, disputes, and high costs.

Valuation companies determine vehicle values based on several parameters, including mileage, vehicle condition, make and model, age, ownership history, aftermarket service quality, features, options, colour preference,and local market selling prices. However, the manual nature of this process in the African motor insurance sector leads to significant challenges. High input costs, such as travel and accommodation, further complicate the process, impacting the profitability of valuation companies.

Despite the use of standardized parameters, inconsistencies in valuation outputs are common. These discrepancies in vehicle valuations result in disputes during claims settlement, posing a challenge for insurance companies. Vehicles in remote areas add logistical hurdles and increase assessment costs, while insurers constantly face pressure to minimize expenses.

The limited availability of comprehensive valuation data hampers data analytics and insight generation for underwriters. This restriction prevents them from making informed decisions, impacting the underwriting process.

Insurance companies strive to ensure policyholders are covered against potential risks to foster trust and reliability. This trust is crucial for nurturing a sense of security, especially in the context of vehicle usage. However, the challenges faced in the vehicle inspection process significantly affect the overall efficiency and effectiveness of motor insurance claims in Africa.

On the other hand, there is a significant push for the adoption of one-month insurance coverage in Kenya. This short-term insurance model is being embraced by several insurance companies, which offer a one-month car insurance policy as low as starting at KES 950. The policy is available within 15 minutes, demonstrating the convenience and efficiency of such covers. However, a major challenge hindering the widespread adoption of one-month insurance policies is the vehicle valuation process, which currently takes more than a month to complete. This extended timeframe is a significant impediment to the effective implementation of short-term insurance coverage. The lengthy valuation process not only delays the issuance of policies but also undermines the efficiency and attractiveness of one-month insurance products.

To address this issue, there is a pressing need to integrate advanced technology into the

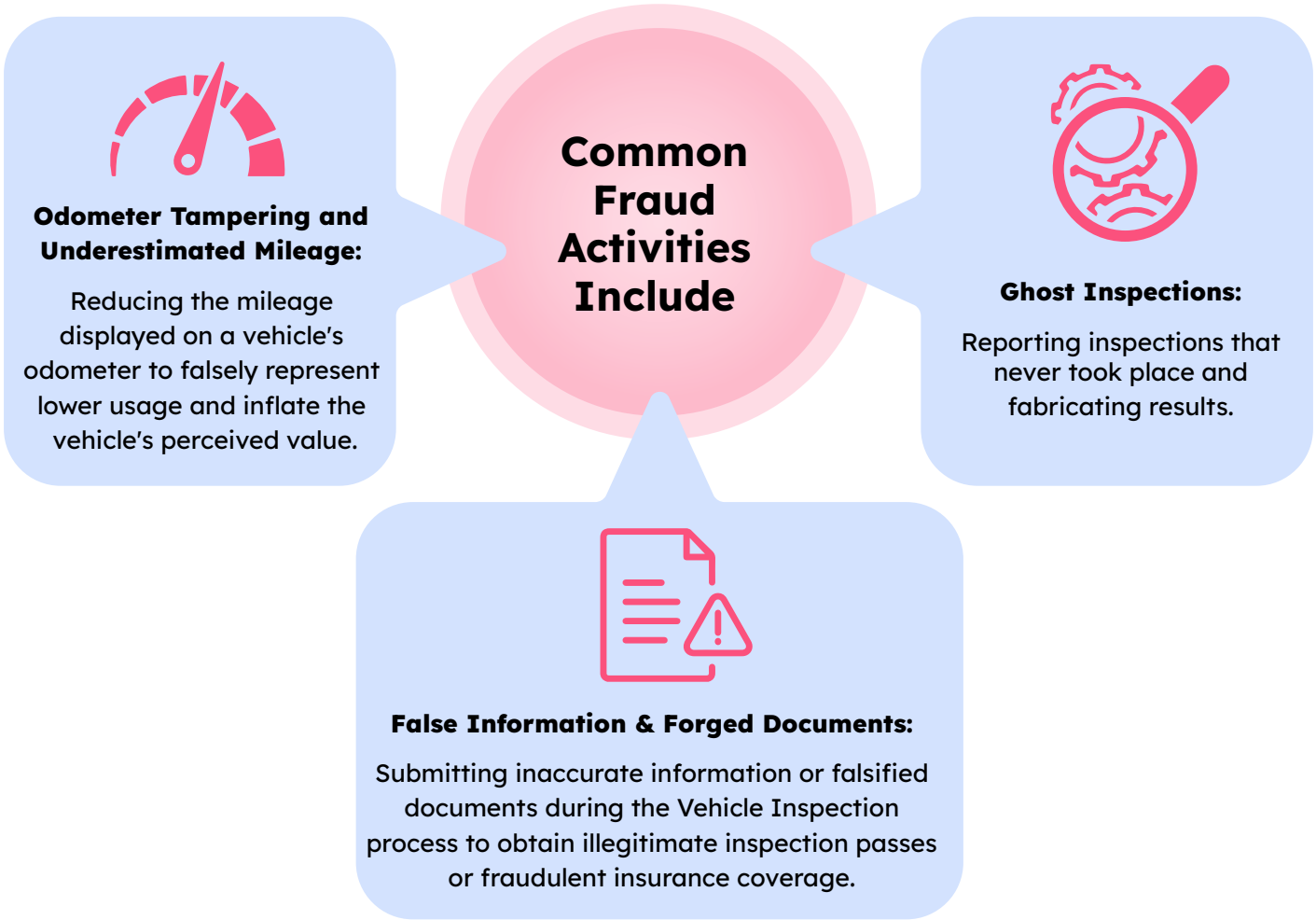
vehicle valuation process. technologies such as AI-driven inspections and automated data analysis can significantly streamline operations, reducing the time required for valuations from over a month to just a few minutes. These innovations can enhance the accuracy and reliability of vehicle assessments, thereby supporting the efficient roll-out of short-term insurance covers.

However, these advancements must be adopted industry-wide to ensure consistency.

ALTHOUGH VALUATION COMPANIES USE STANDARDIZED PARAMETERS, VEHICLE VALUES OFTEN VARY BETWEEN COMPANIES, LEADING TO DISCREPANCIES.

The vehicle assessment and valuation industry in Kenya's insurance sector ensures necessary risk assessment and fair compensation amid rising car insurance demand. Yet, according to last year's Insurance Industry Annual Report, underwriting for private and commercial motor insurance resulted in losses of KES 4.80 billion and KES 2.47 billion, respectively.

Insurance fraud exploits systemic vulnerabilities, particularly in remote locations with limited resources. Insurers often rely on third-party resources for underwriting in these areas, increasing the risk of human errors and fraudulent activities.



These fraudulent activities have profound implications for the insurance market in Kenya and across Africa. They result in substantial financial losses for insurance companies, directly affecting their profitability and long-term viability. These losses frequently necessitate higher premiums for all consumers, undermining trust in the industry and questioning the value of insurance. Moreover, insurance fraud contributes to increased costs across goods and services, diverting resources towards detection and prevention measures.

Legal ramifications and market distortions further compound challenges for honest companies striving to maintain competitiveness.

These challenges underscore the need for a standardized vehicle valuation system to improve consistency, transparency, and efficiency in Vehicle Inspection processes within the motor insurance industry. Addressing these issues through the adoption of intelligent solutions will be pivotal in enhancing the reliability and effectiveness of vehicle valuation practices.

GEARING UP WITH ARTIFICIAL INTELLIGENCE

In 2024, the artificial intelligence sector marks a significant leap, offering a multitude of intelligent solutions tailored to meet the industry's specific needs.

Today, these Intelligent systems can automate the assessment of vehicles by analysing vast amounts of data being input by the vehicle inspectors, including historical claims, vehicle condition, driving behavior, and environmental factors. This automation streamlines the underwriting process, significantly reducing the time required to evaluate risks and issue policies.

The integration of intelligent systems into underwriting practices leads to offering more accurate Insurance products mapped against the right premium to the customers. Insurers can have a better view of the individual risk profiles. These solutions are crucial in reducing the time required for Vehicle Inspections and eliminating human bias in premium calculations, ensuring logical and accurate outcomes.

This shift not only accelerates operations but also helps insurers stay competitive in a rapidly evolving market.

Traditional underwriting practices are evolving with the integration of these advanced systems, automating vehicle assessments and related processes to deliver more efficient and tailored insurance products.

The industry's focus on enhancing customer experience is evident through digital platforms that empower clients to efficiently manage policies and access support promptly. Transparency, integrity, and a customer-centric ethos guide every operation, ensuring that the expectations of esteemed clients are not only met but exceeded.

Looking ahead, capitalizing on emerging intelligence in Insurance Technology is key to gaining traction in this competitive environment. These innovations are poised to transform motor insurance, especially the Vehicle Inspection segment, offering accurate and precise expertise with reduced resource requirements and unprecedented efficiency. This agility positions them to lead, delivering superior outcomes for clients and stakeholders alike.

While Artificial Intelligence offers a promising future for streamlining and enhancing various aspects of the insurance industry, it is essential to address the current operational challenges that impact insurers' financial outcomes and market competitiveness.

Is the insurance industry ready for a significant transformation through the implementation of AI?

OPERATIONAL CHALLENGES IMPACT INSURERS' FINANCIAL OUTCOMES AND MARKET COMPETITIVENESS.

The answer lies in the current operational methods of insurance companies. Managing high volumes of Vehicle Inspections in Kenya, mitigating fraud, and ensuring data security with traditional practices is highly insufficient, creating a bottleneck in the Vehicle Inspection processes.

Top global players are turning to innovative solutions to improve efficiency in handling large volumes of inspections. Traditional methods, which rely on physically present inspectors, often lead to errors in data collection, causing delays and backlogs.

These innovations are crucial for ensuring accuracy and speed in processing inspections, thereby overcoming logistical challenges effectively.

Alongside handling volume, insurers need to create a centralized data flow from enlisted valuation professionals in Kenya's motor insurance system to enhance efficiency and accuracy in Vehicle Inspections. This centralized system ensures consistent and standardized valuations, reduces discrepancies, and minimizes fraud.

By integrating data from multiple sources into a single platform, insurers can streamline operations, facilitate better decision-making, and improve transparency. This approach not only speeds up the inspection process but also strengthens trust between insurers and policyholders, ultimately leading to a more reliable and secure motor insurance ecosystem.

NEXT-GENERATION VEHICLE INSPECTION TOOLS

Only a limited number of market leaders are pioneering cutting-edge intelligence solutions for Vehicle Inspections, streamlining workflows, enhancing data accuracy, and elevating the customer experience. By automating critical processes, Insurance Technology diminishes reliance on manual labour, thereby eliminating bottlenecks and boosting operational efficiency. Intelligent Vehicle Inspection systems automate case assignments, media reviews, and report generation with greater speed and precision than human counterparts, enabling companies to efficiently handle increased case volumes.

Real-time data and decision-making capabilities driven by business rules, offered by various Insurance Technology solutions, markedly reduce turnaround times.

LESS FRAUD, LESSER TAT, AND MORE PRODUCTIVITY.

Solutions that offer automatic report generation for Vehicle Inspections can drastically improve operational efficiency. By utilizing timestamped and geotagged media uploads captured during the inspections, these systems ensure data authenticity and accuracy, providing a reliable record of

vehicle conditions. This level of automation allows inspectors and underwriters to efficiently manage a higher volume of cases, significantly reducing turnaround times.

A Progressive Web Application for ease of accessibility on any device enables inspectors to log their inspections along with images and guided support.

During pre-inspection, insurers meticulously review the vehicle's history, condition, and maintenance records to gauge its risk profile. Factors such as driver age, experience, and driving history are also scrutinized, along with the vehicle's usage patterns.

Automation and artificial intelligence further streamline inspections, allowing for real-time assessments and predictive analytics. This comprehensive evaluation not only determines insurance premiums and terms but also enhances accuracy and efficiency, ensuring equitable coverage while minimizing risks for insurers and vehicle owners alike.

One prominent motor insurance player achieved significant operational transformation by employing an industry-leading intelligent Vehicle Inspection solution. This insurer’s Vehicle Inspection procedures were inefficient and delayed due to manual methods, requiring coordination among multiple third-party agencies and internal staff, resulting in duplicated efforts and prolonged timelines. Break-in inspections were fully manual, with inspectors visiting customers to document notes, and photos, compile reports, and transmit them to clients, causing workflow delays and impacting quote conversion rates.

Implementing intelligent Insurance Technology solutions enabled the insurer to achieve several key advancements: a reduction in turnaround time (TAT) by over 60%, a 40% increase in inspection throughput, and reduced management costs for on-field personnel.

The intelligent Vehicle Inspection solution also streamlined operations through automated tools, real-time data capture, and advanced analytics. Additionally, the system offered flexible configuration options to customize inspection reports according to insurer requirements, resulting in a fourfold increase in overall productivity.

The initiative successfully impaneled over 1000 on-field inspection personnel and facilitated over 4000 inspections per month through the Vehicle Inspection Mobile App. This intelligent application facilitated over 2000 live video streaming sessions per month, effectively preventing more than 1500 fraudulent claims annually.

By adopting intelligent Vehicle Inspection solutions, insurers can eliminate manual inefficiencies and delays, streamline operations, and boost customer satisfaction. This transformation dramatically cuts turnaround times, enhances inspection throughput, and reduces operational costs. Integrating these advanced solutions into both legacy and modern systems addresses the challenges of manual processes, enabling insurers to excel in a competitive market by providing faster and more accurate service.

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iNube
Insurance Tech. Simplified.

iNube Solutions

sales@inubesolutions.com

www.inubesolutions.com

DFT

DFT Consult

nelson.amoi@dftconsult.com

+254718914067