Value-Added Hybrid Micro-Health Insurance for Gig Economy Workers, MSMEs and Social welfare groups in Kenya

SCBF PUW 2022-14 **Report Date: Dec 2025**

Project Summary

Instrument type	Technical assistance grant	**Project duration**	Nov 2022 – Apr 2024, ext. July 2025
Co-funding partner	Swiss Re Foundation	**Theme**	Health
Country of implementation	Kenya	**Product / Solution**	Comprehensive health Insurance
Financial sector partner	APA Insurance Ltd.	**Implementing partners**	Democrance, Maisha Poa, Ilara Health, Emerging Markets
Targeted segment	Low- and middle-income households	**Targeted outreach**	22,500 policyholders (covering 90,000 lives)

1. Executive Summary

Mzalendo Micro Health was designed to address Kenya's low health insurance penetration, where vulnerable groups, MSMEs, and welfare groups rely heavily on out-of-pocket healthcare payments. The project's objective was to pilot an affordable, family-focused cover to improve access and financial inclusion, with women and children as key beneficiaries. The solution combined inpatient and outpatient benefits, delivered through digital and community channels, enhancing accessibility for low-income households. Piloted in Nairobi and nearby regions, the product secured regulatory approval, established a digital platform, and trained over 400 Community Health Promoters. Despite selling only 52 policies (reaching over 180 beneficiaries), the pilot provided critical lessons on product structure, facility onboarding, and distribution, laying a strong foundation for scale-up.

2. Context

Kenya faces persistently low health insurance penetration, leaving most households reliant on out-of-pocket payments, informal borrowing, or welfare groups to meet healthcare costs. It is estimated that households spend over KES 150 billion annually out-of-pocket on healthcare, with nearly 24–25% of total health expenditure directly borne by families. This figure is well above the World Health Organization's recommended threshold of 15–20% and reflects the scale of financial vulnerability in the health sector. For low-income households in Kenya, these costs are catastrophic, often consuming up to 20% of income and pushing families into poverty when faced with health shocks. Vulnerable groups especially women, children, informal workers, and small business owners are disproportionately affected, lacking both savings buffers and access to adequate insurance.

The financial sector has sought to address this gap primarily through the National Health Insurance Fund (NHIF), which was reformed into the Social Health Authority (SHA) in 2024 as part of Kenya's push toward universal health coverage. While this reform represents progress, affordability, adequacy of benefits, and accessibility remain limited, particularly for informal and low-income groups. Coverage is largely concentrated among formal employees, leaving the majority of Kenya's population either uninsured or underinsured. Current insurance penetration is approximately 3.5%, significantly below the global average of 6–7%.

From a regulatory perspective, the Insurance Regulatory Authority (IRA) plays a central role in enabling innovation and consumer protection. The Microinsurance Act 2020, passed to promote affordability, caps Microinsurance premiums at no more than KES 40 per day. This framework has created an environment conducive to designing products targeted at low-income clients. However, regulatory approval processes can still be lengthy, creating delays in product rollout and testing.

In the absence of widespread insurance coverage, most households turn to coping mechanisms such as savings groups, welfare associations, informal lending, or selling productive assets to finance medical expenses. While these mechanisms provide temporary relief, some are unsustainable and can erode long-term financial resilience. This gap represents a significant opportunity for microinsurance solutions that combine affordability, accessibility, and trust.

The Mzalendo Micro Health product was designed specifically to fill this gap, offering a family-oriented cover through both digital platforms and community-driven distribution channels. Its structure entails affordable premiums, family bundle, outpatient and inpatient cover, and telemedicine options directly responding to the needs of underserved populations. The product provides inpatient coverage of up to KES 50,000 per family and unlimited outpatient coverage delivered through a curated panel of facilities. Maternity, family planning and chronic disease management are the bonus features of the Mzalendo Micro Health cover. By targeting excluded groups such as informal workers, MSMEs, and welfare associations, Mzalendo provides an innovative pathway to extend financial protection and improve access to quality healthcare.

SCBF/Swiss Re Foundation's support was essential in de-risking the pilot phase. The funding enabled human-centered design research to align the product with community needs, facilitated product development and pricing, and supported initial go-to-market activities. Without SCBF/Swiss Re Foundation's backing, partners would not have been able to absorb the risks associated with introducing an innovative product in such a challenging market. This early-stage investment laid the groundwork for learning, refinement, and the potential scale-up of Mzalendo Micro Health to reach thousands of uninsured households nationwide.

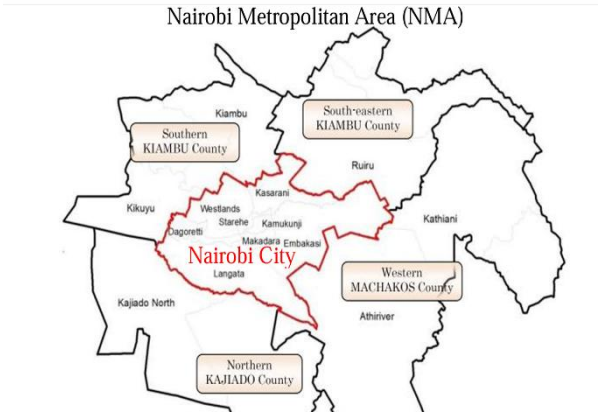
3. Partnership Model

The Mzalendo Micro Health project was delivered through a consortium of five partners combining insurance, technology, healthcare, and research expertise.

- APA Insurance: Lead underwriter responsible for regulatory approval, risk management, reinsurance, and claims. APA also supported distribution through training Community Health Promoters, providing sales materials, and leveraging its direct sales force and broker network.
- Democrance: Insurtech partner providing the digital platform for onboarding, premium collection, and customer engagement. The platform enabled real-time policy management, data analytics, and SMS-based customer education.
- Maisha Poa (PIA): Microinsurance intermediary focused on sales, customer education, and facility inspections. While its hub-and-spot sales model had its limitations, it highlighted the importance of last-mile trust-building.
- Ilara Health: Healthcare provider network partner, supporting the onboarding of community-based clinics and diagnostic centres to expand service access. Ilara network of facilities enabled affordability as hospitals are the major cost drivers in health insurance.
- **Emerging Markets**: Human-centred design experts conducting initial market research to shape product features in line with client needs. Traditional products often overlook the customers' needs and hence the research facilitated incorporation of the customers' voice in the creation process.

Implementation was concentrated in Nairobi and neighbouring counties such as Kiambu and Machakos. The ambition was to scale nationally, targeting low-income households, MSMEs, and informal worker groups.

The map shows the initial pilot area: ➡



4. Intervention Approach

Mzalendo Micro Health was developed as a family-focused insurance solution designed to protect low- and middle-income households from the high financial burden of healthcare costs. The product provides unlimited outpatient services through a curated panel of contracted facilities, administered under a capitation model that promotes cost efficiency and reliability. Inpatient benefits are included to provide a safety net for more serious medical needs, with flexibility to expand coverage limits in line with customer demand. To enhance accessibility, telemedicine services were integrated, enabling clients to obtain diagnoses and prescriptions remotely without the need for physical hospital visits. The plan is structured for families (up to 4 members) and priced at KES 13,473 annually, which translates to about KES 40 per day in line with the Microinsurance Act requirements. This pricing, supported by flexible monthly instalments through insurance premium finance partners, ensured affordability for households at the base of the pyramid.

To reach the intended market, a multi-pronged distribution approach was adopted. A hub-and-spot model was deployed, relying on Community Health Promoters (CHPs) trained to engage households at facility level, supported by printed educational materials. Additional channels included aggregators working with gig platforms e.g Little Cab,,Bolt etc. to reach blue-collar workers, insurance brokers, and agents connected to MSMEs and welfare groups, as well as direct onboarding through a customer portal. APA Insurance reinforced these channels with its own internal sales force, distribution teams, and branded materials, ensuring that outreach combined both high-touch and digital elements.

SCBF's contribution was pivotal in advancing the pilot by reducing the risks associated with innovation and early-stage implementation. The funding enabled the application of human-centred design methodologies to ensure that the product features were tailored to the realities of low-income households. It also supported the development of the micro health product itself and the rollout of a digital platform built by Democrance. This platform streamlined the customer journey by integrating sales, registration, and premium payments with instant issuance of digital policy cards and simplified claims handling. A client portal was incorporated to give households visibility over their benefits and enhance ongoing interaction with the insurer. In addition, SMS-based messaging was deployed to strengthen customer education and reminders, while telemedicine services were introduced to further reduce access barriers and make healthcare more convenient

The intervention placed a deliberate focus on gender and inclusion, with women and children identified as the primary beneficiaries of the product. During the pilot phase, approximately 55% of enrolled beneficiaries were women, demonstrating its reach among one of the most vulnerable groups excluded from formal health coverage. The family bundle structure further enhanced inclusivity by covering whole households under a single affordable premium.

Financial literacy and awareness-building were integral to the rollout. Over 400 CHPs and more than 100 informal groups were trained on insurance concepts and product usage, equipping them to act as community ambassadors. This was complemented by digital awareness campaigns on social media, community activations, and branding at health facilities. Flyers, merchandise, and educational sessions supported greater trust-building. Through this blend of technology, community outreach, and affordable product design, the intervention demonstrated a practical and scalable model for addressing the persistent health financing gap among Kenya's underserved populations.

5. Results, Outcomes and Impact

Metrics	Project reach (at 31 July, 2025)
# policies	52
# beneficiaries covered	187
% women	56%
% rural clients	NA (Pilot within Nairobi Metropolitan Area)
% youth (under 35 yrs)	67%
Total premium collected	KES 1,256,485 (CHF 7,909)

Total sum insured	KES 10,400,000 (CHF 65,467)
Total value paid out in claims	KES 18,000 (CHF 113)
# people trained in financial literacy	1,400 (CHVs & User groups)
% women trained in financial literacy	80%

The Mzalendo Micro Health pilot had reached 187 people, of which 56% were women and 67% were youth under 35 years. As the pilot was confined to the Nairobi Metropolitan area, no rural outreach was achieved.

A total of 1,400 individuals were trained in financial literacy through Community Health Volunteers (CHVs) and user groups, with women accounting for approximately 80% of participants. This significantly strengthened awareness and trust in insurance within excluded communities.

In terms of policy uptake, 52 policies were sold, covering an estimated 187 lives. Most sales (46 of 52) were generated through APA's internal distribution channels, while the intermediary-led hub-and-spot model delivered very limited sales. Although policy numbers were below the initial targets, the pilot delivered important milestones: onboarding of 35+ micro facilities/hospitals, training of Community Health Volunteers, and deployment of a fully digital platform by Democrance to support sales, premium payments, customer engagement, and claims.

The pilot also reinforced the feasibility of offering affordable family-based micro health insurance at approximately KES 40 per day, aligned with the Microinsurance Act. Client feedback confirmed affordability as a key strength, though it highlighted the need for expanded inpatient limits and stronger healthcare networks.

Overall, the project achieved modest outreach against ambitious targets of 5,000 polices (22,000 lives) within the pilot period and 22,500 polices (90,000 lives by the project end) but generated vital lessons on distribution, facility partnerships, and product structure (refer to Chapter 7 below). These insights provide a sound basis for scaling the solution and ensuring broader impact on underserved households.

6. Way Ahead: Future Scaling and Sustainability Plans

Although the project did not achieve its desired pilot objectives, covering only 187 lives, the pilot generated important lessons that will shape the next phase. A key shift will be the decentralization of distribution, placing APA at the centre and leveraging its extensive broker, agent, and business development networks, together with aggregators serving SMEs, welfare groups, and gig platforms. This model reduces dependency on a single intermediary and creates a more sustainable pathway to scale.

Facility onboarding will also be controlled by APA, with strategic engagements underway with large healthcare networks such as Equity Afia, Penda Health, Bliss Healthcare etc. (covering more than 500 facilities countrywide). This will expand accessibility and strengthen quality assurance across different regions. On the digital front, APA will engage platform providers to manage onboarding, customer engagement, and claims processing, ensuring greater alignment and control of the technology channel going forward.

7. Lessons Learnt and Recommendations

The pilot generated valuable insights that will guide future iterations of Mzalendo Micro Health. Regulatory approval was successfully secured, APA's internal sales force proved effective in generating most of the sales, and the digital platform demonstrated the potential for seamless onboarding, premium collection, and customer engagement. Training of CHVs and informal groups also worked well in raising awareness and building trust at the community level, confirming that financial education is a critical enabler of insurance uptake.

At the same time, several elements did not work as expected. The intermediary-led hub-and-spot model delivered limited results, Ilara Health fell short of its facility onboarding targets, and APA initially faced slow internal adoption of the new operational processes. Facility coverage was also too limited, reducing accessibility and affecting

customer satisfaction. Despite these challenges, the pilot confirmed that there is strong demand for affordable, family-focused health insurance among SMEs, welfare groups, and informal households, and that trusted intermediaries such as CHVs play an important role in building confidence and driving uptake.

Key constraints included a high dependence on a single intermediary and limitations in the breadth of the healthcare provider network. Moving ahead, these challenges will be addressed through decentralizing distribution through APA´s internal channels and building partnerships with large master healthcare providers. In retrospect, earlier integration of APA's own sales channels and more structured assessment of partner readiness may have contributed to a smoother rollout. These insights have informed the evolving strategy and are being incorporated into the next phase of implementation.

Recommendations for similar initiatives include:

- Prioritize insurer-led distribution models rather than relying heavily on intermediaries.
- Invest early in building strong healthcare provider networks to ensure accessibility and user trust.
- Apply comprehensive partner assessments, focusing on operational capacity and long-term reliability.
- Leverage digital platforms that are fully aligned with insurer systems for smoother adoption.
- Embed customer feedback loops throughout implementation to inform continuous improvement and adapt services to evolving needs.

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