

CHAPTER ONE: INTRODUCTION

The use, adoption and integration of innovative technologies and tailored solutions hold promise for extending insurance access to, philosophically-speaking, ‘underserved’ communities globally. While micro-insurers in different contexts face constraints studies from the UK, Poland and Australia provide intellectually fecund examples of impactful approaches for strengthening operations. The background to this research output seeks to synthesise key insights aimed at informing future research on scaling micro-insurance in developing markets. The central strand or trope of argument in this monograph is that implementing a comprehensive operational risk management framework tailored to the local context can help microinsurance companies in Zimbabwe like SamChi Micro-Insurance more effectively manage risks and strengthen their operations, thereby better fulfilling their social mission of enhancing access to insurance for underserved communities.

Many insightful studies have been conducted in European countries. In the United Kingdom, Taylor *et al.* (2020) conducted in-depth case studies of five leading micro-insurers. They brought to the fore, through their study, the fact that automation strategies for streamlining underwriting processes, such as using machine learning to assess risk profiles from limited client data, were especially impactful in reducing errors and fraud risks. Meanwhile, digital tools for agent oversight, including geo-tracking policies sold and automated fraud checks, enhanced controls have never been accessed their plausibility thereof, especially in the Global South situatedness. Over in Poland, Wójcik *et al.* (2021) analysed a large micro-insurer's portfolio of approaches through interviews and documentation review. They observed the company prioritized customised insurance policy design tailored to diverse client needs. Digital claims processing platforms also bolstered transparency and accuracy. However, both UK and Polish studies noted resource constraints meant approaches often relied on basic technologies and manual reviews remained important.

Within Australia, the Insurance Council of Australia (2019) profiled ten microinsurance providers through surveys and focus groups with managers. A key finding was outsourcing of investment management and reinsurance to

experienced partners alleviated expertise gaps. This allowed focus on core underwriting competencies. Additionally, customising staff training programmes that combined online modules with field exercises helped ensure accurate application of processes by agents. A deeper case examination by Smith (2021) of a prominent Queensland farm insurer provided qualitative insights. Bundling basic property coverage with agricultural advising services and livestock health programmes addressed both affordability and financial literacy risks facing clients.

Micro-insurance holds potential for extending protection to many Africans currently excluded from formal coverage. The studies from South Africa and Botswana demonstrate approaches for navigating contextual challenges on the ground (Morrison, 2020). South Africa illustrates how leveraging local agents, and customised products can establish trust and meet community needs. However, Botswana demonstrates approaches reveals issues that threaten sustainability if left unchecked. Moving forward, regulatory adaptation and strategic technology integration show promise for strengthening controls while keeping costs low (Krairoj, 2023). This background examined such lessons for tailoring micro-insurance models to better serve households across diverse African settings.

Recent African analyses also offered novel and plausible perspectives. Mthombeni and Mupangavanhu's (2020) conducted an insightful in-depth case study of one of the largest micro-insurance providers in South Africa through interviews and focus group discussions. The study explored in detail the strategies employed by the insurer to effectively serve traditionally underserved communities. A key finding was the insurer's use of local community members as insurance agents. By training and certifying local ethical agents familiar with the area and culture, the insurer was better able to establish trust and address socioeconomic barrier faced by clients.

The agents also helped promote financial inclusion by educating clients and enabling accessibility through face-to-face support and flexible premium collection options. Furthermore, the study highlighted how the insurer designed customised family and women focused insurance policies (Garvin, 2020). These plans addressed risks most pertinent to households, such as

injury, illness or death of breadwinners. They also accounted for preferences and responsibilities of female clients. Through nuanced consideration of cultural and demographic realities, the insurer demonstrated how micro-insurance product design and distribution channels could be adapted to underserved markets in South Africa (Nelson, 2021). The case study provided valuable qualitative insights into inclusive strategies successfully navigating contextual challenges to meet client needs.

Botswana has a relatively developed micro-insurance sector serving over 25% of the population (Siriril, 2021). However, a study by Mooketsi and Seleka (2019) notes several operational risk control deficiencies jeopardising financial viability. Through a mixed method survey of 30 insurers, it was found underwriting guidelines were inconsistently applied often favouring short-term sales targets over integrity. Additionally, manual claims processes lacked transparency and fell prey to forgery.

In response, Botswana's Non-Bank Financial Institutions Regulatory Authority in 2021 mandated minimum automation standards for insurance companies. This has since prompted many insurers partnering with global insure-tech firms introducing biometrics integration, AI based underwriting and blockchain verified claims tracking technology (Thomas, 2020). Early progress is promising with reported 40% reductions in erroneous payouts and 25% rise in renewals. However, the high costs of systems remain a hurdle for smaller insurers. Going forward, incentive schemes promoting sector wide platforms may help optimize benefits of emerging technologies better serving low-income demographics (Oliver, 2020).

Zimbabwe presents unique challenges but also opportunities for expanding insurance access to underserved populations at the community level (Raymond, 2020). Recent studies provide valuable insights into strategies customised for national context. By examining partnerships between micro – insurers and established organisations like agricultural cooperatives, lessons can be drawn around leveraging social networks and infrastructure to boost outreach and education. However, resource constraints threaten the sustainability of promising models (Paul, 2020). This section analysed such findings on tailoring distribution and awareness efforts to local needs and

conditions, and on-going barriers to wider implementation that must be overcome.

Zhou *et al.* (2019) conducted an insightful survey-based study exploring strategies for expanding microinsurance access in rural Zimbabwe. The researchers visited two remote and impoverished districts - Mutare and Chimanimani - and distributed questionnaires to leaders of local agricultural cooperatives and insurance company agents operating in the areas. Through statistical analysis of the responses, Zhou *et al.* (2019) found that partnering with established community organisations such as agricultural cooperatives could help leverage the existing social capital and trust between these institutions and local farmers/residents. By working closely with cooperatives, micro-insurers could tap into existing networks and infrastructure to boost customer outreach efforts.

Additionally, the study revealed cooperatives were well-positioned to support financial education initiatives through workshops and informational sessions on insurance concepts (Darlington, 2020). This cooperative partnership model held promise for raising awareness and ultimately improving customer retention rates. However, the researchers also noted resource constraints were a major issue across most of rural Zimbabwe that limited wide-scale adoption of such strategies (Gambakwe, 2021). Micro-insurers faced difficulties in adequately training cooperative partners and agents due to budget limitations. This restricted scale of collaboration efforts between insurers and communities.

As economic challenges drive many Harare residents to seek risk protection solutions, micro-insurance is increasingly prominent yet also faces barriers to fully meet local needs (Mutukwa, 2023). Recent analyses provide important insights for strengthening appropriate inclusive models at the community level. While flexible premium options have expanded access points in high density suburbs, financial illiteracy threaten goals of well-regulated coverage (Byron, 2021). This section examines strategies insurers utilise to partner with grassroots and overcome such hurdles.

Microinsurance has been growing in importance in Harare as more low-income residents seek to manage risks in the unstable economic environment. A study by Chidozvo and Jinjika (2021) examining the market penetration of microinsurance in the city found that over 30% of households in low-income high-density suburbs now utilise some form of basic coverage. The three largest insurers in Harare - GetBucked, MicroKing and Hwindi - have led the charge in developing flexible premium payment options such as weekly micro-deposits that are more accessible for cash-dependent clients.

However, Chidozvo and Jinjika (2021) also reported that lack of financial education remains a major barrier, with many policyholders not fully aware of coverage details or claim procedures. To address this, insurers have begun partnering with community organisations, schools and churches to conduct educational workshops in local areas. While take-up has increased, the study concluded that significant further efforts are still needed if Harare is to achieve its national financial inclusion targets through appropriate, well-regulated microinsurance services for the most at-risk populations.

A case of Zimbabwe's pioneering micro-insurers, SamChi faced a crisis threatening its operations and reputation centred around and deficient claim processes. A fraud investigation unearthed vulnerabilities exploited through falsified documentation and loose authentications lacking independent oversight. With over half of death claims lacking proper validation, it was clear immediate action was needed if Harare is to achieve its national financial inclusion targets through appropriate, well-regulated micro-insurance services for the most at-risk populations.

SamChi Microinsurance faced significant challenges with its claims verification processes that undermined the integrity of its microinsurance services (Mawere, 2021). Over half of death claims submitted between March and October 2016 lacked a legitimate supporting document such as a death certificate (SamChi Microinsurance Report, 2016). A particularly suspicious claim from April 2016 involved a \$5,000 payout where the policy in question was only registered in November 2015, yet no death certificate was provided (Murahwa, 2019). Upon further investigation, it was discovered that the same

beneficiary had fraudulently claimed \$5,000 nine months prior for another individual without a valid cause of death documentation (Makumbe, 2020).

This exposed vulnerabilities and operational risks that allowed falsified documents to be wrongly approved for payouts. More broadly, SamChi Microinsurance faced issues because its verification system overly relied on approvals from local leaders rather than independent authentication sources, creating opportunities for claims fraud to take place (Maganga, 2022). With over half of death claim documents lacking proper validation, it was evident SamChi's processes were ill-equipped to deter fraudulent activity and protect the integrity of its financial inclusion offerings that were aimed at rural communities (Chekure, 2020).

To rectify these weaknesses compromising its credibility and mission, SamChi needed to implement robust reform measures to its verification practices, including mandatory death certificates, partnering with registration authorities, and education initiatives to prevent future document tampering or misuse (Moyo, 2016). Without addressing these administrative challenges highlighted in their fraud report, SamChi risked losing customer trust in its microinsurance products long term (Moyo, 2023).

Based on literature review, some key aspect of operational risk management strategies for micro-insurance companies are known. Studies like Rhad (2023), have explored sources of operational risks such as employee errors, technology failures and external events. Common risk management approaches employed include establishing formal procedures, conducting risk assessments, obtaining insurance, outsourcing non-core functions, and providing staff training. Regular reviews and adopting best practices from larger firms are also regarded as effective. Furthermore, the benefits of strong operational risk management identified include improved resilience, reliability, reputation, and profitability. However, there are also various gaps in knowledge about operational risk management strategies for microinsurance companies.

Literature on this topic within the Zimbabwean context is scant; there is therefore a dearth of literature in the area of study, with most research

focusing on other regions. While generic sources of risk and strategies are understood, what specifically applies to the local conditions and constraints faced by Zimbabwean micro-insurers like SamChi is unclear. Additionally, interactions between rational and institutional drivers of risk management approaches remain underexplored. The central of what is not known is the lack of empirical analysis and documentation of the operational risk management strategies employed specifically by micro-insurance companies in Zimbabwe.

There is a need to generate original evidence and insights from a case study of practices within the local market context. The study aims to address the central research gap by assessing the operational risk management strategies employed at SamChi micro-insurance, one of the major micro-insurers in Zimbabwe. A case study approach provided in depth examination of SamChi's customised approaches to balancing risk oversight with its social mission and constraints. Findings can advance both academic understanding and industry the best practices within the Zimbabwean micro-insurance sphere.

The aim of the study was to develop a model for managing operational management risks in micro-insurance organisations based on a case study of SamChi Microinsurance. The study aimed to address gaps in existing research canon by assessing the operational risk management strategies employed at SamChi Microinsurance, a major micro-insurer in Zimbabwe. A case study approach provided an in-depth examination of SamChi's customised approaches to balancing risk oversight with its social mission and constraints. The findings can advance both academic understanding and industry best practices within the Zimbabwean microinsurance sector.

Among pertinent objectives of the study, the study seeks, *inter alia*:

- To explore the plausible sources of operational risks associated with SamChi Micro-insurance operations;
- To assess the operational risk management strategies currently being employed at SamChi Micro-insurance;
- To establish the plausible benefits of effective operational risk management to micro-insurance companies;

- To design a framework that can be used to effectively manage operational risks at SamChi Micro-insurance and other similar micro-insurance organisations.

The study flows from the following priori, that is, intellectual preconceived conceptions:

- H1: Underwriting errors and fraud are among the major sources of operational risk for SamChi Micro-insurance.
- H2: SamChi Micro-insurance's current operational risk management strategies do not sufficiently address risks related to underwriting, fraud, and IT security issues.
- H3: Effective operational risk management can help reduce costs and improve customer satisfaction for micro-insurance companies like SamChi.
- H4: Implementing a comprehensive operational risk management framework will help SamChi Micro-insurance and other similar organisations more effectively manage operational risks.

The study sought to fill a significant research gap by examining the operational risk management strategies employed by microinsurance companies in Zimbabwe. There is currently limited published literature on this topic within the Zimbabwean context. The study collected primary data by assessing the approaches used by SamChi Microinsurance, one of the major micro-insurers in Zimbabwe.

Most existing research in the canon has focused on other regions around the world, such as Europe, Asia, and South Africa. The study provides an original analysis of a case study from Africa and specifically Zimbabwe. The findings generated new empirical evidence about best practices, challenges, and lessons learned from a micro-insurer operating in Zimbabwe as it strives to balance risk mitigation with access to insurance services. This will advance academic understanding of the microinsurance industry within the local context.

The research methodology and framework developed in the study, along with the findings, provided a model for further comparative case studies of operational risk management in Zimbabwe's microinsurance sector. Other

scholars could build upon this work by conducting additional case studies of SamChi or peer firms over time. The literature review laid out the current gaps in knowledge and identifies relevant concepts from other contexts that could be applied in Zimbabwe, guiding direction for future exploratory research.

Certain aspects of the study have potential to be published in peer-reviewed local and regional academic journals due to the novelty and relevance of the topic. Practitioners at SamChi and others in the microinsurance industry may apply the strategic recommendations to strengthen their own approaches. Regulators could use the insights to help develop a risk-focused regulatory framework and promote best practices.

By identifying strategies to enhance accountability and trust, the study supports SamChi's role in improving financial inclusion and community resilience. It evaluates how risk oversight can foster the sustainable growth of microinsurance to achieve social goals in line with Education 5.0 objectives. The recommendations may also inform capacity building through customised staff training, helping to transfer skills and problem-solving abilities. Ultimately, the research aims to produce practical knowledge on enhancing systems and processes within SamChi and across the microinsurance sector in Zimbabwe.

Delimitations are the boundaries that the researcher sets in a research study, deciding what to include and what to exclude (Nelson, 2022). They help to narrow down the study and make it more manageable and relevant to the research goal. In the case of studying an assessment of the operational risk management strategies employed by microinsurance companies in Zimbabwe using the case of SamChi Microinsurance, the following delimitations are identified:

The study focused on a specific time period that 2019 to 2023. This delimitation allowed for a more focused analysis of recent trends and developments within the organisations. Focusing on the time period of 2019-2023 allowed for a recent and relevant analysis. Looking only at the past few years provides data and insights that are most applicable to the current

business environment and risk management practices. Going back further was feared to introduce outside factors and changes that are less useful for the intended assessment.

The study will include managers and employees at SamChi Microinsurance. However, the delimitation will exclude managers and employees from other organisations or industries. Limiting participants to only SamChi Microinsurance managers and employees ensures the research captures information specific to that organisation's strategies and operations. Including other organisations could introduce variability in approaches and potentially dilute the findings for SamChi. The intention is to assess risk management at this particular company.

The study will primarily focus on developing an operational risk management framework for micro-insurance organisations based on a case study of SamChi Micro-insurance. This delimitation ensures a targeted investigation into designing a model for effectively managing operational risks at SamChi and similar micro-insurance companies. Considering additional concepts beyond analysing SamChi to establish an operational risk management framework could make the study too broad and unfocused from its core objective. Therefore, limiting the scope to "THE TAMING OPERATIONAL MANAGEMENT RISKS MODEL IN MICRO-INSURANCE ORGANISATIONS: BASED ON A STUDY OF SAMCHI" helps keep the investigation scoped appropriately to meet its intended goal of proposing a solution to operational risk management for micro-insurers.

The study will be carried in Harare urban. Conducting the study only in Harare urban allows for efficient data collection within a defined location. SamChi's head office is in Harare, so the risk practices being examined will be most relevant there. Including additional areas could add logistical complexity without providing meaningful additional insights for this assessment.

The study contains five chapters as below:

Chapter one: will furnish a general preamble to the study. Major aspects covered include the background of the study, statement of the problem,

research objectives, research hypotheses, significance of the study, assumptions, delimitations, limitations and definition of key terms.

Chapter two: discusses the review of related literature in detail. Key pillars discussed are the theoretical, conceptual and empirical evidence underpinning the study.

Chapter three: Dwells on the research methodology that will be adopted during the exploration of the study. Major components discussed include the research philosophy, approach, methods, strategy, design, target population and sampling, data collection, research instruments and data presentation and analysis and ethical considerations.

Chapter four: articulates how results were presented, analysed and discussed.

Chapter five: wraps up with a summary to the whole study and conclusions drawn regarding the major findings of the study. Recommendations are also made in this part of the study.

Chapter 1 has provided the background and overview of the study. The problem statement indicates there is limited research on operational risk management strategies for microinsurance companies in Zimbabwe specifically. The aim is to develop an operational risk management framework for SamChi Microinsurance through a case study approach. Key objectives are explored sources of risk, current strategies, benefits of effective risk management, and designing a framework. Hypotheses predict major risks relate to underwriting errors and fraud. The chapter justifies the research gap and potential contributions to theory, practice, and capacity building. Methodology, limitations, organisation, and definitions are also outlined to provide full context and scope for the study.